

Future Scottish EU Programmes Roundtable

Atlantic Quay, Glasgow

19 December 2011



Future Scottish EU Programmes 2014-2020

On 19th December 2011, Scotland Europa and the East of Scotland European Consortium jointly hosted a cross-sectoral round-table discussion on the future of EU regional programmes in Scotland 2014-2020. The participants comprised experienced representatives from sectoral groups and managers of strategic projects delivered in the current programmes.

This session provided a further opportunity to build on previous engagement, including most recently the Scottish Government Annual Structural Funds Event in November and an invitation to several of those present to take part in an informal discussion in December on the future structural funds programmes at the European and External Relations Committee of the Scottish Parliament. There were consistent messages from all stakeholders at both sessions on the lessons learned from the current programme in line with previous work, as well as on key areas of focus of the next.

Stakeholders who attended these and previous engagement events had emphasised the need for policy, delivery models and audit requirements to be taken into consideration concurrently in developing future programmes. In considering the draft regulations for future ERDF, ESF, EARDF and EMFF, there are multiple avenues down which the programmes could be developed and a strong message that priorities will be limited and more focussed in nature. Another message emerging has been an increased focus on development of strategic delivery models, e.g. Community Planning Partnerships and Strategic Delivery Bodies.

The purpose of this roundtable therefore was to have a first discussion on priority activities to see if the aspirations of each sector could compliment each other, drawing out points and recommendations for further consideration. The output from this session is summarised below and will be shared with Scottish Government and participating partners' wider networks to inform ongoing consultation and discussions on the development of Scotland's future programmes.

Summary of recommendations for way forward

The main messages coming out of the discussion which partners and stakeholders would collectively wish to engage further on can be summarised as follows.

- The development of an overarching long-term Scottish EU Funding strategy or framework, to enable better integration of funds, would assist organisations better target their EU funding aspirations.

- This could be further supported by development of a Scottish Contact Points network for EU funds, possibly on a thematic basis to develop Scottish organisations' capacity to take part in a broader range of EU funds
- Consideration should be given to devolving the management of EU funds hosted at UK level to Scotland to improve uptake and engagement, such as the Lifelong Learning Programmes
- There is an opportunity to use Technical Assistance money to understand and evaluate the benefit of a single integrated programme as well as the proposed delivery model options versus simply improving current models.
- Given that partners are broadly supportive of a single Integrated Funding Framework for domestic EU Funds, the Scottish Government should make clear their intended plans for the programmes as soon as possible, to allow partners to start practical discussions on future delivery models
- There is a strong message that future programme priorities should be designed with as much flexibility as possible, especially given the prescriptive nature of the Commission's draft proposals and learning from current experience of being ill equipped to respond to unforeseen circumstances (e.g. economic downturn or accommodating financial engineering easily).
- There needs to be more thought given to finding a better solution for geographical targeting than the current approach in order to accommodate regional projects, especially in key sectors or key issues which cross all geographies.
- Consideration should be given to creating a specific priority for financial engineering, as this would mean the grant rate could be increased to 50%.
- A strong focus should be placed on developing common rules for the programmes as part of the simplification agenda alongside a common assessment model.
- Upfront-costs, lumps-sums and unit pricing options should all be properly explored.
- Consideration should be given to removing restrictions on the retention of revenue funds, making staff and overhead costs eligible expenditure, aligning known national funds and making it easier to use private sector funds as means to improve match-funding.

Summary of discussion

A number of questions were posed to focus discussion, the main points emerging can be summarised as follows.

Is there a consensus that one Integrated Funding Framework is the right way forward?

Participants agreed that this would be a good idea if practically possible. As much of the high-level decision-making needed to enable programming to commence is yet to be agreed, many felt it is still too early to be definitive on this and it would depend on the detail of such a plan. However, organisations are keen to remain engaged in progressing such an

option in order that experience gained through previous programmes can inform development.

Should the Highlands and Islands be successful in gaining Transition status there could be a number of options for integrating funds. This could be a separate programme with common reporting requirements, separate highland and islands priorities within a common programme or a separate plan within a common framework programme with common governance rules. Partners in the Highlands and Islands are currently advocating a separate programme but remain open minded to all options.

Some participants remarked on the fact that ideally there should be wider integration with other EU funds such as Horizon 2020 and the new Connecting Europe Facility. This could perhaps be achieved by developing a Scottish EU funding strategy.

We need to be mindful that attempting to develop an integrated framework that this runs the risk of holding up programme implementation much longer than sticking to the status quo, especially if timescales for Rural and Fisheries negotiations do not move at the same pace as Cohesion Policy. Lessons should be learned from the experience of the Scottish Rural Development Programme (SRDP) in the current programme which merged three schemes into one but caused huge upheaval at the time due to the complexity of the task.

We therefore need to really understand the benefit of the proposed simplifications and evaluate whether delaying the start date and risking N+2 is a suitable trade-off. Participants agreed that by focusing on achieving one set of rules and regulations for all regional programmes that would be a significant achievement in itself, without necessarily needing to develop a single programme.

Which ERDF themes offer the single biggest economic development opportunity for Scotland?

Discussion took place on the targeting proposed by the European Commission and the expected reduction of funds to approximately two-thirds of current levels. The Commission is proposing that 52% of funds should be targeted on ESF. Currently only 42% of the LUPS Programme is targeted on ESF for example, meaning in the future Programme ERDF will proportionally take the larger share of cuts.

The proposed prescriptive allocations for 80% of possible activity to be spent on RTD & Innovation; SME Competitiveness; and Low Carbon activities alongside, a target of 15% to be spent on financial instruments and 5% for integrated urban development, means we need to be clever about integrating these percentages across/within the themes. It was noted that the prescriptive allocations would be something a number of Member States would challenge during the negotiations, so could be subject to change.

There was general agreement that the three pre-selected ERDF themes are largely those we ought to be looking at, but need to build in maximum flexibility to fund things across the themes within one operational programme and to enable future unknown priorities to be accommodated. The more flexible the content of the priorities are the better they will allow us to address new challenges which arise during the programme period. They should be designed with common rules, and possibly delivery models where appropriate. The flexibility issue is less a concern about integration between funds and more about the drafting of the priority themes and interpretation of the regulations.

In discussion on whether participants would like to see some of the additional priorities available to Scotland used, some mentioned that it would be useful to use structural funds on areas where it is not possible to use other funds such as business development and regeneration.

‘Social innovation’ was an area where participants saw an opportunity to combine ERDF and ESF and possibly even build in a financial engineering dimension. It was noted that delivering integrated projects could be difficult and needs careful scrutiny, not least with regard to some of the delivery model options proposed.

There was a feeling that financial instruments could be incorporated in all of the three key themes if desired. Given the Commission’s push for 15% of programmes to be spent on financial engineering, and the fact that SRUCE (JESSICA) has only recently been launched in Scotland, participants expect that financial engineering will play a role in the future programmes. Future priorities should be designed to allow financial engineering to better complement ERDF than the current approach. If planning this from the outset as a feature, we need to make sure that operational programme alignment is achieved to ensure instruments are all fit for purpose this time round. This may include establishing a separate theme for financial instruments as this would allow the intervention rate to be increased to 50%, a feature which participants were broadly supportive of.

There was a discussion on revenue versus infrastructure projects and the expectation that there will be a further reduction on spend on infrastructure given the expected budget. One participant raised the fact that Tax Increment Financing (TIF) is technically revenue though used for infrastructure investments. If there is a desire to undertake further infrastructure investments, could such an approach be incorporated through financial engineering?

There was concern that in designing future priorities that they should be made accessible to rural areas too. Participants recognised there is a need to avoid duplication with SRDP themes, however, it is currently difficult to determine the best methods to achieve this until

we are clearer on what SRDP priorities and themes are likely to be. There was however unanimous agreement that there should be fewer themes than last time round.

Participants were broadly supportive of continuing the use of delivery models developed under the current programme. However, further thought on how these could best be improved and adapted will be required once we are clearer what activity will be funded and under which themes. There was recognition that larger programmes co-ordinated through one better resourced and experienced lead partner could alleviate the burden on smaller organisations, however this requires greater transparency and clarity in order to ensure that the most appropriate delivery partners can continue to participate.

Participants were keen to make sure Territorial Cooperation themes are integrated and we are clear what activities we could seek to achieve through these programmes as opposed to domestic EU programmes. In some ways, the ERDF Programme should be about filling the gaps of what cannot be funded elsewhere. There was a desire by some participants to move towards more of a pipeline approach to the various uses of EU funds in Scotland, perhaps through an overarching Funding Framework.

There was a discussion on the internationalisation element of the regional programmes and a desire to see this retained within the new Operational Programme. This has proved to be a useful avenue for developing strong platforms for joining strategic transnational projects and networks, such as FP7.

Which ESF themes offer the single biggest economic development opportunity for Scotland?

There was some confusion about whether the future ESF Programme would allow the use of one or two themes. If it is only a single theme, under the current proposals this would imply that we would be required to select the Social Inclusion and Poverty theme as the Commission has specified that at least 20% of funds be spent on this theme. If two, then participants would want to include the Employment and Labour Mobility theme if possible.

There was some discussion on the need to be clear who we are targeting as the end beneficiaries with ESF. Through this discussion it was suggested that were we able to remove the word poverty from the second theme we could have a single theme of “economic and social inclusion”.

Participants felt that in many ways the themes for the future ESF Programme would be more self-explanatory to conclude than the ERDF Programme. In addition, the proposals within the regulations for Joint Action Plans and the current delivery of the Skills Pipeline mean that there is a certain direction of travel on the future delivery arrangements. Participants are keen to improve the models we currently have and felt that the sooner the

Scottish Government is able to provide clarity on their thinking the better. This will allow stakeholders time to work out the most practical way forward. It was noted that setting up some of the Commission's proposed delivery models would take considerable time. If this is a preferred model it would make sense to align ESF outputs to those from the Community Planning Partnerships for example.

There was concern that if challenge funding is completely removed from the future ESF Programme there would be real issues about proving additionality, added-value and could result in a less innovative programme. Direct contracting is very prescriptive and would prevent more opportunistic projects coming forward. However not all participants were against some centralisation such as direct contracting on a 100% basis. It was reflected that many organisations are currently unable to identify if match-funding will be available for the sorts of activities we would want the future ESF programme to address. As such, this may not be a debate some stakeholders would wish to have.

There was some discussion on the fact that ESF is traditionally used to 'react' to address economic and social failures, though currently there is a case for 'prevention' in order to retain public services.

Above all, participants agreed that a common assessment framework is needed and were keen to stress that current excellence should not be thrown out in moving forward to a new programme.

There was also discussion on the need to coordinate ESF usage with other EU funds delivered nationally such as Lifelong Learning Programmes as well as transnationally such as the PROGRESS Programme, echoing the potential opportunity to develop an overarching Scottish Funding Framework/Strategy.

Are there any priorities that are better suited/could be delivered through other EU Programmes ?

There was a general consensus that improving demarcation between the various EU funding programmes is a good idea and that it should be referred to in the Partnership Contract so that everyone is clear what else we are trying to achieve through EU funding.

There was a view that we need to take a much broader view of EU funding opportunities in Scotland and that our participation in certain funds has shrunk in certain years (for example, LIFE and DAPHNE). There was a general view that we should now be putting more support effort into raising organisational capacity to participate in some of these programmes. We need to understand who is good at securing and delivering what fund.

As such participants felt that research providing detailed understanding of Scottish participation in the transnational programmes would be very useful in developing the future ERDF and ESF Programmes. There is a need to bring together a mechanism to utilise what expertise exists within Scotland and develop a long term strategic approach to integrated use of all funds. This could help lead to the identification of what are the absolute priorities for ERDF which cannot be funded any other way.

A number of participants advocated that EU transnational funds currently devolved to the UK to administer (for example, the Lifelong Learning Programmes) should be further devolved to Scottish level to improve our engagement. It was also suggested that there should be a Scottish Contact Points network to better harness all the funds, build up capacity and continuity of expertise. This could be in addition to the UK NCPs for each of the programmes with Scottish contact points covering multiple programmes on a thematic basis.

Which themes offer the greatest opportunity in terms of likely available match funding?

There was acknowledgement that we may be moving into new paradigm in terms of match-funding. Given the expected difficulties with match funding in 2014-2020 there are a number of revisions to the rules and general environment that would be helpful. Firstly there is a need to remove restrictions on the retention of revenue funding if we truly want to make projects sustainable. The current system perpetuates reliance on subsidies. Secondly, it should be made easier to include staff costs and overheads as part of applications. Thirdly, there is a need to make sure it is possible to align Lottery funding as well as big sources of energy related funds like Fossil Fuel Reserve with future structural funds.

The new programme needs to more effectively provide opportunities for private sector match funding to be brought to the table across all funds.

Through the above discussion there is a need to explore means to improve the delay in claims being processed as an increasing number of organisations are expecting to face cash-flow issues in the future. Participants would like the Scottish Government to consider way of facilitating up front payments to overcome this issue.

There was some discussion on approaches which match at source and some concern that where such approaches are used in Northern Ireland for their participation in the Territorial Cooperation IVA Programme that overall quality of projects coming forward can suffer.

Other Key Questions

With time limited the participants only managed to cover a few additional areas.

Geographical Targeting

There was a feeling by some of the partners that there ought to be a better approach to geographical targeting than the current approach. A better way of targeting may be necessary in some instances, for example looking at higher intervention rates in certain areas and making more strategic use of all available EU funds. The tight definition of geographical targeting has meant it has been difficult to develop regional wide projects, including key areas such as renewable energy development where strategic approaches to supply-chain development are useful. Building in such inflexibility from the onset makes it difficult to react to those unforeseen opportunities and issues which develop during the course of a programme period. However, some participants felt the approach taken through ESF Priority 5 had been a good example of the effective use of geographical targeting.

Financial Instruments

There was consensus that financial instruments should feature in the future programmes especially as they are a source of revolving funds, also that if the opportunity exists to increase the intervention rate through the identification of a specific theme this should be fully explored.

Role of EAMFF and EARDF in structural funds

There is a need for early discussions on how to integrate rural and fisheries funds in same way as these open discussions.

Outputs

There was a plea for design outputs that make more sense to their end use.

Simplification

The main pleas for simplification were:

- One set of rules in plain English, clearly interpreted and not open to different interpretations across the Managing Authority.
- Reintroduce up front payments
- Make maximum use of lump sum payments
- Make maximum use of unit pricing
- Make sure the National Rules are in place at start of the programme and are consistent throughout the lifetime of the programme and across the funds which the Scottish Government manage (ERDF, ESF, EAMFF and EARDF) to avoid demoralising those managing funds (especially when volunteers are involved)

Audit Costs

There is a real need to address the audit burden involved in managing Territorial Co-operation projects. Expecting full audit every six months and spending up to 20% of projects costs on audit is far too much.

Write up by: [Lesley Cannon](#) (Scotland Europa) and [Ingrid Green](#) (East of Scotland European Consortium)

Participants

First Name	Last Name	Job Title	Company
Linda	Aird	European Officer	West of Scotland European Forum & North Ayrshire Council
Alan	Bain	Compliance Manager	Scottish Investment Bank (SE)
Leigh	Berridge	Director of Business Development	Adam Smith College
Alan	Boyle	Chief Executive	West Fife Enterprise Ltd
Lesley	Cannon	EU Funding Manager	Scotland Europa
Graeme	Clark	Project Manager	Scottish Qualifications Authority (SQA)
Rob	Clarke	Head of Policy	Highlands & Islands Enterprise
Ed	Craig	Head of Project Development	Edinburgh Napier University
Andrew	Dickson	Fund Manager	West of Scotland Loan Fund Ltd
Mark	Elliot	Finance & Funding Manager	Scottish European Green Energy Centre
John	Ferguson	Director of Development and Programmes	SCVO
Karen	Fraser	Senior European Funding Executive	Scotland Europa
Ingrid	Green	Policy Officer	East of Scotland European Consortium
Lynn	Hamilton	European Strategy and Partnership Manager	VisitScotland
Morag	Keith	Business Manager	WoSCoP
Norman	MacAskill	Head of Rural Policy	SCVO
Charles	Marriott	Senior Policy Officer	Universities Scotland
Ian	Mathie	Programme Manager	Sestran
Bryan	McGrath	Head of Economic Development & Environment	South of Scotland Alliance & Scottish Borders Council
Pat	McHugh	Investment Director	Scottish Investment Bank
Andrew	McQuaker	International Projects Manager	ESEP
Christine	Mulligan	ESF Programme Manager	Skills Development Scotland
David	Rennie	Stakeholder & Partnerships	Scottish Enterprise
Emma	Ritch	Project Manager	Close the Gap
Claudia	Rowse	Rural Development Manager	Scottish Natural Heritage
Jennifer	Smith	Project Assistant	Energy Technology Partnership
Gordon	Summers	Principal European Officer	Highlands & Islands European Partnership & The Highland Council