

**Lowlands and Uplands Scotland ERDF and ESF Programmes 2007-2013
Programme Monitoring Committee**

NOTE OF MEETING HELD ON WEDNESDAY 27 OCTOBER 2010 IN GLASGOW

Present:

Dr John Rigg	Scottish Government (Convener)
Riona Bell	Scottish Funding Council
Alan Boyle	West Fife Enterprises Ltd
Councillor Kate Dean	Aberdeen City Council
Professor Campbell Gemmell	SEPA
David Grahame	LINC Scotland
Councillor Alasdair Hutton	Scottish Borders Council
Graeme Hyslop	Langside College
Dame Barbara Kelly	Southern Uplands Partnership
Donna Mackinnon	SCVO
Dr David George McBeth	University of Strathclyde
Jim McFarlane	Scottish Enterprise
Councillor Rob Murray	Angus Council
Councillor David O'Neill	North Ayrshire Council
Grahame Smith	STUC
Stephanie Young	Skills Development Scotland

Apologies:

Douglas Guest	Equalities Commission
Dharmendra Kanani	Big Lottery Fund
Angela Wiseman	Scottish National Rural Network

In Attendance:

Koen Delanghe	European Commission, DG Regio
Dimtcho Tourdanov	European Commission, DG Employment
Mabel Hildebrand	Scottish Government
David Souter	Scottish Government
Gordon McLaren	ESEP Ltd
Susan Napier	ESEP Ltd (Minutes)
Susan Tamburrini	ESEP Ltd
Nigel Thomas	ESEP Ltd

Observers:

Ian Campbell	Scottish Government
Rob Gompertz	ESEP Ltd
Alistair May	Scottish Government Head of Internal Audit
Angus Hepburn	Scottish Government Internal Audit
Donald Mackinnon	Global Grants Body
Lynsey Moore	FCO, UK Representation, Brussels

1. Introduction

The Convener welcomed members to the meeting, particularly Jim McFarlane of Scottish Enterprise and Councillor Rob Murray of Angus Council who were attending their first meeting. He also introduced Ian Campbell from Scottish Government, (Scotland House, Brussels), Lynsey Moore of FCO (UK Representation, Brussels), Alistair May and Angus Hepburn of Scottish Government Internal Audit, and Donald Mackinnon of the GGB as observers.

2. Apologies

Apologies were received from Douglas Guest, Dharmendra Kanani, and Angela Wiseman.

Prior to the commencement of business, it was agreed that items 8 (ESF Priority 5 – Stage 2 Applications) and 9 (ESF Use of Programme Underspends) on the agenda be addressed together.

3. Minutes of the Previous Meeting on 19 May 2010

The minute was accepted as a correct record. The IAB was invited to provide an update on those items which were not covered later in the agenda.

3.1 AIRs 2009

Both AIRs were submitted to the Commission by the due deadline of 30 June 2010.

3.2 Advisory Group membership has been reviewed and new members appointed as appropriate.

3.3 Written Procedures

Three Written Procedures had been issued following the May meeting, and members were updated as follows:

3.3.1 WP04: Exceptional Project Procedure – Consideration of ERDF Strategic Projects, Transform - South of Scotland E-Hub

This project had been agreed with a grant of £483,000 awarded

3.3.2 WP05: Update on Creating a Strategic Skills Pipeline ESF Priority 5

The Committee had noted the progress in creating a new ESF Priority 5 and that there would be the opportunity to discuss outline Stage 2 bids at agenda item 8.

3.3.3 WP06: ERDF Programme – ERDF Priority 1. Project Appraisal and Selection – Report from the Scottish Government

The following increased grant funding had been awarded;

Green Cow Project	£178,899
CIC Start Online	£ 69,751
Hydrogen Office	£299,101

3.4 JESSICA Fund for Scotland

Members noted that the first meeting of the Investment Board would be held on 9 November 2010 when it was anticipated that the investment strategy and procurement documents for the appointment of the UDF could be agreed. Committee had already agreed the investment strategy; the procurement process would be issued by Written Procedure to Committee for agreement/sign-off in due course. Initial UDF work would address the work of Priority 3. BIG Lottery had agreed a commitment of £15m of complementary funding.

The pre-call exercise had been undertaken by ESEP during the summer with significant over-commitment to money available. This information would be shared with UDF managers in order to provide a flavour of potential projects.

The Committee was asked to note progress on the recruitment of the Investment Committee and to agree to consider the 1 UDF tender document by Written Procedure.

The Committee noted and agreed the recommendations of the tabled paper.

4. Financial and Progress Report on the Implementation of the Programme and N+2 – Progress to Date

The Convener invited the IAB to highlight areas for the attention of members.

A comprehensive update was provided on progress, drawing specific attention to the following areas:

- Annex 1 Information on funding approved and committed, including claims processed to date.
- Annex 2 An analysis of existing commitments and payments made towards N+2.
- Annex 3 Summary of commitments to date in relation to the Lisbon Codes.
- Annex 4 Overall summary from (Scottish Government) on project activity undertaken to date including an update from the SDB.

A brief update was provided on progress for each ESF and ERDF Priority:

4.1 ERDF

Overall, 149 projects had been approved, accounting for £51m (71%) of the available allocation. Good progress had been made in Priorities 1 and 2, with less in Priorities

3 and 4. A presentation would be made on progress with Priority 4 later in the agenda.

4.2 ESF

Overall 302 projects had been approved accounting for £181.26m (75%) of the available allocation. Priority 5 figures had been included. The average intervention rate remained below the maximum threshold, with average grants at 45%. This has allowed the funding of more activity. £46m had been paid to sponsors. It was of note that multi-agency partnership projects had proved particularly successful.

The Committee noted the detailed presentation covering absorption by Priority of both ERDF and ESF and the allocations to different sectors. [The presentation is available on the IAB website].

4.3 N+2 Update

The IAB stated that the N+2 target would be achieved for 2010.

4.4 Changes to Projects

Members were asked to note the changes in the following projects:

4.4.1 SETN Phase 2 – University of Edinburgh (ERDF)

The lead applicant would now be the University of Strathclyde.

4.4.2 South Lanarkshire Rural Business Sites – South Lanarkshire Council (ERDF)

Due to an error in the funding application, an additional £39,750 was requested from Priority 4 to deliver this project.

The Convener thanked the IAB for the presentation and invited comment from the Committee.

Members raised the following issues:-

- * The significant difference between declared expenditure and grant paid to date. The IAB advised that an Action Plan/Strategy was currently being developed in association with Scottish Government to address this matter. The IAB had employed additional staff to address this situation.
- * The need to ensure that projects were fulfilling their spend commitments or declaring underspend.
- * The potential for raising awareness of the remaining £30m ERDF funding in Priority 3 (Urban regeneration). Scottish Government advised that a call had been launched from which sufficient projects (including low carbon) had been identified to take up the available funding.

The Commission (DG Employ) asked the following:

- * Confirmation of the timing for the submission of a payment request to meet N+2 for 2010. The Convener suggested that the proposed schedule be discussed offline with the Certifying Authority.

- * The percentage of organisations awarded funding under Priority 3 ESF which were higher education institutions. The IAB advised that 18% of projects were from colleges.

The Commission (DG Regio) commented as follows:

- * They welcomed the progress with the overall ERDF commitment level (75%). However, the payment level of 17% was considered low, especially for ERDF Priority 1.
- * Referring to the Analysis and Indicators, they asked what was supported under 'other unspecified services' currently accounting for more than 50% of funding commitment, including what investment had been made in 'knowledge based' projects. The IAB noted this request and said that it would be followed up.
- * On ERDF Priority 3, they noted that the creation of business space, including that already created, was hugely in excess of the Operational Programme target. They highlighted the need to ensure that development addressed needs and did not over-provide. The Commission also asked about the reality of occupancy rates. The IAB advised that it had proved difficult to assess occupancy rates as applications did not always present this in a comprehensible format.

The Committee noted the content of the report by the IAB and agreed to continue to monitor the gaps between grant awarded, claimed and paid in future meetings.

5. Delegated Authority to Vary Grant Awards

The Convener invited Scottish Government to provide a short introduction to the paper circulated.

Scottish Government sought the agreement of the Committee to a reasonable level of delegation to the Managing Authority to agree relatively small changes requested to a project application, or to an approved project, subject to a full update on any changes implemented, reported at the following Committee meeting by the IAB. Specifically, it was proposed that: changes involving a change in the level of grant up to 20% of the value of the project up to a maximum of £500k could be approved by the Managing Authority; changes up to 50% of the value of the project up to £750k with the agreement of the Standing Advisory Committee; and changes over these levels requiring Committee approval.

Comments from members were as follows:

- * Justification of the figure of £750k was requested. Members were advised that this level was based on the experience so far of the requests for change which had been submitted.
- * The Committee wished to monitor the number and level of the changes approved under this delegation to allow for future changes to the delegation agreed, if that seemed appropriate.

- * Members sought assurance from the MA/IAB that they would not be open to unreasonable risk in this matter and suggested that any decisions made via delegated authority were reported to members. The Convener welcomed this suggestion, adding that reports of approvals could be made in batches. Members agreed with this suggestion adding that it simplified matters and allowed for more speedy decisions.

The Convener thanked members for their feedback on this item.

The Committee agreed the recommendations. However, they asked that a report on the use of the delegated powers be included as a regular item on future agendas, and that consideration may be given to alteration in the levels of delegation if considered appropriate at a later date.

6. Audit Authority Report and Role

The Convener invited Alistair May and Angus Hepburn of Scottish Government Internal Audit Division (IAD) to give a brief presentation on the role of the Audit Authority.

Mr May reported that the IAD deals with a broad spectrum of areas, not only Structural Funds. However, they act as the Audit Authority for the Scottish Structural Funds Programmes undertaking the regulatory requirements. As Audit Authority they have responsibility for an Annual Audit Report to the Commission and for overseeing the compliance work carried out in the programmes. The IAD were also responsible for parts of Programme closure work. The closure of the 2000-2006 Programmes was finalised in September 2010 and had required a very substantial IAD input. This meant that some of the audit work required for the 2007-2013 Programmes is behind schedule, although it had already commenced.

Members sought confirmation of the period of notification prior to an Audit Authority visit to allow project sponsors to prepare. The IAD advised that the notice period may be relatively short i.e. 2-3 weeks.

The Commission (DG Regio) welcomed the presentation from the IAD which had given a good overview of the Audit Authority's role. They reminded members of their need to consider each year's annual audit report which could encompass a considerable amount of work undertaken by the IAD, and that audit outcomes could in some cases highlight the need for the Commission to clawback funding from projects.

The Convener agreed to ensure that the Scottish Government, including the IAD, offered the relevant support to projects to help them prepare for audits.

The Committee noted the content of the presentation and report from the Scottish Government Internal Audit Division.

7. ESF Priority 5 – Stage 2 Applications

The Convener reminded members that they had previously discussed options for changes to the ESF Operational Programme in light of the economic recession and its impact on Scotland. In particular, they had agreed to the preparation of a new Priority 5 Strategic Skills Pipeline and that there should be no further challenge

rounds for Priority 1, 2, or 3, with all unallocated funding being moved into the new Priority.

Following the previous meeting, Ministers had asked for a working group of partners to look further at the detail of implementation and the new indicators and targets for this Priority. This group agreed a final recommendation which was put to the Minister for Enterprise, Energy and Tourism on 29 June. He agreed that a submission should go to the Commission seeking the change to the Operational Programme on the basis of the Group's detailed proposals, and this went forward on 14th July.

The Convenor noted that he was aware that a number of PMC members had potential conflicts of interest as the major stakeholders would be either representing applicants or connected to them. However, taking this into account, it was appropriate for all members of the Committee to review the recommendations on the approach to be taken to the Priority 5 applications as a whole at a strategic level rather than on an individual bids basis. To this end, the Convenor requested that all members remain in attendance and participate in the discussions

The Convenor invited Scottish Government (MH) to address the Committee, and provide an overview of the principles which lay behind the recommendations set out in the paper for decisions on funding allocations. The Convenor also suggested that discussions on agenda item 9 (ESF Use of Programme Underspends) should be taken together with item 7, as per the suggestion by Members, due to the clear linkage of the 2 items.

MH reminded Committee members that the purpose of the new Priority 5 was to provide a strategic, continuum approach to workforce skills development linking needs and opportunities at a local level. This would improve the skills of those seeking jobs, linked to developing and core sectors, in a more sustainable environment which (it was anticipated) would eliminate the recycling of people through the employability process. The working group established to develop the detailed implementation had identified the Third Sector as a major employer/contributor in this field in addition to the originally proposed applicants able to bid for ESF funding..

All Stage 2 applications had been scored and discussed at 3 Standing Advisory Group meetings between 5-8 October and identified as of a quality to be supported, although some required to urgently address some detailed issues and all would require to make changes, once they had received their feedback, with a view to strengthening and improving the applications before a formal offer of ESF was made.

A total of 21 bids were seeking £89m ESF grant for the remaining £54m in the Programme. A total of 17 CPP bids had been received seeking £42.5m grant funding for the first 2 years of 3 year strategic skills plans, with 4 complementary (non-competing) national bids seeking an additional £46.5m funding. The Scottish Government paper before the members sought their views on the recommendations on how the limited funds remaining should be distributed.

7.1 General Principles

The paper suggested that the following principles should be applied:

- * The ESF funds available should be overallocated, based on past experience of ESF projects underspending.

- * The ESF grant should go towards the delivery of services to the target groups with the minimum of administration costs.
- * National bids should receive funding only where they can show that they clearly link need and opportunities and are clearly complementary to local strategic skills pipelines.
- * The delivery of services which form the local skills pipelines must be open to as wide a range of delivery agencies as possible.

7.2 Allocation Proposals - National Bids

The paper proposed that:

- * The 2 national bids which were for additional volume of activity – SDS and SFC – should have the ESF sought reduced by 30%. In their cases, the cut would be from the maximum intervention rate for which they bid to a 30% intervention rate. They would both be asked to increase the match funding to retain the total project costs at the original level.
- * The STUC and the Third Sector bids would be reduced either by one-third or to a 30% intervention rate. In their cases it was accepted that they would be unlikely to be in a position to increase the match funding to retain the original total project value. Equally it was accepted that STUC had bid an intervention rate below the maximum.
- * All the remaining funds would be allocated between the CPPs.

7.3 Proposed Allocation Between CPPs

The paper proposed that

- * The basis for the proposed allocations between the CPPs should be three factors: the comparative needs of the area, retaining the spatially targeted balance; and taking into consideration previous levels of funding granted.
- * The needs should be determined using current published statistics relevant to the participant client groups eligible under Priority 5, not the size of the CPP bid. The measurements considered relevant to cover all 5 stages of the Skills Pipeline were: Employment Deprivation numbers from the latest SIMD published figures (Stages 1 and 2); the numbers of unemployed and inactive in each area (Stages 3 and 4); and the numbers in the local workforce with low/no qualifications (Stage 5).

7.4 Discussion

The Convener acknowledged the efforts made during the agreed appraisal process to treat each bid fairly and transparently. The objective of the paper had been to produce a fair and reasonable set of proposed allocations to take Priority 5 forward, given the substantial over-bid situation.

The following points were raised by the Committee:

- * Clarification was sought on how the Third Sector had been added into the list of eligible bidders, and the process for decisions reached at the PMC

progressing to Ministers. The Convener explained that, whilst Ministers made the final decision, they were very much guided by the recommendations of the Committee with decisions and caveats clarified in detail.

- * Referring to the general principles on which the decision should be based, it was suggested that the strategic approach must be taken at both a national and local level.
- * Given that one of the national bids had applied for grant below the maximum intervention rate, officials were asked to reconsider the fairness of the way in which the 30% cut had been made in that case, recognising that such a reduction would have a greater impact on the smaller bids and their ability to remain sustainable.
- * Whilst Members generally agreed with the proportionality of the funding, it was suggested that some funding could be shaved off national bids which had greater opportunities for accessing match-funding than others. Scottish Government responded that assumptions could not be made regarding the ability of national organisations in securing match funding; however, the relevant organisations would be asked to consider this. Riona Bell noted that increasing the level of match funding for the SFC bid would be a matter for the Council to decide on. Stephanie Young noted that, in the case of the SDS bid, it would be for the Board to agree any change in the light of their overall budget.
- * It was suggested that, given the difficult circumstances facing the public finances, officials were in danger of being risk averse. As there was a great need to spend and invest in education, training and re-training of people at this critical time, consideration should be given to additional over-programming and committing underspends from other Priorities to Priority 5. The Convener responded that the issue of risk-taking was well made, though members should also continue to be mindful of the risks associated with future exchange rate movements, which might affect the payments eventually received from the Commission.
- * The Commission (DG Employ) advised that a decision would be made by 10 November 2010 regarding the proposed changes to the Operational Programme. These would apply retrospectively from July 2010. The Convener thanked the Commission for their update in this matter and the efforts made in taking the changes to the Operational Programme through the Commission's internal processes.
- * Regarding underspends, the IAB advised that £3.5m ESF monies had been identified for re-allocation to the available resources. A clearer picture would be developed as the claims process evolved.
- * While agreeing the strategic direction, there was a need to ensure that Priority 5 funds were used in rural areas as well as urban areas to ensure fairness.

The Convener thanked the members of the Committee for a very helpful and positive discussion.

The Committee agreed the recommendations on the allocations for Priority 5 ESF LUPS subject to 2 revisions. First, the STUC's proposed allocation should be reviewed to allow the option of a grant equivalent to a cut to a 30%

intervention rate; and, secondly, officials should recalculate the proposed allocations taking a less risk-averse view on the potential underspends. The additional funds would be divided pro-rata across all the applicants.

8. ESF Use of Programme Underspends

The Convener asked the Committee to agree that this paper be taken as read. The Scottish Government suggested that, given the strategic nature of Priority 5, the best use of underspends across the programme would be to use them to stretch Priority 5 funding to a 3rd year.

The following points were made by members:

- * The exact value of underspends could not be planned for; however, it was important to agree on the best way forward for using them.
- * There was a need to ensure that the overall objectives of the Programme could be met.
- * Councillor Murray raised awareness of the impending closure of RAF Kinloss, and also the potential loss of RAF Lossiemouth, which would have a major impact upon employment in Moray. Discussion followed regarding the possible implementation of the European Globalisation Adjustment Fund, although UKREP advised that it would probably not be applicable in this case. The Convener advised Members that a Task Force had been set up to coordinate the policy response in Moray.

The Convener summarised the view of Committee as being generally supportive of the view that the remaining ESF underspends should be used more strategically, with a focus on further spend in Priority 5. However, it had also been noted that the Funds might need to contribute to specific local economic challenges, of which Moray was an example.

With regard to agenda item 8, Dame Barbara Kelly wished it recorded that she was not in agreement with item 11.1.1 of the paper's recommendations, which referred to over-programming. The Convener agreed to note this point.

It was agreed that the use of underspends in the ESF LUPS programme should be further examined at the March 2011 meeting, with the options being to use them to increase the Priority 5 funds and/or held in reserve to assist the Scottish Government in addressing specific local economic challenges.

(Graeme Hyslop left the meeting).

9. Presentation: Europe 2020 – Presentations by Dimtcho Tourdanov, European Commission, DG Employment and Social Affairs and Koen Delanghe, European Commission, DG Regional Policy

The Convener noted that these presentations linked to the Budget Review (Com(2010)700) issued by the European Commission on 19 October 2010. A copy of this report would be circulated to all members for information. The Convener then invited Dimtcho Tourdanov to provide a brief presentation to the Committee updating them on the EU2020 strategy.

[Mr Tourdanov's presentation is on the IAB website].

Mr Tourdanov advised that the next step would be for all member states to submit a draft National Reform Plan by 12 November 2010, with the final versions submitted in April 2011.

The Convener then invited Koen Delanghe (DG Regio) to make a brief follow-on presentation to Members

[Mr Delanghe's presentation is on the IAB website].

Mr Delanghe outlined the 3 thematic priorities and five headline targets from the Commission which would be translated into national targets following the dialogue already described. Seven flagship initiatives had been identified which would require contribution from all EU regions in order to be successful. The PMC should consider how Scotland would contribute to these as part of the UK Member State.

The Convener thanked both Commission representatives for their comprehensive and informative presentations. He invited Lynsey Moore of UKREP to comment on the UK Government's perspective on the future for Structural Funds .

Lynsey Moore noted that there had been significant changes in the Government policy during the development of EU2020 and, in this regard, future plans were still unclear. However, work is underway on the Reform Plan and in identifying potential bottlenecks. It was noted that it was extremely important to identify any EU2020 bottlenecks for cohesion. It was not expected that delivery would be made across all areas.

The Regional Policy on Smart Growth and other documentation developed in this regard had been welcomed by Member States; however, concerns had been raised regarding re-programming at this point of the 2007-13 programme period. There was a need to ensure that only urgent re-programming would take place. It was noted that the current Programmes already helped move in the direction of the EU2020 goals.

The Convener thanked Lynsey Moore for her update and suggested this topic would be discussed again at a future Committee meeting. There were no comments from Members.

The Committee noted the content of the presentations by the Commission.

10. Presentation: ERDF Priority 4 – Rural Development, Progress to Date – Presentation by Rob Gompertz (ESEP) and Donald Mackinnon (GGB)

The Convener welcomed the IAB and GGB staff. Rob Gompertz presented the following progress on the implementation of Priority 4.

- * The IAB, GGB and Scottish Government had undertaken work to identify a number of trends specific to Priority 4 and also where improvements could be made.
- * Issues had been identified with regard to eligibility scope, overlap in some geographic areas with SRDP/Leader, and issues with supply chains.

- * The £200k threshold had proved challenging for small rural authorities.
- * Workshops and focus groups organised by the IAB/Scottish Government had looked at the way forward for Priority 4 and assessed opportunities for the development of new project ideas. Follow-up meetings had been held by the GGB in Newton Stewart and Dumfries to provide advice/support for applicants.
- * The scope of Priority 4 had been widened, but eligibility was still more restrictive than in previous Programmes. This had been to ensure that there was no duplication with other EU funding such as SRDP.
- * The 4th Round had commenced with a good number of Stage 1 applications. Of those received, only 6 had been rejected on grounds of eligibility. 26 projects were moving ahead with Stage 2 submissions.
- * The analysis of the Priority 4 indicators showed that a number of areas were over-committed, including specialised business space.

(Grahame Smith left the meeting)

Members were asked to consider a number of options including:

- * Continuing with the current scope: i.e. accept the increase in the OP target for business space.
- * Seeking further changes to the OP, e.g. rural community renewables support.
- * Moving funding to other Priorities but maintaining the targeting on those LA eligible areas currently eligible under Priority 4.
- * Reviewing the position in March 2011.

Donald Mackinnon of the GGB noted that, in relation to business space applications, clear evidence of demand required to be shown in order for applications to be considered.

The Scottish Government confirmed that there was a need to diversify developments. Referring to the potential for changes to the Operational Programme, it was noted that considerable additional flexibility had already been introduced in this Priority and there would be a limit to how far this could be extended. However, consideration could be given to community renewables. In relation to moving funding to other priorities, the SG suggested that monies could be moved to Priorities 1 and 2 and ring-fenced for rural projects. This would allow projects based in rural areas to put forward Research and Innovation projects and not be competing with universities and research centres. The SG accepted that it would be appropriate to await the outcomes of Round 4 in March 2011, when it would also be necessary to assess the value of supporting the development of further business space.

The Convener acknowledged the efforts of the IAB and GGB in bringing the progress of Priority 4 to this point and invited comments from Members. The following points were made:

- * There was some discussion about the £200k limit and whether this was a significant barrier to project development. There was not always the capacity to build or develop consortium applications.
- * Applications made in relation to the development of tourism infrastructure would still be rejected, although these had an effect on potential jobs.
- * Regarding SRDP and Leader, the latter tended to be more accessible.
- * A large component of the recession is in the current property market, with significant failure in the rural areas. It was therefore important to look at specific localities and the opportunities therein which would help to diversify the local offer.
- * In relation to business space, there was a need to identify how much business space was currently being used, the amount lying empty and the number of new businesses which had been attracted to the area due to the current Priority 4 provision.
- * The view was expressed that considerably less was being achieved with the Priority 4 funds than had been anticipated. Whilst some caution was suggested in transferring funds to other Priorities as they may still be needed within Priority 4, Members noted the potential for moving some of the funding if insufficient good quality projects come forward.

The Convener thanked members for their contributions. He suggested that, in light of the activity highlighted in the presentation by the IAB and the points made in discussion, this item should be discussed again at the next Committee meeting in March 2011.

The Committee noted the content of the presentation from the IAB/GGB and agreed to revisit the options in March 2011.

(Dimtcho Tourdanov, Rob Gompertz and Donald Mackinnon left the meeting).

11. Progress Report on the Assisted Venture Capital and Loan Funds

The Convener invited the IAB to address this item.

The IAB gave a brief overview of the report circulated which had been extracted from the reports submitted by the individual funds. It was noted that good progress was being made:

- * Scottish Venture Fund and Scottish Co-Investment Funds performing above expectations.
- * West of Scotland Loan Fund investing ahead of schedule.
- * Scottish Investment Bank Loan Fund would begin investments in early 2011.

- * East of Scotland Loan Fund would be looking to commence investments before the end of 2010.

The Convener thanked the IAB for the update and invited comments from Members. The following points were raised:

- * There were queries about the proportions of the SVF and SCIF invested in new businesses and the availability of information tracking investments. For Scottish Enterprise, Jim McFarlane stated that information was provided in the Annual Report and he agreed to circulate this to the Committee. The Convener welcomed this offer. More generally, the Scottish Government advised that a presentation on the SCF, Loan and Venture Funds would be made by the Scottish Enterprise Investment Team at a forthcoming PMC meeting.
- * Members welcomed the support given to industrial sectors.

The Committee noted the content of the update report from the IAB.

12. Exceptional Projects Procedure – Consideration of ERDF Strategic Projects

The Convener invited the IAB to highlight areas of particular interest.

The IAB advised that 9 bids under ERDF Priority 2 had been received, 7 had been recommended for approval with 2 not recommended for support. Total funding requested was £6.6m leaving £5.5m in the fund for further projects.

Members were asked to note the recent PMC decision regarding ERDF Priority 2, which indicated that no further support could be provided to grant schemes that provided access to finance. This would be stripped out of applications.

The unsuccessful projects were:

- * Crichton Carbon Centre – Environmentally Sustainable Process Improvement: It had scored beneath the minimum threshold.
- * Aberdeenshire Council – Employment Support Scheme: Ineligible application.

Feedback would be provided to both unsuccessful applicants. The Convener confirmed that, when feedback was provided to unsuccessful candidates, it was possible for them to re-apply with an amended application.

Councillor Dean enquired about the process for determining unsuccessful applications, as consideration was being given to challenging this decision. The Scottish Government advised that Aberdeenshire Council had made a presentation to the Advisory Group. However, it had become clear at that time that the activity proposed in the application was ineligible for support from the ERDF Programme.

Members from the South of Scotland were disappointed that the Crichton application had been unsuccessful in not meeting the specific criteria and hoped that appropriate feedback had been provided in order that the application could be revisited/ redeveloped. One member of the Committee, who was also an Advisory Group member, advised that, although the project had been considered to have potential,

the submitted application had not been strong enough to attract higher scores. However, he would welcome a re-working of the application and re-submission at a later date. The Scottish Government (DS) agreed that this was a good initiative and he would return to the applicant to discuss strengthening the application, which could be re-submitted and appraised through the fast-track procedure.

The Convener thanked Members for their contribution to discussions.

The Committee agreed the recommendations.

13. Exceptional Projects Procedure – Consideration of ESF Strategic Projects

13.1 LUPS/ESF/2009/3/2/0210 Commonwealth Games – Apprenticeship Initiative, Glasgow City Council

The IAB advised that this application had been submitted initially to the PMC in May 2010, when it was agreed that it should be reconsidered by the Advisory Group with a presentation. The Advisory Group had discussed this application in detail, but agreed not to recommend it for approval as it had scored beneath the minimum threshold. This had been a unanimous decision. Members were asked to note that specific advice had been requested from Skills Development Scotland and this had been mentioned within the paper.

Councillor O'Neill noted his disappointment at this outcome and suggested that appropriate feedback should be provided to the applicant as a matter of urgency. The Convener noted that the IAB would ensure feedback was given.

The Convener noted his thanks on behalf of the Committee to the ERDF and ESF Advisory Group members for their continued commitment and thanked the IAB for their presentations.

The Committee agreed the recommendations.

14. Any Other Business

14.1 Lynsey Moore, FCO, UK Representation, Brussels

The Convener invited Lynsey Moore to provide an overview of her role/remit with the FCO in Brussels.

LM thanked the Committee for the invitation to attend the meeting. She had welcomed the opportunity to observe how the LUPS PMC operated, in particular the scrutiny Members applied to each Committee paper and the level of consideration and discussion of each agenda item.

LM explained that her role was to represent the UK in the European Council Cohesion Policy Groups and to ensure that UK authorities were being treated fairly in relation to the application of rules to Member States.

LM operated an open door policy and welcomed any Committee members to visit either her or Ian Campbell (SG Brussels Office) should they be in Brussels.

Members noted the forthcoming publication of the 5th Report on Economic and Social Cohesion on either 9/10 November 2010, which would generate discussion on how funding could be disseminated in future to gain best value for money.

LM advised that whilst the Commission had been very specific on how objectives should be addressed, it was clear that Scotland was making good progress in this area.

The Convener reported that information events would be held by the Commission in Inverness and Edinburgh on 11 and 12 November 2010 respectively, attended by representatives of DG Regio and DG Employment. Members should receive invitations in the near future.

The Convener thanked LM for providing the Committee with an overview of the role/remit of the UK Representation in Brussels.

14.2 Written Procedure – Strathclyde University

The Convener advised members that a Written Procedure would be issued in the near future regarding a major project developed by Strathclyde University.

15. Dates of Future Meetings

16 March 2011
25 May 2011 (if required)
26 October 2011.

Venues for these meetings were yet to be confirmed.

There was no further business for discussion. The Convener thanked all Members for attending the meeting and their contributions to the discussions. The meeting was closed.