

FINANCE AND CONSTITUTION COMMITTEE

FUNDING OF EU STRUCTURAL FUND PRIORITIES IN SCOTLAND, POST-BREXIT

SUBMISSION FROM ORKNEY ISLANDS COUNCIL

The Orkney Islands Council has engaged with the Structural Funds since the late 1980s and Orkney has been part of

the Highlands and Islands Objective 1 Programme 1994-1999 - £242M

Highlands and Islands Special Transitional Programme 2000-2006 - £230M

Highlands and Islands Convergence programme 2007 to 2013 - £150M

Scotland Programme of which H&I had Transitional Status 2014 to 2020 - £165M

In addition, Orkney has also benefited from the LEADER Programme for many years – current allocation to Orkney is £2.5M for 2014 to 2020 Programme through the Scottish Rural Development Programme.

The investment from the European Structural Funds have been significant and transformational in contributing to economic and community development across the whole Orkney.

Projects funded include the introduction of Ro-Ro to the North and South Isles, (including contributions to the piers and ferries), Lyness, Hatston and Copland's Dock Pier Infrastructure, Orkney College, Pickaquoy Centre, Orkney Theatre, Hatston Industrial Estate, Pier Arts Centre, Skara Brae Visitor Centre, Orkney Auction Mart, Orkney Cheese Factory, Orkney Salmon and Orkney Herring Factories along with Orkney Meat Facility to name a few.

The Orkney Islands Council, in common with other Local Authorities in the Highlands and Islands, has not benefited to anything like the same degree from the 2014 to 2020 Programme as previous programmes and are having to act as Lead partners for projects delivered by the Third Sector, taking on financial and legal responsibility for these projects which is problematic.

Delivery is very bureaucratic, audit intensive and driven by the IT system.

Please see below for our response to specific questions

Core approach

1. How should Scotland's share of post-Brexit structural funding be determined? (for example, should it be on measures such as GDP, needs-based, via the Barnett formula; match funding or based on competition?)

The Orkney Islands Council would urge that GDP is not the sole statistical measurement used, but also those relating to insularity, peripherality and rurality are taken in to consideration. The Orkney Islands Council would also like to suggest that the Island Proofing guidelines are taken in to consideration when referring to statistical measurements. For example, it is a matter of fact that Orkney has a very low unemployment rate. However, this masks the fact that much of the employment is relatively low paid and involves people in multiple employment. Orkney also ranks highest fuel poverty risk in the country and the lowest digital connectivity, so it is critical to ensure that a one size fits all approach is not applied to defining need.

2. Should the existing structural funding priorities be retained for any new funding approach post-Brexit or are there other national or regional outcomes, strategies or plans to which future funding should align instead?

The Orkney Islands Council is supportive of the priority of territorial cohesion being retained as the priority for any new funding approach. We would expect any new funding stream to address economic disparities and improve regional competitiveness.

Orkney faces many difficulties in common with other remote and rural communities, including distance from markets, small internal economy, an ageing population, under-employment, low wages, a high cost of living, limited affordable housing, fuel poverty and access to essential services. Islands do however have unique challenges as when the last boat or plane leaves for the day the island community must be self-reliant, whether that may be in the provision of groceries/ fuel, island health care or local leisure activities.

The Orkney archipelago is not linear, unlike the basic geographical structure of both Shetland and the Western Isles, with a cluster of islands centred around the Orkney mainland. This can result in triple insularity for some island residents, for example those on the island of Papa Westray wishing to trade with the Scottish mainland have first to transport their goods to the island of Westray, then to the Orkney mainland for final onward journey to the Scottish Mainland, incurring all the additional costs associated with three boat journeys. There are also differences in the logistical challenges between Island groups with Orkney dependant on lifeline linkage across the Pentland Firth and through Highland region along the A9, whilst Shetland routes through Aberdeen.

However, in addition to our disadvantages Orkney has a unique opportunity to position itself as a location for innovation and the application of experimental thinking in sustainable development in an island context. We would like our economy to offer a broad range of employment opportunities in all localities.

As an area of permanent geographical handicap Orkney requires additional support to participate in a level playing field with the rest of Scotland, the UK and the EU ie territorial cohesion.

3. In terms of the proposal for a UK Shared Prosperity Fund - where should the responsibility for any decisions about funding levels and allocation be taken (for example UK Government, Scottish Government, Local Government or local stakeholders) and what level of autonomy should they have in deciding how funding is allocated?

The Orkney Islands Council would prefer a return to a system more akin to how the Structural Funds were delivered prior to the 2014 to 2020 Programme, when the Highlands and Islands had their own plan, worked up with the input of the key stakeholders in the area, focusing on the priorities and opportunities of the Highlands and Islands, with an associated budget for the area. We would welcome discussion on which geographical area would be the preferred option i.e. a future Highlands and Island plan or a regional economic collaboration with the three islands councils

4. To what extent should the current system of allocating funding to strategic interventions across Scotland through lead partners etc be retained or changed by any post-Brexit funding approach and why?

The two-tier system of Strategic Interventions and Operations has not worked in practice with significant delays experienced in approval and therefore delivery. There are no obvious additional benefits of this two-tier system.

Programmes prior to 2014 to 2020, which were delivered by the Highlands and Islands Partnership Programme Executive in partnership with local Stakeholders in the Highlands and Islands, focused on relevant priorities for the area and were able to spend the Programme's funds in the area, which is not the case for the current Programme, with significant funds being returned to Brussels.

Barriers to funding projects

5. What barriers limit strategic intervention funds being committed to individual projects under the current programmes and to what extent should any new structural funding approach address these barriers?

Funds from the 2014 to 2020 Programme are delivered via 11 Strategic Interventions (SIs), which are based on EU/ Scottish Government priorities and have no territorial dimension. The spending priorities of the SIs does not take in to consideration the different needs and opportunities of peripheral island areas. The high number of SIs delivered by numerous different bodies, including many Scottish Government departments, has caused confusion with different bidding rounds, different timescales and different criteria for funding. Minimum population thresholds and match funding levels have also acted as barriers.

Decisions on SIs and Operational Bids are taken by a panel comprising Scottish Government officials, who may not be familiar with the unique characteristics of the Highlands and Islands.

As advised above there should be a move away from pan Scotland delivery mechanism with funding priorities set by stakeholders in the Highlands and Islands with funding approved by local stakeholders in a similar manner to the previous Programme Management structure.

6. To what extent should any rules relating to post-Brexit structural funding enable a flexible approach to the range of local projects that can be supported or should the rules focus on funding specific outcomes or purposes (such as through ring fencing)?

We are very supportive of a flexible approach. As it is not possible to predict the need for specific projects years in advance the Council requests a flexible approach. An example of this can be evidenced in the Highlands and Islands ERDF and ESF Operational Programmes for 2007 to 2013 which had three Priorities for ERDF and three for ESF which were able to encompass a wide variety of types of projects.

7. Are there examples of current structural fund priorities being more effectively supported by other funds (or core funding) such that they should not form part of any post-Brexit structural funding approach?

The landscape for support for employability has become very crowded which has led to confusion over which funding stream is most beneficial.

In the current 2014 to 2020 Programme Structural funds have moved from funding large scale infrastructure projects to more revenue- based support. Previous investment in capital projects such as ferries, harbours, Kirkwall airport terminal, College facilities and community facilities such as the Pickaquoy centre, the Pier Arts Centre, the Skara Brae Visitor Centre and the Orkney Theatre have left a lasting legacy. An ability to also fund large scale infrastructure, which often addresses market failure, would be preferable.

Administration

8. What changes to the current monitoring, evaluation and compliance activities would reduce administrative complexity for any future structural funds approach while maintaining sufficient transparency?

The Orkney Islands Council suggests using existing structures with more proportionate audit requirements, relying instead on existing Local Government systems and accountability. With regards Community projects the system shouldn't start from the premise the applicant is untrustworthy, with any process taking in to consideration the level of funds awarded.

The Orkney Islands Council does not wish a repeat of the current system whereby in Scotland the Local Authorities have found themselves in the role of intermediate body, taking on the financial and legal responsibilities for applications from the 3rd sector. With diminishing resources Local Authorities should play a part in setting the overall priorities for their area, only having responsibility for delivery of their own projects.

Impacts and outcomes should be proportionate and relevant. For example, a project which creates 4 jobs in a small island area could assist in sustaining the island's school, shop, transport system and have a major impact on the area, where a project creating 4 jobs in a large urban area would have minimum impact.

9. Should the system for making claims change for any future funding approach?

Yes, the current milestone system is too complex and not intuitive with no obvious benefit of claiming in this manner. A return to cost headings as in the previous Eurosys system would be preferable.