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The Scottish Government
Riaghaltas na h-Alba

LEGACY 2014
XX COMMONWEALTH GAMES
SCOTLAND

Christine McKelvie MSP, Convener
c/o Jenny Goldsmith
Assistant Clerk
European and External Relations Committee

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Dear Christina,

I welcome the Committee's continuing interest in the work to develop 2014 - 2020 Structural Funds programmes in Scotland. The Committee's thoughts and questions have made a useful contribution to shaping the programmes and the huge potential of these funds for Scotland.

We will continue to reflect on the Committee's recommendations and trust that our responses set below are helpful. The Committtee's recommendations will continue to influence the final development of the programmes. As you will be aware, the next update to the Committee is due in May 2014, in the interim, I will respond to the specific points in the Committee's letter of 6 December 2013.

The Committee asks the Scottish Government to provide it with a copy of the Partnership Agreement and operational programmes as soon as possible. The Committee also asks that the Scottish Government keep it informed about progress in relation to the new programmes as it recognises how important this is for delivery organisations, particularly third sector organisations and smaller organisations that could be disproportionately affected by delays.

The Partnership Agreement should be completed during February and the drafts of the Operational Programmes should be available by the beginning of April. We will issue these to the committee at the first available opportunity.

The Committee asks the Scottish Government to comment on whether there is a value in prioritising particular thematic objectives, notably in relation to R&D&I and SME competitiveness.

I would agree that there is value in prioritising particular thematic objectives, indeed the European Commission is pressing heavily for thematic concentration by Member States. There is a minimum spend of 80% (60% in transition regions) on RTDI, SME Competitiveness, Low Carbon Economy and ICT Access and Quality and so a recognition that there will naturally be a prioritisation of these themes.

On a general level, the Committee would welcome an assessment from the Scottish Government on the tangible benefits that transitional region status will bring to the Highlands and Islands as it is the only region in Scotland to benefit from this status. The Committee would welcome more detail on what the funds will be allocated to in this area in the Scottish Government's regular updates.

The successful funding negotiation with the UKG has resulted in the continuation of a significant budget for the Highlands and Islands, amounting to nearly 25% of the total allocation for Scotland. The transition status provides some flexibility in relation to the ring fences mentioned previously in relation to thematic concentration. This ring fence is 80% in the rest of Scotland but 60% for the Highlands and Islands and so provides some flexibility in targeting resources outwith these thematic objectives. The status also allows for slightly higher maximum co-financing rates: a maximum of 60% (50% in the rest of Scotland). Discussions on targeting the transition region funding allocation are still ongoing and Highlands and Islands stakeholders are considering the relative priorities for the region and we will continue to liaise closely with them as their thinking emerges.

The Committee welcomes the development of an Integrated Territorial Investment tool for the Highlands and Islands Region, requests more information from the Government on how this will work and an update on progress to developing such an initiative.

We are working closely with Highlands and Islands stakeholders on territorial options for the new Structural Fund programming period. Currently the focus is on ensuring the interventions under development across Scotland can adequately meet the particular needs and opportunities of the region or identifying new interventions where there are perceived gaps.

The Committee notes the concerns of H&I stakeholders regarding the issues of balancing national and regional concerns. The Committee therefore welcomed the acknowledgement in evidence by the Scottish Government that it needed to tailor the approach locally for the H&I region, and consider whether additional support was required, particularly to make the most of the area's natural resources and assets and encourage area-specific industry such as renewables. Nevertheless, the Committee would welcome more detail on how the Scottish Government intends to work practically with H&I stakeholders to resolve this issue, and ensure that existing assets such as regional learning centres are not jeopardised.

The Scottish Government has established an Interim Managing Authority with a project team dedicated to assisting the region's stakeholders develop the territorial options and the tailoring of interventions, including those that would enable exploitation of the area's natural resources and assets such as those within the Low Carbon Economy objective. Commitment has been agreed to ensure that potential lead partners will directly involve the region's stakeholders in the development of the strategic interventions. Lead partners have been urged to appreciate the need for appropriate delivery mechanisms and structures to enable this tailored approach, especially where the geography and current assets such as the regional learning centres require a different approach.

The Committee welcomes the Scottish Government's commitment to linking business and the educational sectors in the H&I region, and also on digital connectivity and specifically broadband. It requests that the Scottish Government keep it updated on whether the ESI Funds could be spent on infrastructure projects, not only in the H&I region, but also in the rest of Scotland.

Whilst the focus of the ERDF and ESF will be on revenue based actions, there will be support for infrastructure across Scotland particularly in relation to sustainable transport, the development of low carbon economy projects, waste management and green infrastructure.

The Committee asks the Scottish Government to provide more detail on how the Partnership Agreement Monitoring Committee will operate as soon as is feasible. The Committee asks the Scottish Government to provide its view on the proposal from local government officials that they should have a role in the PAMC, and UHI's call for the PAMC to take a more pro-active approach in the new programming period.

An initial meeting in shadow format of this committee has now taken place, with clear agreement that a single committee monitoring Scotland's overall progress towards agreed Partnership Agreement outcomes and goals is required to maintain a strategic focus. We will work with the members to formulate the precise mandate, and to ensure that they have ownership of, and can direct, the strategy and the outcomes it is supposed to deliver.

As the regulations still require a great deal of detailed oversight (e.g. selection criteria for projects), a series of fund specific sub groups have been proposed, all of which have the ability to refer issues to the joint monitoring committee, and all of which must refer issues if they affect more than one fund or affect the Partnership Agreement goals. These wider fund specific arrangements will enable us to involve a greater range of partners, including local government officials, in the areas they are most interested in.

The Committee welcomes the work on the simplification agenda, and asks the Scottish Government to continue to outline plans for ensuring that all stakeholders have sufficient information on auditing and compliance rules from the start of the programmes to avoid any difficulties. In particular, the Committee would welcome more detail on the outcomes of the workshop organised by the EC and Scottish Government and how any concerns raised by stakeholders will be addressed.

I am keen to ensure that stakeholders have sufficient access to the necessary guidance and advice from the start of the new programming period including those relating to audit and compliance. The Scottish Government will be directly involving stakeholders in the development of this guidance to ensure it is fit for purpose. We look forward to continue the positive progress already made with major input from stakeholders e.g. in developing and testing the simplified cost models. We propose to adopt a selection of cost models which would be audited prior to approval of funding and paid on results as they are delivered, thus minimising the administrative burden for stakeholders.

The Simplification workshop held in Glasgow on 10th September 2013 was well received by both stakeholders and European Commission representatives. The Commission helpfully provided presentations on the experiences and the practicalities of adopting simplified cost models in the 2007-2013 programming period. Furthermore, Merchan Cantos, Director of DG Emploi provided assurance that all European Commission departments (DGs) have agreed to work together to enable embedding of simplified cost models across all programmes in the 2014-2020 period.

The Committee asks the Scottish Government to keep it updated on how it is using any funds allocated to the South West of Scotland region to tackle youth unemployment. The Committee requests further detail on any eligibility criteria for funding, and information on whether there will be any geographic focus on certain areas of the South West of Scotland in terms of funding opportunities.

The Youth Employment funds will be dedicated entirely to supporting individuals between the ages of 15 – 29 who are currently inactive or at risk of not accessing education, employment or training. There will be no geographic focus on certain areas of South West Scotland. The Scottish Government is bringing key stakeholders together on Thursday 6 February to discuss options for delivery and activity that might be funded. We are keen to explore a number of options with stakeholders that will not only address the short term solution but will address the youth unemployment in the longer term.

By considering a separate Operational Programme for the Youth Employment Initiative allows the programme to start early and not wait for approval of the Partnership Agreement. We remain on track to start the programmes in summer.

The Committee notes the scale of the employability issue for the over 25 age group, and asks the Scottish Government how it will use European Social Funding and other interventions to address the problems faced by this age group as they are not eligible for the Youth Employment Initiative. The Committee would welcome updates on this area via the regular six monthly updates from the Scottish Government.

One of the strategic interventions - the Enhanced Employability Pipeline - addresses these concerns and proposes adopting a localised approach to addressing barriers to work. This includes targeting 25+ adults, those experiencing multiple deprivations, childcare issues, health inequalities, skills and employability. This will link closely to SME competitiveness to ensure that jobs are created alongside preparing people to take up sustainable employment.

The Committee is aware of the importance of competitive funds, and would welcome information on whether the Scottish Government has used these funds to supplement the Structural and Investment Funds, and also what has and what could be funded in this way, for example, cultural projects.

Other competitive funds will play an important role in shaping some of the strategic interventions with a notable example in the proposed Low Carbon InfrastructureTransition Fund. This recognises that there are many sources of funding for low carbon initiatives but that support is required to provide an "investment ready" pipeline of projects that can then target these sources. The Scottish Government will ensure it continues to identify such funding synergies when developing these proposals further including those that could maximise opportunities in relation to cultural activities.

Finally, I would like to reiterate our continued focus on developing proposals and finessing strategic interventions with our stakeholders and, concurrently, ensuring that all the necessary guidance and systems are in place for a Programme start mid 2014.

Best Wishes
Nicola

NICOLA STURGEON