

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

**NOTE OF MEETING HELD ON
FRIDAY 4 SEPTEMBER 2009,
AT THE MENZIES HOTEL, GLASGOW**

Present:

Dr John Rigg	Scottish Government (Convener)
Riona Bell	Scottish Funding Council
Councillor David Berry	East Lothian Council
Alan Boyle	West Fife Enterprises Ltd
Liz Connolly	Scottish Enterprise
Councillor Alasdair Hutton	Scottish Borders Council
Graeme Hyslop	Langside College
Donna Mackinnon	SCVO
Dr David George McBeth	University of Strathclyde
Grahame Smith	Scottish Trades Union Council
Angela Wiseman	Scottish National Rural Network

Apologies:

Councillor Kate Dean	Aberdeen City Council
Koen Delanghe	European Commission, DG Regio
Professor Campbell Gemmell	SEPA
David Grahame	LINC Scotland
Dharmendra Khanani	Big Lottery Fund
Dame Barbara Kelly	Southern Uplands Partnership
Charlie McMillan	SAMH
Councillor David O'Neill	North Ayrshire Council

In Attendance:

Dimtcho Tourdanov	Desk Officer, DG Employment
Mabel Hildebrand	Scottish Government
Nigel Lindsay	Scottish Government
David Souter	Scottish Government
Paul Teasdale	Scottish Government
Gordon McLaren	ESEP Ltd
Susan Napier	ESEP Ltd (Minutes)
Nigel Thomas	ESEP Ltd
Susan Tamburrini	ESEP Ltd

1. Introduction

The Convener welcomed everyone to the meeting, and introduced Paul Teasdale (who had recently replaced Billy McLaren), Angela Wiseman and Grahame Smith, who were all attending their first meeting of the PMC. Round-table introductions were then invited.

The Committee noted that 3 presentations would be made in relation to the Options paper at item 5. These would come from the CPPs, the Scottish Funding Council and the Big Lottery Fund. Whilst it was noted that the Committee representative from the Big Lottery Fund had submitted apologies regarding his potential conflict of interest, the Convener asked the Committee to acknowledge the potential conflicts of various members around the table, but reiterated that the intention was to consider the strategic direction of the Programme. The presentations were primarily to raise debate concerning priorities for allocating the remaining funding under ESF Priority 1. The Committee would not be in a position to make recommendations on funding awards as Stage 2 applications had not been submitted. All members were therefore requested to attend item 5 as this would initiate interesting discussion.

The Committee agreed with this recommendation.

Prior to commencement of business, the Convener drew attention to a number of papers which had been tabled for information purposes:

- ESF Priority 1, Stage 1 Bids for Round 3 (Scottish Government)
- Letter from Councillor David O'Neill
- Copy of slides to accompany presentations

It was noted that the minute and matters arising of both this meeting and that held on 27 May 2009 would be addressed at the forthcoming Committee meeting on 28 October 2009.

2. Apologies

Apologies were received from Councillor Kate Dean, Koen Delanghe (European Commission), Campbell Gemmell (SEPA), Dharmendra Kanani (Big Lottery Fund), Dame Barbara Kelly, Charlie McMillan (SAMH), and Councillor David O'Neill who had provided written comments which were tabled.

3. Update on Current Economic Situation

3.1 Verbal Report from the Convener, John Rigg, Scottish Government

The Convener indicated that he would provide an update on the current economic situation, and thereafter invite the representative from the STUC to provide an update from their perspective.

In summary, the Convener reported:

- Scottish GDP had fallen by 2.25% in the first quarter of 2009, compared with the previous quarter. Particular sectors such as construction and manufacturing had experienced a fall of over 6%.
- data for the second quarter for Scotland has not yet been published, but it was worth noting that the UK economy had contracted by a further 1%.

- both France and Germany were showing positive growth for the second quarter.
- the ILO measure indicated unemployment at 188,000 in Scotland for the period April to June 2009. This was a significant increase of 75,000 on the same period in the previous year.
- claimant count data for those on unemployment-related benefits indicated a substantial year-on-year increase.
- local patterns were developing in the increase in those claiming unemployment-related benefits in Lanarkshire for example, the total had nearly doubled over the last year.
- it was anticipated that employment figures would continue to be slow to improve for some time.

The Convener invited comments from the STUC.

The STUC representative made the following points:

- the recession had hit all sectors, although it had not affected the energy and defence sectors as badly. The recession had impacted upon the house building sector most significantly.
- agreed that there were geographical variations
- information from the Unions indicated that they were dealing with a steady stream of job losses, with a number of companies downsizing.
- there was increasing concern regarding the level of youth unemployment, which required to be addressed as a matter of urgency.
- very few signs of recovery were noticeable, although the work currently being undertaken by the Scottish Government, and the UK in general, to minimise impact was noted and welcomed.

The Convener invited other members of Committee to contribute. The key points to arise in discussion were:

- the rural economy was coping better and seemed to be less affected, with people being more prepared to move jobs and to look for work elsewhere.
- the former mining communities across Fife had been affected quite badly, and were not showing signs of recovery, similar to the impact experienced in the mid 1980s.
- East Lothian seemed not to have experienced the same economic impact as other areas. There had been a successful summer season with people holidaying at home, which had a positive impact upon tourism and related small businesses in the area.

4. Progress on Physical and Financial Implementation of All Approved Projects

The IAB provided an update on financial and physical targets, showing the allocation of resources and the proposed activity coming forward. The Committee was referred to the following points within the paper:

4.1 Implementation of the ERDF Programme

- Many of the projects were delayed due to more than one agency being involved across different sectors i.e. multi-agency approach.
- The current structures of the CPPs had been included within the report, and Annex 3 (Blake Stevenson Report) provided additional information on the recent evaluation of the CPPs.
- Addressing ERDF Priority 3, it was noted that local authorities were leading initiatives in this sector and are likely to drive forward regeneration strategies in future rounds. Overall, ERDF was achieving activity at well below the anticipated grant intervention rate. Activity was much higher than was expected in all parts of the Priority.
- Statistics relating to ERDF Priority 4 were inclusive of Global Grants Body figures. A good spread and range of projects had been identified across ERDF categories in general.

4.2 Implementation of the ESF Programme

- As with ERDF, a number of applicants were involved in a variety of different projects, again with a multi-agency partnership approach being adopted.
- Priority 1 had proven to be a popular priority, targeting those furthest from the labour market. It was achieving higher levels of activity and implementation. It had almost achieved total forecast figures 3 years into the Programme.
- Priority 2 had seen a lot of activity, although a considerable proportion of funding was yet to be allocated.
- Due to the difficulty in stimulating activity in Priority 3, it was well below the level of bids anticipated.

For future reports, it was noted that the IAB would present ERDF and ESF Programme information in line with Commission Regulation (EC) No 1828/2006 Annex II: Categorisation of Funds assistance for 2007-2013 and also their NUTS territorial classification code.

The Convener thanked the IAB for their presentation, and invited comment from Committee members. Members of the Committee noted that:

- there was a significant difference between commitment for ESF Priority 1 and Priority 3. The IAB advised that the reason behind the lack of bids was due to the need for training organisations to engage with SMEs.
- training was amongst the first areas to be sacrificed when cutting business costs, with some companies unwilling to grant staff time off for training.

- within ERDF, significant funding was being channeled into Priorities 1 and 2, with less going towards Priority 3 (urban regeneration) and Priority 4 (rural development).
- the demographics of Scotland did not lend themselves to urban/rural designations.
- there was an issue concerning capacity within small local authorities such as Moray and Angus and dealing with the minimum thresholds.

The Scottish Government:

- confirmed that the Commission had accepted some – though not all of the proposed changes to ERDF Priority 4. Broadening the scope had encouraged an increased number and wider spectrum of submissions in the 3rd Round. Members welcomed the expansion of the scope for this Priority.
- suggested that some of the smaller local authorities could consider a joint application for funding. Members advised this had been attempted for example with regard to local harbours, but due to limited resources had been unsuccessful.

Members enquired regarding any evidence of the potential for decommitment of under-spend. The IAB advised that there was always a danger of duplication and overlap and where projects' original targets may have been over-ambitious; there was therefore the potential for underspending. It was noted that, historically, there was usually a 5%-10% under-spend, meaning that the Structural Fund grant was the variable. However, for the current Programme where projects did not spend the full amount of the total eligible costs, the under-spend had to be recovered.

Committee members advised against being too prudent with regard to the level of forecast underspending, citing experience of the 2000-06 programming period. However, they encouraged analysis of payment rates be carried out to prevent problems with N+2 at a later date. Emphasis should be made on recycling funds.

Referring to the Blake Stevenson report, members enquired as to how recommendations would be taken forward. The IAB advised that papers reporting to the next Committee meeting would indicate existing CPPs looking to re-position projects and identify any specific issues that require to be addressed. The issue on equalities - and specifically gender - highlighted in this paper would be taken forward by the IAB's Research and Policy Officer in conjunction with the STUC 'Close the Gap' team.

5. Options on Future Strategic Priorities for the ESF/ERDF Operational Programme.

The Convener advised this item would be addressed in 3 parts: a brief introduction by the IAB; the short presentations on the background to the 3 Strategic Stage 1 bids; a discussion on the recommendations made in the Scottish Government's paper.

The IAB gave a brief summary of the paper, referring members specifically to the detail within Tables 1 and 2. A high level of interest had been indicated for Priority 1, with lower levels of interest for Priority 2 and Priority 3. This would require to be better balanced over the following months. Significant interest had been shown in ERDF Priority 3, which it was surmised was due to an anticipated broadening of scope.

The Convener thanked the IAB for the overview. The Convener stated that he would clarify to each presenting team that the Committee would not make a decision on the success or otherwise of each presentation at this meeting, and that the purpose of the day was to initiate further Committee discussion on the strategic re-direction of the Programme. Committee members were asked to introduce themselves as they asked questions following each presentation.

5.1 Presentations

5.1.1 Scottish Funding Council

The Convener welcomed Morag Keith (WoSCoP) and Martin Smith (Funding Council) to the meeting. A comprehensive presentation was made, after which Committee received the following responses to enquiries:

- this proposal was spatially targeted at ESF Priority 1, and would involve 26 of Scotland's colleges.
- this proposal would have no benefit to the Borders area.
- in order to ensure no areas of duplication, discussions were taking place with the CPPs to address any inconsistencies. This proposal would cover 16-24 year olds and therefore was outwith the remit of the CPPs.
- SFC are unaware of any similar proposals by other colleges at this time; however discussions will be held with individual colleges to ensure no duplication.
- regarding a fit with the 'Young Person's Guarantee', discussions would be held with the DWP. Although information regarding the 'Young Person's Guarantee' was limited currently, more detail would be sought prior to a Stage 2 submission.

It was noted that in a press release of 4 September 2009, the Funding Council indicated that it would be providing £12m for Further Education infrastructure. This may be matched by ERDF.

The Convener thanked Morag Keith and Martin Smith for their presentation and feedback.

5.1.2 Presentation by the CPPs

The Convener welcomed Diane McGill (North Lanarkshire Council), Grant Ritchie (Dundee College), Alan Miller (Dundee City Council) and Sally Anderson (Fife Action Enterprise Trust) to the meeting. A comprehensive presentation was made, after which Committee received the following responses to enquiries:

- should the CPP be successful, discussions would be held with partners to ensure that duplicate applications are immediately withdrawn.
- the findings of the Blake Stevenson report relating to Horizontal Themes had been taken on board. Committee noted that the Glasgow colleges were not part of the Glasgow CPP bid, but all other

CPP bids involved local colleges. Glasgow colleges had been funded by an independent application for £4m funding.

- referring to environmental issues highlighted in the Blake Stevenson Report, a dedicated working group had been convened to address environmental sustainability and equal opportunity cross-cutting themes. This Group was making steady progress.
- a complex partnership (multi-tiered) approach had been taken towards addressing an exit strategy, although it would take some time to be developed. The finalised strategy would incorporate monitoring mechanisms. For example, European Structural Funds have been a catalyst in Dundee in the development of partnership project pipelines, the development of management information systems and beneficiary tracking systems which will be a legacy beyond 2011.

The Convener thanked the CPP team for their presentation and feedback.

5.1.3 Presentation by The Big Lottery Fund (BLF)

The Convener welcomed Jackie Killeen and Julia Holmes to the meeting. A comprehensive presentation was made, after which Committee received the following responses to enquiries:

- this initiative had the ability to target those in the hardest-to-reach groups
- some areas of concern had been identified referring to the compatibility of a flexible regime. However, it was hoped that Committee could provide additional guidance to BLF in order that they may develop this further. Scottish Government acknowledged that work was required on both eligibility and the application of the National Rules prior to this application proceeding further.
- BLF Committee acknowledged the current geographical restraints, and hoped that this initiative would encourage the development of other opportunities applicable to the rural areas in future.
- the desire to work with the CPPs was acknowledged; however due to the current rules and regulations of BLF, they were not permitted to fund CPPs at this time.

The Convener thanked the CPP team for their presentation and response to questions.

The Convener referred members to the Stage 1 bids, advising that Scottish Government would introduce the paper for discussion with Committee.

(David McBeth and Dimtcho Tourdanov left the meeting)

- 5.2** The Scottish Government provided an overview of the paper. The cost of funding all three bids was £32.3m under ESF Priority 1. This together with a £22.9m of individual challenge fund bids represented a substantial overbid against the remaining balance of £17.9m available under ESF Priority 1. Against this background of competing demands for ESF Priority 1, Committee discussed the various recommendations and options given in the Scottish Government's paper. In

light of this discussion, it was agreed that some changes should be made to the recommendations. It was agreed that:

- 5.2.1 The Funding Council's strategic bid would go ahead to second stage and the Commission would be approached to make any marginal changes to the ESF Operational Programme needed to ensure it is fully eligible.
- 5.2.2 The CPP bids would all go ahead, extending their agreed activity for a further year.
- 5.2.3 All ESF Priority 1 individual challenge bids which are also part of a CPP bid, and/or part of the Funding Council bid would be asked to withdraw.
- 5.2.4 The BIG Lottery bid would go ahead to the second stage.
- 5.2.5 In line with the strategic decisions taken by the PMC, eligible challenge bids would progress to the second stage with feedback from the IAB including the information that only the highest quality bids would be funded in the third Round.
- 5.2.6 An allocation of 5% above the total unspent funds available in ESF Priority 1 could be allocated to projects in the third round to anticipate some underspend. This 'over programming' would allow a further £5 million to be allocated to Priority 1 (Progressing into Employment) projects in round three. Scottish Government was authorised to look at an additional allocation of funds based on anticipation of a higher level of underspending where this can be justified.
- 5.2.7 Scottish Government would negotiate with the Commission to transfer £20 million from ESF Priority 3 (Access to Lifelong Learning) to Priority 1 (Progressing Into Employment). This would allow the 3 strategic bids plus the highest quality challenge bids to be funded in round three.
- 5.2.8 No ESF Priority 3 (Access to Lifelong Learning) bids would be funded in this round.
- 5.2.9 If funding comes back through underspends into ESF Priority 3, a further round could be considered in the future.
- 5.2.10 Where the area CPP has entered a bid for additional funding, the relevant local authority lead sponsor would be asked to withdraw all individual challenge fund Council project applications for Priority 1 funding in this round where they duplicate the CPP strategic bid.
- 5.2.11 Colleges which are part of a CPP bid would be asked to withdraw all other projects for this round where they duplicate the CPP strategic bid.
- 5.2.12 All Priority 1 projects progressing to Stage 2, including strategic bids, must show an exit strategy from ESF funding, and they must show clearly that participants can complete the activity being assisted within the project period.
- 5.2.13 There would be no widening of the ESF Operational Programme's Priority 1 eligibility beyond confirmation that the Funding Council bid is fully eligible.

5.2.14 There would be no change to the funding allocation for ESF Priority 2 (Progressing in Employment). All Priority 2 eligible projects would progress to second stage with feedback.

The Committee agreed these recommendations.

6. Exceptional Projects Procedure – Consideration of ESF Strategic Project

The IAB gave a brief introduction of the paper with Scottish Government providing an outline of the content and recommendations.

The IAB reported that processes had been revised to allow projects with successful appeals to be fast-tracked. Following recommendations of Committee at the meeting on 27 May 2009, all applicants were now given the option to make a presentation to the Advisory Group in support of their application.

Committee noted that the Stage 1 application for “Innovate with an Apprentice” had been received in June 2009, and following discussions with Scottish Government it had been agreed that this project met the qualifying criteria and would be fast-tracked.

Scottish Government explained that the paper addressed the need to increase the number of modern apprentices available for work in high growth sectors i.e. Life Sciences and Renewable Energy (Wind Turbine Technology). Potential employers, mainly small businesses, would be offered 2 apprentices and the cost of training and the salary costs of one apprentice would be covered. Apprentices would come from all age groups and marketing would be targeted at underrepresented groups such as black ethnic minorities. Also, employers would have the opportunity to select existing employees currently in low paid and low skilled jobs provided that these positions were backfilled.

The Standing Advisory Group had raised a number of issues including value for money and had subsequently agreed the project by written procedure.

Members were supportive of this innovative proposal, although some concern was raised regarding potential match funding for the project. Scottish Government advised that discussions had already been held in this regard. Colleagues within the State Aids unit were currently looking at aid intensity levels, but where businesses fell within the SME definition this would not be an issue. The Commission would be advised of all Priority 2 projects which had potential State Aids issues.

Members indicated that not all apprentices may settle into work within these sectors and the backfill requirement should not be automatically exercised allowing the option to return to their original job.

The Committee agreed the recommendations in full.

7. Any Other Competent Business

The representative of East Lothian Council wished to record his appreciation of the progress made by the PMC since inception. The Convener thanked him for this positive feedback, and said he was grateful for the commitment being made to the success of the 2007-2013 Programmes by fellow Committee members.

8. Date of Next Meeting

The next meeting of the Committee will be held on 28 October 2009, at the Royal College of Physicians, Edinburgh.

The Convener thanked all present for attending and closed the meeting.