

EAST OF SCOTLAND OBJECTIVE 2 PROGRAMME 2000 - 2006

PROGRAMME MANAGEMENT COMMITTEE

**PROGRAMME EXECUTIVE OFFICES, ENTERPRISE WAY, CARNEGIE
CAMPUS SOUTH, DUNFERMLINE**

Meeting on 4 October 2002

Note of Meeting:

Present:

Mr Philip Smith (Convener)
Mr Nigel Thomas
Mr David Valentine
Mr Ian Young
Dr Ken Macdonald
Ms Sharon Douglas
Ms Alison Spearman
Mr Patrick Laughlin
Ms Carol Bartholomew
Mr Douglas Clark
Ms Janet Cox
Ms Liz McManus
Mr Alastair Cameron
Mr John Withers
Prof. Philip Esler
Mr Keith Wimbles
Ms Diane Taylor

The Scottish Executive
Programme Executive
Angus Council
Midlothian Council
Clackmannanshire Council
Fife Council
Scottish Enterprise Grampian
Kingdom of Fife Tourist Board
Coalfields Regeneration Trust
Forestry Commission
Lauder College
The Moray Council
Claverhouse Group
Roslin Institute
University of St Andrews
Scottish Council for Voluntary Organisations
University of Dundee

In Attendance:

Mr Nigel Lindsay
Mr Pat O'Hanlon
Mr Stuart Borrowman
Ms Susan Tamburrini

The Scottish Executive
The Scottish Executive
Programme Executive
Programme Executive

1. Convener's Introductory Remarks

- 1.1 The Convener welcomed everyone to the fifth meeting of the Programme Management Committee (PManC) for the period 2000 - 2006.
- 1.2 He introduced and welcomed Nigel Lindsay to the Committee who has recently joined the Scottish Executive, replacing Colin Brown, and will convene future meetings of this Committee.

2. Apologies

- 2.1 Apologies were received from Ms Archibald (SE Edinburgh and Lothians), Mr McAllister (The National Trust for Scotland), Mr Murray (West Lothian College) and Mr McLaren (Programme Executive).

3. Note of the Fourth Meeting held on 30 May 2002 ES/PManC/02/3/3

- 3.1 The Committee agreed the note as an accurate account of the last meeting and took each of the matters arising in turn.

4. Matters Arising

- 4.1 The first matter arising related to **Benchmarking Employment Support Initiatives**. Mr Thomas highlighted that this issue had been raised many months ago by the CED Advisory Group. As some time had now elapsed it would be necessary for the Programme Executive to consult the Advisory Group to establish if they still require a discreet piece of work to be carried out on this issue. If they do it will be necessary to develop a specification of the work required.
- 4.2 He confirmed that the **Business Process Review** was continuing although some delay had occurred. He informed Committee members that the new time-scale meant that testing will shortly take place and a limited number of partners in the East have been approached to participate. The aim now is to use the new application form for projects submitted for the February 2003 application deadline. Partnership seminars will be held prior to this date. Committee members discussed the administrative difficulties with the current application forms, particularly the need to get forms re-signed by a senior person every time forms are amended. Mr Thomas confirmed that there is a requirement to have revised forms signed by a senior person for audit purposes. However, the business process review should make the system less bureaucratic.

- 4.3 With regard to the **Training Infrastructure Review** he informed Committee members that the report is now complete and that it will go to the Monitoring Committee meeting on 21st October 2002. Once agreed the final report will be disseminated to the Partnership.
- 4.4 Mr Thomas noted that the **Programme Complement** had now been submitted to the Commission. Once it has been agreed it will be made available to the Partnership on CD Rom.
- 4.5 He informed the Committee that the design for the **publicity plaques** is now complete. However, negotiations will shortly take place with manufacturers to prepare a "mock-up" before the Programme Executive spends in the order of £8,000 on a large batch.
- 4.6 He advised Committee members that the Programme Executive has undertaken an extensive process since the last meeting of the Committee, working with sponsors to incorporate **Final Claim Audit Fees** where required. This exercise was combined with the movement towards average grant rates for all revenue projects. This process is almost complete with the Programme Executive issuing over 150 revised approvals. The PME is now working with sponsors to prepare consolidated ERDF claims.
- 4.7 The Committee was advised that Gordon McLaren had written to the partnership advising them of the appointment of EKOS to undertake the **Mid-term Evaluation** for the East. The letter also made it clear that the Mid-term Evaluation process should not be viewed as an opportunity to make substantial changes to the Programme. Any proposed changes should be minor and well-referenced. The Convener advised Committee members that the Commission Desk Officer, Rachel Lancry, had attended the Steering Group meeting and was satisfied with the process outlined. An Inception Report with detailed work plan would be available within about 10 days.

**5. Update Report on Project Commitments ES/PManC/02/3/5
Approved at Previous Management Committee
Meetings**

- 5.1 Mr Thomas presented the paper to the Committee and noted that the commitment position is patchy across the Priorities. For Priority 1, the commitment is poor as low levels of applications are being submitted. However, Priority 2 is performing very well and a proposal for resource virement into Measure 2.1 will be discussed at the Monitoring Committee meeting on 21 October 2002. For Priority 3, the picture is looking better as activity has increased. However, State Aids issues concerning the Credit Unions are delaying the implementation of these projects.
- 5.2 He advised the Committee that the Programme Executive is preparing an action plan for the Monitoring Committee meeting highlighting the key issues affecting performance and proposing corrective action. One issue is the general difficulty of securing public sector co-finance. Another issue is the delays being experienced in the delivery of private sector projects following the economic downturn and September 11th. Practical actions proposed will include meetings and presentations with partners to stimulate interest and demand. Some presentations have already taken place with partners in an effort to stimulate activity in Priority 1. He also highlighted that the possible use of overheads should stimulate demand in Priorities 1 and 3 as this was currently affecting the numbers of projects received from the Universities and Voluntary Sector organisations. The Convener advised that overheads would only be allowable where real and transparent costs to the project could be demonstrated.
- 5.3 Mr Thomas highlighted that once project sponsors had submitted consolidated project claims then the position with regard to Programme spend would look more promising. The Convener reminded Committee members of the fundamental importance of N+2 and the need to communicate with the Programme Executive regarding delays to projects. He also highlighted that good levels of Programme spend would add weight to the argument for future Structural Funds post 2006.
- 5.4 **ESE/ERDF/01/22/0026 – Roslin BioCentre Phase 2.** The Committee was advised that this project had been significantly delayed due to the economic downturn after September 11th. The project sponsor had now made significant progress with a site start date of end-2002 and completion by Autumn 2003. However, a consequence of the delays has been an increase in the construction costs of some £280,000. The Committee agreed to increase the level of ERDF grant awarded to ESE/ERDF/01/22/0026 by £83,776 from £1,241,277 to a new

ERDF total of **£1,325,053**. The average intervention rate for the project will remain at 29.92%.

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

- 5.5 **ESE/ERDF/02/22/0075 – Dumyat Business Park Phase 3**. The Committee was advised that changed market conditions have resulted in a delay in the progress of this development. The Committee agreed a delay to the project start date until mid-2003 with completion by Spring 2004. The Convener noted that the Monitoring Committee should be made aware of the policy shift in agreeing delays to project implementation.

- 5.6 **EST/ERDF/02/32/0042 – Demand Responsive Angus Rural Transport Pilot Scheme (D.A.R.T.S.)** The Committee was advised that the Programme operational changes regarding moving to average grant rates had resulted in a shortfall of funding in the first two years of this project. Mr Thomas also highlighted that the project is highly regarded locally and was recently the subject of a visit from Andy Kerr, the Finance Minister, who was equally impressed with its potential. The Committee agreed to increase the overall level of ERDF grant awarded to EST/ERDF/02/32/0042 by £48,100 from £77,000 to a new ERDF total of **£125,100**. Based on a total project expenditure of £253,500, this will increase the average grant intervention rate from 30.37 to 49.35%. Committee members were also keen that this project should be used as an example of good practice for other rural areas.

Action Point: Applicant to submit revised application form. Revised approval documentation to be issued on receipt. PME to look at ways of disseminating good practice.

6. Advisory Group Report and Recommendations ES/PmanC/02/3/6

6.1 Mr Thomas informed the Committee that a total of 41 project application forms had been received in the fifth application round, 20 of which were for eligible areas and 21 for transition areas.

6.2 Priority 1: Strategic Economic Development

6.2.1 He outlined the main issues raised by the Advisory Group which included the need for the PME to undertake development work to ensure a consistent level of bids in future application rounds. He also noted the slow progress of Scottish Enterprise in determining how ERDF can engage in the new Scottish Enterprise Co-investment Fund and the impact that this was having on Measure 1.2 spend. The Convener also highlighted that there is an ongoing State Aids issue regarding Risk Capital Funds and this is not likely to be resolved until next year. Mr Thomas highlighted to Committee members the advice from the Commission regarding intervention rates for business support schemes and the remedial work now being undertaken by the Programme Executive.

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

6.3 Priority 2: Strategic Locations and Sectors

6.3.1 The Committee was advised of the Advisory Group's discussions on a number of issues. In particular, the Training Infrastructure report has now been completed and will be discussed at the Monitoring Committee meeting on 21 October 2002. Mr Thomas highlighted the decision of the Advisory Group to now recommend the two Angus Council marketing applications, ESE/ERDF/02/21/0025 and EST/ERDF/02/21/0025, for approval. These applications had originally been deferred as there had been insufficient clarity to determine whether the Council had the necessary powers to undertake these marketing activities. However, subsequent clarification from Angus Council and the Area Tourist Board persuaded the Programme Executive that Angus Council did indeed have the necessary powers under the Local Government (Scotland) Act 1994. Committee members expressed some concern regarding a similar project that was submitted under the NW Grampian Objective 5b Programme 1997-99 and was

deemed ineligible. The Convener agreed to consult with the Tourism division of the Scottish Executive to get further clarification on this issue. Mr Thomas also noted the project overbid situation of Measure 2.1 Transition, which meant that any project recommendations were subject to the virement of additional resources into this measure. He also referred to the major project, EST/ERDF/02/22/0079 Edinburgh University Biomedical Research Institute, which has been formally submitted to the Commission under the major projects procedure.

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

6.4 Priority 3: Community Economic Development

6.4.1 Mr Thomas outlined the issues raised by the Advisory Group, which included the need for clarification on the eligibility of overheads and existing staff costs within ERDF Applications. He noted the importance of developing clear guidance for sponsors developing CED activity in the transition areas particularly as levels of funding decrease. He confirmed that the State Aids issue with regard to Credit Unions was still to be resolved. Committee members also agreed to an extension until the end of November 2002 to resolve technical issues for the Trossachs Community Trust project, EST/ERDF/02/32/0074, Brig o' Turk Village Hall Rebuild. This time extension is necessary as the Community Fund will not formally agree funding to the project until mid-November.

Decision: The Committee agreed to the project recommendations for Measures 3.1, 3.2 and 3.3 as detailed in the report.

6.5 Mr Thomas highlighted to Committee members that an addition to recommendation 5.1.4. of the paper would be made after being suggested by a Committee member who was unable to attend the meeting. The following text would be added "the work of the Advisory Groups give the Programme Management Committee confidence that the appraisal of projects has been done in an informed way and diligently discharged prior to the consideration of recommendations by the Management Committee".

7. Any Other Business

- 7.1 The Convener confirmed that the PME would issue the grant offer letters once the Minister had agreed the final list of projects. Whilst the letters could be issued there would be a press embargo until the Ministerial press release week commencing 14 October 2002.

8. Date of Next Meeting

- 8.1 The next meeting will be held on 31 January 2003 at the PME office in Dunfermline.

**PROGRAMME MANAGEMENT EXECUTIVE
EAST OF SCOTLAND EUROPEAN PARTNERSHIP
OCTOBER 2002**