

CONSULTATION RESPONSE FORM

Question 1 – Are there other areas you think the Partnership Agreement should address?

SCVO recognises the potential value of the Partnership Agreement concept where that partnership is genuine and equitably participative for all stakeholders at all levels of delivery, management and governance of ESI Funds.

However a serious risk is being created in the current proposals where dominance by government divisions/local authorities/non-departmental government agencies over other stakeholder and community interests may lead to the Scottish allocation of ESI funds subsidising existing domestic activity and reducing the potential of significant strategic added value. Thus activity which does not necessarily need ESI 'top-up' funding may consume large amounts of the Scottish regional allocation to the detriment of more urgent focus particularly in the areas of combatting social exclusion and poverty.

It is understood alignment with domestic policies could assist in ensuring project activities are fully funded in co-finance models and that within the current economic environment in the 2007-13 programme reliability of match funding proved difficult in many circumstances. However on behalf of the wider third sector SCVO seeks greater clarity and assurances that 'domestication' of ESI funds does not lead to even further reduction of third sector engagement and involvement. It is important to record this is not a groundless concern but one based on the reduction of third sector engagement by approximately 50% during the 2007-13 programme (compared with the previous programme) as a direct result of the creation of strategic delivery bodies within government divisions and non-departmental public agencies.

SCVO also considers much greater clarity needs to be offered in, and incorporated into, the partnership agreement on how the full range of wider EU funding opportunities can be integrated within the model proposed. At this time it appears to be a hope and expectation without any structured approach from Government.

Question 2 – Do you think these thematic objectives will best address Scotland's short-term and long-term challenges?

In relation to the EU directives it appears entirely logical to select the three proposed baskets of activity – Innovation, Investment and Industry; Environment Low Carbon and Resource Efficiency; Local Development and Social Inclusion.

However it must also be logical to ensure the approaches adopted in satisfying these objectives are flexible to local and regional differences within Scotland's communities and to respond to changing realities and demands during the 2014-20 period. Our society has witnessed significant change in the past 6 years and highly likely to experience significantly more during the new programme period. The new ESI programme must be able to easily adapt to those changing realities.

Given at least 17% of the Scottish population are living in relative poverty significant focus must be given to ensure economic project development activity includes and integrates third sector project activity geared towards connecting with harder to reach and help people. Projects creating employment and training for those unemployed run the risk of only addressing the recently unemployed as a result the recession and are less likely to tackle the more difficult task of mobilising the long-term unemployed.

Question 3 – Do you think there are any other thematic objectives which should be addressed?

SCVO disagrees with the proposal to remove capacity building from the thematic objectives. Supporting capacity building in communities is crucial in achieving genuine community planning contribution and community development initiatives (utilising new legislation created by the Scottish Government - Community Land and Community Empowerment).

Genuine comprehensive community engagement is currently elusive in Scotland with many of the local authority led Community Planning Partnerships clearly not achieving the community collaboration desired by the Scottish Government. This has recently been evidenced by the inconsistent approach adopted towards the third sector seeking access to the ESF funds allocated to CPP's in the strategic delivery body mechanism in the current programme. (Contrary to the requirements placed upon local authorities by the Cabinet Secretary for Finance)

It appears incongruous to move society towards community empowerment as a key Scottish Government policy platform whilst simultaneously removing one source of financial support for communities and third sector capacity serving those communities. It is also clear such capacity building support would be beneficial in all three thematic objectives not only the social inclusion activities. For example in energy and environmental matters many communities struggle to achieve and maintain the momentum required to brigade local citizens around community ownership of renewable energy production (another Scottish Government key policy).

Generally SCVO supports the principles of more focused ESI thematic objectives and consider the three broad themes as identified in the proposal as a reasonable interpretation of the EU directives and aligned with Scottish needs. Greater detail is required in specific eligible activities and it would be useful to ensure, for example, supporting access to childcare is not excluded - often a crucial factor in assisting people to be trained for employment and joining the labour market.

SCVO also consider the creation of a Global Grants fund geared towards local community engagement and empowerment would provide access to ESI funds for groups otherwise unlikely to be supported. This would generate local activity towards social inclusion, employability, employment in organisations/social enterprises, local development and energy/environment. All of this would be geared towards economic growth and sustainability. Crucially this approach mobilises the imagination and concept design capabilities of thousands of people in stark contrast with larger initiatives by the larger project sponsors only likely to harness the creative perspectives of a few individuals.

Question 4 – Do you think the Scottish Themed Funds will address Scotland’s key challenges?

SCVO recognises the need for themed funds to be specific and focused on achieving the agreed targets in the most efficient and cohesive manner possible towards achieving best use of ESI funds for beneficiaries. However the proposal does raise significant concerns. If the EU seeks such funds integration why is it not also happening at EU level?

The model proposed suggests a mezzanine funding approach is possible with national delivery partners connecting project(s) to SRDP, ESF, ERDF and EMFF budgets. However it is clear this is likely to cause major problems where the operational programmes are not aligned and interpretation of the (yet to be agreed) national rules varies between Operational Programmes. This is sharply in focus where eligible expenditure interpretations in Scotland in the past have been at variance with EU eligibility rules and have been different within Scotland in each EU fund.

It is also likely the EU DG’s will promote a range of flexibility in those eligibilities which will not be supported by EU Audit.

Separate strands existing at EU level which (in this Scottish proposal) can be woven together at regional level and then potentially unwoven post-project delivery to satisfy EU Audit (and Scottish Government Audit) could be chaotic leading to very significant difficulties for project sponsors in Scotland.

Greater clarity is required at this stage with detailed linkages identified between the operational programmes and frank analysis of what will be too challenging to achieve in the way of integration.

SCVO welcomes the shift away from capital expenditure towards revenue based activity designed to impact directly on the needs of beneficiaries. The new ESF programme will have 52% of the total (Scottish) allocation and it is important this is utilised in ways that don’t simply cross-subsidise existing and planned activity. Innovative and added value measures must be verifiable. Performance indicators must be clear and applied equitably across all delivery agents. The mid-term review must be able to completely change the delivery approach and the partners if it is not performing. In that regard it is suggested that review is conducted at the end of the 2nd year of the programme as changes would take a year to implement.

Question 5 – How do you think the governance and delivery arrangements will impact on your sector?

The proposals present real risks for the Third Sector in Scotland. Current membership across the three 'shadow' national strategic delivery partnerships is dominated by national and local government (39 representatives). The Private Sector (2 representatives) and Third Sector (5 representatives) opinions and contributions to the strategic planning and designing of appropriate interventions could be completely marginalised or even ignored.

When adding to that dynamic the expectation that budget holders from Divisions of government will allocate match to ESI strategic interventions they will clearly seek to ensure project activities are aligned with domestic priorities – the existing ministerial expectations on those divisions. Thus the decisions on what is to be funded and what ESI projects will occur may largely have already been made through earlier domestic budget planning. A parallel exists in the case of LA/CPP budget holders and (assumed) potential reluctance/unwillingness to commit funds that may not be entirely used within that local authority area.

If transpiring in this manner the previous inventive and innovative aspects of third sector designed project bids under the former challenge funding application process will be severely diminished or even lost. Thus decades of accrued experience in complex and sensitive methodologies in i.e. assisting people with multiple-challenges may be lost.

One definition of societal progress is building on previous success.

Repeating the point made in section three (of this response) why would it make sense to discard the intervention design capacity and track record of hundreds of individuals across Scotland in favour of a much smaller number of people designing how the target groups of beneficiaries can best be assisted?

It is proposed the national delivery partnerships will commission and procure intervention services from a raft of delivery agents. This process needs to be expanded and described in much more detail.

How will the contracting process be managed – presumably through the existing Scottish Government Procurement process? This can lead to lowest bidder/poorest quality interventions – clearly not acceptable in assisting people furthest from the labour market and at risk of long-term social exclusion. Sophisticated definitions of success must also be agreed i.e. distance travelled towards employability should be a measure.

How would the commissioning process be managed – how would the candidates be selected and on what criteria? How can national equity of access be assured? (The recent post code lottery access to ESF for the third sector demonstrated in the inconsistencies of the CPP system cannot be allowed to continue)

Crucially the proposal suggests smaller audit and compliance burdens on all parties. How?

Will simple invoices from contracted delivery agents suffice or, in the case of commissioning services, will the burden be increased to delivery agents making that (passing the burden down) a more attractive option for the delivery partnerships?

Again much greater detail is required before the efficacy of the overall proposal can be fully appraised.

Question 6 – How do you think the governance and delivery arrangements will impact on your organisation?

As the national body representing the interests of all third sector organisations in Scotland SCVO will continue to prosecute the case for full and genuine partnerships between the third sector, local authorities/CPPs and public agencies.

SCVO expects to be appointed to the PAMC and will seek further representation from the Third Sector towards creating balance of views and contribution within that structure.

Equally SCVO will promote increased Third Sector representation on the national strategic delivery partnerships – currently dominated by government officials.

SCVO will expect and monitor the clarity, transparency and equality of opportunity in the processes of the proposed commissioning and contracting model to delivery agents.

SCVO will promote an agreement of standards to be reached on a code of good practice principles applicable to all project delivering agents - government, third or private sectors. This should establish what is expected to be achieved in a project with ESI funding, the outcomes for beneficiaries, the conditions for staff engaged and the transparency of monitoring. It must also define the consequences for projects not delivering on agreed and funded objectives.

SCVO agrees with ESFD that Scotland should increase its yield from wider ESI funds. SCVO will complement that goal by introducing a European information section on its website and promote such opportunities systematically to its members. SCVO will also (continue to) create transnational ESI projects attracting inward investment to Scotland and where relevant involving further Third Sector organisations within Scotland to these initiatives.

Question 7 – Are there any unidentified governance or delivery arrangements that could aid simplification of the future programmes and ensure that the Structural Funds complement each other?

A Global Grants Fund of scale should be assessed and co-financed by government. It would work across all three themes and would provide access to ESI funds for a wider range of community and third sector organisations of smaller scale but crucially locally connected.

This would generate genuine social capital development and eligibility criteria would be aligned with the thematic objectives. A single fund manager would broker the connections with (potentially hundreds) of applicants, manage the funds and report to government as a singular collective set of outcomes.

By harnessing this type of human contribution across a very large number of Scottish communities the collective outcomes would be very significant – indeed it is believed by SCVO (based on previous experience) it would prove to be the best value for money across the entire 2014-20 programme.

Technical Assistance

The Third Sector and Civil Society National bodies across Europe all receive funds from the national technical assistance budgets to deliver technical assistance support to Third Sector agents involved with structural funds. Oddly, given its track record in social inclusion, Scotland is one of the few exceptions (the Labour government terminated the previous Third Sector TA support service in 2001).

In the new programme this technical assistance service could be geared towards assisting with compliance regulations, understanding and implementing national rules and writing contracts aligning with the EU regulations and domestic legal requirements in Scotland.

SCVO believe the current Scottish Government should resurrect this type of funding support for the third sector which would provide on-going detailed guidance and a platform of consistent good practice in the delivery agent contracting/commissioning with Delivery Partnerships.

Question 8 – What other delivery options do you think would be feasible for delivering youth employment initiatives?

The third sector is well positioned to deliver youth employment operations on a Scottish wide basis. Through initiatives like Community Jobs Scotland (CJS) it has evidenced its expertise in rolling out Scotland wide projects to scale which are successfully moving thousands of young people into sustainable employment. The CJS model works as it engages over 550 third sector organisations/employers including national, community based and social enterprises who have expertise in engaging, supporting and progressing vulnerable young people.

Vulnerable Young People Initiatives

The third sector has significant and specific expertise at supporting vulnerable young people including those with disabilities or long-term health conditions, ex-offenders, carers, lone parents, homeless, substance misuse etc. Support provided includes engagement, dealing with barriers to employment, work experience, volunteering, in-work support, mentoring, jobs, after care and, Employment Recruitment Incentives.

A very large percentage of these young people are most at risk of long-term unemployment and poverty which often leads to involvement in unsociable behaviour and criminal activity – ultimately enormous human and societal financial costs.

Given projected labour market conditions into 2014 we are still likely to suffer from significant youth employment issues from vulnerable young people:

ESI funds should be maximised in meeting a range of training costs, wage subsidy arrangements and national coordination activities towards facilitating opportunities to engage every vulnerable young person at risk.

Volunteering and Employability

The third sector provides a range of volunteering opportunities designed to progress young people towards employment. Again these need to be delivered on a Scottish wide basis. ESI funds should be available to support the costs of engaging young people furthest from the labour market who would benefit from the socialisation and confidence building aspects of structured volunteering. This would focus on young people who need that initial step and should be considered pre-vocational as it would be part of the journey with the next step being supported employment.

Young people with high levels of skills and qualifications

Again the third sector has evidenced its experience in dealing with a diverse client group. Organisations such as Barnardos, Enable Scotland, Apex Scotland, Prince's Trust, West Fife Enterprises, Capability Scotland, Calman Trust, SCVO, Claverhouse, Lennox Partnership, Routes to Work North, and Action for Children have provided a wide range of opportunities for unemployed graduates to progress and move into sustainable employment.

ESI Funds should be able to support this group of young people who with this first supported step would likely quickly become productive citizens.

Importantly the EU's Youth Employment Fund needs to be factored into the Scottish Partnership Agreement (and Operational Programmes) as this will provide additional resources.

Question 9 – What other measures could be taken to reduce the audit and control pressures?

The national rules need to be very clear, non-ambiguous and ideally the same across all Operational Programmes. They should not be changed mid-project delivery leaving delivery agents needing to produce justification retrospectively. Absolutely crucially programme managers cannot be allowed to interpret the national rules differently. This was a major problem during the 2007-13 programme – particularly, but not exclusively, in the SRDP. This caused major difficulties and frustrations for many project deliverers. These national rules need to be refreshed and previous historical misinterpretations of eligibility that have become habitual practice removed.

It would appear therefore a significant training programme for **all** involved with ESI funds should be designed and delivered in advance of the new programme launching. This would cover and ensure consistent understanding of the national rules, the application of simplified cost models and create a standard interpretation of eligibility and compliance issues.

If contracting and commissioning is indeed able to operate effectively the delivery agents should only need to report on the outcomes – what beneficiaries have achieved and how it relates to that project plan. Analysis of the financial transactions should be irrelevant. Therefore what should be audited in those circumstances is only the results for beneficiaries and the cost per beneficiary.

If auditing remains on a financial transaction analysis basis integration of the funds is impossible as audit will not be realistically feasible.

If audit is to continue in the previous manner the EUROSYS system needs to be adapted to become simpler and to assist a simpler claims process. This of course will not be required if NDP's contract for outcomes only and the delivery agents simply need to provide an invoice for the services delivered and the beneficiary impact details.

If however the claims process is to be maintained and required by delivery agents it should be reviewed to ensure it does not cause the cash flow blockages experienced during the current programme. The system will also need to be adapted to cope with multiple claims on several themes within a single project.

Question 10 – Do you have any further comments on the proposals?

The national delivery partnerships are in the process of meeting in shadow form. It's crucial the expectations being placed upon all members is clearly understood and agreed.

It would be useful for non-government members to be aware of the mechanisms at play. Are the SG divisional directors being instructed by ministers to commit budgets as match or is such engagement at their discretion?

It would be beneficial for future clients of delivery agents for the national delivery partnerships to agree what they need (and are being instructed to achieve?) but not to design how all interventions should be shaped into fit-for-purpose activity.

The third sector and other non-government agencies would respond by proposing how the targets can be met through designing appropriate interventions against local/regional/national beneficiary needs.

A wide raft of further detail needs to be established including:

1. Advance payments need to be made to delivery agents
2. National rules need to be clear and not changed during the programme
3. Total clarity and consistency of application is required on audit and compliance procedures.
4. Advance payments should be reintroduced.

The 2007-13 Structural Funds Programme is likely to have a total value of 795m Euros and the ESF component needs to be 52% = £350m (an increase of £77m over current programme). SCVO welcomes this increase and agrees with ESFD it is crucial it is best used in assisting economic recovery through employment, training, community engagement and social inclusion.

If genuine funds integration can be achieved, without over-domestication to the degree that all current valuable stakeholder contributions are marginalised, much more can be achieved.

SCVO encourages Scottish Government ESFD to recognise the vast potential in the third sector in Scotland to contribute across **all three** proposed themed funds bringing community engagement, subject knowledge, organisational contribution, business acumen, skills and expertise accrued over decades of professionalism.

The partnership approach is at the core of how the third sector in Scotland has always operated and it is crucial its engagement with the 2014-2020 ESI Programme is substantial, sophisticated and meaningful at every level for the benefit of our fellow citizens.