

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?

Due to the tight timescale in developing these interventions, the result is better than expected. However, the 'Strategic Interventions' are notably at different stages of development and some clearly needing more development to be taken from concept to an operational possibility. Overall, taking account of the wide range of stakeholders involved in this area of work, this must be seen as a good starting point to refine and work up activities.

Intervention logic is lacking

We think there is a 'Golden Thread' gap and would be far more comfortable being consulted on "Strategic Objectives" articulating the EU regulations' Investment Priorities' and the proposed list of project activities more than simply a list of project activities for the entire 2014-2020 period.

Furthermore, whilst we are aware the Partnership Agreement and Operational Programmes will have more detailed economic-social analysis than what has been summarised in this consultation document, what has been presented as an evidence base for activities in this document is superficial and needs to be addressed.

Targeting

Inevitably with the range of stakeholder interests' in ESI Funds involved in the Shadow SDP process, there is arguably more investment priorities included than funding available. It will be important for stakeholders to be involved in the process to determine financial allocations.

The solution, outlined in the consultation document in reference to the Partnership Agreement, is to focus on the 'niche' areas where structural funds can play a role. This is an approach which we entirely support, and together with the proposed Smart Specialisation approach should ensure activity focused on a limited number of priority areas. Safeguards must be built into the programmes to demonstrate clear additionality and avoid the rejection of Operational Programmes by the Commission.

The other part of the solution appears to be 'targeting' – potentially geographically and/or in scope of eligible activity. We are far less comfortable with this proposal. We caution against any approach which limits the way local, regional or national partnerships can deliver ESI Funds by creating different rules in different areas within the partnership. Reporting and monitoring this within a large scale partnership, as proposed, would be operationally untenable by requiring twin-track systems not yet accounted for in the planning of the new IT systems. For those activities which focus on economic and social 'need' rather than 'opportunity' (principally the Local Development and Social Inclusion SDP), the availability and provision of match funding for interventions reflects local needs and should be used, along with qualitative assessment of proposed local activities, to target resources. Targeting (particularly geographic zoning) should not therefore be required in the Partnership Agreement or Operational Programmes. In short, targeting based on evidence base of needs/opportunities is needed but not at the expense of creating rules written into the Operational Programmes which affect operational delivery as was the case in the 2007-2013 programmes.

Flexibility needs built in

The approach outlined in the above paragraph would build-in much greater flexibility to the programmes than is currently outlined. It is important that that the final form of words for both our proposed Strategic Objectives and any Strategic Interventions written into the Operational Programmes, are flexible enough to be refined throughout the course of the programming period to avoid the inflexibility of the 2007-2013 programming period.

Risk of reducing innovation in projects

The chosen approach has the potential to fund activities which are less innovative than a competitive challenge fund approach would ordinarily identify. We would like to see some mechanisms to allow identification of new activities and innovation, either through mid-term review or retention of funds for that purpose.

European Social Fund

We believe the four selected Investment Priorities for ESF are about right in terms of numbers.

We particularly support the proposals for enhanced employability pipelines throughout Scotland & the proposed Youth recruitment programme.

European Regional Development Fund

There are twelve selected Investment Priorities for ERDF (not counting additional ones which may be required for the FEI); this seems disproportionately large compared to the available finances. However, the identified Investment Priorities are the most appropriate for the activities suggested, with the exception of Scotland's 8th City which would benefit from being covered by ERDF 1b in addition to/or instead of ERDF 3c.

We will particularly support Next Generation Broadband Investment, Scotland's 8th City, Low Carbon Travel and Transport, Low Carbon Infrastructure Transition Development Fund, Resource Efficient Circular Economy Accelerator Programme and Scottish Regeneration Capital Grant Fund. In relation to the Financial Engineering Initiative, we support the access to finance funding (ie Scottish Local Authority Loan Funds). The other elements may sit better in other respective interventions.

From Strategic interventions to detailed project activities

The consultation is quite vague on how strategic interventions would be delivered, and how lead partners will engage with stakeholders. It will be important that the process is transparent and fair, with clear identified routes to engage.

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

The integration of funding programmes has clearly been difficult at both an EU and Scottish Government level, with differing policy objectives, regulations and IT systems creating barriers. Whilst recognising the challenges, we are concerned that rural development and fisheries are not as developed within the Partnership Agreement as Structural Funds. This in turn will make it more difficult for those Operational Programmes to get approval from the European Commission, as they will not be able to demonstrate as neat a fit with the Scottish chapter of the UK Partnership Agreement.

The realities of operationally delivering across these programmes is something we already do in business development (ERDF); employability (ESF); and LEADER (EAFRD); and we have been highly supportive of better alignment as is not an easy task within the current rules. Information on linkages and also delineation between funds and activities will therefore be important going forward.

Whilst the Scottish proposals offer much improved alignment through the Partnership Agreement and in terms of creating a single PAMC and establishing three thematic SDPs, there is still a risk of superficial integration with structural funds operating to the SDP model, and rural and fisheries choosing to work to their own structures. More linkages should be developed between LEADER and the Local Development and Social Inclusion SDP, and other SRDP schemes (ie Small Rural Business Support, Food and Drink business support, broadband investment) and Competitiveness, Innovation and Jobs SDP to avoid duplication and confusion. There could still be an opportunity to establish “one-stop-shops” for some areas which overlap all four funds – notably business support. Existing structures, such as Business Gateway, could be used to direct applicants to the most appropriate support schemes (where resources allow) and should be used as far as possible to provide a form of ‘one-stop-shop’ for business applicants.

The plans for the creation of a single portal for information on wider EU funds is also particularly welcome, and will make a significant difference in terms of helping applicants think beyond structural funds.

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?

See Question 4

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.

On balance, they should have an overall positive effect.

One area we feel is underplayed is active aging. Like many developed economies, Scotland faces an increasingly ageing population which brings about pressing policy implications. The Finance Committee at the Scottish Parliament held an inquiry last year which identified demographic change and an ageing society as the most significant challenge facing public finances in Scotland over the coming years. Related to this is the need to increase sustainable economic growth to support the costs of an ageing population.

We have some concerns about active aging not been a part of the Scottish proposals and being solely directed to ETC, given the importance of the subject. This should be taken into consideration within the ‘Poverty and Social Inclusion’ Strategic Intervention, but also will have implications for ‘Developing Scotland’s Workforce’. In addition, there could be scope for the ‘Scotland’s 8th City’ Strategic Intervention to build in aspects of active aging through demonstration projects, or pilots of innovative service provision.

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

We do not believe that the Scottish Government has provided nearly enough information for stakeholders within this consultation document to properly answer this question. However, we do have a copy of 'Mainstreaming Environmental Sustainability in EU Funds 2014-2020' the Research Study prepared for Scottish Natural Heritage. The proposals for mainstreaming Sustainable Development (not to be confused with environmental sustainability which is a sub-set) are centred on developing our approach to:

- Leadership & Commitment
- Design & Delivery
- Monitoring & Evaluation
- Capacity Building

There are currently two approaches to mainstreaming the horizontal themes comprised of:

- Ensuring that all funded projects across all the themes address ES as appropriate
- Support for projects specifically designed to achieve positive environmental impacts; or example, in relation to lowering carbon consumption or using natural resources more efficiently. This may include pilot projects to test out new methods or technologies and to act as exemplars.

Design & Delivery

There is a recommendation that SDP partners and the Challenge Partners involved in the SDPs should be involved in the design of the processes they will use to mainstream horizontal themes. Clearly the approach taken to horizontal theme design depends on the objectives of the project and on the delivery model arrangements. External and internal experts' advice in design is likely to have stronger profile and can be continuously developed throughout delivery when using a partnership model. Whereas where procurement is used, the scope for involving external experts will be more limited in general, and where they are able to be incorporated, their role will be limited to the Terms of Reference for the procurement exercise. However, there is scope for insisting on using green public procurement approaches as part of the requirements, and this would be a way of mainstreaming an approach prominent on the EU agenda which has not really taken off in Scotland.

Monitoring & Evaluation

We agree with the assessment that an outcomes approach could lead to better reporting on sustainable development and the equalities horizontal themes. There are a number of additional recommendations in terms of reporting which will increase the burden on Lead Partners in particular, but would have a positive role on the visibility of horizontal themes. We remain concerned that there is an expectation that much of the work on collating information, previously carried out by the IAB, will be passed onto Lead Partners. Despite the aspiration for the use of simplified costs (yet to be developed), this could easily become a significant burden on partnerships with a large number of organisations involved. On that basis, we would not be comfortable adding additional responsibilities to beneficiaries, without having a fuller understanding of the administrative and compliance regime. We are less certain that the move to larger 'strategic' projects will improve the practice of tokenism towards the horizontal themes. Larger projects tend to have more 'sub projects' and target groups within them than smaller ones, making it more difficult to identify tangible and meaningful sustainable development outcomes. For example, the business competitiveness and innovation interventions will facilitate a multitude of smaller interventions which directly assist a wide range of economic sectors and SMEs. It may be difficult to accurately assess the impact of these smaller interventions at a full project level in terms of sustainable

development. The diversity of activity within larger projects should therefore be taken into account, to ensure meaningful consideration of sustainable development principles in interventions.

Capacity Building

We think the idea of establishing a shared service involving Sustainable Development (and Equalities) specialists who can be called upon by SDP partner organisations and other Scottish Government funded bodies for advice and technical assistance, and to deliver training (e.g. for auditors and delivery partners) is a good idea.

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

Governance arrangements

The consultation document mentioned that the governance arrangements for the SDP and PAMC are not yet agreed. The PAMC is to meet for the first time in shadow format soon. When and how will representation be settled? How will challenge partners be identified for representation on the SDPs, and will this be done in a transparent and inclusive manner? There are no details on the decision-making structures for ‘applications’. When will this be resolved?

Partnership working

The definition of Lead Partner responsibilities in paragraph 11 does not provide much clarification from what we already know to be the responsibilities of such a role. There is an assumption within the consultation that all partnerships will be based on a contracting/procurement “model”, rather than genuine partnerships. We do not believe that procurement is the only option, though should be part of the mix. We would like clarification on whether it is possible for SDPs to coordinate their efforts to identify Delivery Agents to deliver activities which could fall under one or more SDP.

Delivery Plans

We would like to see the financial responsibilities workflow developed for different types of delivery models and where two payment methodologies are combined (e.g. simplified costs and defrayed expenditure) within the same partnership. This should outline the relationship expected between the Lead Partner and its First Level Controller, as well as between the wider partnership and their First Level Controllers to the Managing Authority. We would like more details on plans to incorporate E-cohesion, and what that will mean for those delivering structural funds.

Presentation of consultation:

We appreciate the desire to undertake public consultation quickly, given the substantial delays to the programmes’ development. The Scottish Government Good Practice Guide indicates that it should “allow consultees at least 12 weeks to respond, except in very exceptional circumstances”. This would mean the deadline should have been the 6 March 2014, based on when it was issued. In comparison, the SRDP consultation deadline is 28 February 2014, giving respondents⁵ additional weeks.

Furthermore, and more fundamentally, we believe the consultation document did not provide all the information for those who may have an interest in the future of structural funds, but were not involved in the shadow SDPs work.