

CONSULTATION RESPONSE FORM

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

The information made available in the consultation document is extremely limited; however the Orkney Island Council (OIC) is supportive of the Partnership Agreement setting out the 'specific challenges and opportunities in Scotland which might not apply in the rest of the UK'. The OIC suggest within this section recognition should be given to the island areas of Scotland which face additional development challenges but which can also contribute significantly to achieving the targets set by Scottish Government and the EU.

The OIC requests that as per Article 174 of the Lisbon Treaty, the Scottish Chapter of the UK Partnership Agreement should expand on how the Scottish Government aims to reduce disparities between the levels of development in those regions such as Orkney which suffer from severe and permanent natural handicaps and those more developed areas of Scotland.

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

The OIC are supportive of the thematic objectives and peripheral areas such as Orkney have a lot to offer in sectors such as food and drink and renewables, however there must be recognition that addressing the thematic objectives in the remote island areas of the Highlands and Islands will be more costly to deliver than in central Scotland. Orkney's economy is currently facing many challenges, these include well known companies such as Orkney Meat and Orkney Herring ceasing to trade and Orkney in administration. Orkney's agricultural sector also faces a very uncertain future with the CAP reform. As many of the long term challenges of peripherality and insularity which impact on business profitability due to factors such as distances to market, lack of economies of scale, small local markets etc are distinct to the Highlands and Islands the Scottish Government should include a Highlands and Islands Chapter within the Scottish Chapter, which would address the specific challenges of the Highlands and Islands economy through a separate Operational Programme for the Highlands and Islands.

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

Due to the importance of transport to our area the OIC was encouraged to see sustainable transport listed as a thematic objective in the first version of the consultation document and was very concerned that this has now changed to Scottish Government will not be supporting sustainable transport.

The OIC would like to see the inclusion of sustainable transport in the list of priorities. Within an archipelago of 15 inhabited islands the importance of lifeline ferry links and the associated harbour infrastructure cannot be overstated. The OIC therefore wishes to promote sustainable transport from the role transport can play in:

- encouraging economic development in remote, peripheral and geographically challenged regions such as the Highlands & Islands
- driving resource efficiency by developing transport links that are comparatively energy efficient
- tackling social inclusion and accessibility to employment, vocational training and services

Whilst not a separate thematic priority, the OIC wishes to see infrastructure remain an eligible activity where it is directly related to economic activity (economic infrastructure)

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

The OIC is encouraged to note that the ESF and ERDF Programmes will ‘clearly set out funding allocations for the Highlands and Islands transition region’. As the designation of the Highlands and Islands as a transitional region played a key role in securing Scotland additional funds beyond those which Scotland would have received as a result of the formula included in the Multi Annual Financial Framework (MFF) settlement, the OIC requests that the Highlands and Islands receives our fair share of the additional funds ie that the Highlands and Islands will not be subject to a greater percentage cut than 5% of the 2007 to 2013 levels.

As detailed above the key challenges of the Highlands and Islands are distinctive to the Highlands and Islands and the OIC would encourage the Scottish Government to work closely with the regional stakeholders, who have a long history of successfully delivering EU Structural Funds in the area, to address these key challenges.

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

The delivery structure at page 15 clearly identifies local government as a potential lead partner in the proposed Delivery Partnerships. This is welcomed by the OIC; however much remains to be clarified concerning Delivery Partnerships and as such the impact on local government remains unclear.

The expectation that local government identify match funding in advance may cause issues for long term planning and provision of project funding. In assessing the potential availability of this source of match funding the OIC will engage with the Scottish Government via the proposal for Shadow Delivery Partnerships.

The OIC 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 pro-active engagement of local government in the future delivery of ESI programmes as it introduces a considerable degree of uncertainty and risk. This uncertainty could be allayed and managed by inclusive negotiation with stakeholders on the drafting of the National Rules which govern the delivery of EU regional programmes. The approval of the National Rules by the European Commission prior to programme launch with a commitment to no change could deliver conditions whereby local government could commit to assuming certain legal and financial responsibilities for the delivery of delegated funds from the ESI programmes.

These matters need to be further explored and again the proposed shadow Delivery Partnerships would be a vehicle for this debate.

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

The OIC is supportive of engaging with the Scottish Government to deliver projects which address the thematic objectives of the Scottish Chapter and as the smallest Local Authority area makes a plea that funds are not allocated to Local Authority areas based on criteria such as landmass and population (previously used for LEADER allocations) which do not take in to consideration the specific difficulties/challenges of meeting targets in peripheral island areas. The OIC requests that sufficient funds are available to deliver projects of scale within our islands and also that there isn’t a repeat of the scenario such as the current EFF Axis 4 allocation whereby Orkney’s allocation did not justify the additional bureaucracy of delivery or when the Community facilities Measures were transferred to LEADER and Orkney received £200,000 which was only sufficient to assist small scale community infrastructure

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?

The following have been identified and are currently the subject of debate in the Highlands & Islands Technical Assistance Lessons Learned project:

- a fully developed, tested and operational IT system (i.e. Eurosyst) to be in place prior to the launch of operational programme;
- operational programme and project guidance to be tested and in place prior to the launch of operational programmes;
- National Rules (for all ESI programmes) to be developed, road tested and approved by the European Commission prior to programme launch;
- Following the approval process of the National Rules above by the Commission these to be used to determine for the lifetime of the ESI programmes the monitoring, evaluation and audit requirements;
- 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?

With regards youth employment initiatives the OIC has concerns that criteria such as the unemployment rate of the area will be used to allocate funds. Orkney's low unemployment rate masks the issue of young people leaving the islands for education and not returning due to the lack of employment opportunities. Delivery of youth employment initiatives need to be tailored to the local circumstances.

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

Logic, risk analysis and joined up working within the Scottish Government could significantly reduce the audit and control pressures within the successful applicants' organisations and could result in significant staff time and T&S savings for the Scottish Government. For instance the OIC had one ERDF project in the current Programme which only involved payment of one invoice to the same contractor every month. For each quarterly claim a desk check request asked for evidence of payment of one of these invoices through the OIC's system and in addition the project was subject to 60b and 62 1 (b) audits. At a cost of approx £400 return for each flight for 3 people from Edinburgh plus overnight accommodation for 3 nights, a significant saving could have been made if those carrying out the 62 1 (b) audits had liaised with their colleagues to ascertain if an audit visit was necessary for this project.

The OIC has also been informed that we are to have a 62 1 (b) audit in 2013 for a project which also had a 62 1 (b) audit in 2012, despite no significant issues being raised in 2012. Once again this project only involves 2 payments being made per month to the contractor and professional fees. If the procurement and payment processes were correct for the project in the first audit then there is little logic in the Scottish Government travelling to Kirkwall to audit the same project in the following year.

A systems check of the OIC's procurement and payments systems would be sufficient to ascertain if our procedures were robust enough for ERDF purposes and this would result in significant savings for the Scottish Government, freeing up time to audit those organisations which may have complicated ERDF/ESF projects and less experience of delivering them.

The OIC is concerned that there is an assumption in the consultation document that only large organisations have experience and resources to manage complex funding systems. The OIC has successfully managed EU funds since the late 1980s and looks forward to working with the Scottish Government to deliver worthwhile projects with EU funding in the future.

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

The consultation paper raises many questions which require further exploration with the Scottish Government and the OIC looks forward to discussing these via the proposed shadow Delivery Partnerships.

These include:

- the precise scope of eligible activities proposed for the three Scottish Thematic Funds;
- how EU Fund integration and integration of activity will be delivered;
- how duplication of funding activity will be avoided;
- 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;
- 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;
- the scope for differing delivery models within the Delivery Partnership/Agent relationship; and
- how regional differences in development opportunities, delivery models and mechanisms can be accommodated.