

SUBMISSION FROM SCVO

Summary

- The Scottish Government economic strategy shouldn't focus on economic growth as the sole measure of progress but take a wider perspective encompassing a range of social, environmental and economic outcomes.
- We should take a more sophisticated approach to business support, rewarding activity that leads to positive social and environmental outcomes, both in Scotland and for poor communities abroad, rather than providing blanket one-size-fits-all support.
- Through the change funds and other Government support, the third sector is uniquely placed to deliver community-based preventative solutions.
- The UK Government's welfare reforms are likely to have a devastating impact on Scotland's most vulnerable communities and we need a coordinated response.

Our response

SCVO welcomes the opportunity to respond to this consultation and would like to contribute to the following key issues as identified by the Committee.

1. Whether spending decisions within the economy, energy and tourism portfolio aligns with the Scottish Government's overarching purpose of increasing sustainable economic growth.

We would make two points in response to this: one general about the need to move away from a focus on economic growth and the other specific about the way money is spent within the enterprise, energy and tourism portfolio.

a) Moving away from a focus on economic growth

In recent months SCVO has been facilitating discussions amongst third sector and civil society groups about how to reconfigure our economy. These groups, each working in different areas, share common goals and principles including: social justice, respect for environmental limits, a preference for community based approaches, and a belief that individual wellbeing is best measured not by narrow definitions of economic progress but a wider approach based on collective prosperity.

We were also one of a number of supporters of a Friends of the Earth Scotland, Oxfam and WWF briefing in 2011, which called for the National Performance Framework to be re-worked by replacing the sustainable economic growth focus with two new headline indicators of flourishing (encompassing subjective measures of wellbeing as well as wealth and income distribution), and environmental impact (encompassing a range of resource-use measures). We would also suggest that prevention is engrained as a goal in the NPF, measuring the extent to which public funds are being moved towards early interventions. A remodelled NPF could provide a basis for more integrated policy across various Government departments. However progress against the NPF needs to be more open and transparent, being regularly reported on and scrutinised, particularly in Parliament.¹

Generally then, we would seek to align spending decisions with outcomes that deliver maximum social, environmental and economic benefit to people rather than with the purpose of achieving sustainable economic growth. Spending solely designed to increase economic growth can have seriously negative social, environmental and even long-term economic consequences and is a poor measure of progress when compared against measures such as Oxfam's Humankind index.^{2 3}

b) Spending within the Enterprise, Energy & Tourism portfolio

Specifically within the Enterprise, Energy and Tourism portfolio, the extra funding for renewable projects is likely to bring significant economic and environmental benefits (energy increases to £115.9 million in 2013/14 from 64.3 million in 2012/13). However, we do have concerns that this funding is not bringing the maximum social benefit. We believe more contingencies could be placed on investment in order to link the low carbon agenda with greater social benefits. This could be done in various ways. In parts of France there are stipulations/incentives for 'local content', where produce needs to be manufactured in the local area; while in Denmark there is a 'community right to buy' or a 'community stake', where local communities and not-for-profit organisations have the right to buy up to a certain percentage of private sector developments. These stipulations could be important as the vast bulk of projects in the pipeline are commercial projects. Having said this, we would also like to see increased support for community-owned energy schemes given the significant social and economic benefits these projects have over and above commercial projects.

We would note the large amounts of funding that goes towards Enterprise bodies (£228.2m in the draft budget) and would urge that social and environmental benefits are stipulated to ensure positive outcomes and a more quid-pro-quo relationship are attained. This is equally important for large Scottish multi-nationals operating abroad, such as major financial institutions and energy companies as it is for inward investment.

The third sector budget line remains static in cash terms (£24.5m). This is at the same time as our 'third sector statistics', published in September, makes clear voluntary organisations, particularly the smallest, are struggling financially and dipping into their reserves.⁴ While we all want the third sector to be more financially secure, we also have to realise that some activities won't ever yield a return.

2. What progress has been made by the Scottish Government on the preventative spending agenda within the economy, energy and tourism portfolio areas and, in particular, in the implementation of the change funds.

Because it is still early in the development of the reducing re-offending change fund, some of our analysis comes from our learning and interaction with other change funds. Although the change funds were, and are, a welcome contribution towards preventative spending, we would make two main points about how they could be improved:

a) Supporting community-based prevention

Our view is that the best examples of preventative spending are those that take a community based approach. There are numerous examples of these from the third sector – such as the Comas charity Serenity Café which links people recovering from drug dependency, allowing them to create their own recovery community. The third sector is naturally well-placed to deliver these approaches – working with service users and volunteers. Our experience of the change funds is that spending isn't being sufficiently directed to these community based solutions.

b) Embedding change

The change fund(s) was understood to be designed to stimulate a shift in the balance of spending and blaze a trail for institutional spending. While it is clear that many good projects and services have been funded via this mechanism it is very *unclear* whether this has prompted real change in the more general approach to planning, management focus, enabling systems and the level of public spending to embed a shift to prevention.

Recognition of the community solutions that the third sector can generate and its ability to drive change across spending must therefore be a priority when it comes to the change funds itself and wider institutional spending.

3. Consider what progress the Scottish Government is making in delivering its overarching purpose through its spending decisions with reference to the National Performance Framework (NPF) with specific regard to the economic growth, productivity, solidarity and sustainability purpose targets.

As previously outlined, we would prefer an overarching focus on a more sophisticated measure of progress than economic growth.

With regards to the solidarity targets, we would emphasise the potentially disastrous consequences of the UK Government's welfare reforms. As the Poverty Alliance and Child Poverty Action Group summarised in a recent briefing to MSPs in relation to the Scottish Welfare Reform Bill (now Act):

“A combination of structural reforms to the social security system alongside unprecedented cuts to the level of financial support available is impacting on households both in and out of work. By 2014/15 a total of £20billion a year will have been cut from the value of, already inadequate, benefits and tax credits, an estimated £2billion a year in Scotland alone. The bulk of this financial loss has still to come.”⁵

It is self-evident that the most vulnerable in our society will be hit by welfare cuts, yet it is unclear how the Draft Budget has anticipated this.

A preventative approach combined with investment in immediate support for some of our most vulnerable communities will be critical here. The third sector is already at the frontline for support and advice, and many organisations are highlighting the potential impact of the welfare reform agenda on families in Scotland. Increasingly, the Scottish Government must consider how it collectively prepares for and responds to the potential impact of current benefit policy. For example, Carers Scotland

highlights that once the 20% cuts to disability benefits come through, there will be wider impact on some of the Government's economic outcomes, impact on health and other services and put greater pressure on social housing. The wider impact on working families of recent announcements relating to Universal Credit is likely to exacerbate inequalities and put further pressure on public services such as the NHS.

A cross portfolio review on the impact of welfare reforms and a review of budget commitments will be necessary. This review could also look at making connections across the change funds, conjoining early years/older people's change funds to develop community based approaches to family support and enabling older people to remain at home and be as independent as possible. It should also look at the possibility of funding a wide-ranging community programme, such as that which existed in the 1980s, supporting people to help others in their local community. Such an approach would benefit local economies and community capacity - keeping money in the local area, increasing individual's social skills and experience, and making linkages across a diverse range of ages and communities.

With regards to the sustainability targets we would note that the Government missed its first emissions target earlier this year and that more spending needs to be directed to areas like energy efficiency/fuel poverty and sustainable transport that bring multiple social/economic benefits as well as reduce emissions.

4. Planned expenditure on renewable energy and fuel poverty and the impact of this expenditure on meeting the Climate Change (Scotland) Act 2009 targets.

As previously mentioned the increased spending for renewable energy is likely to bring environmental benefits, although we believe Government could use its leverage to bring greater social benefits, supporting community renewables in particular.

The planned expenditure on a national retrofit programme is very welcome and, if properly funded, is perhaps the greatest possible action the Scottish Government can take to address fuel poverty and reduce emissions. This is particularly welcome at a time when fuel poverty is forecast to increase due to recent and planned price hikes from the big 6 energy companies as well as UK welfare reforms leading to lower incomes for the poorest.

5. The impact of the 2013-14 budget and the 3 year spending review allocations within the economy, energy and tourism portfolio on tackling poverty.

Within the enterprise, energy and tourism portfolio there seems to be relatively little focus on tackling poverty. We would urge all spend – whether it be funding for renewable energy or funding for enterprise bodies to be designed to address poverty.

Beyond this, and given the current state of the economy and the labour market, we need to look at the possibility of funding a wide-ranging community programme. This would be similar to that which existed in the 1980s, supporting people to help others in their local community.

Such a model could be based on the Community Jobs Scotland scheme which uses national co-ordination but local delivery. It creates a tailor-made experience that changes from Lerwick, to Wick, Aberdeen to Dundee, Stranraer to Berwick.

It would also build on the personalisation agenda, supported by the Scottish Government through the Self-Direct Support Bill, but extended to employability; a bespoke service across the country that could support individuals from all backgrounds back in to the labour market.

Conclusion

Stimulating economic growth for its own sake is a model that has failed, and we need to take a more sophisticated approach to the economy. This means reframing our economic strategy as well as taking a more nuanced approach to business support. With squeezed public budgets, we need to make sure our spending results in multiple wins, benefitting communities and the environment, as well as creating sustainable jobs.

We also need to recognise that the elephant in the room is welfare reform and its impact – already being felt now across the statutory and third sectors. This requires a fundamental re-think of existing spend and planning for additional demand, impact on health, local services, transport and other areas. A coordinated response would include considering a community programme to mitigate the impact and build community capacity.

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About us

The Scottish Council for Voluntary Organisations (SCVO) is the national body representing the third sector. There are over 45,000 voluntary organisations in Scotland involving around 137,000 paid staff and approximately 1.2 million volunteers. The sector manages an income of £4.4 billion.

SCVO works in partnership with the third sector in Scotland to advance our shared values and interests. We have over 1300 members who range from individuals and grassroots groups, to Scotland-wide organisations and intermediary bodies.

As the only inclusive representative umbrella organisation for the sector SCVO:

- has the largest Scotland-wide membership from the sector – our 1300 members include charities, community groups, social enterprises and voluntary organisations of all shapes and sizes
- our governance and membership structures are democratic and accountable - with an elected board and policy committee from the sector, we are managed by the sector, for the sector
- brings together organisations and networks connecting across the whole of Scotland

SCVO works to support people to take voluntary action to help themselves and others, and to bring about social change. Our policy is determined by a policy committee elected by our members.⁶

Further details about SCVO can be found at www.scvo.org.uk.

¹ <http://www.foe-scotland.org.uk/sites/files/NPF%20briefing%2009-11-11.pdf>

² See for example, Stiglitz 'The Price of Inequality' (2012) as well as Wilkinson and Pickett 'The Spirit Level' (2009)

³ <http://policy-practice.oxfam.org.uk/our-work/poverty-in-the-uk/humankind-index>

⁴ <http://www.scvo.org.uk/wp-content/uploads/2012/09/SCVO-Scottish-Third-Sector-Statistics-2012.pdf>

⁵ Parliamentary Briefing from CPAG in Scotland and the Poverty Alliance – Stage 3 Debate Welfare Reform, (Further Provision) (Scotland) Bill (June 2012)

⁶ SCVO's Policy Committee has 24 members elected by SCVO's member organisations who then co-opt up to eight more members primarily to reflect fields of interest which are not otherwise represented. It also includes two ex officio members, the SCVO Convener and Vice Convener.