

Structural Fund Programmes 2007-13: Lowland & Upland Scotland

North Ayrshire Council welcomes the opportunity to comment on the Scottish Executive's proposals for future European Structural Funds Programmes in Lowlands & Uplands Scotland for the 2007-13 period. We will be submitting comment to the Highlands & Islands programmes under separate cover.

In the period 2000-2006, our area has secured support from seven European Structural Funding Programmes: the Highlands & Islands Special Transitional Objective 1 Programme; the West of Scotland Objective 2 Programme (core and transition); the Scottish Objective 3 Programme; the Scottish EQUAL Community Initiative; the Scottish LEADER+ Community Initiative; the Interreg IIIB Northern Periphery Programme and the Interreg IIIC Programme.

These programmes have played an important role in helping to address the diverse combination of regional development challenges we face in North Ayrshire, from the industrial restructuring issues faced by a number of our mainland communities through to the geographic and natural barriers to development faced by our island communities.

This response is therefore informed by the experience that the Council has gained through working on these areas over many years, and also through the experience of working in close collaboration with partners in the West of Scotland and the Highlands & Islands regions.

In that context, we wish to indicate our support of the detailed comments on the proposed programmes for the region which have been developed and submitted by Members of the West of Scotland European Consortium.

Consultation Questions

Q1 Are there any additional socio-economic factors to be considered – and which structural funds can address – in assessing the strengths, weaknesses and opportunities of Lowlands and Uplands Scotland?

- reduction in the overall level of structural funds in Lowland Scotland will require a realistic approach to be taken as to what the programmes can achieve
- the only prospect of the programmes making a real difference lies in assistance being highly concentrated on a small number of communities and themes; with total available funds for the 2007-2013 period equating to about £60m per year the programmes are unlikely in themselves to make a measurable impact on the region's aggregate economic performance (total GVA in the LUPS area amounted to around £74bn in 2003)
- Lisbon "earmarking" constraints will also affect the type of projects which can be supported and this will require to be taken into account when the Scottish Executive is considering domestic budgets eg nearly half the ERDF for the 2000-2006 period was allocated to infrastructure and tourism development projects but future Structural Fund support for these activities is likely to be severely limited
- in the West of Scotland there is a particular need to sustain the momentum for recycling derelict and vacant land, as this acts as a powerful drag on the regeneration of many communities; the reduced capacity to support this activity is of concern as ERDF assistance has made a significant contribution to accelerating the process of bringing back such land into productive use

Q2 Do the proposed priorities for the 2007-2013 ERDF programme in Lowlands and Uplands Scotland address the strengths, weaknesses and opportunities of the region?

- no, as they fail to give sufficient weight to the spatial distribution of economic need in the programme area

- the Council supports the detailed comments on the Competitiveness Programme which have been developed and submitted by partners in the West of Scotland European Consortium; in particular the Council would support the following contentions:

p7	the assertion that worklessness is particularly acute in rural areas needs to be corrected as the data contained elsewhere in the document (eg page 24) makes it clear that this phenomenon is more associated with urban and former industrial areas
p8	the regional analysis of changes in corporate stock and in the enterprise base adds considerable weight to the argument for spatial targeting under ERDF Priority 1
p30	the role of the social economy and social enterprise in improving the indigenous enterprise development of the most disadvantaged urban communities needs to be explicitly recognised
p68	we would wish to be kept informed of future discussions on the possibility of the use of JEREMIE and JESSICA as mechanisms for providing development capital to enterprises and for providing long-term revolving funding for enterprises in disadvantaged communities

Q3 Do the proposed priorities for the 2007-2013 ERDF programme in Lowlands and Uplands Scotland show appropriate coherence and concentration?

- as the analysis sections demonstrate, the biggest economic development challenges lie in the West of Scotland, both with regard to the size and dynamism of the business base and the location of socio economic disadvantage; unfortunately this is not followed through in the subsequent architecture of the programme.
- experience of current programmes raises concern that ERDF Priority 1 proposals would direct substantial structural funds to areas that are already performing well in terms of the Lisbon agenda and where market failure is not evident; analysis of the Scottish Co-investment fund and the Scottish Executive SMART and SPUR programmes demonstrate a spend ratio of about three to one in favour of the East over the West of the country; if a high level of spatial targeting is not introduced to this Priority, there is a likelihood that the much lower volume of funds available will drift from the parts of the LUPS area with a less developed business base to the more successful regional economies of lowland Scotland; targeting could be at NUTS 3, local enterprise company or local authority area.

Q4 Do the proposed priorities for the 2007-2013ESF programme in Lowlands and Uplands Scotland address the strengths, weaknesses and opportunities of the region?

- this section would benefit from the inclusion of analysis on issues such as trends in the overall labour supply, the age profile of the labour force and the potential impact of migration
- in addition the Council would support the detailed comments on the Competitiveness Programme which have been developed and submitted by partners in the West of Scotland European Consortium

Q5 Do the proposed priorities for the 2007-2013ESF programme in Lowlands and Uplands Scotland show appropriate coherence and concentration?

- it is not clear that a separate priority for lifelong learning is required as the bulk of the activities envisaged under ESF Priority 3 could be subsumed within the other two priorities; experience of the 2000-2006 Lowland Scotland Objective Three Programme suggests there was some initial difficulty in generating sufficient projects to meet the 10% allocation to the Lifelong Learning Priority (Priority 3), necessitating these activities being included in the “rolling programme” process; it is worth noting that only two priorities are proposed for the Employment programmes in England, Wales and Northern Ireland and these are broadly comparable to the proposed Priorities 1 and 2 in the Scottish Employment Programme

Q6 What are your views on the proposed balance of funding between priorities for the future ERDF programme for Lowland and Upland Scotland?

- overall a split of monies along the lines of 40%/40%/20% would be a better response to the economic and SWOT analyses
- as indicated under the response to Q3, if almost half of the resources are not spatially targeted (48% proposed for ERDF Priority 1), the experience of recent programmes is that there is a substantial risk that the vast majority of supported activity will take place in the more prosperous parts of Scotland (uptake of these funds can be slow, particularly in the West, and there is the additional risk that quality issues could be overtaken by the imperative to meet N+2 targets); this could result in widening rather than reducing regional economic disparities within Scotland
- the Executive should be prepared to justify a greater proportion of the activities foreseen under Priorities 2 and 3 as being compatible with Annex 4 of the Structural Fund General Regulation (ie “Lisbon compatible”); as a last resort it could seek an extension to the list of Annex 4 activities according to the procedure laid down in Article 9(3) of the Regulation.
- there should be clarification on which parts of the country are considered “urban” and which “rural” (possibility that some areas will be unable to access support from either ERDF Priority 2 or 3)
- over two thirds of the population of the LUPS area live in areas that are either “large urban” or “other urban”, with 89% of the 15% most deprived data zones falling into these two categories, equivalent to a population in excess of 700,000; as a comparison, the more rural classifications contain areas with a combined population of just over 60,000; the proposed allocation to these priorities (€97m for urban and €77m for rural – equivalent to a 55%/45% split) would therefore appear flawed

Q7 What are your views on the proposed balance of funding between priorities for the future ESF programme for Lowland and Upland Scotland?

- as indicated in the response to Q5, the case for three priorities under the ESF programme is questionable; if it is finally decided to proceed with the three Priority structure, we would argue that a **50%/40%10%** allocation should be considered

Q8 Do the proposed priorities outlined in the draft Operational Programmes focus sufficiently on the right priorities in Scottish domestic policy?

- only Scottish Executive strategies are mentioned in the text of the document – some reference should be made to regional and local strategies promoted by other sectors such as local government as it is through these more localised frameworks that much of the activity foreseen in the Scottish level strategies actually takes place

Q9 What are your views on how the principle of environmental sustainability has been integrated into the Operational Programmes?

- the late publication of the LUPS Environmental Report precludes a detailed response, however we welcome the recognition that Scottish partners have had considerable experience in integrating the principle of environmental sustainability into Structural Fund programmes; this involves ensuring that the project selection process gives appropriate weight to these issues and that organisations and individuals who have the necessary expertise are involved in the programme management process

Q10 What are your views on how the principle of equal opportunities has been integrated into the Operational Programmes?

- the late publication of the LUPS Equal Opportunities and Racial Impact Assessments precludes a detailed response, however we welcome the recognition that Scottish partners have had considerable experience in integrating the principle of environmental sustainability into Structural Fund programmes; this involves ensuring that the project selection process gives appropriate weight to these issues and that organisations and

individuals who have the necessary expertise are involved in the programme management process

Q11 What are your views on how the Operational Programmes will ensure complementarity between structural funds and other EU funding streams?

- it is insufficient to suggest that complementarity with other EU funding streams will be ensured through an annual meeting of the relevant management authorities as this would effectively involve the Scottish Executive talking to itself!
- the monitoring of complementarity with other EU funding programmes should be carried out at partnership level; a regional dimension could usefully be built into this system; the model could be extended to cover the rural development and fisheries programmes, the transnational cooperation programme with Ireland (relevant to the South and West of Scotland) and also to the Seventh Framework Programme
- North Ayrshire Council has developed and discussed a model with partners in the West of Scotland European Consortium which illustrates this proposal (see Appendix 1); further comment on how this system might work is included in the response to Q16

Q12 How can the challenge fund approach be improved to make it more effective in delivering outcomes and more efficient in operation?

- current challenge fund approach in Scotland widely applauded at EU level and has advantage of being widely understood; fine tuning rather than radical overhaul is suggested; appraisal systems for the challenge fund process should place more emphasis on the fit between the applications and relevant local and regional strategies and plans; this is required to address the fact that the programme will cover (at least in ERDF terms) a much wider geographical area

Q13 What would be the most effective approach to using Community Planning Partnerships and other local partnerships for the delivery of elements of the programme?

- welcome the recognition in the document that Community Planning Partnerships could play a significant role in the programme delivery arrangements
- in addition to the direct role envisaged for elements of ERDF Priority 1 and ESF Priority 2, Community Planning Partnerships could fulfil a similar function under ERDF Priority 3 (see response to Q15)
- outwith these areas of activity, Community Planning Partnerships could also have a role in verifying the fit between project applications and local strategies (this would apply to all other priorities); this is illustrated in the response to Q16
- within North Ayrshire, the Community Planning Partnership has identified an important strategic objective in supporting the work of the Irvine Bay Urban Regeneration Initiative (and the Irvine Bay URC) in delivering against a specific set of objectives tied to the regeneration of the area; the concentrated focus of URC effort to achieve these objectives ought not to be diluted by the process of programme delivery
- see covering letter for additional comment on this aspect of the consultation process

Q14 What are your views on spatial targeting for community regeneration under ERDF Priority 2 and ESF Priority 1?

- the Scottish Executive Regeneration Policy Statement, *People and Place*, should be used as the key tool in informing the process of spatial targeting which needs to be applied across the proposed Priorities
- funding should be targeted at selected urban areas, linked to local plans of regeneration
- as the Executive are aware, the Irvine Bay Urban Regeneration Company will shortly be submitting their business plan for the area
- experience gained in recent years in the Western Scotland Objective 2 Programme with limiting support to the 15% most deprived data zones suggests that the dispersal of the worst 15% datazones across the territory of the authority can make the development of regeneration or labour market projects problematic; a less mechanistic approach may be

beneficial which would afford Community Planning Partnerships the opportunity to define their own coherent spatial priorities and so be able to bring together the areas of need with localised areas of opportunity

Q15 What are your views on spatial targeting for rural development under ERDF Priority 3?

- areas should not be eligible for funding merely because of their “rural” nature but rather on the basis of proven economic circumstances
- the proposal to allocate an unspecified proportion of the monies available under this priority to the South of Scotland requires much more rigorous justification – there is no evidence put forward to indicate that the problems in this part of the LUPS area are any more acute than those in other parts of rural Scotland
- an Action Plan approach may have some value in allowing integrated packages of small scale actions to be supported by the Structural Funds, but should be piloted in the first instance with approach subsequently extended to other parts of rural Scotland

Q16 Do you have any additional comments on the draft Structural Funds Programmes for Lowlands and Uplands Scotland?

- **COMMISSIONING PROJECTS:** The proposal to “commission” projects from the Scottish Enterprise network under ERDF Priority 1 represents a major change in programme management and views from stakeholders should have been explicitly sought as one of the consultation questions. The merits of this approach have not been demonstrated and the arguments put forward in its favour in the consultation document rely on assertion more than evidence. For example it is not clear how the quality of financial control would be of a higher quality in a commissioned project as opposed to a challenge fund project. Both types of project have to comply with the same monitoring and audit arrangements to satisfy the structural funds regulations.
In addition, the indication that the projects commissioned would be “region wide” in scope reinforces the concerns that these activities would take place in the parts of the LUPS area where there is already a dynamic private sector and a high level of innovation and RDT activity. Should the decision be taken to proceed with this mechanism then it should be done so on a time limited pilot basis. Moreover the “commissioning” should be initiated by the partnership (through the Programme Monitoring Committee) rather than by the Managing Authority acting unilaterally.
- **DECISION MAKING STRUCTURES:** Although the consultation does not explicitly solicit views on how the programme should be managed below the level of the Monitoring Committee, it is relevant to raise this matter at this time. The Mid Term evaluation of the Western Scotland Objective Two Programme (December 2003) identified major problems with the credibility and performance of the Programme Monitoring Committee. In contrast the roles of the Programme Implementing Committee and the Advisory Groups were perceived much more positively. These latter aspects of programme management should be retained for the 2007-2013 programmes.
The attached flow chart (Appendix 1) demonstrates a Structural Fund delivery model which was developed by North Ayrshire Council working in conjunction with partners in the West of Scotland European Consortium. This decision making structure aims to:
 - draw on the widely understood and respected Scotland partnership approach
 - retain the expertise of stakeholders in project appraisal
 - ensure that projects being put forward for support are genuinely embedded in local strategies
 - provide a mechanism for coordinating structural fund activity with other EU funding streams at an appropriate spatial level

We would welcome the opportunity to discuss and further refine this model in discussion with the Executive and the wider partnership.

Alternative Structural Fund Delivery Model?

