

THE HIGHLAND COUNCIL

Finance, Housing & Resources Committee 05 June 2013

Agenda Item	14
Report No	FHR/79/13

CONSULTATION ON THE IMPLEMENTATION OF THE EUROPEAN STRUCTURAL FUND PROGRAMMES 2014-20.

Report by the Assistant Chief Executive

Summary

This report outlines the main points to emerge from the Scottish Government's proposals for the delivery of the European Structural Funds (regional development) in Scotland post 2013 and presents the proposed Council response to a formal consultation which closes on 30 June 2013.

1. **Background**

- 1.1 European Structural Funds (regional development) are administered in seven year packages or programming periods. The current programming period draws to a close at the end of 2103. The next one will run from 2014 to 2020.
- 1.2 In preparing for the next programming period the Scottish Government, at an event on 14th May 2013, launched a consultation on the future shape of the Structural Funds in Scotland and how they should be delivered. This exercise is to inform the Scottish element of the UK Partnership Agreement which sets out in strategic terms what the UK will deliver with its allocation of the Structural Funds and how the activity will be delivered. The consultation closes on 30th June 2013.
- 1.3 The launch event raised many questions and there will be a need for considerable dialogue with the Government prior to the submission of the UK Partnership Agreement in the autumn.
- 1.4 It should be noted that this consultation only covers the European Regional Development (ERDF) and Social Funds (ESF). A separate consultation is currently underway regarding the Scottish Rural Development Programme. The Planning and Development Service is arranging a workshop in June 2013 to consider this separate consultation.

2 **The consultation proposals**

- 2.1 In brief the Government proposes:
 - Three 'Scottish Funds' resourced from the regional development (ERDF), social (ESF), rural development (SRDP) and fisheries (EMFF) funds, focusing on
 1. Competitiveness, Innovation and Jobs
 2. Low carbon, resource efficiency and Environment
 3. Local Development and Social Inclusion;
 - These would cover all of Scotland. (It should be noted that the Highlands & Islands will benefit from ERDF and ESF Transition funding which can only be spent in the region);
 - Each 'Scottish Fund' would be delivered via Delivery Partnership(s) comprising major stakeholders including, local authorities and

Community Planning Partnerships. The Government proposes to establish shadow Delivery Partnership to explore how implementation will happen in reality. The composition and remit of these shadow groups remain to be finalised;

- The delivery of specific actions will be allocated by Delivery Partnership(s) to Delivery Agents which could be Councils or Community Planning Partnerships.
- Lead partners would deliver strategic projects and co-ordinate these via Delivery Partnerships;
- Overall legal and financial responsibility for delegated funds would rest with lead partners;
- Lead partners in Delivery Partnerships pre-identify match funding to resource project delivery;
- A single Partnership Agreement Monitoring Committee would oversee the delivery of all Funds across all of Scotland. How the reporting of the Highlands & Islands Transition funds remains to be agreed;
- There may be additional sub committees to assist delivery of individual Funds at a pan Scotland level;
- The need for further dialogue with Government to further explore the issues raised above and that the proposed Shadow Delivery Partnership be a suitable vehicle for this (Q5 & Q10).

2.2 The consultation document can be accessed via the following link www.scotland.gov.uk/consultations .

3. The Council Response

3.1 The proposed Council response is attached as Appendix 1 and highlights the following:

- The goal of having separate Highlands & Islands EU funded regional development programmes (Q1 & Q10);
- For programmes to align with regional development opportunities (Q1);
- For delivery of activity to reflect regional structures and business needs (Q1);
- An integrated approach to the delivery of the Funds to be adopted (Q1);
- For regional stakeholders to be involved in the development and delivery of the regional development programmes (Q5);
- That sustainable transport be a thematic priority in support of regional development and that and economic infrastructure remain an eligible activity, again in support of economic development. (Q3);
- That the delivery of youth employability measures not be restricted to delivery by the Third Sector (Q8);
- The issues associated with the need for the Council to pre-identify match funding for future projects and the implications this may have for long term planning of project activity (Q5);
- The need for clarity over the proposal that partners allocated delegated funds assume legal and financial responsibility for such funds (Q5);
- The need for the prior approval of the National Rules, administrative and audit requirements to deliver clarity and stability in programme and project delivery (Q 7, Q9 & Q10); and
- The need for further dialogue with Government to further explore the

issues raised above and that the proposed Shadow Delivery Partnership be a suitable vehicle for this (Q5 & Q10).

4. Future Actions

- 4.1 It is proposed that officials seek further engagement with the Scottish Government to further explore the issue raised by the consultation and as highlighted in the proposed consultation response at Questions 3, 5, 7, 9 and 10.
- 4.2 This will take place to influence the content of the Partnership Agreement which is to be forwarded to the Commission in autumn and the operational programmes for the regional development funds which is timetabled for submission to the European Commission for the end of 2013.

5 Implications

5.1 Resource implications

There are potential resource implications arising from the contents of this report as there is an expectation in the Government proposals that potential lead partners in future programme delivery pre-identify match funding to part fund project delivery. However where future programme and Council priorities align there is the opportunity for the Council to gain financially from the successful draw down of European funds. As the consultation focusses on the delivery of European regional development funds in Scotland the Council's response is a vehicle seeking to influence the use of these funds and to maximise the potential of the Council to draw down these funds.

5.2 Risk implications.

There is a risk that the Highlands could lose out in accessing future European regional development funding if the delivery of future funds is to be allocated to non-local authority and national agencies.

5.3 Climate change implications

There are no climate change implications arising from this report but it should be noted that future E.U funding initiatives could be used to support low carbon activities in the Highlands.

5.4 Equalities implications

There are positive equalities implications arising from this report in that the third fund would have a focus on social inclusion and that E.U. funding is approved only to projects that either positively address equality issues or have no negative impacts on equalities.

6. Recommendations

6.1 Members are asked to:

- note the contents of this report and approve the consultation response attached as Appendix 1; and
- support the proposals contained with the consultation response for Council officials to seek further engagement with the Scottish Government to explore further the issues set out in the consultation response at Questions 5,7,9 and 10 namely the role that the Council can play in the future delivery of Structural Funds; the measures that need to be in place prior to the launch of future programmes to ensure better delivery and how future Transition funding can

be delivered as separate programmes within the Highlands & Islands taking account of regional development opportunities and delivery structures).

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Date: 24 May 2013.

CONSULTATION: EUROPEAN STRUCTURAL FUNDS 2014 – 2020 PROGRAMMES



RESPONDENT INFORMATION FORM

Please note this form must be returned with your response to ensure that we handle your response appropriately.

1. Name/Organisation

Organisation Name

THE HIGHLAND COUNCIL

Title Mr Ms Mrs Miss Dr Please tick as appropriate

Surname

DODDS

Forename

ALISTAIR

2. Postal Address

COUNCIL BUILDINGS

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3. Permissions - I am responding as...

Individual

Group/Organisation

Please tick as appropriate

(a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

Please tick as appropriate

Yes No

(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis

Please tick ONE of the

(c) The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your **response** to be made available?

Please tick as appropriate

Yes No

following boxes



Yes, make my response, name and address all available

or

Yes, make my response available, but not my name and address

or

Yes, make my response and name available, but not my address

- (d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please tick as appropriate

X Yes

No

CONSULTATION RESPONSE FORM

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

The information made available on the content of the Scottish chapter of the UK Partnership Agreement (PA) is extremely limited which makes it difficult to comment on what should be included or excluded. However on the basis of a draft copy of earlier this year the Council would recommend including the following areas:

- specific mention of all models of delivery whether they require to be included in the PA or not. The proposed model for governance and delivery set out at page 15 of the consultation allows scope for flexibility of delivery at the level of Delivery Partnership and Delivery Agent. This being the case it is imperative that all options remain available to partners, especially as the details of the various models remain to be determined and therefore their applicability to the Highlands & Islands (or Scotland as a whole) remains unclear;
- specific mention is made of Transition regions and funding and the need for separate reporting of activity outputs and spend;
- how governance will take account of the need for separate reporting of Transition funding;
- that the PA highlights the need to relate priorities and delivery to regional development opportunities and delivery structures;
- The need for greater detail as to how multi fund integration beyond the European and Structural Investment Funds (ESI's) will be delivered beyond an overview by any Programme Monitoring Committee(s).

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

The Council supports the priorities proposed in the consultation and agree that they address both the development opportunities and development needs of the region that can be addressed via the ESI funds which are aimed at delivering socio-economic development.

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

Highland Council would like to see the inclusion of sustainable transport in the list of priorities. The Council wishes to promote sustainable transport from the role transport can play in:

- encouraging economic development in remote, peripheral and geographically challenged regions such as Highlands the wider Highlands & Islands (SME Competitiveness);
- driving resource efficiency by developing transport links that are comparatively energy efficient e.g. rail rather than road, bus rather than car etc. and capitalise on the use of green energy (Environmental protection and resource efficiency)
- tackling social inclusion and accessibility to employment, vocational training and services (Labour Market Mobility, Social Inclusion and Skills & Lifelong Learning)

Whilst not a separate thematic priority, the Council wishes to see infrastructure remain and eligible activity where it is directly related to economic activity (economic infrastructure)

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

The proposed Scottish Themed Funds encompass the proposed priorities and have the capacity to address Scotland’s key challenges. However the effectiveness of the “Themed Funds” will very much depend on what is delivered, by whom and in what manner. The Government, in seeking to engage with lead partners and highlighting the need to identify match funding in advance recognises the imperative to work with regional stakeholders. It is hoped that the delivery model set out at page 15 allows for flexibility in delivery arrangements reflecting both regional structures and circumstances.

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

The delivery structure at page 15 clearly identifies local government as a potential lead partner in the proposed Delivery Partnerships. This is welcomed by the Council. However much remains to be clarified concerning Delivery Partnerships and as such the impact on local government remains unclear.

The expectation that local government identify match funding in advance may cause issues for long term planning and provision of project funding. Currently the Highland Council has a confirmed two year capital programme with an indicative programme up to five and 10 years. Revenue budget planning is on a three year cycle. In assessing the potential availability of this source of match funding the Council will engage with the Scottish Government via the proposal for Shadow Delivery Partnerships.

The Council also has concerns over the proposed requirement that Lead Partners and Delivery Agents assume legal and financial responsibility for delegated monies. This could have major implications for pro-active engagement of local government in the future delivery of ESI programmes as it introduces a considerable degree of uncertainty and risk. This uncertainty could be allayed and managed by inclusive negotiation with stakeholders on the drafting of the National Rules which govern the delivery of EU regional programmes. The approval of the National Rules by the European Commission prior to programme launch with a commitment to no change could deliver conditions whereby local government could commit to assuming certain legal and financial responsibilities for the delivery of delegated funds from the ESI programmes.

These matters need to be further explored and again the proposed shadow Delivery Partnerships would be a vehicle for this debate.

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

As stated at Q5 above the Council looks forward to engaging with Government regarding the future delivery of Structural fund programmes. In addition it should be noted that the Highland Community Planning Partnership is undergoing a review of its structures so that it is fit for delivering the Single Outcome Agreement. It would make sense for the Delivery Partnership to be part of the community planning structure for the future.

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?

The following have been identified and are currently the subject of debate in the Highlands & Islands Technical Assistance Lessons Learned project:

- a fully developed, tested and operational administration system (i.e. Eurosyst) to be place prior to the launch of operational programme;
- operational programme and project guidance to be tested and in place prior to the launch of operational programmes;
- National Rules (for all ESI programmes) to developed, road tested and approved by the European Commission prior to programme launch;
- for the process of approval of the National Rules above by the Commission to be used to determine for the lifetime of the ESI programmes the monitoring, evaluation and audit requirements;
- guidelines for unit cost methodologies acceptable to national Managing Authority and the European Commission and national and European audit bodies to be in place before the start of any programme.

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

In its community planning role the Council currently leads and coordinates partnership action on youth employment and the current helpful practice of the community planning partnership (Highland Works) bidding for and running a programme for youth employment should be enabled in the new programmes. This involves statutory, third sector and private sector bodies working together to create new opportunities for young people in Highland by considering the pipeline of training and employment opportunities from school age onwards and developing skills in sectors that are developing in the region.

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

These have been addressed in Question 5,6 & 7 above many of which focus on the need for certainty and stability in the rules of engagement from the launch of programmes and for the lifetime of programmes. Such certainty and stability is required across the following:

- application form completion and information required;
- Standardised application form to assist “hiding the wiring” for applicants and for programme administrators;
- data to be collected to facilitate claim and project reporting
- cost eligibility and non-eligibility;
- evidence require to prove defrayment;
- audit requirements;
- procurement rules; and
- National Rules

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

The consultation paper raises many questions which require further exploration with the Scottish Government and the Highland Council looks forward to discussing these via the proposed shadow Delivery Partnerships. These include:

- the precise scope of eligible activities proposed for the three Scottish Thematic Funds;
- how EU Fund integration and integration of activity will be delivered;
- how duplication of funding activity will be avoided;
- how the Transition funding for the Highlands & Islands will be delivered, governed and administered as a separate entity from the funding regime for the rest of Scotland;
- the composition of the Programme Monitoring Committee either at a pan Scottish or Highlands & Islands level;
- the role and remit of the Programme Monitoring Committee beyond that set out in the Regulations;
- the role, remit and composition of the proposed Delivery Partnerships;
- the relationship between Delivery Partnerships and Delivery Agents;
- the scope for differing delivery models within the Delivery Partnership/Agent relationship; and
- how regional differences in development opportunities, delivery models and mechanisms can be accommodated.