

## Funding of EU Structural Fund Priorities in Scotland, post-Brexit

### SCVO response to Scottish Parliament

03 May 2019

## Our positions

Scottish Parliament should be the ultimate accountable body for any post-Brexit Structural Funds in Scotland.

Any budget that is allocated to a UK wide fund must have a fair share allocated to Scotland. A population based share would be 8.4%.

European Structural Funds are an important long-term source of funding for third sector activity in Scotland and this type of funding should be maintained.

Better targeting and alignment of funding to the people and communities our sector supports is more important for our sector than overall amount coming to Scotland.

One of the real opportunities in establishing this successor fund is the opportunity to make the application process more transparent, simpler, less cumbersome, less repetitive and more accessible to smaller organisations

In Scotland, the priorities for the funds should be aligned with the National Performance Framework and Scottish National Outcomes, as linked to the Sustainable Development Goals.

## Our response

### Introduction

SCVO welcomes the opportunity to respond to the Scottish Parliament Finance and Constitution Committee's inquiry into the [Funding of EU Structural Fund Priorities in Scotland, post-Brexit](#).

It is not possible for SCVO to do the Committee's inquiry justice without more clarity on the UK Government's plans for their Shared Prosperity Fund. At this stage, we are still awaiting their long overdue consultation and there are no indications that this will be available anytime soon.

This response provides SCVO's perspective and evidence based on our experience with the current European Structural Funds, and our views on the kind of funding that should replace it.

Our views below are based on the following:

- A well-attended SCVO workshop in November 2018 with interested SCVO third sector members.
- A well-attended SCVO webinar in February 2019 with SCVO third sector members, local government and Scottish Government.
- A survey in February 2019 at the SCVO Gathering, but with limited responses.
- Statistical analysis to date of EU funding of the third sector based on charity accounts and surveys.

SCVO has captured the analysis and perspectives from all of the above openly in a public wiki page at [https://scvo.miraheze.org/wiki/Post-Brexit\\_structural\\_funds](https://scvo.miraheze.org/wiki/Post-Brexit_structural_funds) in order to support collaboration and shared learning. We have drawn on this analysis to inform this response.

SCVO is currently in the process of planning further engagement with our third sector members to develop these views as more information on post-Brexit funding becomes available.

## Our key principles

Based on our [analysis](#) of third sector discussions to date, SCVO outlines the following guiding principles for post-Brexit structural funding in Scotland.

- The Scottish Parliament must be the authority to which all replacement funds for Scottish post-Brexit structural funds is accountable.
- **Any budget that is allocated to a UK wide fund must have a fair share allocated to Scotland. A population-based share would be 8.4%.**
- Future planning and delivery of post-Brexit funds must be done transparently, following [Open Government principles](#)
- In Scotland, engagement in the funds should be framed within the National Performance Framework as linked to the Sustainable Development Goals.
- Third Sector, not just public sector bodies, should be allowed to be appointed as delivery agents for post-ESF funding.
- In order to improve participation, any future funds need to be simple, streamlined, and reduce duplication of effort.

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## Our statistical facts

There is currently no systematic recording of, or public register of, the total amount of European funding which goes to the third sector in Scotland through the various funding strands, including ESF.

Our [analysis](#) of charity accounts showed that the third sector receives over £50m in direct EU funding each year. For instance, an estimated £54m of European funding came to the Scottish third sector in 2014. This figure is based on analysis of a sample of voluntary sector charity accounts and does not include some charities such as universities or UK-wide charities providing services in Scotland which benefit from substantial amounts of EU funding.

While EU funding makes up only a small percentage of the third sector's overall funding, for those organisations that receive it, it is critical. [SCVO's Third Sector Forecast for 2017](#) survey found that those organisations in receipt of EU funding were generally extremely concerned about post-Brexit funding, with concern in remote and rural areas particularly high due to the potential loss of funding such as LEADER+. While organisations reported that they were looking for alternative sources of funding, there was wide spread concern that this would be difficult and that services would suffer, and many had concerns about having to revert to chasing short-term funding. A number of respondents also noted that while they did not directly receive EU money, the loss of ESF and other EU funding would have an indirect impact on them and the communities they work with.

- 134 people out of a total of 404 respondents completed the EU funding section
- 28% of respondents (37) to the funding section said that their organisation is currently in receipt of EU funding.
- LEADER was the most frequently mentioned single source of funding, followed by ESF.
- 11 responding organisations gave a specific figure for the funding they were in receipt of, totalling £1.4million, or around £127k per organisation (in many cases covering multiple years).
- Historically, EU funding has been particularly important in Scottish rural areas like the Highlands. Leader+ is due to invest £3billion in Scottish communities between 2013-2020. After Cornwall and West Wales, the Highlands & Islands have [most to lose](#) from leaving EU.

## Our views on the Committee's questions

### Replacing the European Structural Funds in Scotland

The European Structural Funds are an important long-term source of funding for third sector activity in Scotland. We would not want to see a reduction in this type of resource for third sector activity in Scotland. However, at this stage we are open to the way this

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resource reaches Scotland's third sector and the people and communities we support. This could be through the UK Shared Prosperity Fund, but it could also be as an allocation within the Scottish Budget, or some other mechanism. In all cases, the Scottish Parliament would need to be the ultimate accountable authority for this resource as per our guiding principles set out above.

## **Allocation formula**

Better targeting and alignment of funding to the people and communities our sector supports is more important for our sector than overall amount coming to Scotland.

**However, we would expect that any budget that is allocated to a UK wide fund must have a fair share allocated to Scotland. A population-based share would be 8.4%. The UK Government indicated that they would [respect devolution](#).**

Without a UK Shared Prosperity Fund, the Barnett formula is the default mechanism for allocating post-Brexit budgets to Scotland. However, it depends on how much the UK Government decides to allocate to departmental spending, rather than holding in reserves, channelling through tax cuts or creating central UK-wide funds.

Other methods of distribution are also not without flaws. A GDP-based approach, for example, fails to look at the broader causes and symptoms of inequality and, in our view, is not the best indicator of quality of life. And a competition model could favour those with the capacity and expertise to produce high quality bid documents - and not necessarily those who would have the greatest impact.

A version of Barnett allocations or a similar population-based model could reduce the amount of money coming to Scotland from any successor fund. However, alignment with the devolved policy will provide an opportunity to better target funding to local and individual need and produce improved outcomes.

Decisions about funding levels and allocation could be taken at a variety of levels. Some resource at national level by Scottish Government, some local government, and some by communities themselves through participatory budgeting approaches. The Scottish Parliament should have overall oversight of all these resources in Scotland and should authorise the overall scheme of decision-making. It's clear that Scottish Parliament must be the ultimate authority for any post-Brexit structural funds in Scotland, in order to be coherent with devolved policy.

## **Delivery and administration**

One of the real opportunities in establishing this successor fund is the opportunity to make the application process simpler, less cumbersome, less repetitive and more accessible to smaller organisations – many of whom have simply chosen not to engage with the current ESF programme due to its complexity.

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There is some evidence to show that the increasing complexity involved in applying for, and reporting on, EU funding programmes has led to a reduction in the amount of money being accessed by third sector organisations. In the past, SCVO has pointed to concerns from our members about:

- The pre-allocation of significant EU funds to Strategic Delivery Bodies
- The reduction of challenge funding availability for third sector organisations
- The exclusion of indirect costs which would normally be included as operating costs in a full cost recovery claim
- The reduction in interventions available to the third sector to combat poverty
- The consequent reduced focus on harder to help and reach people
- The removal of advance payment facilities
- The withdrawal of a dedicated Technical Assistance service for the third sector.

### Priorities for post-Brexit funding

In Scotland, the priorities for the funds should be aligned with the National Performance Framework and Scottish National Outcomes, as linked to the Sustainable Development Goals. This will allow for better coherence with devolved policy, but the link with the Sustainable Development Goals will also facilitate partnership opportunities with other parts of the UK and Europe, which has been a strength of the European Structural Fund model.

Based on our current experience of the European Structural funds, we have listed some of the potential programmes that fit well with a Structural fund approach.

Potential programmes	Purpose	Scottish Government Strategies
Community capacity Fund	Dedicated capacity building fund for third sector organisations and community-based initiatives such as care and repair, befriending, arts/sports, lunch clubs, mens sheds etc.	Volunteering strategy

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		Social enterprise strategy
<a href="#">Employability Fund</a>	Support for people contribute confidently to society as workers, volunteers, carers, activists, learners	'No one left behind' strategy (2018)
Tackling poverty Fund	Tackling health inequalities (incl. mental health), digital participation, gender equality, support for marginalised and vulnerable people	Fair work convention Fairer Scotland
Rural development Fund	Diversification, rural community service development (including village halls), tackling isolation	Land use strategy
Industrial readiness fund	Preparing for the "4th Industrial revolution", with a focus on re-skilling for <a href="#">greater automation</a> and low-carbon economy, infrastructure, and digital services.	Just transition (2018)

## Conclusion

Whatever our views on Brexit, it is clear that it has provided an opportunity to rethink how Structural funding can be organised in order to produce the best possible results for Scotland. The National Performance Framework, now linked to the Sustainable Development Goals, provides an excellent starting point for setting priorities, and the openness available through Scottish Parliament oversight is the best way to a more accountable and transparent system, one that is not mired in bureaucracy.

Clearly, before any of this, the Scottish Parliament needs to encourage the Scottish Government to do everything it can to ensure a fair replacement for European Structural Funds in Scotland, and that they are free of any restrictions from the UK Government. This may involve a fair share from a UK Shared Prosperity Fund and a reservation of resource from Scotland's Budget as required.

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SCVO will continue to assess the opportunities and impact of post-Brexit successor funding on the third sector and the people and communities it supports as more information becomes available.

## About us

The Scottish Council for Voluntary Organisations (SCVO) is the national body representing the third sector. Supporting 45,000 third sector organisations, 2,000+ members, 100,000+ staff, £1m volunteers. [View the latest sector stats](#)

**SCVO's policy works to ensure that the needs and concerns of the third 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 <https://scvo.org.uk/policy-research>

## Contact

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