



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

EXCEPTIONAL PROJECT PROCEDURE – CONSIDERATION OF ERDF STRATEGIC PROJECTS

1. Purpose

- 1.1 To advise the Committee of the recommendations from the Advisory Groups arising from the appraisal of the ERDF strategic projects submitted under the Exceptional Project Procedure in the LUPS ERDF Programme 2007-13.

2. Background

- 2.1 The Exceptional Project Procedure for the 2007-13 Programmes was originally approved by the Programme Monitoring Committee at their meeting on 19 March 2008. Subsequent revisions to this paper were approved by Committee in November 2008 and September 2009. The basis for this decision was a clear recognition that there may be special circumstances which prevent an application being submitted within the usual application deadlines. It was felt that an exceptional procedure needed to be established for such cases, particularly where projects for reasons of economic turmoil, large scale redundancy, market exploitation or private sector co-financing may be time critical.
- 2.2 Following the last PMC meeting on 27 October 2010, when a number of ERDF P2 projects were recommended for approval through the Exceptional Projects Procedure, a couple of additional strategic projects have been submitted under ERDF P2. The Scottish Government Managing Authority and the IAB agreed that these projects should be appraised through the Exceptional Projects Procedure. In addition, one of the unsuccessful projects from the previous ERDF P2 round has been re-submitted and required to be considered through the Exceptional Projects Procedure (as agreed by the PMC). All stage 2 applications were submitted by the agreed deadline of Monday 20 December 2010. A summary of the stage 1 and stage 2 bids received with the exceptional projects procedure is provided at table 2.4.

2.3 Summary of ERDF Priority 2 Bids received under the Exceptional Project Procedure:

Reference	Title	Organisation	ERDF Grant Requested at 2 nd stage (£)
LUPS/ERDF/2010/4/2/0121	Offshore Wind Supply Chain Development Programme	Scottish Enterprise	582,000
LUPS/ERDF/2010/4/2/0154	Encompass	University of Glasgow	1,110,563
LUPS/ERDF/2010/4/2/0090	ESPI – Environmentally Sustainable Process Improvement	Crichton Carbon Centre	625,488
Total			2,318,051

- 2.5 The report of the Advisory Group is detailed below at Section 4 with project recommendations. The lists of project recommendations for ERDF Priority 2 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 providing the financial implications in ERDF grant terms of agreeing the various project recommendations.
- 2.7 Overall, and subject to this Committee agreeing to fund all three projects, up to **£2,318,051** ERDF grant will be allocated at this time.

3. Advisory Group Process

- 3.1 In the normal way full applications were subject to 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. If appropriate a Standing Advisory Group was convened to discuss applications. 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 Report

4.1 ERDF Priority 2 Advisory Group Report

4.1.1 The ERDF Priority 2 Advisory Group met on 01 February 2011 to discuss the three stage 2 applications submitted under the Exceptional Projects Procedure. As the applications were being appraised through the exceptional projects procedure all sponsors were given the opportunity to present to the Standing Advisory Group (in line with the requirements of the procedure). All project sponsors decided to take up this opportunity. Due to the number of presentations project sponsors were advised that presentations should be a maximum of 10 minutes with a further 5-10 minutes allowed for Questions and Answers. Below is a summary of the Advisory Group discussion and overall recommendations.

4.1.2 LUPS/ERDF/2010/4/2/0154 – University of Glasgow – Encompass

Following the presentation group members asked a number of questions. In particular, issues were raised regarding the eligibility of the grants schemes. The sponsor clarified that since the submission of the application it had been identified that grant schemes were not eligible and the larger grants (grants of up to £20K) would be removed. With regard to the smaller grants scheme (grants up to £5k) further discussions would need to take place with the IAB and the Managing Authority to establish the eligibility of these grants. In addition, the sponsor will also need to review the impact of these changes on the overall costs.

Issues regarding match funding were also raised and the sponsor is currently in discussions with Scottish Government and other potential match funders to establish the position. Group members also queried Business Gateway support for the project. The sponsor clarified that Business Gateway has been contacted and are very supportive of the project.

Group members also queried the success of VentureNavigator (the SME assessment tool to be utilised in the project) in England. The sponsor highlighted that 10,000 companies had registered to date. The benefit of the assessment tool is that it provides real-time data of the types of companies seeking to innovate and where these companies are located. In addition, one of the indirect benefits has been that it has created an on-line network of entrepreneurs allowing the exchange of useful information.

Responding to a query regarding capacity within the University to deliver the project, the sponsor highlighted that currently the supply-side is more sophisticated than the demand-side i.e. there are not enough companies to utilise the available resources within the University. This project will seek to address demand issues. In addition, the project sponsor clarified that the application contained a number of new and additional staff posts.

Group members agreed that this was a good application although they had some concerns regarding Business Gateway (BG) support and felt that the project may be better if it was delivered through BG. It was agreed that BG would be contacted to ascertain the level of support for the project. Once this had been clarified and if the project scored above the quality threshold then this should be recommended for support to the PMC.

Following the Advisory Group meeting Business Gateway has been contacted and it has been clarified that they are fully supportive of the project. In addition, the project scored 39.85 and is therefore recommended for approval.

Advisory Group Recommendation: Recommended for Approval

4.1.3 LUPS/ERDF/2010/4/2/0121 – Scottish Enterprise – Offshore Wind Supply Chain Development Programme

Following the presentation group members asked a number of questions. In particular issues were raised regarding the mapping exercise and how this relates to the delivery of the project. The sponsor clarified that the outcomes would directly feed into the project. In particular it would help to expand the database of suppliers and provide more details of opportunities.

Issues were also raised regarding value for money. In particular it was felt that the number of new business starts was low for the costs involved. The sponsor responded that SE processes (procurement and assessment) all ensure that value for money is guaranteed.

Group members also stated that they would like to see more information regarding what SE will do to address gender imbalance issues. It was agreed that this should be followed up as part of the technical and eligibility checks.

Group members also questioned the ambitious targets i.e. 28,000 jobs by 2020. The sponsor responded that these targets were aspirational but if opportunities are maximised then these are achievable.

Members also asked about support for the on-shore renewables supply chain. The sponsor highlighted that that this industry is more mature but the lessons learnt from the on-shore industry would be taken into account such as missed opportunities.

Group members agreed that this was a good project which was clearly a priority for Scottish Government policy. It was agreed that SE should be requested to disseminate the 'route map'. If the project scored above the quality threshold then this should be recommended for support to the PMC. As the project scored 43.13 it is recommended for approval.

Advisory Group Recommendation: Recommended for Approval

4.1.4 LUPS/ERDF/2010/4/2/0090 – Crichton Carbon Centre – ESPI: Environmentally Sustainable Process Improvement

Following the presentation members asked a number of questions. In particular, certain staff costs included in the application were queried. The sponsor clarified that for some staff posts the involvement in the project would increase over the 3 years as demand for services increases. In addition, the match funding package was also queried. The sponsors clarified that match funding sources for the project are still being explored and that many funders will not give a funding decision prior to an ERDF funding decision.

There were also queries regarding the role of Crichton Carbon Centre (CCC) in the project. The sponsor highlighted that the project would make recommendations to SMEs and then monitor progress. It was also clarified that monies would not go directly to SMEs but CCC would provide consultancy support and that this would equate to £3-3.5k in total for each SME. The sponsor also

informed members that SMEs would be assisted in developing Environmental Management Plans (requested from suppliers by some of the bigger companies e.g. Tesco) as part of the project.

Group members also enquired about complementarity with Carbon Trust (CT) and Energy Savings Trust (EST). The sponsor responded that CCC targeted a different market from the Carbon Trust who tended to focus on the corporate sector. In addition, CT tends to have a 5 month engagement with companies whereas CCC is aiming to have a 'shorter sharper intervention'. In addition, it was highlighted that EST was more of a referral agency and that where appropriate CCC would signpost companies to EST.

Although members had some concerns regarding outputs it was agreed that the re-submitted application was much stronger and if the project scores above the threshold it should be recommended for approval. It was agreed that the applicant should be pushed further in terms of economic outputs and a condition of grant should be imposed i.e. an economic impact assessment is undertaken at the end of the project.

The application received a total score of 35.88 and is therefore recommended for approval.

Advisory Group Recommendation: Recommended for Approval

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 (£)	Value of bids recommended for approval (£)	Remaining Balance (£)
Priority 1: Research and Innovation	82,898,704	79,561,206	3,337,498	0	3,337,498
Priority 2: Enterprise Growth	109,967,669	105,060,664	4,907,005	2,318,051	2,588,954
Priority 3: Urban Regeneration	91,357,756	64,636,793	16,720,962.97**	0	16,720,962.97**
Priority 4: Rural Development	46,017,241	25,122,289	20,894,952	0	20,894,952
Priority 5: Technical Assistance	8,120,689	4,205,982	3,914,707	0	3,914,707
Total	338,362,059	278,586,241	49,775,124.97	2,318,051.17	47,457,073.97

*An average exchange rate of 1 EURO = £0.90 or £1 = 1.1111 has been used.

**The figures shown above as available take account of the £10 million grant allocation to fund activity complementary to the JESSICA Fund that was previously agreed by the PMC

N.B. The figures detailed above are based on the assumption that all the ERDF Round 4 Advisory Group Recommendations are approved.

6. Recommendations

6.1 The Committee is invited to:

6.1.1 agree in principle the recommendations for this extraordinary round of ERDF applications as detailed at sections 4.1.2 to 4.1.4 above.

6.1.3 note and agree the Advisory Group report summarised at section 4 above;

6.1.4 note the level of commitments for each Programme Priority as detailed at section 5.1 above; and

6.1.5 acknowledge the additional work carried out by the Advisory Group in appraising these project applications.

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