

**The Highland Council**  
**Planning, Development and Infrastructure Committee**

**17 February 2016**

Agenda Item	<b>12</b>
Report No	<b>PDI 10/16</b>

**European Engagement 2016**

**Report by Director of Development and Infrastructure**

**Summary**

This report appraises Members with a brief review of the activities undertaken by the European team in 2015, and the proposals for 2016, including membership of European networks. The report also notes the review of the Highlands and Islands European Partnership which will see the closure of the Brussels office. European engagement being delivered via membership of Scotland Europa and a locally based officer. The report closes by proposing a review of activity to reflect future Council structures and resourcing.

**1. Background**

- 1.1 This report presents Members with a summary of activity delivered in 2015 and the actions proposed for 2016.

**2. Activity Focus**

- 2.1 Activity in 2015 focused on:

- closure of existing projects funded via the 2007-13 EU regional fund programmes, collation of desk check submissions, the preparation and delivery of audits and the resolution of issues arising from audits;
- twelve live projects submitted final claims to the value of £1,585,572 (£952,987 European Regional Development Fund and £652,585 European Social Fund) and three projects received a clean bill of health in audit;
- resolution of project delivery issues raised by the Scottish Government;
- an examination of the opportunities presented by the Highlands & Islands European Structural Investment Fund (ESIF) 2014-20 programmes to deliver the Council's Highland First Programme;
- development with project partners of ESIF eligible projects;
- an examination of EU funding opportunities beyond the ESIF as they align with Highland First;
- governance of the 2007-13 and 2014-20 regional programmes; and
- engagement in the European networks that the Council is a member of to maximize the political leverage for the Council and to utilise the networks to promote the position of the Highlands on approved priorities.

## 2.2 Activity in 2016 will focus on:

- working with the Highlands and Islands, and the Scottish Government to effect implementation of the 2014-20 ESIF programmes;
- work with colleagues to develop projects for the regional ESIF programmes;
- develop, with project leaders and the Finance Service, the management and administrative, structures and processes to ensure efficient project delivery, to facilitate grant claim and meet audit requirements;
- appraisal of the funding opportunities for the Council beyond the ESIF programmes to assist deliver Highland First;
- assist in the governance of the ESIF 2014-20 programmes;
- engagement in the European networks that the Council is a member of to maximise the benefits that can accrue to the Council and Highland;
- work with project managers and Finance Service in preparation for outstanding audits of 2007-13 projects; and
- a review of priorities to reflect the revised Council budget and resources.

## 3. **European Structural and Investment Funds (ESIF) 2014 - 20**

3.1 Members will be aware that the delivery of the 2014-20 European Structural Investment Funds (ESIF) has been delayed. Despite the Scottish Government working on the development of the programmes since 2011, the European Regional Development and Social Fund programmes were only approved in mid December 2014. The Scottish Rural Development Programme (SRDP) got the seal of approval in May 2015. This is important as the Highland LEADER programme is funded via the SRDP. Finally the Fisheries Programme, the European Maritime and Fisheries Fund (EMFF) only got the green light from Brussels on 3 December 2015.

3.2 Late approval has meant delays in programme implementation giving rise to the following implications:

- a reduction in the time available to spend the monies;
- a reduction in the positive development impacts on the region due to late project starts and loss of development capacity;
- uncertainty on the part of stakeholders;
- increased risk of failure to meet spend targets resulting in monies allocated to the Highlands and Islands being returned to Brussels; and
- the loss of vital match funding as funds are being used to maintain activity without the benefit of EU support. This will impact on the capacity of regional partners to fully utilise the EU funds available and the ability of the Council to draw down funds.

3.3 The issues causing these delays are numerous, and unfortunately continue to emerge from the Scottish Government. The Council, as part of the Highlands and Islands European Partnership (HIEP), has written to the Scottish Government on this and has met with Ministers. However, delays continue and steps are in hand for further contact directly with relevant Ministers. A verbal update will be given to Members at the meeting.

#### **4. Council Engagement with the European Structural and Investment Funds**

4.1 To date, the Council has submitted applications in support of:

- Business Competitiveness - the Council leads on this activity along with Highlands and Islands Enterprise (HIE). £1.18m has been sought to deliver a Highland wide growing business support package, including Graduate Placement Programme and growth and specialist advice services for small and medium sized businesses;
- Strategic Employability Pipeline - £5.1m is available for this Council led activity which will deliver youth work experience, positive pathways for young people, recruitment incentives, work experience opportunities and a programme to assist the third sector provide specialist employability services for those with particular barriers which stop them from accessing sustained employment. The bid in development is part dependent on the level of third sector match funding available;
- Scotland's 8<sup>th</sup> City – £1.067m of grant is being applied for this technology based collaboration between Scotland's seven cities. This will see the roll out of wi-fi across Inverness city centre; install real time travel information and the provision of public sector data sources. Project delivery is being co-ordinated by Glasgow City Council with the first round application being approved in December 2015. The second stage applications were submitted on 29 January 2016;
- Green Infrastructure – this fund is being co-ordinated by Scottish Natural Heritage (SNH) and will support the provision of green spaces and green transport links in Inverness. A bid for £350,000 will be made for the 1 April 2016 deadline; and
- Social Inclusion and Poverty - the first round application for £1.64m was approved on 22 January 2016. Second stage applications are being drafted for submission in April 2016. This intervention will address barriers to accessing services and employment for those in poverty and at risk of social exclusion. This will include an intensive support service providing one to one tailored support and outreach when people engage with other services at key life stages e.g. pregnancy, entering childcare or education. A further strand will address poverty within families with young children building on the success of the Highland Midwifery Project.

4.2 Whilst the number of funding streams supported by the EU has reduced, funds exist beyond the ESIF and the European team will review these opportunities as they align with Highland First. The following have been identified:

- developing a low carbon economy;
- green and sustainable transport;

- broadband roll out;
- resource efficiency;
- financial engineering;
- energy management; and
- waste management.

4.3 The sums of money that may accrue to the Council cannot be determined as this depends on the scope of any funding opportunity, the capacity of the Council to deliver and the availability of match funding.

## **5. E.U. Programme Governance**

5.1 The delivery of the 2014-20 European Structural Investment Fund programmes will be overseen by a number of Committees or groups. Currently the Council has the following representation:

- Joint Programing Monitoring Committee - Director of Development and Infrastructure;
- Highlands and Islands Territorial Group – Councillor Margaret Davidson;
- Monitoring and Evaluation group - Principal European Officer; and
- Business Competitiveness Strategic Group - European Officer.

The European Team work plan includes provision for the servicing of the above.

## **6. Highlands and Islands European Partnership**

6.1 The Council is a member of the Highlands and Islands European Partnership (HIEP). The Partnership is one of the primary vehicles for lobbying in Europe, and has delivered success in the value of the current regional development programmes and in maintaining State Aid coverage for the region. Currently the Partnership has an office in Brussels, based in Scotland House, employing 1.5 FTE's. The Council currently pays £39,888 per annum to the running of the Partnership. This funding model is based on the local authorities paying 45% of a £160,000 budget with this share being allocated on the basis of population.

\*Highlands & Islands Enterprise, University of the Highlands & Islands and the seven local authorities - Argyll & Bute; Comhairle nan Eilean Siar; Highland; Moray, North Ayrshire (Arran and The Cumbraes only); Orkney and Shetland.

6.2 In line with established business practices, the operation of the Partnership was reviewed in 2015 with regular reports being presented to the Board. The review recommended the following:

- the closure of the Brussels office;
- the establishment of a membership based relationship with Scotland Europa;

- to build the regional presence within Team Scotland;
- the employment of a locally (Highlands and Islands) based officer to address the increased Scottish based work load associated with the 2014-20 regional development funds; and
- a move to a more equitable funding model.

6.3 These changes will deliver the following benefits:

- access to intelligence via a team of 14 specialists in Scotland Europa as opposed to 1.5 generalists. This will be delivered via an annual work plan (contract) with Scotland Europa;
- greater influence in the operation of team Scotland in Europe;
- retention of the independence of the Partnership to lobby on Highlands and Islands issues;
- a local resource to ease the workload of the officer group; and
- an opportunity to revise the budget and realise budget savings.

6.4 The recommendations emerging from the review were approved by the Board on 30 November 2015. The Brussels staff were informed, in person, of the decision to close the office on 1 December 2015. Preliminary informal discussions have been entered into with Scotland Europa regarding membership and work contract.

6.5 In order to reflect discussion in the Board regarding the payment model, a revised budget of £96,500pa will be proposed to the Board. This budget and a revised funding model will see the Council contributing £18,010 pa, giving a saving of £21,878. The budget will fund membership of Scotland Europa, the engagement of a locally based staff member and Partnership lobbying and promotional activities.

6.6 The closure of the Brussels office will give rise to a redundancy cost. This is currently calculated as £157,000 (this may vary a little due to exchange rate fluctuations). Based on the existing funding model and the signed Partnership Agreement, the Council will be liable for £39,140. This will be met from provisions in the current 2015/16 European section budget (£20,000) and from the savings realised in the Council's contribution to HIEP in 2016/17 (£21,878).

6.7 In a move to promote greater inclusivity in the Partnership, HIE has indicated that it does not wish to continue to be the employer of HIEP staff. The Council has indicated that it is willing to act as employing agent for this externally funded post and it is proposed that the Council takes on this role. This would deliver the following benefits:

- proximity to the Leader in her position as co-chair;
- ease the work load on existing European section staff thus freeing up time to address other priorities;
- retention of influence of what is produced in the name of the Partnership;
- retention of influence on the agenda of the officer group and the Board;

and

- access to first hand intelligence from the work undertaken and contacts developed.

6.8 The cost to the Council will be neutral as all employer based costs associated with this post (salary, on costs and travel and subsistence etc.) will be met by the Partnership. The marginal costs of hosting this post will have to be met by the Council but these are currently being met by the Council anyway in providing the secretariat role for HIEP.

6.9 The job description is being finalised by the Partnership and on completion will be evaluated to ascertain the grading of the post within the Highland Council scheme and to fit with the budget available. The post will then be advertised and the postholder recruited in line with Highland Council protocols.

## **7. European Network Engagement**

7.1 The Council retains membership of the following European networks and is represented as follows:

- Conference of Peripheral and Maritime Regions (CPMR) - Councillor Isobel McCallum;
- North Sea Commission (NSC) - Councillor Richard Greene; alternate Scottish representative on the Executive Committee;
- North Sea Commission – Councillor Jimmy Gray, Chair of the Energy & Climate Change Group;
- Euromontana – Councillor Audrey Sinclair;
- KIMO – Councillor Richard Greene with Councillor George Farlow as alternate; and
- Highlands & Islands European Partnership - Councillor Margaret Davidson.

7.2 The Council is engaged in the following priorities work areas via these networks:

- regional development policy – (CPMR);
- indicators for the future allocation of EU development funds – (CPMR);
- accessibility (of the periphery to the core of the EU) - (CPMR);
- energy & climate change (CPMR);
- maritime Safety - (CPMR);
- macro regional strategy for the North Sea - (NSC);
- energy grids - (NSC);
- sustainable tourism – (Euromontana);
- young people in Mountain Areas - (Euromontana);
- marine litter (KIMO);
- fish discard ban (KIMO); and
- maritime safety (KIMO).

7.3 In light of the current budgetary situation, and allied to the political desire to maintain the Council's presence in Europe and to deliver on the Council's goal of "...making the very best of all financial opportunities for the Highlands", it is proposed that the Council's membership of European networks is as follows:

7.3.1 CPMR

The Conference remains one of the most influential lobbying networks for local government in the European arena with a close working relationship with both the Commission and the Parliament. Its structure of thematic working groups is well placed for the Council to pursue its goals regarding eligibility for future regional development funds, equality of access of the periphery to the core of Europe, maritime safety, marine litter and energy & climate change. On this basis it is recommended that membership be retained.

7.3.2 The North Sea Commission

The Commission is at the heart of the debate on the future use of macro-regional strategies as a vehicle for the future allocation and delivery of regional development funds. The NSC is also the main driver seeking to see the implementation of an integrated energy distribution grid for the North Sea basin. This will have major benefits for the residents of Highlands and for the region which has 25% of Europe's wind and wave energy potential. The Marine Resources group has been at the heart of policy development on the fish discard ban and marine litter whilst the Transport Group has been seeking to influence the structure of the pan European transport networks and will remain important post 2020. On this basis it is recommended that membership be retained for the coming year but that this be reviewed to ensure value to the region and separation from the work of the CPMR.

7.3.3 Euromontana

Like the CPMR, Euromontana has a positive and pro-active working relationship with the European Commission and Parliament. Given the proposals emerging from Brussels for an EU rural policy the Council is recommended to retain membership for a further year. In addition, the work on tourism and the retention of young people in mountain areas is of benefit to the Highlands.

7.3.4 KIMO

Council engagement in the organisation has increasingly been confined to attending meetings of the UK network with a focus on marine litter, maritime safety and the discard ban. These issues can be addressed by the CPMR and the North Sea Commission and in light of this it is recommended that membership be terminated.

7.3.5 Highlands and Islands European Partnership

As the main vehicle for engaging with the Scottish Government and the Brussels institutions retention of membership is recommended.

## **8. External Engagement**

- 8.1 European Parliament - two video conferences were held with the Scottish MEPs in 2015. Time constraints led to rushed proceedings but their value as a means of keeping in touch with the MEP's was appreciated and it is proposed that these continue in 2016 via HIEP.

## **9. Priority Review**

- 9.1 Given the changes that will take place in the Council over the coming months it is proposed that the priorities for Council engagement with Europe be reviewed to reflect resources available.

## **10. Implications**

### 10.1 Resource

This report highlights the importance to the Council of the European Union as a source of funding, experience exchange and learning. The report sets out the steps that will be taken to ensure the maximum benefit accrues to the Council from its engagement with the E.U. The engagement of an officer for HIEP will be cost neutral as these will be fully met by the Partnership.

### 10.2 Risk

The following risks have been identified:

- the loss of EU funds to the region due to failure to meet programme spend targets;
- loss of development impacts from the 2014-20 ESIF programmes due to delays in effective implementation;
- loss of money accruing to the Council as a result of the use of match funding to maintain activity in the absence of EU funding due to delays in implementation of the ESIF programmes; and
- the engagement of the HIEP officer and the winding up of the Partnership.

The first three will be addressed by a pro-active engagement with the Scottish Government as set out at 3.3. The last risk will be addressed via the terms of employment and the one year notice required by Partners to leave or wind up the Partnership. Redundancy costs, if any, are built into the Partnership Agreement as noted at 6.6.

### 10.3 Climate Change/Carbon Clever

There are only positive climate change implications arising from this report as the ESIF will require positive impacts and the funds will be used to support low carbon activities such as travel and materials re-use across the Highlands.

### 10.4 Equalities

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 engagement of the HIEP officer will be carried out following Highland Council procedures.

10.5 Rural

It should be noted that the E.U. has formally noted the impact that rurality has on socio-economic development. In light of this and given the nature of Highland there will be a focus on identifying E.U. resources that will assist the Council and partners to address the challenges presented by peripherality, rurality and sparsity of population..

10.6 Gaelic

There are no negative implications arising from this report, and the ESIF programmes will be promoted in Gaelic.

10.7 Legal

There are no negative implications expected to arise from this report.

**Recommendation**

Members are asked to note the contents of this report and approve the:

- continued engagement with the Scottish Government to expedite the implementation of the ESIF programmes as set out at 3.3;
- restructuring of the Highlands & Islands European Partnership (HIEP) as set out at 6.2;
- Council acting as host for the local Highlands & Islands European Partnership officer as set out at 6.7;
- approve the retention of membership of European networks as set out at 7.3; and
- revision of Council priorities regarding European engagement to reflect the Council budget and resourcing as set out at 9.1.

Designation: Director of Development and Infrastructure

Author: Gordon Summers, Principal European Officer Tel 702508

Date: 22 January 2016.