

**The Highland Council**  
**Planning, Development and Infrastructure Committee**  
**19 August 2015**

Agenda Item	<b>12</b>
Report No	<b>PDI/ 50/15</b>

## European Engagement

### Report by Director of Development and Infrastructure

#### Summary

This report appraises members of the European networks the Council is a member of and seeks approval for the proposed Council representation on these networks and for these members to develop their positions within the networks to the benefit of the Council and the Highlands, in line with adopted Council priorities.

The report also provides an update on the development of the EU regional fund programmes in the Highlands and Islands.

## 1. Introduction

1.1 The Council is currently a member of the following European networks:

- Conference of Peripheral and Maritime Regions (CPMR);
- North Sea Commission (NSC);
- Euromontana;
- Kommunenes Internasjonale Miljøorganisasjon/ Local Authorities International Environmental Organisation (KIMO);
- Highlands & Islands European Partnership (HIEP); and
- Highlands & Islands Territorial Committee (HITC).

## 2. The Networks

2.1 The **CPMR** remains one of the most effective lobbying networks for local government on the European scene and is regularly used by the European Commission and Parliament to gauge the views of the peripheral and maritime regions on EU legislation and funding proposals. Given the status of the Conference and its focus on accessibility, energy eligibility indicators, maritime issues and regional policy it is recommended that membership be retained.

2.2 The **North Sea Commission** is a network of local authorities around the North Sea basin and is of particular relevance at present in light of proposals for a North Sea macro regional development strategy and the development of North Sea and pan European energy grids. The Commission retains a focus on exchanging experience via projects and its working groups (culture and tourism, economic development, energy and climate Change, marine resources and transport).

The Commission is undergoing a review of its structure and its relationship with the umbrella network, the CPMR. It should be noted that the Council, at its meeting on 25 June 2015 approved Councillor Greene to be the Council representative for the NSC. Since this approval, Councillor Greene has been elected by Scottish members as the substitute Scottish member on the ruling Executive Committee.

It is recommended that Council membership should be retained and reviewed in 2016 in light of the outcome of the structural review of the network and the EU's proposals for a macro regional development strategy for the North Sea basin.

- 2.3 **Euromontana** is a pan European cross sectoral network of agencies with an interest in the socio economic development of mountain areas. It is valued within the European Parliament and Commission as a point of contact on rural development and mountain issues. Euromontana has a seat on the Parliamentary Agriculture and Rural Development Committee. The network was successful in the establishment of a Parliamentary interest group to lobby on mountain and island issues.

The network does however have longstanding major structural problems with income not matching expenditure. This has resulted in a focus on project work which is not a sustainable means of long term funding and has a detrimental impact on lobbying work. It is recommended that membership be retained in the interim. This should be reviewed in 2016 in light of European Commission proposals for a White Paper on rural development, the strategy adopted to address the funding gap and the value of the Parliamentary interest group.

- 2.4 **KIMO** was founded in Esbjerg, Denmark, in August 1990 to protect, preserve and enhance the environment of the northern oceans. The organisation now boasts 100 members around the North and Baltic Seas. KIMO proactively lobbies government ministers to acknowledge and take action on the issues threatening our marine environment, The high level contact between KIMO, European governments and international organisations ensures that proposed legislation is designed to practically improve Europe's marine environment. KIMO was instrumental in the lobbying for emergency towing vehicles in the Minch. The current President is Councillor Norman MacDonald from Comhairle nan Eilean Siar. Council engagement has been limited to attending meetings in Scotland. Given the Council's limited involvement in the network it is recommended that membership be reviewed at the time of the annual review of EU engagement at the end of 2015.

- 2.5 Highlands & Islands European Partnership (HIEP) - was established in 1989 to lobby for the interest of the region in Europe. The Partnership comprises Argyll and Bute, Comhairle nan Eilean Siar, Highland, Moray, North Ayrshire (Arran), Orkney and Shetland Councils, Highlands and Islands Enterprise (HIE), and the University of the Highlands & Islands (UHI). The Partnership has had considerable recent success in lobbying for transition status for the region in terms of regional development funding, and in ensuring that the whole of the Highlands and Islands remains eligible for support via State Aids. The Council

representative on HIEP will also be expected to represent the Council on the Highlands and Islands Territorial Committee (HITC), the body charged by the Scottish Government with providing a territorial perspective on the delivery of the EU regional funds across the region.

### **3. Proposed Representation**

3.1 On the basis of discussions the following Council representation is suggested for the following networks:

- CPMR - Councillor Isobel McCallum;
- North Sea Commission - Councillor Gray to continue as Chair of the Energy and Climate Change Group;
- Euromontana - Chair of Planning, Development and Infrastructure; KIMO – Councillor Richard Greene;
- Highlands and Islands European Partnership – Leader of the Council; and
- Highlands and Islands Territorial Committee – Leader of the Council

### **4. European Structural Investment Fund Programmes (ESIF)**

4.1 European budgets are set for periods of seven years. The current period runs from 2014 - 20. The Council, along with partners in the region the UK and across Europe fought a successful lobbying campaign to retain a Transition category in the architecture of regional funding. This meant that the Highlands and Islands received more money than it would have done if such a category had been dropped by the European Commission and Parliament. This, along with a favourable allocation model within the UK meant that the Highlands and Islands received £160m (€193m) for 2014-20. This is particularly good news as a cut of some 30% was expected and is actually slightly more than the equivalent 2007-13 allocation.

4.2 The £160m is split between the European **Regional Development Fund (ERDF)** £93m (€112m) and **European Social Fund (ESF)** £67m (€81m). The programmes for these funds were approved by the European Commission in December 2014 and will be delivered via a suite of twelve Strategic Interventions (packages of projects). These are:

- Innovation
- Scotland's 8th city – The Smart City
- Business Competitiveness
- Financial Engineering Instruments
- Next Generation Broadband
- Developing Scotland's workforce
- Low Carbon transport: Active travel hubs, Low carbon transport hubs, smart ticketing
- Low Carbon Infrastructure Transition Development Fund
- Resource Efficient Circular Economy Accelerator
- Green Infrastructure

- Employability
- Social Inclusion and combating poverty.

- 4.3 The Council will be lead body for Business Competitiveness (with a bid for £1.18m), Employability (£5.17m) and Social Inclusion and Poverty (£1.42m). The Council has also made submissions via Green Infrastructure (£0.6m) led by SNH and Scotland's 8<sup>th</sup> City (£1.8m) led by Glasgow City Council. In addition it is anticipated that the Council will also make bids, not quantified at this stage, via the Financial Engineering (loans etc.), Low Carbon Transport and Low Carbon Infrastructure.
- 4.4 Highland will undoubtedly benefit from the investments made via all the Interventions but these cannot be stated at present as the Interventions are at different stages of development. Interestingly, only the Low Carbon Infrastructure being approved for delivery.
- 4.5 Programme development has been slow which is disappointing given the Scottish Government has been working on this since 2011. The Council submitted its application for Business Competitiveness funding on 9 January 2015 and this remains to be approved. Additional information was requested on 8 July with a suggestion that the submission would have to be re-assessed to take account of Commission concerns over the objectivity of the Government led appraisal process.
- 4.6 The lack of progress in launching these two programmes is of growing concern to the Council and partners across the region. It is now 20 months into the programme period and not one Euro has been spent. The first financial target to be met is for the 2014 tranche of the budget to be spent by 2016. There is a growing risk that this will not be met with a real risk that unspent monies will be de-committed from the programmes and lost to the region.
- 4.7 Concerns at the lack of progress has been raised with the Scottish Government and include:
- the delays in appraisal and approval of Interventions;
  - uncertainty as to what activity will be eligible for funding;
  - costing methodologies;
  - the appraisal process;
  - lack of guidance and national rules;
  - the audit regime;
  - the responsibilities of lead bodies such as the Council;
  - the lack of an operational database and management system;
  - lack of application forms;
  - lack of integration; and
  - uncertainty on the part of lead bodies as to how they can work with other bodies and partnerships.

- 4.8 These issues were raised at the last meeting of the Convention of the Highlands and Islands on 1 June. Subsequent to this, a meeting has been provisionally offered to Council Leaders with Keith Brown MSP Cabinet Secretary for Infrastructure, Investment and Cities on 11 August. It should be noted that this offer coincided with a meeting request from Highlands and Islands partners. The 11 August meeting remains to be confirmed and a verbal update will be given at the meeting.
- 4.9 The ESIF also includes the European Agriculture Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF) programmes. In Scotland, rural development is delivered via the Scottish Rural Development Programme (SRDP). This is a pan Scotland programme with a value of £1.32bn with the majority of the funds being allocated to agricultural support. Funding for rural development is restricted to broadband £9m; food and drink £70m; LEADER £66m: and small rural business £20m.
- 4.10 The SRPD was only submitted to Brussels in December 2014 and approved in May 2015. Programmes such as LEADER and the small business support scheme will only be up and running towards the end of this year. Other agriculture support measures such as the agri-environment scheme have been carried over from the 2007-13 programme period. The Council has expressed concerns over the slow pace of development of the LEADER programme and the requirements on lead bodies such as the Council as set out in the Service Level Agreement. These will be raised at the proposed meeting with Keith Brown MSP on 11 August.
- 4.11 The EMFF is a UK wide programme with a £23m allocation for Highlands and Islands and £75m for the rest of Scotland. Support will largely be targeted to assist with capital investment in the aquaculture, fishing and fish processing industries. £4.2m will be available to support fishing communities - £1.3m Highlands and Islands and £2.9m for the rest of Scotland. As usual, the EMFF lags behind the other programmes in terms of development and delivery with a programme launch anticipated late in 2015.

## **5. Implications**

There are no resource, legal, equality, climate change/Carbon Clever, risk, Gaelic or rural implications arising from this report.

## **Recommendation**

The Committee is asked to note the contents of the report, and:

- (i) confirm the proposed Council nominations for the CPMR, Euromontana, Highlands & Islands European Partnership, Highlands & Islands Territorial Committee, KIMO and the North Sea Commission as set out at 3.1;
- (ii) acknowledge the election of Councillor Greene as the substitute Scottish member on the North sea commission Executive Committee;
- (iii) agree that the Council nominations be given the remit to develop their roles in the respective networks in line with Council programme priorities;
- (iv) request an evaluation of Council membership of membership of KIMO at the time of the annual report on EU engagement at the end of 2015 as set out at 2.4 and of the other networks in 2016 as set out at 2.2 and 2.3; and
- (v) request future updates on progress on discussions with the Scottish Government on the development and delivery of the ESIF programmes to ensure that the Council and the Highlands derive maximum benefit from this major European investment in the region.

**Designation:** Director of Development and Infrastructure

**Date:** 27 July 2015

**Author:** Gordon Summers, Principal European Officer