

Public Consultation on future Structural and Investment Funds 2014-2020

East of Scotland European Consortium response

Prelude

The East of Scotland European Consortium (ESEC) is a local authority membership organisation with a political board that collaborate on a shared EU agenda as it affects economic development in the region. Our members have experience of delivering EU funds in three decades, often in collaboration with each other.

As part of this consultation process, we commissioned Hall Aitken Associates to help facilitate three workshops on the future funds on:

1. Strategic projects and Financial Engineering
2. Delivery Models
3. Local and regional strategies

The final report is appended to the response to be taken into account as part of the public consultation process.

Part 1 - Strategy

QUESTION 1 – ARE THERE OTHER AREAS YOU THINK THE PARTNERSHIP AGREEMENT SHOULD ADDRESS?

The Partnership Agreement's three identified thematic objectives generally reflect the **current development needs** of the East Scotland. Focusing activity and decision-making on projects around these three themes should lead to increased demarcation between the four EU programmes (ERDF, ESF, EAFRD, and EMFF) and improve programme synergies, though a lot will depend on yet to be defined details of how this might work in practice. However it is worth drawing on our 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.

It would also be useful if the Partnership Agreement could 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.

This is particularly important to do for the Territorial Cooperation programmes which Scotland is eligible for (Northern Ireland, the Border Region of Ireland and Western Scotland VA; Atlantic VB; Northern Periphery VB; North Sea VB; North West Europe VB; and Inter-regional Cooperation VC), given they form part of the ERDF family and have close objectives. Whilst some of these programmes may not currently be as advanced in their development of future thematic priorities, it is important that the final version of the Partnership Agreement demonstrates where it is anticipated that the Territorial Cooperation programmes add-value and complement activity planned through the Scottish Chapter of the Partnership Agreement.

The EU rules for structural funds indicate that 5% of Member State funds need to be ring-fenced for **sustainable urban development** and delivered through an Integrated Territorial Initiative. We would expect to see reference to how this will be implemented in the UK within the UK and Scottish Chapter of the Partnership Agreement.

The Partnership Agreement ought to 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. Smart Specialisation should lead to a more demand-led innovation system and would give an enhanced role for civic society within our triple-helix models.

Related to this, is the need to be explicit within the Partnership Agreement of how **stakeholders** including local government, further and higher education 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.

The Partnership Agreement should also outline details of the **Horizontal Themes** and the role anticipated under each of the three themes including the decision-making structures. We believe that equalities still merits being a Horizontal Theme, and that Environmental Sustainability had a broader and more meaningful role when it was called Sustainable Development under the 2000-2006 programmes. We are also concerned that through the proposed delivery model, innovation could be lost by being more directive about which operations to fund. It may therefore be worthwhile, adding innovation (in its broadest sense) as a horizontal theme across the regionally delivered EU programmes.

Reference should also be made to the review of the **Regional Aid Guidelines**, which are likely to require that future regional aid schemes are in line with regional strategies and specifically ERDF programmes.

QUESTION 2 – DO YOU THINK THESE THEMATIC OBJECTIVES WILL BEST ADDRESS SCOTLAND’S SHORT-TERM AND LONG-TERM CHALLENGES?

ESEC supports the choice of themes, whilst at the same time acknowledging that there could be very little deviation from the selected themes, based on the European Commission’s rules for more developed regions such as Scotland.

QUESTION 3 – DO YOU THINK THERE ARE ANY OTHER THEMATIC OBJECTIVES WHICH SHOULD BE ADDRESSED?

Sustainable Transport is notably missing, given the number of high profile Territorial Cooperation and Framework 7 projects which exist within the East of Scotland. It is also an obvious contender for inter-city or regional scale projects – which would complement the direction of travel within governance and delivery proposals. Such a priority should be limited to delivering activity which the transnational funds cannot fund. We would see a role for ERDF, EAFRD and EMFF under a sustainable transport/accessibility theme. However, this theme could equally be given prominence under the low carbon theme which is already included.

As highlighted elsewhere in this consultation response, sustainable urban development is a specific feature of future structural fund regulations. Urban communities as key drivers of economic growth should be more explicit a priority.

QUESTION 4 – DO YOU THINK THE SCOTTISH THEMED FUNDS WILL ADDRESS SCOTLAND’S KEY CHALLENGES?

It is clearly a very difficult task to bring together four different EU funds with different rules and regulations in a coherent way, even with the existence of a common provisions regulation and common strategic framework. The identified themes are a helpful and constructive way of bringing together the main priorities of these different funds. However, we find the terminology a tad confusing. ‘Scottish Themed Funds’ are in fact combinations of four EU regional funds and their associated match-funding. We prefer the terminology Scottish Strategic Themes.

As the themes are currently presented they would address Scotland’s key economic, social and environmental challenges. However, there is still a lack of detail on what lies beneath the broad headings and what the suggested activities would actually involve. In addition, we would question whether the EU funds allocated to Scotland would be suffice to deliver all of the listed activities. That said, we would prefer a broad listing of activity to a narrow one which makes it harder to change our minds about what to fund, faced with unforeseen challenges or opportunities (as outlined in question 1). So in short, they are the right challenges but EU funds available are unlikely to entirely solve those challenges for us.

We would also like to point out that the selection of themes by the Shadow Strategic Delivery Partnerships ought to go out to wider consultation, as a step before the Operational Programme consultation, as a way to test their appropriateness with wider networks and communities of interest. We also believe that there should be an on-going mechanism to feedback Shadow SDP work to wider stakeholder networks. Shadow SDPs should provide evidence and rationale on why an activity is included or excluded during their discussions.

As stated in question 1, there needs to be flexibility to adapt our strategy if we find the economy and market failures shift during the course of the programming period.

Care needs to be taken to ensure that activities within the themes are properly demarcated as there are a few areas of duplication. Equally, care needs to be taken with the use of terminology so expectations are not unduly raised regarding what is actually going to be fundable.

More specific comments on the identified activities under each theme are:

Business Competitiveness, Innovation and Jobs

- Whilst future skills development is well placed within this theme, wage subsidies should be a feature of local development theme only. Having this in two different priorities, defeats the purpose of trying to ensure that national and local providers are entirely in-tune with one another. This would happen more effectively if it was within the one priority, rather than trying to tie two similar work areas together.
- It would make more sense to place business growth pipeline support activity fully under this theme. This would ensure the most appropriate stakeholders are part of the peer review for that type of activity and encouraging policy alignment between the stakeholders involved in that group. There are important linkages between possible business support activities using EAFRD in priority 3 (especially LEADER) and activities under this theme. There are proposals which could see LEADER taking on the role of awarding grants to individual rural businesses and clearly there needs to be complementarity between that and other local/national provision. Thought does need to be given in designing delivery models about how they could be integrated or at very least complimented, given the relative autonomy entailed with the CLLD model which LEADER uses.
- The strong focus on commercialisation is welcomed given it is repeatedly identified by economists as a particular weakness in Scotland. Comments made in question 1 in relation to Smart Specialisation and demand-led innovation are particularly important within this agenda, as is ensuring there is clear demarcation between what is planned in this area and what is possible under Horizon 2020. By addressing these three issues, we believe there would be a step-change in our approach to innovation.
- In terms of Structural Funds, we see this theme as mainly an ERDF fund with some ESF for strategic skills issues related to Scotland's key sectors.

Low carbon, resource efficiency and the environment

- The bench-mark of Scotland's contribution to the Europe 2020 targets identified that Scotland is already strong in relation to renewable energy deployment. Whilst clearly there continues to be a need to address market opportunities (especially in relation to the deployment of key infrastructure) within the sector, arguably the biggest challenge Scotland currently faces is actually energy efficiency. Greater prominence should be given to energy efficiency as a result. Specifically, within the energy efficiency agenda we would like to see greater prominence given to decarbonising key and energy intensive sectors, which we believe, is a key challenge which would lead to most significant outputs for investment.
- We would prefer the use of the term "Green Technology" instead of "Renewables" within the text of the Operational Programme, as this gives a wider definition which might include work on resource efficient businesses.
- We would like 'places of the future' – or words to that effect - added as a development area and this would include the 'smart cities and communities' agenda (smart energy networks, intelligent transport systems, energy efficiency in the built environment) under this theme covering activity which cannot be delivered by the European initiative of the same name.

As stated in question 3, we think sustainable transport is a missing priority.

Local development and social inclusion

- As commented above – wage subsidies should be focused within this priority and local/regional business support moved to the first priority.
- We would like 'places of the future' – or words to that effect - added as a development area (perhaps as part of community regeneration) and would include small scale high-street renewal or joint innovative initiatives which would enable/unlock private sector investment in this area.
- 'Community regeneration' should be more firmed up as an activity area as it could raise expectations of what is likely to be fundable.
- We would be minded to move the Cities Alliance membership of the SDP to the second theme, where their interests are more likely to be met and would have more appropriate peer review as such.
- We would welcome clarity around what "marketing support" would entail.
- In terms of Structural Funds, we see this theme as mainly an ESF fund with some ERDF for local regeneration issues.
- In terms of Local Action Groups for fisheries and rural communities, cognisance needs to be given within the governance and delivery arrangements for wider

activities, that they need autonomy to choose their own priorities and themes. Care is needed not to restrict their menu or options too much and coordinate the work of this SDP with plans to draft LEADER business plans and strategies.

Part 2 - Governance and Delivery

QUESTION 5 – HOW DO YOU THINK THE GOVERNANCE AND DELIVERY ARRANGEMENTS WILL IMPACT ON YOUR SECTOR?

Local Government cannot act as a single unit

Local government is likely to find it hard to respond to the governance and delivery models proposed as it cannot act as a single unit, unlike 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 does not align with council budget setting processes and our financial regulations – to which we have to be legally compliant.

It is an impossible expectation to ask a local authority to invest in a project where there is little or no benefit to their geographical area. Yet this is what is implied by asking the sector to act as a single unit. We believe this is simply 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). That could be a hard to sell within our budget setting process.

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.*
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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 – which would take months to make their way around council Legal Departments. However, there is a danger that in trying to ‘simplify’ the process for the Scottish Government, it simply becomes an unattractive proposition for local government.

Our preference is that there is recognition of the fact that the sector cannot identify match-funding as a block (unless matched at source on certain budget streams) and expect more of a coordinating role from local government representatives taking part in the Strategic Delivery Partnerships, supported by letters of intent to identify budget on a case-by-case project basis. We could imagine regional partnership to delivery structural and investment fund activities where partners have different roles in terms of delivery (i.e. organisations don't need to do everything and match funding should reflect that). We accept that more strategic discussion is needed within and with local government to overcome the obstacles the proposed bundling of match-funding through SDPs presents for local government.

There should also be a mechanism for allowing new sources of match funding to be used during the course of the programming period from local government and adapting for unforeseen priorities of the future (e.g. potentially Dundee City of Culture 2017 as was done for Glasgow 2014 Commonwealth Games). Otherwise there is a danger that the programmes will only fund generic known activities with little new or innovative projects, which would be a loss given their high-profile nature.

Equally, there needs to be a discussion on how the funds are to be split between capital and revenue activities. Capital budgets are always a lot easier for local government to identify and as such it would be useful to get an idea of the revenue/capital envelopes the future programmes are working to.

Evolution of Partnership Principle

The governance and delivery arrangements do have considerable advantages which East of Scotland local authorities want to sign up to. The Strategic Delivery Partnerships in particular could ensure that these programmes do not segregate along stakeholder lines and would make it difficult for activity to be delivered in thematic or sectoral silos. There is an opportunity within this framework to enhance the partnership approach which is integral to EU programmes by encouraging better 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.

However, the approach also has the risk of being centralist and top-down in its agenda-setting, and that jars with the bottom-up nature of local government. Great care needs to be taken not to “force” an uneasy partnership, as they inevitably fail. The best project (or operation) partnerships tend to be bottom-up and take considerable time to bed in to become effective. However, that said, partnerships often need a catalyst to form, and a tweaked version of the governance and delivery proposals could offer that opportunity.

Within the East of Scotland, local authorities have been collaborating on a couple of regional ERDF projects involving other sectors (Rural Tourism Business Support and Rural Renewables Supply-Chain Support) and have acted as coordinators of local partnerships 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 (not necessarily funding that partnership to do more of the same activity) and only commissioning new ones where there is an obvious gap. There is a danger that trying to bundle or refocus existing well-functioning partnerships it would lead to a loss of focus for not much gain. Existing partnerships could be encouraged to merge with other partnerships or extend to additional sectors where this makes sense for the desired operation activity.

Dual role of local government on the SDPs

ESEC believes that local government has a dual role within the proposed delivery and governance proposals which should be acknowledged and clarified.

Within the 'Local Development and Social Inclusion' SDP local government is likely to be represented as coordinators of Community Planning Partnerships and the representatives of multiple voices that need to be heard from the local partnerships (which include partners also represented directly on the SDPs).

Within the other two SDPs, local government's role is likely to be more direct, in that it should be more representative of its own sectoral interests, rather than that of the CPPs.

6-10 operations unworkable

ESEC understands the Scottish Government desire to reduce the number of projects and bundle projects of similar project activity. Having run a number of partnership projects using ERDF and ESF within the region, we know how useful it can be to work in partnership on a shared agenda.

However, we also believe that 6-10 operations per SDP is simply not a desirable starting point. Given the 'dual role' we outlined above, we believe there is a massive difference between asking the 'sector per se' and asking the 'sector and our partners' to limit operations by bundling local partnerships, in the different SDPs. Clearly, where local government is acting on behalf of a diverse and large local partnership through the Community Planning Partnerships, this is a different task to say coordinating food and drink business support organisations or organisations with an interest in supporting the renewable energy supply-chain. The Community Planning Partnerships are already running complex, multi-partner programmes that fit the local agenda and increasing the spatial scale of projects is no guarantee of achieving better results or indeed efficiency gains. It could lead to confusion as to where ultimate responsibility lies and introduce a further source of uncertainty in terms of relationships. For this reason, we support regional approaches in the two 'thematic' priorities (1 & 2) and believe that operations addressing local development – through the 'place based' priority (3) - should by nature be more local in design. In some cases adjacent CPPs may wish to come together, as has happened in the current programme, but the presumption should be against forced amalgamations of CPPs in the name of simplicity from the Managing Authority's perspective.

Lead Partner and Deliver Agent/Operations

We also believe that greater clarity is needed over the role of what an “operation” actually could entail in functional terms. Does it require an entity which takes full accountability for the operational delivery of its partnership or is it an entity which collates and aggregate claims for the procured activity? Is there a role for “Lead Delivery Agents”?

Likewise there is an urgent need to get a full understanding of legal requirements of being a Lead Partner and explore ways of being able to satisfactorily manage risk in that role, before organisations will be able to take on that role. As stated in question 5, there are cumbersome legal ways around this for one local authority to act as a lead for other organisations but given this is the case, those taking on the lead role would need reassurances about their role and how concrete its parameters are. During the delivery of the current LEADER programme Audit Scotland moved the goal posts in terms of compliance in their interpretation of the EU rules. When moving to a model of procurement as is proposed, those delivering the activity would be secure and clear of their role and should any clawback be enforced the risk lies entirely with the Lead Partner. It would be very difficult for any Lead Partner to underwrite that risk on behalf of others. This approach would mean that National Rules would need to be watertight before activity commenced. We also find it hard to imagine procuring operations activity beyond a year at a time, given all sectors now generally work to annual budget plans. No Lead Partner realistically would be able to underwrite the risk that their (or their sectors’) budget will be at the same level to fund 2-3 year operations.

Local Action Groups and Community Planning Partnerships

From the consultation the future delivery and governance arrangements for Local Action Groups (LAGs) tasked with delivering EAFRD and EMFF funds to facilitate bottom-up, community-led local development is unclear. Currently Local Authorities play a critical role in providing administrative, management and financial support to many LAGs and FLAGs. It is unclear how this ‘LEADER’ model of delivering funds will fit into a relatively top-down management and delivery structure unless LAGs are seen as Delivery Agents/Operations with the Scottish Government Rural Communities and/or Fisheries Communities team as Lead Partner but with the autonomy to manage their own budget and oversee actual delivery to community-led projects (as per LEADER regulations).

This approach could also be replicated for CPP-led strategic skills pipeline projects, with a lead organisation such as a Local Authority acting as the Delivery Agent on behalf of its associated CPP. The CPP itself would then be given control or autonomy of how to spend its allocation of funds, provided that these meet with the fund rules. However, this could potentially require Scottish Government Communities Directorate to act ‘Lead Partner’ on the SDP if no willing Local Authority is found.

Structure should fit content

Through our own workshop sessions we have identified a number of projects we would want to prioritise within the three themes and this led us to identify some suitable delivery vehicles. Within the 'thematic' priorities, these models are of a regional nature (e.g. East Coast Renewables, East of Scotland Investment Fund). Delivery needs to be the product of the desired activity, so in many ways discussion on delivery and governance is premature when activity has not been worked up by the SDPs.

Additionality and Innovation

We need to be careful in what is essentially a top-down approach to identifying operations, that innovation and currently unforeseen opportunities are not entirely lost. As outlined in question 1, the SDPs need to be able to review their activities should they find that their commissioned activity is not leading to the right outputs or if the market has naturally taken care of the issue. We might also consider adding innovation (in its broadest sense) as a horizontal theme to the operations' assessments in the hope that this raises the bar for all future projects.

Another concern about the delivery model and its top-down nature is that it could become more difficult to prove/evidence additionality.

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.

Representation on the SDP

Given the difficulties local government face in acting as a single unit, we believe that the most effective representation for local government will be around potential/likely Lead Partners or other delivery vehicles. In our case, we expect East of Scotland representation on themes 1 and 2 and believe this geography would offer an effective representative voice for CPPs, LAGs, and FLAGs under theme 3 too. A single local government voice would be unworkable given the diversity of local government.

It is important that local government is able to monitor developments across the three themed funds to ensure linkages in discussions. We are keen therefore that the SDP

representatives are able to receive operational support before meetings (not necessarily just from within their local authority) and we have identified individuals who should be included (cc'd) into Scottish Government emails in relation to the SDP meetings. We also think it would be useful in terms of making linkages between the three SDPs if the regional consortia lead officers were cc'd into such emails or could act as observers to some of the SDPs.

It would be good practice to identify a number of alternates given the initial work of the Shadow SDPs takes place over the summer holiday period.

We are suggesting the following structure to east of Scotland local government representation:

SDP	Representative	Operational Support (cc'd)
Growth	East Lead: Douglas Duff, Falkirk Council	Thematic: Pamela Stevenson, Fife Council, East of Scotland Investment Fund and Business Gateway Board
	East Alternate: Stan Ure, Dundee City Council	Regional: Ingrid Green, ESEC
Sustainable Development	East Lead: Robin Prestwood, Fife Council	Thematic: Barbara Whiting, Fife Council and East Coast Renewables
	East Alternate: Belinda Miller, Aberdeenshire Council	Regional: Ingrid Green, ESEC
	Scottish Cities Alliance Lead: David Littlejohn, Perth & Kinross Council	Thematic: Serge Merone, Perth & Kinross Council (Lead East of Scotland Renewable Energy Supply-Chain ERDF project)
	Scottish Cities Alliance Alternate: David Coyne, Glasgow City Council	National: Iain McCreaddie, Scottish Cities Alliance
Local Development	East Lead: Stan Ure, Dundee City Council	Thematic: Michelle Gautier, Dundee City Council (ERDF and ESF support – Chair CPP Network) and Alison Smith (EMFF and EAFRD support –Lead East of Scotland Rural Tourism Business Support ERDF project)
	East Alternate: Neil Prentice, Angus Council	Regional: Ingrid Green, ESEC

Highlands & Island Programme

We support the case that the Highlands & Islands of Scotland should continue to have a separate Operational Programme to the rest of Scotland. The economic geography of the

Highlands & Islands is sufficiently distinct from the rest of Scotland that it merits an independent programme to deliver its 'transition status' activities.

QUESTION 6 – HOW DO YOU THINK THE GOVERNANCE AND DELIVERY ARRANGEMENTS WILL IMPACT ON YOUR ORGANISATION?

This very much depends on how issues of representation on the SDPs and financial commitment are sorted out for local government. However, assuming a regional approach is pursued, ESEC would assume a coordinating and communications role between its local authority Lead Partners on each of the SDPs, to ensure all east coast local government activity compliments each other. This would have the effect of making ESEC much more operational in nature than it currently is. ESEC would also consider directly hosting project managers on behalf of its members for joint activity. This would have the advantage of being able to link that work to the transnational EU project development support work which ESEC already provides for its members, enabling east coast local authorities to take a more strategic view of the EU funding landscape.

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?

Place-based delivery models

The use of place-based delivery models such as Integrated Territorial Investments, Joint Action Plans and Community-Led Local Development has not been specifically included in the Partnership Agreement 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 help alleviate audit and compliance issues.

Communications & Transparency

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.

Learning from Territorial Cooperation Programme

East of Scotland local authorities have been delivering regional wide projects through ERDF during the current programmes. In developing those applications and delivering the activity we drew heavily from approaches practiced in INTERREG circles, such as separating workload into work packages so all partner play a role, having a Service Level Agreement between partners and the Lead Partner, convening Project Steering Committees etc. There is a considerable level of evaluation of these programmes and learning from which could be transferred to the proposed delivery models which also put emphasis on multiple partners.

One area we feel strongly about is ensuring the right people, with the right skills are on the Strategic Delivery Partnerships. We have learnt to our peril through the SRDP's RPACs that committees can prove ineffective when the right knowledge is missing from the group. We believe that coordinating representation through "sector delegations" with 3-4 representatives per delegation would be one way to overcome the issue of having the right representation, whilst insuring it is manageable for the chair. We would also recommend having a delegation whose expertise relate to the horizontal themes to observe and make recommendations on progress on achieving those aims. Each delegation acts with a unified voice and meets beforehand to go through the meeting agenda. Projects are usually agreed by unanimous consensus without much controversy. The result would be a much stronger partnership– one which is pre-programmed towards consensus through thinking and acting as a delegation. Getting the right skills set on the SDPs will be critical for their success. It will be especially challenging in themes 2 and 3 where there is likely to be quite strongly divergent interests from urban and rural perspectives.

QUESTION 8 – WHAT OTHER DELIVERY OPTIONS DO YOU THINK WOULD BE FEASIBLE FOR DELIVERING YOUTH EMPLOYMENT INITIATIVES?

While the East of Scotland would not be eligible for funding under the Youth Employment Initiative criteria, its delivery will have implications for employability activity across Scotland – and we should be very mindful that the scheme does not create 'unintended consequences' for other parts of Scotland. Youth employment issues do exist in pockets Scotland-wide, hence it is important that funding to address these is made available for all other areas of Scotland from mainstream ESF funds. Given the large volume of funds the West of Scotland is anticipating to address youth unemployment through the YEI, it would be preferable to us if that meant they were restricted to that pot of ESF for youth unemployment and that they were not able to access mainstream ESF for that particular thematic area. If it were to work as a top-up, there is a danger that too large a proportion of the overall ESF programme would be limited to delivering youth unemployment. Whilst youth unemployment is an important issue to address it should not necessarily be a main focus of a Scottish ESF Programme based on our labour market indicators.

As highlighted in the response to question 4, there is overlap between Funds 1 and 3 in terms of provision for employability and skills development. This creates a tendency for

duplication, given organisations whom operate nationally (i.e. SDS and SCVO) the opportunity to operate in isolation to CPP-led, multi-agency skills pipeline projects. Given that the additional YEI will be geographically restricted to the South West of Scotland and targeted on unemployed young people, it would appear more appropriate for it to be delivered under '3' under social inclusion and local development. Furthermore, given that the third sector is represented on CPPs (as is SDS), support for this activity would be more appropriately channelled through the CPPs which should 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.

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 to act as Lead Partner and those who do are less likely to be willing to work in partnership with other organisations if they are in effect underwriting activities outwith their control. This may lead to an approach of commissioning or in house delivery of activity by single organisations, with questionable added value and opportunities to reduce duplication through partnership working lost. As such, addressing audit and compliance issues is of fundamental importance. Where genuine partnership will be attempted, 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.

Of particular interest to us is the opportunity to move away from output to outcome-based monitoring, facilitated through the use of lump sums, flat rate costs and unit costs. The present system of providing a paper trail from invoice to bank statement for all items of expenditure is inefficient and costly, given the staff resource required to provide this information and the data collation and retention risk. We need to start work to examine ways in which operations could be structured and how best to manage the level of risk involved in being Lead Partner, through payment on milestones rather than final outcomes which could present cash-flow issues for some.

In light of difficulties in the LEADER Programme it is important to ensure EU audit regulations are not 'gold plated' in Scottish context in terms of being more prescriptive and defined which inevitably leads to additional audit scrutiny. Involving auditors at the outset should improve this in the next programme period and ensure alignment of the EU regulations, partnership agreement and operational plans and any technical guidance issued.

HALL AITKEN

June 2013

**European Structural Fund projects and
Models of delivery**

Report on workshops organised by ESEC

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The new programmes are expected to have hardly any challenge funding. This requires local authorities to plan a mini-programme or programme of works for a seven year period which complement the objectives of the Operational Programmes.

Key strategic and financial engineering workshop



Overview

The Scottish Government is drafting the next generation of EU Programmes in Scotland in preparation for the new 2014-2020 EU programming period. The Scottish Government are responsible for developing a programme known collectively as “*European Structural and Investment Funds*”. This includes:

- the European Regional Development Fund;
- European Social Fund,
- Rural communities aspects of the European Agricultural Fund for Rural Development (EAFRD) which includes the LEADER Programme; and

- Communities aspects of the European Maritime and Fisheries Fund (EMFF).

The Scottish Government will outline how these four EU Funds will be used in the UK in a Partnership Agreement document. The Scottish Government are drafting a Scottish chapter to this document and they have planned a public consultation starting in May which explores the Programmes’ Strategy.

Current Scottish EU Funds have operated through a challenge fund approach of awarding projects. There has been some experimentation with a type of commissioning of projects through Community Planning Partnerships who manage local employability and skills partnerships, Strategic Delivery Bodies (SE and UHI), and a global grant scheme in the South of Scotland.

In addition, Local Action Groups for LEADER and the Fisheries Communities Axis have had delegated responsibility for community development and delivery of local strategies.

The new programmes are expected to have hardly any challenge funding and this requires local authorities to plan a mini-programme or programme of works for a 7 year period which complement the objectives of the Operational Programmes.

Purpose

This report captures the priorities for projects identified by participants as well as the issues and challenges the draft models of delivery will pose for organisations. These workshops will help the East of Scotland prepare its response to the consultations on meeting the challenges of the new Programme period.

The objective in workshop 1 was to:

- Be clear about what you want to use European funds for;
- Establish a picture of pipeline projects to undertake in 2014-2020;
- Fit these within one of the three Themes for Structural Funds;
- Prioritise these projects; and
- Explore for future Financial Engineering initiatives in Scotland and EU.

European Commission proposals for 2014-20 set out the aims for Structural and Investment Funds. The Scottish Government agreed three key Themes to deliver the European Commission’s agenda across the four EU funds: These are:

- Competitiveness, innovation and jobs;

- Low carbon economy, the Environment and Energy Efficiency; and
- Local Development and Social Inclusion

The Commission proposes that more use is made of innovative “financial engineering instruments”, Future delivery mechanisms will need to be in line with these requirements.

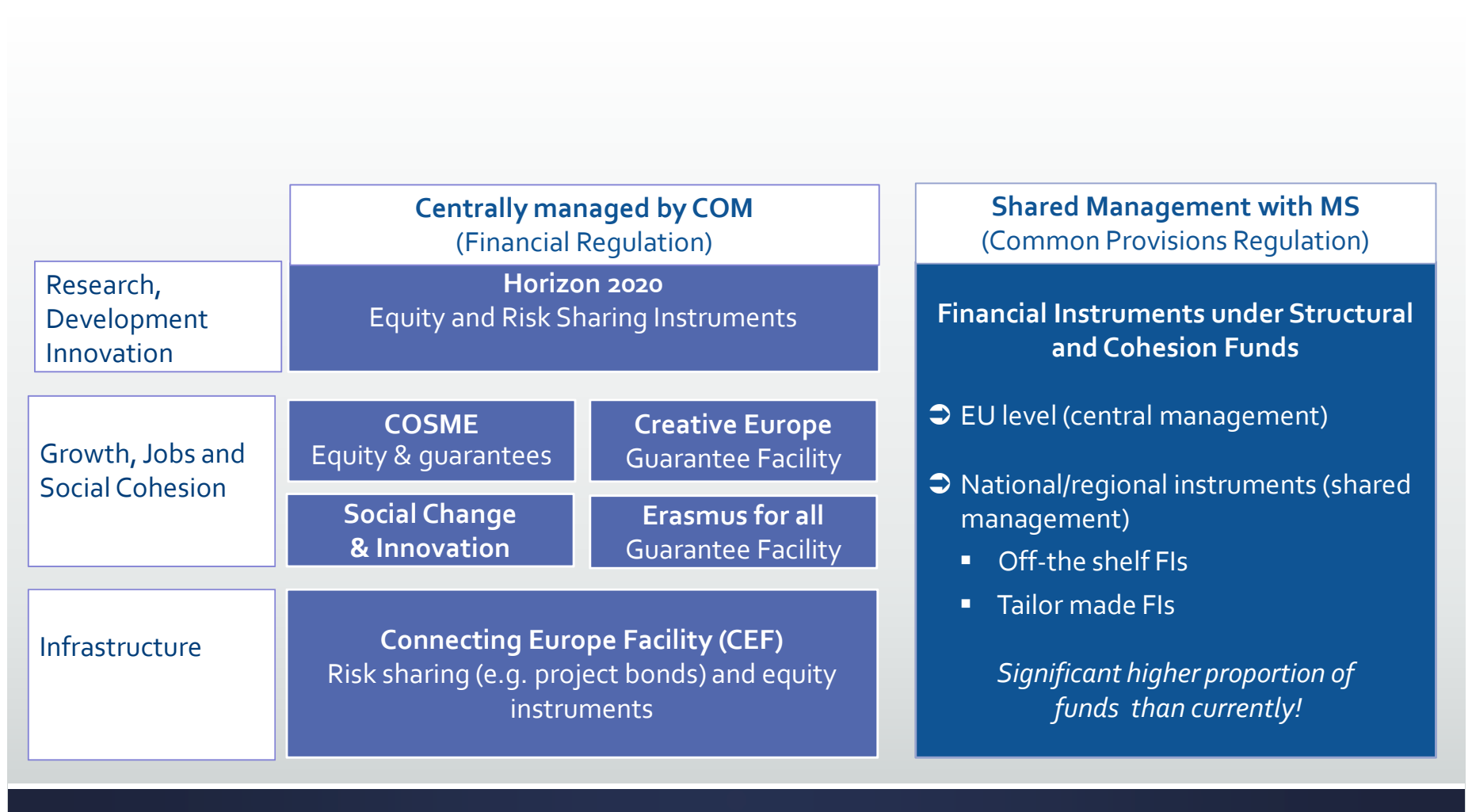
The objective of workshop 2 was to:

- Achieve an understanding of what people are unclear/unsure of related to the new programme;
- Consider whether priority projects can be delivered effectively; and
- Set out steps and requirements to allow delivery.

Financial Engineering 2014-20

In each theme the sub-groups were asked to consider whether initiatives could include some element of financial engineering. To help them to

do this an outline of some financial instruments was provided.



Workshop 1

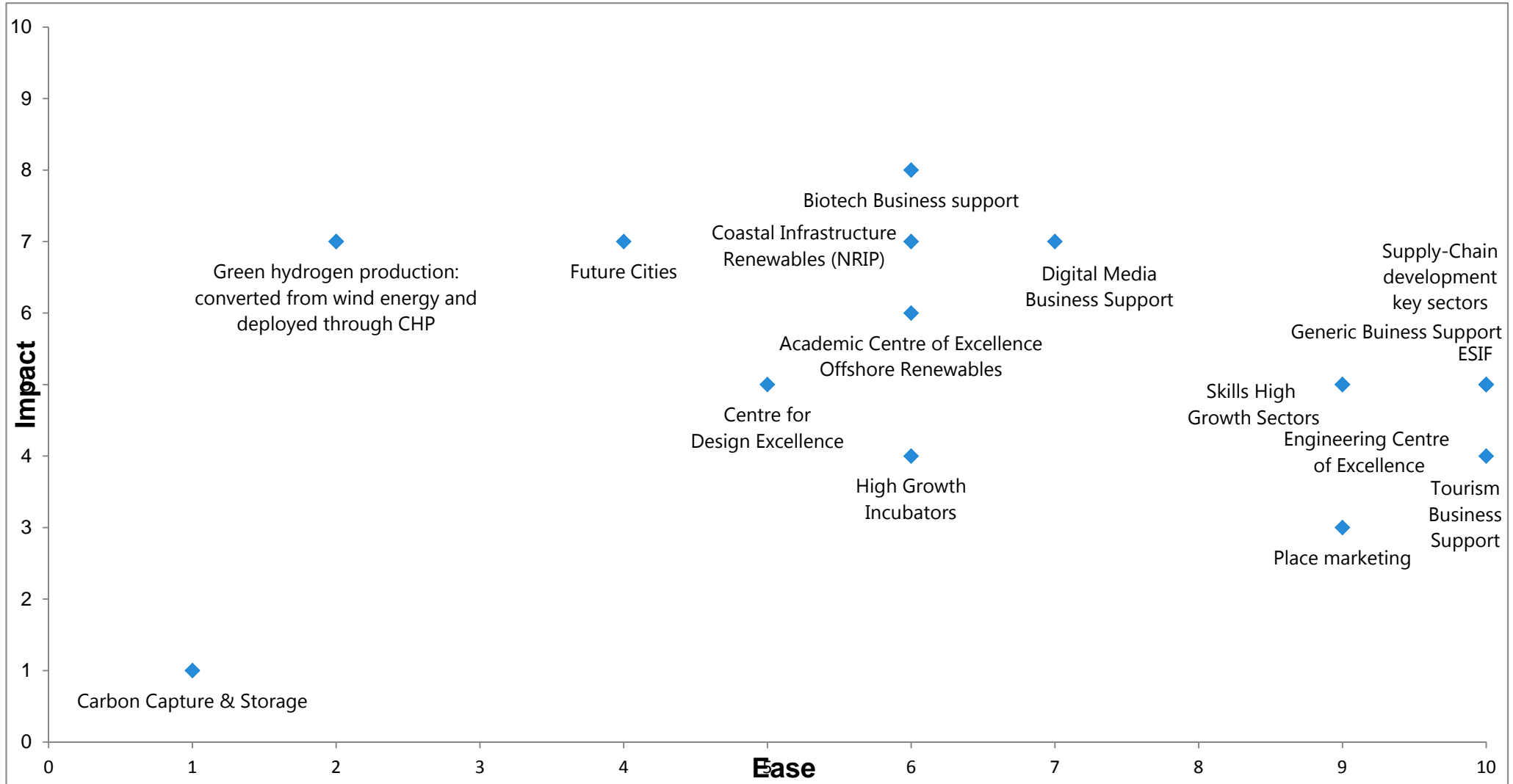
Workshop 1 brought together ESEC officer group members, Senior Economic Development officers and managers. A list of those attending is attached in Appendix 1. The workshop identified projects each theme. We focused on the ones the groups felt could be more easily implemented. We considered where is the likely match funding and the opportunity to make these happen. And, if they were to be delivered, then they would make an impact. They would help deliver 20:20 targets and outcomes within the Scottish Government's National Performance Framework.

The group identified planned projects in each theme. They identified local (L) Regional (R); National (N) or Transnational (T) projects. Some may have the potential to be more than one.

The projects were placed on an ease/impact chart:



High Growth and Innovation



Project	L	R	N	T
East of Scotland Loan Fund	✓	✓	✓	
Generic Business Support (ESIF)				
Supply-Chain Support key sectors	✓	✓		
Digital Media Business Support		✓	✓	
Biotech Business Support				
Skills for High Growth Sectors	✓	✓	✓	✓
Engineering Centre of Excellence				
Coastal Infrastructure for Renewables (NRIP)	✓	✓	✓	✓
Tourism Business Support				
Academic Centre of Excellence Offshore Renewables				
Future Cities				
Biotech Business Support	✓	✓	✓	✓

We placed projects in tables and then reflected whether participants viewed these as Local, Regional, National or Transnational. The priorities for strategic projects that should be supported were:

- East of Scotland Loan Fund;
- Business Support (Digital Media and Biotech; key sectors supply-chain support)
- Skills for High Growth Sectors; and
- Coastal Infrastructure for Renewables (NRIP).

Other projects put forward either were seen as more difficult to implement or funding might not be as readily accessible.

- Coastal infrastructure for renewable projects could include some kind of financial instrument.
- Smart Cities and Communities (energy networks, ITS, energy efficiency in the built environment)
- Development of regional hydrogen transport corridors

Low carbon and resource efficiency

The sub group looked at the projects within this theme and placed them on the ease/impact graph as outlined below.



Project	Description	L	R	N	T
Decarbonising Energy Intensive Sectors	Data, paper, petrochemicals, metal foundries etc		✓		
Renewable Energy regulatory Reform	Making it economic to generate renewable energy in remote locations				
Regenerating and Decarbonising existing publically owned industrial premises	Scotland wide grant funding to support investment in refurbishing industrial commercial stock to reduce carbon emissions and modernise industrial stock, regenerating industrial areas to meet EU Directives standards			✓	✓
Smart Metering	Partnering with the Energy Savings Trust		✓	✓	✓
Renewable Energy Supply-Chain	Building on East Coast Renewable Partnership			✓	
Eco-Parks	Industrial centres for recycling, built environment etc		✓		
Recycling and Energy Efficiency Supply-Chain	Related to Eco-Park aspirations		✓	✓	✓
Retrofitting Public Buildings to become Energy Efficient	Much of public sector building stock is not compliant with EU energy efficiency directives. Without investment local government will face fines or community asset transfers may be the only option for buildings that are at the heart of the community	✓	✓	✓	✓
Biomass/Food Energy Schemes	Generating heat from waste				
Sustainable Transport: hydrogen	refuelling stations, production, buses, refuse collection vehicles, regional spatial planning		✓	✓	

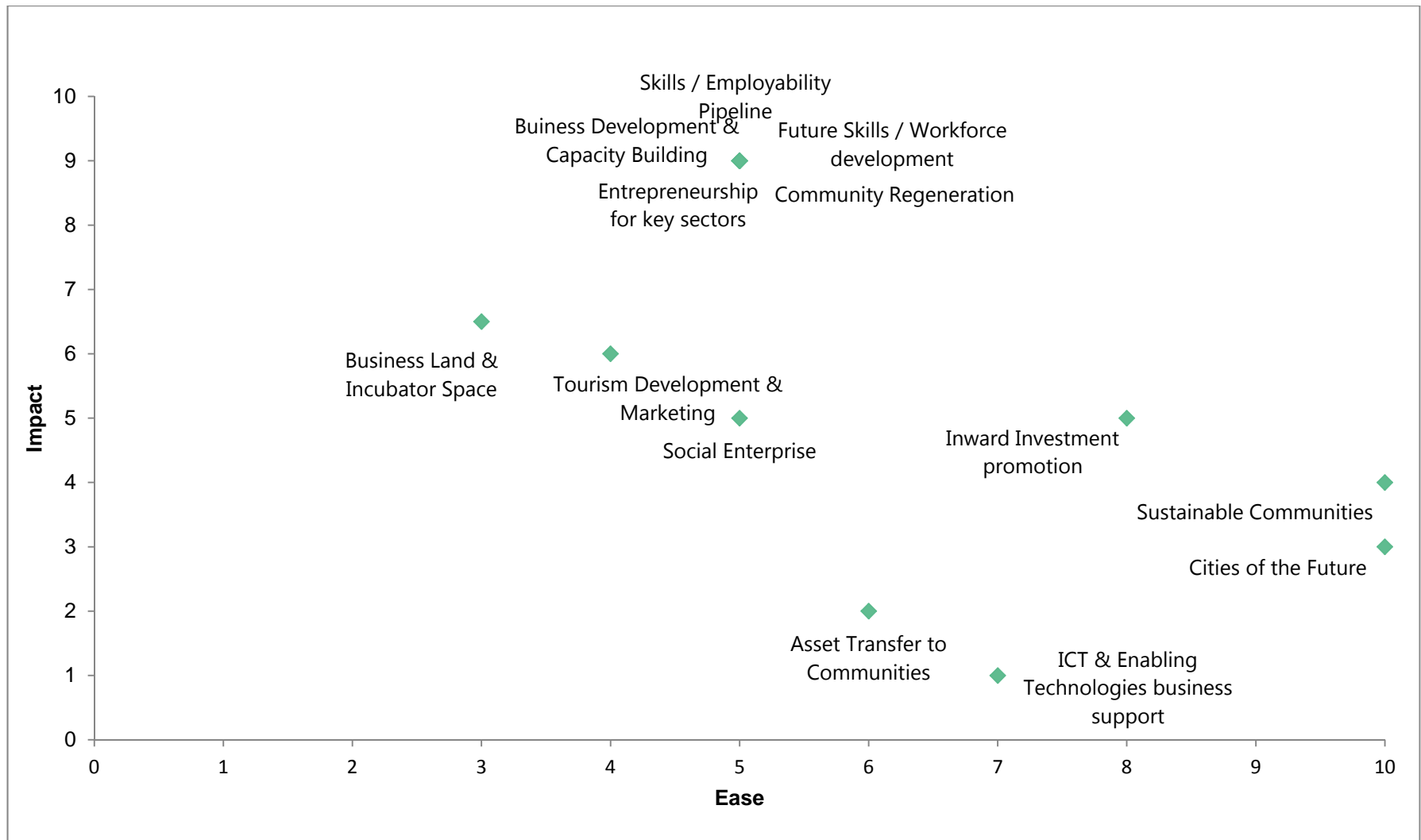
Many of these projects were identified as potentially regional; national or even Transnational. Key collaborative projects that the group identified are:

- Decarbonising Energy Intensive Sectors;
- Regenerating and Decarbonising existing publically owned industrial premises;
- Renewable Energy Supply-Chain;
- Eco-Parks; and
- Retrofitting Public Buildings to become Energy Efficient.

Of these it was felt that loans could be offered alongside grants for Regenerating and Decarbonising existing publically owned industrial premises. And also that Retrofitting Public Buildings to become Energy Efficient could include some financial instrument.

Local development and social inclusion

The sub group looking at this theme placed the identified project ideas on the ease/impact matrix as outlined below.



The key projects are listed in priority order.

Project	Description	L	R	N	T
Skills/Employability Pipeline	Including STEM, youth, modern apprenticeships	✓	✓		
Business Development	Gap between Business Gateway and other provision	✓	✓		
Building capacity of local business to grow	HR, procurement Marketing support to enable business growth				
Entrepreneurship and key sector support	local/regional growth sectors	✓	✓	✓	✓
Community Regeneration	Especially town centres	✓			
Future Skills/Workforce development	Succession planning, second chance careers, women into engineering,		✓		
Promotion of Inward Investment		✓	✓	✓	✓

While many of these projects were identified as having a reasonably high level of impact they were not seen as easy to implement and none scored above 5/10 against this criteria. This is worth considering more fully.

Looking at what is suggested and taking out duplication and similar activity then the priority projects are:

- Skills/Employability Pipeline;
- Business Development; and
- Entrepreneurship and key sector support.

Possible projects include energy efficiency public campaigns and Places of the Future (which would include smart city innovation and green agenda and small scale local regeneration of high streets.

Participants felt that skills development should be focused on the needs of employers. There is an accepted belief that there are many organisations with staff shortages in the region particularly in relation to the STEM skills (Science, Technology, Engineering and Maths).

Oil and gas is important for NE but not so much for other parts of East of Scotland

Some participants suggested that support should be targeted not only at young people but with others such as labour market returners and older people.

Only Cities and Towns of the future was felt to have the potential to include financial engineering. This was described as place shaping; town centre strategies, BIDS, innovative solutions for unused spaces and premises. However this scored low in terms of the impact it would make.

Thematic priority projects

Competitiveness

- East of Scotland Loan Fund;
- Skills for High Growth Sectors; and
- Coastal Infrastructure for Renewable (NRIP).

Low Carbon

- Decarbonising Energy Intensive Sectors;
- Regenerating and Decarbonising existing publically owned industrial premises;
- Renewable Energy Supply-Chain;
- Eco-Parks; and
- Retrofitting Public Buildings to become Energy Efficient.

Local development

- Skills/Employability Pipeline;
- Business Development; and
- Entrepreneurship and key sector support

Workshop 2 Models of delivery

This workshop included mostly managers of European Funds (CPP; Economic Development; Fisheries; and LEADER). A full list of attendees is in Appendix 1.

Participants, as in workshop 1, were taken through the new funding landscape. This includes:

- Gradual move towards more competitive transnational funding;
- Importance of local delivery models in structural and investment funds;
- Moves away from challenge funding in structural funds in Scotland;
- Importance of showing EU added value; and
- New types of funding instruments: loans, equity, loan guarantees.

The history of the Structural & Investment Funds development over the past year was outlined and; general regulations around ERDF and ESF (such as minimum percentages that can be spent on Themes for example). The models outlined in EU regulations included:

- Integrated Territorial Initiatives – 5% ERDF national allocation to be targeted to urban areas;
- Community Led Local Development (CLLD) – Based on LEADER model and is compulsory for LEADER Programme but

also likely vehicle for Fisheries Communities activities;

- Joint Action Plans – payment on outputs but for projects over €10m and negotiated flat rates with the European Commission (would seriously delay possible project start date);

- Member States should indicate in their Partnership Agreements what their arrangements for the use of the proposed delivery models will be;

- Looking to the future Local Authorities in Scotland should consider:

- The development of the Community Planning Partnerships and ESF Skills Pipeline model (possibly as a mix of ITI and JAP);

- Alignment of EU Funding with SOAs and CPPs;

- A move towards ‘Locally Strategic’ and phasing out of challenge funding; and finally

- Developing an integrated local strategy for ERDF, ESF, LEADER and Fisheries Communities and transnational funds?

- The European Commission define CLLD as: Bottom-up partnership;

- "Large enough but sufficiently small": Area population 10,000-150,000 inhabitants;
- Avoid pre-defining boundaries top-down; and

- Possible shapes: coherent unit in geographical, economic and social terms.

ITI is a cross-sectoral integrated development strategy that addresses the development needs of the area concerned and should produce synergies through coordinated implementation. It can be:

- **Place based:** Any geographical area with particular territorial features can be the subject of an ITI, (ranging from specific urban neighbourhoods with multiple deprivations to the urban, metropolitan, urban-rural, sub-regional, or inter-regional levels).

- **Theme Based:** An ITI can also deliver integrated actions in detached geographical units with similar characteristics within a region (for example a network of small or medium-sized cities). It is not compulsory for an ITI to cover the whole territory of an administrative unit.

CLLD can be used as one of the building blocks to implement an ITI delivered with grants but also through financial instruments. Decisions on the investments can be top down, or bottom up, or a combination. The proposed structure of delivery put forward by the Scottish Government at the moment is as follows.



Discussion groups

In the first discussion groups participants considered:

- What are the implications and challenges for your organisations in the “proposed” delivery models (Delivery Partnerships and Delivery Agents)?
- How can these be overcome in a constructive way to satisfy the majority?

The group identified the proposed structure of the Delivery Partnerships meant that the role of local authorities and CPPs had to be clearer. There was little clarity on how the interests of each can be assured. How is membership decided and how can communication across interested parties be ensured? It was suggested that a local authority communication model be developed now to improve on what exists and that COSLA and SLAED be brought into the discussion.

The revised model of delivery could be considered by some local authorities as too complex for their needs.

What participants felt would help greatly is if the Scottish Government could put forward one or two working examples of what is required to ensure practical delivery.

A challenge in the new programme is to ensure that local interests are fully met within a wider strategic approach.

The legal standing of the Delivery Partnerships was not fully clear and since these organisations will have an additional burden of risk; compliance and claims then more clarity on these was needed. The group was concerned that setting up these DPs might delay the start of the programme.

Second discussion group

The second discussion session broke into three thematic groups:

- Competitiveness, Innovation & Jobs;
- Environment, Low Carbon & Energy Efficiency; and
- Local Development and Social inclusion

We asked participants to consider

- a. What are the implications for delivery of the thematic priority projects?
- b. How can these projects be delivered effectively and results reported back to Delivery Partnerships and Scottish Government?

This was not an easy discussion to have since participants had limited knowledge and understanding of how these Themes will be delivered. However the notes below try to capture some of the groups’ early thoughts.

Competitiveness, Innovation & Jobs

The implications for delivering support in this way are that there:

- may be issues in identifying projects (although the first workshop began this effectively) and delivery approaches;
- is a need to communicate and collaborate from the bottom up; and
- Alignment of LEADER activity to CPP/SOA aims is essential and ensuring a focus on economic development goals is vital.

The group believed that it would be better to have capital and revenue within one application.

Environment, Low Carbon & Energy Efficiency

It was anticipated that large fractions of this theme would be funded by EAFRD (especially environmental measures). However, participants expected that low carbon and energy efficiency activities would be funded through a mixture of all funds. In this regard, participants anticipated that a Delivery Partnership would find it challenging to agree how to use funds across urban and rural areas, particularly as the scale and kind of investments might differ substantially.

Participants were also concerned about the operational aspects of the proposed Delivery Partnership. Participants expect that every Local Authority will want some share of the funds and with larger, wider, more strategic delivery models then this needs thought through. More partners will inevitably bring a more complicated working arrangement.

Questions were also asked about who decides the partnership make-up, how to agree to share funds, and ensuring the right balance of actors from large to small local authorities, as well as representative voices for both urban and rural views.

It was felt that an agreed plan was needed for the sector to ensure a bottom-up voice within the proposed structure to ensure parity. Participants saw advantages to the model such as for outcomes

to be properly reported in the future there will be a need to synchronise systems which could bring efficiencies. However, it will be important to identify who is responsible for what and ensure open communication channels. Also going paperless would greatly ease the burden on participants and be in tune with the sustainable development objectives of this Delivery Partnership.

Local Development and Social Inclusion

There was concern that the top-down agenda setting approach of the proposed Delivery Partnerships would make it very difficult to build-in local flexibility to enable local CPPs to deliver local agendas in different ways.

Discussions took place on the basis that one Local Authority could act as Lead Partner for a number of CPPs. A few in the group saw this as an opportunity to "raise our game" through building on best practice. Organisations that have performed strongly and managed projects well could lead across a region or sector. The political and cultural landscape will be a difficult one to navigate and there would be significant human resource implications and financial investment required.

Participants felt building on best-practice and improving existing delivery models is a desirable objective for the new programming period. There was concern about the degree of synchronisation that might be needed and the amount of work that would be needed to achieve that. Within the current ESF Skills Pipeline the 16 CPPs have different models in terms of: Employability

Management Information Systems; procurement processes; state aid compliance; contracting models. This has impacts on the degree to which the voluntary sector are embedded into the programmes; finance processes, performance management; and performance outputs..

Some felt el the proposed approach may actually be more expensive to set-up in structural funds than the previous approach of an IAB. Others were concerned that the proposed collaborative model may actually just be shifting risk in terms of compliance from multiple organisations to the Lead Partner. As such, greater clarity is needed in terms of future delivery models and the options for minimising financial risk for all concerned.

There was also a discussion on match-funding and the fact that local authorities tend to identify local partnership activity on a territorial and bottom-up basis, which is entirely at odds with the top-down Delivery Partnership approach. How could the funds be managed at a regional level when a number of partners bring their own match?

Some wanted to explore how to bring in other EU funds into the funds ring-fenced for CLLD. It was suggested that each Delivery Agent would be single fund but CLLD has the opportunity to be multi-funded based on the EU regulations. Training was identified as an area where there would need to be clarity between what the CPP are doing and LEADER LAGs.

All agreed that strategic planning is needed at local partnership level and beyond and that given the number of organisations with an interest in current local partnerships; local authorities need

considerable time to allow this task to be done effectively.

Summary Points

Key points raised by participants included:

- There is an opportunity to overcome current issues with communication through new delivery models;
- The new approach feels like the top-down approach (more centralisation rather than localism);
- The new structure could be more expensive to set up and run than Intermediate Administrative Body approach used in the current programmes, due to all the layers. And this could also delay start of the programmes and projects;
- There is a need to limit the number of partners able to work together in a DA. Beyond a certain level, it is felt to be unworkable;
- There are continuing questions around how a DP's membership is decided and how representative it can be.
- Could a DP have sub-groups?
- There are questions around how flexible the commissioning approach of DPs can be in responding to economic/social change or other opportunities;
- There is a danger some LAs may feel EU funding is too complex an investment to make;
- Need to explore options for managing risk – financial control and compliance in

- terms of how DAs and DPs are set up and their responsibilities;
- Proposed DP system is top-down but availability of match can only be identified bottom-up. How do LAs get pre-identified projects prioritised? Is a link to SOAs enough?
 - Local Development, particularly CLLD, is incompatible with top-down approach.

Workshop 3 – ESEC board members

Expectations

Local Authority Board members (staff and elected officers) of ESEC came together to:

- Get up to speed and find out what others are doing;
- Understand what the local authority and others roles within the proposed delivery model system will be; and
- Clarify when a local authority should be a Lead Partner and when a Delivery Agent.

There is some concern that the Scottish Government drive for changes to the model of delivery of Structural Funds may in fact not lead to simplification for those delivering funds on the ground. The group wanted to focus on how they can move the process forward. They wished to consider the role of ESEC; and to ensure that all ESEC thinking is woven into the various working groups on the future programmes. The group wanted to get a strategic overview of how EU funds link to other areas for example Single Outcome Agreements (SOAs)

Discussion arose around key areas

The group considered several key areas. Such as:

- How do we factor in non-permanent staff requirement in future EU fund eligibility rules with national responsibility to place non-permanent staff on permanent contracts after two years and difficulty with match-funding?
- Additional EU funds cannot change SOAs at local level the priorities will remain unchanged;
- Smart specialisation has disappeared as a theme all together;
- There is a need to think beyond boundaries; but
- Difficult to ‘think local’ but ‘act collaboratively’.

It should be questioned what the value would be of delivering certain activity together, such as employability. Local; authorities will always be keen to ensure that any effort and spend leads to benefits within their own boundaries.

The group recognised that match funding is much more likely to be made available for capital projects.

Before committing to anything, LAs would need to know if Technical Assistance (TA) was available for managing the funds as a Lead Partner. If a unit cost payment approach is to be used, then the local authorities would need to know terms of such TA before considering acting as Lead Partner.

How does the proposed approach make it cheaper for local government? There needs to be a fair and equitable way of sharing the administrative costs.

How do we ensure what is commissioned by the Strategic Delivery Partners (SDPs) is in tandem with local priorities?

There is concern about the reduced flexibility of the proposed approach of putting in match into the SDPs budget. Could an organisation put in money and decide the return is not enough and then take it out? What happens if they need the match for other opportunities that arise down the line? Local government would need to know what is being commissioned before putting money in.

There was concern about the governance in the proposed delivery model, in that an organisation on the SDP could essentially set the agenda and then also be delivering it. There was concern that those closest to the decision-making, end up beneficiaries. Therefore the representative role needs to be objective. But it was felt that there shouldn't be a need to put money in to be represented on the SDP.

Proving additonality could be difficult in future proposals. There would need to be an acceptance the EU funds buy some added activity, rather than the current definition.

The group were not too clear on the way the funds would be managed locally and considered whether there was a need to develop a joint administrative unit at east of Scotland level?

Will there be full control on delivery or will there be some flexibility to deliver an operation in different ways, responding to economic change/opportunity, providing the same outputs are met?

It was identified during the discussion that there is a need to do an **analysis exercise of the SOAs local priorities**. This might identify some local priorities where there is commonality across LAs. Each SOA could potentially have an annex where details of the SOA activity, believed to be EU programme fundable are listed. The SOAs are in development now and will be ready in June and their devised delivery plans will be ready before the end of the year.

The group overall felt that these changes were not a simplification for them and they are running out of time to do a Plan B. There was some questioning over why things had to change and a stated preference that things remain as they were.

They CPPs need to be gearing up efforts on management systems now (and some work is currently being undertaken on this).

Red Lines

As many aspects of delivery and management of the new programme were unclear it was best to establish the basic and key areas that needed to be addressed for ESEC partners. What are the basic

needs of a revised system before members can adequately get involved? The group felt that:

- The spend committed needs to be area-based and LAs need to be able to take the money back if needed;
- Match can only be provided to SDPs once an indicative allocation is made and recommendation to PMC made. (Similar to Co-financing model used in Fisheries Communities?)
- Providing up-front costs for 3 years by LAs is impossible;
- LAs want an activity role in developing SDPs and they need an accountable mechanism which reports back to the LAs - it cannot be an individual LA- Ideally it would be the ESEC Secretariat rather than a representative of ESEC. Such a role means that a collective voice can be pulled together quickly if need be;
- The representation (geographies) should mirror each other on the PAMC and SDP. It does not need to be the same person but should be same representation;
- Employability support needs to be local. It seems unlikely that Super-CPPs could work, given the locally strategic nature of the partnership already. There is not enough time to synchronise systems to allow a Lead Partner to conformably manage the **level of risk** that this role entails. Given the number of organisations involved in the local partnerships already, there is concern that the level of agreements and SLAs needed to make this operational would make this option impractical in this area;

- TA is necessary for Lead Partners and the terms of such TA need to be clear as soon as possible;
- There needs to be transparency of all decision-making visible for all to see;
- Need to be clear on unit costing and potential for duplication in working on activity such as wage subsidies.

Next steps

The group agreed that they should:

- Work to develop local SOA appendices to identify EU fund compatible activity and compare SOAs to identify common themes;
- Seek a role for ESEC in SDPs;
- Explore partnership opportunities;
- Consider a greater role in management of some specific projects;
- Reflect on whether this has implications on the legal status of ESEC; and
- Flag up all the above issues in the public consultation response.

Appendix 1 Attendees at workshop 1; 2; and 3

Name	Email	Organisation	Job Title
Workshop 1			
Robin Prestwood	Robin.Presswood@fife.gov.uk	Fife Council	Senior Manager Business & Strategy
Sandra Montador-Stewart	Sandra.Montador-Stewart@fife.gov.uk	Fife Council	Service Manager Strategic Policy and Tourism
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Projects and Models of delivery
Report on workshops organised by
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