

THE HIGHLAND COUNCIL
NAIRN AND BADENOCH AND STRATHSPEY AREA
COMMITTEE

Agenda Item	10.
Report No	NBS/24/14

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EU REGIONAL PROGRAMMES AND FUNDING OPPORTUNITIES FOR HIGHLAND

Report by the Director of Development & Infrastructure

Summary

This report provides a summary update of the development of the 2014-20 European funding programmes as they impact on the Highland Council area.

1 Introduction

- 1.1 The European Union provides a broad range of funding streams limited number of which are either eligible to the Highlands & Islands or are of interest to the Council in seeking to develop the region. European funds are delivered in packages of seven year periods. The current period will run from 2014 – 20 with a budget of €962bn.
- 1.2 Funding programmes are either delineated by specific regions or countries; groupings of regions such as the North Sea or Northern Periphery or across the whole of the Union.

2 Regional Funds

- 2.1 The Highlands & Islands, as a transition region has been allocated €193M to deliver the European Regional Development (ERDF) and Social Fund programmes (ESF). The Scottish Rural Development Programme (SRDP) is a pan Scotland programme with no specific Highlands & islands allocation. This programme has a value of £1.366bn. Of this £66m has been allocated to LEADER, £20M to support small rural business, £70M to support the food & drink sector and £9m for rural broadband. The remainder is for on farm activities. The European Maritime and Fisheries Fund (EMFF) will be delivered at the level of the UK and to date no allocation has been announced for Scotland.

Collectively these funds are known as the European Structural Investment Funds (ESIF).

- 2.2 **Regional & Employment Development** - the Highland Council, at both political and officer level, as part of the Highlands & Islands European Partnership (HIEP) has been working with the Scottish Government during 2013/14 to ensure that the interests of the region are taken on board in the

development and delivery of the ESI funds 2014-20. This work has secured a written assurance from the Deputy First Minister that the Scottish Government accepted the principles proposed by HIEP that the programmes would:

- reflect regional circumstances;
- be developed and delivered locally;
- allow funding allocation through a regional decision making body; and
- be delivered by a regional body with clear reporting lines to the Joint Programme Monitoring Committee.

In summary the region has direct influence over the €193M Transition funds in deciding how it is spent and what it is spent on.

2.3 These principles are being met by the Government via:

- instructions from Government to the lead bodies of each of the Strategic Interventions (SI's) to engage with the Highlands & Islands to ensure that the circumstances of the region are reflected in the SI's. The European Funds will be delivered via Operational Programmes which will be based around a suite of 12 Strategic Interventions which will comprise packages of activity;
- regular meetings between the Government and the Highlands & Islands at both officer and political levels;
- the establishment of a Highlands & Islands Territorial Committee to oversee and monitor the delivery of the Highlands & Islands Transition Funds. The role and remit of this Committee and how it will interact with the other Committees is currently the subject of debate with Government. However, the Committee will decide on the activities to be funded and the allocation of the Transition funds;
- the creation of a working group to agree the principles that will underpin the delivery of activity by local Councils; and
- work with stakeholders to define costing methodologies which will be structured to reflect differences in population and geography.

Regular, almost weekly, informal meetings with the Scottish Government has meant that the Highlands & Islands have had access to the day to day development of the Operational Programmes which will guide the delivery of the EU funds 2014-20. It should be noted that this has not been made available to other regions in Scotland, to any sector of the economy, or to the Programme Monitoring Committee which will be charged with implementing the Operational Programmes.

2.4 THE ERDF and ESF programmes have been developed along EU and Scottish priorities. Activity will be delivered via a suite of 12 Strategic Interventions (SI's) which will comprise mini programmes of projects (now called operations). The SI's are set out below along with the financial allocations proposed by the Highlands & Islands European Partnership for Transition monies:

- Employability £37.5m

• Developing the Workforce	£29.0m
• Business Competitiveness	£17.0m
• Innovation	£17.8m
• Financial Instruments	£ 4.8m
• Next Generation Broadband	£27.5m
• Low Carbon Travel & Transport	£ 7.4m
• Low Carbon Transition Economy	£17.7m
• Resource Efficient Economy - Zero waste	£ 9.8m
• Green Infrastructure	£ 5.9m
• Scotland's 8 th City	£ 1.4m
• Poverty & Social Inclusion	£13.0m
• Technical Assistance	£ 3.5m

2.5 The extent to which the Council could gain financially from the 2014-20 ESI funds cannot be quantified at this time. A number of the Strategic Interventions remain to be fully explained and as such the activities that will be supported remains unclear. However the Council could benefit from funds delivered via the following Interventions:

- Employability – services to assist people into work
- Business competitiveness –Business Gateway activities;
- Low Carbon Travel & Transport - green and active travel hubs and digital ticketing
- Green infrastructure - path network in Inverness;
- Resource efficiency – possibly recycling;
- social inclusion and poverty - addressing barriers to employability, child care provision, financial advice; and
- Scotland's 8th City – details remain to be developed on the theme of Smart Cities.

2.6 **Rural development** - the development process for the SRDP has been less inclusive in terms the numbers of stakeholders involved and degree of influence stakeholders have had. Priorities and budgetary allocations have largely been driven internally to the Scottish Government. The priorities and funding allocations are as follows:

• Less Favoured Areas Support Scheme	£459m
• Forestry	£252m
• Agri-environment & climate	£350m
• Conservation	£ 10m
• Beef package	£ 45m
• New entrants	£ 20m
• Crofting	£ 14m
• Small farms	£ 6m
• Business support – food & drink	£ 70m
• LEADER	£ 66m

- Small business support £ 20m
- Knowledge transfer £ 10m
- Advisory service £ 20m
- Broadband £ 9m
- Technical assistance £ 15m

2.7 It should be noted that the Council is only likely to benefit from :

- LEADER;
- small Rural Business Support Scheme - which will be delivered via LEADER; and
- rural broadband.

2.8 **Fisheries** - the EMFF regulation was only approved in June and there are currently no details as to the structure of the programme. The Council will not be a major recipient of EMFF other than funds for harbour developments and the diversification and development of fisheries communities - Axis 4 (maritime LEADER).

2.9 The ERDF, ESF and SRDP operational programme documents were submitted to the European Commission on 8 July 2014. The submission of the programme documents to Brussels will allow the focus of work to shift to:

- the legal and financial implications of organisations accepting EU funds to act as lead bodies in the delivery of activity;
- national rules which will govern eligibility of activity;
- costing methodologies;
- audit regimes and levels of control;
- governance structures; and
- the IT system, which will be used to record and monitor activity.

Again, the Council will be involved in the work on the above matters.

2.10 The Scottish Government remains hopeful for an October approval of the operational programmes which will allow for programme launches in November or at the start of 2015.

2.11 As reported to Members at Committee in May 2014, work has commenced on the new Highland LEADER Programme 2014-2020, with the preparation of a Local Development Strategy (LDS) and Business Plan. On completion of a second round of consultations it is envisaged that the Highland LEADER Local Action Group/Highland Community Planning Partnership will approve the LDS and Business Plan and submit to the Scottish Government in October 2014. To date no allocations have been made regarding the Scottish LEADER programmes but it should be noted that there will be no Convergence allocation this time round. During 2007-13 this was worth £7.5m to Highland.

- 2.12 A similar LEADER business plan development process will be undertaken by the Cairngorms National Park.

3 Inter-regional Programmes

- 3.1 Highland is eligible to apply for funds for the following interregional programmes:

- Northern Periphery & Arctic - €50m ERDF
- North Sea - €167m ERDF
- Atlantic Arc - €106m ERDF
- NW Europe - €396m ERDF
- Cross Border Irish – Skye, Lochalsh & Lochaber only - €240m ERDF

- 3.2 These programmes have all been submitted to the Commission for approval and launches are expected Spring 2015. Priorities vary and await confirmation but cluster around:

- low carbon transport
- business support
- innovation
- community support and development
- low carbon and resource efficiency

4 Pan European Programmes

- 4.1 There are numerous funding streams available at a pan European level supporting nuclear development, space exploration to protecting the environment and furthering the rights and integration of citizens. A guide to these funds is being developed and will be made available on the Council's website. It is intended that the potential use of these funding streams will be explored via the Council's European officer group and in response to discussions on project ideas with Council Wards and Area Committees.

5 Benefits to the Council

- 5.1 As noted above, the monies that could accrue directly the Council cannot be stated at this time. This will depend on a number of factors including:

- the precise nature of the interventions that will attract funding;
- the availability of Council and Highland match funding;
- the modus operandi of delivery across Scotland the willingness of lead bodies to consider regional variation; and
- the capacity of the council to undertake project development and delivery.

- 5.2 It should be noted that the monies available for local development is more limited than was the case until 2013. This is because of a directive from Brussels that investments should be of a more strategic nature to impact on growth and jobs. In addition the Scottish Government wishes to administer fewer projects to streamline administration, reduce errors and minimise the amount of money that has to be paid back to Brussels due to mistakes.

- 5.3 As a result funding for local projects is unlikely to come for the regional funds other than LEADER and Axis 4 of the EMFF. However funding opportunities remain via the inter-regional and pan European programmes.

6 Implications

6.1 Resource

The report highlights the contribution that European funding continues to make to the Council budget and notes the opportunities that exist for the Council and its partners to secure new European funding in the period 2014-2020. The sums that could accrue to Highland cannot, at this stage, be quantified but will require the Council and its partners to identify match funding.

6.2 Risk

Where the Council is awarded European funding, projects will be subject to audit. One of four projects audited in 2012 was found not to be fully compliant and it is likely that funding for that project (around £69k) will have to be re-paid. Section 3.2 of this report records only one identified non-compliance that resulted in a financial loss of £1,045 to the Council. This represents a 0.1% error rate over the claims checked.

To minimise risk of grant repayment, the European Unit provides support to Services on project development, administrative structures for data collection and presentation to ease claim development and dealing with audits.

6.3 Equalities

All projects seeking European support are assessed on a range of criteria including the impact on the horizontal themes of Social Inclusion and Equal Opportunities. Projects are required to demonstrate what Equal Opportunities policies, procedures and resources will be in place, but also explain how these will make a positive difference to the project. All Council projects have passed this appraisal.

6.4 Climate change implications

All applications are assessed on three horizontal themes including Environmental Sustainability. Applications are assessed and scored on how environmental sustainability has been taken into account in the design and delivery of the project, including resource efficiency, environmental impact and local sourcing. All Council projects have passed this appraisal.

6.5 Rural implications

The Programmes have been developed to reflect the socio-economic circumstances prevailing in the Highlands & Islands and the means of project delivery that is best suited to the largely dispersed low population density of the region. In this regard the Programmes should have a positive development impact on the rural parts of Highland.

6.6 Gaelic implications

The Operational Programmes will be summarised in Gaelic.

Recommendations

The Committee is asked to note the contents of this report and to contribute ideas for local development in the Nairn and Badenoch and Strathspey area for further development with the Council's European Team with a view to seeking European funding.

Designation: Director of Development and Infrastructure

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