

## **REPORT TO INFRASTRUCTURE SERVICES COMMITTEE – 16 MAY 2019**

### **RESPONSE TO CALL FOR EVIDENCE – POST-BREXIT REPLACEMENT FUNDING**

#### **1 Recommendations**

The Committee is recommended to:

- 1.1 Acknowledge the submission to the Scottish Parliament’s Finance and Constitution Committee on ‘Post-Brexit Replacement Funding Programmes’.**

#### **2 Background / Discussion**

- 2.1 In March 2019, the Scottish Parliament’s Finance and Constitution Committee called for evidence on post-Brexit replacement funding programmes. The deadline for submissions was 25 April 2019, hence fell between Aberdeenshire Council committee cycles.
- 2.2 A response to the questions posed was submitted following consultation with the Chair, Vice Chair and Opposition spokesperson (13 March 2019 to 21 April 2019) under point A.22 of the Scheme of Governance Part 2B - List of Officer Powers. This delegation permits the Chief Officer to submit any response to a consultation where the timescale does not permit approval by the relevant Policy Committee and requires that the response be reported to the next Policy Committee meeting. The European Member Officer Working Group was also consulted and endorsed the response at its meeting on 13 March 2019.
- 2.3 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and had no comments to make and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

#### **3 Scheme of Governance**

- 3.1 The Committee is able to consider this item in terms of Section F.3.3.2 of the List of Committee Powers in Part 2A of the Scheme of Governance as this relates to an external consultation on a policy matter falling within the delegation of the Committee.

#### **4 Implications and Risk**

- 4.1 An equality impact assessment is not required because this report is for noting only and does not have a differential impact on any of the protected characteristics.

- 4.2 There are no staffing and financial implications arising from this report.
- 4.3 The following risks have been identified as relevant to this matter on a [Corporate Level](#): Budget Pressures; Changes in government policy, legislation and regulation; Working with other organisations (e.g. supply chains, outsourcing and partnership working); Social risk (e.g. population changes, demographic changes, crime, anti-social behaviour). The following risks have been identified as relevant to this matter on a [Strategic Level](#): Regeneration and Economic Development.
- 4.4 The recommendations in this report do not require a Town Centre First Assessment.

**Stephen Archer**  
**Director of Infrastructure Services**

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15 April 2019

## **APPENDIX 1 – CONSULTATION RESPONSE**

### **FINANCE AND CONSTITUTION COMMITTEE**

#### **FUNDING OF EU STRUCTURAL FUND PRIORITIES IN SCOTLAND, POST-BREXIT**

##### **SUBMISSION FROM ABERDEENSHIRE COUNCIL**

Aberdeenshire Council has agreed a position following a review and stakeholder consultation on post-Brexit funding which is available [here](#).

#### **1. How should Scotland's share of post-Brexit structural funding be determined? (for example, should it be on measures such as GDP, needs-based, via the Barnett formula; match funding or based on competition?)**

It is important that this is agreed at an early opportunity to provide certainty, clarity and allow for the development of new programmes which smoothly replace the current EU programmes. The methodology for determining Scotland's share of funding should be considered after the activities to be funded through mechanisms such as the 'Shared Prosperity Fund' are agreed. For example, if the programmes are to include community led local development activity presently funded through the LEADER and European Maritime and Fisheries Fund programmes or wider rural/fisheries activity, the proportion allocated to Scotland would likely be larger due to the relative importance and size of these sectors to Scotland.

Whilst a minimum applicant match funding contribution may be useful to ensure that those delivering activity are invested in their projects, arbitrary splits between different public funding sources can be unhelpful and add to the administrative costs of delivering programmes. Given the role of Structural Funds in addressing disparities between areas, it is important that a flexible approach to allocating funds is taken to reflect the different challenges faced in rural and urban areas. Funding should be available for all areas taking into account their needs, opportunities and capacity to deliver.

#### **2. Should the existing structural funding priorities be retained for any new funding approach post-Brexit or are there other national or regional outcomes, strategies or plans to which future funding should align instead?**

It is important to ensure that the general principles of the European Structural Funds (e.g. reducing disparities between areas, economic and place-based development) are continued. However, as these priorities are similar to those in existing national and regional strategies, there is an opportunity to align funds to existing priorities rather than create new ones. Given the area-based approach of the European Structural Funds and the 'bottom-up' approach of community-led local development, it is recommended that programmes are aligned with local and regional priorities within a wider national strategic framework.

#### **3. In terms of the proposal for a UK Shared Prosperity Fund - where should the responsibility for any decisions about funding levels and allocation be taken**

**(for example UK Government, Scottish Government, Local Government or local stakeholders) and what level of autonomy should they have in deciding how funding is allocated?**

Initially decisions on allocations of funding would need to be taken by either the UK or Scottish Governments, depending on whether or not the funding is devolved. Such decisions could either be taken on the basis of an agreed formula or the competitive submission of bids from different localities in a similar way to awards for Local Development Strategies in the current European Structural Funds programmes or City-Region deals. Either way, funding should ideally be allocated to geographical areas with full coverage of Scotland. This may be on a local authority or regional basis depending on the level of funding and activities to be supported. Once such allocations are made, we would recommend a partnership approach to allocating funds to specific projects or activities, based on our experience of working with stakeholders from community, private and public sector organisations in the delivery of the community-led local development funds.

**4. To what extent should the current system of allocating funding to strategic interventions across Scotland through lead partners etc be retained or changed by any post-Brexit funding approach and why?**

Funding should be allocated on an area-based approach rather than to thematic 'strategic interventions'. This is because the ethos of the funds is to support regional development rather than implement national programmes. The lead partner model also increases bureaucracy due to the need for Delivery Agents to claim funds from Lead Partners who then claim funds from the Scottish Government who then claim funds from the European Commission. This model is leading to delays in expenditure being declared to funders and difficulties in meeting annual spending targets. It also leads to administrative complexity and confusion for grant recipients with each stakeholder adding its own rules and requirements and interpretations on top of the others. Furthermore, there is the potential for duplication of effort when funds are split between national delivery agencies and local/regional ones (e.g. employability support). Local/regional delivery tends to be delivered in partnership with a wide range of stakeholders which helps to co-ordinate resources between the public, private and voluntary services.

**5. What barriers limit strategic intervention funds being committed to individual projects under the current programmes and to what extent should any new structural funding approach address these barriers?**

The lack of available match funding is a significant barrier. As European funds are to be used for additional activity over and above statutory activity, it can be difficult to find eligible match funding within existing public budgets. A higher intervention rate of 80-90% would be helpful in terms of ensuring that project sponsors are committed to and invest in their projects but do not have to bid to multiple funders for the same activity. Administrative processes (e.g. the two-stage 'Strategic Intervention' and 'Operation' approach) also lengthen the time to commit funds to activity and pay claims. Reimbursement in arrears and the detailed audit trail required (e.g.

evidencing payments to HMRC through to bank statements) deters smaller and voluntary sector organisations from applying for funding. Finally, the ‘funder of last resort’ approach requires applicants to approach a wide range of funding sources prior to even applying, by which time many have lost interest in progressing their application or have missed programme deadlines.

**6. To what extent should any rules relating to post-Brexit structural funding enable a flexible approach to the range of local projects that can be supported or should the rules focus on funding specific outcomes or purposes (such as through ring fencing)?**

Post-Brexit structural funds should be sufficiently flexible to allow local/regional partnerships to tailor support to the needs of their communities and businesses. However, to ensure that such funds deliver the principles and objectives of structural funding there should be requirements that the funds must only be used for regional development within a defined strategic framework.

**7. Are there examples of current structural fund priorities being more effectively supported by other funds (or core funding) such that they should not form part of any post-Brexit structural funding approach?**

Farm diversification activity has proved difficult to deliver within the present LEADER programme and would be better delivered through the wider Scotland Rural Development Programme. The skills and capacity within Local Action Groups are more aligned to community projects than farm diversification, which is a highly specialist and technical activity to administer. It is anticipated that moving farm diversification support to the wider SRDP would also be simpler for applicants, who presently have to determine whether to apply to the LEADER programme or national schemes such as the Food Processing, Marketing and Co-operation scheme.

**8. What changes to the current monitoring, evaluation and compliance activities would reduce administrative complexity for any future structural funds approach while maintaining sufficient transparency?**

It is important to assess why the current requirements were introduced in the first place, but also to assess whether or not they are proportional and appropriate. Consideration of simplified costs models such as flat rates or unit costs may help to reduce the administrative burden on both applicants and programme managers whilst maintaining transparency and accountability in the use of public funds.

**9. Should the system for making claims change for any future funding approach?**

Aberdeenshire Council has experienced different approaches to claims through the ERDF/ESF programmes, LEADER programme and European Maritime and Fisheries Fund programme. The payment of claims centrally by Marine Scotland to end recipients for the latter programme has proved to be the most straightforward process. It has also allowed on the ground staff resources to be targeted more

effectively at supporting applicants to develop projects and bid for funds, rather than focusing on administration and compliance checks on live projects.

The EUMIS/LARCs system used for ERDF/ESF/LEADER is proving to be overly complex and time consuming to use, delaying the application, change request and claims processes. The EMFF eSystem is relatively straightforward to use. An alternative electronic system would be preferred for future applications, based on the principles of only requesting the minimum amount of information required. The system should also be able to cross-reference information entered in separate fields rather than simply collect and store data without any analysis.