



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

CONSIDERATION OF ERDF ADVISORY GROUP REPORTS AND PROJECT RECOMMENDATIONS (FOURTH ROUND)

1. Purpose

- 1.1 To advise the Committee of the recommendations from the four Advisory Groups arising from the appraisal of the Fourth Round of ERDF project submissions in the LUPS ERDF Programme 2007-13. This report also seeks the endorsement of this Committee with regard to a number of key issues that have influenced the Advisory Group process in the current round and to highlight implications of current thinking for subsequent bidding rounds.

2. Background

- 2.1 One of the significant changes to the business processes for the 2007-13 Programmes was a two-stage application process. The First Stage was a formal expression of interest in applying for European Structural Funds, where applicants supply a brief summary description and outline expenditure figures and anticipated outcomes for the project. The aim for this stage of the process was to filter out those project applications that do not meet the eligibility criteria and flag up any potential for collaborative bids.
- 2.2 The Second Stage allowed a full application to be submitted by those projects that have successfully passed the eligibility criteria under the First Stage.
- 2.3 Due to the more focussed nature of this round the MA and IAB agreed separate deadlines for the submission of Second Stage applications for the fourth application round i.e. for ERDF Priorities 3 and 4 (including GGB) the deadline concluded on 08 October 2010 and for ERDF Priority 1 the deadline concluded on 26 November 2010. The following requests for ERDF funding were received under the second stage of the process:

2.4 **Summary of ERDF Bids received in the 3rd round:**

Priority	No of applications Received (1 st stage)	No of applications Received (2 nd stage)	ERDF Grant Requested at 2 nd stage (£)
Priority 1: Research and Innovation	13	11	13,640,280
Priority 3: Urban Regeneration	45	23	37,834,865
Priority 4: Rural Development – Challenge Round	24	12	6,506,932
Priority 4: Rural Development – Global Grants Body	17	10	10,478,788
Total	99	56	68,460,865

2.5 The reports of the four Advisory Groups are detailed below at Section 4 .The lists of project recommendations for each Priority and the PMC project summary for each submitted application are attached as Annexes **1A and 1B** respectively.

2.6 At Section 5 of this paper there is a financial summary for each ERDF Priority detailing the financial implications in ERDF grant terms of agreeing the various project recommendations.

2.7 Overall, and subject to this Committee agreeing to the recommendations of the four Advisory Groups, up to **£25,736,945** ERDF grant will be allocated in this current round.

3. Advisory Group Process

3.1 Full applications were subject to technical/eligibility checks by the IAB and appraisal by the Managing Authority, the IAB Programme Managers, Advisory Group members and Scottish Government policy experts. The policy experts provided input in particular into the fit with the strategic policies of the Scottish Government. External stakeholder members of the Advisory Groups were appointed by the Scottish Government as the Managing Authority.

- 3.2 The respective scores of the second stage application by the 'Virtual' Advisory Group members and the IAB Programme Managers, Managing Authority and Scottish Government policy experts were collated by the IAB and the previously agreed weighting factor applied. An average overall score was then calculated and checks were undertaken to ensure that any anomalous scores were justified and did not unreasonably affect the final score and ranking. Depending upon the range of average overall scores and the numbers of overall projects, 'Standing Advisory Groups' were then requested to consider a number of projects which scored above the notional quality threshold (33) and a number below the quality threshold. This afforded the opportunity to test and validate the initial scores in an open and frank debate where Standing Advisory Group members had been selected on the basis that they had no conflict of interest in respect of the projects under consideration.

4. Advisory Group Reports

4.1 ERDF Priority 1 Advisory Group Report

- 4.1.1 A summary of the second stage applications submitted for assessment and scoring by the Advisory Group in the fourth round is broken down as follows:

- A total of 11 second stage applications were submitted;
- 11 applications were sent to Virtual Advisory Group members for scoring;
- The Standing Advisory Group discussed all 11 applications;
- 8 applications are recommended for approval (subject to conditions); 3 applications are not recommended;
- A total of **£11,456,506** ERDF grant is recommended for approval (as detailed in attached Annex 1A).

- 4.1.2 The Standing Advisory Group met twice in order to assess all eleven project applications. The Group met prior to the projects being scored and ten applications were discussed at the first meeting. The Group met again to discuss the University of Strathclyde application, LUPS/ERDF/2011/4/1/0022 – Technology Innovation Centre (TIC), Strathclyde.

- 4.1.3 Prior to discussing the applications there were a number of issues highlighted which would inform the appraisal process:

Presentations

All project sponsors had been invited to make a presentation of their project to the Advisory Group. Sponsors were advised that the presentation could last for only 10 minutes and should focus on the benefits that their project would bring to the objectives of the SILC Fund. This was then followed by a question and answer session.

Decisions

Decisions would be based on calculation of the final scores. The Managing Authority would check the scores against the quality threshold and advise members accordingly of the final recommendations of the Advisory Group.

Technology Innovation Centre

The Managing Authority advised that Technology Innovation Centre (TIC) project from the University of Strathclyde is a strategic project that is currently seeking c. £6.6m of ERDF grant. However, as the total project value is over €50m a Major Project application will also need to be submitted to the European Commission.

Scottish Innovative Low Carbon (SILC) Fund

The main aim of the SILC Fund is to support Scottish Government policies in developing and delivering critical mass in the mechanisms for reducing carbon output in Scotland. ERDF has the opportunity to drive Low Carbon strategies forward through investment in SME business support activities, the creation of demonstration centres and providing the pathway to commercial output to grow the Scottish Low Carbon economy. Applicants need to explain how their projects can contribute to this strategy but also demonstrate value for money and quality in the support services that they will offer to SMEs.

- 4.1.4 Eleven projects in total were brought to the Standing Advisory Group (over two meetings) who were provided with a presentation on each project. Following each presentation there was a question and answer session with the project sponsor.
- 4.1.5 It was noted that match funding will remain an issue in light of the constraints on public sector resources, and it is likely that a number of these projects will need to scale back activity if co-finance becomes difficult to secure. However, the Group agreed that projects should be appraised on the assumption that all match would be in place as expected at the time of approval.
- 4.1.6 Following receipt of all the scores for ERDF P1 projects the highest score for the priority was 49.33 with the lowest score being 29.13. The average score is 37.57. The quality threshold had been set at 33. As three of the applications scored below the quality threshold it was agreed that these should not be recommended.

4.2 ERDF Priority 3 Advisory Group Report

- 4.2.1 A summary of the second stage applications submitted for assessment and scoring by the Advisory Group in the fourth round is broken down as follows:
- A total of 23 second stage applications were submitted;
 - 23 applications were sent to Virtual Advisory Group members for scoring;
 - The Standing Advisory Group discussed 19 applications
 - 8 applications are recommended for approval (subject to conditions); 10 applications are not recommended; and 5 applications are deferred;
 - A total of **£8,453,357** ERDF grant is recommended for approval (as detailed in attached Annex 1A).
- 4.2.2 The Standing Advisory Group met on one occasion in order to assess project applications. The Group was informed that the highest score for the priority was 41.81 with the lowest score being 29.58. The average score is 35.58. The quality threshold has been set at 33. Members were asked to appraise those projects that scored between 37.48 and 30.85. The Chair informed the Group that anything above

this range is recommended for approval, and anything below the range is rejected. In addition, the Group also discussed all six of the Energy Efficiency/Renewable Energy for Social Housing projects due to the complex state aids and revenue generation issues. The number of projects to be discussed totalled nineteen.

- 4.2.3 The Group discussed the Energy Efficiency/Renewable Energy for Social Housing Projects with a member of the SG State Aid team and all agreed that as there were substantial State Aids issues with these applications that it was not possible to make recommendations at this time. However, in the discussion of these applications it was highlighted that three of the projects were not suitable to take forward in any event. The remaining three applications were recommended for deferral. It was agreed that the Managing Authority and IAB should meet with the State Aids Unit to discuss these projects and agree questions to be addressed to all three applicants to establish the State Aids position. A further Advisory Group would then be convened in April/early May and that we would aim to make recommendations to the PMC meeting in May 2011. Also by this time the position regarding JESSICA funding for these types of projects would be clearer.
- 4.2.4 The Group discussed the remaining thirteen applications and agreed that five of the projects should be recommended for approval. Six of the applications were not recommended due to technical eligibility issues and/or a poor fit with ERDF P3. Two applications within this Group are recommended for deferral. One of these applications, LUPS/ERDF/2010/4/3/0140 – Fastlink from Strathclyde Partnership for Transport, was deferred as clarification was required on a number of issues. The other application recommended for deferral is LUPS/ERDF/2010/4/3/0149 – V&A Sustainable Public Building. The Advisory Group had serious reservations concerning the fit of the project with ERDF P3 but did recognise the strategic importance of the proposal to the regeneration of Dundee Waterfront. Subsequent to the meeting the Managing Authority decided to defer a final recommendation on this project pending further discussion with the European Commission on the eligibility of all elements of the proposal.
- 4.2.4 In addition one application was brought to the Standing Advisory Group as the grant requested was in excess of £1m. Due to the budget constraints for the LUPS 2007-2013 Programme, members were asked to consider the large project and recommend whether the application represented good value for money. The Chair advised the Group that the project had already met the quality threshold and therefore did not require to be re-appraised.

LUPS/ERDF/2010/4/3/0148 Clyde Gateway URC Shawfield – Dalmarnock Smart Bridge

Group members discussed this project which is seeking ERDF grant of £1.897m towards a £4.744m project which will provide a vital infrastructure investment and assist in the overall regeneration of the area.

Group members felt strongly that this project had the potential to make a major impact in the east end of Glasgow and fitted well with the previous decision to create a transport hub at Dalmarnock. As well as leaving a lasting legacy for the LUPS Programme it was also felt that the benefits to be accrued for the area are potentially invaluable and in particular in 'unlocking' potential JESSICA sites. It was agreed that this project should be supported.

4.3 ERDF Priority 4 Advisory Group Report (Including GGB Applications)

ERDF P4 – Challenge Fund

4.3.1 A summary of the second stage applications submitted for assessment and scoring by the Advisory Group in the fourth round is broken down as follows:

- A total of 12 second stage applications were submitted;
- 12 applications were sent to Virtual Advisory Group members for scoring;
- The Standing Advisory Group discussed 9 applications
- 6 applications are recommended for approval (subject to conditions); 6 applications are recommended for deferral;
- A total of **£4,585,626** ERDF grant is recommended for approval (as detailed in attached Annex 1A).

4.3.2 The Standing Advisory Group met on one occasion in order to assess project applications. The Group was informed that the highest score for the priority was 42.03 with the lowest score being 34.13. The average score is 38.02. The quality threshold has been set at 33. Members were asked to appraise those projects that scored between 38.4 and 34.5. The Chair informed the Group that anything above this range is recommended for approval. The number of projects to be discussed totalled nine.

4.3.3 Prior to discussing the applications, there were a number of issues highlighted which would inform the appraisal process:

Operational Considerations

The Managing Authority indicated that although there had been an increase in levels of interest in ERDF Priority 4, this increase related to the development of business space and it was becoming evident that we had probably now fully explored the options for widening activity under Priority 4.

The one area where interest remains strong is in the development of rural site servicing and business space. However, concern has been raised over the level of support that ERDF is already giving to these interventions, and the Advisory Group accepted that we had already exceeded the targets set in the OP. The MA agreed to liaise with the Commission to explore what additional flexibility could be used.

4.3.4. Nine projects were brought to the Standing Advisory Group who were asked to agree on which projects should be supported. It was agreed that projects would be re-ranked based on discussions and recommendations from the Group and not rescored. As a result it was agreed that three applications should be recommended for funding. Many of the applications submitted in the fourth round related to the development of rural site servicing and business space. As the committed targets for 'business space created/enhanced' under ERDF P4 have far exceeded the forecast within the Operational Programme the Managing Authority suggested that an update of the Scottish Enterprise Rural Business Property Review 2008 be undertaken. This would better reflect the current market conditions, and form the basis for assessing the rural need and impact of any future site development projects. On this basis it was agreed that four of the applications should be deferred until this study had been

completed. A further two applications were deferred on the basis that there were issues that required further clarification before a recommendation could be made viz. LUPS/ERDF/2010/4/4/0098 – Key Shared Service Rural Resource Centre and LUPS/ERDF/2010/4/4/0139 – Clydesdale Community Workshops 2010. It is intended that all the deferred applications can be re-submitted and recommendations considered at the PMC in May 2011.

- 4.3.5 With regard to remaining funds, the Chair highlighted that the MA would ask the PMC meeting in May 2011 to consider the position of Priority 4 as part of a general review of the delivery and direction of the LUPS ERDF Programme. However, one of the options that we would consider would be more strategically targeted calls for applications aimed at addressing shortfalls in achieving the targets within the ERDF Operational Programme.

ERDF P4 – South of Scotland Global Grants Body (GGB)

- 4.3.6 A summary of the second stage applications submitted for assessment and scoring by the Advisory Group in the fourth round is broken down as follows:

- A total of 10 second stage applications were submitted;
- 10 applications were sent to Virtual Advisory Group members for scoring;
- The Standing Advisory Group discussed 10 applications
- 2 applications are recommended for approval (subject to conditions); 3 applications are not recommended and 5 applications are recommended for deferral
- A total of **£1,241,456** ERDF grant is recommended for approval (as detailed in attached Annex 1A).

- 4.3.7 The Standing Advisory Group met on one occasion in order to assess project applications. The Group was informed that the highest score for the priority was 44.6 with the lowest score being 28.67. The average score is 36.92. The quality threshold has been set at 33. As there were only 10 applications in total it was agreed that all 10 should be discussed.

- 4.3.8 Prior to discussing the applications submitted the Chair highlighted an issue which would inform the appraisal process:

ERDF P4 Business Space applications

The Chair updated members on the considerable discussion at the mainstream ERDF Priority 4 Advisory Group meeting regarding ERDF P4 Business Space applications. Members noted the need for the Scottish Enterprise Study and agreed that any business space applications should be deferred pending the completion of the study and further discussion with the Commission.

- 4.3.9 Ten projects were brought to the Standing Advisory Group who were asked to agree on which projects should be supported. It was agreed two of these applications should be recommended for funding. Three applications were below the quality threshold and are not recommended. However, these were discussed by the Advisory Group and detailed feedback will be given to the applicants to enable further re-submissions. Five applications were recommended for deferral. Four of the deferred applications were for the creation/enhancement of business space and cannot be considered until the SE Rural Property Review has been undertaken. One

of the deferred applications, LUPS/ERDF/2010/3/6/0097 was deemed to be more suitable under ERDF Priority 2 (Enterprise Growth). The IAB is currently reviewing the application and feedback will be provided to the applicants to enable this to be re-submitted and appraised by the ERDF P2 Advisory Group.

5. Implications of Approving Advisory Group Recommendations

5.1 The implications of approving the Advisory Group recommendations are summarised in the table below:

Priority	Total Grant Allocation* (£)	Approved Grant Commitments to date (£)	Available Allocation for 4th Round (£)	Value of 4th round bids recommended for approval (£)	Remaining Balance after 4th Round (£)
Priority 1: Research and Innovation	82,898,704	68,104,700	14,794,004	11,456,506	3,337,498
Priority 2: Enterprise Growth	109,967,669	105,060,664	4,907,005	0	4,907,005
Priority 3: Urban Regeneration	91,357,756	56,183,436	**25,174,320	8,453,357	16,720,962
Priority 4: Rural Development	46,017,241	19,295,207	26,722,034	5,827,082	20,894,952
Priority 5: Technical Assistance	8,120,689	4,205,982	3,914,707	0	3,914,707
Total	338,362,059	252,849,989	75,512,070	25,736,945	49,775,124

*An average exchange rate of 1 EURO = £0.90 or £1 = 1.111 has been used.

**A figure of £10m has also been ring-fenced (although not yet formally approved by ministers) for associated infrastructure projects to the JESSICA Fund.

6. Recommendations

6.1 The Committee is invited to:

- 6.1.1 agree in principle the recommendations for this current round of ERDF applications, on the basis of the quality thresholds proposed, as detailed in attached **Annexes 1A and 1B**;
- 6.1.2 note and agree the Advisory Group reports summarised at section 4 above;
- 6.1.3 note the level of commitments for each Programme Priority as detailed at section 5.1 above;
- 6.1.4 acknowledge the considerable work carried out by the respective Advisory Groups in appraising these project applications.

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