

Public Consultation on future Structural and Investment Funds 2014-2020

Fife Council response

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

Fife Council support the expectations for the Structural Funds as set out by the Commission and as summarised in the 3 bullet points from the UK position paper. It is important to recognise however that these are reflective of the current position and there is a need for the Partnership Agreement to have sufficient flexibility to respond to changing needs that may arise during the programming period.

The Partnership Agreement should set out the way in which the European Structural and Investment Funds (ERDF, ESF, EAFRD, and EMFF) will work together and also clearly explain the relationship it intends to have with other EU funds and programmes. Specifically, this should include the way in which the Scottish programmes will focus their activities on areas not supported under other Commission managed funds such as Horizon 2020 but will be complementary.

It will also be important to be explicit within the Partnership Agreement on how all **stakeholders** including local government and the third sector will be included in the decision-making, management and delivery of funds. This would help to demonstrate commitment to the partnership principle and code of good conduct set out in the Structural Funds Regulations. Beyond the key stakeholders mentioned the programme will have to take into account how employers are engaged and involved in their delivery. This is a key component of any programme and requires to be built into the themed funds.

The Partnership Agreement should also address how local development opportunities can contribute to wider strategic objectives. In particular it should recognise the impact that community led activities can have as a key component of Scotland's future development.

With regard to ERDF in particular there will be a need to cross-reference with the review of the Regional Aid Guidelines and the new regional aid map.

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

The thematic objectives are broadly in line with both the Fife Council Plan and the Fife Economic Strategy and therefore we would support these.

As noted above there is a need to be able to respond to changing economic circumstances which has not always been possible in the current EU programmes. As such, we would recommend that sufficient flexibility is built into the detail of the thematic objectives to be able to review these priorities if need be to address currently unforeseen opportunities or challenges.

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

While Fife Council would support the thematic objectives as the appropriate priorities, as detailed above, there are two areas which we feel could be more explicitly written into the detail of the objectives.

Sustainable Transport is not included currently. There have been a range of activities supported under Territorial Cooperation and Framework 7 projects and there is scope to extend these further. However the activities should not be restricted to what can be supported through the transnational funds, and complementary measures that bring additional local benefit should be included in the Structural and Investment funds. This would not require a new thematic objective but could be explicitly built into the low carbon theme where we could see a role for ERDF, EAFRD and EMFF under sustainable transport/accessibility activities.

There is also a danger of all the funds being concentrated on the young unemployed leading to the exclusion of other vulnerable groups, such as the older unemployed, who may not be able to get access to support.

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

As in Q2 above the Themed Funds tie in with local priorities in Fife and therefore we would be supportive of these as the main elements in addressing Scotland's key challenges.

However, it is unclear how the 3 Themed Funds will articulate the priorities of the individual Operational Programmes for ERDF, ESF, EAFRD and EMFF. If separate processes are needed for each fund within the overall Themed Fund then it is likely that the funding landscape will become more complicated rather than following a simplification agenda.

Also there are proposed activities which are duplicated within each Themed Fund and it is not clear how such activities could be, or should be, integrated across the themes. Proposed arrangements would potentially lead to separate applications being required, for example, in access to finance activities under each of the individual Themed Funds depending on the end beneficiary. Further detail is required on how the integration of such activities will be taken forward. Or indeed greater demarcation provided on what activities will be prioritised under each of the themes. While it is understood that this level of detail will become more apparent as the delivery arrangements are put in place, there is nonetheless a need for more transparency in how this will be taken forward and how stakeholders will be involved. A further example is business support where it would make more sense to place local/regional business support activity fully under the business competitiveness, innovation and jobs theme. This would ensure the most appropriate stakeholders are part of the peer review for that type of activity and would make the most sense in terms of likely local government delivery models.

Under the Business Competitiveness, Innovation and Jobs theme there is a need to ensure more directly how the needs of employers are met as key stakeholders in wider economic recovery. For example it will be necessary to move away from the funding of research infrastructure in its own right towards more engagement and commercialisation with employers – closer to the end outcome that we need to achieve. This type of activity will also need to compliment the activities that could be supported through Horizon 2020 to ensure there is no duplication. There is also a need to ensure that higher and sectoral skills are addressed through this theme – with the appropriate link to the local economies and the needs of the local employers.

Under the Low Carbon, Resource Efficiency and the Environment Theme there should be a greater focus on energy efficiency activities as well as supporting continuing market failures in renewable energies. There is also a need to add a development area around 'places of the future' which should include the 'smart cities and communities' agenda (smart energy networks, intelligent transport systems, energy efficiency in the built environment). This should include activities which cannot be delivered by the European initiative of the same name, but should also be complementary to that initiative.

In relation to social inclusion and local development the proposed activities do not adequately cover the types of activities likely to come from community-led development and instead appear to support larger scale activities aimed at delivering services to communities (top down rather than bottom up) and not encompassing the ethos of the LEADER programmes which the EC are keen to see. It is important to recognise also that the pockets of deprivation do not just exist in the cities and larger towns but are evident across the country. Barriers to employment and services exist in smaller towns and in some rural areas. The focus on addressing barriers to social inclusion are therefore to be welcomed.

Some of the current activities have focussed on how procurement processes can

bring about wider community benefit either through the introduction of community benefit clauses or developing the capacity of smaller business to take part in activities that are in place to support employment initiatives. This should continue to be promoted through the local development and social inclusion theme.

An area which could be added is around the promotion and support of labour mobility actions, to ensure that the labour market has the skills to move between jobs, occupations and geographical areas as may be required. This could include focusing particularly on up-skilling those with a low skills base, or retraining those threatened with redundancy.

In relation to ESF activities aimed at individuals, thought will need to be given to how progress is measured for those receiving help. In relation to those most at risk of being unemployed, the development of early intervention programmes (preventive spend) are a key component. However, these programmes do not immediately lead to employment outcomes as required but rather to “employability outcomes” e.g. progression to further education, training, work placement, voluntary work.

Overall, it is noted that the SDPs will have a key role in determining the next level of prioritisation and focus for the funds. However there is a need to consider how wider stakeholders will be included in the SDP themselves and also in the prioritisation process and, particularly to ensure the involvement of local authorities in those deliberations.

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

The proposed governance and delivery arrangements will exclude some of the current sectors and organisations from involvement. The impact will be different in relation to each of the Themed Funds as the sectors involved and the extent of this involvement will differ.

In moving to a single Partnership Agreement Monitoring Committee there will be very limited opportunity for local government to be involved at this level, despite the importance that is apparently being given to local development within the Partnership Agreement. This is also the case for the Delivery Partnerships, of which there will only be 3 to cover the whole of Scotland.

While CPPs and Local Authorities are included in each of the Delivery Partnership proposals, the extent of this involvement is not made clear. Local Authorities should be key partners in the delivery of activities under each of the Themed Funds and while the proposals make it evident that local authorities should have a lead role in the Social Inclusion and Local Development Theme, the sector would appear to be given less importance in the other 2 themes. Given the need to include expertise in a number of fields – urban, rural, fisheries, inequalities, town centres – as well as key growth sectors across Scotland, it will be difficult to ensure appropriate local authority representation in such small numbers.

The comments above have been superseded somewhat by the Scottish Governments invitations to join SDPs send out prior to the conclusion of this consultation process. This has been carried out without making it clear what the expectations are of the individual members of the SDPs or the expectations of the SDPs as part of the structures in their own right. Without this clarity, it is difficult for individuals and sectors/partnerships to understand the commitment they are being asked to make, including the extent of any financial commitment. Those with a role to play on the SPDs will require some level of operational support before and following meetings to ensure that they are properly representing the wider views of their partners or sectors. Fife Council believe that there should be a role for the regional consortia in this respect.

The proposals state that Delivery Partnerships will be accountable for the impact of the Funds – and yet they appear to be partnerships with no legal identity. They will also be expected to provide the initial match funding for agreed operations – and yet will not have access to funds other than their own funding as individual organisations rather than as a partnership body.

These concerns are reiterated in trying to understand the role of CPPs as part of these Partnerships, again primarily including entities which do not have a legal standing and do not have access to their own funds. Our preference is that there is recognition of the fact that the local authority sector cannot identify match-funding as a block and that the expectation on local government representatives taking part in the Strategic Delivery Partnerships should be more of a co-ordinating role, supported by letters of intent to identify budget on a case-by-case project basis.

Fife Council encourages the Scottish Government to increase the number of delivery agents that it proposes will be commissioned by the 3 Delivery Partnerships. While it is recognised that the intention is to develop a strategic approach to the use of the funds and to further develop the programming approach operating in the delivery of the current ESF and ERDF activities through CPPs and a number of national organisations, it is felt that to increase the scale further will be to the detriment of the activities that need to be delivered. The drive should come from the most appropriate scale for the activities being developed rather than starting with the number of delivery agents preferred and fitting the activities to that number. Community Planning Partnerships are already running complex multi-partner programmes that meet the needs of their local area – there is no guarantee that increasing the spatial scale of these programmes will provide better outcomes to be achieved or bring about efficiencies in administration. In fact it could lead to a greater administrative burden on the lead body, or more likely bring in an additional layer at the level of individual CPPs or sectoral leads to assist with the lead body role. This would essentially lead to mini-programmes within the delivery agent programme and mean more bureaucracy rather than simplification.

Greater clarity is required on the definition of an 'operation' before lead bodies will be able to commit to such a role. Does this mean that the lead body is effectively taking on all of the accountability for the operational delivery of the activities of the partnership, or is the role more one of co-ordination and collation of claims for

onward submission. Depending on this clarity there may be a need for lead bodies to charge a management fee or seek technical assistance to meet the costs of this role. It is also not clear what the benefits of this are, other than moving this role away from the Scottish Government to other agencies. Again depending on the expectations of the role, it will be difficult to identify appropriate and willing lead bodies to take on the responsibility for being a lead body or Delivery Agent. There is a risk in managing a supported programme on behalf of a partnership and lead bodies/Delivery Agents must be willing to carry that risk.

In relation to increasing partnership working then this principle is to be welcomed and the governance and delivery arrangements proposed would have advantages. The Strategic Delivery Partnerships have the potential to ensure that the programmes do not segregate into thematic or sectoral silos. There is an opportunity within this framework to enhance the partnership approach which is integral to EU programmes by encouraging greater collaboration between sectors. It is important that partnership is a key component of the operations agreed by the SDPs – single agency projects should not become the norm, justified on the grounds of administrative simplicity as these raise questions over the additionality of EU funds and undermine the partnership approach.

There also needs to be discussion on how the funds are split between capital and revenue activities. Capital budgets can be easier to identify for specific activities and therefore an indication of the likely split would allow all the partners to start to plan for what they will be able to contribute to in terms of delivery.

Within the East of Scotland, Fife Council has been collaborating in regional ERDF projects involving other sectors (Rural Tourism Business Support and Rural Renewables Supply-Chain Support), with local authorities acting as coordinators of local partnerships as well as within Community Planning Partnership delivering the ESF Skills Pipeline. Given the time it takes to develop partnerships, we believe we should be looking at the evolution of current existing partnerships where possible and only commissioning new ones where there is an obvious gap. Existing partnerships could also be encouraged to merge with other partnerships or extend to additional sectors where this makes sense for the desired operation activity being commissioned.

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

See Q5 above – the same issues are relevant for Fife Council as for the local authority sector as a whole. In addition there is the potential for local authorities to have to take on a dual role, as CPP representatives or lead bodies as well as in their own right as a partner. This needs to be acknowledged and perhaps more importantly clarified so as to avoid any confusion over the expectations being placed on local authorities either from the Scottish Government or from the other stakeholders.

In the current programme the CPPs have taken on the role of lead partner on the basis that there would be more local control over the use of the funds to meet local needs. However the administrative burden has not been reduced – just moved from the Scottish Government to the CPPs; or more realistically to the local authorities as the lead partner. The individual partners still have to provide the same level of evidence or increased level as audit rules have changed and grown. It is essential that if the SDP or lead body role is to continue and expand then it has to achieve more than a shift in the burden of administration and bureaucracy.

In addition there will be a responsibility falling on local authorities to look out for the third sector as it is not included in the proposals currently.

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?

If there are to be only a few Strategic Delivery Bodies and if Local Authorities are being expected to provide match funding (using part of their allocation from the Scottish Government) at the same time as their budgets come under greater pressure over the period of the programme then it is likely that there will be a reluctance or inability for local authorities to commit to providing resources which may not ultimately benefit their own local geographical area. One solution would be for the Scottish Government to provide the amount that is required for matching structural funds and allocate it to the Strategic Delivery Bodies – i.e. matched at source.

Another option will be through the use of delivery models such as Integrated Territorial Investments, Joint Action Plans and Community-Led Local Development which have not been specifically included in this consultation. It is understood that these will be explored in more detail in the Operational Programmes for the individual European funds in question. The use of these delivery models, which generally allocate funds to a given geographical area or activity for strategic, joined up investments should certainly be explored. These would allow activity to be delivered strategically in functional geographical areas (e.g. travel to work for employability) or at a sector wide level (e.g. food and drink in rural Scotland). The flexibility offered in these models through the use of lump sums or flat rate costs could also help alleviate audit and compliance issues

Question 8 – What other delivery options do you think would be feasible for

delivering youth employment initiatives?

While the Youth Employment Initiative will be available only in the west of Scotland it is important that the scheme does not create 'unintended consequences' for other parts of Scotland. Youth employment issues exist Scotland-wide, hence it is important that funding to address these is made available for all other areas of Scotland from mainstream ESF funds. Fife Council believe that this type of activity should continue to be supported through CPP led employability pipelines which represent all key stakeholders and agencies. Dealing with long standing youth employability problems requires a multi sectoral, holistic approach that covers both demand and supply side interventions.

There is a danger that too large a proportion of the overall ESF allocation is limited to delivering youth unemployment. While this is indeed a worthy element of the ESF programme it should not be the only element or attract too much of a focus based on our labour market indicators overall.

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

One of the biggest barriers to identifying lead partners in the SDPs will be audit and compliance. It may be difficult to identify organisations willing to take on the risks associated with the role of lead partner. As such, addressing audit and compliance issues is of fundamental importance. Where genuine partnerships are put in place, it is clear that all partners will have to use monitoring tools and systems specified by the Lead Partner. This, together with the administrative time involved in acting as Lead Partner, means that for an organisation to consider taking on that role either Technical Assistance needs to be made available or a Management Fee charged.

Audit currently concentrate on financial management which should only be part of their consideration. While it is important and there does need to be assurances that financial management is in place – the verification process should move beyond that to look more at procedures and processes, competency of management and staff, achievement of outcomes, financial management and audit/evaluation/review procedures. If agencies already have appropriate financial management processes in place then these should be recognised.

Work has already been undertaken into the use of unit cost methodology in the new programme. While this is to be welcomed if it leads to a reduction in the administration required in relation to audit and control there are some questions around how the unit costing method can be used when there is a drive towards early intervention and preventative measures. In these circumstances the outcome is achieved in a longer timescale and may not lend itself to unit cost calculations. Whilst it is clear that the Government must remove some of the audit burden by moving away from real costs, there must be full consultation with CPP's and local authorities directly before any proposal is finalised and not just have a new system

imposed upon us.

It appears currently as if there could be a mix of systems within programmes/projects with direct/indirect costs used alongside unit costs and in some cases procurement as well. The proposal seems to be for one set of unit costs to be used across Scotland but it is not clear how this can be utilised along with procurement activities which may turn out to have higher costs than the agreed unit cost rates for the same work. Whilst the CPP's are currently testing various models/costings, it is very difficult to comment on the advantages and disadvantages of this method until proper consideration has been given to this testing. The testing undertaken to date has already highlighted very differing unit cost rates being required to meet the needs of different geographical areas. It should also be noted that current models being considered/tested are designed for ESF activities and a simplified system for ERDF is still to be developed.

Whilst for some elements of CPP programmes, procurement may be the best option, again this hasn't been used by that many to date and more clarity on pros and cons and audit implications would be helpful in persuading Councils to move in this direction.

There also needs to be much more clarity on what evidence will be required for those achieving soft outcomes, if payments are to be made on outcomes under simplified costs. Equally, if payment is only made after outcomes are achieved, cash-flow is going to be a major issue.

A number of Third Sector partners use Full Cost Recovery at present as they only exist to deliver ESF programmes and the impact of unit costs will impact much harder on these organisations. If they are to continue to deliver then they will require to secure additional match funding and will turn to the Local Authority for increased assistance. Equally cashflow with all Third Sector partners has been a major issue and will only get worse if under a unit costs methodology payment is only made on results rather than immediately after the staff and other costs have been defrayed. Local Authorities are not in a position to pay advances and if the Strategic Delivery Body is not a constituted organisation it is difficult to see how it would be in a position to do so in the future.