

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

It would be useful if the Partnership Agreement spelt out clearly how other EU funding streams such as Horizon 2020, ERASMUS would work with and complement ESF, ERDF, SRP and EMFF.

The PA should demonstrate how the Territorial Cooperative Programmes will dovetail with this programme and themes

In addition a reference can also be made to non EU funded interventions to be supported through the EU Regional Aid Guidelines for the 2014-2020 period. These are an important part of the tools necessary to address business growth and regional economic disparities within Scotland.

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

Within the limits given by the draft EU regulations and provided within the Commission's guidance on Partnership Agreement yes. **However** it will depend on detail such as spatial targeting and investment priorities.

There is concern that some EU priorities given to the UK do not appear to be translated as strongly from the EU guidance into options within the 3 Themes. As an example the EU states within its partnership agreement advice that "increasing employability and reducing the risk of Social Exclusion should remain the core concern of the UK" but the Social Inclusion Theme is at risk of being weak in options surrounding Social Inclusion. An example would be facilitating access to childcare, breaking the intergenerational transmission of poverty and child poverty.

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

Again the funding priorities and therefore themes have been guided by the EU and within a limited funding envelope there is little scope for new themes. What is permitted within the themes and how they are prioritised becomes the most important issue as does having the right activities within the right themes.

This is an area of concern as the method used for drafting the themes provide significant potential for overlap. Employment training and wage subsidies appear in more than one theme as does business support while activity such as Low Carbon Urban and Rural community development plans is missing from Local Development. This does not appear to reflect the aim of streamlining funds and increased efficiency of funds and fund management.

Areas that appear to have been dropped from the themes include

Local renewable energy

Promoting gender equality

Promoting access to adequate education

Promoting adequate health

Promoting an overall reduction of poverty and exclusion

Breaking the intergenerational transmission of poverty and child poverty

The reasons for these and others being omitted may be prioritisation and budgets however should the shadow SDPs not be allowed to consider these as options?

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

It is unlikely that given the decreasing amount of resources that the Scottish Themed Funds alone will make a significant impact on Scotland's challenges. Targeting and prioritising the funds will maximise the use of the funds keeping a clear view on the EU targets. While recognising the importance of national programmes on research, business growth, energy efficiency and training much can and needs to be tailored to and delivered within a local context. Within both an urban and rural context business support and employability are better targeted and most effectively carried out at a local level responding to local markets, opportunities and issues. Labour market opportunities and failings have been successfully focused on by CPP pipelines and this should continue. In terms of Competitiveness and Innovation increased emphasis is required on SME growth and support and while there is a place for national business support schemes, economic conditions are not evenly distributed and significant local and customised support should be available. Significant local opportunities exist for energy efficiency measures linked to housing and public buildings. All of these can provide real measurable outputs aiding delivery of long term outcomes and benefits.

It could be argued that some of the actions are placed in the “wrong” themed fund and/ or area duplicated. As an example, ESF supported wage subsidies and recruitment incentives would seem to fit much better into the social inclusion and local development themed fund. Any ESF supported interventions within the Competitiveness theme should be limited to higher level skills training.

Finally the interventions that are likely to be supported under EAFRD and EMFF are much more clearly elaborated than those for ERDF and ESF. This gives unbalanced picture of the overall investment priorities of the totality of the funds.

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

The programme is driving towards matching at source with a few large national priorities this has some obvious benefits for national delivery organisations and should help with some of the compliance and audit issues. However there is a concern that local targeting and priorities reflecting the EU's localism agenda would be lost.

There is concern that larger national funds programme governance structures would further decrease information and scrutiny for all partners. It is important to the success of the deployment of EU funds that there is full transparency of management arrangements with partners receiving regular information.

The Council has concerns as to the extent to which the proposed governance and delivery arrangements are practical. In particular local authority financial resources are not held centrally but instead are allocated to all 32 local authorities. Proposing a single or couple of LAs or CPPs as lead partners on behalf of groupings may be an unrealistic approach.

Moreover each LA is a distinct legal entity. This makes it difficult to fulfil the second

and third proposed responsibilities for SDP members as outlined in paragraph 5 to Part 4 of the consultation document. A similar situation would apply to proposed representatives from the Third Sector or LAGs/FLAGs.

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

We would suggest that the drive to have single LAs or CPPs as lead partners taking financial and audit responsibility for large groupings of other LAs or CPPs could prove too difficult to implement. Although there is an understandable desire to reduce the audit burden and repayments to the EU this is not a solution that will work well for LAGS, CPP employability pipelines or local business support. For example CPP employability pipelines are already much larger than many conventional EU projects, increasing their size and governance will not automatically produce a decrease in audit responsibility for the Scottish Government. The development of CPP networks to deliver employability was a structural change within the current programme and this should be built upon seeking to develop these further including for example the Third Sector's more proactive involvement.

There is a significant risk that the proposed arrangements will exacerbate the sense of disengagement with EU structural funds felt by many organisations. The governance and delivery model is very top down and central in nature. The Council would wish to have an opportunity to shape the overall strategic direction of all of the programmes and not just be limited to acting as a "delivery agent" for pre set activities determined centrally.

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?

In this connection the findings of the current evaluations including that on strategic delivery mechanisms will need to be closely examined and lessons learnt for the 2014-2020 period.

The Fraser Associates SDM evaluation recognised the significant successes delivered by CPPs on employability pipelines and recommended their continuation with an option for some new groupings of CPPs to be formed as and where CPPs could see advantages.

It is important that rather than necessarily creating a whole set of new structures, existing approaches to governance and delivery that have been shown to work should be built upon. In particular the CPP employability model at its best

demonstrates strategic partnership working at a local level. More recently there has been the use of the Business Gateway network to deliver much needed support for the vast majority of firms with sustainable growth potential that do not meet Scottish Enterprise's criteria for one-to-one support.

There is also a local dimension to the delivery of activities under the environment, low carbon and resource efficiency themed fund. Actions here should not be viewed as being mainly of relevance to rural areas as implied in the chart on page 2 but have significant importance for the urban and partly urban areas of Scotland.

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

As indicated in the response to the previous question use should be made of structures which work and measures to boost youth employment should be integrated into strategic employability pipelines rather than standing outside them. For this reason South Lanarkshire Council does not support the suggestion made in paragraph 14 to Part 4 of the consultation that the third sector should lead on this activity. Dealing with long standing youth employability problems requires a multi sectoral, holistic approach that covers both demand and supply side interventions. Such interventions also have to be viewed in the local labour market context and should therefore be routed via local skills pipelines (which of course already include significant input from the third sector).

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

The new programme offers several methods and opportunities for reducing the audit and control pressures and considerable work is being undertaken to review these. Consistency was a reoccurring issue within the last programme and if one area was addressed it would be well developed guidance and national rules which would as far as is possible stretch over all 4 of the funding streams.

Although it should be left to individual CPPs to develop their own models and activities around the employability pipeline a steer towards procurement of these services would greatly reduce the audit burden for both SG and CPPs. Large parts of ERDF funding have fewer audit issues as these are delivered through procurement. We are not convinced that unit costing will result in the reduction in audit that is hoped for.

Three areas have particularly hindered the audit process from a delivery perspective. Changes to the rules particularly within LEADER but also in ESF during the process, changes to key personnel within SG and the change from ESEP to SG and unrealistic audit analysis. Audit should focus on risk and scale and process not each individual small cost receipt.

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

We would wish to comment on a number of issues not explicitly raised in the consultation questions.

With regard to the **Strategic Delivery Partnerships** it is essential that

- The PAMC requires to be established as a shadow group in tandem with the shadow SDPs
- SDPs are properly representative both geographically and with regard to sector – with, as previously indicated, each organisation/sector designating their representatives;
- They operate genuinely according to the principles of partnership and transparency and do not simply allocate EU funds to their own existing programmes
- They work with each other to prevent duplication and indeed make the linkages sought with regard to integration of these themes funds (for example relating business growth to employability)

We are concerned at some of the prejudging regarding the number of operations within themes and clear links to outcomes and benefits should drive the number and choice of activities.

Some of the activities such as community regeneration and marketing support are still very wide and unclear in their scope.

Development of a more devolved approach will be required for the **themed fund for social inclusion and local development**. By definition local development is a bottom up process and indeed South Lanarkshire Council understands that a devolved approach will be required with respect to certain aspects of the rural development and fisheries programmes (those relating to LAGs and FLAGS).

We are also concerned that the proposed arrangements appear to exclude any significant element of spatial targeting. This appears to be counter to the Government's own Economic Development Strategy which focuses on people, places and assets.

Spatial targeting can take two forms – resources can be allocated to ensure that *more activities* can take place within the defined areas or a *broader range of activities* takes place in the selected area.

We have already indicated that labour market interventions should be spatially targeted via CPPs.

South Lanarkshire Council notes that the proposals do not mention the draft regulation's proposed ring fencing of at least 5% of the ERDF allocation for sustainable urban development. If this forms part of the final package it is essential that clarification is given as to the definition of eligible urban areas and how this assistance would be delivered within the Scottish Government's proposed implementation framework. The Council would wish it noted that that this is an urban development ringfence and not exclusively a city ring fence.

With regard to **Environmental** funding there are some options which we are unsure have been considered.

- Would there be scope to match the £6m per year Climate Challenge Fund with European funding to create a larger community sector led low carbon transition programme? We are aware that Scottish Government Ministers support the local approach within this scheme and the fund could be redrawn to align with EU funding programme objectives.
- Is there scope to match the significant funding that is already being planned for energy efficiency improvements in domestic housing? – such a programme also has links to job creation, skills, and supply chain support.
- Is there scope to match funding being committed by councils (or the wider public sector) to improve the energy efficiency of public buildings – perhaps through increased use of renewables? Clearly this is something that has to be done to achieve national targets and there is existing funding which could provide match. It was not entirely clear if EU funding could be used for this purpose.