

**LOWLANDS AND UPLANDS SCOTLAND 2007- 2013
PROGRAMME MONITORING COMMITTEE**

**NOTE OF MEETING HELD ON
THURSDAY 29 OCTOBER 2008,
AT EASTERBROOK HALL, DUMFRIES**

Present:

Dr John Rigg	Scottish Government (Convener)
Councillor David Berry	East Lothian Council
Riona Bell	Scottish Funding Council
Alan Boyle	West Fife Enterprises Ltd
Councillor Kate Dean	Aberdeen City Council
David Grahame	LINC Scotland
Councillor Alasdair Hutton	Scottish Borders Council
Dame Barbara Kelly	Southern Uplands Partnership
Donna Mackinnon	SCVO
Dr David George McBeth	University of Strathclyde
Councillor David O'Neill	North Ayrshire Council

Apologies:

Liz Connolly	Scottish Enterprise
Louise Donnelly	Scottish Government
Professor Campbell Gemmell	SEPA
Graeme Hyslop	Langside College
Dharmendra Kanani	Big Lottery Fund
Danny Logue	SDS
Charlie McMillan	Scottish Association of Mental Health
Grahame Smith	Scottish Trades Union Council

In Attendance:

Koen Delanghe	European Commission, DG Regio
Marc Vermyle	European Commission, DG Employ
Mabel Hildebrand	Scottish Government
Nigel Lindsay	Scottish Government
Billy McLaren	Scottish Government
David Souter	Scottish Government
Muriel Mackenzie	ESEP Ltd (Minutes)
Gordon McLaren	ESEP Ltd
Nigel Thomas	ESEP Ltd
Susan Tamburrini	ESEP Ltd

Observing:

Preben Gregersen	Danish Authority for Enterprise and Construction, Ministry of Economic and Business Affairs
Chris Kirby	Department for Business Enterprise and Regulatory Reform

1. Introduction

The Convener welcomed everyone to the meeting. He introduced two observers to the meeting. They were Chris Kirby from the Department of Business Enterprise and Regulatory Reform, and Preben Gregersen, Head of Unit, Danish Authority for Enterprise and Construction, Ministry of Economic and Business Affairs.

2. Apologies

Apologies were received from Liz Connolly (Scottish Enterprise), Louise Donnelly (Scottish Government), Professor Campbell Gemmell (SEPA), Graeme Hyslop (Langside College), Dharmendra Kanani (Big Lottery Fund), Charlie McMillan (Scottish Association of Mental Health) and Grahame Smith (STUC).

The Convener added that apologies had also been received from Danny Logue of Skills Development Scotland, who had recently been appointed to the Committee.

3. Minute of Meeting held on 19 March 2008

The minutes of the previous meeting on 19 March 2008 were approved.

4. Matters Arising

The Committee agreed that the note of the previous meeting was factually correct. The following points were raised:

4.1 Communications Plan (Item 4.6 from 19/03/08 Note)

The latest version was now available to members. The Scottish Government explained that the production of a Communications Plan was a European Commission requirement. The Plan would identify communications activities for the IABs and the Scottish Government for the 2007-2013 programming period.

There is a requirement in the Regulations to deliver an 'event' on an annual basis to publicise Structural Funds activity. The focus for 2008 is a publicity campaign being undertaken by The Big Partnership, a leading Scottish PR company, to highlight case studies which show the impact of EU funding in Scotland. The company will work with the IABs and Scottish Government staff, including Communications and Marketing teams to collate good practice examples. They will actively pursue and develop links with the media, presenting a positive message about the Funds and provide them with success stories from projects and Programmes. Scottish Government agreed that it would be useful to use national networks such as COSLA and SCVO to promote the campaign and invited PMC members to consult and get in touch. It was agreed to have a review of the campaign at the next Committee meeting.

In response to a query regarding the allocation of communications spending between the two IABs, Scottish Government indicated that there were issues of economies of scale, and that resource allocation was part of the initial IAB contracting.

In response to a query on the availability of PMC papers on the ESEP website, the Convener explained that, with the exception of the agenda, it was not appropriate to provide general access to the papers prior to the PMC meeting. A folder with restricted access, via a specific password, had been created so that members could access the papers electronically. However, following the meeting, once papers have been approved and checked for any issues of confidentiality and sensitivity, they would be made available on the IAB website in line with Freedom of Information guidance.

The Committee discussed the IAB website and agreed that it was informative and provided sufficient background information to meet the differing needs of users. The IAB explained that they had invested in a significant redesign and development of the ESEP website in order to make it readily navigable and to ensure that as much information as possible was posted and made publicly available.

4.2 Shadow Round (Item 5.1 from 19/03/08 Note)

The Committee were advised that 49 Shadow Round projects received £8.7m of approved grant. This grant figure has now reduced to £7.9m as a result of underspends. Four projects were decommitted in full. Of the 24 Final Claims submitted to the IAB to date, £4.1m has been paid. The anticipated underspend is of the order of £2.7m. Hall Aitken Consultants are currently carrying out an evaluation of the Shadow Round.

4.3 An Action Plan to Strengthen the Commission's Supervisory Role Under Shared Management of Structural Actions (Item 9 from 19/03/08 Note)

Those present noted that the Scottish Government are required to submit a Management and Control Report to the Commission. Representatives from the Scottish Government and ESEP were finalising the submission. Members would be updated on progress at the next meeting. In order to comply it was probable that most if not all projects will require to be visited and project sponsors have been made aware of the requirements of the Commission. The European Commission intimated that it was imperative that an Audit Strategy was submitted initially.

4.4 Proposed Changes to the ESF (LUPS/08/1/10) and ERDF (LUPS/08/1/11) Operational Programmes (item 10 from 19/03/08 Note)

The European Commission reported on the limited changes proposed at the March 2008 meeting with regard to the ESF Programme. After some minor issues of clarification, DG Employ have assessed this in a positive manner. Inter-Service Consultation is underway at the Commission and it is anticipated that responses will be received in early November 2008 for adoption prior to the end of 2008.

The Commission were informed that while there were some issues of concern regarding the front-loading of the remainder of the Programme, it was unlikely that there would be any further amendment requests for the ESF Operational Programme. It was noted that with regard to those facing the threat of redundancy, this was already a target group within Priority 2 of the ESF Programme.

4.5 Draft AIR 2007 (Item 12 from 19/03/08 Note)

The final report had now been made available to PMC members. Those present noted that the content and format of the report had been pre-determined by the Commission and applied as standard across Europe. The principal audience for these reports were the European Commission.

4.6 Exceptional Project Procedure for 2007-2013 Programmes (Item 13 on 19/03/08 Note)

Whilst procedures for dealing with time critical projects had been drafted, they were yet to be agreed. A revised Committee paper would be issued through Written Procedure arrangements. However, it was agreed that it was imperative that with regard to scoring these projects, appraisal was consistent with mainstream projects.

4.8 Committee Representation (Item 18.2 on 19/03/08 Note)

It was agreed to brief the member of Skills Development Scotland on the discussions at this Committee meeting as they were unable to attend. The Convener informed members that Skills Development Scotland brought together Careers Scotland, LearnDirect Scotland, Scottish University for Industry and the relevant parts of Scottish Enterprise/Highlands and Islands Enterprise and were based in Atlantic Quay in Glasgow.

5. Evaluation Action Plan – Update On Activities

The Scottish Government described the plan for evaluation of the Scottish Programmes, and explained that, whilst previous Programmes had relied on set-piece evaluations, there was now more of an emphasis on ongoing monitoring and system evaluation, as well as thematic evaluations in the new Programmes. Committee members were advised that approximately £150,000 per annum had been allocated for evaluation. It was noted that the European Commission are giving evaluation a higher priority and Scottish Government staff are involved in two European evaluation groups, the European Social Fund Partnership and the DG Regio Evaluation Network.

A Framework Contract has been put in place for evaluation activity for the next 3 year period. A tendering process was undertaken and three consultancy companies have been appointed to work in partnership with Scottish Government over that period. Meetings had already taken place with evaluators to discuss, and get input, to the planned activity. The Scottish Government were also interested to get the views of the Committee on what types of evaluation would be useful to them. It was noted that the CPP evaluation planned for 2009 would take

a 'touchstone' approach, with the appointed consultants being able to regularly monitor progress in the planned activity and outputs from the beginning of 2009 and probably at quarterly stages thereafter, during the evaluation period. This would also apply to the evaluation of the Strategic Development Body (SDB). The Committee would therefore be able to receive regular reports for their consideration as the evaluations progress. Activities funded through the CPPs, the SDB and Global Grants would be subject to a common reporting format.

Scottish Government explained that instead of very expensive longitudinal or leavers' surveys, evaluation of ESF activity might be focused on specific Programme Priorities or thematic areas. This could be discussed at a later Committee meeting.

Scottish Government noted that thematic evaluations are envisaged on the Programme's horizontal themes of Equal Opportunities, Environmental Sustainability and Social Inclusion. They indicated that information was awaited from the European Commission on their planning and timetable for horizontal themes evaluations. An evaluation of publicity impact was also required and part of the Regulation.

The Commission advised that ex-post evaluations were being carried out on the 2000-2006 Objective 2 Programmes, and that thematic evaluations of the current Programmes would start in 2009.

The Scottish Government advised that the next meeting of the Monitoring and Evaluation Group (MEG) is on 10 December 2008, and will discuss draft specifications for evaluation of the CPPs and production of some material to help develop the 2009 Strategic Report.

The Committee agreed the recommendations.

6. Financial And Physical Progress Report On The Implementation Of The Programmes

The IAB presented a comprehensive overview of progress on the implementation of the ESF and ERDF Programmes to date, looking at progress from a strategic level to issues for individual Priorities. This progress report afforded the Committee a 'snapshot' of where the Programmes are in relation to spend, financial commitment and targets. Future progress reports could identify the need to make changes or corrections, thus informing Committee decisions on potential prioritisation or reallocations of money.

6.1 First Round Applications

ERDF

Approximately one-third of ERDF money has been allocated in the first application round, with intervention rates averaging at under 32%. It was noted, however, that performance across all four operational priorities is mixed. In Priority 1, over 60% of the available budget was allocated in the first round, while Priority 2 performed reasonably well (given the

situation of transfer of responsibilities between Scottish Enterprise and local authorities) with 38% of the budget allocated.

Priority 3 is under-performing at 18%, the bulk of which is funding for CPP projects. Priority 4 is also underperforming, with only 8% allocated, which is largely due to delays in the start of the Global Grants Scheme for the South of Scotland.

ESF

Approximately 44% of the ESF Programme had been allocated in the first application and 'Shadow' rounds. Priority 1 was performing well at a level of 74% commitment, through both CPP and challenge fund bids and there was potential for over-commitment. Priorities 2 and 3 had lower levels of commitment, with 17% and 20% respectively being allocated from their budgets in the first round.

The IAB explained that they were working with partners to encourage more project applications in ERDF Priorities 3 and 4, and ESF Priorities 2 and 3. A positive feature of the first round, however, was a lower intervention rate, which meant that more activity was being bought. Also, in relation to achieving the ERDF and ESF N+2 targets, the high level of forecast commitment at this stage was important. Priority was being given to processing progress reports and claims (PRCs) through the €UROSYS system and the IAB noted that a further two Committee meetings will take place prior to the N+2 target deadline. Members will be kept informed of the N+2 situation.

The IAB provided detail on ESF participant characteristics, using information provided in Shadow Round claims and data from first round applications. The Committee agreed that this information could be relevant in influencing future rounds of ESF support, to ensure that key beneficiary groups are being targeted.

To this end, the Scottish Government noted that not all of the projects to date had targeted beneficiaries with multiple deprivations, and suggested that Advisory Group members should be encouraged to focus funding on activities aimed at those who are furthest from the labour market. The Committee concurred with this view.

6.2 Second Round Applications

The IAB advised the Committee of the number of applications received in the second round of funding, the closing date for which was 10 October 2008. In the ERDF Programme, 44 applications had been received for Priority 1; 26 for Priority 2; 18 for Priority 3, and 9 for Priority 4. In the ESF Programme, 84 applications had been received for Priority 1; 32 for Priority 2, and 30 for Priority 3.

It was noted that it was still early in the Programming period to discuss movement of money between Priority allocations, and that the European Commission expected the Programmes to spend against their Priority

allocations. The Committee agreed that additional development work should be carried out, particularly with regard to Priorities 3 and 4 of ERDF, encouraging match-funding from partners, and at the same time maintaining the quality threshold for projects. In response to a discussion on how ESF could be best used, given the current global economic situation, it was noted that the First Minister had expressed a wish to use Structural Funds money as a contribution to alleviating the economic downturn in Scotland, by front-loading expenditure in the Programmes. The Committee also noted that support was available through Priority 2 ESF for support for those facing large scale redundancies.

The IAB advised the Committee that they had undertaken a number of workshops and seminars during 2008 to raise awareness with project sponsors, and that the pattern of progress being slower in some Priorities was not dissimilar to previous Structural Funds Programmes.

The European Commission thanked the IAB for the presentation and analysis and explained that they would prefer not to consider any discussions of virement at this stage. They affirmed that the strategic objectives of the Programmes should be respected across all operational priorities and while they will look at all possibilities for absorption of funds, strategic objectives must be met.

The Committee discussed whether ERDF sectoral and spatial analysis was needed, to map current commitment against the European Commission categorisation table for the Lisbon targets, and to compare spend profiles against spend targets.

The Committee noted the progress in implementing the Programmes.

7. South of Scotland Global Grants Scheme

The Scottish Government thanked all present who had been involved in the progressing of this initiative. They explained that the process had been held up by procurement and legal issues. The Global Grants Scheme will be managed by the South of Scotland European Partnership, which is a part of Dumfries and Galloway Council. Decisions on projects will be made at a local level, with the Advisory Group being chaired by the Managing Authority. Individual projects will be subject to the standard appraisal process and Article 60b monitoring and reporting requirements. The first call for applications will take place at the beginning of 2009, using an accelerated process of appraisal, and recommendations for funding will be made to this Committee at their next meeting in March 2009. The Scottish Government noted that the Global Grants Body have a precise remit to allocate funds and support project applicants in the South of Scotland.

The Scottish Government also noted the proposed changes to Priority 4 eligibility criteria to include natural and cultural assets in the area. This is under consideration by the European Commission and may be agreed in time for the Autumn 2009 application round. This may allow for a wider range of projects to be funded under this Priority.

The Committee approved the recommendations.

8. Progress Report on the Scottish Enterprise SDB

The Scottish Government explained that they have agreed an Operating Agreement for the SDB with Scottish Enterprise. This will involve quarterly monitoring and reporting (in line with CPPs and Global Grant Scheme), and six-monthly review meetings involving Scottish Enterprise, the Managing Authority and the IAB. Reports from these meetings will be provided to the Committee. Annual reports for the SDB activities will also be discussed by the Committee. A dedicated portfolio manager in the ERDF Managing Authority will be responsible for the SDB arrangement.

The Committee requested further information on activities in the SDB and the Scottish Government agreed to circulate a finalised list of projects to Committee members. They informed members that the SDB will have national coverage and that the six-monthly review would examine for example, spend and targets. It was agreed that an update would be provided to the Committee at its next meeting.

The Committee noted the update on the development of the Scottish Enterprise SDB.

9. Progress Report on CPPs

The IAB gave an update on progress with the 11 CPP approved bids. A decision had been made by the Cabinet Secretary that bids from all 13 eligible areas should receive support, however this was conditional on delivery of planned activity. Investment of approximately £37.5m ESF and £13.5 ERDF has been committed. The IAB noted that activity was substantially focused on employment programmes. Two further CPP bids (Inverclyde and Clackmannanshire) which involved revised proposals were approved by a reconvened CPP Advisory Group on 14 October 2008.

The IAB advised the Committee that they will be provided with rigorous performance reports. They also advised that the CPPs were committed to engaging the Third Sector in their delivery arrangements. The Scottish Government advised that there had been no changes to the eligible areas identified in the Operational Programmes.

The European Commission requested that there be a separate table for CPP activity in the IAB's Progress Reports to Committee. They expressed an interest in visiting a CPP to witness first hand management arrangements and activity.

The Committee agreed the recommendations.

10. JESSICA Fund

The European Commission gave a presentation on the JESSICA Initiative and the Committee discussed various issues regarding eligibility for JESSICA. The

Scottish Government confirmed that it is an urban initiative to encourage sustainable urban development and is aimed at urban areas within the Priority 3 ERDF eligible areas.

The Scottish Government proposed that the Committee be involved in detailed discussions on JESSICA. It was agreed to form a JESSICA Steering Group and the Scottish Government would invite representation from local authorities, CPPs and Urban Regeneration Companies with relevant experience of developing integrated urban development plans. This Steering Group would consider the feasibility of developing a JESSICA proposal for Scotland, looking at delivery mechanisms, priorities and targeting. The Scottish Government would keep in contact with the Department for Business Enterprise and Regulatory Reform who were monitoring JESSICA developments elsewhere in the UK. The Committee would be kept informed of any developments.

The Committee agreed the recommendations.

11. Approved Projects: Notification of Significant changes

11.1 Scottish Centre for Regenerative Medicine (SCRM), University of Edinburgh

The IAB introduced this discussion regarding notification of a significant change for this project. No additional ERDF was requested, but additional commercialisation activity would be generated as a result of the proposed change.

11.2 Scottish Innovation in Global Market Applications (SIGMA), University of Glasgow

The IAB introduced this discussion regarding notification of a significant change for this project. Additional ERDF grant had been requested, and the project expected to deliver more outputs. It was agreed that the IAB should monitor this project regarding the additional outputs.

The Committee agreed to both of these significant changes.

12. Scottish Co-Investment Fund

The Scottish Government presented an update on the Scottish Co-investment Fund. The Committee at its last meeting had approved £26.6m of funding for the Scottish Co-investment Fund 2, however, some technical issues have arisen since then. Discussion had taken place about how the SCF2 interlinked with the Commission's JEREMIE initiative which was funded through ERDF and the European Investment Bank. They advised that no decision had been taken yet by Ministers regarding the JEREMIE initiative, and a paper may be produced for the next Committee meeting. An offer letter had not yet been issued. However, it was agreed that the letter would include additional conditions of grant, including quarterly monitoring and reporting to the IAB, and that these reports on activity should include analysis of investments on a geographical basis.

The Committee agreed the recommendations.

13. Any Other Business

The Committee discussed the need for a future paper regarding the challenges of global financial changes and the economic downturn, and it was agreed that a paper would be produced for the next Committee meeting.

The European Commission requested that future Committee agendas should aim to have a balance between ERDF and ESF issues. They also drew members' attention to the European Commission consultation on Territorial Cohesion and Structural Funds.

Mr Gregersen thanked the Committee for permitting his attendance at the meeting which had proved of benefit and interest.

14. Date of Next Meeting

Those present agreed to hold the next meeting on 18 March 2009 with the possible venue being the Patio Hotel, Aberdeen.

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

**SCOTTISH GOVERNMENT/ESEP LTD
NOVEMBER 2008**