



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

CONSIDERATION OF ERDF ADVISORY GROUP REPORTS AND PROJECT RECOMMENDATIONS

1. Purpose

- 1.1 To advise the Committee of recommendations from the Advisory Groups, that have recently considered project submissions under Priorities 1 (Research and Innovation) and 4 (Rural Development) of the LUPS ERDF Programme 2007-13.

2. Background

- 2.1 Although there have been no open calls in either Priority 1 or 4, the Managing Authority (MA) agreed to accept applications from three emerging projects of strategic significance. These projects all passed the eligibility criteria under the first stage; and progressed to second stage, where applications were scored by the Advisory Groups at meetings during October 2011.
- 2.2 In addition, six Priority 4 projects submitted in application round 4 had previously been deferred, pending the completion of a Scottish Enterprise study into rural business space and, in the case of two of the six, the need for further information from project sponsors.

2.3 A full list of projects considered by the Advisory Groups is set out below:

Priority	Project	Applicant	ERDF grant requested (£)
NEW STAGE 2 APPLICATIONS			
1	V&A at Dundee; Design in Action	Dundee City Council	4,667,869
1	Offshore Renewables R&D Programme	Scottish Enterprise	4,936,454
4	Rural Action Plan for Moray 2	The Moray Council	836,896
		Total	10,441,219
DEFERRED APPLICATIONS			
4	Key Shared Service Rural Resource Centre	Stonehouse Development Trust	465,999
4	Clydesdale Community Workshops 2010	Clydesdale Community Initiatives	658,765
4	South Lanarkshire Rural Industrial Site Redevelopment	South Lanarkshire Council	199,563
4	East Lothian Rural Business Centres	East Lothian Council	145,296
4	East Neuk Creative Industries Hub	Fife Council	225,000
4	Market Towns Business Infrastructure	South Lanarkshire Council	226,680
		Total	1,921,303

2.4 The Managing Authority (MA) indicated to the Advisory Group at its meeting in February 2011 that a number of projects submitted in application round 4 supported the provision of business space and site servicing. The MA advised that the original target set in the Operational Programme for this activity was 2,400m2 and that this had already been exceeded. To enable the Programme to fund this type of activity the MA wanted to discuss a revision to the Programme Indicators in order to inform a proposal to the Commission for their consideration.

2.5 Scottish Enterprise's report on rural business space was published in May 2011 and concluded that there is continuing market failure and unmet demand for a range of mixed commercial space across rural areas, particularly good quality small business units in accessible rural villages.

3. Advisory Group Reports

- **ERDF Priority 1 Advisory Group Report**

3.1 A summary of the second stage applications submitted for assessment and scoring by the Priority 1 Advisory Group, is broken down as follows:

- A total of 2 second stage applications were submitted;
- The 2 applications were sent to Advisory Group members for scoring;
- The Standing Advisory Group discussed all 2 applications;
- 2 applications are recommended for approval (subject to conditions);
- A total of £9,604,323 ERDF grant is recommended for approval (as detailed in Annex A)

3.2 The final scores for the two projects considered by the Advisory Group are:

LUPS/ERDF/2011/5/1/0093 – V&A at Dundee Design in Action:	39.88
LUPS/ERDF/2011/5/1/0090 – Offshore Renewables R&D Programme:	44.67

3.3 The quality threshold is normally set at 33.0; so both projects score well above this. This reflects the view of the Advisory Group, that both projects should be supported. A number of specific comments were raised in respect of each project; and these will be taken forward with the project sponsor. Further information is provided at Annex A.

3.4 The V&A Dundee project is seeking c. £4.6m 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.

- **ERDF Priority 4 Advisory Group Report**

3.5 Although it had previously been announced that there would be no further open application rounds under Priority 4, the MA agreed to accept an application from Moray Council due to the specific economic circumstances in that region following the publication of the Strategic Defence Review. This was considered by the Advisory Group on 7 October.

3.6 The Advisory Group agreed to recommend approval of the project, subject to the application being strengthened by provision of further information. Further information is attached at Annex A. The application scored 39.96, well above the quality threshold of 33.0.

3.7 A number of projects for provision of business space were considered by the Advisory Group at its meeting on 10 February 2011. The Group agreed to defer the recommendation of four projects (2 from South Lanarkshire Council; 1 each from East Lothian & Fife Councils) until the publication of the Scottish Enterprise report referred to at paragraph 2.4. Following this, the Group recommended that these projects should now be allowed to move to formal approval. The MA is content that

these applications can be accommodated in advance of the proposed changes to the Operational Programme targets.

- 3.8 In addition, two further business space projects (from Stonehouse Development Trust and Clydesdale Community Initiatives) were considered by the AG in February. The Group requested clarifications and further information from project sponsors and deferred their decision. It was felt that the focus of both bids was not consistent with the Business Plan submitted in support of each application. They also raised issues over the financial sustainability of each lead applicant and their ability to complete and maintain their projects.
- 3.9 The MA and IAB met with both applicants on site and discussed the issues raised by the AG and requested the information sought. This was submitted in September 2011 and the bids were re-examined by the Group at their meeting on 7 October 2011. Members agreed that the issues raised at their previous meeting had been resolved satisfactorily and agreed to recommend both projects for approval.

4. Implications of Approving Advisory Group Recommendations

- 4.1 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	75,025,988	7,872,716	9,604,323	-1,731,607
Priority 2: Enterprise Growth	109,967,669	105,133,088	4,834,581	0	4,834,581
Priority 3: Urban Regeneration	91,357,756	62,711,119	18,646,637*	0	18,646,637*
Priority 4: Rural Development	46,017,241	24,221,790	21,795,451	2,758,199	19,037,252
Priority 5: Technical Assistance	8,120,689	4,205,982	3,914,707	0	3,914,707
Total	338,362,060	271,297,967	57,064,092	12,362,522	44,701,570

*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

5. Recommendation

5.1 The Committee is invited to:

- 5.1.1 agree the recommendations of the Standing Advisory Groups for Priority 1 and 4 and to approve the new projects and previously deferred ERDF Priority 4 projects as detailed in Annexes A and B.
- 5.1.2 agree that prior to any grant award, the proposal for the V&A project in Dundee be submitted for approval by the European Commission as a major project.

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**ANNEX A
ERDF PRIORITY 1 – PROJECT SUMMARY**

Project Reference	Project Title	Project Sponsor	ERDF Grant Requested (£)
LUPS/ERDF/2011/5/1/0093	V & A at Dundee Design in Action	Dundee City Council	4,667,869
LUPS/ERDF/2011/5/1/0090	Offshore Renewables R & D Programme	Scottish Enterprise	4,936,454

LUPS/ERDF/2011/5/1/0093 V & A at Dundee Design in Action

Project Description

The project will develop the V & A at Dundee, to create a design centre of excellence in Scotland. The ERDF element will be used to deliver activities to support design focussed R & D, knowledge transfer and commercialisation of academic research and SME engagement. As the total project costs are over €50m this project will be presented to the European Commission as a Major Project pending approval of the Programme Monitoring Committee.

Advisory Group Decision

Members of the Advisory Group were supportive of the project and agreed to recommend approval of the maximum ERDF award of £4,667,869.

LUPS/ERDF/2011/5/1/0090 Offshore Renewables R & D Programme

Project Description

The project aims to support the long term economic development opportunities for Scottish SMEs in offshore energy and in particular offshore wind and marine. The project will utilise funds to support SMEs with R & D, prototype development, innovation and commercialisation.

Advisory Group Decision

Members of the Advisory Group were supportive of the project and agreed to recommend approval of the maximum ERDF award of £4,936,454, subject to Scottish Enterprise revisiting the split of offshore wind/marine projects. SE have intimated that they would prefer flexibility of the project to ensure that they can steer funds to market need.

ANNEX B

ERDF PRIORITY 4 – PROJECT SUMMARY

• NEW APPLICATION

Project Reference	Project Title	Project Sponsor	ERDF Grant Requested (£)
LUPS/ERDF/2011/5/4/0092	Rural Action Plan for Moray 2	The Moray Council	836,896

Project Description

This project is a partnership between The Moray Council, Highlands & Islands Enterprise and the Moray College UHI and comprises six schemes which take a strategic approach to the economic development of Moray to address the potential economic effects of the conclusions of the Strategic Defence Review – especially the closure of RAF Kinloss and downsizing of RAF Lossiemouth. The six schemes are:

- Buckie Renewables Scheme: To refurbish a harbour building in Buckie to provide business space for SMEs in the offshore renewables industry.
- Training for Buckie Renewables: To refurbish a 2nd building in Buckie for the renewables sector with half of the building to be used by Moray College to provide training to SMEs in renewables, and the remaining half to provide further business space for renewables SMEs.
- Moray Business Sites: To develop business sites throughout Moray – to provide site servicing at sites in Elgin, Keith, Buckie and Lhanbryde and to refurbish existing business units in Lossiemouth – to attract SMEs and help diversify the economy.
- Moray Learning Centres (Buckie): This is a partnership scheme between The Moray Council and Moray College, which will add to the network of learning centres throughout Moray which was created in the previous ERDF-funded project. The project involves refurbishing a property in Buckie designed to assist people in accessing further education, training and into employment.
- Grant Lodge Creative Industries: The Moray Council will refurbish a historic building in central Elgin, part of which will provide business units to attract creative industry SMEs, for which ERDF grant is being sought. The remainder of the building will accommodate a visitor information centre, the registrars and a heritage centre, which will not be eligible for ERDF support.
- Green Transport: This council-led scheme will implement the findings of the Active Travel Audits in the towns of Keith and Buckie plus works in other key settlements, including cycle lanes, real time bus information and marketing to promote active travel and public transport. This will improve green transport links in and between Moray's biggest towns.

Advisory Group Decision

The Advisory Group noted that the application had scored highly. Members discussed the application in considerable detail and were supportive of the project. They agreed that there were a number of areas of the application which required to be strengthened:

- Stronger evidence of demand was required to support the need for the development of further business space;
- Stronger evidence of partnership working among the project partners and in the wider sphere;

- stronger evidence of links to the National Renewables Infrastructure Plan (N-RIP);
- further explanation of how the Green Transport Scheme will support rural SMEs and of the economic benefits of the scheme

The MA and IAB will work with the applicant to request this information and the Group agreed to recommend approval of the maximum ERDF award of £836,896.

• **PREVIOUSLY DEFERRED APPLICATIONS**

Project Reference	Project Title	Project Sponsor	ERDF Grant Requested (£)
LUPS/ERDF/2010/4/4/0098	Key Shared Service Rural Resource Centre	Stonehouse Development Trust	465,999
LUPS/ERDF/2010/4/4/0139	Clydesdale Community Workshops 2010	Clydesdale Community Initiatives	658,765
LUPS/ERDF/2010/4/4/0117	South Lanarkshire Rural Industrial Site Redevelopment	South Lanarkshire Council	199,563
LUPS/ERDF/2010/4/4/0122	East Lothian Rural Business Centres	East Lothian Council	145,296
LUPS/ERDF/2010/4/4/0096	East Neuk Creative Industries Hub	Fife Council	225,000
LUPS/ERDF/2010/4/4/0113	Market Towns Business Infrastructure	South Lanarkshire Council	226,680

LUPS/ERDF/2010/4/4/0098 Key Shared Service Rural Resource Centre (Stonehouse Development Trust)

Project Description

This project will secure the asset transfer, refurbishment and operation of an existing council-owned public building (the Stonehouse Public Institute) to the Stonehouse Development Trust Ltd to create a key shared business and childcare hub. It will provide 369m² of business space for SMEs, as well as a training facility and childcare facilities.

Advisory Group Decision

At its meeting on 10 February 2011, the Advisory Group deferred its decision as there were a number of concerns which required to be addressed. The project sponsor submitted their response to these concerns in September 2011 and the Group considered these at their meeting on 7 October 2011. The Group agreed that the issues raised had

been addressed satisfactorily and agreed to recommend approval of the maximum ERDF award of £465,999.

LUPS/ERDF/2010/4/4/0139 Clydesdale Community Workshops 2010 (Clydesdale Community Initiatives)

Project Description

This project will refurbish a derelict site in Lanark to create an integrated training, ICT and Enterprise hub which will stimulate and encourage commercial and social enterprise within rural South Lanarkshire. It aims to create 345m² of workshop space for SMEs, together with a dedicated training facility for SMEs.

Advisory Group Decision

At its meeting on 10 February 2011, the Advisory Group deferred its decision as there were a number of concerns which required to be addressed. The project sponsor submitted their response to these concerns in September 2011 and the Group considered these at their meeting on 7 October 2011. The Group agreed that the issues raised had been addressed satisfactorily and agreed to recommend approval of the maximum ERDF award of £658,768.

LUPS/ERDF/2010/4/4/0117 South Lanarkshire Rural Industrial Site Redevelopment (South Lanarkshire Council)

Project Description

The project will redevelop 14,450m² of currently redundant/derelict, brownfield site in rural South Lanarkshire providing 5 industrial platforms of assorted size including yardage and parking, using green principles of construction and in doing so will generate employment opportunities for 12 people.

Advisory Group Decision

Members of the Advisory Group were supportive of the project and agreed to recommend approval of the maximum ERDF award of £199,563, subject to the outcome of the updated Rural Property Review by Scottish Enterprise.

LUPS/ERDF/2010/4/4/0122 East Lothian Rural Business Centres (East Lothian Council)

Project Description

The project will refurbish an existing former school and school house in rural East Lothian to create 4 new flexible work/business spaces for SMEs. It will provide small size affordable workshop and office space with shared kitchen and limited onsite parking for SMEs.

Advisory Group Decision

Members of the Advisory Group were supportive of the project and agreed to recommend approval of the maximum ERDF award of £145,296, subject to the outcome of the updated Rural Property Review by Scottish Enterprise.

LUPS/ERDF/2010/4/4/0096 East Neuk Creative Industries Hub (Fife Council)

Project Description

This project will renovate and redevelop part of the Murray Library in Anstruther to provide 6-8 flexible affordable business units for let to SMEs in the creative industries. It aims to

enhance opportunities for the development and growth of SMEs in the creative industries, and make a positive contribution to local job creation. The refurbished building will provide a focus for local creative businesses, encourage networking and business-to-business activities.

Advisory Group Decision

Members of the Advisory Group were supportive of the project and agreed to recommend approval of the maximum ERDF award of £225,000, subject to the outcome of the updated Rural Property Review by Scottish Enterprise.

LUPS/ERDF/2010/4/4/0113 Market Towns Business Infrastructure (South Lanarkshire Council)

Project Description

This project will refurbish a former squash court in Lanark to create a managed business and enterprise centre, offering 7 self-contained serviced office units for SMEs and social enterprises. The centre will address the market failure for the provision of this type of accommodation. It will promote and support indigenous business potential, providing suitable accommodation for both new and established businesses and social enterprises.

Advisory Group Decision

This project was scored highly by the Virtual Advisory Group and as such was not discussed in depth at the Standing Advisory Group meeting. However, the recommendation for approval was deferred until the outcome of the updated Rural Property Review by Scottish Enterprise was known.