

THE HIGHLAND COUNCIL

**Finance, Housing & Resources Committee
22 January 2014**

Agenda Item	17
Report No	FHR/ 14/14

**CONSULTATION ON THE EUROPEAN STRUCTURAL INVESTMENT PROGRAMMES
2014-20.**

Report by the Depute Chief Executive

Summary

This report outlines the main points to emerge from the Scottish Government's consultation on proposals for the delivery of the European Structural & Investment Funds (ESIF) in Scotland during 2014-20. The consultation closes on 24 January 2014. A draft Council response is set out at Appendix 1 for members to consider. Officers will continue to engage with the Scottish Government to build on recent developments and ensure that the interests of the Highland and Highlands & Islands are taken into account in the development and delivery of the 2014-20 European Structural and Investment Funds (ESIF).

1. Background

- 1.1 European Structural Funds (regional development) are administered in seven year packages or programming periods. In terms of accepting applications the current programming period closed at the end of 2013. The next one will run from 2014 to 2020 with the funds being known as the European Structural & Investment Funds (ESIF). These comprise the European Regional Development Fund (ERDF) European Social Fund (ESF), European Agriculture Fund for Rural Development (EAFRD) and the European Maritime & Fisheries Fund (EMFF)
- 1.2 In preparing for the next programming period the Scottish Government consulted in May/June 2013 on the future shape of the Structural Funds in Scotland and how they should be delivered. This Council's response to this consultation was presented to the Finance, Housing and Resources Committee on 5 June 2013.

2. The Consultation

- 2.1 The consultation only refers to the European Regional Development (ERDF) and Social (ESF) Funds. The consultation paper can be accessed via the following link: <http://www.scotland.gov.uk/Consultations/Current?rowId=1706#conRow1706T>
The consultation closes on 24 January 2014.
- 2.2 A separate consultation is underway on the European Agriculture and Rural Fund for Development. The development aspects of this will be delivered via the Scottish Rural Development Programme (SRDP) and the Council's response to this consultation will be considered at the Planning, Environment and Development Committee meeting on 12th February.
- 2.3 The regulation on the European Maritime and Fisheries Fund (EMFF) has been delayed in the negotiation process and will be consulted upon later in 2014.

- 2.4 The following provides a summary of the principal points of the Government's current position regarding the future delivery of the ERDF and ESF:
- the Government welcomes the key target areas for the future funds set by the European Commission, namely:
 - Building business competitiveness and innovation;
 - Tackling low skills levels, promoting social inclusion and combatting poverty; and
 - Developing an environmentally friendly and resource efficient economy.
 - an ongoing commitment to the three pan Scotland thematic funds of Resource Efficiency & Environment and Local Development and Social Inclusion;
 - that the ESIF be used to achieve longer term structural change, try things that domestic funding does not always fund and to avoid replicating what is done elsewhere;
 - fewer larger scale interventions;
 - a stronger focus on outputs and outcomes over financial delivery;
 - for activities to be delivered via new Strategic Delivery Partnerships (SDP) with lead bodies which have the capability and capacity to delivery large scale projects;
 - for lead bodies to take full legal and financial responsibility for funds allocated to them;
 - a single Partnership Agreement Monitoring Committee for all four European Structural Investment Funds in Scotland and for this to be small grouping;
 - for the pan Scotland regional development and social fund programmes to be based on the priorities identified via the SDP process;
 - for the specific development needs of the Highlands & Island to be addressed via an Integrated Territorial Investment (ITI) which is being developed in partnership with Highlands & Islands stakeholders and the Government.

2.5 The consultation comprises six questions and the Council's proposed response is attached as Appendix 1.

3. Recent Activity

3.1 The ESIF in Scotland will be managed by the Scottish Government in its role as Managing Authority. The Government will be assisted by and will chair a pan Scotland Partnership Agreement Monitoring Committee. The Council has received an invitation for an officer to sit on this Committee with its first meeting scheduled for Wednesday 15 January. This meeting will address the Scottish chapter of the Partnership Agreement. This document is the agreement between the UK, as member state and the European Commission and sets out in strategic terms what will be delivered via the ESIF.

3.2 In addition the Government established three Shadow Delivery Partnerships covering the three proposed funds listed at paragraph 2.4 bullet point 1 above. These Partnerships met over the summer and comprised representatives from the major sectors that will be involved in the future delivery of the ESIF - central and local government, CoSLA, Scottish Enterprise, Highlands & Islands Enterprise, SCVO and SNH.

3.3 The partnerships identified a range of large scale projects or Strategic Interventions (SI's) for future funding. These have now been collated in to the following 13 strategic priorities for Scotland which are set out at part 5 of the consultation document:

1. Developing Scotland's Workforce
2. Business Competiveness
3. Innovation
4. Next Generation Broadband
5. Scotland's 8th City - the smart city
6. Financial Engineering Instruments
7. Low Carbon Travel & Transport
8. Low Carbon Infrastructure Fund
9. Resource Efficient Circular Economy –(opportunities in recycling)
10. Enhanced Employability Pipelines & Youth employment
11. Poverty & Social Inclusion
12. Scottish Regeneration Capital Grant Fund and
13. Green Infrastructure.

3.4 It is intended that the strategic interventions form the basis for future programmes for the ERDF and ESF. The detail of these Strategic Interventions, what will actually be delivered, where and by whom, is to be developed. To do this the Government will identify lead organisations for these strategic interventions and the partners to be involved. A Civil Servant will be allocated to each strategic intervention team. However, the lack of detail at this time makes a comprehensive response to the consultation difficult.

Highlands & Islands Activity

4. The Highlands & Islands is a Transition region in terms of EU ESIF 2014-20. This status, which attracts a higher level of funding than the rest of Scotland, is a reflection of the region's lower GDP compared to the EU average. The Highlands & Islands at 84% is within the 76-100% band for Transition funding, whilst the rest of Scotland is above 100% and falls into the lower Competitiveness band.

4.2 The Highlands & Islands European Partnership (HIEP)¹, chaired by the Leader of the Council has argued for separate programmes to reflect the development opportunities and needs of the region better. This is set out in an Integrated Territorial Investment (ITI) which makes the case for activity in the Highlands & Islands to be differentiated from the Scotland given our geography and socio-economic structure. The ITI seeks to ensure that activity is supported by the Highlands & Islands Transitional funds and that it will be integrated to avoid duplication and maximize the impact of the EU funding in the region. The ITI is in the process of being finalised and will be presented to a future Committee meeting. This approach has been welcomed by the Scottish Government and it will be discussed again with them later this month.

¹ HIEP – a partnership comprising the seven local authorities in the Highlands & Islands, HIE and UHI.

Future Actions

5. It is proposed that officers, as part of HIEP continue to engage with the Scottish Government to further develop the Highlands & Islands ITI and to engage with the partnerships established to develop the Strategic Investment proposals set out at 3.3 above.

Implications

6. Resource implications

- 6.1 This report highlights the importance of the Council and its regional partners engaging in the process for developing the 2014-20 ESIF. This will bring £173m to the Highlands and Islands from the European Regional Development and Social Funds over that period and enable the region to contribute to strategic priorities in a way that makes the most sense for the region.

Risk implications.

- 6.2 There is a risk to the funding available if the Council and its partners across the region fail to engage with the Scottish Government in the development of future programmes.

Climate change implications

- 6.3 There are only positive climate change implications arising from this report as the ESIF can be used to support low carbon activities in the Highlands.

Equalities implications

- 6.4 There are no negative implications arising from this report but it should be noted that E.U. funding is only approved to projects that either positively address equality issues or have no negative impacts on equal equalities. Further, future EU regional development funding will have a focus on addressing social inclusion and combatting poverty which should have a positive impact on equalities. The consultation response highlights the benefits of using equality impact assessments.

7. Recommendations

- 7.1 Members are asked to consider the draft consultation response appended and agree the final response for submission.
- 7.2 Members are asked to note that officers will continue to engage with the Scottish Government on the development and delivery of the 2014-20 ESIF programmes in Scotland and that the final draft of the Integrated Territorial Investment case will be reported to a future Committee meeting.

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Date: 08 January 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

SUMMERS

Forename

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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

(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 ONE of the following boxes

Please tick as appropriate

X **Yes** **No**

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**

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?

Yes, in the main the investment priorities align with the activities set out in the proposals sections. However, the Council is of the understanding that the details of the activities proposed for each of the Strategic Interventions (SI's) remain to be finalised. In light of this there may be a need to revisit the Investment Priorities to take account of any changes that emerge from this process.

In light of the acknowledgement at paragraph 19 of the likelihood of an ITI being put in place to cover developments in the Highlands & Islands there is a requirement for the Government to ensure that the lead organisations for the SI's actively engage with the Highlands & Islands to ensure that activity in the region aligns with the objectives of the ITI and that delivery is designed to ensure maximum impact in the Transition region.

For the Council, an integrated approach to programme delivery is of great importance. Integration is key to avoiding duplication and ensuring maximum impact from the funds available. If this is to be delivered it is vital that Investment Priorities and Strategic Interventions align e.g. developing the workforce and business competitiveness.

Please note there is no Investment Priority set out for Proposal 6 - Financial Engineering Instruments.

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

As above, the Highland Council would wish to see an integrated approach to the selection of activities that will be supported across the ESI Funds. There needs to be clear demarcation between activities supported to avoid duplication. For example, business support measures – Food & Drink and Small Rural Business Scheme to be supported via the EAFRD should, if such integration is to be effective, be delivered via SI 2 Business Competitiveness.

Given the rural nature of the beneficiaries, further debate is required to determine whether the roll out of rural broadband in the Highlands & Islands should be funded in the majority from the ERDG or EAFRD.

The SRDP consultation states that rural skills will continue to be supported via the

Knowledge Transfer & Innovation Fund. The Council would support the provision of rural skills via SI 1 – Developing Scotland’s Workforce and SI 10 - Enhanced Employability Pipelines funded by the ESF.

The Council would also support the integration of the research and innovation activities with SI 3 – Innovation.

The priorities of the Agri-Environment-Climate priority of the EAFRD would appear to align with the priorities of SI 13 – Green Infrastructure and the Council would urge a closer integration between these two priorities to enhance the public perception of the natural environment for the provision of public environmental goods, tourism and leisure activities. The natural environment of the Highlands is a major asset, with tourism being a major employment sector and a combination of the resources of the ERDF, the EAFRD and possibly the European Territorial Co-operation Funds (ETC) would assist conserve and develop this development opportunity.

There is the potential for duplication of activity in the delivery of LEADER if it is to support:

- support for rural businesses (including community enterprises),
- food & drink;
- green transport initiatives;
- tourism; and
- environmental management.

There is a need to ensure clear demarcation in the activities that will be supported by the ESI funds and LEADER.

Regarding integration with ETC programmes the Council would suggest the addition of:

- energy/carbon planning
- local energy grids
- community energy generation
- low carbon communities
- climate change adaptation

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 consultation document at part 7 highlights the Government’s desire to ensure a focus on equalities and makes specific reference to a number of the protected characteristics. However, the Council has concerns that unless the delivery of the ESIF makes specific reference to the protected characteristics in their entirety there could be disproportionate impacts on a number of the protected characteristics. The use of equality impact assessments (EQIA’s) at programme and SI level is a means of avoiding this.

The Council would strongly urge the Government to adopt the use of EQIA’s to assess SI’s for support and as an integral tool in monitoring the implementation of

the SI's. The proposal for a greater focus on monitoring of outputs and outcomes as opposed to financial reporting should facilitate this.

The consultation document state that SI1 – Poverty and Social Inclusion remains to be developed so there is the opportunity here to prioritise actions which address social inclusion and combatting poverty.

Whilst the Council fully supports measures to tackle social inclusion and poverty the Council urges the Government to use the ESI funds to address their intended purpose, i.e. that of supporting longer term structural change (para 9). This requires a focus on measures that tackle the causes of poverty and provides a route out of poverty:

- advice provision;
- access to finance;
- enhancing skills levels;
- employability;
- developing workforce skills; and
- provision of jobs.

The ESIF should not be used to fund welfare measures.

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.

See Q3 above

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

The further development of the Strategic Interventions (SI's) provides the opportunity for expert advice to be sought in how this can build on past experience. However the Council is of the opinion that the consideration should be given to the following measures:

- sustainability should be an intrinsic part of the project delivery process, with a strong focus in the initial design aspect to ensure that from the outset the project is designed sustainably. Key sustainability performance indicators should be identified for each project such as: GHG emissions; water consumption; waste; energy use; soil quality; water quality; biodiversity etc. These should be included in the procurement process and monitored throughout the delivery of the project;
- weighting against sustainable development needs to be established as part of project design and the tendering process, to ensure that this is a weighted factor in terms of selecting an appropriate tender, and that tender selection is not simply a matter of cost;
- risks to sustainability should be quantified as part of the project design and

delivery process, detailed on the project risk register with appropriate risk management;

- where appropriate, the lifecycle carbon impact of works should be calculated for key commodity areas;
- procurement to give priority to local sourcing to minimise associated carbon emissions where appropriate;
- priority be given to the use of local, low environmental impact, and re-cycled materials;
- project delivery in smaller lots to take account of sparsity of population/beneficiaries enabling localised sustainable development;
- project evaluation to take account of the above measures and for these factors to be monitored during project delivery.

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

The Highland Council welcomes the acknowledgement by the Government of the use of an Integrated territorial Investment (ITI) as a vehicle for the delivery of the ESI funds in the Highlands & Islands. The Council, along with its partners in the development of this ITI view this as a means of providing integrated oversight as to the activities that will be supported to assist the further development of the region. To this end the Council urges the Government to ensure that the development opportunities of the Highlands & Islands are pro-actively taken into account in the development of strategic interventions and that this be done by ensuring regional representation on the SI partnerships.

The Council has previously commented to Government on the subject of simplification and wishes to re-affirm its desire to see the delivery of the ESI funds simplified. Much can be gleaned from the range of lessons learned projects that have been funded from Technical Assistance and the Council would like to be assured that the findings of projects such as Technical Assistance Lesson Learned (TALL) will be used to inform future delivery.