

European and External Relations (EER) Committee

The 2014-2020 European Structural and Investment Funds programmes

The following organisations have submitted supplementary written evidence to the EER Committee:

- North Ayrshire Council
- Scottish Chambers of Commerce
- University of the Highlands & Islands (UHI)

Supplementary written evidence from North Ayrshire Council

GOVERNANCE AND DELIVERY

It will be important for the Partnership Agreement Monitoring Committee to have representation from key bodies involved in EU funding programme delivery. Thus, in addition to national, it needs to incorporate cross sectoral and regional dimensions. It should include sufficient local government senior officer representation to reflect the different opportunities and challenges faced by regions. This would also reflect the varying eligibility of Scotland's regions to be involved in broader EU territorial cooperation activity.

From a local government perspective we believe it to be crucial to have a means of providing political oversight to the PAMC discussions. A periodic, systematic dialogue on the strategic delivery of the programmes should take place, involving relevant Cabinet Secretaries, local government and other Member representatives as appropriate.

SIMPLIFICATION AND AUDIT

Audit and reporting rules need to be clear from the outset. From a local government perspective, for example, Audit Scotland needs to work with Scottish Government and Councils to ensure there is a clear understanding of new potential obligations up front, including the new simplified cost models that are being developed to alleviate management and audit burden.

Further comment on how the arrangements will impact on organisations are likely to be clearer once we have further detail on the Lead Partner model being proposed by Scottish Government.

SOUTH WEST SCOTLAND INTEGRATED TERRITORIAL INITIATIVE

As the Committee are aware, earlier this year the European Council established a new EU Youth Employment Initiative in recognition of the particularly difficult situation of young people in certain regions. The aim of the Initiative is to add to and reinforce the support already provided through the EU structural funds.

The additional targeted investment from the European Social Fund in the eligible regions will be proportionate to the number of unemployed youth in these regions. Earlier this year Eurostat confirmed that, with a youth unemployment rate of 25.8%, the South Western Scotland NUTS 2 region is the only part of Scotland which meets the eligibility criteria.

It is understood that a proposal is emerging for an Integrated Territorial Initiative for this region to be included within the Scottish chapter of the UK Partnership Agreement. This would be linked to the above additional EU funding to support youth employment interventions in the region. It is possible the scope could be broadened to include some social inclusion and community cohesion activity.

Whilst there limited operational detail at present on what this ITI might look like, we would be strongly supportive of this measure. Alongside our partners in the West of Scotland European Forum we have written to Scottish Government to express willingness to engage in cross sectoral, cross agency dialogue across the region,

with the inclusion of Dumfries & Galloway which is part of the eligible EU statistical area.

We believe this intervention has the potential for a strategic and direct impact in North Ayrshire and the south west Scotland region given our problems with youth unemployment.

COMMUNITY PLANNING

The Committee may also be interested to learn that local authorities in West Scotland are in the process of setting up a dialogue with the Northern Irish Local Government Association. Our Northern Irish colleagues are in the process of developing their own approach to the Community Planning process.

The NILGA is keen to learn from the Scottish experience of drawing down European Social Fund and European Regional Development Fund support for strategic, local skills pipelines which help people enter the labour market, stay in employment, and move on in the workplace. We look forward to engaging in dialogue with them and hearing more on their experience and aspirations on these issues.

Supplementary written evidence from the Scottish Chambers of Commerce

EU funds 2014 to 2020

Scottish Chambers of Commerce (SCC) welcome the Committee's interest in the strategic and management issues surrounding the new EU funding programme, due to commence in 2014.

SCC represent 26 Chambers of Commerce from across Scotland. We are therefore well placed to identify the strategic imperatives around the use of EU funding in Scotland. Moreover, several local Chambers as well as SCC itself have longstanding experience in devising and managing EU funded programmes and projects that support Scotland's economic development and growth.

Business input into the 2014 to 2020 programme

Scottish Chambers of Commerce strongly believe that EU funds must have maximum impact on Scotland's economy, in order to align their use not only with the European Commission's identified priorities, but also with the Scottish Government's own stated primary priority of sustainable economic growth.

In its UK position paper, the European Commission identifies business – and SME's in particular – as key players in delivering each of the three priorities identified for the UK. They are -

1. Increasing labour market participation through improved labour market and education policies and reducing the risk of social exclusion
2. Promoting R&D investment and the competitiveness of the business sector
3. Promoting an environmentally friendly and resource-efficient economy

In our response to the Scottish Government's summer 2013 consultation on the 2014 to 2020 funds, SCC called for the Scottish Chapter of the Partnership Agreement that sets out how the funds will be used to recognise explicitly the vital role that the private sector will play in delivering the priorities set, and therefore include:

1. Specific commitments to prioritising SMEs for funding, in recognition of the lead they have in terms of potential impact on Scotland's economic growth in the first two priority areas in particular, around increasing labour market participation, and promoting R&D&I investment and business competitiveness.
2. Explicit commitment to working with the private sector in determining where funds are applied, in recognition of the primacy of the private sector's role in delivering the set priorities, and ensuring funds are focussed directly on the individual/business/infrastructure and not on process and organisations.
3. A stated recognition of the importance of *digital infrastructure* in delivering a competitive business sector with the capacity for job creation and economic growth, and a consequent stated commitment to including digital infrastructure improvement in Scotland's strategy for use of these funds.

Strategic Development Partnerships

SCC have since then used our extensive knowledge and experience of business growth needs and EU funding interventions to play an active role in two of the

Scottish Government's three Strategic Development Partnerships (SDPs) established in June this year – those considering Local Development and Social Inclusion, and Competitiveness, Innovation and Jobs. On each of these groups, SCC has been the sole private sector representation. Each group has also included a single voluntary sector representative, with all other group members being drawn from the public sector.

SCC's inclusion in these groups was the result of extensive discussion with Scottish Government ministers and officials, highlighting the need for private sector involvement in the decision making about the use of the EU funds in 2014 to 2020. While we feel that we have made an important contribution to the work of the SDPs and the development of the proposals that have been compiled, the process has nevertheless been thoroughly dominated by Scotland's public sector. In the groups in which SCC has participated, the local authorities, Skills Development Scotland, Scottish Enterprise, Highlands and Islands Enterprise and the Scottish Government itself have, along with other agencies, ensured that the public sector is, by sheer force of numbers in the room if nothing else, driving the discussion and therefore the strategic direction of the 2014 to 2020 EU funding programmes.

The Scottish Government's aim has been to ensure that the agencies that are most likely to be able to commit to guarantee match funding for the duration of the 2014 to 2020 programme, and to have the capacity and resources to manage that funding, will do so. This is in order to avoid issues that arose in the current, 2007 to 2013 programme, around de-committing match funding, and lack of capacity to fulfil project management and reporting requirements, among some small organisations in particular. However, fulfilment of this aim has resulted in a situation whereby a small number of large public sector agencies are both determining the strategy for the use of the funds, and at the same time expecting to see the lion's share of the funds put towards programmes that they will direct and manage or commission.

Interpretation of European Commission requirements

While it is important that member states and regions are able to operate structures and processes that are individually appropriate, SCC believe that it is important that clear, minimum standards are set out by the European Commission to ensure that all member states are meaningfully engaging the full range of appropriate stakeholders in the strategic and operational processes around the 2014 to 2020 EU funds. In particular, the Commission should make the link between the policy priorities it has set out in each case, with the involvement that will require for different groups and sectors to ensure that decisions are made as close as possible to where the intended impact is, according to the longstanding EU principle of subsidiarity.

Aligning priorities and practice: private sector leadership

The Scottish themed funds will only succeed if there is involvement and input from the private sector across each theme, and at every level, from the strategic to the implementation and delivery. Scotland's key challenges will not be addressed without private sector leadership and real partnership and ownership. The private sector provided nearly 78 per cent of jobs in Scotland in 2012, and this figure is increasing year on year while the public sector continues to contract as we all recognise the need to rebalance Scotland's economy. We have all acknowledged

that the private sector is the key to creating the opportunities and growth necessary to address the identified challenges creating wealth for all. We must ensure that the funds are appropriately apportioned to ensure that they are being driven directly to the consumer and not funding organisations and processes.

Innovation and development within business is going to be necessary for these challenges to be addressed. Businesses in Scotland therefore need to be fully involved in making decisions regarding fund usage and in monitoring the impact and value of all interventions in terms of job creation, business growth and increased competitiveness incorporating internationalisation.

As it stands, the Scottish Government is taking forward a process that assumes public sector leadership of business focussed interventions, with Scottish Chambers of Commerce providing advice and guidance. This structure is driven by the decision to prioritise security of match funding so that reallocation does not have to take place within the lifetime of the funding round. There is an assumption that businesses can and will not commit to match funding for a seven year period, and that therefore the enterprise agencies, local authorities and others in the public sector must take on this responsibility, and therefore direct and manage the funds and the interventions they enable. This, however, is a false assumption; the Scottish Government has relied on Scottish Chambers of Commerce to provide private sector input thus far, rather than opening the process out to input from the private sector.

The stage the process has reached has seen the Strategic Development Partnerships develop proposals for high level interventions in priority theme areas – for example, businesses competitiveness, skills and the workforce, and innovation. Of the proposals currently submitted to the Scottish government, one of the most exciting and positive in SCC's view is the proposal for a Financial Instrument to establish a holding fund for the purpose of providing SME finance to address the gaps that SMEs experience in the commercial lending market. This mechanism ensures that SMEs themselves are in control of identifying their growth financing needs.

As we move to the development process of detailed, practical proposals, now is the time to build on the principle in that proposal and ask not just for advice and guidance from the business community, as SCC has been providing over the preceding months, but to formally invite businesses – possibly using the Public Contracts Scotland portal – to use the knowledge and experience of business operation and growth to devise and pitch projects and programmes that use the 2014 to 2020 Scottish EU funds innovatively, practically and effectively.

By determinedly using public sector agencies to direct and manage EU funds, a higher proportion of these funds are swallowed up in administration and management than if the business community were, as outlined above, provided with the opportunity to use the funds directly. With the acceptance of completed outcomes as well as cash commitments as match funding from the private as well as the public sector, interested businesses should be given the opportunity to lead the delivery of EU cohesion priorities, particularly where they are aimed at building and developing the business community. The business community itself has more knowledge and experience of business growth than any public sector agency.

SCC would urge the Scottish Parliament European and External Relations Committee to use its scrutiny of these funds to ensure that they really are having the impact that European Commission intends, that they are reaching their end users, that they are enabling effective interventions and that they are not being used simply as a mechanism for public sector agencies to maintain programmes of work without challenge and evaluation about the most effective way of achieving the European Commission's aims.

Supplementary written evidence from the University of the Highlands and Islands

- Governance and Delivery

The proposed Partnership Agreement Monitoring Committee structure.

The aspiration to have one Committee to oversee ESI strategy and activity across Scotland is a good one and could help to bring about better alignment across the funds and reduce duplication of effort. However, we do not, as yet, have full details on the structure and the challenge will be about retaining a strategic perspective and analysis at that level. It is still unclear how project decisions will be made/endorsed and it remains difficult to see how the PAMC could be involved in such a process. Decision-making would appear to be possible only at the level of Strategic Interventions.

Whatever the PAMC and/or overall governance structure, it must take account of the Highlands & Islands Integrated Territorial Investment (ITI). This will require a 2-way process for reporting, with reports from Scottish Government and the Strategic Delivery Partnerships identifying Highlands & Islands activity and funding, as well as the ITI providing detailed reports on ESI activity and impact in the region. This parallel reporting will assist Scottish Government in meeting the separate reporting requirements for the Transition funds.

How membership of the PAMC should be composed to reflect the geographical and sectoral make up of Scotland?

There will be challenges in ensuring that the composition of the Committee is broad enough to secure adequate geographical and sectoral representation without becoming so large that it cannot function beyond a 'rubber-stamping' role.

We have particular concerns in the Highlands & Islands that the specific reporting required for our regional Transition investment could be lost within a pan-Scotland approach. Of course, there will be representation from the region on the PAMC, but the focus will, naturally, be on more urban areas with greater levels of spend and activity.

The solution being proposed by the Highlands & Islands European Partnership (HIE, UHI and the 7 local authorities in the region) and other stakeholders is to agree an appropriate remit for the Highlands & Islands ITI and ensure that the overall governance structure for ESI allows meaningful two-way reporting between the ITI and the PAMC.

In the spirit of the ITI (ie operating in an integrated fashion), the Highlands & Islands ITI should work in parallel with the PAMC (possibly meeting on the same day and prior to the Scottish PAMC) with representatives attending the PAMC to report on the ITI decisions and recommendations.

How the views and interests of all sectors involved in delivering the Funds can be incorporated in the PAMC?

The role of the new PAMC should be more pro-active than the current PMCs, so that it has a stated responsibility to ensure that views and interests of the diverse sectors and players involved can be included. This must extend beyond a simple approval of reports, to probing on the effectiveness or otherwise of ESI-funded activity and impact.

The new output-oriented approach, where projects will be evaluated more on what they produce rather than just what they spend, should facilitate this – but it will be crucial for this new *modus operandi* to be firmly established at the very start.

The smaller number of large SIs should further facilitate this approach, which would have been difficult in the current scenario, with hundreds of individual projects operating across Scotland at any given time.

Furthermore, simplification of processes and greater use of unit cost and lump sum models, as well as new financial instruments, should allow the PAMC to focus more on strategy rather than spend profiles.

A functioning reporting structure should also facilitate this approach. The Strategic Development Partnerships (SDPs) will allow for sub-groups in the 3 ESI themes reporting to the PAMC, which will encompass sectoral representation at greater granularity than the PAMC. The SDPs should be required to provide comprehensive reports to the PAMC, which demonstrate strategic direction and impact – and be accountable for these. There must also be the ability to be flexible in light of changing circumstances (cf the massive impact of the economic crash in 2007 on delivery of the current programmes).

There is a role here for thorough Prior Appraisal, ie comparing what can be achieved with normal budget and what can/will be achieved with the additional ESI funds. This can be done on a sectoral basis or on a regional basis and the added value determined. The key is establishing the baseline, monitoring and reporting.

For the Highlands & Islands, the ITI again offers an opportunity to allow greater sectoral engagement, through a process of negotiation with the ITI partners.

Although still very much a work in progress, the direction of travel for the ITI is to provide an holistic oversight of activity planned for the region via the SIs, which addresses how ITI stakeholders engage pro-actively with the SDPs to ensure that Highlands & Islands priorities and specificities are reflected in the delivery of the SIs and to agree budget allocation for the region, thus facilitating the construction of a budget for the Transition monies.

This will ensure that ITI stakeholders are involved in the future delivery – eg supporting Scottish Government in developing the case for the use of ERDF and EAFRG to fund the roll out of rural broadband.

Another example is in skills, where the ITI will facilitate continued liaison with Skills Development Scotland and the Scottish Funding Council regarding the development of the regional Skills Investment Plan and how it will be used to inform ESF delivery. There will be an ITI Governance group established, which will include the bodies involved in the planning and delivery of ESI activity in the region – acting as part of

the pan-Scotland governance structure, adding value as an integral part of governing the delivery of the Transition region investment – NOT as an additional layer of administrative bureaucracy to the process. This would extend to integrating LEADER into rural development activity and co-ordinating with other EAFRG and EMFF delivery.

The role and composition of the Strategic Delivery Partnerships.

The current composition of the SDPs is broadly appropriate, in that the key sectors for each theme are included, but they are tight enough to be able to operate and react to changing circumstances. Their evolving role, once the UK Partnership Agreement and new Operating Programmes are agreed, must be undertaken on a representational basis – working on behalf of sectoral and/or geographical stakeholders and not just managing single national programmes. They must be able to tailor delivery of the SIs to complement regional development needs and capacity – which will differ across Scotland.

Again, there is a role for the ITI to ensure that Transition region requirements – and opportunities – are accommodated, through functioning liaison with the SDPs. Scottish Government needs to ensure that the lead bodies of the SIs are instructed to engage with ITI partners to ensure integration of Highlands & Islands activity and with the ITI.

- Simplification and Audit

Whether the new governance and delivery arrangements and audit procedures for the 2014-2020 programmes are likely to be simpler than under previous programmes?

ESI – both the policies and the funding programmes – are complex and represent significant sums of investment of public funds. Governance and delivery arrangements must be robust, transparent and accessible. New arrangements under development for the 2014-20 programme (unit cost models, flat rate financing, lump sums, greater use of procurement, new financial instruments, etc) will simplify the process in many ways, but it is a fallacy to claim that they will significantly reduce bureaucracy and audit/compliance requirements will remain. What the new arrangements can do, however, is ensure that the process is more streamlined, easier to follow, consistent and, most importantly, is focused on eventual impact of the funds – what the investment is achieving rather than the amount of bus tickets it takes to achieve it!

UHI has undertaken a significant amount of development work in the current ESF programme using unit cost models and, with positive indications from Article 62 1 (b) and European Commission audits, can testify that the approach is much simpler, once development of the initial model to be used is negotiated. However, if this approach is to be extended, there is a need for clarity on roles and responsibilities and consistency on implementation to be agreed at the start of the programmes.

It must also be stressed that although the unit cost model worked well for a large, strategic project delivering easily-identified outputs, it does not work for all beneficiaries and careful investigation will need to be carried out for every individual case. For some, the up-front demands of establishing an agreed methodology may delay project delivery and be overly complex. It should also be emphasised that an effective management information system is a pre-requisite to capture the required outputs and results.

We do not yet have full details from the European Commission – careful attention must be paid to the detail and possible impact once these are available before we commit to full-scale introduction.

UHI has been involved in 2 Technical Assistance projects – Lessons Learned in the Highlands & Islands Convergence Programmes 2007-13 and Simplified Costs, both of which suggest the need for a more structured audit regime that reflects proportionality.

Final reports from both of these Technical Assistance projects will be available before the end of the year, providing valuable input to the debate.

Whether the new procedures may inhibit smaller organisations from being able to manage or access the ESI funds?

This is a distinct possibility and the potential for smaller organisations to engage with the process needs to be clarified, as there is often an assumption that ESI funds will only be delivered via a small number of SIs. In this scenario, small organisations may only be involved as Delivery Agents on a procurement or commissioning basis – which is why delineation between SDPs and Delivery Agents is important. Procurement models and CPPs could help to address this.

There is however a real threat to cashflow for organisations dealing with the more challenging client groups if the process is purely output driven. If people drop out of programmes half way through, who picks up that cost? Many organisations may feel compelled to walk away due to this. Also, it is too early to say how complex the contractual arrangements might be – which might also act as a deterrent to smaller organisations. This is a particular concern in the more remote and fragile communities of the Highlands & Islands, where smaller organisations may be the only ones able to deliver ESI.

- Youth Employment

The European Commission has proposed the introduction of a Youth Employment Initiative to try and tackle the high rates of youth unemployment across the EU. It is likely that only the South West of Scotland will be eligible for funding through the initiative.

Respondents to the Scottish Government's consultation suggested youth unemployment is a pan Scotland issue, and support is required across the whole country and not just in the South West of Scotland.

The Committee would be interested in any comments you may have on the availability of Youth Employment Initiative Funds for Scotland, and on what the timescales for spending the funds will be.

Additional Youth Employment Initiative Funds for South West Scotland must be welcomed as a tool to address the very real problems in this area – however, the problem of youth unemployment exists in different ways across Scotland.

In terms of numbers, it is difficult to argue that there is a 'youth' unemployment problem anywhere in the Highlands & Islands – although the issue of young people leaving the region through lack of access to higher education has been at the heart of previous programmes since Objective One in 1994-99.

Underlying problems remain - young people leaving the region and being unemployed elsewhere, low wages, under-employment, pluri-activity to make up wage levels, high turnover and seasonality. Because the 16-25 cohort is smaller, the region faces a bigger challenge in providing new workforce entrants. Businesses are screaming out for suitably skilled workers. In the Highlands & Islands, the analysis is different, so the response must be different.

We should be using the opportunities of the Transition investment to pilot new, innovative responses. Why not try a relocation scheme to the Highlands & Islands from elsewhere in Scotland? Government schemes can cover the standard unemployment issues, but ESI should be about trying out new approaches - eg more innovation around apprenticeship programmes and wage subsidy for employers.

However, the key is creating employment opportunities - targeting assistance on businesses and increasing their value and competitiveness, start-ups, entrepreneurialism and work between schools, further & higher education and employers.

The issue of youth unemployment should be tackled as part of the pipeline approach proposed in regional Skills Investment Plans. Within this, there is a real need to address the structure and means of delivery of skills and employability measures to reflect the specific characteristics of the region - what works in Edinburgh will not necessarily work in Durness, where client numbers are smaller and widely dispersed.

The issue must be one of the most pressing for Scotland at this time and the timescale for spending should reflect this. Activities should, therefore, be among the early priorities for ESI delivery in 2014.

Yet again, the ITI will have a role in ensuring that such differences may be taken into account when tailoring SIs to address regional needs.

UHI Learning Centres in the Highlands and Islands

UHI is the only university based in the Highlands and Islands of Scotland and offers the choice of studying at one of 13 colleges and research centres, over 70 local learning centres, or online from wherever you are.

Many courses (both networked and non-networked) are delivered using a blend of learning techniques, mixing the use of technology with more traditional teaching methods. Courses at UHI range from those delivered completely face to face to those that are delivered 100% online. Most, however, will lie somewhere in between, with several different formats used to deliver the course.

In a blended course, students are usually required to attend some classes on campus while completing other technology-based work remotely. Very often there will be materials on the UHI Virtual Learning Environment – Blackboard – that will be used to supplement and enhance classroom delivery. Other modes of delivery and learning tools may also be used in some courses: video-conferencing, podcasts, online discussions, blogs etc.

This brief paper provides some detail about how the learning centres across the UHI network function in their local communities – further information can be found by visiting our individual campus websites (available at www.uhi.ac.uk).

Wider Access

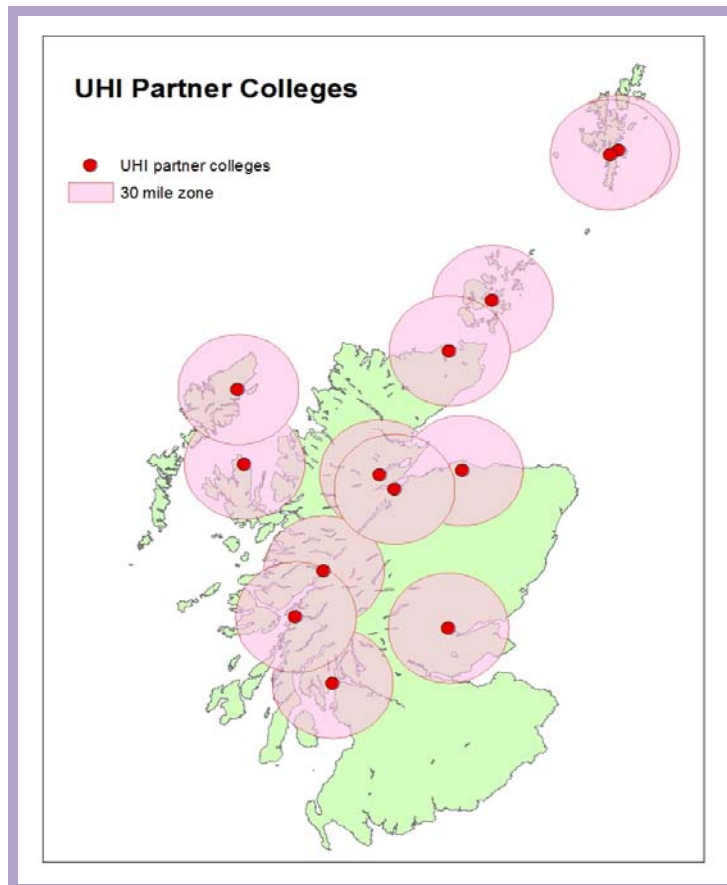
The exact number of learning centres in the Highlands & Islands is not known, as their function, ownership and even definition can vary vastly! Given the geographically dispersed nature of the area, learning centres have a key role to play in the hosting of UHI students. By working in partnership with the academic teams and by making best use of technology, together we work to ensure that our learning centre-based students have a positive and equitable experience from initial enquiry stage right through to graduation and beyond.

UHI's wider access strategy focuses on two areas; access and participation. Wider access means working towards having a curriculum that offers progression routes and is available not just in the larger campuses but throughout the network including the many learning centres associated with UHI. Widening participation is more focused on the individual; it is about encouraging people who have not participated in higher education to come into learning and, when they have made that step, providing a supportive culture to help them make the most of their learning experiences.

UHI students are encouraged to fully participate in the student experience – and that includes those engaging through the learning centres. They can do this in a number of ways, they can be a course/subject network representative or they can become involved in the Students' Association, UHISA. They could set up a club or society or run for a position on the Executive within UHISA. There is also a Student Council which students are encouraged to participate in. Full training is provided for students who want to be academic or UHISA representatives.

Connectivity - never more than 30 miles from ...

Learning centres extend UHI's geographical reach to serve even more potential students in remote and rural areas. As well as UHI's higher education provision, the learning centres also offer a range of vocational courses, eg introductory courses to ICT, encouraging the wider community to participate and engage, as well as providing SVQs and a broad further education curriculum through the partner network.



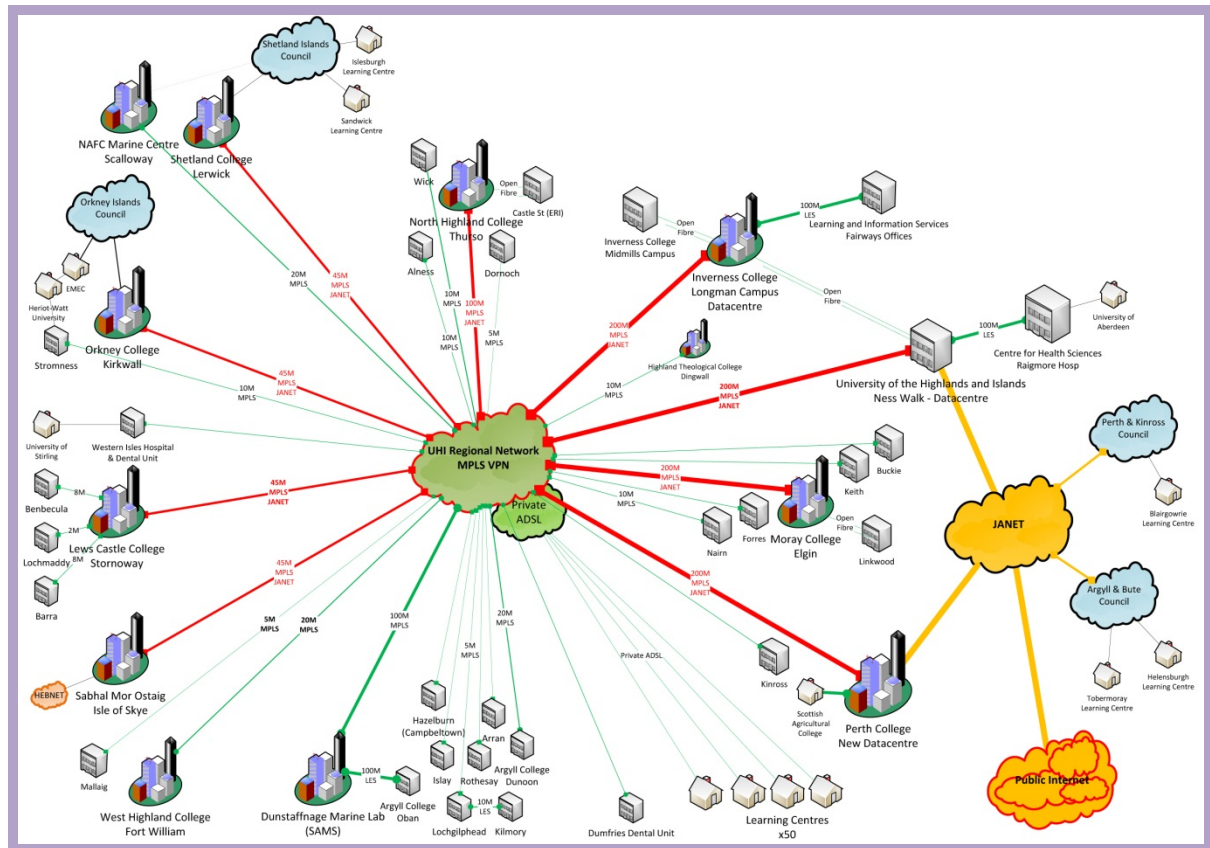
- Single site specialisms
- 61 undergraduate courses
- 51 postgraduate degree courses
- 70 higher national awards and other vocational qualifications
- Work-based learning / CPD
- Links to schools
- Working with business community

Key to high level provision is data network connectivity and the implementation of a next generation network has enabled improved connectivity to UHI learning centres for blended learning provision. Investment in the IT connectivity has been a major part of this extension since the major ERDF investment with EU Objective One funds in 1994-99.

Currently, as part of UHI's Strategic Delivery Body strategy, European structural funds have been used to support the implementation of new data network linking the entire UHI network, including subsidiary sites and learning centres, extending connectivity and providing higher band-width services appropriate to the needs of a distributed university.

The new network supports high-definition video, enabling the extension of the UHI telephony network to new locations such as learning centres for the first time. It also

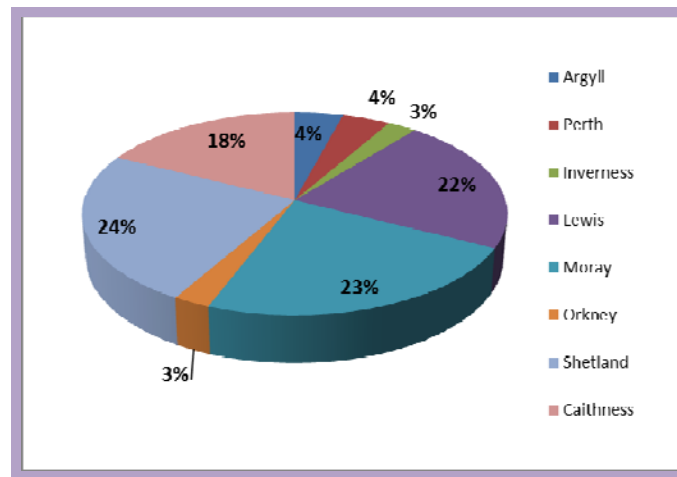
provides a universal wireless networking service at all sites, providing mobile users with the ability to move seamlessly between campuses. An indication of the extent of this provision is outlined in the diagram overleaf – however, it should be noted that there are other learning centres which may opt in and out of the system at various times of the year, depending on student/business requirements.



UHI network typology

Learning Centre Students

A snapshot of current learning centre data illustrates that UHI's aim to provide wider access to higher education across the Highlands and Islands is being realised, with some of the more sparsely populated areas evidencing higher uptake than those in urban areas, where distance is not so great an issue. Numbers for learning centre enrolments for the current 2013/14 academic year are not yet available, as they fluctuate greatly due to variations in local procedures and many students studying on a modular basis. However, this information will be forwarded once available.



UHI HE students registered at learning centres on 21st November 2013