

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

**THE TEACHERS BUILDING
SCOTTISH ENGINEERING CENTRE, GLASGOW**

8 NOVEMBER 2007

Note of Meeting:

Present:

Dr John Rigg	Scottish Government (Convener)
Alan Boyle	West Fife Enterprises Ltd
Riona Bell	Scottish Funding Council
Liz Connolly	Scottish Enterprise Lanarkshire
Councillor Kate Dean	Aberdeen City Council
Councillor Alasdair Hutton	Scottish Borders Council
Graeme Hyslop	Langside College
Donna Mackinnon	SCVO
Dr David George McBeth	University of Strathclyde
Councillor David O'Neill	North Ayrshire Council

Apologies:

Councillor David Berry	East Lothian Council
Charlie McMillan	Scottish Association of Mental Health
Grahame Smith	Scottish Trades Union Council
Professor Campbell Gemmell	SEPA
Dharmendra Kanani	Big Lottery Fund
Dame Barbara Kelly	Southern Upland Partnership

In attendance:

Annick Villarosa	European Commission DG Regio
Marc Vermyle	European Commission, DG Emplo
David Yormesor	European Commission DG Regio
Louise Donnelly	Scottish Government
Nigel Lindsay	Scottish Government
Mabel Hildebrand	Scottish Government
Phil Raines	Scottish Government
Gordon McLaren	ESEP Ltd
Nigel Thomas	ESEP Ltd
Lynda Peacock (minutes)	ESEP Ltd

1. Introduction

- 1.1 The Chair welcomed Members to the first meeting of the Lowlands and Uplands Scotland Programme Monitoring Committee.

2. Apologies

- 2.1 Apologies were received from Cllr David Berry, Professor Campbell Gemmell, Dame Barbara Kelly, Dharmendra Kanani, Charlie McMillan and Grahame Smith.

3. LUPS/07/1/2 Lowlands & Uplands Scotland ERDF/ESF Programmes 2007-2013

- 3.1 The Scottish Government provided the Committee with a summary of progress on the 2007-2013 Programmes and highlighted the key changes from the previous programmes.
- 3.2 The Lowlands and Uplands Scotland ERDF Programme was formally approved by the European Commission on 27 September 2007. Formal approval of the Lowlands and Uplands Scotland ESF Programme is expected in the very near future.
- 3.3 There are a number of important changes to the Structural Fund Programmes in Scotland for the 2007-2013 period and these were highlighted to the Committee. The key changes include:
 - 3.3.1 Tighter restriction on eligible activities
 - 3.3.2 Stronger focus on issues such as research and innovation support
 - 3.3.3 Greater emphasis on strategic projects to ensure the legacy of European Structural Funding
- 3.4 The Committee were informed of two key principles of the Programmes.
 - 3.4.1 The spatial targeting of ESF Priority 1 (Progressing into Employment), ERDF Priority 3 (Urban Regeneration) and ERDF Priority 4 (Rural Development).

- 3.4.2 As the Programmes will have greater emphasis on strategic projects, a minimum project size has been set for the LUPS Programmes. All projects must have an annual total eligible project costs of £200,000 or over.
- 3.5 The Committee were provided with an overview on the delivery arrangements of the LUPS Programmes. It was explained that the Programme will be administered by ESEP Ltd, the Intermediate Administration Body (IAB) under contract to the Scottish Government.
- 3.6 The Committee were also informed of the special delivery arrangements that will apply for the Programmes. All Priorities in the ESF and ERDF Programmes are open to competitive bidding with the following exceptions.
- 3.6.1 Strategic Delivery Bodies (SDB). The Committee were informed that the Managing Authority has commissioned Scottish Enterprise to act as a strategic delivery body to use Structural Funds to support activity that is clearly additional to their existing activity and fully eligible under the scope of ERDF Priority One – Research and Innovation.
- 3.6.2 Community Planning Partnerships (CPPs). Under ESF Priority One, Progressing into Employment, and ERDF Priority Three, Urban Regeneration, the eligible Community Planning Partnerships have been invited to submit large integrated bids to support two year projects that will be jointly funded by the two priorities.
- 3.6.3 The Managing Authority has commissioned Dumfries and Galloway Council to operate a global grant scheme under ERDF Priority 4, Rural Development. The global grants scheme will operate for 3 years initially. Only projects in the South of Scotland meeting the criteria for ERDF Priority 4 will be able to apply for the grants.
- 3.7 Finally, the Committee were informed that there are no set limits for funding available to CPPs and for individual projects. These will be decided on the basis of the quality of CPP and individual project applications by the Programme Monitoring Committee at the next meeting on 19 March 2008.
- 3.8 The Chair reminded the Committee that any decisions made on the ESF Programme will be on a provisional basis. Once the European Commission has formally approved the ESF Operational Programme for 2007-2013, a report will be issued by written procedure to seek formal endorsement of the decisions.

- 3.9 The Committee did not raise any questions concerning the Programmes and noted the content of the report.

4. LUPS/07/1/3 Operational Arrangements

- 4.1 The Scottish Government outlined to the Programme Monitoring Committee the terms of reference and rules of procedure to effectively allow the Committee to carry out its duties.
- 4.2 The Committee were invited to consider the terms of reference and rules of procedure to ensure that the procedures are effective and transparent.
- 4.3 Members welcomed the implementation arrangements and the flatter structure of Committees in the new Programmes. It was felt the proposed structure was a good opportunity for the Committee to make decisions at a strategic level.
- 4.4 The Committee did not raise any questions concerning the Terms of Reference or Rules of Procedure and approved the operational arrangements.
- 4.5 The Scottish Government then outlined the structure, appointments procedure, terms of reference and rules of procedure for Advisory Groups which will be established to assist in the implementation of the Lowlands and Uplands Scotland ERDF and ESF Operational Programmes for 2007-2013.
- 4.6 It was explained that the Programme Monitoring Committee will be assisted by seven Advisory Groups charged with undertaking technical appraisal of projects in accordance with approved selection criteria and having regard to National Rules on Eligibility and Guidance, and bringing forward recommendations on individual projects, schemes and sub-programmes under both the ERDF and ESF Programmes.
- 4.7 The appointment of Advisory Group members is the responsibility of the Managing Authority and members have been drawn from a pool of people invited through the Public Appointment Process. The Committee were informed that induction and training sessions will be held on the 19th and 20th November 2007.
- 4.8 The Scottish Government informed the Committee that the structure of Advisory Groups may be different from the proposal in the paper that has been tabled.

- 4.9 Advisory Groups will work on a virtual basis with a pool of people looking at between 10 to 15 bids each. However, in addition to this, there will also be Standing Advisory Groups whose members will be drawn from the Virtual Advisory Groups. The Standing Advisory Groups remit will be to meet and discuss projects that require further discussion then make decisions and recommendations to the PMC.
- 4.10 The Committee were invited to consider the Advisory Group structure, Terms of Reference and Rules of Procedure to ensure that the procedures are effective, transparent and consistent with the objectives of the Programmes.
- 4.11 Committee Members asked if Advisory Groups had been drawn on a regional basis. The Scottish Government confirmed that the public appointment process had brought a good spread of people across some sectors and geographic areas but others were under-represented. They confirmed that the Managing Authority have asked ESEP Ltd to talk to the areas and sectors that may be under-represented to encourage them to participate in Advisory Group activities.
- 4.12 Committee Members expressed concern regarding the virtual group method as experience has shown that it is beneficial at Advisory Group level to have discussions on project applications and agree recommendations.
- 4.13 The Scottish Government re-assured the Committee that the Standing Advisory Groups will meet to discuss those projects that are borderline in terms of the quality and scoring threshold.
- 4.14 Committee Members requested that a list of Advisory Group members be circulated to PMC Members. The Scottish Government confirmed that they will circulate the list to Members. In addition details of Advisory Group membership will be published on the ESEP website to ensure an open and transparent process.
- 4.15 The Commission stressed that Advisory Group members will be required to act in an objective and non partisan way and, should there be a conflict of interest, the Member concerned should declare the interest and not take part in any discussion.
- 4.16 The Chair thanked everyone for their comments regarding the Advisory Group arrangements. The following action points were agreed:
- 4.16.1 To re-draft the Advisory Group structure paper taking into account any further changes.

4.16.2 Issue the revised paper to Committee Members by written procedure.

4.16.3 Circulate a list of Advisory Group members to the Programme Monitoring Committee.

5. LUPS/07/1/4 Implementation Arrangements

5.1 The Scottish Government outlined to the Programme Monitoring Committee the Implementation Arrangements for the Lowlands and Uplands Scotland ERDF and ESF Programmes 2007-2013.

5.2 The Committee were advised of the implementation arrangements covering:

5.2.1 Registration of all organisations applying for Structural Funds.

5.2.2 The development by the Scottish Government of National Rules on the eligibility of activities and expenditure in accordance with EC Regulation 1083/2006.

5.2.3 The role and function of the Strategic Delivery Bodies (SDB), Community Planning Partnerships (CPPs), and the Global Grant Body in the context of programme implementation.

5.2.4 The regulatory requirements to meet the N+2 financial target during the operation of the new Programmes.

5.2.5 Key actions required under audit and monitoring for the 2007-2013 Operational Programmes.

5.3 The Scottish Government advised the Committee that they had been working to compile a clear and concise set of National Rules that will last the lifetime of the Programme. The latest set of rules was published on the 23 October 2007.

5.4 The Scottish Government will intend to develop a Question and Answer (Q&A) guidance which will be published on the ESEP website.

5.5 Members welcomed the revised set of National Rules but made the point that the Intermediate Administration Body (IAB), as part of its technical assessment, will have to look closely at the financial cost breakdown for projects to ensure that core costs are not included as part of the overall costs.

- 5.6 Members also suggested that there will be a further requirement to review the Rules on an ongoing basis and suggested that organisational sectors should be involved in the review.
- 5.7 The Chair endorsed this view.
- 5.8 Committee Members also raised concerns surrounding match funding. With the changing organisational structures many organisations may have difficulty in getting match funding approved by April 2008. It was felt that this consideration should be taken into account so that projects are not disadvantaged.
- 5.9 The point was raised that many organisations expect other sources of funding to be approved before they themselves will commit to funding a project and felt that this should be a consideration when seeking formal approval of match funding.
- 5.10 The IAB welcomed the points raised but explained that there is pressure to get the projects approved and financial expenditure targets met. While a certain degree of flexibility can be offered, there will still be a requirement to work within set time limits.
- 5.11 Members asked if the Department for Work and Pensions (DWP) issue surrounding match funding had been resolved and also raised concerns surrounding the approval of match funding coming from the DWP office in Sheffield.
- 5.12 The Scottish Government confirmed that the DWP have agreed to have the contract finance used as match funding, but only where additional activities and outputs can be demonstrated. It should not be used to deliver the contract or meet the outputs of that contract.
- 5.13 It was also confirmed that the Scottish Government have liaised with DWP and are looking for a local contact to authorise the match funding on behalf of Sheffield. It is hoped that this will be in place in the near future.
- 5.14 The Scottish Government went on to inform the Committee that Scottish Enterprise has been commissioned to act as a Strategic Delivery Body to deliver key strategic projects within ERDF Priority 1 Research and Innovation. Scottish Enterprise will receive a proportion of the funding from Priority 1 with the balance being available for competitive bidding.
- 5.15 It was confirmed that Scottish Enterprise will set out its planned activity through the three year outcome agreements that will include annually revised annual plans with financial and performance targets.

- 5.16 The Programme Monitoring Committee will review the outcome agreement at the next meeting when it will also consider the recommendations from the Advisory Groups from the first round.
- 5.17 The Scottish Government reminded Members that the PMC can review the outcome agreement on an ongoing basis if it is felt that the SDB is not achieving its outcomes.
- 5.18 The Scottish Government then explained the role and function of Community Planning Partnerships (CPPs) in the Lowlands and Uplands Scotland Programmes. It was explained that funding will come from ESF Priority One and ERDF Priority Three to integrate social inclusion and regeneration action plans across the programme area which will be co-ordinated predominately by Local Authorities. It was confirmed that the 13 eligible local authority areas have now submitted their first stage applications. CPP bids totalling £21,063,553 ERDF and £40,503,339 ESF have been received at the stage one application deadline.
- 5.19 It is proposed that, in addition to the standard approach, a separate Advisory Group will be established to appraise the CPP bids. This Group will be drawn from the ESF Priority 1 and ERDF Priority 3 Groups. It is also proposed that CPPs will make a presentation to the joint Group.
- 5.20 The Scottish Government confirmed that the CPP model will be evaluated in two years.
- 5.21 The Commission emphasised that outcome agreements for CPPs and for the SDB must demonstrate that activity is clearly additional to existing activities.
- 5.22 Committee Members raised concerns surrounding duplication of activity between organisations and suggested a sifting exercise to identify duplicate activity. They also raised the issue concerning potential match funding problems whereby applications are stating that match funding will be coming from CPPs but this has not yet been approved by the CPP.
- 5.23 The IAB highlighted the reason why there are duplicate applications for funding. Not all CPPs have currently identified the partners that will be involved in service delivery and the delivery mechanism varies according to region. In some areas partners will be invited to tender for service delivery. This is resulting in applications being twin tracked through the application system.

- 5.24 The IAB assured Members that partners have been encouraged to talk with their CPP so that both organisations are aware of activity within their area. Members were assured that a sifting exercise will be undertaken.
- 5.25 The Scottish Government outlined the implementation arrangements for the Global Grants Body and informed Members that Dumfries and Galloway Council will be commissioned to operate the Global Grants Scheme in ERDF Priority 4, Rural Development, for an initial period of 3 years. Only projects in the South of Scotland meeting the criteria for Priority 4 will be able to bid into this global grant funding. As a result South of Scotland project applicants will not have access to competitive funding available under the remainder of Priority 4.
- 5.26 There will be a formal agreement between the Scottish Government and Dumfries and Galloway Council and the Programme Monitoring Committee will be invited to comment on the agreement. This will be issued to Members by written procedure.
- 5.27 The Commission asked if a separate Advisory Group will be established for Global Grants.
- 5.28 The Scottish Government stated that the Priority 4 Rural Development Advisory Group would consider the Global Grants Scheme using the standard appraisal criteria.
- 5.29 The Scottish Government then set out a short report to Members detailing the financial challenges and N+2 requirements for the new Programme. The Committee were informed that N+2 targets remain an important element of the new Programmes and will be a key area of involvement by the Programme Monitoring Committee to ensure that financial targets are met.
- 5.30 Members suggested that risk factors should be taken into account during project appraisals, especially in relation to the delays that can happen with capital projects and the impact that this can have on meeting N+2 targets.
- 5.31 It was agreed that ESEP Ltd will develop the N+2 Action Plan for the Lowlands and Uplands Scotland Programmes and this will be tabled at the March 2008 meeting of the PMC.
- 5.32 Finally, The Scottish Government outlined the audit and monitoring requirements for the new Programmes and stressed the importance of the increased level of activity that will be undertaken.

- 5.33 Members were informed that there will be more emphasis on upfront compliance and this will be monitored by ESEP Ltd through the claims process. In addition the Scottish Government will continue its desk based exercise of sampling claims and requesting supporting documentation in support of the claim.
- 5.34 Members were also informed that the Verification, Audit and Compliance team (VAC) will continue its role of verifying full expenditure and will continue to perform a similar function to that of the current Programmes.
- 5.35 The Chair thanked colleagues for the overview of the implementation arrangements. The Committee did not raise any further questions and noted the content of the report.

6 LUPS/07/1/5 Project Appraisal and Selection

- 6.1 The Scottish Government outlined to the Committee the proposed selection criteria and scoring system for the ERDF and ESF 2007-2013 Programmes, the application procedure and timetable and the limited application of retrospection.
- 6.2 Members were informed that the scoring system has changed substantially from previous Programmes, in particular with the introduction of the weighting system.
- 6.3 The selection criteria were developed for the ESF Shadow Round and have been further enhanced for the forthcoming first application round.
- 6.4 The Scottish Government went on to inform the Committee of the application procedure and timetable. Members were advised that a two stage application process has been designed for the current and future rounds.
- 6.5 The details of the first round timetable were highlighted to the Committee and Members were asked to note that the 19 March 2008 has been scheduled for the Committee to consider the first round of Advisory Group recommendations.
- 6.6 Members felt that the timetable was tight for turning round applications and asked if the timetable was achievable. The IAB confirmed that they will be under some pressure to meet the various processing deadlines, however difficulties are not anticipated albeit that there will be a projected high volume of second stage applications.

6.7 Finally, the Scottish Government highlighted to the Committee the need to apply retrospection on a limited basis and identified four elements of retrospection.

6.8 **Decision.** The Committee formally approved the following:

- 6.8.1 Project Selection and scoring system
- 6.8.2 Project Application procedure and first round timetable
- 6.8.3 Limited retrospection

7 LUPS/07/1/6 ESF Shadow Round

7.1 The Scottish Government advised the Committee on the outcomes of the ESF Priority 1 Shadow Round.

7.2 A total of 63 applications were received with 49 projects recommended for approval with an ESF requested of £8.7m.

7.3 The Committee were invited to agree and endorse the 49 shadow round projects in order that due process has been observed and that the Shadow Round be incorporated into the ESF Programme proper.

7.4 Members raised concerns regarding the ranked list of approved projects as some higher scoring projects have not received funding while lower scoring projects have.

7.5 The Scottish Government confirmed that some projects were marginal due to not meeting the quality threshold, albeit that they may have received a higher score. The projects in this category were discussed by the Standing Advisory Group and subsequently re-ordered. The decisions taken by the Standing Advisory Group were minuted and the minutes will be distributed to Members.

7.6 It was agreed that as standard practice, Members will receive minutes of Advisory Group meetings along with the ranked list of projects recommended for approval.

7.7 Members raised the issue of conflict of interest and proposed that a Declaration of Interests should be a standing item at each PMC Meeting.

7.8 **Decision.** The Committee formally approved in principle the appraisal process applied under the ESF Shadow Round. It was agreed that a report will be issued by written procedure to seek formal endorsement of the decisions once the ESF Programme has been formally approved by the European Commission.

8 LUPS/07/1/7 Communication Plan

- 8.1 The Scottish Government outlined the draft Communication Plan as required by the general regulations covering the Lowlands and Uplands Scotland Programmes.
- 8.2 The Committee were informed that there will be one plan covering all four Programmes and were invited to comment on the draft plan.
- 8.3 The same paper has been tabled at the Highlands and Islands PMC and the Scottish Government has received comments on the Plan. The comments have still to be incorporated into the Plan.
- 8.4 The Chair invited Members to note and comment on the content of the draft Communication Plan.
- 8.5 The Commission asked that when announcements were made on project approvals a clear distinction should be made between ESF and ERDF projects.
- 8.6 The following action point was agreed:
 - 8.6.1 Provide comments to Phil Raines from Scottish Government or Gordon McLaren from ESEP Ltd by 23 November 2007.

9 LUPS/07/1/8 Evaluation Plan

- 9.1 The Scottish Government outlined the development of the Evaluation Plan for Structural Funds Programmes in Scotland 2007-2013.
- 9.2 The Committee were informed that the strategy will cover all four Programmes in Scotland.
- 9.3 Members were also informed that a Monitoring and Evaluation Group (MEG) has been set up and will act as an advisory body on the implementation of the plan and how the evaluation money will be spent. MEG involves representatives from the Scottish Government, the IABs and the Enterprise Networks. The next meeting is due to take place at the end of November
- 9.4 The Chair invited Members to note and comment on the content of the Evaluation Plan.
- 9.5 Members enquired as to the limited stakeholder representation on the Monitoring and Evaluation Group.

9.6 Members suggested a few possible items for evaluation. These were:

9.6.1 Addressing inclusion and how this corresponds with Scottish Government policy.

9.6.2 How funding streams interact and partners work together.

9.6.3 The legacy of European funding on public value.

9.7 The following action point was agreed:

9.7.1 Provide comments to Phil Raines from Scottish Government or Gordon McLaren from ESEP Ltd by 23 November 2007.

10 LUPS/07/1/9 Technical Assistance

10.1 The Committee was informed of the availability of Technical Assistance (TA) to support effective programme implementation.

10.2 The Scottish Government are seeking approval to draw down up to 65% of the Technical Assistance available in the Programmes. This equates to approximately £7m from ERDF and ESF.

10.3 The Scottish Government are already committed to utilising TA support to :

10.3.1 Contract with the IABs

10.3.2 Develop and install a new computerised management information system

10.3.3 Implement the Evaluation Plan

10.3.4 Implement the Communications Plan

10.4 The Scottish Government also updated the Committee on the use of the tendering process and contract to deliver a replacement IT system to run the 2007-2013 Programmes of European Structural Funds in Scotland.

10.5 Members commented that the paper on Technical Assistance was lacking in detail and would prefer to see a further breakdown outlining how the proposed TA budget will be spent, including the cost of the IAB contract.

- 10.6 The Managing Authority commented that a number of costs at this stage will be estimates but agreed to provide a further breakdown of costs. It was agreed that this will be provided to Members at the next meeting of the Programme Monitoring Committee.

11 Dates for PMC Meetings 2007 – 2009

- 11.1 The PMC will meet twice a year with the next meeting on Wednesday 19 March 2008. This meeting will approve projects and get expenditure underway from the first round applications.
- 11.2 The following meeting will take place either October or November 2008 and it was agreed that ESEP Ltd will liaise with Members to confirm a date.

12 AOB

- 12.1 No issues were raised by Members under any other business.

First Round Stage Bids

- 12.2 The IAB provided members with an update on the number and value of ERDF and ESF bids received at the Stage One deadline on Friday 5 October 2008.
- 12.3 In total there were 372 bids received. The total grant requested was £381m against a total allocation for the 2 programmes of £435m.
- 12.4 The Committee agreed that there had been a good start to the Programme and a good spread of applications across sectors but noted that there will be difficult decisions ahead.

13. Closure

The Chair thanked everyone for their contributions and formally closed the meeting

**SCOTTISH GOVERNMENT/ESEP LTD
INTERMEDIATE ADMINISTRATIVE BODY (IAB)
NOVEMBER 2007**