# European Structural Funds 2014 – 2020 Programmes:
# Scottish Government Public Consultation
*This response is subject to formal approval by the Council*

The City of Edinburgh Council welcomes the opportunity to respond to the consultation on the proposals for the implementation of the 2014-2020 European Structural Funds. Our response offers comments in response to the consultation questions as follows:

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

Broadly speaking the Partnership Agreement sets the agenda and is fairly clear. The key thing is to match to existing Scottish Government investment and use Structural Funds to ensure added value/additionality. The programme should build on what is already there and avoid creating anything new for the sake of it. Taking a "one application" approach to applying for any fund is important. Rather than applying for funds in isolation, as happens currently with ESF and ERDF, the Partnership Agreement should set the template for complementarity between the funds.

An appropriate balance of support and skills training across all age groups should be ensured, aligning with the Opportunities for All focus on youth unemployment and the DWP Work Programme etc. The funds should encourage an inclusion approach and not just be focused on youth unemployment.

One area that might have been missed from the Partnership Agreement concerns explicit reference to the health & wellbeing agenda. There are obvious positive medical and resource impacts for the NHS with clear mental health link to employability. Various linkages could be made with health, but Structural Funds might not be the area for development of these.

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

In general the priority themes appear to have been covered, but it very much depends on how the above will be translated into detailed programme content and fundable activities. It is important that sufficient flexibility is built into the Partnership Agreement to address changing economic circumstances throughout the programme period. It should be noted, however, that the broad range of themes also brings the risk of diluting effectiveness and spreading the funds too thinly.

The sustainability of the support provided by ESF might be a problem: a balance needs to be found between deepening support for longer term sustainability and at the same time not creating over-dependence on grant support. More thought into exiting from projects/programmes is needed. What happens when the grant runs out? A lot of organisations are reliant on ESF to be operational; this should not be the case. The activities developed need to be sustainable in the long term if they are to have any effect. If they only operate for a limited period they are unlikely to have a long term effect.

Scotland is facing long-term challenges requiring long-term solutions/support to achieve meaningful impacts. The opportunity for more strategic, long-term thinking is to be welcomed.

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

Although perhaps covered under SME competitiveness, it is important to spell out the serious long-term issue of "Business Financing" and how without fixing this problem, the potential of the Scottish economy will not be realised. More investment is required with loan and equity funds based in Scotland. Social Enterprise is also not mentioned and we believe should be added.

Again the health agenda could be explicitly referenced here; it is arguably even more applicable to Scotland. There is an easily identifiable group which require support with obvious linkages between health & employability, social inclusion etc. A pilot programme could be set up which if successful would encourage further investment.

Clarification is required to terms such as 'eco-innovation'. Edinburgh has a significant pipeline of 'green projects' including retrofit of buildings, district heating systems, electric car charging, pilot low carbon demonstrator projects – to what extent might these be eligible? Also some of the proposed eligible activities in the Theme of Business Competitiveness, Innovation and Jobs may be applicable to the Local Development and Social Inclusion Theme.

As mentioned above there needs to be long term investment and consideration given to extending funding beyond even the programme period to support mainstreaming of intractable issues.

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

The listed actions appear comprehensive but will not be supported in all areas due to the different eligibility rules of each fund. Without the detail it is difficult to assess this or know whether or not specific activities listed under the Themed Funds would be restricted to rural areas.

We would like to ensure the inclusion of infrastructure (business premises, incubator facilities), social enterprise and also that knowledge transfer includes 'general' commercialisation /exploitation of academic research. To fully exploit sources of regional competitiveness requires innovation and enterprise support to be interpreted in the widest sense.

The detailed content of the Themed Funds should be sufficiently broad to allow a range of activity within broad interventions, avoiding overly prescriptive descriptions of eligible activity, as experienced with the current programmes.

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

The recognition of the lead roles of local authorities/CPPs is welcome as is the opportunity for local authorities to take a leading strategic role in all three funds. As the statutory lead organisations for community planning, local authorities have a key coordinating role in facilitating partnership activity and ensuring funds are spent to best effect in their territory, being best placed to understand local economic needs and strengths of their areas. For example Edinburgh's economic development strategy - Strategy for Jobs - maps out the key sectoral strengths, assets, weaknesses and opportunities for growth in Edinburgh, the wider city region economy and the labour market.

Delegation of funds to a local authority, CPP or other appropriate partnership offers the opportunity for programmes to be managed and targeted at opportunity and need in a coordinated way to meet local needs, and for resources to be pooled together strategically by partnerships to deliver greatest impact and added value. The successful ESF Skills Pipeline CPP programme in Edinburgh has demonstrated the value of collaboration across diverse sectors to create effective multi-agency pathways support for disadvantaged clients with multiple barriers to achieve maximum impact.

However, it is unclear how the proposed Strategic Delivery Partnerships would operate in practice, given local authority partnerships for employability, skills and regeneration are usually organised at local authority level. Would local authorities assume the lead as in the current CPP arrangements? We have some concerns that if this is in addition to the CPP structures already in place, governance of Structural Funds might begin to get as complex and confusing as the delivery landscape we have been trying to tidy up.

Guidance regarding the anticipated scale of partnership would be helpful, as would the envisaged number of SDPs across the programme area. Are we looking at groupings of local authorities or still continuing a series of partnerships in individual local authority areas? eg city wide, Edinburgh and Lothians, South East Scotland city region, Job Centre District area, SLAED, East Coast Renewables. The preference would be for individual local authorities/CPPs (or natural voluntary groupings) to be able to run local employability pipelines/strategic programmes as appropriate based on economies of scale/labour market coherence and to have a direct relationship with Scottish Government in its role as Managing Authority.

Large artificially created partnerships might be unworkable, risk shifting the compliance and administration burden to Lead Partners and would be unlikely to deliver efficiency gains. Would, for example, a single lead CPP be expected to act as guarantor for the match funding and compliance of other partner organisations? This would cause confusion as to where ultimate responsibility lies. Clarity is required as to whether lead partners are being asked to commit match funding with no guarantee of receiving EU income.

The likely impact of the SDPs will depend on the commitment to the process by other partners. If they are contributing match funding then agreement on roles and responsibilities can be addressed in bringing partners together to oversee the programme in the SDP. A shared responsibility among statutory partners drives them to add value and delivers a "buy-in'. The local authority should not be left to lead in isolation.

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

We welcome the opportunity to combine our own resources with Scottish Government and EU resources via greater strategic collaboration with public agencies and key partners to deliver increased impact from our investments. There is considerable scope to make integrated use of ERDF and ESF funds to address strategic gaps in the city's economic development strategy, building on and extending existing successful initiatives to achieve better outcomes for our communities and businesses. For example:

- to further reinforce the city's joined up approach to tackling the totality of employability challenges across the skills spectrum, including enhancing our employer engagement work;
- considerable opportunity to further develop the Business Gateway partnership and enhance advisory and business development services in Edinburgh and the rest of Scotland; continuing the drive to minimise duplication, improve signposting to services and the sharing of resources;
- opportunity to fully exploit the learning from the Interreg Open Innovation project to work to improve business to academia linkages and create a Scottish OI project including eg masterclasses, bootcamps, pop-up shops, an IP toolkit. This transnational project, lead by the Council, has shown best practice examples of collaboration across Europe, which have started to be implemented in Edinburgh;
- build on the success of the East of Scotland Investment Fund and create a larger fund for innovative businesses;
- support implementation of the Connecting Capital broadband programme via support for digital skills/lifelong learning and apprenticeships, digital participation, entrepreneurial and demand stiumulation initiatives, uptake of ultrafast technologies for e-commerce, SME collaboration and networking etc.

The new programmes and partnerships need to be sensitive to the varied needs of the different territories within the programme area, recognising that there is no single economy. Funds should be managed by partnership organisations that have the capacity, expertise and knowledge of local needs.

It is hoped the proposed Strategic Delivery Partnerships will free up more resources to focus on service delivery away from onerous time-consuming bureaucracy and avoid imposing additional administrative burdens through complicated multi-partner structures, as mentioned above.

If the local authority has the lead responsibility then technical assistance funding should be available to support the setting up of a properly resourced team/programme management office with skilled staff including dedicated finance expertise with effective management information systems. This would enable an overview of the leverage being secured, appropriate expertise on the ground and complementary management of different EU funds to secure maximum synergies.

**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?**

This would be easier to answer once a programme has been designed.

The more match funding that can be marshalled at source by Scottish Government the better - to streamline and simplify access to the funds.

Where a strategy is in place, such as our Strategy for Jobs, we should be able to access the Structural Funds to add value by drawing strategic leverage and accelerating activities. The option to use alternative delivery models such as ITI, CLLD and JAPs should be kept open within the Partnership Agreement to potentially support strategic and innovative approaches.

It is important not to operate the three Scottish funds in isolation. A matrix should be created to enable complementarity between each of the themes and to ensure additionality. There are clear linkages between each of the themes and you could even argue that there is no reason for the separation between them. A disaggregation can create a silo mentality and see projects operating in isolation. Consistency across programmes, application processes, definitions and performance measures is essential for this to work.

Different types of activity can only access certain funds - no different to using Capital or Revenue budgets for appropriate eligible costs. There therefore needs to be a single well resourced programme management office with separate budget lines covering full programme management linked to performance monitoring function.

In addition, would simplification not be aided if the local authority took the lead role in full as the local authority and not within a Strategic Delivery Partnership? There appears to be a real danger here of simplifying the audit/claims process but shifting bureaucracy to the delivery arrangements instead. More specific detail on how the delivery partnerships would be set up and lead partner roles and accountabilities is required. If a functional structure already exists why create something new with additional partnership layers bringing further complexity?

We welcome the move to unit costs and contracting, as long as there will still be scope for partners to also deliver a simplified cost arrangement that can be applied to contractors and partners.

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

We do not wish to dismantle the integrated skills pipeline built up through considerable investment of time, effort and resources with partners in the city. This includes significant investment made by the Council in providing other supporting infrastructure around Gateway services.

Operationally the Strategic Skills Pipeline in the city blends ESF Priority 5 activity with other local initiatives (Edinburgh Guarantee and YES, and JU4B/ERDF Growth Fund). As a local authority the Council has been able to direct its resources to achieve strategic leverage and economies of scale.

As an education authority working with young people, local authorities have a leading role to play in delivering youth employment support including the employer recruitment premium. Through Business Gateway funding we are able to provide a linkage to growing businesses in the local economy.

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

Clear, concise, specific and consistent guidance is vital - we would wish to avoid having to navigate through reams of paper with lots of irrelevant information resulting from integrated guidance across all the funds, including those for which we might not be eligible.

The most obvious measure would be for the programmes to be match funded at source. This would allow for a single "pot" of funding to be accessed and for a consistent set of rules/procedures to be devised. It would also aid the ability to pay on an outcomes/results unit cost model basis which is a significant shift in the philosophy of how a fund such as ESF has operated historically.

Scottish Government should lead on the implementation of unit costs or the introduction of procured services. This has already happened to some extent for projects throughout the country but on an ad hoc basis. The audit pressure is significantly reduced if services are procured appropriately with standards set for delivery. This needs to be devised upfront with clear direction from Scottish Government.

Before the programmes start there should be clear guidelines established. It would also be beneficial for standard templates to be available for use by all. This again improves consistency of approach, allowing audits to be carried out more seamlessly. An enhanced management information system would also help in this regard. It is critical that any successor MIS system to Eurosys is thoroughly road-tested on both experienced and new applicants and project managers.

The re-introduction of an advance of the grant payment would be beneficial. Projects should be awarded grant on the basis of their applications and what is intended to be delivered. Any concerns about eligibility etc should be addressed then, not when the project has delivered activity and is fully operational. An advance would be paid on the basis of the application and further grant paid if appropriate progress has been made. Consideration would also be given at certain points as to whether funding should continue; this would be set out in the contract.

Finally it would be helpful if there was more direct involvement from the Scottish Government in the audit/compliance of projects. Rather than a hands-off approach there could be a specific team whose role was to specifically engage with projects throughout the country. The aim of this team would be to work with projects to ensure compliance requirements are met in full, rather than an enforcement/authoritarian approach. This would bridge the gap prior to audit and help to ensure compliance before it is too late. Such a team would be made up of people with appropriate Structural Fund expertise and could include secondments from other organisations as required.

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

Once funding is awarded flexibility should be retained by delivery agents so that the activity being delivered can be varied as required to meet emerging changing priorities and circumstances. This could be built into any commissioned service with review periods etc in the contract. The overall focus should be on priority needs and being absolutely sure of the service specification before procuring the service.

There should be a general move away from "grant funding" and continuous multiple application processes. If a higher level of responsibility is to be given to the SDP then that should be matched by entrusting them to deliver as appropriate.

The consultation process and continuing engagement with stakeholders will hopefully lead to an "unmasking' of European funding to a certain extent, making it more accessible and user friendly. Everybody should be working together to maximise impact of activity and make best use of the money that is available. Robust systems should of course be developed but by working together, error rates etc can be minimised.