

CONSULTATION RESPONSE FORM

Question 1 - The table in part 5 provides an overview of the proposals under each of the EU 2020 headings – Smart, Sustainable and Inclusive – matched against the relevant thematic objective and investment priorities. Do you think the investment priorities are the most appropriate ones for the activity suggested?

NO.

The current strategic interventions lack vision in their scope and do not sufficiently address critical challenges facing Scotland. ESIF cannot operate in isolation. It is currently out of step with strategy on the state of the economy, and the role and contribution of public services.

There are three EU flagship initiatives for Smart Growth. These include:

- Creating a fast/ultrafast internet, with the aim by 2020 for 50% of the households to have internet connections above 100Mbps
- Refocusing R & D on major challenges for our society such as climate change, energy and resource efficiency, health and demographic change, and strengthening the link in the innovation change
- Youth on the move, helping students and trainees to study abroad, equipping young people better for the job market, enhancing the attractiveness of universities and improving all levels of education and training.

The proposals one to six (within table five) do not sufficiently address the Smart Growth flagship initiatives.

Proposal one - the delivery appears to be restricted to schools, colleges, universities and formal apprenticeships. This does not take account of the significant amount of activity which is undertaken by the third sector in delivering SVQs in non-formal settings where the knowledge, skills and competences of the workplace is delivered.

The third sector engages well with women, young people, older people, low skilled people, and the long term unemployed, black and ethnic communities and legal migrants for whom the EU target is to have a 75% employment rate by 2020. The proposals here are likely to only benefit individuals who are at a level of confidence (close to the labour market) to engage with further education and not the 'hard to reach' who require additional support to enter and sustain training and education.

These individuals are unlikely to benefit from the Enhanced Employability Pipelines and Youth Employment Scotland proposal currently included in the Social Inclusion Section as proposal 10.

There is no investment priority given for the Financial Engineering Instruments so it is not possible to comment on whether the investment priority is relevant to the activity suggested.

There are two EU flagship initiatives for sustainable growth:

- Resource efficient Europe through reducing CO2 emissions, promoting greater energy security and reducing the intensity of what we use and consume
- An industrial policy for the globalisation era through a policy that will support businesses, especially small businesses, by supporting entrepreneurship and covering every part of the international value chain from access to raw materials to after sales

The investment priorities seven to nine (within table 5) do not sufficiently address the two flagship initiatives.

Proposal seven - low carbon travel and transport is aimed at urban areas. The recent HIE Report – “A Minimum Income Standard for Remote Rural Scotland” highlights that household budgets required to achieve a minimum acceptable living standard in remote rural Scotland are typically 10% - 40% higher than elsewhere in the UK. For households living in the most remote island locations additional costs can be even greater than 40%.

The three principal sources of this premium are: the longer distances that people have to routinely travel, particularly to work; the much higher household fuel bills (influenced by fuel and climate sources) and the higher prices that households have to pay for food and other goods. The investment priorities which are given in both proposal 7 and proposal 8 should be extended to ensure that low carbon travel and transport proposals and the Low Carbon Infrastructure Transition Development Fund are available to projects in remote and rural areas, and that energy derived from renewable resources may be used for SME's and homes, as well as for onward distribution.

The investment priorities available under this theme include supporting energy efficiency and renewable energy use in public infrastructure and the housing sector. It is noticeable that whilst the Welsh Government have chosen to include domestic energy objectives and the clear link to fuel poverty (because of old and draughty houses, often housing the poor and elderly) within their Partnership Agreement, the Scottish Government has decided the following:

- *“Domestic energy and advice....felt that they were either under developed, lacked strategic fit with EU2020 and other domestic funding available, did not represent value for money or should be merged with other proposals”*

There are two EU flagship initiatives for inclusive growth:

- Agenda for new skills and jobs - this will help people acquire new skills, adapt to a changing labour market and make successful career changes. It will collectively modernise labour markets to raise employment levels, reduce unemployment, raise labour productivity and ensure the sustainability of employment.
- European platform against poverty – ensuring economic, social and territorial cohesion. This initiative will guarantee respect for fundamental rights of people experiencing poverty and social exclusion. Thus enabling them to live in dignity and take an active part in society. It will include support to help people integrate in the communities where they live, access training and help

in finding a job and accessing social benefits.

Proposal 11 - poverty and social inclusion is simply missing.

The EC regulation identifies the scope of the thematic objective Promoting Social Inclusion and Combating Poverty is addressed by :

1. Active inclusion
2. Integration of marginalised communities
3. Combatting discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation
4. Enhancing access to affordable, sustainable and high quality services including health care and social services of general interest
5. Promoting the social economy and social enterprises
6. Community led local development strategies
7. Investing in health and social infrastructure which contribute to national, regional and local development, reducing inequalities in terms of health status, and transition from institutional to community based services
8. Support for social services
9. *Support for physical and economic regeneration of deprived urban and rural communities*

Poverty and Social Inclusion (number 11) should contain proposals which meet the investment activities listed in 1 to 9 above. As there is not currently a proposal for poverty and social inclusion, it is not possible to comment on the Investment Priority's suitability. It would be expected that the eventual proposal will cover all areas listed above other than (9) *Support for physical and economic regeneration of deprived urban and rural communities* as proposal 12 Scottish Regeneration Capital Grant Fund and Proposal 13 Green Infrastructure cover this investment priority.

The Investment Priorities should address the problems of accessibility to, and remoteness from, large markets facing areas with an extremely low population density. Specific attention should be paid to the outermost regions, financing the additional costs resulting from their specific operating environment.

It is not clear from the information available in the consultation how this will be done. Nor is it clear how the specific requirements which will be attached to the H&I Integrated Territorial Investment funds will be delivered.

Question 2 – Section 6 sets out the linkages between Structural, Rural and Fisheries Funds as well as linkages to other EU Funding Programmes. We would welcome stakeholder comments on these linkages in order to help us develop this thinking further

In principle integration of the funds is a good idea but the consultation does not demonstrate how the linkages will be managed in practice. It is a set of statements on areas of commonality. Until the governance, operational and awareness raising arrangements are made clear then it is very hard to comment beyond the original ambition of linking the funds.

There is great concern that applicants, lead agencies and all beneficiaries will be subjected to inconsistent application and contracting processes, inconsistent appraisal and monitoring processes and different interpretation of rules.

The Commission's simplification agenda requires that there must be a new harmonised set of rules and regulations covering all EU funds in place before the start of the next programme and these should be accompanied by clear guidance on how to manage project funds. Detailed rules and IT system details are not published in the consultation. In order for there to be a useful dialogue between stakeholders and the government any draft documents relating to these activities should be published.

The table in part six lists the likely scope of activities under the EAFRD and refers to support to rural micro and small business development. However, in a recent cross party group meeting on crofting the following responses were made to questions relating to funding from EAFRD. The response that only farmers and crofters would be considered eligible for land based projects appears to negate the impression given by the table included at part 6, item 5.

Quotes from Q&A about the SRDP:

Q. What if a community group has a land-based project?

A. Farmers and crofters will access SRDP through agricultural measures; non-agricultural communities will access SRDP through Leader.

Q. Why has support to footpaths been taken out? Footpaths are key in managing people and landscape.

A. If Local Action Groups want them they can fund them through Leader.

Question 3 - Do you think the new proposals will have a positive or negative impact on the protected characteristics and wider issues of inclusion and participation?

The current proposals will have a negative impact on the protected characteristics and wider issues of inclusion and participation.

Question 4 - If you think there will be a negative impact on the protected characteristics or inclusion and participation please provide suggestions as to what could be done differently to diminish this impact.

1. Reinforce the European Commission's original commitment to tackling poverty and social exclusion by ring-fencing a minimum of 20% of ESF in line with the recommendation of the Europe 2020 Flagship Initiative and 5% of

ERDF for a community-led local development (CLLD) to facilitate direct interventions to tackle poverty in deprived communities

2. Equality on the grounds of protected characteristics should be integrated to take a whole system approach to tackling poverty, equality and social inclusion issues. If the links between poverty and protected characteristics were emphasised in the Operational Programmes, this could be a strong lever for change
3. Work in close collaboration with the third sector anti-poverty organisations to undertake an equivalent poverty impact assessment for the new programmes and projects ('poverty proofing')
4. Include a representative from third sector anti-poverty organisations on the Programme Monitoring Committee (PMC) for 2014-2020
5. Establish a set of indicators for the Structural Funds Programmes which align as far as possible with the Government's tackling poverty plans and the Scottish National Action Plan for Equality and Human Rights, whilst allowing for flexibility to defined project activities and their anticipated antipoverty impact
6. Combating poverty is a fundamental aim of the new programme and is a growing problem in Scotland and across the EU. If serious about reducing poverty then all projects must demonstrate and prove how they are contributing to reducing poverty. **All** projects across **all** funds must have measures and indicators to reduce poverty
7. Health inequalities are not addressed in the current proposals. There are significant and long-standing health inequalities in Scotland and public spending should make better use of its resources to address these challenges. Poverty is the key determinant of health inequality and this resource should be used to make a significant impact.

Question 5 - Please provide your views for improving the process for design, procurement, delivery, monitoring and evaluation to strengthen delivery of sustainable development.

"Strengthening delivery of sustainable development" is an ambiguous. Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs. The United Nations agreed in 2005 that the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given.

The current consultation is therefore limited in its objectives for sustainable development. If sustainable development is a key outcome then it needs a stronger focus on poverty with clear objectives that do not compromise or undermine the sustainability of natural systems and the environment.

The third sector and all the work it does for the environment, resource efficiency, behaviour change, climate change, climate justice, climate mitigation, community transport, environmental education, domestic energy advice, community renewables and community digital solutions (and much more) have all been excluded from the investment priorities.

Around 900,000 households in Scotland – more than 1 in 3 – are estimated to be in fuel poverty, which means they are unable to afford adequate warmth in the home. In turn, it is now estimated that there are some 7 million fuel poor households in the UK. The usual definition of fuel poverty is the need to spend 10% or more of their income to pay for fuel bills.

Fuel poverty can exacerbate health conditions putting additional pressures on public health services and families. It is critical that a domestic policy objective such as the Housing (Scotland) Act 2001 which requires the Scottish Government to eradicate fuel poverty in Scotland, as far as is practicable, by 2016 (local authorities also contribute to meeting this statutory duty) are intrinsically woven into ESIF objectives in order to meet targets on resource efficiency and poverty.

Sustainable development is not just green infrastructure and transport hubs. There are no investment priorities targeted at or working with communities and people looking at fuel poverty, domestic energy advice, behaviour change and community projects. It is well documented that the shift to a low carbon economy and meeting human needs, whilst using resources more efficiently, is best achieved through behaviour change and community action. **All projects** should be encouraged to deliver against social inclusion and environmental aims.

The operational programmes must have sustainable development objectives. These objectives must be developed with environmental and anti-poverty organisations from the third sector that have the reach into our communities. All projects must prove how they are contributing to sustainable development against an agreed set of objectives.

The PAMC must have representation from third sector environmental and/or resource efficiency organisations. It is vital that community interests are represented in the strategic governance of the funds and within the theme.

Question 6 – Do you have any further comments on the proposals outlined in this document?

1. Previous consultation

The summary of the previous consultation is of poor quality. It provides no quantitative information on the numbers of responses', issue by sector etc.

2. ESIF Governance

The current governance arrangements for the European Structural and Investment Funds (ESIF) are of great concern. Representation on the Programme Advisory and Monitoring Committee (PAMC) and subsequent decision-making structures not only need to reflect a better balance between the public sector and social partners, but must also enable genuine democratic participation in its functioning.

There are real concerns over the third sector's capacity to engage with the governance arrangements effectively. How do they fund their participation? The third sector must have equal access to the Technical Assistance money to ensure equitable participation and democratic accountability. This can't be compromised otherwise we will breach the European Code of Conduct on the Partnership Principle.

3. Strategy - EU2020

The European Commission has explicitly told UK governments that they must do more to address youth unemployment and combat poverty, yet the proposals are dismissive of key third sector public services and interventions that directly address them. The ambitions of EU2020 to work with social partners in an equal and meaningful way are not overtly evident in the consultation. Democratic accountability appears to be ignored. Lack of vision in the strategy and the marginalisation of the third sector is placing EU2020 under threat in Scotland.

4. Policy Priorities and Investment areas

The proposed strategic interventions lack vision in their scope and do not sufficiently address the critical challenges facing Scotland. ESIF cannot operate in isolation. They are out of step with current strategies on the state of the economy, and the role and contribution of public services. Combating poverty is a fundamental aim of the new programme and is a growing problem in Scotland and across the EU. If serious about reducing poverty, then all projects must demonstrate and prove how they are contributing to reducing poverty. **All** projects across **all** funds must have measures and indicators to reduce poverty.

5. The consultation makes the following sweeping statement, again without supporting evidence:

“Community Jobs Scotland, graduate recruitment, various initiatives

aimed at development and capacity building in social enterprise and the third sector, domestic energy efficiency and advice and promoting cultural heritage all deemed lacking in strategic fit with EU 2020 and domestic funding and did not represent value for money”.

This statement is of grave concern and its consequences will cause a large portion of vital public services delivered by the third sector to collapse. In addition SCVO was represented at the aforementioned meeting along with a significant amount of public sector officials and this was not agreed or discussed, so it is factually inaccurate and it's inappropriate that it was included.

6. Third sector employability services have an excellent record and their unique and dynamic approaches are hailed across Europe as the most effective solution to unemployment and growing poverty in our communities. Yet there is no place for them to play a leading role in the current proposals. This must be corrected.

7. Third Sector Employability Services for Disadvantaged Groups

Proposals submitted on behalf of specialist third sector organisations involved in supporting disadvantaged groups towards employment have been excluded. The exclusion of these initiatives weakens the ability of the third sector to contribute to the new programme.

The focus on the Local Authority Strategic Skills Pipelines as the primary focus for employability support for the new programme is a weakness which fails to recognise the role that the third sector plays in engaging, supporting and progressing vulnerable groups.

The European Commission has explicitly told UK governments that they must do more to address youth unemployment and combat poverty, yet the proposals are dismissive of key third sector public services and interventions that directly address them.

Ex-ante evaluation and EC feedback on draft plans are explicit that more must be done in these key policy areas to aid recovery and social cohesion.

Where is the link to domestic policies for tackling poverty and the Scottish National Action Plan for equality and human rights?

There is little evidence in the current consultation to suggest flexibility in the programme. The ESIF needs to be adaptable to changing domestic policy priorities. This was the weakness of the previous programme and a key feature of the “Lesson Learned” work.

8. Administration versus Outcomes

We strongly challenge the unsupported, evidence-free assertion that top down, big projects are necessary to minimise risk and that small projects are

inefficient

Recent large European audits showed colleges and government agencies with poor administration, incomplete projects, underspent and fraud having occurred. HIPP have consistently proved that the error rate on small projects was far lower.

Funding only large organisations does not equal strategic.

The programme is being led by an administration process instead of strategic vision on how to address poverty, youth unemployment and growing inequalities. Economic recovery is not possible without strong social policy. The European Commission is clear that social policy will be the saviour of Europe. Economic recovery with growing inequality and poverty is not a recovery Europe wants.

The statement that key areas of public policy, such as Community Jobs Scotland, capacity building in the third sector and domestic energy advice do not represent value for money is highly dismissive and ill-informed about critical areas of social policy required to meet the outcomes of EU2020.

9. Community Led Local Development (CLLD)

The third sector's experience of working with Community Planning Partnerships (CPPs) has largely not been good, as was evidenced in the SCVO report [The role of the Third sector in ESIF in Scotland](#). The CPPs are inconsistent, not representative and often a poor example of community involvement. In some places they do not even exist or function. It is of great concern that the current proposals believe that CPPs = community led local development (CLLD).

10. Match Issues

Effectively the third sector is relegated to a delivery role with the provision and services being decided by lead agents. This process has been decided by their ability to bring government match funding up front. This is clear evidence that financial capital is not equal to intellectual capital and that the holders of financial capital are driving this process. The result will be a lack of vision, a democratically unaccountable process and an opportunity lost.

The third sector must be fully supported by key Scottish agencies to play an equal and leading role in ESIF by enabling a financial environment that allows them to participate in order to achieve the goals of EU2020.

11. Technical Assistance

It is essential that the third sector has equal access to the Technical Assistance money available to Scotland in order to influence strategy, to support and improve the quality of proposals and project delivery, and to ensure that relevant and useful information and advice is provided to participating third sector organisations.

Scotland was the only UK country where the third sector did not receive any

technical assistance money. As a result we have seen the marginalisation of the sector from this fund bringing a decline in the number of the most disadvantaged communities being reached by the funds.

12. Evaluation and Monitoring

If the sector is to genuinely have a key role in evaluation and monitoring then it is essential that we have equal access to technical assistance to support this.

13. Simplified costs

It is essential that the recommendations from the SCVO report on [“How to simplify the administration and ensure maximum cost recovery in European Funding”](#) are implemented.

14. Providing transition funding

It is essential that transition funding is provided to avoid loss of vital services. As we approach the final months of activity within the current programme, existing projects will begin to come to a close. A range of activity currently supported through the ESF programme provides essential on-going services, supporting and developing some of the most challenging client groups.

Within ESF, the principle of continuity has been applied through the extension of existing projects. Organisational capacity, breadth of knowledge and experience are all essential elements of the success of the ESF and ERDF programmes to date. We are aware of the risks associated with loss of key experience and knowledge that exist following a gap in available finance that results in downscaling of activity, whether this is through direct ESF funding, as part of a wider partnership, or within the procured / contracted service providers.

This issue can have a significant impact on the effectiveness of the support provided, and can be particularly acute in remote and rural areas, where replacing extensive knowledge and skill sets quickly can be challenging. This is an important consideration, and action to address this has the potential for a positive impact on the early success of the new programmes, and their ability to deliver effectively during their early stages. Equally, no government should leave its most vulnerable people high and dry whilst it sorts out a process. Especially when this activity is likely to feature in the new programme.

15. Health Inequalities

Health inequalities are not addressed in the current proposals. There are significant and long-standing health inequalities in Scotland, and public spending should be used more effectively to address these challenges. Poverty is the key determinant of health inequality and this resource should be used to make a significant impact.

16. Detailed Guidance

Although the Scottish Government states that they have commenced work on

detailed rules and IT systems, no information relating to any of this work has been published.

It was a stated intent that the Scottish Government would publish a paper to cover the broad content of the Partnership Agreement and the Operational Programmes, however to date this has not been done publicly. This is in contrast to both the Welsh and Northern Ireland Partnership Agreements which have been available in draft form on line since November 2013. **It is also not in line with European Code of Conduct on the Partnership Principle.**