

CONSULTATION RESPONSE FORM

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

The European Commission does not appear to have taken much cognisance of the situation of islands, despite the provisions in the Partnership Agreement agreed by COREPER in December 2012:

“The Partnership Agreement shall also indicate:

“ an integrated approach to territorial development supported by the CSF Funds or a summary of the integrated approaches to territorial development based on the content of the programmes, setting out:**where appropriate, an integrated approach, to address demographic challenges of regions or specific needs of geographical areas which suffer by severe and permanent natural or demographic handicaps, as defined in Article 174 of the Treaty.**”

It is vital therefore that the Scottish Partnership Agreement has an islands dimension, with a clear policy commitment to support islands and peripheral areas so that future EU programmes are able to address the unique social and economic challenges facing islands and the peripheral areas. Comhairle nan Eilean Siar has

lobbied consistently for differentiated aid regimes and intervention rates on the basis of geographic and permanent handicap, in most cases, to maintain or retain a degree of competitiveness at regional, national and international levels, in terms of access to markets, goods, services and facilities, and the cost of goods, services and facilities.

The Partnership Agreement needs to be sufficiently flexible and broad to allow future EU programmes to meet not only Scottish priorities, but to also recognise and address regional and sub-regional disparities. Future programmes should have the capacity to target aid in these geographical areas which are most disadvantaged.

Since it has now been established that the Highlands and Islands is one of the Transition areas, it is suggested that the Partnership Agreement should detail how this status might impact on future programmes in the region – in terms of funding, delivery and reporting. The overwhelming view of the Comhairle and its partners in the Highlands and Islands, which is well documented, is that there should be a separate EU programme for the region. That approach has worked well in the past.

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

The Comhairle understands and acknowledges the principle of alignment of priorities and strategies at EU, UK and Scottish Government level as the basis for allocating EU funds to meet EU 2020 goals. While there is broad agreement with the themes, there needs to be a sufficient degree of flexibility within these parameters to allow EU funds to be used to address not only Scottish priorities, but also its regional and sub-regional priorities and challenges.

Comhairle nan Eilean Siar and its partners view Renewable Energy and the Low Carbon Economy as a transformational driver in terms of the medium term socio-economic prospects of the Outer Hebrides. However, the development of the sector is very much reliant on third parties. Currently, the island electricity Grid is at capacity with no provision for the export of electricity generated from Renewable Energy sources. 22MW of community generation, in the form of onshore wind and hydro schemes (typically in the 500kW to 3MW generation range), can currently connect to the island Distribution network through a Derogation issued by OFGEM. Under this Derogation, Renewable Energy generators in Skye and the Scottish Highlands are paid significant ‘Constraint Costs’ by OFGEM in order to switch off their plant to allow island generators on to the network. This arrangement is clearly in no-one’s interests and Grid upgrade for the Outer Hebrides is now essential.

Set against this is the inability to export electricity generated from Renewable Energy sources in one of the best wind and wave resources in Europe. It is estimated that 1GW of Onshore Wind and 4.3GW of Wave Energy, not to mention several Gigawatts of Floating Deep Water Offshore Wind, can be generated in and around the Outer Hebrides but, with no route to market, there will be no generation of scale before 2018.

There is some concern and doubt therefore about the potential benefit to the Outer Hebrides’ renewables sector if the enabling infrastructure is not in place and not

likely to be in place for the best part of future EU programmes 2014-2020.

However, this could be offset to some extent if the EU programmes were able to assist and facilitate what might be termed foundation or preparatory developments which would put the region in an advantageous place should the major capital investment arise. The key point is that a thriving national renewables industry is of little consequence to the Outer Hebrides, one of the most attractive regions in Scotland in terms of natural resource, it is unable to contribute or benefit.

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

Following on directly from the previous section, the Comhairle accepts that the level of European Structural Funds 2014 – 2020 available to the Outer Hebrides will be insufficient to contribute meaningfully to the £750m cost of the proposed Radial Connector. However, European Structural Fund support will be critical to the success of fabrication, research and supply chain initiatives. In particular, the Comhairle feels that European Structural Funds could be effectively applied to the following areas in order to support the emergence of a transformative Renewable Energy industry in the Outer Hebrides. Although the first commercial generation in the Outer Hebrides will not take place until 2018, it will be important to have the following investments in place over the period 2014 to 2017:

- Support for the development of Arnish Fabrication Facility and the adjacent Arnish Business Park in order to retain competitiveness in the areas of fabrication and related support industries;
- Support for Lews Castle College (University of the Highlands & Islands) in its efforts to map the wave resource and Marine Energy impacts around the Outer Hebrides;
- Support for private Renewable Energy and Energy Efficiency research operations like Greenspace Live;
- Support for community acquisition of Renewable Energy generation and the related costs of establishing an Outer Hebrides Energy Supply Company to generate and retail locally generated Renewable electricity to the local market (this will have to be in place well before first commercial generation in 2018);
- Support for a new, custom built harbour facility on the West side of Lewis, designed to meet the deployment, operation and maintenance requirements of all Offshore Wind and Marine Energy developers; and,
- Support for off-Grid Renewable Energy solutions at community level such as District Heat, Battery Storage, Hydrogen storage etc.

The Comhairle would also wish to see infrastructure and sustainable transport retained as an eligible activity and would argue that all infrastructure is directly related to economic activity, especially on islands and the periphery. One of the main priorities contained in the Highlands and Islands Regional Plan 2020 is Improved Connectivity – transport and communications, which was agreed by the Highlands and Islands European Partnership Board.

Obviously, the above projects are very specific to the Outer Hebrides but at this juncture the Comhairle seeks assurances that these types of developments could be assisted, resources permitting, in advance of the main infrastructural works.

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

The proposed Scottish Themed Funds should assist in addressing Scotland’s key challenges; their effectiveness operationally over the duration of the programmes will depend on what is being delivered nationally and by whom, and more importantly, what impact they might have across the country. While funds need to be targeted at areas or sectors where there is greatest need, the Comhairle would be wary of assistance being allocated disproportionately on the basis of population, thus favouring the major population centres. The function of Cohesion Policy is to reduce social and economic disparities between and within regions throughout the EU.

The Comhairle has concerns about the emphasis on themes without full cognisance of local circumstances, with the potential effect that the ring fencing of a particular sector or sphere of operation may not be especially helpful to geographical areas which are not well placed to take advantage of these developments or funding.

A key concern for the Comhairle is whether the themed funds will help to address the Outer Hebrides’ main social and economic challenges. From current proposals, it appears that some funds will be delivered nationally, and some regionally and sub-regionally. While further work is necessary in terms of finalising the precise arrangements, the Comhairle would propose that a significant proportion of the funds, across the four Funds, be capable of being delivered regionally and sub-regionally, whether directly or indirectly.

The Comhairle welcomes the inclusion of Local Development and would hope that it permits and affords a high level of autonomy in terms of setting and addressing local priorities and challenges, support for target sectors with the greatest potential in terms of jobs and growth, and a high degree of local decision making.

One of the main priorities contained in the Highlands and Islands Draft Regional Plan 2020 is Improved Connectivity – transport and communications. While there is adequate mention and inclusion of digital infrastructure in current proposals, the Comhairle would reiterate that infrastructure and sustainable transport remain a priority for these islands.

In terms of reconciling national and regional objectives and challenges, SOAs might prove a useful frame of reference as a starting point.

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

Under these proposals, it would appear that there would not be a separate programme for the Highlands and Islands although it would clearly have a ring fenced priority and budget, to reflect its Transition status. The possibility that the Highlands and Islands might not have a separate programme from the rest of Scotland is both surprising and disappointing at this relatively late stage, especially in light of consistent representations, past and current, from the Highlands and Islands European Partnership and CoSLA at regional, Scottish, UK and EU levels, and the securing of Transition status. There is overwhelming support in the Highlands and Islands for a separate programme.

If there is no separate programme, it is likely to impact adversely on the Highlands and Islands **across all sectors in terms of the influence regional stakeholders will have in terms of programme governance, content and delivery. Such an approach would not encourage buy-in and ownership and may miss the mark in terms of addressing regional and sub-regional priorities and challenges.**

However, the Comhairle welcomes the proposal which identifies local authorities as lead partners in the proposed Delivery Partnerships across the four Funds, although it should be borne in mind that at a time at which public sector budgets are constrained, the issue of 'up front' match funding may well prove problematic for the Comhairle as with other authorities, not through a lack of political will but through a lack of sufficient resources in light of statutory duties, obligations and other pressures.

While there is obviously a fair degree of detail to be worked out as to how Development Partnerships might operate, there needs to be a clearer steer to prospective partners in terms of roles and responsibilities, obligations and liabilities, and likely resources.

If the larger public sector bodies and agencies are likely to struggle in this respect, the situation is likely to be even more challenging for the Delivery Agents, and while they may be an aspiration to assume delegated powers to deliver at the grassroots and community level, there may, again, be problems of resources and match funding for respective Delivery Agents.

In the current economic climate, the availability or otherwise of match funding could make or break the programmes over the period 2014-2020. This is an area that bears further attention and dialogue between Scottish Government and stakeholders.

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

The Comhairle has concerns about a single Programme Monitoring Committee (PMC) for the four Funds, Scotland-wide, as it could lead to a diminution in Islands' representation, certainly in comparison with past programmes where the Outer Hebrides was represented by the Comhairle and other local agencies on Advisory Groups and the PMC. While there is little detail about the specifics of representation, the Comhairle would seek assurances of comprehensive representation to ensure that all regional views are taken into account, and particularly the islands perspective, whether at Member or officer level, or both.

The potential loss of adequate local representation and stakeholder involvement has been exacerbated in the last year by the loss to the region of its Intermediary Administrative Body – the Highlands and Islands Partnership Programme, based in Inverness, which served as a 'critical friend' to the region for the best part of twenty years. It will be a hard act to follow in terms of its supportive although very objective role over successive EU programmes.

Generally, the new proposals raise concerns as to how Highlands and Islands stakeholders can have any significant influence in decision making under the current governance arrangements. While the Comhairle welcomes the proposed involvement of local authorities in Delivery Partnerships, across all four Funds, the Comhairle recognises that there is still some negotiation ongoing as to what elements of the programme might be delivered nationally, regionally and sub-regionally, including the financial commitment required from individual Partners. However, in the Outer Hebrides, the Comhairle is better placed than most to be a lead partner across the four Funds, certainly in terms of track record and experience of EU funding.

The Comhairle has in the past doubted the 'trickle down' benefits at the sub-regional level from SDB delivered programmes and the current assessment undertaken by Scottish Government of past programme performance, in parallel with other independent assessments, might bear that out. Furthermore, a national body may not necessarily be best placed to deliver programmes at the sub-regional level unless there is active dialogue and partnership with local partners and a commitment to decentralise.

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?

Clearly, the Scottish Government favours four Operational Programmes for each Fund Scotland-wide. Historically, the Comhairle would argue that centrally driven and nationally run Programmes have fared less well than more decentralised regional and sub-regional programmes with local autonomy and decision making – compare, for example, the last SRDP and LEADER in terms of take-up and approvals. Similarly, certain EFF programmes have had lengthy lead-in and decision making times resulting in low take-up and under-spends.

The Comhairle, therefore, would not be in favour of national programmes run from the centre unless there was an assurance and a commitment to decentralise across the four Funds, wherever possible.

The Comhairle would support in principle the use of Delivery Partners and Delivery Agents although the effectiveness of their involvement could be determined ultimately by their experience and available resources. Match funding is going to be a key issue in the success or otherwise of EU programmes 2014-2020, and with public funding constraints, it will be more difficult to secure commitment.

Simplification of delivery and integration of EU funding are to be welcomed.

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

The Comhairle would suggest an initiative supporting employers in SMEs and the Public Sector which would provide financial support in employing Young People (16 – 24) in the first year of their employment.

In addition, the Comhairle would be keen to establish a local initiative to stem outward migration of young people i.e. a Supported Student Placement Scheme and a Graduate Placement Programme in as wide a vocational sector as possible with placements specific to employers in the Outer Hebrides only.

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

While it may seem simplistic, it is absolutely necessary from the outset to establish a clear set of eligibility criteria and comprehensive guidance as to operational matters and audit requirements, so that all parties are clear as to their obligations – the Commission, the Managing Authority, Delivery Partners and Delivery Agents.

There needs to be clarity and a consistency of approach and a commitment not to change rules and regulations mid-programme. There also needs to be a degree of proportionality; successive LEADER programmes which have been an undoubted success in the Outer Hebrides since 1992 now have a disproportionate audit burden in comparison with the scale and expenditure of community-led projects. This is the case Highlands and Islands-wide and can only serve to discourage bottom-up integrated rural development, which was and is its principal aim.

Ultimately, all that recipients of EU funding should need and be able to provide is tangible evidence of having spent the EU funds on the activity or project for which the application for EU funds was made, that it was an eligible activity under the auspices of that particular programme and that the outcomes of the activity or project were achieved.

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

The Comhairle acknowledges that these are still consultation proposals but would seek confirmation or clarification on a number of issues:

- (i) confirmation as to whether there will be a separate EU programme for the Highlands and Islands, reflecting the prevailing view of the region's stakeholders;
- (ii) the levels of funding which will be ring fenced, under which priorities;
- (iii) the elements of the programme which will be delivered nationally and regionally and how these funds may be delivered;
- (iv) whether there is sufficient flexibility to meet the specific challenges and social and economic disparities at sub-regional level, particularly on islands and the periphery;
- (v) how integration of funds will work in terms of projects while avoiding duplication of EU funds;
- (vi) the likely composition of or representation on a single Programme Monitoring Committee for Scotland (should that be the case); and,
- (vii) the role and responsibilities of Delivery Partnerships and Delivery Agents, and more importantly, their expected 'up-front' resources and future obligations