

Question 1 – Are there other areas you think the Partnership Agreement should address?

The Partnership Agreement's three identified thematic objectives broadly capture current development needs.

However, it is important to learn from the current programme experience of not being able to respond quickly enough to changing economic circumstances.

As such, we would recommend that sufficient flexibility is built into the Partnership Agreement to be able to review these priorities if need be to address currently unforeseen opportunities or challenges. The level of flexibility should not be restricted to the mid term review process.

The Partnership Agreement should:

- explain the relationship it intends to have with other EU funds and programmes. Specifically, the way in which the Scottish programmes will focus their activities on areas not supported under other Commission managed funds.
- make specific reference to the Commission's concept of Smart Specialisation and how this is reflected in the choice of thematic objectives and the Themed Funds.
- set out clear guidance for use of multiple funds within each theme and cross-theme working.
- provide an overview of additional horizontal themes.
- explain the relationship it aims to have with other EU funds ensuring complementarity as opposed to duplication with, for example, Territorial Cooperation programmes, LIFE, INTERREG, Horizon 2020
- be explicit about how stakeholders including local government will be included in the decision-making, management and delivery of funds.
- clarify issues around match funding and in particular the split between revenue and capital
- clarify the extent to which financial instruments will be a feature under the new programme. e.g. JESSICA. These have had mixed success in terms of effective delivery within Scotland.
- clarify the new delivery and governance arrangements and provide details of the selection process for lead partners and their terms of reference. e.g. legal authority, management arrangements, financial responsibilities, process for fund allocation (e.g. does lead partner take decisions for their cluster of projects)
- provide details of the simplification methodologies that will be used in Scotland.
- require a clear urban dimension and explain the role of structural funds in enabling Scotland's Cities to drive national economic growth and support delivery of the Scottish Government's Cities Strategy - the Agenda for Cities.
- Greater consideration of the urban agenda is required, To date there has been no mention of the potential for the UK to identify 20 cities within the partnership agreement that might benefit from additional support – who is negotiating for the inclusion of those cities in Scotland which could most benefit from this?

Question 2 – Do you think these thematic objectives will best address Scotland’s short-term and long-term challenges?

Yes. The thematic objectives align well with Europe 2020, the Government Economic Strategy and the National Performance Framework. These external policy drivers are well understood by CPPs and have influenced development of the new Single Outcome Agreements.

There is a welcome focus on local development providing scope to address both the recent consequences of economic downturn but also deep rooted inter-generational deprivation and skills deficits which affect many areas of urban Scotland and constrain sustainable growth.

Equally, however, there is recognition that if Scotland is to maximise future growth potential it needs to build on its areas of strength. The priority given to commercialisation of research activity is welcome. Our universities have established an excellent reputation in a range of research areas but need more support to ensure that the commercial potential of this activity is realised. Whilst the universities have a key role to play in this greater focus needs to be given to encouraging SMEs to approach the sector to ensure development of a two way flow of knowledge transfer activity.

The focus on low carbon and resource efficiency is essential to ensure that future economic growth is done in a sustainable manner and to help ensure that Scotland maximises the opportunities which exist to grow the marine renewables sector.

Whilst the broad themes appear appropriate there needs to be careful consideration how they will inter-link. Most important are the range of activities that sit under each theme. There are a number of areas of overlap which are discussed further under question 4. e.g. wages subsidies, access to finance, skills development, business growth

Question 3 – Do you think there are any other thematic objectives which should be addressed?

Sustainable Transport - enhancing physical connectivity in a sustainable manner is vital to future economic growth and should be given greater prominence. Rather than creating an additional thematic objective this could be accommodated by giving greater prominence to transport / accessibility under the existing low carbon theme.

Smart Cities and Communities – there is a need to ensure that structural funds complement other EU, UK and Scottish initiatives (such as the Technology Strategy Board) that address this agenda and allow for the development of smart energy networks, intelligent transport systems, the use of open source data and the development of new products, processes and services that support not only the low carbon agenda, but also citizen need, new ways of working for government, for example.

Question 4 – Do you think the Scottish Themed Funds will address Scotland’s key challenges?

Bringing together four different EU funds with different rules and regulations in a coherent way is challenging. The identified themes are a helpful and constructive way of bringing together the main priorities of these different funds. We would suggest, however, that they are referred to as “themes” rather than “themed funds” given that they are in fact a combination of 4 different EU regional funds.

The three themes would appear to broadly capture the main areas that local government / CPPs would be looking to prioritise in the new period but there is still a lack of detail on what lies beneath the broad headings, what the suggested activities would actually involve and the split between capital and revenue in terms of match funding. The existence of a broad list of activities is, however, preferable to a narrow listing which might present difficulties in addressing emerging challenges at a later date.

As mentioned under question 1 the need for flexibility to respond to emerging challenges will be important and the potential benefits to cities as drivers of the local economy also need to be clarified.

There is also a degree of duplication between the themes which needs to be carefully considered.

Specific comments on each of these themes are noted below:

Business Competitiveness, Innovation and Jobs

There are a number of activities within this theme that should perhaps move to other themes:

Wage subsidies would be better placed in the Local Development and Social Inclusion theme.

Medium to high levels skills development is addressed through this theme recognising the national importance of boosting skill levels in Scotland’s key growth sectors. Meanwhile developing skills for those furthest from the labour market is addressed through the local development theme. It will be important to ensure that addressing the skills agenda across two different themes does not result in duplication or the emergence of gaps in provision.

The business growth agenda is addressed across both this and the local development theme. A clearer distinction needs to be made between support for companies with growth potential (being supported by the Business Competitiveness theme and national agencies like Scottish Enterprise) and other locally delivered business support being channelled through the Local Development and Social Inclusion theme. The activities of the Scottish Cities Alliance might sit better under this theme than under local development.

We would expect that this theme would be largely delivered through ERDF funding with some ESF for skills development activity.

Low carbon, resource efficiency and the environment

This is a theme where there will be considerable pressure on resources and a need to prioritise those activities which can do most to contribute to sustainable growth in the Scottish economy.

The economic growth potential of the marine renewables sector is significant and those locations best placed to realise this opportunity are detailed in the National Renewables Infrastructure Plan. Given the scale of opportunity and the jobs potential associated with successfully developing this sector then priority should be given to activities, including infrastructure development, which help stimulate development opportunities and investment by renewable energy developers and supply chain businesses.

There is a degree of overlap between this theme and the Business Competitiveness, Innovation and Jobs theme in terms of issues like access to finance for SMEs which requires clarification. There is also an overlap with the Business Competitiveness, Innovation and Jobs theme in terms of skills development which also requires clarification.

Undertaking renewable energy research will be critical in order to position Scotland as a world leader in this sector and activities that support institutions like the newly established Offshore Renewables Institute in Dundee to undertake cutting edge research should be a priority.

Beyond the marine renewables sector there needs to be greater focus on sustainable transport as a priority activity area. The focus on eco-innovation is welcome but needs to be defined and could be used to fund activities that encourage use of eco friendly transport in our cities..

Local development and social inclusion

The focus on local development is a welcome one. Real change in Scotland can only happen through effective local development activities and this is enshrined in the principles that underpin the community planning process.

As mentioned above there are areas of overlap and potential duplication between this and the other two themes which require clarification.

We believe that wage subsidies should be included in this theme rather than the Business Competitiveness, Innovation and Jobs theme.

Consideration needs to be given as to how high levels skills development addressed in the Business Competitiveness, Innovation and Jobs theme will link with local led skills and employability pipelines which sit as part of the local development and social inclusion theme.

The Youth Employment Initiative may also sit better under the local development theme.

The role and activities of Business Gateway need clarification as the business growth agenda sits across both this and the Business Competitiveness, Innovation and Jobs theme.

We would expect that the main focus of this theme would be on ESF funding with some ERDF for local urban regeneration issues.

The large scale development activities of bodies like the Scottish Cities Alliance may sit better under one of the other themes.

Question 5 – How do you think the governance and delivery arrangements will impact on your sector?

See Question 6.

Question 6 – How do you think the governance and delivery arrangements will impact on your organisation?

Lead Partners

The proposed governance and delivery models are a major challenge to local government which is not a single unit like the national agencies and government directorates who are also identified as Lead Partners.

Local authority financial resources are not held centrally but instead are allocated to the 32 local authorities.

The project commissioning/procuring approach outlined is particularly hard for local government as each local authority has a distinct legal personality and the proposed approach for identifying match-funding at source does not align with council budget setting processes and our financial regulations – to which we have to be legally compliant.

Local authorities are unlikely to consider investing in a project where there is little or no benefit to their geographical area. At face value this appears to be the implication of asking the sector to act as a single unit. We believe this is unrealistic. Match funding which has been pre-committed to the three funds would effectively be lost to the local authority for use for other opportunities (e.g. transnational EU funds).

Whilst we welcome that local government has been identified to act as an equal partner with other stakeholder groups on the three strategic delivery partnerships, we think it would be difficult for local government to fulfil some of the SDP responsibilities as they are currently worded:

- ensure funding stability through the lifetime of the funding period by providing the initial match funding for the agreed operations; and
- be accountable for the impact of the Structural Funded operations.

There could potentially be ways around aspects of this with series of Memorandum of Understandings and Service Level Agreements between Lead Partners and Delivery Agents. The establishment of these arrangements would require significant legal input. However, there is a risk that attempts to put in place these arrangements may fail or delay the start of the new programme.

Local Development and Social Inclusion Theme - Building upon the CPP Model

Under the current programme there has already been a successful and decisive shift away from purely challenge based funding with CPPs coordinating project activity within their own localities. Local authorities have delivered this function on behalf of their CPP areas.

This has delivered a degree of simplification by reducing the number of individual projects the managing authority has had to deal with. There is a clear logic that underpins CPPs performing this role as it ensures that there is a link between resource allocation and responsibility for delivering against local outcomes defined in single outcome agreements.

We would therefore urge the Scottish Government to consider retaining this link and allowing local CPPs to act as lead partners for operational activities under the local development and social inclusion theme. e.g. for employability activities. There may be opportunities for individual CPPs to work together where there are natural alignments and align employability activities with other interventions that support business growth but these partnerships should be allowed to evolve and should not be enforced from the top down purely in the interests of administrative simplification.

Fulfilling a lead partner role for a number of local authorities would place considerable burden on the finite resources of individual local authorities who are already coordinating multi partner CPP programmes within their own localities. This would require investment in additional staff and potential lead partners would look for technical assistance monies and capacity building resources from the Scottish Government to support this.

There is also significant danger that lead partners would effectively become administrative bodies and the focus on driving project performance and better outcomes within their own localities would be lost.

If the Scottish Government wishes to promote the creation of super CPPs there will be a range of issues that require clarification and agreement including the structure of these new partnerships, governance arrangements, levels of financial accountability, the sharing of administration costs and the development of common processes and reporting arrangements.

The work and risks involved in attempting to develop these new partnership arrangements in a short timescale should not be underestimated.

For practical purposes it may be necessary to limit the number of partners to avoid the complexity and difficulties of managing a large number of partners across a wide geographic spectrum. The scope of these partnerships would also need to be carefully considered as lead partners may be able to oversee the management of a particular operation (e.g. an Employability Pipeline) but may not have the capacity assume this role for other operational areas. Where it was desirable to align a range of supply and demand side interventions it may be necessary to limit joint working to perhaps 2-3 regional CPPs.

Careful consideration would also need to be given to who fulfils the lead partner role to ensure that they are selected on the basis, not just of the level of match funds they provide, but to ensure that they have a strong track record and expertise in managing successful multi-partner, multi-sector projects.

Business Competitiveness, Innovation and Jobs and Low carbon, resource efficiency and the environment Themes

As outlined under the local development and social inclusion theme we believe that local authorities (on behalf of CPPs) are already coordinating complex multi project arrangements. The scope to fulfil this function for a broader geographic area is both inappropriate (breaking the link between local management of resources and delivery of local outcomes) and logistically a major, and potentially undeliverable, challenge.

Within the other two themes we believe, however, there may be greater scope for lead partners to emerge and for local authorities to engage, around activities that are already being managed at a national or regional level and which are less complex than, for example, the local multi partner employability programmes run by CPPs under the local development and social inclusion theme. Local authorities in the East of Scotland have an established track record of working and delivering projects at regional level. For example, East Coast Renewables Alliance and the East of Scotland Investment Fund. These partnerships are underpinned by a clear rationale and willingness amongst partners to work together and are not imposed or driven by administrative imperatives. Dundee City Council has also engaged in partnership projects with local organisations such as the BioPortal which is delivered in conjunction with the University of Dundee.

Local authorities continue to consider that they have a strong role to play in Themes 1 and 2 to support the development of sustainable regional economies in Scotland that create jobs and promote growth.

Strategic Delivery Partnerships

Regardless of who emerges in the medium term as actual lead partners it is important that effective shadow delivery partnerships are established to undertake the prioritisation of activities and to work through the details of the future delivery and governance arrangements

The issuing of invites to proposed members and the planning of initial shadow delivery partnership meetings in advance of the conclusion of this consultation exercise was therefore somewhat unhelpful placing those local authorities that had been invited in a difficult position. It failed to take account of the work of COSLA and ESEC who had facilitated discussions and gathered views amongst experienced officers. The lack of rationale or explanation around the selection of members resulted in confusion.

There needs to be effective dialogue between the Scottish Government, COSLA and regional bodies like East of Scotland European Consortium (ESEC) to ensure that there is broad consensus on the level of local government representation on each SDP and to ensure that the terms of reference for those who are attending is clear. Whilst senior representation is important in terms of the identification and commitment of match funding it is also important that officers with the day to day remit and expertise in EU funding form part of these delegations. This will ensure that senior staff are appropriately briefed and will enable the work of the SDPs to be shared across the appropriate stakeholder networks.

It would also be advisable to include COSLA and regional bodies such as ESEC in all communication regarding the SDPs to ensure that this wider communication and consultation role is carried out effectively. Local Government should be able to nominate its own representation and appropriate substitutes.

The option to broaden out these partnerships needs to be available so that further operational lead partners can emerge as more information becomes available on the terms of reference for lead partners.

Transparency

In terms of transparency and accountability, there are some risks with the approach proposed which need to be addressed. For example, there could be a project commissioned by the Scottish Government (SDP), delivered by the Scottish Government (DA), approved by the Scottish Government (PAMC) and monitored by the Scottish Government (Managing Authority). There are likely to be the same stakeholders acting at all levels of the decision making process, hence mechanisms need to be put in place to ensure that conflicts of interest are addressed.

Also, the selection processes for Delivery Agents need to be open and competitive (or 'in house' delivery by Lead Partners fully justifiable) and comply with either competitive bidding or procurement processes. There may be difficulties in explaining why one method (in house, competitive bid or procurement) has been chosen over another which could lead to administrative difficulties.

Outcome Funding

Where outcome funding is to be used appropriate milestones need to be set to reflect the fact that with some projects, particularly capital, some outcomes may not be delivered for a number of years.

Question 7 – Are there any unidentified governance or delivery arrangements that could aid simplification of the future programmes and ensure that the Structural Funds complement each other?

Need for Better Communication

The closure of the IAB and bringing their staff into Structural Funds Directorate has identified that the service the IAB used to provide in terms of communications is now missing. When dealing with more narrowly defined partnerships as this delivery model suggests, it is of the utmost importance that discussions are communicated to a broad audience and decisions are taken with as much transparency as possible.

The various Scottish Government portals for business, employability, etc should be utilised to get information into the public domain as well as more information published on the Structural Funds pages. We would also recommend publishing non-confidential PMC papers on the website in order to improve transparency of decision-making.

Question 8 – What other delivery options do you think would be feasible for delivering youth employment initiatives?

Given that the additional YEI will be geographically restricted to the South West of Scotland and targeted on unemployed young people it may be more appropriate that this is delivered under the local development theme. This may help to avoid disconnect between the activities of national agencies like SDS and local employability pipelines.

Although the East of Scotland does not qualify for YEI funding urban areas like Dundee continue to have large numbers of young people who are disengaged from the labour market. We would therefore suggest that SW Scotland is restricted from accessing other ESF funding for youth activities whilst funding remains available through YEI. This will ensure that those areas not covered by YEI funding are able to tackle this issue through other ESF funds.

Wage subsidy initiatives that build upon the recently introduced ERI scheme could continue to provide a means to get young people into the labour market whilst also providing a vehicle for SME growth. Current arrangements could be simplified through introduction of a unit cost model and made more attractive to employers by funding NI and training costs.

Question 9 – What other measures could be taken to reduce the audit and control pressures?

It is vital that, unlike under previous programmes, audit and reporting rules are explicit from the outset of the programme and these are clearly explained and communicated.

One of the biggest barriers to identifying Lead Partners in the SDPs will be audit and compliance as any potential lead partner would need to be able to specify the processes and systems used by delivery agents and ensure compliance. The work and costs associated with this could only be considered if technical assistance is available or the option exists to charge management fees.

The fact that consideration is being given to introduction of simplified costs for some EU Funding is a welcome development which could cut down some of the current bureaucracy. There is a need, however, for a greater sense of urgency around work to test current unit cost funding proposals with stakeholders. Lead partners will require time to prepare and put in place new processes and systems to underpin any new approach that is introduced. Work needs to be carried out across the country to establish if a single national pricing framework is feasible or to see if regional weightings are required.

The flat rate model would also remove some degree of administrative burden albeit this would only apply to indirect costs. Agreement on what constitutes Direct/Indirect costs when using the flat rate methodology will be needed from the outset of the new programme and should be specified in the national rules.

Approval on the scanning of documentation could also assist in terms of reducing the volume of paper associated with managing projects.

Question 10 – Do you have any further comments on the proposals?

None.