

# Response ID ANON-Z86C-8PAZ-E

Submitted to **The Replacement of European Structural Funds In Scotland Post EU-Exit**  
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## Replacement of European Structural Funds in Scotland Post EU-Exit

### Objectives

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

##### What are the main aims that this funding should seek to achieve?:

SFC believes that funding should continue to support the teaching, training and learning of individuals (particularly those from the most deprived areas who are furthest from the labour market). It should also support businesses in greatest need of a targeted skills approach. Furthermore, funding should support communities and sectors that are disadvantaged because of economic, demographic or social factors. In doing so, it will support those communities that are disproportionately negatively affected by leaving the European Union (EU).

One of the current priorities of European Structural and Investment Funds (ESIF) is to strengthen research, technological development and innovation. SFC supports this as a continuing priority for any Shared Prosperity Fund (SPF). However we are aware that the funding of research will also be subject to negotiations with the EU, and UK Government decisions, e.g. through its response to the Smith Report.

The Shared Prosperity Fund should:

- Be used for the teaching and training of students and staff. For communities which qualified for ESIF this will enable the continuation of a route out of poverty, by offering additional access/progression to learning and upskilling through colleges and universities. By offering access to funded relevant vocational qualifications key industries and growth sectors will be supported, including those which have a high number of non-UK EU staff. These industries may be vulnerable to staff shortages after Brexit. Affected industries will likely include agriculture and aquaculture, fishing, chemicals and plastics, financial services, and food and drink.
- Support communities which currently do not qualify for ESIF as they are economically 'borderline'. Particularly where these communities are expected to be disproportionately impacted by leaving the EU and the knock-on effect will have a negative impact on their regional economic situation. These regions include the Highlands and Islands, Glasgow, Lanarkshire and rural southern Scotland.

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

##### How could funding be used most effectively to address spatial inequalities between areas and communities in Scotland?:

Scotland as a country has considerable spatial inequalities and the Scottish Government, together with its agencies, public bodies, and local stakeholders would be best placed to evaluate these and allocate funding appropriately. Funding should continue to be allocated on the basis of place-based need and priorities. SFC believes that these are best assessed at the Scottish level, taking into account local priorities.

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

##### Geographically, at what level would the priorities for funding be best set?:

At the broadest level, priorities should be aligned as far as possible with both UK Government and European Commission aims and objectives, to ensure consistency and continuity.

However, in SFC's view, the setting of detailed Scottish priorities should be the responsibility of the Scottish Government, taking into account priorities at a local level. These priorities should be set following engagement and input from stakeholders who would then be responsible for managing and reporting on the funding allocated to them.

### Alignment with Scottish Policy and Other Funding Streams

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

##### How could the use of future funding add value to other sources of funding focussed on similar objectives in Scotland?:

SFC receives around £1.8 billion of public funding from the Scottish Government each year to invest in Scotland's colleges and universities. The SPF could be used to supplement and add value to this activity. SFC's funding is for teaching, supporting, and developing the skills of students, but also for research and innovation, staff, buildings, and equipment.

SFC's funding is used by colleges and universities to:

- Pay for staff, premises and equipment in order to provide high-quality teaching and training to students.
- Pay for staff, premises and equipment which supports world-class research and innovation activities.
- Provide financial support, such as bursaries and childcare payments, to students on further education level courses.

It should be noted that this activity is already complemented by funding from other public and third sector sources, for example:

- Apprenticeship training and Individual Training Accounts, funded by Skills Development Scotland (SDS) using its allocation of ESIF as well as the core SDS budgets.
- Flexible Workforce Development Fund, funded by Scottish Government;
- Financial support for students on higher education courses, provided by the Student Awards Agency for Scotland.
- Research grants for projects funded by learned societies, charities and the UK Government.
- Significant income from private sources through offering training and other services and by charging fees to international students.

As we don't know the scale of the funding proposed, we are assuming budgets will be similar to current ESIF levels. Money from the SPF could be allocated to universities and colleges to provide specific courses, training or research in response to identified sectoral needs, or to increase the scope/capacity of existing

provision. It could also be used to provide additional support funding to students whilst they complete their studies or training.

## **Alignment with UK and EU Policy**

### **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 sectoral approach?**

#### **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 sectoral approach?:**

SFC supports aligning future funding in Scotland with the UK industrial strategy and City and Regional Deals, to an extent. For example, the overarching aims of the UK Industrial Strategy to boost productivity, create good jobs, and invest in skills and industries complement the aims of Scotland's various City and Regional Deals and the Scottish Government's overall ambitions for Scotland. In addition, aligning Scotland's research policy with that at a UK level is important as it may improve Scotland's chances of accessing UK research grants. Aligning various funding strands could also result in a more effective, coordinated response to challenges, and minimise administration.

However, Scotland has distinctive economic, industrial and skills needs, so any alignment should be at a broad level, with enough flexibility built into the scheme to allow funding to best respond to the specific needs of individual regions. This would enable funding to focus on local priorities, whilst ensuring the direction of travel at a UK-wide level is taken into account.

### **6 What practical value would you see in maintaining alignment with EU Cohesion Policy?**

#### **What practical value would you see in maintaining alignment with EU Cohesion Policy?:**

We believe that there is value in maintaining alignment with the EU priorities, particularly for the next few years as the future relationship between the UK and EU is developed. In addition, SFC is strongly in favour of the UK accessing EU programmes such as Erasmus and Horizon Europe. Alignment with EU priorities would make this more of a possibility.

Furthermore, EU cohesion policy already aligns with a number of Scottish priorities. So, maintaining alignment would enable continuity and ongoing monitoring of success of investment as we move from ESIF to the SPF. This in turn would support a gradual transition if Scotland's or the UK's priorities changed in the future.

## **Evaluation and Monitoring Progress**

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

#### **How could we best evaluate the success of this new fund?:**

SFC is supportive of evaluating the success of investment, and recognises that this is good practice in public spending. We believe that some of the performance indicators used for ESIF could be applied to the SPF. However, some of the current ESIF evaluation, reporting and audit processes are overly bureaucratic. In addition, success is difficult to define. Whilst the purpose of any new fund should be clear, with broad objectives set, it should not be evaluated by specific outcomes being achieved that are outwith the full control of Lead Partners or Delivery Agents. For example, funding allocated to colleges for additional student places cannot be contingent on the success (or otherwise) of individual students.

We support reasonable reporting to evaluate the impact of the SPF. SFC uses a variety of performance indicators to measure the impact of its funding. We believe that these existing measurements could be extended to SPF activity to minimise duplication of effort.

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

#### **What relevant parts of the National Performance Framework should this funding be targeted towards?:**

SFC is contributing to the 11 National Outcomes of the National Performance Framework, to focus on creating a more successful country with opportunities for all of Scotland to flourish through increased well-being, and sustainable and inclusive economic growth. We believe that there is merit in aligning Scotland's share of the SPF to this Framework. All of the National Outcomes are relevant, but in particular we believe that funding should work towards ensuring Scots:

- Are well educated, skilled and able to contribute to society.
- Have thriving and innovative businesses, with quality jobs and fair work for everyone.
- Are open, connected and make a positive contribution internationally.
- Tackle poverty by sharing opportunities, wealth and power more equally.
- Have a globally competitive, entrepreneurial, inclusive and sustainable economy.

### **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?**

#### **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?:**

It is difficult to answer this question with the current level of detail regarding the SPF. As mentioned in previous questions, SFC supports the monitoring and evaluation of investment. We believe that any framework should be designed to fit the new funding priorities, whilst aligning with relevant aspects of ESIF to allow continuity in monitoring outcomes. However, the scale of the evaluation and monitoring requirements should be minimised and should use existing indicators and frameworks where possible to avoid duplication.

## **Allocation and Programme Duration**

### **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?**

**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?:**

SFC will be able to comment further on allocation methods once we have clarity on the purpose of the fund. However, as previously stated, we think the SPF could be allocated to universities and colleges to provide specific courses, training or research in response to identified sectoral needs, or to increase the scope/capacity of existing provision. It could also be used to provide additional support funding to students whilst they complete their studies or training. There is merit in considering the use of existing allocation methods for SFC funding (which are largely formula-driven) as this would deliver consistency and predictability for the sector. However, it is also worth considering novel or trial allocation methods for the SPF – or at least for elements of the Fund – to deliver strategic interventions in ways that are different to existing funding methods.

On timing, there may be occasions when short duration programmes are desirable – to fund 'short, sharp' interventions on specific issues. However, in general for post-16 education, a longer term approach is vital when allocating funding at a programme level. This is due to the time required to develop new courses in our institutions, the cycle of an academic year, and Scotland's four year degree programme.

A longer term approach will be particularly important as we transition from ESIF to the new SPF which will require more planning. We recommend an approach which gradually transitions from the current system, so that we can build upon the successes we have achieved under that system, rather than implementing significant changes at the outset.

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

### **What would be the most appropriate partnership and governance structure to achieve the strategic objectives of the future funding?:**

A strong partnership and governance structure already exists in the Scottish public sector. We believe that using the existing structures would be less burdensome than creating additional partnership and governance structures. We also believe that this will allow for local-level considerations to influence the design and delivery of objectives, through the use of regional networks and partnerships.

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

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

We already have effective delivery models, therefore flexibility will be an important element of leveraging maximum funds. For example, Scotland's research sector effectively leverages funds from the UK, EU, industry, and business. Regarding teaching, leverage is achieved in the longer term, when the sector has created an appropriately trained workforce. For example, a 2017 Fraser of Allander Report estimated that for each college graduate there will be an additional £55,000 boost to productivity for the Scottish economy (<https://www.sbs.strath.ac.uk/economics/fraser/20170927/Colleges-Scotland-report.pdf>).

In addition, the more highly-performing our universities and colleges, the more likely they are to attract fee-paying students. Research shows that these students contribute significantly to the Scottish economy

(<https://www.gov.scot/publications/impact-international-students-scotland-scottish-government-response-migration-advisory-committees/pages/4/> ).

## **13 What capacity-building or other support is needed to ensure the ability of local partners and communities to participate in the programme?**

### **What capacity-building or other support is needed to ensure the ability of local partners and communities to participate in the programme?:**

Again, SFC will be able to comment further once details of the SPF are known. We hope that the SPF will be straightforward and based on a natural progression from ESIF, and thus not require much capacity-building or support for stakeholders to participate.

However, as many local partners and communities already have experience with ESIF, we imagine that they would need some support to adapt to any changes resulting from the SPF. The excessive bureaucracy (and thus time and cost) of ESIF may have dis-incentivised some potential stakeholders from engagement, particularly those from small organisations. Therefore it is important that the SPF is as straightforward as possible for these stakeholders to engage with, and they are supported and encouraged to participate in the programme.

## **14 What can be learned from the design and delivery of the current and previous European Structural Fund Programmes in Scotland?**

### **What can be learned from the design and delivery of the current and previous European Structural Fund Programmes in Scotland?:**

#### **Design**

Primary concerns for SFC would be the transition from the current ESIF programme to the new SPF, minimising delays in receiving funding and streamlining the application process. SFC would welcome the opportunity to engage on the design of the SPF.

#### **Administration**

The lengthy Strategic Intervention/Operational Application process (as well as the Change Request process) that is in place under the ESIF programme that SFC currently participates in, can be complex and administratively burdensome, which limits the potential benefits of flexibility and alignment with other activity.

If the Scottish Government chose to use its current structural funds IT system ('EUMIS') for the SPF, it may need significant changes to make it fit-for-purpose.

#### **Monitoring**

Monitoring, evaluation and compliance (audit) activities need to be proportionate and in line with wider public funding regimes.

SFC receives around £1.8 billion of public funding from the Scottish Government each year to invest in Scotland's colleges and universities and the students that attend them. SFC is accountable to the Scottish Parliament for the funding it invests through an agreed accountability and governance framework with the Scottish Government and in line with Ministerial guidance on policy priorities. Monitoring, evaluation and compliance/audit activities for any future structural funds/SPF allocated to SFC should be consistent with this current regime. The Universities and Colleges that SFC allocates funding to are also required to be subject to separate, independent audit.

Notwithstanding the above, any compliance and audit requirements should not be excessive, protracted or open to interpretation, and should be clear prior to the start of the programme/fund. Guidance should be clear, fit-for-purpose and unambiguous, and be in place prior to the start of the programme/fund. It would be useful for guidance to be shared and discussed with stakeholders in advance of its issue.

## **About you**

### **What is your name?**

**Name:**

Scottish Funding Council

**What is your email address?**

**Email:**

moneil@sfc.ac.uk

**Are you responding as an individual or an organisation?**

Organisation

**What is your organisation?**

**Organisation:**

Scottish Funding Council

**The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:**

Publish response with name

**We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?**

Yes

**Evaluation**

**Please help us improve our consultations by answering the questions below. (Responses to the evaluation will not be published.)**

**Matrix 1 - How satisfied were you with this consultation?:**

**Please enter comments here.:**

**Matrix 1 - How would you rate your satisfaction with using this platform (Citizen Space) to respond to this consultation?:**

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