

**CONSULTATION: EUROPEAN STRUCTURAL FUNDS 2014 – 2020 PROGRAMMES**



**RESPONDENT INFORMATION FORM**

Please note this form must be returned with your response to ensure that we handle your response appropriately.

**1. Name/Organisation**

**Organisation Name**

Highlands and Islands Enterprise

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**3. Permissions - I am responding as...**

**Individual**

**Group/Organisation**

**Please tick as appropriate**

**(a)** Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

**Please tick as appropriate**

**Yes**  **No**

**(b)** Where confidentiality is not requested, we will make your responses available to the public on the following basis

**Please tick ONE of the following boxes**

**(c)** The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your **response** to be made available?

**Please tick as appropriate**

**Yes**  **No**

Yes, make my response,  
name and address all  
available

**or**

Yes, make my response  
available, but not my name  
and address

**or**

Yes, make my response  
and name available, but  
not my address



**(d)** We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

**Please tick as appropriate**

**Yes**

**No**

## CONSULTATION RESPONSE FORM

### Q1 Are there other areas you think the Partnership Agreement should address?

As well as setting out opportunities and challenges at Scottish level, the Partnership Agreement (PA) should detail the following:

- the regional differences that exist across Scotland and the potentially different policy responses required. Mention should be made of transition region status of the Highlands & Islands and the specific opportunities and challenges to be addressed with the transition funding allocation. The recognition of regional variation is fundamental to addressing the EU objective of territorial cohesion (Art. 174 of the TFEU) and the Scottish Government's equity objective.
- the potential delivery models that may be used to deliver support. This should include reference to Integrated Territorial Investments (ITIs) and Joint Action Plans (JAPs). The Partnership Agreement should not constrain delivery options, giving the delivery partnerships maximum flexibility as they consider what / how to deliver.
- the PA should make specific mention of Scotland's approach to Smart Specialisation and how this will guide the use of Structural and Investment funds. Demonstration of a smart specialisation approach (focusing investment on regional strengths) is a conditionality for receiving ESI Funds.
- to demonstrate genuine strategic thinking, the PA should set the use of European Structural and Investment (ESI) funds in the context of wider development support, making mention of other EU funding sources – European Territorial Co-operation (ETC) and Horizon 2020 for example - and the alignment of all of these with domestic funding.

### Q2 Do you think these thematic objectives will best address Scotland's short term and long term challenges?

In broad terms, these thematic objectives align well with Scottish priorities, identifying where Scotland is best placed to contribute to EU2020 objectives and where EU funds can contribute to the delivery of the Scottish Government Economic Strategy. They should offer the necessary flexibility to address emerging opportunities and / or respond to changing economic conditions over the seven year life of the programme.

Within these broad thematic objectives, our collective success in addressing Scotland's challenges will depend on how we define the specific investment priorities within each of the themes - recognising that these priorities are likely to be different in different parts of Scotland - and how we ensure alignment, both across the three funds and with other interventions. For example, business support is likely to feature in each of the three funds. Similarly, capitalising on improved broadband connectivity has relevance in all three thematic funds. In each case, EU funded interventions must be considered within a complex landscape of activity.

An ability to support infrastructure where it is fundamental to economic development is desirable.

### **Q3 Do you think there are any other thematic objectives which should be addressed?**

Transport is frequently raised as a potential priority for ESI funds and while it is not a thematic objective for Scotland, sustainable transport investments have a significant contribution to make in delivering low carbon objectives as well as addressing social inclusion in remote and island communities.

### **Q4 Do you think the Scottish themed funds will address Scotland's key challenges?**

The three themed funds are a sensible grouping of the thematic objectives proposed for Scotland and are certainly broad enough to address key challenges. However, their success will depend on defining the investment priorities in each fund. This process should be undertaken with a number of considerations in mind:

- The nature, scale and method of interventions will need to reflect local needs and circumstances - one size will certainly not fit all. The likely result will be a mix of national, regional and locally delivered interventions, all contributing to EU, Scottish and regional objectives. The Highlands & Islands is designated as a Transition region as GDP is below 90% of the EU average. This is a recognition of the development challenges not present in the rest of Scotland – population sparsity, natural handicaps and higher costs – which must be addressed in order to realise our considerable opportunities.
- Reducing the broad themes and extensive list of possible interventions into a coherent and workable set of priority actions can only be achieved with the input of national, regional and local stakeholders who will be match funders and / or delivery bodies.
- It will be crucial to ensure that there is alignment across each of the three funds to avoid duplication and maximise outcomes
- These three funds are modest in size and cannot be expected to fully address Scotland's challenges. They can, however, make a contribution, alongside other EU funding, domestic public funding and private sector investment.

### **Q5 How do you think the governance and delivery arrangements will impact on your sector?**

The governance and delivery arrangements are clearly designed to promote integration together with a radical simplification of approach. HIE welcomes its involvement, along with other stakeholders, in shaping the content of future programmes. However, there is a danger of over simplification, resulting in a reduction in stakeholder engagement and involvement. The delivery partnerships as outlined are not representative and consideration must be given to how governance structures can represent the geographic, sectoral and thematic diversity of stakeholders, without being too large or complex to function effectively.

In particular, the proposed arrangements are concerning for the Highlands & Islands, as an all Scotland governance and delivery structure is likely to limit both stakeholder input and the ability to address the specific opportunities and challenges of the Highlands & Islands transition region.

Given the transition region status of the Highlands & Islands and the consequent ring fenced budget and need for separate financial / outcome reporting, a clearly defined governance and delivery

structure for the region should be put in place. This could be through separate Highlands & Island programmes or a specific Highlands & Islands transition region strand within Scottish Operational Programmes, possibly delivered through an ITI or SDB type arrangement. HIE is well placed to take a leadership role in this.

The role of the Partnership Agreement Monitoring Committee requires clarification. In theory, it is well placed to ensure alignment across the three thematic funds and oversee integrated use of the ESI funds. In practice, the potential remit is challenging and requires significant thought on the role, responsibilities and composition of the group. It may operate best as a strategic group, forward looking as well as reviewing progress and governance, with alternative groups assuming an Operational Management role.

At Operational level, whilst funds are combined under each of the three thematic objectives, the individual Operational Programmes will have distinct reporting, evaluation, compliance, audit and payment requirements. The delivery organisations will need to manage and account for the EU funds by programme (i.e. ERDF, ESF, etc) and oversight of this will be required. It is not clear in current proposals whether this is seen as a role for the Partnership Agreement Monitoring Committee (PAMC), Strategic Delivery Partnerships (SDP) or other group. Clarity on this is required prior to the start of programmes if delivery is to be effective.

#### **Q6 How do you think governance and delivery arrangements will impact on your organisation?**

HIE welcomes its inclusion as a delivery partner in each of the three Strategic Delivery Partnerships. - Competitiveness, Innovation & Jobs; Environment, Low Carbon & Resource Efficiency; and Social Inclusion and Local Development. We have a strong track record for effective and compliant management of ESI funds and are well placed to continue playing a lead role in the next programme.

We note that Strategic Delivery Partnerships have met prior to the end of this consultation. It is imperative that the results of the consultation are considered and adopted by the SDPs as appropriate. Furthermore, the membership of SDPs may need to change as they move from "shadow" bodies into fund delivery.

#### **Q7 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?**

HIE wishes to see a clear and distinct arrangement for the Highlands & Islands transition region, recognising the separate transition region budget (and also the proposed regionalisation of SRDP funding) and the need for separate financial and performance reporting. Such an arrangement would also ensure that H&I stakeholders play an integral role in aligning national, regional and local interventions across the region to meet agreed Scottish and EU targets.

#### **Q8 What other delivery options do you think would be feasible for delivering youth employment initiatives?**

The Highlands & Islands will not be eligible for the EU Youth Employment Initiative as it has a youth unemployment rate below the 25% threshold designated by the European Commission. However, support for youth employment is vitally important for the region to reverse the out migration of young people (there is a "missing generation" of around 19,000 people in the 15-34 age group, as

young people have moved away from the Highlands and Islands for work and education). The region now has its own university and improved access to learning at all levels combined with the creation of employment opportunities will be instrumental in attracting and retaining young people in the Highlands & Islands.

Supporting youth employment initiatives is the role of a number of different organisations. CPPs, enterprise agencies, SDS and the third sector are all involved, working with businesses, academia and individuals. An integrated approach is required to maximise effectiveness. While the third sector is likely to have a role, activities and delivery arrangements must take account of agreed priorities and existing delivery structures. We should not prejudge the role of any delivery partner prior to SDP discussions.

### **Q9 What other measures could be taken to reduce the audit and control pressures?**

Clarity and consistency of programme rules, clearly setting out the rules of engagement for all those involved in programme administration is required.

Strategic delivery organisations require clear guidance on their roles and responsibilities so they understand what financial and legal responsibility for the EU funds actually means. They will require clear agreement with Scottish Government regarding funds allocated to them (Operating Agreement) and underlying partnership agreements with delivery agents where appropriate.

Linked to the above will be clear guidance from the SG on the information to be recorded and reported on. This will enable appropriate systems to be established by lead partner organisations. Any subsequent changes in information requests can be time consuming and expensive to administer and have serious reputational issues for public sector bodies.

The use of cost models - actual costs and the use of simplified cost approaches - requires clarification. A simplified cost approach is not appropriate where dealing with a small number of beneficiaries or situations where supporting specific business situations (e.g. finance to support capital infrastructure works being carried out by third party organisations). Further clarification is also required on how cost methodologies will be approved and the timescale for doing so.

There is considerable evaluation work taking place on much of the above and this should be used to inform future programme development.

### **Q10 Do you have any further comments on the proposals?**

We welcome the proposal to establish “shadow” Strategic Delivery Partnerships (in whatever form is agreed following this consultation) to identify a relatively small number of strategic interventions that will make the most difference. However we should recognise that each theme may require a bespoke approach. For example, local development which is largely “bottom up” will include a wider range of different interventions, reflecting local circumstances.

As highlighted at various points in this response, further clarity is required in a number of areas, particularly:

- the proposed role and operation of the single PAMC

- the responsibilities, particularly in relation to financial and audit responsibility, of the strategic delivery partners
- how operational management of the programmes and funds will take place
- the funding available for the Highlands & Islands transition region within each theme. Following the UK agreement on structural funds allocation, resulting in a 5% reduction for Scotland compared with the current programme, we would expect this cut to be applied proportionally across the whole of Scotland.
- the management and reporting of the the specific Highlands & Islands transition allocation