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Dear

Fairer Scotland Fund: Improving Lives, Regenerating Communities

In the context of the recent Spending Review, the Scottish Government announced the creation of a new fund aimed at tackling poverty and deprivation across Scotland. The Fairer Scotland Fund replaces a number of current programmes and funding streams. The Fund will total £145 million per year for the next three years and will be part of the local government settlement. An allocation from the Fund will be made to each local authority area to enable Community Planning Partnerships (CPPs) to work together to tackle area-based and individual poverty; and to help more people access and sustain employment opportunities.

The main purpose of this letter is to inform you of the allocation from the Fund to your Community Planning Partnership. However, we also want to take the opportunity to explain the basis of the allocation; to emphasise the key principles underpinning the Fairer Scotland Fund; and to outline the approach the Scottish Government intends to take to its deployment across the country.

Allocation of the Fairer Scotland Fund.

The award to your CPP is as follows:

2008/09 (£m)	2009/10 (£m)	2010/11* (£m)

*The allocation is ring-fenced for the first two years of the Spending Review period, in order to provide transparency and ensure that all Community Planning partners can play a part in driving strategic investment of these resources. However, it is envisaged that the ring-fence will be removed in 2010-11 as Single Outcome Agreements are concluded with Community Planning Partnerships.

Distribution of the Fairer Scotland Fund

The Scottish Government is committed to a distribution method for the Fairer Scotland Fund that is:

- evidence-based;
- informed by up-to-date statistical information;
- and clearly equitable.

With that in mind, we have used the Scottish Index of Multiple Deprivation 2006 to ensure that each local authority area receives a fair allocation whose derivation is fully transparent. We want the awards to CPPs across Scotland to reflect both concentrations of **multiple** deprivation and patterns of **individual** deprivation; the distribution method we have adopted seeks to achieve that. Annex A provides a brief description of the methodology employed in making allocations to individual CPPs. The team here will be happy to explain it in more detail if you or your staff would find that helpful.

Managed Transition

In allocating the Fund, the Scottish Government wants to provide as smooth and orderly a transition for CPPs and local authorities as possible, based on continuity and stability for 2008/09. We want to give local authorities and CPPs enough time to manage the transition to the new arrangements; and we are conscious that, with a Spending Review delayed by the UK Government, we are now quite close to the beginning of the next financial year. So for 2008/09, **the allocation to each CPP is equal to the total allocated to each area from all of the contributor funds** which make up the Fairer Scotland Fund (see below). Each local area will then move to its evidence-based formula allocation share in two even steps over the following two years.

In the spirit of the concordat between the Scottish Government and COSLA, we have discussed the overall methodology and approach with COSLA officials, and they are content that our proposed approach is balanced, transparent and pragmatic.

Streamlined Administration

The Scottish Government is committed to reducing unnecessary bureaucracy and streamlining administration arrangements. As noted above, the new Fund replaces seven existing measures, each with its own individual monitoring regime:

- Community Regeneration Fund
- Working for Families
- Changing Children's Services Fund (Social Inclusion element)
- Community Voices Fund
- Financial Inclusion Fund
- Workforce Plus
- More Choices, More Chances

The creation of the Fund will therefore bring real benefits for Community Planning partners in terms of reduced monitoring and reporting requirements; and the approach we propose to take to the management of the new Fund (see below) will be more streamlined and strategic than the arrangements currently in place under any of the existing measures.

Key Principles for the Fairer Scotland Fund

The Scottish Government considers the following principles crucial for investment of the Fairer Scotland Fund by CPPs:

- A clear focus on investment to address the causes of poverty, not its symptoms;
- A strong emphasis placed on making early interventions for vulnerable individuals, families and disadvantaged communities;
- Promotion of joint working between local partners;
- Focused action on improving employability as a key means of tackling poverty;
- Empowering communities and individuals to influence and inform the decisions made by CPPs.

In future discussions with CPPs about deployment of the Fund in their area, we will be keen to see evidence that these principles are being put into action by local partners; and for our part, Scottish Government officials are committed to offering whatever practical help we can provide to CPPs in developing their approaches.

Tackling Poverty: Individuals, Families & Communities

Investment of the new fund will follow the outcome-based approach. Community Planning partners are asked to use this additional investment both to promote effective joint working and as a **catalyst** for galvanising mainstream resources and budgets to create lasting change that will benefit the most disadvantaged communities and people.

It is important to emphasise that, although the Fund is new, CPPs will be able, if they wish, to continue any of the effective work carried out as part of previous programmes, where this will contribute to the achievement of agreed outcomes. A strong emphasis should be placed on assisting those individuals and family groups most affected by poverty across Scotland. There are many disadvantaged communities where problems associated with poverty are concentrated, complex and multiple. Ministers will expect CPPs to provide evidence of accelerated impact for the most deprived 15 per cent of areas (datazones) identified by the Scottish Index of Multiple Deprivation 2006.

However, the Scottish Government is very clear that not all deprived people in Scotland live in the most deprived areas. So, in recognition of the importance of individual deprivation CPPs will have increased freedom to invest in particular disadvantaged groups or individuals **wherever they may live** in order to tackle the root causes of poverty across their entire area. There will be **no** requirement to target a set proportion of their Fund allocation for investment only in 15% datazone areas, as under current arrangements.

Managing the Fairer Scotland Fund

In developing the Fund, we have been working to ensure that performance management arrangements will fit with the Scottish Government's new national performance framework, announced with the Scottish Budget on 14 November; and that the specific outcomes to be delivered will be included in the Single Outcome Agreement (SOA) to be developed for each local authority area. The SOA implementation group established by the concordat between the Scottish Government and COSLA, is working to a plan to have the initial versions of the SOAs developed by April 2008.

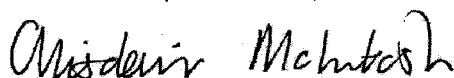
We do not intend to introduce separate, parallel outcome agreements for the Fairer Scotland Fund. Instead, we would like to agree with CPPs a set of local outcomes and indicators for action to tackle poverty and deprivation in their local area over the coming three years. These will draw, as far as possible, on the relevant national indicators which are published, and the pool of local indicators to be agreed by the Scottish Government, COSLA, SOLACE and Audit Scotland (and building on the work currently under way by the Local Government Improvement Service). These outcomes and indicators can then feed through into the wider Single Outcome Agreement process for each area.

We believe that investment of the Fairer Scotland Fund, combined with mainstream resources, has the potential to make a significant impact on the unacceptable levels of disadvantage which persist for too many of our people and communities. We know that CPPs share our ambition to tackle this problem; and we want to work constructively and collaboratively with CPPs over the coming months and years towards achieving that goal.

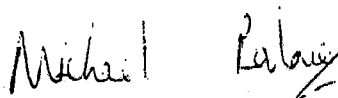
In addition, more detailed information on the Fund, including performance management arrangements, will be communicated as early as possible in the New Year. We have organised a CPP regeneration stakeholder event for 16 January, to be hosted by COSLA, and that there will be regular meetings between officials and those managing other programmes to be replaced by the Fund, such as Working for Families and the Financial Inclusion Fund. These will provide an opportunity to discuss the purpose of the Fund and Scottish Government priorities for tackling poverty as it affects our people and communities.

This letter has been e-mailed to your CPP lead and your Director of Finance.

Yours faithfully



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Head of Regeneration Policy



Mike Palmer
Head of Social Inclusion Policy

ANNEX A

DISTRIBUTION OF THE FAIRER SCOTLAND FUND – ALLOCATION METHODOLOGY

Introduction

1. The Scottish Government is committed to ensuring that allocation of the FSF is evidence based, objective and transparent for all stakeholders.

Methodology

2. Ministers have decided on the following approach:

- Allocation of 75% of the Fund will be based on area measures of relative deprivation from the Scottish Index of Multiple Deprivation (SIMD) 2006. Within this, the allocation provided to each CPP will depend on the number of the most deprived 15% datazones in their areas, because the evidence suggests that the impacts of deprivation get significantly worse at about that level.
- 25% of the Fund's allocation is based on individual deprivation, using the income domain of SIMD 2006. This means that, for the first time, targeted Scottish Government funding to tackle concentrated deprivation will take account of individual deprivation across all 32 local authority areas.
- 2/3 of the 75% area element will be allocated according to each CPP's national share of the most deprived 15% datazones in Scotland.
- The remaining 1/3 of the 75% area element allocated to those local authority areas with 15% or more of their population living in the 15% most deprived data zone areas. This is in order to take account of the particular challenge faced in those areas where there are high concentrations of multiple deprivation.
- Ministers have decided on a transitional mechanism under which each area will reach its "pure" formula allocation over the course of the Spending Review period. This will ensure that CPPs are provided with a smooth transition from current arrangements and can take a planned approach to managing the adjustment in funding.
- Ministers have also decided that, by the end of the Spending Review period, every CPP will receive at least a minimum or 'floor' payment of £500,000 in order to accelerate progress in tackling poverty and deprivation. In order to facilitate a smooth transition, this will be done in two steps, with an interim 'floor' in 2009-10 of £300,000.

