

HES RESPONSE TO THE SCOTTISH GOVERNMENT CONSULTATION ON REPLACEMENT OF EUROPEAN STRUCTURAL FUNDS IN SCOTLAND POST EU-EXIT

A - STRATEGIC AIMS

OBJECTIVES

Scottish Ministers want to take this opportunity to design a flexible source of additional funding that drives inclusive economic growth and makes a measurable and significant difference to the lives of people, businesses and communities across Scotland. With this in mind:

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

The historic environment and its role in driving inclusive economic growth is to ensure that built heritage is utilised for the infrastructure and sustainable solutions it may provide (i.e. – as existing assets) and that people, businesses and communities are able to make the most out of their historic environment and heritage assets to increase their well-being, strengthen communities and ensure long-term financial sustainability. Every part of Scotland has its own cultural heritage and it is utilised by other sectors, beyond our own, to drive economic growth and create jobs in areas such as tourism, environmental protection, construction, culture and the creative industries.

We believe the majority of these elements, important to the historic environment, are prominent in taking a holistic and joined-up approach to 'place'. Good quality, successful places provide employment, support communities, increase the well-being of their residents and have a healthy, efficient and well-maintained built environment. Places therefore provide the necessary elements for inclusive economic growth to flourish and our view is that creating and maintaining good quality and successful places should be a main aim of this fund.

There are multiple pathways for a flexible source of additional funding to achieve this, as place is a combination of people, location and resources and it connects the employment emphasis of the ESF with the economic and social cohesion policy of the ERDF. It is locally-led and acknowledges that places differ within regions and cities. Place provides a forum for government, public and private sectors, the third sector and communities to work collaboratively and integrate all place-based activity to improve outcomes for people and communities. This is expressed by the [Place Principle](#) endorsed by Scottish Government and COSLA.

Previous ESI funding programmes have contributed to improving places through investment in infrastructure, skills training, fragile communities, tourism and in the business support environment. However, a holistic and joined-up approach to place should see regeneration (through the repair, conservation and redevelopment of heritage assets) and resilience (through climate change adaptation, traditional building skills, sustainable procurement) being represented in the priorities, which will directly benefit the historic built environment. As well as maintaining the many elements of ESI funding which benefit our sector such as investment into research and innovation, digital, accessibility, skills development, large-scale infrastructure and the tourism development projects they have funded.

The heritage assets of a place, which include tangible and intangible aspects, make up a great deal of what people consider as 'place'. They embody the character and identity of a place and provide the built infrastructure used for homes, businesses, recreation and administration. Built heritage and cultural institutions, which are commonly housed in historic buildings, contribute to creating and maintaining the attractiveness of places. This in turn creates economic incentive for people and businesses to invest in them, live, work and study in them and visit (inbound and domestic tourism).

The importance of heritage to a successful place can be seen by communities, businesses, people and even international voices rallying around it when it is threatened, as shown by recent widespread campaigns to save the high street.

The loss of EU structural funding, in particular ERDF, will be felt by the heritage sector. Research commissioned by Historic Environment Scotland in 2017 found that between 2007 and 2016 the sector received £27m from ESI funds with the majority (£23.85m) coming from the ERDF. These funds went towards redevelopment projects, tourism initiatives, digital provision and skills training. Historic Environment Scotland (HES) received ERDF money for the restoration and development of the [Engine Shed](#), an empty 19th century goods transfer shed, which we brought back into reuse as a conservation hub and visitor attraction. The heritage sector has also received ERDF through the European Territorial Cooperation (Interreg) programme and HES has two live projects under the Northern Periphery & Arctic programme.

The recent [Natural and Cultural Heritage Fund](#), a Challenge Fund of £5million of ERDF money administered by Scottish National Heritage, demonstrates how ERDF has been used to directly invest into the sector and how this targeted investment will create jobs and long-term improvements into places. The approval of projects such as the Uibhist Virtual Archaeology Project, the Coast that Shaped the World (digital exhibitions narrating the maritime stories of coastal communities), Access to Orkney Heritage and the Ulva Cultural Heritage Project (led by the North West Mull Community Woodland Company) demonstrate the wide range of areas structural funding can be used to invest into the heritage sector. These projects involve innovation, digital, redevelopment and conservation, community-led initiatives and are creating jobs in conservation, construction, tourism, education and traditional skills.

Capital and resource investment is still required into the heritage sector and the historic environment but having 'place' as a main aim of the fund should enable this to happen. Strategic investment into the historic built environment has been looked at by the Built Heritage Working Group (one of the ['Our Place in Time'](#) - the national strategy for the historic environment in Scotland – working groups) and they are developing a Built Heritage Investment Plan. This plan acknowledges the contribution built heritage makes economically, socially, culturally and environmentally but lays out the need to prioritise and make long-term and sustainable investment into it. This plan will be of use moving forward.

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

As described above, taking a holistic approach to 'place' and focusing investment around it, should work towards addressing spatial inequalities between areas and communities. It should ensure that funding is allocated where it is needed and transcend some of the barriers felt by the current structural fund set up and their regional classification. Given its local nature, place has a greater emphasis on community and is reflective of how places can differ within the same region or city.

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

Given the infrastructure of Scotland and the set up of its public sector and service provision, there appears to be reason to maintain a centralised approach to management of future funding. However, this may be better laid out as principles or a framework (below that set by UK Government) with priority setting, and the flexibility it affords, being more locally led. This approach

would be in line with the Place Principle and would reflect that what a place requires to be 'good quality' and 'successful' will vary across and within regions and geographies in Scotland.

Priorities at this level can then be aligned to Local Outcome Improvement Plans.

ALIGNMENT WITH SCOTTISH POLICY AND OTHER FUNDING STREAMS

Scotland has a set of high-level strategic documents that guide the direction of our policy development and spend. These are focussed on inclusive economic growth and include our National Performance Framework, our Economic Strategy, our Programme for Government and our new Enterprise and Skills Strategic Board approach.

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

As a grant funder of the historic environment in Scotland, we would welcome future funding to support and further our objectives to protect and promote the historic environment. Our grant funding includes our repair grant scheme, our organisational support fund and the Conservation Area Regeneration Scheme (CARS). Our grants are aligned to our organisational outcomes which are focused on society, the environment, the economy and creativity and which support the National Performance Framework (NPF) and its values. We award grants to those projects which demonstrate inclusivity and skills developments and support local and sustainable economic growth.

We are a major grant funder for the sector in Scotland but funders are scarce whilst existing funding streams are closing, such as the Townscape Heritage scheme which had been operated by the National Lottery Heritage Fund. Recent work and discussions with the sector carried out by the Built Heritage Investment Working Group has identified several challenges with securing investment for built heritage, but a lack of available funding was acknowledged as the primary reason. This issue is exacerbated by demand being greater than supply, the complexity of funding application processes and complete financing not being available (e.g. – match funding requirements or early stage project costs such as surveys and business plans not being covered). Making more funding available and addressing some of the concerns mentioned above when designing the new fund would provide immediate value to the heritage sector.

ALIGNMENT WITH UK AND EU POLICY

The UK Government has said that the SPF will be aligned with its Industrial Strategy and will focus on increasing productivity. At the same time, the European Union is evolving its Cohesion Policy with a structure of 5 themes: A Smarter Europe; A Greener, carbon free Europe; A Connected Europe; A More Social Europe; and A Europe closer to citizens, to create a more tailored approach to regional development in order to drive EU investments.

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?

Our experience, as a public body, with the City and Regional Deals has been positive as they have meant heritage interests have been represented at early stages of discussion and incorporated into project development. We therefore see elements of practical value in the forums City and Regional

Deals have created for dialogue and collaborative working with other public bodies and local authorities. However, we acknowledge that communities have little involvement with the deal process and that there are little to no routes in for them to engage. We would therefore want to see some more flexibility and accessibility in any new future funding model which builds in broader stakeholder involvement, particularly communities, in the deal development and agreement process and as the deal progresses.

Similarly, the sectoral approach of the Industrial Strategy has seen benefits to the heritage sector through the establishment of the Cultural Development Fund as part of the 'Creative Industries Sector Deal' whilst counterparts in Historic England had been in discussion for a heritage specific sector deal. We broadly support the importance placed on 'place' in the Industrial Strategy (as one of its 5 foundations to productivity) and their allocation of funding for place-based cultural development with a focus on reuse of buildings. However, as observers, it seems in practice that the operating model is still top-down and complex making it prohibitive for community groups to access and with a bias for urban over rural.

Furthermore, as a sector which has a share in many other sectors such as tourism, construction, culture and the creative industries, we are aware that a sectoral approach may be too narrow. A holistic and thematic approach would encourage collaboration and cross-sectoral work, as can be seen happening in the geographically-based City and Region Deals. However, we recognise that the 'Grand Challenges' of the Industrial Strategy are there to address overarching thematic issues.

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

As EU Cohesion Policy complements and supports the United Nations Sustainable Development Goals (UNSDG) and the Scottish Government's National Performance Framework is based on the UNSDG, it seems that future funding aligned to either the NPF or EU Cohesion Policy would, by its nature, be similar in its objectives and approach. However, our view is that the National Performance Framework is wider than the proposed priorities for EU Cohesion 2021-2027 and that we are already working towards the outcomes of the NPF. Therefore, whilst they should remain complementary to each other, we would see more productive alignment with the National Performance Framework.

Evaluation and Monitoring Progress

In order to ensure that any new fund is achieving its aims and objectives, it is important that an evaluation approach is developed in parallel.

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

Making the future funding outcomes based would assist with evaluating success from the start and provide clear direction for applicants. Development officers could then work closely with grantees to develop project-specific objectives directly related to the outcomes. This should enable a clear monitoring and evaluation system to be created so that it is possible to directly measure the impact of the funded projects and address any issues quickly.

In order to encourage community and local partner participation, there may be merit in exploring possibilities of tailoring monitoring and evaluation for the projects they are involved in. Simplification across all processes in the lifecycle of a project and better understanding of what is

being asked from them may ensure community participants are better protected against potential clawback or compliance claims, which could be a significant deterrent for them applying currently.

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

The historic environment feeds into each part of the National Performance Framework. Furthermore, all parts of the National Performance Framework are equal, so we do not see merit in prioritising one over the other. However, and in line with government policy, we would want to see climate change adaptation/mitigation and increased wellbeing featuring across all objectives in whatever form the future funding takes.

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?

No answer.

B - GOVERNANCE STRUCTURES OF FUTURE FUNDING

Allocation and Programme Duration

Whilst funding allocations will largely be determined by our objectives, we must make sure that our approach is developed in an appropriate manner which is sensitive to differing needs across Scotland. We also need to be clear about the timeframes over which any funding programme would operate.

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?

In order to enable inclusive growth, medium to longer term funding durations (e.g. 3-5 years plus) would be preferential as this would allow time for community consultation and development. Given this, it would be best to offer flexibility in terms of expenditure between financial years, rather than awarding an amount with the condition it must be spent within the same financial year.

Open funds with development officers available would also be useful to help identify and support potential projects and, as discussed above, could then assist with developing objectives based on the outcomes. This should help ensure that the right projects are taken forward which can be seen through to completion.

For community-initiated projects, it may be worth exploring flexible finance models. From our ongoing work with communities through our grants programme and other activity, we are aware that one of the key issues for community groups is cash flow. Some previous versions of the structural funds programme were paid in arrears which restricted communities' capacity to access the scheme as most communities lack the cash reserves to support activity, especially in relation to capital projects.

Heritage means a lot to communities and many community groups have initiated heritage-led projects from EU funding through the LEADER programme. Over 100 projects relating to the historic environment received LEADER funding during the 2007-2013 framework. These projects have seen wider benefits through education, improving accessibility and skills development, such as the Culloden Access and Interpretation Project and the Cumnock Traditional Skills Project. The bottom-up approach taken by LEADER and its focus on community-led local development is seen favourably by applicants.

Looking at the structure and delivery of this programme may assist when allocating funding at programme level and in understanding how to successfully involve community groups and local partners.

We would also recommend that project proposals for social enterprise ventures should be encouraged to apply and for there to be no conditions on their grant award restricting their ability to generate revenue and surpluses. Revenue generation will guarantee the long-term sustainability of social enterprises, and the jobs they provide, so it should be factored into their planning at all stages.

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

No answer.

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

It will be easier to leverage other funds if there is some flexibility around the timing of expenditure over the duration of a given project. Furthermore, if an outcomes-based approach derived from the National Performance Framework is taken, it will be easier to align with the priorities of other funding sources.

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

A flexible financing model for community-initiated projects, as mentioned under Question 10, would exponentially build their capacity as many are not able to engage with the programme currently due to payments being made in arrears.

More flexibility around a finance model could see the Managing Authority or Lead Partner taking a share of the risk which may make it more viable for communities to apply. Developing a monitoring and evaluation process tailored to the project, as suggest for Question 7, would also help with this.

Looking to incorporate elements of the LEADER programme model should help encourage communities and local partners to apply and ensure they are empowered to lead their projects through to completion.

We would also propose the creation of a single-source of information and log-in web portal to make it easier and clearer for local partners and communities to apply and report on their project.

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

As mentioned in previous answers, simplification of the application process and different financing models, which provide more flexibility and access to funds quicker, would benefit the sector.

For communities and local partners, the current and previous structural funds programmes can be seen as too top down and prohibitive for community involvement. As there is the potential to construct an entirely new funding stream, getting community groups and local partners to input into its design should help address this issue; whilst greater integration of support throughout the lifecycle of the project should make it more manageable for them. Looking at the model of the

LEADER programme may help in this respect as will ensuring that funding streams are connected to Community Planning, Locality Plans and Local Outcome Improvement Plans.

Historic Environment Scotland

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