

EAST OF SCOTLAND OBJECTIVE 2 PROGRAMME 2000 - 2006

PROGRAMME MANAGEMENT COMMITTEE

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

Meeting on 30 May 2002

Note of Meeting:

Present:

Mr Colin Brown (Convener)	The Scottish Executive
Mr Gordon McLaren	Programme Executive
Mr David Valentine	Angus Council
Mr Ian Young	Midlothian Council
Dr Ken Macdonald	Clackmannanshire Council
Ms Tracey Archibald	Scottish Enterprise Edinburgh and Lothian
Mr David Murray	West Lothian College
Mr Patrick Laughlin	Kingdom of Fife Tourist Board
Ms Carol Bartholomew	Coalfields Regeneration Trust
Mr Douglas Clark	Forestry Commission
Ms Janet Cox	Lauder College
Ms Liz McManus	The Moray Council
Mr Alastair Cameron	Claverhouse Group
Mr John Withers	Roslin Institute
Prof. Philip Esler	University of St Andrews

In Attendance:

Mr David McAlister	The National Trust for Scotland
Ms Elaine Sosinka	The Scottish Executive
Mr Nigel Thomas	Programme Executive
Mr Fiona Thomson	Programme Executive

1. Convener's Introductory Remarks

- 1.1 The Convener welcomed everyone to the fourth meeting of the Programme Management Committee (PManC) for the period 2000 - 2006.
- 1.2 He introduced and welcomed Mr McAlister to the Committee who is to replace Nigel Fairhead of The National Trust for Scotland and confirmed that Mr Noble would be moving to the SPD Monitoring Committee.

2. Apologies

- 2.1 Apologies were received from Mr Wimbles (SCVO), Mr Noble (SE Fife) and Ms Spearman (SE Grampian)

3. Note of the Third Meeting held on 1 February 2002 ES/PManC/02/2/3

- 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 consultancy work on **Benchmarking Employment Support Initiatives** across the Programme Area, Mr McLaren noted that no progress had been made since the last meeting.
- 4.2 He confirmed that the **Business Process Review** was continuing and that the re-design of the new ERDF and ESF application and claim forms were complete and were being translated into an electronic format over the next few months with a view to using them for the Autumn application rounds.
- 4.3 With regard to the **Further Education Funding Council** the Convener had met with officials from the Funding Council to discuss policy coherence and suggested there might be a further meeting with the PME Chief Executives. Mr McLaren informed the Committee that interviews had taken place for the Training Infrastructure Review and that the successful consultant would be commissioned in the week following the meeting.
- 4.4 Mr McLaren noted that the amendments to the **Programme Complement** were almost complete. The only remaining issues related to the Programme Indicators and the desire to

establish a consistent approach across the Scottish Programmes. Once this issue was resolved the document would be circulated to the SPD Monitoring Committee for agreement by written procedure and then it would be made available to the Partnership on CD Rom.

- 4.5 He informed the Committee of the progress made in sourcing standard **publicity plaques**. A design in etched glass was proposed and if purchased in bulk by the PME would cost project sponsors approximately £175 - 200 each. The Convener reminded Members of the importance of acknowledging the contribution made by the Structural Funds to projects and the emphasis the Commission placed on publicity.

5. Update Report on Project Commitments Approved ES/PManC/02/2/5 at Previous Management Committee Meetings

- 5.1 Mr Thomas presented the paper to the Committee and noted the increase in the length of the paper was symptomatic of the stage that the Programme had reached and the number of projects approved. He added that it was important to be clear about changes to projects as they reflected the difficulties applicants experienced in implementing the projects. It was also likely that the changes would impact on Programme issues such as N+2 and the Mid Term Evaluation.
- 5.2 He confirmed that the position with regard to the number of projects with outstanding technical issues had improved since the last meeting. However, expenditure levels across the Programme were still low and every effort must be made to ensure applicants submitted claims on time. The PME staff were implementing the compliance procedure and actively encouraging applicants to submit claims; in some cases this involved meetings between the applicant and the PME. Mr McLaren added that the new forms would help to reduce the administrative burden for all concerned and hopefully speed up the claims process.
- 5.3 **ESE/ERDF/01/11/0014 and EST/ERDF/01/11/0014 – Integrated Support for SMEs.** The Committee was advised that the applicant, Midlothian Enterprise Trust in response to an increase in demand for the services offered by the projects were seeking a higher ERDF grant award. The Advisory Group had re-appraised the revised applications and was content to support the request. The Committee agreed to increase the ERDF grant awarded to ESE/ERDF/01/11/0014 by £29,435 from £225,101 to a new ERDF total of **£254,536** and to

increase the ERDF grant awarded to EST/ERDF/01/11/0014, by £20,691 from £165,818 to a new ERDF total of **£186,509**.

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

- 5.4 **EST/ERDF/01/11/0015 – Integrated Environmental Support for SMEs.** The Committee was advised that the applicant, Midlothian Enterprise Trust in response to an increase in customer demand was seeking to extend the project to geographical areas not covered by the original applications i.e. Aberdeenshire and Moray. The Advisory Group had re-appraised the revised application and was content to support the request. The Committee agreed to increase the ERDF grant awarded to EST/ERDF/01/11/0015 by £75,000 from £299,675 to a new ERDF total of **£374,675**.

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

- 5.5 **EST/ERDF/01/22/0039 – Forthside Visitor Management Programme Phase II.** The Programme Management Executive had been advised that the sponsor had experienced difficulties in implementing this large and complex project. Although the total cost of the project would not alter, negotiations with external agencies had taken longer than anticipated. As a result, a revised planning application for the main environmental contract works was required and the sponsor was seeking a two-year extension to the project completion date. The Committee agreed the revised completion date of 2005.

- 5.6 **ESE/ERDF/01/22/0006 – Business Learning Access Centre.** At the time of application, the sponsor Angus College, anticipated that the construction of the Business Learning Access Centre would be undertaken through a subsidiary company. However, following specialist advice it had become apparent that such an arrangement was not possible. As a result, the College intend to manage the building works themselves and had requested that the non-recoverable VAT be included as an eligible cost item in the application. The Committee agreed to increase the total costs of the project by £974,199 from £5,564,853 to a new total of **£6,539,052**. Similarly, the level of ERDF grant approved increased by £145,058 from £828,607 to a new total of **£973,665**.

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

- 5.7 **EST/ERDF/01/22/0005 – Pitlochry Railway Station Area Environmental Enhancement** The applicant had advised the PME that the tenders for the project works had come in higher than anticipated. The sponsor had managed to secure the additional funding to cover this increase in costs and no additional ERDF grant was requested. The Committee noted the increase in the total project costs to £178,630.

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

- 5.8 **EST/ERDF/01/32/0016 – Raploch Local Learning Centre (Capital)**. The applicant had notified the PME that the project had suffered delays in implementation due to fire damage to the existing building. The work tenders were higher than anticipated, as additional work had to be undertaken on the roof. It was agreed that the ERDF grant to the project be increased by £5,544 from £30,450 to a new ERDF total of **£35,994**.

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

- 5.9 **ESE/ERDF/01/32/0035 & EST/ERDF/01/32/0035 – Enterprise Advice Project**. As a result of constructing ERDF grant claims for the projects the sponsor had identified an error in the approved targets. At the application stage, instead of being split across the two projects, the targets were repeated in each application, resulting in the duplication of targets. The Committee agreed to the sponsor's request that they be allowed to revise downwards the targets for the eligible and transition projects.

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

- 5.10 **EST/ERDF/01/22/0001 – Wellbank Training Centre**. The applicant had notified the PME that the project had been delayed due to the discovery of poor ground conditions on the original site. Rather than incur significant additional costs the sponsors had decided to seek an alternative site for the development. Whilst the new site was directly opposite the previous one, the sponsor was required to re-apply for planning consent before work could commence. The Committee agreed to a delay in the implementation of the project to allow for the revised planning approval.

- 5.11 **ESE/ERDF/01/22/0026 – Roslin BioCentre Phase 2**. The project had been delayed due to problems experienced by the private

sector developer in securing funding from its original bankers. The reasons for these problems were linked to the aftermath of September 11. The Committee agreed to a delay in the implementation of the project until late summer 2002 whilst the issue was resolved.

- 5.12 **ESE/ERDF/01/22/0036 – The Microelectronics Skills Development Centre.** The project had experienced major delays due to additional structural problems being discovered on the premises. This had resulted in an increase in the total cost of the project from £866,425 to £1,255,611. The Committee agreed to an increase in the level of ERDF grant awarded to ESE/ERDF/01/22/0036 by £97,296 from £216,606 to a new ERDF total of **£313,902**.

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

- 5.13 **ESE/ERDF/01/22/0051 – E-Commerce Centre and ESE/ERDF/01/22/0052 – Lauder Campus Infrastructure.** This public-private project had been delayed due to problems experienced by the private sector developer in securing funding from its original bankers. The reasons for these problems were linked to the aftermath of September 11. As the private sector developer was actively investigating alternative banking options, the sponsor had requested that the Committee agree a delay in the implementation of these two projects until late summer 2002 whilst the issues were resolved. The Committee agreed this.

The Committee stressed that in future all notifications of significant changes should be submitted in writing to the PME in time for them to be circulated to the Committee at least 1 day before the meeting.

- 5.14 A number of the Committee questioned the rationale for extending the implementation time of projects and the effects this might have on N+2. Mr Thomas confirmed that the AIR for 2001 recorded the projected targets for the approved projects and any failure to reach these targets would impact on the Performance Reserve. Mr McLaren stressed the need to be pragmatic about the project delays as sponsors inevitably encountered difficulties. He added that projects that were delayed but in the system were more likely to contribute to the expenditure profile for N+2 than any new projects that would come forward in the subsequent rounds.
- 5.15 Mr Thomas noted that the Scottish Executive had informed the PMEs that from 1 April 2002 all final claims would have to be

independently audited. This was a change from the previous arrangement where a number of organisations such as the Local Authorities were exempt from this. As the Regulations now recognised these costs as eligible expenditure Mr Thomas suggested that the Committee agree to the PME writing to all existing applicants to offer them the opportunity to revise their applications to include these costs. Ms Archibald welcomed the proposal to include audit fees in future applications but asked if there was any alternative to revising the application forms for existing projects. Ms McManus suggested the development of a grant scheme operated by the PME and funded through Technical Assistance.

Action Point: PME to amend the guidance to new applicants and inform all applicants of the eligibility of audit fees.

- 5.16 Mr Thomas explained that it had been agreed that revenue applications would be approved annually in order to take into account the requirement that transition projects had declining grant intervention rates. However, this was proving to be unworkable as every time a project changed slightly a revised approval was needed resulting in both applicants and the PME being swamped with the volume of paper needed to maintain the systems. The Committee were asked to agree to allow revenue projects with declining grant rates to show an average rate over the life of the project that incorporated the reduced level of ERDF but allowed the PME to issue a single approval for the full period of the project.

Action Point: PME to amend guidance to new applicants and to write to existing sponsors with revenue projects to invite them to submit revised application forms that show the average grant rate. PME to issue revised offers of grant.

6. Advisory Group Report and Recommendations ES/PmanC/02/2/6

- 6.1 Mr Thomas informed the Committee that a total of 55 project application forms had been received, 24 of which were for eligible areas and 31 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 and the progress of the Risk Capital Working Group. He also noted that the Scottish Executive had advised that they were investigating the eligibility of overheads with the Commission and he would report back to the next meeting.

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 Mr McLaren noted the recommendation to modulate the grant award to the Stirling Council project EST/ERDF/02/22/0073 on the basis of the percentage of use of the site by tourists. He also explained the reasons for introducing the Edinburgh University application the Biomedical Research Institute EST/ERDF/02/22/0079 after the deadline. As the total project costs exceeded 50 meuro the project would have to be considered as a major project which necessitated its inclusion in the current application round if the anticipated start date of Autumn 2002 was to be met. Mr Murray asked what measures had been put in to place to ensure this important project would not suffer the delays that other similar projects in the last Programme had encountered.

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 community learning projects to ensure that there was clear evidence of community involvement and the need for applicants to recognise the limited scope under Objective 2 for literacy projects. He also confirmed that the state aid issue with regard to Credit Unions was still to be resolved.

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

7. Amendment to Rules of Procedure

ES/PManC/02/2/7

- 7.1 Mr McLaren explained that the Terms of Reference for the Committees had been revised at the request of the SPD Monitoring Committee to include a statement about conflict of interest. The Convener confirmed that Committee Members should make their interest in a project clear prior to any debate and then withdraw from the discussion.

8. Any Other Business

- 8.1 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 visit had taken place. This was scheduled for 10 June, 2002.

8.2 Mid Term Evaluation

8.2.1 Mr McLaren asked the Committee to note the progress of the Mid Term Evaluation. A Steering Group had been established for each of the Scottish Programme Areas. The Terms of Reference had a common core component for the whole of Scotland with a number of additional Programme specific criteria that were agreed by the Steering Group. The contracts had been advertised in the OJ and it was anticipated that the Evaluation would be completed by June 2003.

8.2.2 The Convener confirmed that the consultants would be asked to consider the Performance Reserve criteria. He also stated that each Programme would be measured against agreed Performance Reserve criteria and if there was at least 75% achievement against the targets then the Programme would receive the additional funds. It was not clear what would happen in the event that the 75% achievement was not reached and if that was the case how the funds would be allocated to another Programme Area.

9. Date of Next Meeting

- 9.1 The next meeting will be held on 4th October 2002 at the PME office in Dunfermline.

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