

## CONSULTATION RESPONSE FORM

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

Shetland Islands Council (SIC) proposes that the Scottish chapter of the UK Partnership Agreement makes specific reference to the Highlands & Islands' designation as a Transition region and includes details on delivery and reporting mechanisms for Transition funding. The agreed position of SIC and the Highlands & Islands European Partnership Board is that there should be a separate programme for the region reflecting its Transition status. Separate programmes have worked well in the past and it is suggested there is no reason not to continue with this model for future fund delivery.

It is noted that there is a lack of reference to islands and Article 174 within Commission Partnership Agreement proposals, despite a political agreement by COROPER [Committee of Permanent Representatives to the EU] in December 2012. SIC would propose that the Scottish Partnership Agreement has an islands dimension and recognises the differing demographic challenges of Scotland and the specific needs of areas with geographic handicaps.

The Partnership Agreement should mention all models of delivery - ie Integrated Territorial Investment, Joint Action Plans, Community Led Local Development, etc - to ensure that all options remain available at this stage.

To help define Scotland's contribution to EU2020 goals, the Partnership Agreement should document those other EU funds – such as Connecting Europe, Horizon 2020, Interreg, etc - which all, or parts, of Scotland will be eligible for, and how actions envisaged under those programmes will complement and add value to those planned through the specifically Scottish themed EU funds, and align to the multi-fund integrated approach.

SIC would also propose that reference is made to non EU funded interventions to be supported through the Regional Aid Guidelines 2014-20 since these form part of the overall framework for supporting economic development to meet EU2020 goals.

Overall, the Partnership Agreement needs to be sufficiently flexible to reflect not only regional, but sub-regional, challenges and opportunities, and be adaptable to changing economic circumstances over the 7-year programming period.

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

SIC endorses the broad thematic objectives proposed for Scotland. The ability to meet Scotland’s short and long-term challenges and opportunities will, to a great extent, depend on the priorities identified within these themes and appropriate delivery mechanisms. SIC proposes that there needs to be adequate flexibility to reflect sub-regional priorities and challenges.

In light of the H&I’s Transition status, the Partnership Agreement should recognise both the development needs and opportunities of the H&I’s region to ensure that delivery models are appropriate and that Transition funding is seen to make a difference. It is suggested this can be best achieved via a separate programme for the region.

Spatial targeting is essential in order to achieve impact and ensure opportunity for all in line with the Scottish Government Economic Strategy commitment to “*share the benefits of growth by encouraging economic activity and investment across all of Scotland’s communities*”.

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

At a Highlands & Islands level, there is political agreement on ‘Improved connectivity – transport and communications’ as a priority for the region for the period 2014-20. It is recognised there is still much that can be achieved in improving connectivity to sustain economic growth, particularly in the islands and most remote parts of the region. Therefore, SIC, along with its H&I’s partners, would wish to see **Sustainable Transport** included as a thematic objective/priority for support. Sustainable transport is a cross-cutting theme which can help deliver on the objectives selected for Scotland:

- Maintaining business competitiveness and jobs, particularly in rural areas;
- By promoting more resource efficient and low carbon transport modes; and
- Addressing social inclusion and increasing access to employment and training opportunities.

SIC would wish to see infrastructure retained as an eligible activity where it can be demonstrated there are direct links to boosting economic activity.

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

The proposed Scottish Themed Funds appear broad enough to address Scotland’s key challenges, however, successful outcomes will depend on the activities identified being delivered at the most appropriate level – ie nationally, regionally, or sub-regionally. It is suggested that a combination of national, regional, and locally delivered interventions is most appropriate. At an early stage, identification of outcomes from each of the Themed Funds is necessary to ascertain appropriate delivery models. Further clarification is required on the activities within each of the 3 Themed Funds as there appears to be areas of overlap.

It is recognised that the ESI funds alone cannot meet all of Scotland’s key challenges, therefore the Partnership Agreement should set out linkages with other EU funds and alignment of activities.

SIC would tend to disagree with the statement at paragraph 12 of the consultation document that the H&I’s and Scotland share the same development challenges and opportunities. In terms of insularity, 20% of the H&I’s population is located on 90 islands unlike the rest of Scotland; population density is 11 per km<sup>2</sup> compared with 128 per km<sup>2</sup> for the rest of Scotland; and all of Scotland’s vulnerable land management areas are in the H&I’s. These features highlight that different approaches will be required to address not only the key challenges but also the opportunities of the diverse geographical areas within Scotland and presumably justify the designation of H&I’s as a Transition region.

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

Further information and stakeholder consultation is required on the role and obligations of the Delivery Partners and Delivery Agents, and the relationships between the two. Clarity is also required on the level of legal and financial responsibility of Delivery Partners and Delivery Agents for delegated monies.

Further detail and consultation is also required on delivery and governance mechanisms for H&I's Transition funding. The proposals as presented do not indicate a separate H&I's programme nor identify delivery or governance mechanisms. H&I's elected representatives and stakeholders strongly support a programme for the region, separate from the rest of Scotland, in light of its status as a UK Transition region.

It is noted there is proposed to be a single Partnership Agreement Monitoring Committee for Scotland. This causes SIC concern as to the governance and delivery of H&I's Transition funding which may be conducted without sufficient input from regional and sub-regional stakeholders.

Clarity is also required on how regional and sub-regional stakeholders will have the opportunity to input into the strategic decision-making on fund concentration envisaged in the early stages of programme drafting.

The requirement for partners such as local authorities to confirm programme match funding upfront and before programme details such as delivery options are finalised will prove difficult in practice, notwithstanding the current pressures on public sector budgets. What safeguards be put in place to ensure match funding commitments are fulfilled for the duration of the programme to ensure there is full programme implementation?

In view of the centralised delivery mechanisms proposed, SIC is concerned that there will be a lack of opportunity for smaller organisations, such as those in the voluntary sector, to engage with funding opportunities in new programmes.

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

The lack of reference in the proposals to a separate H&I's programme, or governance and delivery mechanisms for Transition funding, is giving cause for concern among H&I's stakeholders. The proposals as presented demonstrate centralisation of governance and delivery of future funds which on the face of it will limit the ability of regional and sub-regional stakeholders to play any part in how Transition funding is delivered. Further, it is difficult to see how a single Programme Monitoring Committee for Scotland can be fully representative of regional and sub-regional views.

It is suggested that the Delivery Partnerships should have representation from regional partnerships such as HIEP. Such partnerships are well placed to make meaningful contributions in identifying regional and local priorities.

Depending on the levels of responsibility being transferred to local authorities, there will be a need for additional staff resources to administer projects and a heavier legal and audit commitment. Making savings by streamlining processes at national level will only be cost-effective if these costs are not transferred to regional and local delivery mechanisms.

**Question 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?**

SIC suggests that governance and delivery arrangements are kept as streamlined and transparent as possible to ensure full engagement and participation from all stakeholders. Overly bureaucratic structures will detract attention away from actual project delivery and outputs as has been experienced with the current Leader programme. It should be clear, prior to the launch of the programmes, the activities each Thematic Fund will support to ensure complementarity and avoid potential duplications/overlap.

Rather than creating new structures, those approaches to governance and delivery which have been shown to work, should be continued and built upon where appropriate.

**Question 8 – What other delivery options do you think would be feasible for delivering youth employment initiatives?**

Many agencies support the youth employment agenda, and it would be very effective to have some flexibility to tailor delivery options to meet local needs. Too often each agency is tied in to a specific scheme and then the evaluation of outcomes vary depending on the particular agency's perspective and who they report to. One scheme won't fit all, and so it is reasonable to have provision tailored to the employability pipeline, where some people need extensive support and others very little to make the next step into employment.

Consideration needs to be given to additional barriers to youth employment in rural areas. Key among these is limited availability of jobs in rural communities and importance of transport links to enable young people to access employment opportunities. Access to training opportunities is crucial and this is dependent on availability of local learning opportunities and supported online learning opportunities. Successful youth employment initiatives in rural/island areas will require partnership working by a web a of local agencies

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

Comprehensive guidance covering eligibility criteria and audit requirements must be available at the start of programmes so that all parties understand their obligations and responsibilities in delivering funding. Delivery Partners and Delivery Agents need to understand their obligations to the European Commission and the Managing Authority.

While accepting that funds must be properly accounted for, audit requirements should be proportionate to the scale of the funds involved and the type of organisation. Based on our experience, SIC can offer the following suggestions with regard to audit and control requirements:

- These should vary depending on the organisation type. There is a significant difference in accountability for a small training body and a Local Authority for example, but no distinction is made. Where an organisation is already heavily regulated, audited and held to account by the Scottish Government, this should be taken into account, and requirements adjusted accordingly. For example, audits of payroll are particularly onerous for a local authority paying thousands of staff each month. An audit requires all paperwork relating to an individual starting from a timesheet (required to record project specific hours but not actually used by Payroll to pay the person if they are on a salary), calculation of the individual's pay (including proof of grade etc), the list showing the total of all pay made by BACs (with personal details covered for hundreds of other staff), and the bank statement showing the payment being made. Any local authority is making hundreds of payments at a time, so compiling all of this data takes a considerable amount of time.
- Audit visits should not be required to happen automatically or randomly. They should only result after issues or concerns have been identified in a desk check exercise.
- Audits should not go over previous ground as this represents a significant cost for no additional gain. It is important that staff within an organisation being audited recognise a benefit to it, and that they are not left feeling like they are providing the same information over and over again.
- During any type of audit, materiality should also be considered, so that huge amounts of time and effort are not spent reviewing items of a few pounds or pence. In addition, where a project is for a few thousand pounds, it seems absurd to undertake a full audit visit, which could take several days, unless there are very real issues and concerns about the delivery of the project.
- Where detailed explanations of items or issues have been provided to monitoring staff, every effort should be taken to update future staff carrying out an audit to ensure that the same ground is not covered again and again with the organisation.

The TA evaluation projects underway will provide a useful body of evidence on lessons learned from current programmes to help inform delivery and implementation of future structural funds. Outputs from the Highlands & Islands European Partnership Technical Assistance Lessons Learned project can be fed into this process.

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

SIC seeks clarity at an early stage on the following:

- The amount of Transition funding allocated to the H&I's;
- How the Transition funding ring-fenced for the H&I's region will be delivered, governed and administered separate from the funding regime for the rest of Scotland, and confirmation of whether there will be a separate H&I's programme as exists at present?
- Detail on which activities will be funded nationally, regionally, and locally;
- Fund integration via four separate Operational Programmes and avoiding duplication of activity;
- The relationships between Delivery Partners and Delivery Agents; and
- Proposals for delivery of EMFF funds in Scotland given the importance of the fisheries and aquaculture sector to the rural economy;

SIC re-iterates that having secured Transition status, there is a strong argument for separate programming arrangements for the H&I's. This would allow for the investment priorities set to accurately reflect the challenges and opportunities in the region.