

Replacement of European Structural Funds in Scotland

Scottish Government consultation

SCVO response

1. What are the main aims that this funding should seek to achieve?

SCVO's response to this consultation was informed by two meetings, facilitated by SCVO and The Human Rights Consortium Scotland, held in Glasgow and Inverness. These meetings brought together approximately 50 individuals from a range of voluntary sector organisations in Scotland to discuss, in detail, the replacement of European Structural Funds in Scotland. SCVO's membership were also asked to feed into our consultation response via email, in order to ensure that their thoughts were represented throughout our response.

It is important to note that funding from Europe to Scotland has been decreasing substantially in each programme period and any replacement fund should aim to allocate expenditure between infrastructure and people based projects on an equal basis. The European Commission's principle of additionality should be retained in that the new fund should aim to be additional monies to any national funding that would have been available for this type of expenditure.

The funding should therefore be targeted at specific areas wherein the Gross National Income (GNI) is less than 90% of the Scottish average, thereby helping to reduce these areas' economic and social disparities. SCVO members stated that a focus on the promotion of infrastructure projects which support digital participation, innovation and research in the low carbon economy would help to right imbalances between different areas in Scotland.

Additionally, SCVO members are of the belief that the main aims of the successor fund should take into consideration as to how it can align with Scotland's National Performance Framework and Scottish National Outcomes, as linked to the Sustainable Development Goals (SDGs). By retaining a central and firm link to the SDGs the aims of the fund will ensure that partnership opportunities with other parts of the UK are still feasible. However, it is important to note that the National Performance Framework does not include gender equality, which is an important aspect in reducing inequalities, therefore the replacement fund should not be entirely tied to the Framework. SCVO members have also stated that the new fund may provide the opportunity to place a renewed focus on supporting climate change and environmental sustainability projects given that these are also UK wide priorities. If other frameworks are also needed, such as those relating to local outcomes or human rights, then these should be linked to the NPF to join things up.

The EU's current fund prioritises five overarching objectives for future funding, these include improving innovation and digitisation at speed and scale; the creation of a greener carbon-free Europe; supporting the European Pillar of Social Rights; connecting Europe through strategic transport and digital network links; and supporting locally-led development strategies and sustainable urban development across the EU. SCVO's members believe that all five of these objectives can be considered as sensible and are keen to see these objectives reflected in the replacement fund.

Underneath these objectives, SCVO members believe that the funding should seek to tackle inequality and promote wellbeing. Without this specific aim being embedded into the

foundations of the new funding arrangement, and the subsequent targeting of support and investment into regions with lower levels of growth and higher levels of poverty, there is a risk that the current geographical divide in relation to inequalities will only increase. To do this effectively, wellbeing outcomes and indicators must be central to the evaluation of the fund. The process for deciding the precise methodology which will make up these outcomes and indicators must involve a range of stakeholders and voices including the Scottish voluntary sector.

2. How could funding be used most efficiently to address spatial inequalities between areas and communities in Scotland?

SCVO members are keen to see the replacement fund consider new measurements for assessing impact such as utilising the Scottish Index of Multiple Deprivation (SIMD) which would allow for the funds to be targeted not at the Scottish regional or local authority areas but at the specific locality areas who are identified using the index as being in most need of assistance.

Within these areas and beyond, the level of services local authorities are expected to provide has increased on an almost annual basis, despite a lack of significant investment in local government. Therefore many local authorities often feel they are deprived of the resources required to fulfil the needs of their citizens due to capacity gaps. As such, many community level and smaller organisations have stepped in to fill these capacity gaps. These community level and smaller organisations, SCVO members believe, should be provided with more accessible funding access routes in order to deliver projects aimed at decreasing inequality in Scotland. SCVO members have expressed dissatisfaction in the way EU funding has been managed historically by the Scottish Government, with complaints relating to a complicated application process and more which has hindered them from delivering projects with the potential to improve inequality rates within local communities.

Accessibility will be key to the new fund. If community-based organisations, who often punch above their weight in terms of impact and reducing spatial inequalities, are struggling to access funding which clearly aligns with their aims and visions, then inequality will remain a serious problem in Scotland. SCVO members play a driving role in reducing inequality in Scotland and they must be adequately equipped with the right funding in order to allow them to continue to provide education, training and employment support at a local level.

To achieve these ambitions appropriate stakeholder input is required in the development of phase of the replacement fund. This would ensure that the application and administrative process is not a burden to applicants and is amenable to all parties. This should include the Scottish voluntary sector, local authorities and bodies such as, but not limited to, Scottish Natural Heritage and Skills Development Scotland. All of these stakeholders have significant experience in managing successful funding initiatives, therefore their experience will be crucial to the success of any future fund arrangements.

3. Geographically, at what level would the priorities for funding best be set?

The current objective of the replacement fund is expected to be that it “will tackle inequalities between communities by raising productivity especially in those parts of our country whose

economies are further behind". The Ideas, People and Infrastructure sections of the UK's Industrial Strategy can be loosely connected to the current European Structural Fund Operational Programmes and the National Performance Framework, therefore it could be assumed that the top level funding priorities will be established by the UK and Scottish governments.

SCVO members believe that the priorities for the fund should be set at a devolved level within the Scottish Government. These priorities should be broad and all-encompassing in order to capture the full length and breadth of activity which is currently being delivered by voluntary sector organisations. Furthermore, the setting of funding priorities at this level ensures that there is proper understanding of the challenges faced in Scotland.

Though further consideration must be given as to how the funds are distributed between regions in Scotland in order to identify appropriate priority areas. The 2000 to 2006 programmes were administered using three areas, East, West and Highland and Islands. The last being a Special Transitional Area and therefore eligible for a higher intervention rate. Whilst retaining the Highlands and Islands Area, it may be appropriate to further subdivide the East and West Areas and include, for example, a Borders/Dumfries and Galloway area, alongside a North East, South East and West area. Once appropriate region areas are identified though which to manage the funds these areas should then determine the priorities from the approved range that they are to apply.

4. How could the use of future funding add value to other sources of funding focused on similar objectives in Scotland?

There are a number of existing funds in Scotland which could benefit from additional support, these include the:

- Community Capacity and Resilience Fund which is a dedicated capacity building fund for voluntary sector organisations and community based initiatives.
- Employability Fund which supports people to contribute confidently to society as workers, volunteers, carers, activists and learners.
- Tackling Poverty Fund which aims to address health inequalities (including mental health), digital participation, gender equality and support for marginalised and vulnerable people.
- Rural Development Fund that looks to support diversification, rural community development and tackle isolation.
- Industrial Readiness Fund which seeks to prepare society for the '4th industrial revolution' with a focus on re-skilling for greater automation and low-carbon economy, infrastructure and digital services.

These funds closely align with the values of the previous fund's priorities as well as fit well within the broad themes of the UK Government's Industrial Strategy. Future funding directed towards the initiatives outlined above would help to secure further improvements in areas such as employability, poverty, rural isolation and more.

Additionally, SCVO members have also expressed concern over the status of LEADER funding post-Brexit, citing its key contribution to rural and remote areas. Though LEADER

funding does not form part of the Structural Funds, its contribution and impact must be maintained following the UK's withdrawal from the EU.

Many SCVO members who receive European funding have used the LEADER programme for rural community development. There are concerns that were the provision of this funding source to come to an end, it is not clear where support for rural development would come from. LEADER's support for regional investment plays a significant role in driving improvements in rural areas. The initiative is viewed as one which empowers local communities to consider what they can do to improve the resilience and future of their area. Members believe that this core component of the funding is central to the success of LEADER supporting regional investments as this type of fund gives more consideration to places that are normally missed by other types of financial support. There have been suggestions that the replacement fund will support LEADER in the future, however, there remains a lack of clarity on whether this will be the case. SCVO members believe that the bottom-up funding approach which LEADER takes is crucial to rural development and must be retained, whether that is through the replacement fund or another funding pot.

5. What practical value would you see in future funding in Scotland being aligned with the UK Industrial Strategy and other spatially-differentiated UK economic policies such as the City and Regional Deals or the Industrial Strategy's approach?

There are commendable elements within the UK Government's Industrial Strategy which SCVO members agree with, such as the ambitions to reduce inequalities between communities and places by promoting a sustainable and inclusive economy. However, the Industrial Strategy's solutions to these problems commonly manifest themselves through the prioritisation of productivity measures. Funding community services which support areas severely suffering from spatial inequality is as equally important as improving productivity. The UK Government's prioritisation of productivity measures as the sole driver to improve inequalities is exemplified by a written statement, from former Secretary of State for Housing, Communities and Local Government, James Brokenshire MP, which noted that "inequalities will be tackled by raising productivity" making no reference to the role of the voluntary sector within communities, a wellbeing economy or inclusive growth.

Should the UK Government decide to implement a replacement fund around the Industrial Strategy, it would be possible to align Scottish Government policy development and spend alongside the five foundations of the Strategy. The amount of funding currently being directed at City and Regional Deals is probably sufficient for these deals to be stand-alone, with the replacement fund utilised to target other areas where there are vulnerable people in need of assistance.

However, the Industrial Strategy, in its current form, has too narrow a focus on blunt productivity measures. It outlines five measures for a 'transformed economy' that include ideas, people, infrastructure, business environment and places and outlines a number of commitments around these measures, none of which directly relate to the role of the voluntary sector in tackling inequalities. Therefore, SCVO members do not believe funding provided to Scotland should be allocated on the basis of the priorities of the UK Government's Strategy.

It is crucial that the management of the replacement fund is devolved to the Scottish Government, to avoid being inhibited by the Industrial Strategy's narrow focus. SCVO members stated that a re-centralisation of the fund post-Brexit would not be welcome. The UK's role in the fund should be limited to outlining a high-level framework, in similar vein of the EU's cohesion policy, which acts as a guide for devolved administration funding allocation decisions. The Scottish Government must be the ultimate authority for any post-Brexit replacement fund in Scotland, in order to maintain cohesion with devolved policy.

6. What practical value would you see in maintaining alignment with EU Cohesion policy?

The EU's cohesion policy aims to strengthen economic and social cohesion by reducing disparities in the level of development between regions. SCVO members agree with this approach and support continued alignment with this policy. The practical value of ongoing alignment would mean that the overarching aim of the replacement fund would remain on tackling inequalities. Furthermore, alignment with EU priorities would also create the possibility that access to other EU programmes are maintained such as Erasmus, INTEREG and Horizon.

Additionally, some SCVO members have stated that by having projects adhere with EU cohesion policy it would ensure that projects, of longevity, are future-proofed should Scotland's status as a member of the United Kingdom change, and result in an independent Scotland applying to join the European Union.

7. How could we best evaluate the success of this new fund?

The current fund has two broad aims which are to raise output in less prosperous areas and reduce worklessness. Two features which seem likely to play a prominent role in the UK's replacement fund include both output and employment rates. Therefore, it is likely that the impact of the replacement fund will be evaluated through Gross Value Added (GVA) per head and unemployment rates. However, SCVO members have expressed the view that they are keen to see the replacement fund move beyond these economic indicators and implement a framework which measures wellbeing and aligns with the Scottish Government's focus on the creation of a wellbeing economy.

Economic indicators, whilst a statistically reliable measure, only capture material wellbeing. These indicators do not account for social and environmental costs or reflect social inequalities and regional disparities in full. They also fail to capture other key aspects of wellbeing and quality of life (such as work-life balance, health and education). New Zealand, in 2019, introduced its first wellbeing budget which seeks to move away from a sole focus on economic growth and broaden their definition of success to incorporate not just the health of the nation's finances but its people and communities. This followed the Welsh Government's Well-being of Future Generations Act, which places a statutory requirement on public bodies to consider the long-term social, cultural, environmental and economic wellbeing impact of their decisions. The replacement fund offers the opportunity, given that Scotland will be involved in the development of the fund from the ground-up, to follow these examples and embed wellbeing indicators as a measure of evaluation alongside the more traditional economic measurements.

Additionally, SCVO believe that two types of evaluations should be carried out as to ascertain the overall effectiveness of funded projects. Firstly, an implementation evaluation should be carried out at the early stages of the project, in order to assess how it is initially being managed and executed. Secondly, impact evaluations should take place which take into account all indicators and make an assessment as to what extent the project is delivering against the fund's priorities.

8. What relevant parts of the National Performance Framework should this funding be targeted towards?

Some SCVO members believe that replacement funding should be directly linked to the National Performance Framework's strategic priorities. The Framework's purpose is to create a more successful Scotland, provide opportunities, increase wellbeing, create sustainable and inclusive growth and reduce inequalities. These are ambitions which SCVO members agree with and believe should form some part of the basis as to how future funding is allocated in Scotland.

Alongside this connection, and in line with the previous question, the funding should be directed towards wellbeing outcomes rather than hard monetary GDP-focused, economic or employment data indicators.

9. Which specific aspects of the monitoring and evaluation framework from European Cohesion Policy do you consider would be beneficial to retain for any new fund?

No response.

10. What approach should be used to allocate the funding at programme level – including the most effective duration of the programme that would better support the identified priorities?

SCVO members noted that there are positives in seeing the replacement funding retain the same attributes with regards to funding duration. Maintaining the longer-term funding programme period of seven years, which sits across parliamentary timescales, ensures that there are no short-term 'politicking' regarding funding decisions between political parties in the run up to elections.

However, this was not an overall consensus, with some members explaining that the project funding amount was the maximum that could be claimed over a seven-year period and that this amount could only be decreased (but not increased) depending on mid-term evaluations. The differing view of some SCVO members is that by shortening the period of funding to four-year rounds that it would allow for the approval of multi-annual applications.

Regarding the application process, SCVO is keen to see that the level of bureaucracy and administration associated with fund applications is consistent with the level of funding being applied for. Members have expressed that there is a lack of understanding of the capacity and resource issues which many organisations experience. Funding applications, monitoring and reporting are often very resource intensive and can eat into the day-to-day core activities of an organisation, therefore impacting on the level of service they provide to their users. The

new funding model must reassess its application management process and ensure that it does not place a restrictive administrative burden on fund applicants.

11. What would be the most appropriate partnership and governance structure to achieve the strategic objectives of the future funding?

SCVO members are in agreement that the Scottish Government should take responsibility for setting the strategic framework for any future fund, however, decision-making should be delegated to a more local level.

Considerations, amongst SCVO members, as to how the replacement fund should be managed have been wide ranging with a diverse set of opinions communicated to us. SCVO members have noted that were local authorities to be tasked with delivering the funding, then it must be ring-fenced to ensure that funding is distributed in a timely and efficient manner. Members stated that the use of local authorities in the management of funds would also help to ensure the right projects are resourced, given that they will have local knowledge off the specific issues which impact their communities.

Additionally, SCVO members have also stated that they would support the replacement fund using a similar governance process to what was in place prior to the 2014-2020 funding round. This model of delivery was carried out through a number of regional boards who managed funds on an independent basis throughout Scotland. The advantages of returning to this process, according to members, include:

- the presence of an independent body that provides direct advice and guidance to applicants through all stages of the process from original application to final claims
- a standard application process throughout Scotland with known deadlines
- a range of local experts from local authorities, economic boards, education and the voluntary sector are able to contribute to both the design of the programme at national level and the application of the programme at local level
- a knowledge of the local area providing the ability to recognise changes required and implement them
- and in any case of a dispute the Scottish Government would be the point of arbitration.

Members stated that the methodology used to deliver the current programme of funding has failed due to each lead partner setting their own application process, sets of outcomes and results which are subject to both Scottish Government rules and the EU's rules. In the current system, Scottish Government acts as both rule-maker and arbiter, with no separation of duties when it comes to application assessment and the hearing of appeals etc. Currently the process does not have an independent voice or adjudicator. This current governance approach is broken and that is evident by the fact that a European Commission audit found that the system was not fit for purpose, resulting in the suspension of European funds to Scotland. The replacement fund must learn from the mistakes of the past and not follow the same process as its current iteration.

Our members have also stated that they would be in favour of a cross-UK type arrangement whereby WCVA, NICVA and NCVO alongside SCVO would manage and support a civil society fund. Given the problems with how the fund has been managed previously, members are not supportive of a replacement fund being managed by the current Managing Authority.

There is hope from Scotland's voluntary sector that a more ambitious approach is taken and that the fund moves away from the past and its associated challenges.

12. What would be the most effective delivery model to ensure maximum leverage of funds from public and private sectors to regional investments?

The current fund adheres to the principal of 'additionality,' which means that EU funding has to be matched by national funding, with match percentage rates dependent on the area's status. So far, there is a lack of clarity as to whether the replacement fund will follow the same principle or if it will seek to fully fund projects entirely without match funding.

Should the fund look to take a matched funding approach, SCVO members believe that decision-making must take place at the level (national/regional/local) at which the match is added. In the past, the voluntary sector have sought and obtained match funding from a number of sources including Scottish Government, local authorities or philanthropic funders. In the current programme, obtaining match funding has been a significant issue for SCVO members, therefore there needs to be an agreed formula to ensure that there is match funding available, which would enable Scotland's voluntary sector to make the best use of the replacement fund.

A 2017 review of funding arrangements found that 50% of Highland and Islands' Strategic Interventions have had issues with match funding availability, which severely impeded the progress of projects, particularly those looking to improve labour mobility and tackle social inclusion and poverty challenges. Therefore, it is essential, that if match funding is required, Scotland has the ability to provide match in order to ensure that Scotland's voluntary sector is not missing out on money which has the potential to make a significant difference throughout the country.

13. What capacity building or other support is needed to ensure the ability of local partners and communities to participation in the programme?

In order to ensure that the local partners and communities are able to fully participate in the replacement funding programme, there needs to be acknowledgement from Scottish Government that the current process doesn't work. It is cumbersome and exacerbates already limited existing capacity and resource challenges faced by organisations throughout Scotland's voluntary sector. And it is subject to constant change. To improve participation, the replacement fund needs to be simple and streamlined with minimal duplication of effort. Many smaller organisations have failed to engage with the fund in its current iteration due to its complexity. Evidence highlights that the increasing, and ever-changing, complexity involved in applying for, and reporting on, EU funding programmes has led to a reduction in the amount of funding being accessed by voluntary sector organisations. SCVO and our members are keen to see that the replacement fund does not suffer from this same challenge.

SCVO members stated that, should the programme revert to the post-2014 system of governance, it would provide applicants with support from an independent regional organisation, staffed with local experts, who could provide guidance and assistance through the application and claims process. Thus reducing administrative burden.

Other examples of good practice in improving the capacity of local partners and communities were cited by SCVO members. In the current LEADER programme, staff in local authorities have provided successful assistance in the distribution of approximately £82 million in funding to rural areas in Scotland. SCVO has also provided support including Scotland wide assistance to rural areas through the Rural Direct Project to a range of voluntary sector organisations applying to the Scottish Rural Development Programme Priorities Fund. To improve the capacity and ultimately drive uptake of the fund, applicants must get the right external support and guidance to ensure the application and monitoring process is not onerous.

Once the actual method of the replacement fund's delivery is known, the manner and level of local, regional and national support required can be further developed as appropriate.

14. What can be learned from the design and delivery of the current and previous European Structural Fund programmes in Scotland?

It is unsurprising that the most successful projects, supported by the fund, have been ones driven by the voluntary sector, regional and local authorities, other non-governmental organisations, colleges and universities. According to SCVO members, the success of these projects was down to the delivery being locally based with the Scottish Government only participating as Managing Authority. In the current programme of funding, it is difficult to identify how decisions are made when agreeing spending priorities. A return to regional led delivery would provide the replacement fund with up to date relevant information on the local action that is required to meet national priorities.

However, if the decision is made to continue with lead partners distributing the funds within their sector then, as stated previously in our response, SCVO members would like to see significant funds being managed by the sector for the sector. In Wales, the WCVA currently manage over £75 million of European funds on behalf of the voluntary sector. The funds are all committed and on target for spend. Investing in the sector and its priorities is low risk, high value and provides maximum outcomes.

The lead partner model currently being used in the 2014 – 2020 programme is not operating the match funding principle as described in the Operational Programme and this puts an immense amount of pressure on voluntary sector organisations. This and other management issues has led to large amounts of funds being de-committed from the programme which reflects poorly on the management of European funding in Scotland.

SCVO has also learned of concerns relating to the current fund's IT system. The European Structural Funds IT System, 'EUMIS', was due to be implemented throughout the country in June 2015 and provide functionality for lead partners, delivery agents and the Managing Authority. However, this did not happen, resulting in lead partners devising their own claims processes. In any replacement fund, the development of the IT system needs to be carefully considered to ensure that it is robust, accessible and fit for purpose. Again, this has been done successfully in Wales.

SCVO members would also like to see a return to the pre-payment of funding. In previous iterations of the programme, funding equal to 30% was made at approval and thereafter claims paid on a regular basis until 90% of the funding was paid and a final claim was made which

released the remaining funds. This approach eases the cash flow position of project delivery organisations and allows for the swift delivery of projects, aimed at supporting vulnerable individuals, by voluntary sector organisations who would not otherwise be able to participate.

The suspension of EU funding to Scotland remains a major concern of SCVO, our members and the wider voluntary sector. The suspension demonstrates the fact that the current system does not work, as illustrated in some examples in this consultation response but there will be many more. Whatever arrangements are put in place for successor funding, the systems and processes must be co-designed and take account of everyone using the system. It is possible to maintain high standards of governance without disproportionate, constantly changing, bureaucracy. We remain committed to working with the Scottish Government and our members in order to address these issues and forge a positive and productive way forward to ensure Scotland does not miss out on much required funding now or in the future.

About us

The Scottish Council for Voluntary Organisations (SCVO) is the national body representing the voluntary sector. Supporting 45000 voluntary organisations, 2000 members, 100,000+ staff, £1m volunteers. [View the latest sector stats](#)

SCVO's policy works to ensure that the needs and concerns of the voluntary sector in Scotland are represented in the Scottish, United Kingdom and European Parliaments.

By acting as an authoritative and trusted voice for the sector, SCVO's policy and research output is delivered through a strong evidence base and an engaged membership.

Further details about SCVO's policy and research can be found at [/policy-research](#)

Contact

Jamie Flaherty
Public Affairs Officer
Scottish Council for Voluntary Organisations
Brunswick House
51 Wilson Street, Glasgow, G1 1UZ

Email: Jamie.Flaherty@scvo.org.uk

Tel: 0131 474 6157

Web: www.scvo.org.uk