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APPG on Post-Brexit Funding	Date:	13 September 2018

**Submitted by E-mail – 12th September 2018**

**The All-Party Parliamentary Group (APPG) on Post-Brexit Funding for Nations, Regions and Local Areas**

Dear Mr Kinnock

The University of the Highlands and Islands welcomes the opportunity to contribute views on Post-Brexit funding to your All-Party Parliamentary Group. Our response to the specific questions raised is the same as the submission from the Highlands and Islands European Partnership<sup>1</sup>, which has been copied here as an Annex for your convenience. However, we would also add here some observations which are specific to our organisation.

Over the past three decades the Highlands and Islands has benefited significantly from access to funding through EU Territorial Cohesion policy, recognising regional disparities which have historically contributed to low economic performance and GDP figures.

The major investment of EU regional funding through the Objective 1 Programme from 1994-99 led to significant economic growth in the region, albeit the geographic and territorial challenges of rurality, peripherality and sparsity of population remain.

One of the major successes of the Objective 1 Programme, and successive Transition Programmes up to the current day, has been support for the establishment of the University of the Highlands and Islands (UHI) – the region's first and only higher education institution based in the Highlands and Islands.

EU Structural Funds have levered in about £250m to the new university since the 1990s, investing in estates and IT infrastructure, research capacity, curriculum development, wider access and additional student places across the entire region, including the more remote and island communities. This investment was based on the economic impact of creating a new university in the region – and the distinct nature of the UHI model, reaching into communities across the Highlands and Islands, with transition across further and higher education. It was a major contributory factor in the achievement of university title in 2011.

Such a coordinated approach for the use of ERDF and ESF funding allowed us to increase the amount of funding levered into the organisation – and to use it in more creative ways.

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<sup>1</sup> The Highlands and Islands European Partnership (HIEP) has a membership of:

Argyll & Bute Council	Comhairle nan Eilean Siar
Moray Council	North Ayrshire Council
Orkney Islands Council	Shetland Islands Council
The Highland Council	Highlands & Islands Enterprise
University of the Highlands & Islands	

Through this approach, we built up a reputation for delivery of quality, strategic projects, compliant with EU regulations and aligned with EU Territorial Cohesion Policy.

A further major strength of Structural Funds in the Highlands and Islands has been the ability of key regional stakeholders (predominantly the UHI network, Highlands and Islands Enterprise, local authorities, Scottish Natural Heritage, voluntary sector, etc) to work in partnership, actively participating in the entire cycle – from the development of new programmes, selection of priorities, project appraisal, delivery, monitoring and evaluation.

Combined, these activities and their delivery mechanisms have evolved to support the very specific needs of our region. If the UK Shared Prosperity Fund (UKSPF) is to replace EU Structural Funds, which currently address regional disparities, the delivery mechanisms as well as the funding levels must take account of the specificities of different regions – what works well in a large, urban centre will not necessarily work in a remote island community; nor will the regional policy objectives and structures for delivery work in the same way..

For example, although EU Structural Funds have been used in our region to support critical research and innovation activities, they have also been used extensively to increase learning and teaching infrastructure (estates and IT), access to higher education, development and delivery of additional online curriculum provision. This was in response to the specific development needs of the region and is distinct from Structural Funds engagement by the higher education sector in many other regions in the UK.

Whatever mechanism is introduced, we are concerned that the recognition of regional disparities, which lay at the heart of enhanced funding allocations for the Highlands and Islands, will not feature to the same extent – but our region will still be peripheral, sparsely populated, with mountain and island challenges post Brexit!

We hope that the above will be taken into consideration in your investigation. Please do not hesitate to contact me if further detail would be helpful.

Yours sincerely



Linda Stewart  
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University of the Highlands and Islands

## **ANNEX RESPONSE FROM THE HIGHLANDS AND ISLANDS EUROPEAN PARTNERSHIP**

### **Overall budget**

1. What would be an appropriate annual budget for the new UK Shared Prosperity Fund?

The current allocation of EU funds to the devolved administrations should be the baseline for determining future funding levels under the UKSPF as the challenges faced by the Highlands & Islands still exist and any reduction in funding would not be appropriate. We would also look for a reassurance that the UKSPF will replace EU funding comprising ERDF, ESF, EMFF and Rural Development Funding to include LEADER.

2. Should there be a multi-annual financial allocation, and if so why and for how long?

Multi-annual allocations are seen as beneficial in that they give stability and enable longer-term strategic planning of investments. The current 7-year funding period for EU funds, which are not influenced by electoral cycles and potential changing political priorities, seems to work well in this regard and we would propose that this approach is continued. However there does need to be some flexibility to adapt to changing economic and regional circumstances.

3. Would it be appropriate to roll in other budget lines (e.g. the Local Growth Fund in England) into the UK Shared Prosperity Fund?

At the outset, the parameters of the Fund need to be clearly defined. The UKSPF cannot be centrally-driven with a one-size-fits-all agenda. It must recognise regional disparity within the devolved areas that allows regional and local stakeholders to influence and design the most appropriate model. Regional competitiveness and inclusion aligned with other complementary funding programmes needs to be part of the equation.

Whilst there is a concern that merging other budget lines runs the risk that focus is compromised and strategic approach is undermined, any reduction in the complexity and audit burden is welcomed.

There also needs to be clear delineation between regional and national programmes to ensure no cross-over or over-provision between the schemes to ensure clarity on who the target audience is.

### **Allocation across the country**

4. How should the UK Shared Prosperity Fund be divided up between the four nations of the UK?

It would be expected that Scotland's share of the Fund should not be reduced from what it currently receives since economic circumstances have not significantly altered.

As the UKSPF will replace EU Cohesion Policy funding in the UK, which currently addresses regional economic disparities, the focus should be on the regions with the greatest challenges. On this basis it is recognised that not all regions will benefit to the same degree

but allocated resources need to be commensurate with the scale of challenge and opportunity.

HIEP would also see post Brexit funding as an opportunity to consider more sophisticated selection criteria beyond GDP per capita to include population sparsity, peripherality, insularity, economic concentration, remoteness, fragility and rurality. Clear and objective criteria are required, considering spatial scale and definition of selected regions. Reliance only on a single measure to demonstrate need should be avoided as this can easily mask variations across a region. This is particularly the case with rural areas which commonly experience disadvantage when measures, more appropriate to urban areas, are used. Future regional policy needs to empower the region to enable it to contribute to Scottish and UK economic growth while recognising the permanent and long term challenges faced.

5. Would rolling forward the existing shares going to England, Scotland, Wales and Northern Ireland be a sensible way forward?

It is expected that Scotland's share of the Fund, over and above the monies due via the Barnett formula, should not be reduced from what it currently receives since economic circumstances, and the scale and longevity of challenges experienced have not significantly altered. This is certainly the situation in the Highlands and Islands of Scotland. However, there is merit in rolling forward existing shares in the short term to avoid shocks in areas faced with significant changes.

If it became clear later in the funding period that funds aren't being spent or additional funds are required allocations could be revisited.

6. Should the allocations within the devolved nations be an entirely devolved matter?

Devolved fund delivery needs to be built around a partnership model of regional and local stakeholders. Previous successes have been delivered with stakeholder involvement in programme development, delivery and evaluation. Partnership working will ensure that regional challenges are addressed and opportunities are maximised to bring about a shared prosperity, all contributing to regional and national economic growth.

A centralised one size fits all policy does not suit the needs of the Highlands & Islands. Regional policy has been most successful when it has secured the concerted and co-ordinated efforts from a wide range of national and regional stakeholders, driven by the involvement of local partners in development, delivery and evaluation. It follows therefore that devolved fund allocation and delivery should be built around national/regional partnerships.

7. In England, should the funding to local areas be allocated by an appropriate formula, and if so what are the best statistical measures?

HIEP have no comment to make on this other than to re-emphasise that that GDP should not be the sole statistical measurement used as per our answer at question 4.

8. Is there any role for competitive bidding between areas for funding?

There is a difference between ensuring a region has the required resources to enable it to contribute to and share in the nation's prosperity, and ensuring that the best transformational projects come through and secure funding. Allocations need to be based on challenges faced and opportunities presented and available over the longer term to ensure that the required strategic planning and focus is secured. A blend of allocated and competitive funds will ensure the correct transformational programmes and projects will be funded rather than basing funding on a raw challenge measure. Projects selected should be those which, as well as making impacts locally, can also help meet agreed regional/ national priorities and challenges.

9. In England, should sub-regions (e.g. LEP areas, combined authorities) be the basis for financial allocations, as with EU funding at present?

HIEP recognise that this question is posed for England but as the Highlands and Islands of Scotland have been a designated area for EU funding since the early 1990s, with stakeholders working closely together for the good of the area, we would support the continuation of such sub-regions (Highlands & Islands) for the allocation of funds. We would expect a return to a position where the Highlands and Islands have 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.

**Activities to be supported**

10. As with present-day EU funding, should economic development and convergence remain the primary objectives of the new Fund?

The Fund should remain focused on improving regional competitiveness and inclusion. Over the past 3 decades EU regional policy has helped transform the economic and social wellbeing of the Highlands and Islands region. In doing so it has enabled investment in infrastructure, skills, business growth and community development, delivering population growth, business success and vibrant communities. This is an opportunity to redesign and strengthen regional economic policy, with an adequate budget to support economic growth that enables regional economies to make a contribution to national outcomes.

New opportunities are emerging but familiar and long-term challenges remain. The new Fund should build upon the achievements of previous programmes and have the ability to address regional disparities and the geographic and permanent structural challenges which still exist. Cognisance needs to be taken of rural and island area economies that address geographic and permanent structural challenges which are still evident

It should also be recognised that in an area like Highlands and Islands there're will be circumstances where the fund will need to recognise and potentially also address social and community impacts. The ever decreasing supply of match funding in the public sector should also be taken in to consideration, with intervention rates set accordingly.

HIEP would also look to factor in greater flexibility and tailoring of funding priorities to prevent the decommitment of programme monies.

11. Are there activities beyond the scope of present-day EU funding that should be supported?

The current funding priorities (Strategic Interventions) within the Scottish Structural Funds programme have had limited relevance within the Highlands & Islands due to population threshold and minimum project size. This has had the effect of excluding the remote, rural and islands area from projects. HIEP would expect any new Regional Development policy should be developed in consultation with devolved administrations, regional and local stakeholders, to establish funding priorities which will then determine the scope of activities to be resourced

Previous EU Programme saw structural funds focus on large scale infrastructure projects and there is still scope within the Highlands & Islands for this type of capital project.

12. Should there be guarantees that specific activities supported at present by EU funding (e.g. ESF support for training) will continue to receive funding?

The introduction of a new regional development policy /Shared Prosperity Fund brings an opportunity to review and evaluate existing activities, to determine relevance to the existing challenges faced and opportunities provided. This will determine the range and scope of activities required to meet local, regional and national outcomes.

## **Management**

13. As a UK fund, should the UK government set the broad guidelines for the priorities to be supported by the Shared Prosperity Fund?

The guidelines for the UKSPF need to be nationally aligned yet sufficiently flexible to apply at a regional level. Policy that is purely from a national perspective is not regionally responsive and will not enable the region to face its specific challenges and realise the opportunities provided. In relation to the Islands areas of the Highlands & Islands these guidelines for priorities should be Island proofed.

14. What role should the devolved administrations play in setting the broad guidelines?

Successful regional policy cannot be prescribed from above, but requires a partnership of stakeholders at the national, regional and local level to do so. Within the Highlands and Islands of Scotland existing partnership structures can be utilised which also has the benefit of involving stakeholders with vast experience of previous programmes and fund management. This will be essential to help define the parameters of the Fund. A centralised one-size-fits-all model will not be responsive to regional needs and opportunities and the complex geographies of remote, rural and island areas need to be taken into account.

15. How should the impact and desired outcomes of the Fund be defined and measured?

At the outset, there needs to be recognition that impacts and outcomes in remote, rural and island areas will be significantly different to those of highly populated, urban areas. They should be proportionate and relevant to that area. Devolvment of the Fund should enable

regionally-specific outcomes to be defined. A small number of jobs created in a rural, remote or island area has a greater impact on sustaining the local community than the same number of jobs created in a larger urban area.

Attention needs to turn to putting a greater focus on celebrating project outcomes and achievements, rather than on audit compliance.

16. How can the promise that the Fund will be “cheap to administer, low in bureaucracy” best be delivered?

At a devolved level, a Fund which involves regional/local partners in development, delivery and evaluation will be key to delivering support more efficiently than the current programmes.

Simplified application and claims processes are essential to avoid the bureaucracy which has come with current programmes and resulted in attention being drawn away from project outcomes and achievements to that of complying with disproportionate audit regimes. An incredible amount of human resource has been required to understand cumbersome IT systems and comply with audit, both from an applicant and programme administrator perspective. The scale of audit and compliance is disproportionate to the value of the funds involved. It is important that lessons learned from collective experience of EU programmes are captured and inform the development and delivery of successor domestic programmes. Local government already have in place robust systems for the management of public finances, audit etc. which are fit for purpose. The use of these instead of the addition of further layers of bureaucracy would go a long way to simplifying the funding process and reducing administration costs. Allied to this effort is needed to measure and ensure programme/project outcomes and achievements rather than audit compliance.

17. Where should local authorities fit into the management of the new Fund?

Scottish local authorities have a fairly limited role with regard to current programme management with much of it being centralised. In previous programmes, local authorities (as well as other stakeholders) were closely involved in programme planning and setting priorities, right through to the awarding of funds. Participation in programme monitoring committees also allowed the local authorities to have a good overview of programme commitment and spend. This previous approach worked well and usefully enabled local government, together with other regional/local stakeholders, to ensure the funds were being correctly targeted and utilised to the benefit of the region. A similar approach is sought.

18. How should programmes and projects be monitored and evaluated?

The introduction of a new Fund provides an opportunity to re-evaluate the scale of audit and compliance which should be proportionate and relevant to the size of the project. There also needs to be a greater focus on project outcomes and achievements as well as recognition that the value of programmes and projects may not necessarily be immediate.