

CONSULTATION RESPONSE FORM

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

The launch of the Scottish Chapter is welcomed by Argyll and Bute Council. However, 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 include or excluded. Notwithstanding, we would request further information on the specific areas noted below:

Regional Priorities

The Council is primarily concerned that the proposed arrangements appear to exclude any significant element of spatial targeting. It should be recalled that the core task of the ERDF, as set out in the Article 176 of the EU Treaty, relates to addressing regional imbalances. The PA should highlight the need to relate priorities and delivery models to regional and sub-regional development needs and opportunities.

Transition Regions

Following on from the points noted above, the PA should provide further information on:

- How the nationwide programme will provide for the increased intervention rates and increased flexibility that Transition Region status is supposed to offer.
- How governance arrangements will provide for the need for separate reporting of activity, outputs and spend associated with Transition Regions.

Allocation of Resources

Transition Region status should ensure that the Highlands & Islands receives a higher per capita share of EU funding than the rest of Scotland. However the consultation document states that the Highlands & Islands and the rest of Scotland 'may have broadly the equal and proportionate funding allocations'. We would seek confirmation that €173m of funding will be ring-fenced for the Highlands & Islands as per the recent ministerial statement from Vince Cable MP.

Delivery Models

The proposed model for governance and delivery set out in the consultation allows scope for flexibility of delivery at the level of Delivery Partnership and Delivery Agent. The PA should make specific mention of all delivery models (JAP, ITI, CLLD) to ensure that all options remain available to partners. This is particularly important as the specific details of the various models remain unclear and their applicability to the Highlands and Islands is yet to be determined.

Match Funding

The document suggests that lead partners will be expected to provide the initial match funding for the agreed operations. We would seek further information on what is expected from local government in this regard given that each local authority is responsible for its own financial resources and unlikely to finance a central match funding pot that cannot guarantee support for projects within their authority area.

Other Funds

The PA should provide clarity on how other European funds such as LEADER, EMFF and Transnational Programmes (INTERREG) will fit and align to the multi-fund integration approach outlined in the Scottish Chapter of the PA.

In this regard, Argyll and Bute envisages that LEADER funding, through a LEADER LAG as a Delivery Agent, could fund the smaller-scale community development type projects that would not be big enough in scale to fund one of the 6-10 Delivery Partnership priorities. However, nonetheless, such bottom-up funding schemes such as LEADER is of key importance to remote rural areas of Scotland many of which are locations throughout Argyll and Bute.

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

Argyll and Bute Council supports the priorities proposed in the consultation as they align to the Europe 2020: A Strategy for Smart, Sustainable and Inclusive Growth. The priorities address both the development opportunities and development needs for Scotland and many of those identified within the council’s revised Economic Development Action Plan, 2013-2018. There is further clarification required on the Investment Priorities and the extent to which there shall be spatial targeting within the programmes.

That said there is a significant degree of overlap between the proposed eligible activities under these themed blocks. In particular support for access to finance, youth employment, business development advice and support activities and skills development are spread across several of the three blocks. Therefore, the proposed themes must not be seen as silos. For example, business development advice and support (including drafting in expert advice as required) could be delivered by Business Gateway across all the themed funds supported with the appropriate resource provision i.e. additional funding and staff.

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

Argyll and Bute Council favours the inclusion of **sustainable transport** in the list of priorities due to the role it can play in:

- Encouraging economic development in remote and rural, peripheral and geographically dispersed local areas across Argyll and Bute and the wider Highlands and Islands region. (SME Competitiveness);
- Driving resource efficiency by developing transport links that are comparatively energy efficient 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)

A key focus of economic development is fit for purpose infrastructure. Therefore, Argyll and Bute Council would like to see infrastructure remain as an eligible activity where it is directly related to positive economic outcomes and impacts. This view is echoed in the HIEP Highlands & Islands 2020 Regional Plan which identifies *Improved Connectivity- Transport and Communications* as a regional priority.

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

At a national level the proposed Scottish Themed Funds encompass the proposed priorities and have the capacity to address Scotland’s key challenges. However the consultation documents seems to dismiss the regional challenges faced by the Highlands & Islands by asserting that it faces many of the same development challenges as the rest of Scotland. Although the region shares many common issues its peripherality means that it is faced with a number of unique social and economic challenges. The fact that the Commission has identified the Highlands & Islands as a Transition Region is evidence of the permanent natural and demographic handicaps that are present within the region but not within the rest of the country. The proposal to treat Scotland as a ‘single unit’ is at odds with Commission thinking.

Transition Regions are able to benefit from an increased intervention rate and the flexibility to address a wider range of priorities. The consultation document offers little detail on how the government intends to administer the separate funding, delivery and reporting requirements of the Transition Region in a way that maximises the benefit of the designation. It is essential that the Partnership Agreement is sufficiently flexible to allow future EU programmes to meet not only Scottish priorities but to recognise and address regional and sub-regional priorities within the Highlands & Islands. The overwhelming view of Argyll & Bute Council, and its partners in Highlands & Islands European Partnership, is that this would be best delivered through a separate EU programme for the region.

The effectiveness of the Scottish Themed Funds will much depend on what is delivered, by whom and in what manner. It is hoped that the delivery model set out at in the consultation document will allow for flexibility in delivery arrangements reflecting both regional and local structures and circumstances.

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

Argyll and Bute Council, in common with many of our colleagues in local government, are concerned that the proposed delivery structures represent a significant attempt at centralisation. The move away from challenge funding towards commissioning reinforces this concern. Although local government is identified as a potential Lead Partner in the proposed Delivery Partnerships much remains to be clarified regarding the level of representation proposed.

It is our view that each of the delivery partnerships should include local government representatives from the regional partnerships in the South, East, West of Scotland and Highlands & Islands. These matters need to be further explored and the proposed shadow Delivery Partnerships would seem to be an appropriate vehicle for this debate. The fact that shadow Delivery Partnerships are being formed at present raises concerns about the legitimacy of this consultation process.

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 proactive engagement of local government in the future delivery of the structural fund programmes as it introduces a considerable degree of uncertainty and risk. There are also a number of practical issues to be addressed. In particular, local authority financial resources are not held centrally but allocated to each of the 32 Local Authorities. Moreover, each authority has a distinct legal identity. This makes it difficult to fulfil the second and third proposed responsibilities for SDB members.

Finally, the expectation that local government identify match funding in advance may cause issues for long term planning and provision of project funding.

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

As stated at **Q5** above the Council is concerned that the proposed arrangements represent a tendency towards the centre with limited opportunity for local government representation. The move to a nationwide programme is likely to dilute scrutiny, transparency and accountability exacerbating the sense of disengagement that has been felt within many organisations since the absorption of the IABs at the end of 2011. At present, Argyll & Bute Council enjoys representation on the Highlands & Islands PMC - if the proposed structures are created then the Council is unlikely to perform such a role. Moreover, there will be very little Highlands & Islands representation on the nationwide delivery partnerships raising concerns about the ability of any Highlands & Islands stakeholders to have meaningful influence in the decision making process.

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?

It is important that existing approaches to governance and delivery are developed where they have been successful. The following issues have been identified and are currently the subject of debate in the Highlands & Islands Technical Assistance Lessons Learned project:

- A fully developed and operational administration system (i.e. Eurosys) to be in place prior to the launch of operational programme;
- Operational programme, technical guidance and project guidance to be prepared at the outset and in place prior to the launch of operational programmes;
- National Rules (for all ESI programmes) to developed and approved by the European Commission prior to programme launch;
- Monitoring, evaluation and audit requirements determined at the start of the programmes; and
- 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 Argyll and Bute Council currently chairs and co-ordinates partnership action on youth employment through the Argyll and Bute Employability Partnership Group (ABEPG) which is attended by key community planning partners such as SDS, HIE, JCP, AVA, Argyll College, etc. The Youth Employment Skills Pipeline and Youth Employment Activity Plan have been developed and are now being implemented by the ABEPG. The ABEPG could be a Delivery Agent at the Argyll and Bute level in order to deliver youth employment initiatives through funding from the structural funds.

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

These have been addressed in **Question 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 and evidence require to prove defrayment – clarification required at the outset on exactly what is needed/required;
- Audit requirements and compliance;
- Procurement rules; and
- National Rules

There is a substantial body of evaluation work being carried out on these topics at a Scottish, UK and European level. The results of these evaluations need to be taken on board when setting up the compliance regime for 2014-2020 programmes.

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

The consultation paper raises many questions which require further clarification. These include:

Alignment of Funds

- The precise scope of eligible activities proposed for the three ‘Scottish Themed Funds’;
- How duplication of funding activity will be avoided;
- How EU Fund integration and integration of activity will be delivered; and
- How LEADER, EMFF and Transnational Programmes (INTERREG) will fit and align to the multi-fund integration approach outlined in the Scottish Chapter of the PA.

Regional Perspective

- How regional differences in development opportunities, delivery models and mechanisms can be accommodated; and
- 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.

Governance Arrangements

- 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; and
- The scope for differing delivery models within the Delivery Partnership/Agent relationship.