



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

### OPERATIONAL ARRANGEMENTS

#### SOUTH OF SCOTLAND GLOBAL GRANTS SCHEME

##### 1. Purpose

- 1.1 To consider the proposed South of Scotland Global Grants Outcome Agreement to assist in the implementation of Priority 4 of the Lowlands and Uplands Scotland ERDF Operational Programmes 2007–2013.

##### 2. Background

- 2.1 Article 42 of the General Regulation (1083/2006) provides that the Member State or the Managing Authority may entrust the management and implementation of a part of an Operational Programme to one or more intermediate bodies.
- 2.2 The LUPS ERDF Operational Programme, approved by the European Commission, specifies that the Managing Authority will designate an intermediate body to manage and implement a global grant in the South of Scotland under Priority 4 of the Programme (as defined in Articles 42 and 43 of the General Regulation). Under this arrangement, projects from South of Scotland partners will bid for funding from a dedicated global grants pot for the area within Priority 4, though they will not be eligible for funding under the remainder of Priority 4, which will only be available to the other eligible areas under Priority 4.
- 2.3 The designation of a Global Grants Body for the South of Scotland reflects the clearly-articulated regional aspirations in the South of Scotland Alliance's published Competitiveness Strategy (which shows where Structural Funds can have a clearly additional and significant impact) and the South of Scotland's successful track record in making effective use of Structural Funds through the 2000-06 Objective 2 Programme.
- 2.4 The Global Grants Body was anticipated to be one of the Local Authority council bodies in the South of Scotland which will be required to provide guarantees of its solvency and competence in this domain as well as in administrative and financial management. The designated body will be responsible for supporting project selection, ensuring applicants understand their obligations as regards provision of information, acknowledgment of publicity requirements and financial control, and reporting on and managing the global grant. Project selection of projects under the global grant will be made through an Advisory Group, chaired by the Managing Authority.

**2.5** The designated intermediate body will propose an outcome agreement for three years to the Managing Authority. As specified in Article 43, the agreement will detail:

- the types of operation to be covered by the global grant;
- the criteria for selecting beneficiaries (which must comply fully with Priority 4 selection criteria);
- the rates of assistance from the Funds and the rules governing that assistance, including the use of any interest accruing;
- the arrangements for monitoring, evaluating and ensuring the financial control of the global grant as set out in Article 59, including the arrangements for recovering amounts unduly paid and the presentation of accounts; and
- where applicable and necessary, any use of a financial guarantee, or equivalent facility.

**2.6** At the start of the three-year period, the outcome agreement will be reviewed by the Programme Monitoring Committee.

**2.7** In view of the substantial level of European Structural Funds being committed to the Global Grants Body they in common with the other strategic delivery bodies will require to provide financial and physical performance information on a quarterly basis to the IAB in order that the overall performance of the Programme Priorities can be assessed and reported to the Monitoring Committee. This is in addition to the claiming and reporting requirements that follow the introduction of the €UROSYS system. A standard reporting requirement and format has been designed which will apply to the CPPs, the Scottish Enterprise SDB and the South of Scotland Global Grants Body, appended below. In addition, and in recognition of the fact that these new strategic bodies will be establishing new internal management arrangements, the Scottish Government will organise a pre-claim systems audit to each body in order to ensure their robustness and ensure that best practice is identified and shared.

### **3. Recommendations**

**3.1** The Committee is invited to:

3.1.1 approve the Global Grants Body Outcome Agreement (as given in Annex 1);

3.1.2 agree to annual reviews of financial and outcome performance on an annual basis by the Managing Authority, with the findings reported back to the PMC.

Nigel Lindsay  
Scottish Government  
Tel: 0141 242 5817  
Email: [nigel.lindsay@scotland.gsi.gov.uk](mailto:nigel.lindsay@scotland.gsi.gov.uk)

**October 2008**

# SOUTH OF SCOTLAND GLOBAL GRANTS BODY

## Reporting Requirements for the Programme Monitoring Committee

### 1. Background

- 1.1 The Global Grants Body (GGB) will require to provide financial and physical performance information on a quarterly basis to the IAB in order that the IAB can fulfil its contractual responsibilities to the Scottish Government and in reporting to the Programme Monitoring Committee. This includes monitoring of spend against the N+2 financial discipline, monitoring commitment levels in the context of the overall implementation of Priority 4, Rural Development and monitoring against the Priority indicators and targets. There is also a requirement for the IAB to ensure that the Priority does not exceed the approved average grant rate set out in the financial tables. For Priority 4 this is 40%.

### 2. The Quarterly Monitoring Report Format

#### 2.1 Cumulative Summary of Financial Performance for the GGB under Priority 4 to Date

Financial Information expressed in £

	Number of Projects approved to date	Approved Expenditure to date	Approved Grant to date	Declared Expenditure to date	Grant paid to date
<b>Total</b>					

Comparison of Approved Average Grant Rate for Priority 4 envisaged in Operational Programme with Total Grant Approved and Paid to date (%)

	Average Grant Rate – Priority 4	Average Grant Rate GGB Commitments	Average Grant Rate GGB Payments
<b>Total</b>			

## 2.2 Analysis of GGB Priority 4 Indicators

### Outputs

Approved Indicator	Approved GGB Target	Forecast Targets to date	% Allocation Committed	% GGB Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% GGB Target met by Actual
Number of enterprises supported							
Number of e-learning/ childcare and other community facilities supported							
Area of business space created or modified (m <sup>2</sup> )							
Number of educational access projects supported							
Number of local transport projects supported							

### Results and Impacts

Approved Indicator	Approved GGB Target	Forecast Targets to date	% Allocation Committed	% GGB Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% GGB Target met by Actual
Number of new marketing initiatives							
Number of enterprises introducing new supply and production processes							
Number of enterprises benefiting from supported facilities							
Occupancy rates of business space by the end of the Programme							

Approved Indicator	Approved GGB Target	Forecast Targets to date	% Allocation Committed	% GGB Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% GGB Target met by Actual
Number of gross jobs created							
Number of enterprises accessing higher and further education research/ training resources							
Time saved per journey (journey time x freight/ passenger volume)							
Increase in gross value added per employee in supported enterprises							
Number of net new jobs created							
Increase in turnover in supported enterprises							
Increase in gross value added in supported enterprises							

### 3. Additional Reporting Requirements

- 3.1 In addition to the standard reporting format against the indicators provided at 2.2 it will be helpful to have an indication of any operational factors impacting or having the potential to impact on the implementation and the overall performance of the Global Grants Body. Also, the Scottish Government require reporting on the size of enterprises receiving financial support, support on start-up advice/consultancy and e-commerce and energy-saving and resource efficiency activity in line with Article 66 of the General Regulation. This will include a breakdown by micro, small and medium-sized enterprises, which will be defined as part of guidance to be made available in advance of each programming round. Targets will not be set for these indicators.

**ANNEX 1**

**South of Scotland Global Grants Body**

**Summary of Outcome Agreement Between The Scottish Government as Managing Authority and Dumfries and Galloway Council, whose operationally independent unit acts as the Executive of the Global Grants Body (hereinafter referred to as “South of Scotland Global Grants Body” (GGB))**

**ANNEX 1****1. Introduction**

1.1 The General Regulation (1083/2006) of 11 July 2006 provides for the administration of European Structural Funds.

1.2 The Member State has the primary responsibility for the implementation and management of the Funds, and for their sound financial management. In administering the Funds in Scotland, the functions of the Member State are undertaken by the Scottish Government.

1.3 In carrying out these Member State functions, the Scottish Government manages the duties of the:

*Managing Authority:* Article 60 of the Regulation specifies that the designated Managing Authority shall be responsible for the management and implementation of the operational programme in accordance with the principle of sound financial management.

*Certifying Authority:* Article 61 of the Regulation specifies the responsibilities of the Scottish Executive (Scottish Government) as Certifying authority.

*Audit Authority:* Article 62 of the Regulation specifies the responsibilities of the Scottish Government as Audit Authority.

*Global Grants Body:* Article 42 of the Regulation specifies the basis on which the management and implementation of a part of an operational programme may be entrusted by the Member State or Managing Authority to one or more intermediate bodies.

1.4 On 27 September 2007, the European Commission adopted its decision number CCI: 2007UK162PO001, and thereby approved a Regional Operational Programme for the Lowlands and Uplands of Scotland that will run from 2007 to 2013, within the Competitiveness and Employment Objective framework.

1.5 The approved Regional Operational Programme includes a specific priority, focussed on rural development, helping rural areas that share similarities such as low population densities, sparse settlement patterns and valuable natural heritage and culture resources. The aim is to strengthen rural industries and promote diversification, while supporting key shared services and tackling accessibility issues. The ERDF Operational Programme, approved by the European Commission, specifies that the Managing Authority will designate an intermediate body to manage and implement a Global Grant in the South of Scotland under the rural development Priority.

1.6 This Agreement sets out the basis on which the Global Grants Body will carry out specified tasks in support of the Managing Authority and other aspects of the implementation of the Programme during the currency of this Agreement.

1.7 This Agreement is based on the principle that the Scottish Government, the Intermediate Administrative Body (IAB) and the Global Grants Body (GGB) shall

**ANNEX 1**

work together on the basis of mutual support and co-operation in striving for excellence in the administration of European Structural Funds Programmes in Scotland.

- 1.8 The Global Grants Body has appointed the South of Scotland European Partnership (SOSEP) to administer its functions in the GGB area.

**2. Duration of agreement**

- 2.1 This agreement is for three years, from 1 January 2009 to 31 December 2011.

**3. Payment of Funding**

- 3.1 The estimated total costs of the Global Grants Body will be £448,789 for the three years of the agreement. The Global Grants Body has provided the Managing Authority with a copy of its budget, distinguishing between staff costs, accommodation, general expenses and other costs. It is anticipated that application for Technical Assistance will be made in respect of 50% of the costs of the Global Grants Body function. Payments of Technical Assistance will be made in respect of eligible claims prepared in accordance with the Global Grants Body's operating plan at the minimum level judged necessary to ensure efficient and cost-effective operation of the Global Grants Body.

**4. Functions of the Global Grants Body**

- 4.1 The Global Grants Body shall undertake tasks and responsibilities, as envisaged under the provisions of Article 42 of the Regulation. Article 43 requires the specification of details of the following:

- the types of operation to be covered by the global grant;
- the criteria for selecting beneficiaries;
- the rates of assistance from the Funds and the rules governing that assistance, including the use of any interest accruing;
- the arrangements for monitoring, evaluating and ensuring the financial control of the global grant as set out in Article 59, vis-à-vis the Managing Authority, Including the arrangements for recovering amounts unduly paid and the presentation of accounts; and
- where applicable and necessary, any use of a financial guarantee, or equivalent facility.

**5. Types of Operation**

- 5.1 The types of operation will be activities under the themes identified as eligible under the provisions of Priority 4 (Rural Development) of the Operational Programme. Any agreed variation in the Operational Programme subsequent to the implementation of this outcome agreement, insofar as the variation impacts on such themes or activities, will form the basis of a variation to this agreement.

**6. Criteria for Selecting Beneficiaries**

**ANNEX 1**

- 6.1 Selection of Beneficiaries will be undertaken by a South of Scotland Global Grants Body Advisory Group to be constituted in accordance with the broad principles agreed by the Lowlands and Uplands Scotland Programme Monitoring Committee at its meeting of 8 November 2007, but with a membership with specific demonstrable knowledge and understanding of the distinctive nature of the characteristics of the socio-economic situation of the South of Scotland and specific expertise in the South of Scotland Competitiveness Strategy. The Group will be chaired by a Member of the Managing Authority and shall adopt at its first meeting its own operational arrangements.
- 6.2 The South of Scotland Advisory Group will examine all project applications submitted under the Global Grants Body. The Advisory Group's recommendations will be considered by the Programme Monitoring Committee as part of its strategic assessment of the ERDF programme across the LUPS area prior to the final recommendations on supported projects being made to Ministers.
- 6.3 The criteria for registering applicants as eligible as beneficiaries will be on the basis of the implementing arrangements as agreed by the Lowlands and Uplands Scotland Programme Monitoring Committee at its meeting of 8 November 2007. There are three main categories of eligible applicant organisations:
- Public sector;
  - Voluntary or Charitable Organisations; and,
  - Joint ventures.
- 6.4 From applications submitted from eligible applicants, selection will be undertaken by the South of Scotland Global Grants Body Advisory Group in accordance with the principles agreed by the Lowlands and Uplands Scotland Programme Monitoring Committee at its meeting of 8 November 2007. These principles cover the agreed quality threshold, which projects will be obliged to meet, and the application of the same scoring criteria and weightings as in the rest of the LUPS area.
- 7. The rates of assistance from the Funds and the rules governing that assistance**
- 7.1 As specified in the Operational Programme, the maximum co-financing rate is 40%.
- 8. Arrangements for monitoring, evaluating and ensuring the financial control of the global grant**
- 8.1 As noted above, the Managing Authority has overall responsibility for the management and implementation of the Operational Programmes in accordance with the principle of sound financial management. In practice, some of the tasks involved are delegated – to the Intermediate Administration Body, Strategic Delivery Bodies, Community Planning Partnerships and/or Global Grants Body -, in accordance with Articles 63-66 of the General Regulation. These bodies will be responsible for setting up appropriate monitoring systems, defining indicators and disseminating knowledge of their use, ensuring that projects fully understand their reporting obligations, assuring themselves on the quality and coverage of the indicator data, and providing appropriate reporting on the basis of that data. Data will be stored in the Scottish Government computer system established for collecting/reporting on Structural Funds by the Managing Authority.

**ANNEX 1****8.2 Monitoring at Project Level: Claims**

8.2.1 The monitoring of claims at Project Level will be undertaken by the Global Grants Body. The detailed arrangements will be as agreed with the European Commission for all 2007-13 Structural Funds in Scotland and set out in the Management and Control Report.

**8.3 Monitoring at Project Level: On-the-Spot Visits under Article 60**

8.3.1 The monitoring of individual projects will be augmented by on-the-spot visits to be undertaken jointly by Managing Authority, Verification and Compliance and Global Grants Body officials. The detailed arrangements will be as agreed with the European Commission for all 2007-13 Structural Funds in Scotland and set out in the Management and Control Report. The Global Grants Body will be responsible for arranging and administration of individual visit, with inputs from MA and VAC on preparatory work and selection of items for financial check.

8.3.3 Further Monitoring at Project Level may be undertaken, based on the analysis of findings from the compliance checks, as outlined above.

8.3.4 The Global Grants Body will itself be subject to a minimum of one monitoring visit per annum by a joint team comprising representatives of the MAs, VAC and IAB.

**8.4 Reporting**

8.4.1 The GGB will report to the Managing Authority and IAB on a quarterly basis and such reports will be considered by the Programme Monitoring Committee.

**8.5 Evaluation**

8.5.1 The Operational Programme outlines the planned evaluation activities for the programme as a whole. These include the following:

- Ex-ante evaluation;
- Ongoing evaluation;
- Evaluation of specific aspects of programme delivery; and,
- Ex-post evaluation.

8.5.2 It is envisaged that there will be a specific evaluation of the commissioning and implementation of the Global Grant Body, with an indicative timetable of by December 2009.

8.5.3 **Ensuring Financial Control** – The steps outlined are designed to ensure that adequate financial control is maintained and there is early warning of any difficulty.

8.5.4 **Recovery** – In the event of amounts having been paid in error, the Global Grants Body will make every effort to recover such amounts from the beneficiary body. In the event of a body awarded ERDF entering into formal insolvency proceedings, including administration of the formation of a trust for the benefit of creditors, the

**ANNEX 1**

Global Grants Body will assist the Managing Authority to lodge a claim with the appropriate agents of the beneficiary, whether liquidator, receiver, administrative receiver, supervisor of a voluntary arrangement or other receiver.

8.5.5 Dumfries and Galloway Council will not be held liable for any repayment, by whatever means it is deemed to be appropriate, other than in cases where the Council itself was the beneficiary of funding.

**9. Any use of a financial guarantee**

9.1 Use of a financial guarantee is not envisaged.

**10. Outputs**

10.1 Anticipated outputs are appended at Appendix 1.

**ANNEX 1****Appendix 1. Indicators and Targets**

The table below details the indicators and targets expected to be achieved by the South of Scotland GGB for the period 1<sup>st</sup> January 2009 to 31<sup>st</sup> December 2011. These numbers are derived an annualised proportional share of targets for LUPS Priority 4.

<b>Indicator</b>			<b>Project Target</b>
A	Output	Number of enterprises supported	180
B	Output	Number of e-learning/childcare and other community facilities supported	6
C	Output	Area of business space created or modified (m <sup>2</sup> )	343
D	Output	Number of educational access projects supported	3
E	Output	Number of local transport project supported	3
F	Result	Number of new marketing initiatives	116
G	Result	Number of enterprise introducing new supply and production process	116
H	Result	Number of enterprises benefiting from supported facilities	128
I	Result	Occupancy rates of business space by the end of the Programme	90%
J	Result	Number of gross jobs created	180