



EAST OF SCOTLAND OBJECTIVE 2 PROGRAMME 2000-2006

PROPOSALS REGARDING ADDITIONAL AND REINFORCED PRIORITIES AND MEASURES AIMED AT ENSURING FULL AND EQUITABLE COMMITMENT OF THE REMAINING RESOURCES FOR THE EAST OF SCOTLAND PROGRAMME FOR PRIORITY 2 - 2004-2006

1.0 Rationale

1.1 In the detailed submission to the Commission in support of the changes arising from the Mid-term Evaluation to the SPD, particularly in the context of transferring resources from Priority 1, business support measures to Priority 2, capital infrastructure, reference has been made to the need to have sufficient resources to address identified and forecast infrastructure and regeneration activities from the respective strategic locations. In particular, we have highlighted the importance of the strategic action plans, Falkirk, West Lothian, Building Buchan, which have received additional Scottish Executive resources in recognition of the asymmetric shocks affecting specific industrial sectors in those areas. The strategic importance of the two national parks of Loch Lomond and Trossachs and Cairngorms, are also of particular relevance here in that they are still at an early stage of operation. Given their particular focus on tourism and their potential for international branding, they present substantial opportunities for targeting overseas markets. They also present significant potential in delivering a more sustainable form of tourism both for fragile natural habitats and fragile rural economies.

1.2 Also contained in the submission to the Commission is a commitment, in part as a response to the reported underperformance on environmental impacts, to proactively develop a number of demonstration schemes, particularly in the area of renewables and the use of biomass as a renewable fuel source.

1.3 It should be noted however, that the Mid-term Evaluation confirmed the continuing relevance of the Programme strategy and its internal and external cohesion. These proposals therefore, do not represent in themselves a new approach or radical departure from existing practice and policy. They do however, represent a renewed focus and commitment through delivering the overall Programme objectives and targets, and an important reminder of our continuing strategic commitment to Sustainable Development as a founding principle of the economic regeneration of the East of Scotland Programme area.

1.4 These proposals arose from a lengthy and detailed discussion by a representative group of members from the Programme Management Committee and the Priority 2 Advisory Group. This meeting was held



in Forfar on Friday, 13 February 2004 and was convened by the Scottish Executive and attended by members of the Programme Management Executive. On Friday, 27 February 2004, the Programme Monitoring Committee at a special meeting considered these proposals, and subject to ongoing monitoring and review the Committee gave their approval.

2.0 Specific Proposals

2.1 Horizontal Themes. We wish to ensure and strengthen our commitment to mainstreaming the Horizontal Themes; and also secure additional benefits and synergies between Priority 2 supported projects and adjacent or neighbouring community economic development communities. To do so, we require future projects under Priority 2 to demonstrate more effectively their capacity to deliver both social inclusion and environmental benefits. It was however, acknowledged that the existing appraisal system is more than capable of assessing a project's merit in this regard, and there is therefore no requirement to make any modifications to the existing system or selection criteria. It was also acknowledged that the Programme Management Executive can and will respond on request from project sponsors by providing dedicated support and guidance on how projects might better address the Horizontal Themes in both design and delivery.

2.2 Raising the bar. It has been agreed that all projects under Priority 2 must continue to be assessed on their merits, and that only projects achieving scores in the higher ranks of the scoring system will go forward with positive recommendations. In effect, and in view of the significantly reduced remaining resource in Priority 2, those projects achieving a very high score are likely to be supported. Notwithstanding this agreement to 'raise the bar', where there are competing bids of similar ranking, a deciding factor could be with reference to a project's coherence with one of the identified strategic action plans, e.g. Building Buchan, or linkage with one of the national parks.

2.3 Grant capping and variable grant rates. In order to prevent a small number of projects under Priority 2 coming forward and taking up the remaining resources under Priority 2, Measure 2.2, it has been agreed to introduce a reduced range of intervention rates and to apply an upper limit or cap on individual awards. The range of intervention rates for Measure 2.2 in future is set at 15-35%, and the upper limit or cap is set at £1m of ERDF. This should have the effect of dissuading project applicants from coming forward and seeking the maximum intervention rate allowable, signalling the intention to ensure a more equitable spread of remaining resources, and should also give potential applicants a clear indication of the maximum grant available to assist in financial planning and securing co-financing from alternative sources.



2.4 Notwithstanding the reduced intervention rates, projects will still be assessed in accordance with eligible usage, and any modulation of grant rate would need to come within this revised band of 15-35%. Where projects are able to demonstrate substantial economic impacts and/or significant benefits in terms of environmental enhancements or significant Equal Opportunities or Social Inclusion benefits, they are more likely to be placed in the upper range of the reduced intervention rate banding.

2.5 Large scale infrastructural projects would not be precluded from coming forward with discreet phases of the project. This would assist financial planning both in respect of the Programme resources and the project sponsors by providing a degree of certainty in respect of early implementation and early drawdown of funds.

2.6 It has been agreed that this approach of variable grant and upper limit of grant award for Measure 2.2 projects is applied for the application rounds for this year, i.e. the 10th, 11th and 12th application rounds. This practice will be reviewed and a report submitted to the Monitoring Committee for consideration at the meeting on 18 October 2004.

3.0 Proposed Modifications to Implementation Procedures

3.1 Decommitment. There are a number of projects which were approved in the early application rounds of the Programme and have only achieved partial implementation. These projects have experienced a range of technical difficulties ranging from protracted negotiations over land assembly, unforeseen ground conditions and difficulties in achieving investment funding. These projects have been required to reprofile their implementation and financial schedules on more than one occasion. In view of the limited funds remaining in Measure 2.2, it has been agreed that these projects are subject to a detailed reappraisal and reassurance sought on the early implementation and spend by the end of this year. This detailed reappraisal of a revised application will be undertaken by the Priority 2 Advisory Group, consistent with the standard appraisal of projects. The Advisory Group will then, following a detailed appraisal of the estimated completion of the project and drawdown of ERDF grant, make a recommendation to the Programme Management Committee for a decision either to decommit all remaining funds committed to the project or to allow the project to proceed to early completion. A decision to decommit a project will only be taken where in the view of the Advisory Group and the Programme Management Committee, they are not convinced that the project will progress to completion within a reasonable time frame.



3.2 Projects which can demonstrate early implementation. Given the difficulties in achieving N+2 for 2003 and the need to maintain the momentum on generating spend for the N+2 target for 2004, a more strict line on the state of readiness of submitted applications to proceed to early implementation upon approval will now be adopted. In the past, projects could be submitted where there are outstanding issues concerning key implementation issues such as co-finance, planning consent and state aids. Projects will only be considered for appraisal in any one round, where they can provide evidence that all technical issues will be resolved by the date of the Management Committee which is scheduled to consider all projects in that round.

3.3 Projects seeking increased grant. From the beginning of this Programme and indeed in previous Programmes, there has been a regular flow of approved projects seeking increased grants in respect of material changes to projects. Project applications, by their nature, are based on estimated costs and it is often the case that due to unforeseen circumstances, eg hidden contamination or market demand, actual costs are greater than previously assessed. Where these requests were sufficiently justified, they were submitted to the Management Committee for decision. In view of the limited funds remaining in Measure 2.2, the Management Committee at its meeting on 23 January 2004, proposed and the Monitoring Committee have now agreed that such requests for an increased grant for existing approved projects, where they were in excess of £20,000, be referred to the Priority 2 Advisory Group for consideration at the next available appraisal round. The Advisory Group would then make a recommendation to the Programme Management Committee as to whether the increased grant was justified or not. Those increased grant requests below £20,000 will be considered by the Programme Management Executive and reported to the Programme Management Committee at its next meeting.

3.4 Reduced number of application rounds per annum. In order to better control the flow and volume of applications, and to provide more time for the appraisal of competing projects, has been agreed that for Priority 2 projects in the years 2005 and 2006, we reduce the number of application rounds from the current three to two.