EAST OF SCOTLAND OBJECTIVE 2 PROGRAMME 2000 - 2006

PROGRAMME MANAGEMENT COMMITTEE

THE GALLERY, ELGIN LIBRARY, ELGIN

Meeting on 28 September 2001

Note of Meeting:

Present:

Mr Colin Brown (Convener)	The Scottish Executive
Mr Gordon McLaren	Programme Executive
Mr David Valentine	Angus Council
Dr Ken Macdonald	Clackmannanshire Council
Ms Tracey Archibald	Scottish Enterprise Edinburgh and Lothian
Ms Diane Taylor	University of Dundee
Ms Carol Bartholomew	Coalfields Regeneration Trust
Mr Douglas Clark	Forestry Commission
Ms Janet Cox	Lauder College
Mr Keith Wimbles	SCVO
Ms Liz McManus	The Moray Council
Prof Philip Esler	University of St Andrews

In Attendance:

Mr Philip Smith	The Scottish Executive
Mr David Sneddon	The Scottish Executive
Mr Nigel Thomas	Programme Executive
Mr Gerry Mc Donald	Programme Executive

1.   **Convener's Introductory Remarks**

1.1   The Convener welcomed everyone to the second meeting of the Programme Management Committee (PManC) of the 2000 - 2006 East of Scotland Objective 2 Programme. He thanked Liz Mc Manus of The Moray Council for hosting the Committee meeting.

1.2   The Convener detailed how the previous afternoon's visit around Moray had proved very useful in exposing the Committee members present to the issues facing the region. The members had found it beneficial in allowing them to see the context within which projects would be operating.

1.3   Mr. Brown repeated his comments of the first meeting regarding how the East of Scotland Objective 2 Programme was different from both the previous Eastern Scotland Objective 2 Programme and the two Objective 5b Programmes that had operated. He stressed that the approach to economic development in the Programme Area must at all times be strategic, emphasising the fact that there were significant changes from the previous Programmes.

1.4   The message to be conveyed to the partners is that they must consistently be encouraged to raise their sights and ambitions in order to deliver a more strategic response and impact than before. Ministers have encapsulated this in how they want Programmes to be managed; in particular stronger linkages between projects and area based strategies. Whilst there remains some work to do on defining more fully "area based strategies", it will incorporate Social Inclusion Strategies and Structure Plans.

1.5   Committee members noted that the issue of strategic approach was particularly relevant in the context of Objective 2 and Objective 3 co-ordination. It was recognised that this was an issue that came to the fore regularly and that there was considerable scope for continued and improved co-ordination. The Committee was reminded that the Programme Monitoring Committee at their meeting of 10th September stated that this co-ordination was important and must be an item for the agenda of their next meeting in April 2002.

1.6   The Committee reinforced the position that ESF activity is vitally important where it integrates with ERDF activity, and that the priority for the Objective 2 Programme in the East of Scotland will

be under Priority 3 CED and to a lesser extent Priority 2 Strategic Locations and Sectors.

1.7 It was accepted that there was a limit to what the Programme Management Executives and the Scottish Executive could achieve, and that it was incumbent on Partners to notify the Objective 2 PME of any strategic ESF applications where these were part of an ERDF funded initiative. These could then be flagged up and tracked through the Objective 3 appraisal process.

1.8 The Committee discussed the option of joint meetings of the Objective 2 and Objective 3 Management Committees. The scope of these meetings would not extend to discussing projects. Rather they would look at common issues and areas of concern. It was agreed that this should be kept under review and following the Programme Monitoring Committee in April 2002 will be re-examined.

1.9 The Convener reminded the Committee that its role included communicating with constituents to provide them with the best information to allow them to bring to the Committee strategic, focussed projects.

2. Apologies

2.1 Apologies were received from Mr Alastair Cameron, Claverhouse Group; Patrick Laughlin, Kingdom of Fife Tourist Board; Sharon Douglas, Fife Council; Joe Noble, Scottish Enterprise Fife; John Withers, Roslin Institute; Alison Spearman, Scottish Enterprise Grampian; Ian Young, Midlothian Council; David Murray, West Lothian College; and Nigel Fairhead, The National Trust for Scotland.

3. Note of First Meeting held on 28 June 2001   ES/PManC/01/2/3

3.1 The Committee agreed there were no points of accuracy, agreed the note and took each of the **matters arising** in turn.

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4. Matters Arising

4.1 The first matter arising related to the **Programme Complement**. The Committee were advised that following the ex-ante evaluation of the Programme Complement there remained four areas that required further work. These are:

4.1.1 Inclusion of the codes of intervention.

4.1.2 Additional work on the Performance Reserve

4.1.3 Incorporate the Commission's mandatory comments and consideration to their suggested comments

4.1.4 Incorporate the agreed response to the ex-ante evaluation within the document

4.2 The Committee were advised that the original approach undertaken with the East of Scotland Programme was to have a composite ex-ante evaluation of the Plan and the Programme Complement as one coherent document. The 4 areas needing attention were as a result of an insistence that we undertook a separate ex-ante evaluation of the Programme Complement. The Committee recorded their disappointment in that this has now resulted in further delays and additional work. The intention was always that the final document would be user friendly. Consequently, the final text will be posted on ESEP's website minus the annexes. The Monitoring Committee has delegated the work and the necessary revisions to Mr. Brown and Mr. Mc Laren.

Action Point: PME/SE to revise Programme Complement in line with ex-ante evaluation and Commission requirements.

4.3 The other matter arising related to **Information Technology** and **Horizontal Themes**. Mr. Brown advised the Committee that the Scottish Executive recognised that their ambitions on both of these fields had been high. Whilst these aspirations had been legitimate, the Scottish Executive accept that partners have expressed frustration in handling the Scottish Structural Funds Programmes. As a result, the Scottish Executive are undertaking a review of the business process. This is in an attempt to reduce administrative burdens on sponsors and in particular with regard to application and claim forms.

Action Point : SE/PME to report on progress of their business process review to the next Programme Management Committee.

**5.   Update Report on Project Commitments Approved   ES/PManC/01/2/5
at Previous Management Committee Meetings**.

5.1   The Committee was presented with a revised Annex 3 detailing an update position on those projects from the first round which had failed to resolve their outstanding technical issues. As a result of intense work between the date of the production of the Committee papers and the date of the meeting, the number of projects had reduced dramatically from 40 to 6.

5.2   The Committee welcomed the fact that the number had been reduced although they expressed concern at the number that were on the original paper. Their concern centred on the fact that this number didn't accord with good management of the Programme. The Committee agreed that an inordinate amount of time had been taken up in reducing the long list of 40 to 6. In an attempt to prevent this situation arising again the Committee agreed a course of action for future rounds.

ACTION POINT

5.2.1   Applicants will have 4 weeks from the date of the Programme Management Committee to resolve technical issues. After that date the approval will be withdrawn.

5.2.2   **The PME must write to the Chief Executive of the organisation to ensure that the most senior officer is aware of the status of their project and the strict time limitation applying to the conditional approval.**

5.3   Approval subject to outstanding technical issues will only be extended beyond the 4 week deadline where there is a compelling strategic reason for the failure to resolve the issues.

5.4   The Committee stressed that their more flexible approach from the first round could not continue. The three rounds per year means that applicants have considerable scope to submit their projects. The Committee's position is that applicants must plan properly and that there should be no excuse for projects with, for example, planning approval or co-finance outstanding, being submitted.

5.5   **ESE/ERDF/01/21/0007, Building Biotechnology Market Capacity sponsored by Edinburgh Bio-Alliance**. The Committee were advised that this project had been revised by the applicant to

concentrate on the marketing aspects of the project. The costs have been reduced by £60,000 with an associated reduction in grant of £30,000. The Committee agreed this and a formal grant approval letter is to be issued.

Action Point: Applicant to submit revised application form. Revised approval documentation to be issued on receipt.

5.6   **ESE/ERDF/01/22/0027, BioManufacturing Campus sponsored by Scottish Enterprise Edinburgh and Lothians.** The Programme Management Executive have been advised that the sponsor have completed an assessment of the beneficiaries of the project and concluded that SMEs would not have been the sole beneficiaries of the project. As a result of this the sponsor has advised that 35% of the usage will be exclusively by SMEs. The sponsor will reduce the ERDF grant on the project to £662,200, a reduction of approximately £1.2m.

Action Point: Applicant to submit revised application form. Revised approval documentation to be issued on receipt.

5.7   **ESE/ERDF/01/22/0004, Burghead Promontory Initiative sponsored by The Moray Council.** The Committee were presented with a request from the project sponsor for additional grant totalling approximately £17,000. The Committee agreed this request.

Action Point: Applicant to submit revised application form. Revised approval documentation to be issued on receipt.

5.8   **ESE/ERDF/01/22/0018, Dumyat Business Park Phase 3 sponsored by Clackmannanshire Council.** The Committee were advised that the lack of State Aid approval for this type of property development was an issue for all Local Authorities. A formal notification is being lodged in the week following the Programme Management Committee. This submission is based on a previously approved scheme in England and Wales and so approval is expected relatively quickly.

5.9   The Committee agreed that the applicant had submitted the project in good faith and had been unaware that their contribution of 5% to the project's budget had contravened the State Aid rules. The Committee agreed that the project should maintain its approved status within the Programme. If by the time of their next meeting this issue was not resolved then the project will be decommitted.

Action Point: Applicant to resolve this technical issue by the date of the next Programme Management Committee.

5.10 The Committee also noted that all sectors operating within the Programme should examine their position with regard to State Aid rules and the public procurement directive. The Committee recognised that the situation was complex. However, it becomes more difficult when sponsors do not factor compliance issues at the start of the process. In this situation it becomes difficult for the PME or the Scottish Executive to offer advice after the fact.

Action Point: ERDF Advisory Group to examine these issues at their next meeting.

5.11 **ESE/ERDF/01/22/0036, The Microelectronics Skills Development Centre sponsored by Lauder College.** The Committee received a letter from the Principal of Lauder College detailing difficulties encountered in receiving formal approval of the co-finance on the project from the Scottish Further Education Funding Council. The Committee were sympathetic to the situation the sponsor finds themselves in and agreed to maintain the project as approved until the requisite co-finance comes through.

5.12 The Committee expressed their regret and dissatisfaction that an opportunity for co-ordinated actions was being frustrated. They agreed that a powerful message could be conveyed from the Committee by extending the previously agreed approval to Lauder College. In addition they requested that the Scottish Executive take up this issue with their colleagues in the Enterprise and Lifelong Learning Department, as there were likely to be other projects that would fall foul of this lack of co-ordination in subsequent rounds.

Action Point: Approval to this project to be extended and Scottish Executive to explore the issue with colleagues in the Scottish Executive's Enterprise and Lifelong Learning Department.

5.13 **EST/ERDF/01/32/0005, Blairgowrie Printing Works Tourist Attraction sponsored by Blairgowrie, Rattray & District Local History Trust.** As there was no realistic timescale for the resolution of the co-finance required for this project to proceed the Committee withdrew the approval to the project.

Action Point: PME to write to project sponsor advising that the Committee's approval to this project has been withdrawn.

6. **Advisory Group Report and Recommendations** **ES/PManC/01/2/6**

6.1 Mr Thomas informed the Committee that a total of 64 project application forms had been received, 37 of which were for eligible areas and 27 for transition areas. The Advisory Groups had met on at least 3 occasions to appraise and score each application. There were 55 of the 64 projects submitted recommended for approval in some form. The Committee noted that the number of projects has significantly reduced from the first round. This was entirely consistent with the fact that the first round was effectively approving projects designed over the initial 18 months of the Programme period.

6.2 Committee members asked whether there had been improvements on how applicants had dealt with Sustainable Development within their applications. Mr McLaren advised the Committee that there had been some improvement from the first round although there was still considerable room for improvement. He informed the Committee of a series of six Sustainable Development workshops that were taking place in October and November. These workshops would use live projects as case studies in order that project applicants can strengthen existing projects and design in Sustainable Development for future project. This should result in a better quality of project in future rounds of the Programme. The Committee were also advised that a consortium of four Universities were currently undertaking a piece of work concentrating on Sustainable Development.

6.3 **Priority 1: Strategic Economic Development**

6.3.1 Mr Thomas advised the Committee that there were no projects recommended for approval under Measure 1.2 Access to Risk Capital and reminded the Committee that the SPD Monitoring Committee had commissioned an independent evaluation of the loan and equity fund projects approved under the 1997 - 1999 Eastern Scotland Objective 2 Programme. This report has now been completed and as a result a working group comprising members from Local Authorities, Local Enterprise Companies, Scottish Enterprise National and the Scottish Executive, together with venture capital industry experts has been established. Their work will be complete by the end of December and as a result no Measure 1.2 projects are expected until the deadline after next, i.e. 22nd February

2002. The Committee were further informed that this situation wasn't restricted to the East of Scotland and that there may be the possibility of a lowland Scotland fund being created which may be set up without ERDF intervention. Were this to be the case then ERDF assistance under Measure 1.2 would be most appropriately and effectively targeted at actions that increased the quality of proposals being submitted to such a fund. There would also remain the prospect of a proof of concept fund for high risk technology start-ups.

6.3.2 The Committee was informed that under Measure 1.1 there were a number of areas that were approved for a comprehensive programme of activities in the first round and as a result had not submitted projects in this round.

6.3.3 Under Measure 1.3 the level of activity is still low. The Advisory Group were surprised at the low level of activity under this Measure considering the significant momentum built in this field at the end of the Eastern Scotland Objective 2 Programme 1997-1999. This situation should be monitored for now and possible actions to promote activity considered in the near future.

6.3.4 The Committee discussed the geographical coverage of the assistance to SME projects submitted for approval. The Advisory Group had noted a high level of co-ordinated activity in the Forth Valley area and their desire to see this good practice disseminated to the other areas. Ms Archibald confirmed to the Committee that the approach within the Forth Valley area was successful and that the partners across the Enterprise Network were actively pursuing this approach through Local Economic Forums.

6.3.5 The Committee agreed that at their next meeting there could be a presentation from the Forth Valley partners that looks at showcasing the Small Business Gateway Scheme in their area.

Action Point: Partners within Forth Valley areas to be approached to present to the Programme Management Committee in February 2002.

6.3.6 The Committee endorsed the Advisory Group's approach of requesting that sponsors of projects operating across eligible and/or transition areas and where the activity

cannot be easily targeted should modify their grant request by estimating the number of SMEs assisted from each area.

6.3.7   The Committee endorsed the approach of the Advisory Group in rejecting projects with poorly defined aims and objectives. The Committee confirmed that these were critically important in allowing any project to proceed and Advisory Group members were correct to reject projects not meeting this minimum standard.

6.3.8   Consistent with the arguments detailed in the introductory remarks, the Committee welcomed the approach of the Advisory Group to the importance of past performance monitoring information. The current Programme is different to all Programmes that went before and so projects must demonstrate good results; demonstrate they can achieve improved performance and that they fit appropriately with the scope of the Measure.

Decision: The Committee agreed to the project recommendations for Measures 1.1, 1.2 and 1.3 as detailed in the report.

6.4   **Priority 2: Strategic Locations and Sectors**

6.4.1   Mr. McLaren outlined to the Committee the background to the number of times the Advisory Group had met, advising that the Advisory Group undertook two site visits to Alloa and to Rosyth. Both of these proved useful with the Rosyth project expected to be submitted in the next round. This project will incorporate dockside visitor facilities and access road infrastructure.

6.4.2   The Committee were advised of the Advisory Group's discussions on Clackmannanshire Initiative. There were concerns regarding the timing of the approval of the co-finance, particularly for the college component. The Committee approved the sponsor's request that the project should be treated as one coherent project with no artificial phasing of activities. The Committee recognised that this project could be an example of sustainable development in action if everything went well but that there was an element of risk. After assessing this risk the Committee agreed that the project should be approved and that any actions relating to discussions with the Scottish Further Education

Funding Council regarding Lauder College should be extended to include this project. The Committee also agreed the Advisory Group's position that if any component of the project didn't proceed then the entire initiative must be reappraised by the Strategic Locations and Sectors and CED Advisory Groups. There can be no substitution of activities.

Action Point : In Scottish Executive discussions with the Scottish Further Education Funding Council, this project should be discussed.

6.4.3 The Committee endorsed the Advisory Group's position on Falkirk Council's Biotechnology Project. They accepted the concept of the college consortium but agreed the project was poorly presented.

6.4.4 The Committee considered the written response from Dundee City Council on ESE/ERDF/01/22/0041, Dundee by Design. They agreed to approve the project for funding although stipulated that this would be the only time the applicant could expect capital awards for either hardware or software.

Action Point : Response must ensure that the sponsor is aware of the decision on future capital applications.

6.4.5 The Committee confirmed the recommendation on EST/ERDF/01/22/0050, Glenrothes College's Creative Futures. There was concern regarding the inadequate level of evidence of demand. The message to the sponsor must be that appropriate and targeted evidence of demand must be provided.

Decision: The Committee agreed to the project recommendations for Measures 2.1 and 2.2 as detailed in the report.

6.5 **Priority 3: Community Economic Development**

6.5.1 Mr. Thomas advised the Committee that there was now a process of engagement being undertaken across all CED areas of the East of Scotland Programme. This will allow

for Implementation projects to come forward in future rounds.

6.5.2 There were no projects submitted under Measure 3.3 Thematic Activity. The Advisory Group is concerned at this although they recognise that once each CED area's development plan is in place this situation should change. The Advisory Group will monitor this in subsequent rounds and report to the Programme Management Committee.

6.5.3 The Committee approved the Advisory Group's proposal regarding the process for approval of Falkirk's CED development plan. They also approved the written procedure approach to Falkirk's Measure 3.2 project, Community Learning Resource Centre deferred in this round.

6.5.4 The Committee accepted the Advisory Group's comments regarding the difficulties and frustrations they experienced in the current round where final, validated CED development plans were not in place. As a result the Committee approved the Advisory Group's request that any implementation projects must be accompanied at the date of submission by a final, validated CED development plan for the area. Where this is not the case then the Advisory Group will not assess the project.

Decision : No projects will be accepted for appraisal where an externally validated CED development plan for the area does not exist at the time of submission.

6.5.5 The Committee endorsed the Advisory Group's position on leisure projects. It was agreed that support for leisure projects was beyond the scope of the CED Priority.

Decision: No leisure projects will be supported under CED

6.5.6 The Committee discussed the difficulties presented by the constitutional structure of certain small organisations. In particular, this is highlighted by the exposure to personal liability for office bearers in accepting ERDF grants. The Committee approved the approach outlined in the report that any change in lead sponsor to local authority from voluntary organisation must not affect the nature of the work previously approved. Furthermore, the Advisory Group wish to promote the aim of the Programme which is that all

actions should be overseen and managed by local community organisations where possible. In practice this may mean a local authority sponsoring a project that may be managed by a voluntary organisation or in partnership with a voluntary organisation.

Decision: Committee approved the change of project sponsor for the Plean project and the approach on project sponsors detailed in the report.

6.5.7 The Committee endorsed the approach taken by the Advisory Group regarding environmental improvement revenue projects. This was highlighted by the Advisory Group recommending for rejection ESE/ERDF/01/32/0028, Arbroath Abbey to Harbour Heritage Regeneration sponsored by Angus Council They confirmed that they would prefer to see discrete capital works in order to provide some confidence that all actions were ERDF eligible and fitted well with the CED Priority and the local CED development plan. Where a grant scheme was proposed this must be clearly focussed on actions that would be ERDF eligible and fit well with the CED development plan for the area.

Action Point: PME to visit project sponsor in an attempt to develop a more focussed application for the next application deadline.

6.5.8 The Committee welcomed the Advisory Group's report that there were no revenue implications of supporting capital bids in this round.

6.5.9 The Committee approved the request that where a project under CED was part of a broader initiative covering other Priorities, the project sponsor must produce a paper detailing how the projects integrate.

Decision: Cross Priority projects/initiatives must be supported by a a paper detailing the integration of the different elements.

6.5.10 The Committee recognised the fact that the Programme areas were diverse and that employment support initiatives may vary across the Programme Area. The Committee approved the Advisory Group's request that some consultancy work on benchmarking and the production of guidance in this area should be considered.

Action Point: PME to discuss with Advisory Group the type of work they would find beneficial in assessing projects of this nature. This information being disseminated to partner organisations. **Decision on implementation by Monitoring Committee.**

Decision: The Committee agreed to the project recommendations for Measures 3.1 and 3.2 as detailed in the report.

6.6   The Committee reviewed Annex 3 of the paper detailing the financial commitment implications of their decisions. The Committee noted that if these commitments translate into spend then that will be beneficial to the Programme and impact positively on n+2. The message from the Committee to the partners to be reinforced is that they must spend to profile and claim regularly.

6.7   The Committee discussed the position under Measure 3.1. This focussed on the fact that there were CED development plans underway in all areas while a considerable amount of finance remained under the Measure allocation. They were reminded that the intention was always that individual CED areas could bid for assistance in producing their plan, but that in reality composite bids were received often at local authority level. The Committee recognised that there was still scope for additional work to come forward from any CED areas and that there must remain sufficient funds to facilitate this. The Committee agreed to keep this situation under review.

6.8   Mr. Brown outlined to the Committee the next stages in the formal approval process and reminded the Committee that no publicity regarding decisions could be undertaken until the formal announcement of approvals by the Minister on 10th and 11th October.

7.   Planning Schedule for Programme Implementation   ES/PManC/01/2/7

7.1   The planning schedule was presented for information, it having previously been agreed by the Programme Monitoring Committee. The Committee recorded their support for three application rounds per year.

8.   Any Other Business

8.1   The Committee agreed that the format of the papers received was very useful and requested that this format be continued. They recorded their gratitude to the staff of the Programme Management Executive in producing them.

8.2   The Committee expressed that they had found the visit to Moray useful. They would welcome the opportunity to convene meeting at locations around the East of Scotland, perhaps alternately with meetings in Dunfermline.

9.   Date of Next Meeting

9.1   The next meeting will be held on 1st February 2002. Venue to be confirmed. Consideration will be given to locating within the Forth Valley area to allow the presentation from the partners on their approach to Strategic Economic Development and SME support.

PROGRAMME MANAGEMENT EXECUTIVE
EAST OF SCOTLAND EUROPEAN PARTNERSHIP
OCTOBER 2001