

CONSULTATION RESPONSE FORM

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

South Lanarkshire College acknowledges the value of the Partnership Agreement approach and the contributions that various actors have made to it, to date.

We support the WoSCoP position that if this Partnership Agreement is to shape Scotland's approach for this programme period and the post-structural funds era, it needs to help to deliver a paradigm shift which changes our collective overall approach to EU funding and initiates a more strategic process that examines **all other EU funding opportunities** and does not to use Structural Funds as an automatic default funder for activity that could be funded elsewhere, preserving Structural Funds for those projects that are genuinely best funded through that route.

In our view, the current Partnership Agreement and proposed Governance and Delivery Structure fails to set out Scotland's ambitions for funding from the full range of EU Programmes that are relevant to Scotland. It is clear that for some policy areas, significant effort has been made to identify some of these Programmes but falls short of identifying the full range of opportunities. We would be very concerned if the gaps correspond with a lack of engagement from some Scottish Government policy areas. This would be hugely disappointing, given the importance of the ESI funds to Scotland.

We understand that the Northern Ireland Government has developed a particularly good model for this and the Scottish Government should adopt their approach:

<http://www.ofmdfmi.gov.uk/index/co-operation/about-the-european-policy-and-co-ordination-co-operation/european-priorities-2012-2013.htm>

Over the past three years, WoSCoP has been working with its members and other relevant stakeholders to analyse the impact that Scotland has achieved on a wide range of 2007-13 European programmes and to identify how a dozen or so of the most relevant 2014-20 programmes may be exploited to support the ongoing modernisation of the college sector. These include: LIFE+, EU Programme for Social Change & Innovation; Creative Europe, the EU's integrated programme for education, youth and sports, Health & Consumer Programme, Migration and Asylum fund.

Our view is that the Scottish Government has a duty to optimise the resources that are available from the full range of EU Programmes, particularly in this time of constrained public funding. The Partnership Agreement should articulate this ambition by ensuring that there is a mechanism within the Governance and Delivery Structure that brings together those individuals and agencies with a remit and expertise in securing funds from across the portfolio of EU Programmes and provides a formal link to Government to harness this effort.

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

South Lanarkshire College agrees that these thematic objectives represent the most appropriate response from Scotland – given the EC’s direction to Member States for funding to be targeted to support fewer, more strategic priorities

We believe that the more challenging debate will be around the proportion of funds attached to each objective as the relative importance of the scope of the objectives is considered in more depth. A simple 1/3 split will be totally inadequate to properly address those relative priorities.

The most recently published figures would suggest that the Programme value will be 95% of the level of the 2007-13 Programmes. This is significant. As important, however, is the shift in the share of ERDF/ESF funds, with a higher proportion of funds going to ESF than in the past (52% rather than the current 25% of Programme value. The majority of the reduction in funds will, therefore, relate to the ERDF: and, in particular, to the level of resources assigned towards Capital/Infrastructure funding.

In our view it will be important for the Scottish Government to identify which activities from the current programmes will no longer be priorities for support, and to ensure that alternative funding pathways are set out for those initiatives that Scotland would wish to see continued. We support the position that simply leaving a vacuum of support or not fully explaining the change in scope to potential applicants will only result in wasteful argument and loss of focus for what the new programme can actually support and achieve.

The current scope, as detailed in the Consultation document, is open to interpretation but would suggest that the following areas could no longer be supported: Capital Funding for Research Infrastructure; the creation of new training facilities; the creation of new transport hubs; the creation of ICT training facilities; the creation of new business space/incubators; capital support for public transport; retrofit of social housing and the rehabilitation of brownfield sites. And, of course, a reduction in the capital/infrastructure funds will have a greater impact on the Highlands and Islands area.

Some of these activities would be better served through other EU funding programmes; some may require the development of financial instruments to allow continued access to funding such as JESSICA. Others might require the Scottish Government to adjust their spending plans for the 2014-20 period.

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

Given that the European Commission (EC) has directed Member States to focus on fewer priorities, the college commends the efforts of ESFD to develop a Scottish Partnership Agreement that seeks to incorporate the breadth of scope that is proposed under the three key themes of:

- Business competitiveness, innovation and jobs
- Low carbon, resource efficiency and the environment, and
- Local development and social inclusion.

In terms of scope, the only EC priority that is not specifically supported by the Programme would be **support to widen access to childcare**. Whilst the ESF Programmes will ensure that childcare costs incurred by project beneficiaries can be reimbursed by the programme, we feel that the Social Inclusion Priority should allow **revenue ERDF activities to support wider access to affordable childcare**. It is important to note that significant opportunities exist from other EU Programmes (most notably the EU Programme for Social Change and Innovation) to support the Scottish Government's wider, strategic ambitions for affordable childcare.

Under the Environment/Resource Efficiency/Low Carbon theme, we support the WoSCoP position that would like to see a specific scope point to allow the use of financial instruments to create funds for the adaptation of public buildings to make them more energy efficient (including social housing). This is an eligible activity identified by the EC and can be supported under the JESSICA initiative, and in particular, the current Scottish Partnership for Regeneration of Urban Centres (SPRUCE) Fund. We are also aware of one Scottish project, funded under the Intelligent Energy Europe (IEE) fund that will require the Programme to set aside ERDF funding for such an initiative. In the current climate of austerity, this would also provide some flexibility for the programme to easily absorb underspends.

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

South Lanarkshire College is of the view that, as far as it currently goes, ‘Themed Funds’ appear a sensible way forward in combining a range of activity across funds that sit naturally together and allows delivery across all or part of the Scottish geography.

Our considerable experience as former applicants tells us however that it will be the administrative detail that will determine whether this is, in fact, a constructive simplification that will benefit those who manage the Programme and those who deliver.

We believe that the current thematic fund descriptors give the impression that every line of scope is fundable through all four funds. This is unlikely to be the case and some lines of scope are clearly not appropriate under one or more funds. It would be helpful if each line of scope indicated the most likely OP source of funding for that activity. The desire to ‘hide the wiring’ is laudable, however, if too much is obscured, it could cause confusion and raise false expectations. Tagging each line will help lead partners make sense of how the budget for the theme builds up and the scale of activity that might be possible.

The College welcomes the direction given by the EC for the ESI funds to support the development of higher level skills.

The UK continues to be confronted with an excess supply of low-skilled workers with very poor, basic literacy and numeracy skills, for whom demand is falling, and a shortage of workers with high-quality vocational and technical skills.

One of the EU 2020 targets is also to ensure that at least 40% of 30-34 year olds complete and succeed in third level (ISCED level 5) education. Current Scottish performance slightly exceeds this target, but a significant reduction in the resources available to support higher education provision for older learners in Scottish colleges has the potential to undermine the progress that has been made. Consequently, the college is pleased to note that there is scope in the ESF programme for 2014 to 2020 to support activities that will sustain momentum in reaching this EU2020 target.

We support the position that if we are to meet the Commission’s aspirations for raising attainment levels for 30-34 year olds by the end of the Programme, we need to target support towards the wider group that will feature in those figures by 2020, which indicates that we should be concentrating on those aged 24-34 over the Programme period.

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

The college sector was amongst the first to embrace the EC's simplification agenda, introducing a simplified cost approach from 2010 onwards.

Administratively, therefore, the proposals would ensure that there is continued administrative simplicity and financial certainty for the college sector's contribution to the Programmes. In our view simplified costs have made a substantial difference to colleges in terms of the administrative burden, added value transparency and reduction of the unacceptable levels of risk inherent in the in the actual costs methodology.

Given that at least 52% of the Structural Funds will be assigned towards ESF, that colleges are the key statutory delivery bodies charged with the delivery of vocational education and training and that the EC's priorities for increased skills levels align well with college provision, we would anticipate that the college sector will be a key delivery agency for the new programme and would hope that the scale of programme resources assigned to the college sector reflects the key role anticipated for them.

Our view is that College Regionalisation will align well with the anticipated programme delivery arrangements – all Regions will be eligible (and not just some, as is the current position); an amount of funding could be assigned to each region according to their ability to respond to the different priorities (youth unemployment, social exclusion, serving growth sectors, supporting 30-34 year olds and promoting digital skills) and we believe that each College Regional Board would be able to assign that funding to support the range of activities that are appropriate to serve their Regional Area.

South Lanarkshire College endorses the WoSCoP view that whilst the Scottish Programmes may lose some of their past diversity and dynamism by the change in governance and delivery structures proposed, we can see that the need to reduce the administrative complexity, reduce error rates and embrace the simplification agenda will result in a more focused, strategic programme that will ensure that resources are better directed towards activity (and away from administration), therefore achieving better value and greater impact. Colleges have seen, firsthand, how the use of unit costing brings such benefits.

If delivery partnerships are to be the way forward, we believe that they will require a level of 'collective maturity' that goes beyond current Programme arrangements. We would want to believe that this is not beyond stakeholders' capabilities and that the 'appropriate bodies' can collectively agree which activities are most suitable for the Programme, their relative priorities and scales, with the best interests of the programme and transparency central to those decisions.

Our College is concerned, however, that the potential 'conflicts of interest' are being underestimated if the top level decisions are being taken by agencies who are also contractors/deliverers of services.

In our view, the model still needs further work if we and other delivery bodies /stakeholders are to have real confidence that the allocation of funds and delivery structures within themes are transparent and will result in simplification for all and involvement of the most appropriate and inclusive range of delivery partners.

At the same time we fully acknowledge that the role of many organisations may change in the new structures: some previous applicants/project partners will operate more as contractors or will be paid on the basis of simplified costs. Our hope is that others will embrace the kind of change that this and all of the other colleges were obliged to in adopting simplified costs and will move to a model that removes their ability to submit individual institutional applications but offers more focused, demand-led interventions which minimise the audit risk associated with that individual approach.

The proposed Governance and Delivery arrangements suggest that there will be ‘Delivery Partnerships’ for each Theme – we don’t believe that this but this reflects the reality of delivery – most organisations are not ‘thematic’ and, therefore, will seek to be represented on all three Delivery Partnerships – and there is a risk that the Delivery Partnerships will expand to such an extent that their management will be complex and burdensome. **We strongly believe that this issue can only be resolved by greater clarity around the role and accountability of the Delivery Partnerships** to give agencies or sectors comfort that their interests and the Programmes interests can still be served without actually being at this and every table.

Responding to a question from WoSCoP at the Annual Publicity Event, ESFD gave the impression that there would be **a single college project** that would sit under the Competitiveness/Innovation and Jobs Fund – but that the activity carried out by the project would meet the vocational training ambitions for all three themes:

- Skills development in key sectors, focusing on labour market needs
- Promoting digital skills, capacity and capability
- Mid-high level renewable energy skills development
- Transitional training from redundancy, focusing on skills shortages in growth companies
- Local skills development programmes linked to local growth plans
- Vocational training in agriculture, forestry and fisheries sectors
- Promotion of digital literacy, uptake and usage

South Lanarkshire College welcomes ESFD’s efforts to ‘hide the wiring’ but we have some concerns about the practicalities of how the outputs for the other themes will be recognised and supported by the other thematic delivery partnerships and how funding decisions might be taken without SFC and Regional Colleges making some kind of input to the different Delivery Partnerships under the current proposed model

The situation for other providers will be even more challenging, we suspect, and we look forward to contributing towards resolving how these thematic objectives can be translated into practical operational realities for the delivery organisations.

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

South Lanarkshire College would hope that the successful implementation of the governance and delivery arrangements would allow us to further reduce the resources that have been required to address the administrative and audit requirements and to focus our attentions towards securing further additional EU funds from other EU Programmes, to complement the Scottish Government's policy ambitions.

We would also hope that the governance and delivery arrangements will ensure that Scottish Government policy teams recognise the role that they will need to play both in ensuring financial and legal certainty for the Programme and also in engaging effectively with partners to optimise complementarity with other EU Funding programmes, to achieve optimum synergy, per the EC's direction.

The College commends the efforts made by ESFD to identify the potential opportunities from other EU funds, but note that the funds identified correspond with those policy departments and their agencies who have been well involved in the Programme developments to date.

The EC's ambitions for 2014-20 place education and training as a key priority and there are significant funds available at EU level to support these ambitions. Given Scotland's ambitions for widening access and the fact that Scotland led the introduction of the Youth Guarantee, we support the WoSCoP position that there are considerable opportunities for Scotland to engage meaningfully at the EU level, and accordingly, this will require appropriate engagement from the Education, Skills and Lifelong Learning Division of the Scottish Government.

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?

South Lanarkshire College is firmly of the opinion that given Scotland's record of audit issues and financial corrections, the achievement of financial and legal certainty must be a key driver for determining the governance and delivery arrangements for the new Programmes.

The college welcomes and supports ESFD's progress in developing a new delivery model. However, we are concerned that the current proposals for governance and delivery do not yet achieve the level of financial and legal certainty that is required to minimise audit risk. Our experience as individual long term applicants in past Programmes has taught us the absolute value of achieving greater financial and legal certainty.

We endorse the alternative model described in the WoSCoP consultation response which proposes matching Programme Funds at source. The model significantly reduces risk for all and provides the level of clarity, transparency and future proofing that we have long aspired to.

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

If the intention is to develop a governance and delivery structure that will ensure a coherent, strategic approach and will optimise legal and financial certainty, then the delivery of services to support youth employment, funded by the additional EU funding, **must fit with that model.**

If the model is robust, it will be relatively easy to cope with additional streams of ring-fenced funding – whether from the EU’s Youth Employment Fund or any other source.

South Lanarkshire College endorses the WoSCoP view that having a separate arrangement for the delivery of youth employment initiatives could undermine the efforts that have been, and continue to be, made towards improved strategic synergy of investments, as has happened in the past under Priority 5. The Scottish Government needs to create a governance and delivery structure that best achieves its ambitions and to fully support it – and that means not undermining it by taking decisions that circumvent it. More time and effort needs to be spent articulating the benefits to all agencies.

The Partnership Agreement (and OPs) should set out the scale of need and the level of support to be assigned from the ESI funds. The additional funding that will be available from the EU’s Youth Employment Initiative would then provide an additional level of resource to meet the increased scale of demand from the geographically eligible area.

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

Revision of quarterly claim process

Based on our experience of the programme as individual applicants, as partners feeding into CPP and more recently SFC projects we believe that ESFD should consider reducing the frequency of claims. Current applicants are frustrated by a rule that compels them to claim quarterly when the claims checking process and computer system cannot deal with overlapping claims. With fewer applications and simplified costs, the natural extension is a more flexible claims system. Programme front loading and simplifications giving fewer audit issues, should mean that N+2/3 is still possible even with claims only being submitted 2 or 3 times per year. An alternative could be a claims process which only gathers performance or financial information at specific intervals.

Improved management of beneficiary information.

The College understands that for 2014-20 Managing Authorities will be required to gather and retain individualised level beneficiary information for ESF. If this is the case then it will be a challenging but not welcome development. Currently project applicants spend too much time extracting and aggregating information from individual level systems simply for ESF claims purposes. That information seems to be of limited use at a Programme level for detailed analysis. The system proposed would give much more qualitative information for analysis purposes. Operationally we strongly believe that ESFD needs to demonstrate its commitment to the simplifications agenda in this area and ensure that applicants/ delivery agencies are not expected to enter information on two systems, there should be a way to extract ESF relevant information electronically and upload this to ESFD in the same way as large organisations such as colleges currently do with youth information for SDS. The background work that would be required by some sectors to reach a position where data could be electronically uploaded should not be underestimated. The collective experience of past ESF programmes where this level of information was gathered needs to be taken on board (CSV files of beneficiary data prepared and uploaded in 1996-99 programme – major issues). Valuable lessons were learned and mistakes should not be repeated.

Use of and Improvements to EUROSYS.

The College is aware of and welcomes the work to review the lessons learned from the current EUROSYS system. Without pre judging the outcome, it is clear that the new structures proposed will place different demands on any supporting IT system. The system will need to be able to distinguish between themes and individual OP's. It will also need to change to recognise and record simplified costs claims and it may need to cope with applications that cover multiple themes and disaggregate complex outputs.

Experience of the past Scottish Structural Funds Programme systems tells us that the IT system should not be allowed to drive the programme delivery decisions. ESFD must work on the detailed applications and claims processes implied by their new structures. This needs to be done in sufficient time to inform selection/ alteration of an IT support system. One of the most worrying features of the current EUROSYS system has been the use of 'workarounds' for any situation out of the ordinary, rather than sorting issues at system level. Workarounds only obscure audit trails and make additional work for all concerned throughout the auditable life of the project. The current system has not coped well with genuine mistakes and changes at any level. These are such a regular feature of application and claims work it seems reasonable that applicants and ESFD staff should expect a system that can cope and still provide an auditable record.

More comprehensive guidance.

The College is aware of the work being undertaken to improve the National Rules and guidance for the new programme. This consultation is the opportunity for us to reinforce the need for this work and for the meaningful involvement of partners in that process.

In our view a return to ‘first principles’ approach is required to produce guidance that genuinely explains the rules as they now stand and apply to all. In our view the process must avoid gold plating rules and weed out any misunderstandings that have evolved over time where old custom and practice at the applicant or ESFD audit level have been allowed to achieve the status of ‘rules’ when in actual fact they are not.

Consistency and Better communication of audit issues

Our own experience is that there have been real failures in the current programme regarding training and information on compliance generally and audit issues. Our belief is that many of the contentious issues arise not because of the national rules themselves but because of their interpretation at individual project level. Inconsistent interpretation of the rules at this lower level is a major frustration for applicants. As a sector with multiple delivery outlets it is very easy for colleges to see how pervasive the inconsistent approaches have been. Delivery in sectoral silos has also caused problems in cross communication of audit issues with issues raised in a sector rarely being communicated beyond that sector in a timely fashion or at all in some cases. We would hope that the ‘fresh start’ approach to this Programme extends to significant training of ESFD staff on the rules and simplified models as well as better training and communication with partners agencies on compliance issues.

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

It seems clear that this Programme will have substantially more ESF resources than the 2007-13 programme (£350m vs. £272.5m). This is wholly appropriate and very welcome given the scale of the employability/skills issues being faced as an ongoing consequence of the recession and Scotland's wide-ranging inclusion issues.

The newly regionalised college sector stands ready and well positioned to play their part in delivery of this activity and are one of the sectors with the breadth of high quality multi level provision to make significant impact for Scotland with the investment available. The college sector has seen its relative involvement in ESF eroded over the period of the last programme and we would hope that our clear strategic role in delivering Scottish policy priorities would be properly recognised in a better resourced ESF Programme for 2014-20.

South Lanarkshire College endorses the view expressed in the WoSCoP consultation response which challenges the Scottish Government to go further and adopt a more radical approach to match funding the 2014-20 Programme.

In our view, there is still a lot of work to be done to build the level of trust between the Scottish Government and the key stakeholders / wider partners required to make the proposals a success. They need much greater reassurance that the governance and delivery proposals being offered are in the best interests of all, reduce risk, make fair payment and still actively promote effective partnership even if the relationships between agencies work in a different way.

Our College is welcoming the prospect of greater integration of the four funds under this proposal. We believe, however, that there are major challenges ahead in turning this aspiration into detailed allocation, application and claims processes that meet the needs of all concerned and still meet the commitment to simplification. The IT system implemented must be 'fit for purpose' and cope with disaggregation of complex information for the different funds and associated outputs as well as simplified cost methodologies.

We hope that this joined up approach to Structural Funds is a first step more effective utilisation of the full range of European Funds that will be available to Scotland in the 2014-20 Programming period. As national government and as key sectors these funds offer tremendous opportunities across a wide range of important issues such as education, health, sport, inclusion, R&D, science and technology. Many Scottish Colleges already make use of such funds.

In our view Scotland's future use of these funds will be critical to increasing public sector resources and an important way for Scotland to build its distinct profile, demonstrate its expertise as well as learning from other member states.