

EAST OF SCOTLAND OBJECTIVE 2 PROGRAMME 2000 - 2006

PROGRAMME MONITORING COMMITTEE

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

SPECIAL MEETING 13 FEBRUARY 2002

Note of Meeting:

Present:

Diane McLafferty (Convener)	Scottish Executive
Sue Pinder	West Lothian College
Joyce Johnston	Fife College
Graham McKee (Part)	Scottish Enterprise Tayside
Julia Palmer	Capital City Partnership
Cllr. Raymond Bisset	Aberdeenshire Council
Alan Boyle	West Fife Enterprises Ltd

In Attendance:

Rachel Lancry	European Commission (Directorate General for Regional Policy)
Gordon McLaren	Programme Management Executive
Colin Brown	Scottish Executive
Nigel Thomas	Programme Management Executive
Gerry McDonald	Programme Management Executive

1. Welcome & Introduction

1.1 Diane McLafferty welcomed everyone to the special meeting. In particular she welcomed Ms Rachel Lancry from the Directorate General for Regional Policy of the European Commission to her first meeting. In addition to her responsibility for the East of Scotland, Rachel is desk officer for the Western Scotland Objective 2 Programme, the South of Scotland Objective 2 Programme and the Merseyside Objective 1 Programme.

1.2 Ms McLafferty reminded the Committee that it was decided to convene after a presentation on Risk Capital at the previous Monitoring Committee meeting in September 2001. The working group set up to consider Risk Capital in the East of Scotland Programme have produced their report and the Committee, in convening this special meeting are giving this report their early attention.

1.3 Apologies

Commerce	Cllr Linda Gow	Falkirk Council
	Selma Rahman	Fife Racial Equality Council
	Lorna Jack	Scottish Enterprise Forth Valley
	Amanda Harvie	Aberdeen and Grampian Chamber of
	Colin Smith	Angus and City of Dundee Tourist Board
	Bob Smailes	University of Edinburgh

In addition Cllr David Hamilton, Midlothian Council, has submitted his resignation. The Scottish Executive are in the process of finding a replacement.

1.4 As the meeting was a special meeting, the minutes of 10th September 2001 were not formally considered although Ms McLafferty invited Mr McLaren to table the minute and advise the Committee of any main issues.

1.4.1 The finalisation of the Programme Complement was delegated to the Scottish Executive and the Programme Management Executive. Mr McLaren advised the Committee that this task was almost complete. There are a few outstanding issues on the Performance Reserve. Mr McLaren informed the Committee that ongoing meetings and

discussions with the Commission have proved beneficial in resolving this issue.

- 1.4.2 Mr McLaren informed the Committee of developments on the horizontal themes. In particular this was related to Sustainable Development and Equal Opportunities. An event has taken place examining how these themes could be brought closer together, this has resulted in the proposed formation of a “Key Policies Group”. This will assist progress on the process of mainstreaming the horizontal themes.
- 1.4.3 Progress has been made on Labour Market and Economic Intelligence. A contract has been signed with Yellow Book to deliver a service for the Programme Partners. A steering group has been set up and they are confident that the service provision and delivery will be of a high standard. Economic intelligence input into the Annual Implementation Report (AIR) for 2001 is the first piece of work that the consultants have been charged with producing.
- 1.4.4 Ms Mc Lafferty advised the Committee of a very productive meeting between the Scottish Executive and the Commission in November 2001 on Annual Implementation Reports. The meeting assisted in the resolution of certain concerns including agreement that the N+2 issue requires the production of additional guidance.
- 1.5 Due to the unexpected late arrival of Mr McKee, the business of the meeting was taken in a different order to that on the agenda.

2. Technical Assistance – Programme Management ES/PmonC/02/1/3 Executive 2002

- 2.1 Mr McLaren reminded the Committee that the Business and Operational Plan had been submitted to the Committee previously, and that there was a requirement for the Committee to receive updated positions. As a result, the Business and Operational Plan has been revised to take account of projected activity in 2002 and actual expenditure in 2000/2001. The basic thrust hasn't changed. The main changes are to annexes 4 and 5. These deal with the PME's work priorities and the allocation of resources.

- 2.2 Mr McLaren advised the Committee that the revisions reflected actual activity and were presented by way of seeking continued Technical Assistance support. The revised Business & Operational Plan has been approved by the Board of ESEP Ltd.
- 2.3 The Committee were reminded that the figures reflected actual activity and are produced by the ongoing monitoring of the PME's internal function. Mr McLaren reminded the Committee of the changing demands on the PME in 2002. These relate to the AIR where there are clear timetables and deadlines to respect; Strategic Review including the Commission sponsored ex-post evaluation of the Eastern Scotland Objective 2 Programme 1997-1999; and Preparation for the mid-term evaluation in 2003.
- 2.4 Mr McLaren advised the Committee of one amendment to the Business and Operational Plan at paragraph 13.5. The text as written may be interpreted as the PME having no responsibility for closure of, and completion of reports on, the Eastern Scotland Objective 2 Programme 1997-1999. Mr McLaren stated that the text was an attempt to explain the change from twin tracking TA from two sources, and advised the Committee that the PME have residual responsibility for some functions under the Programme. The paragraph should be reworded as, "Whilst the opportunity to receive Technical Assistance from the 1997/99 Objective 2 Programme ceased on 31st December 2001, the PME will continue to undertake any residual tasks associated with the Closure of the 1997/99 Objective 2 Eastern Scotland Programme."
- 2.5 Also attached to the Business and Operational Plan at Annex 8 was a cumulative report on performance of the PME in 2001 against the approved performance indicators in the Plan. The Committee were advised of a proposed revised indicator 2 under the internal business process. This is as a result of delays experienced in issuing grant offer letters due to receipt of technically incomplete forms from partners by the PME.

Committee Decision: The Committee approved the revisions to the Business and Operational Plan; the revised wording under internal business process indicator 2 and the revised text at paragraph 13.5 regarding closure of the 1997-1999 Eastern Scotland Programme.

- 3.1 Mr McLaren introduced the paper. He explained that the awarding of Technical Assistance to assist voluntary sector organisations had ceased at the end of 2001. A lengthy exercise to review voluntary sector needs had been undertaken and this reflected a continuing commitment to participation and knowledge for all partnership sectors.
- 3.2 Mr McLaren advised the Committee that the paper was looking not just at Technical Assistance issues but Programme Measures also; and in particular activity under measure 3.3 Thematic Activity. He outlined the three inter-related components of the intended work, noting that while not being a huge piece of work it was never the less important and timely.
- 3.3 Ms McLafferty reminded the Committee that the work on needs analysis was honouring a previous commitment. She also stated that it was wise to link to transition strategies and also to take the opportunity for the promotion of activities where to date there had been a distinct lack of project submissions.
- 3.4 The Committee were informed of the revision to the text of the page where a reference to a paper on SCVO Technical Assistance remained. The SCVO Technical Assistance paper has been removed from the agenda due to there being a number of unresolved issues. This paper will now be presented at the April meeting.
- 3.5 Raymond Bisset asked for some indication of the anticipated timescale for completion, and for further information on the endowment fund reference in the paper. In response he was advised that the first report should be submitted to the PME by 31st May 2002. A final report should be available shortly after. The endowment fund was one possible innovative way of looking at exit and continuation strategies. It is expected that the work will unearth many more possible ways of making a sustainable investment in CED Communities
- 3.6 Mr Boyle welcomed the work and enquired about the way in which the voluntary sector would be engaged. He was advised that the intention is to charge the successful bidder with the responsibility of going beneath the level of ERDF applicants and engage with community organisations and groups within the CED designated areas.

- 3.7 Ms Palmer also welcomed the opportunity this work afforded to look at capacity building. She suggested that the terms of reference could be tightened to ensure this intended community penetration. Ms Palmer advised that there are a number of pieces of work being commissioned at present and that maybe the timing of the work was too soon. The Committee discussed this but agreed that the work was important and that they would follow the proposed schedule. Ms Palmer confirmed she would be willing to be a member of the Steering Group.
- 3.8 Ms Pinder asked whether there could be some form of clearing house where the various pieces of work that take place at a regional and national level and that could add value to each individual piece, and this CED work in particular. She was advised that the Evaluation Group within the Scottish Executive would examine this. They accept that the publishing on the Scottish Executive's website wasn't the complete answer, but was some way down the road. It was helpfully suggested by Ms Johnston that the terms of reference in the brief could be amended to look at the introduction of an exercise mapping recent and current studies. This should also tie into Community Planning.

Committee Decision: Terms of reference to be amended by PME prior to tenders being sought.

- 3.9 The Committee were invited to approve the recommendations.

Committee Decision: The Committee approved the recommendations at 4.1.1, 4.1.2, 4.1.3 and 4.1.4 of the covering paper, subject to the revision to the Terms of Reference at Annex 1

4. Report and Recommendations of the Working Group on Risk Capital

- 4.1 Mr McLaren outlined the paper. The Committee noted the great contribution made by the Working Group and their good mix of skills and knowledge. At the Committee's meeting of 10th September 2001 it was agreed that it would be sensible to further consider the findings and broaden out to a national level.

4.2 Throughout the Working Group's deliberations they were aware of possible actions at a national level. Fundamentally, Firm Crichton's evaluation still showed a gap in risk capital provision and identified two important issues.

- Was there a need to intervene in the creation of Risk Capital funds, either at an East of Scotland or National level.
- Notwithstanding the setting up of funds, was there a need to assist in investor readiness.

4.3 In addition to the evaluation of the ESI Fund, there has also been an evaluation of the Strathclyde Investment Fund. All evaluations point to inadequate levels of support and knowledge in SMEs. The Committee were advised that the Working Group had also identified the huge untapped resources as represented by Business Angels (private investors). They noted that more could be done to support this through the activities of LINC and CONNECT.

4.4 The Committee were advised of the previous day's announcement of the unveiling of a £20m Venture Capital Investment Fund by the Scottish Executive and to be developed and managed by Scottish Enterprise. Mr McKee explained that this £20m is intended to be invested to create a "fund of funds". This "fund of funds" may support funds, in partnership with the private sector, which are sector specific, e.g. biotechnology or creative industries or may consider looking at recognising regional dimensions by establishing regional funds.

4.5 The Committee agreed that this announcement was so recent that whilst it helps confirm the Executive's intention to address the market gap, it presented them with a somewhat clouded picture. They agreed though that in terms of ERDF investment there were possibly three options available at present;

4.5.1 ERDF investment into the National Fund of Funds

4.5.2 ERDF investment into a National Fund which has sectoral or regional dimensions appropriate to the East of Scotland market needs

4.5.3 ERDF investment into a specifically East of Scotland Fund

- 4.6 The Committee agreed that any investment in risk capital funds would be premature at the present time. However, they strongly endorsed the Working Group's proposal to look at assistance with investor readiness. The Committee acknowledged that Scottish Enterprise were examining this issue and made a commitment to ensuring that any proposal that received ERDF support must complement and add value rather than duplicate any Scottish Enterprise activity. The Committee agreed that it was critically important that the potential for confusion amongst potential clients was avoided. They agreed that a smart, sophisticated approach was necessary. Where there were existing investor ready mechanisms then any complementary work should recognise the positive characteristics of the East of Scotland. These include a strong University sector with excellent expertise in commercialisation, particularly in Edinburgh, Dundee and Aberdeen.
- 4.7 The Committee discussed options they would face should it transpire that investing in a fund may no longer be necessary. They were reminded that approx £6.5m had been set aside under Measure 1.2. The Committee may decide that some of this allocation should be transferred to other Measures under Priority 1. Ms Lancry reminded the Committee that there are certain articles within the Regulations that must be respected should this proposal be followed, which may limit the extent of any virement. She requested that she be kept informed of any developments in this area in order that she can advise of regulatory compliance and also assist in the process. She also reminded the Committee that any proposal to transfer resources between Measures must be strongly justified.

Committee Decision:

- The Committee endorsed the report from the Working Group
 - The Committee agreed to keep under review any commitment to a Risk Capital Investment Fund
 - The Committee agreed to the Programme supporting appropriate investor readiness proposals.
- 4.8 Ms Johnston outlined to the Committee the difficulty encountered in the Further Education sector with "investor readiness". She commented that there was assistance available for business start-ups but not for "getting the business idea into peoples heads". She noted the assistance available in schools in terms of "enterprise

education” projects. The Committee discussed the work of the Scottish Institute for Enterprise and their courses in entrepreneurship for graduates and staff in Universities.

- 4.9 The Committee agreed that a useful addition to the investor readiness approach would be fostering an attitudinal shift that looks at the career option of “working for self” rather than working for someone else through examining the options for extending the work done in schools to FE, and discussing the applicability of the SIE approach to FE.
- 4.10 The Committee agreed that it was an area in which Structural Funds could play a role. They agreed that a small working group could convene to bring any proposals to the Committees meeting in April (Colin Brown and Sue Pinder agreed to being members).
- 4.11 The Committee recognised that it must be careful how any proposal brought forward impacts on the Risk Capital debate. The work must not be too closely associated in order to minimise the risk of one impacting too greatly on the other. This work on attitudinal shifts in looking at business ideas and self-employment is a few stages prior to the investor ready work proposed under Measure 1.2. The Committee recognised that any proposals should be freestanding issues.

Committee Decision: The Committee agreed to the establishment of a small working group who would report to the next Monitoring Committee in April.

5. Evaluation – Proposal to Review **ES/PmonC/02/1/5**
Continued Support for Training Infrastructure

- 5.1 Mr McLaren outlined the paper to the Committee, reminding them that the issue wasn’t new and had previously been advised in Programme progress updates. The paper has been produced as a result of the Strategic Locations and Sectors Advisory Group being concerned about the level of training infrastructure projects supported to date.
- 5.2 The Committee were informed that to date 14 of 16 training infrastructure applications received had been supported. In light of the SME focus of the Programme, only training infrastructure proposals linked to SMEs have been supported. These have received a maximum grant intervention of 25%

rather than 50%. It was also noted that the overall target for the number of training infrastructure projects supported under the Measure is 6. As a result the Advisory Group are seeking advice on how they should approach future applications; what level of ERDF support can be offered and what further prioritisation should be applied.

- 5.3 The Committee recognised that the target for the number of training infrastructure facilities is relatively crude and that it is the employment outcomes and benefits to SMEs that are the important benefit to the Programme area. The Committee were given examples of projects from Lauder, Fife and Angus Colleges that have already been supported. They were also advised of a project being prepared seeking ERDF assistance for a Higher Education Establishment's relocation to the Programme area.
- 5.4 Part of the Advisory Group's request was that any work commissioned should also look to gaining a better understanding of the priorities of other co-funders. The Committee were advised that over £40m of funding was available from the Scottish Further Education Funding Council that was not available at the time of writing the Plan Document. The Committee recognised that there may be a time limited opportunity presented under this funding, and that it may present an opportunity to look at improving the learning environment and creating more business orientated facilities. Again, any future investment must only be where this can be justified in providing additional, necessary, SME focussed training infrastructure.
- 5.5 The Committee identified that it would be helpful and appropriate to review the training infrastructure available within the private sector. The commissioned work could look to securing input from the LECs to clarify what private sector provision is available within the Programme area. The Committee also acknowledged that there is considerable training infrastructure available within the third sector.
- 5.6 It was agreed that the review of training infrastructure in the East of Scotland should look at all sectors.

Committee Decision:

- Noted the contents of the paper
- Agreed the terms of reference and brief for the review of training infrastructure subject to extending the coverage of the study to include available provision from the private and third sector and
- Agreed to the PME issuing the brief and commissioning consultants through a Steering Group.

6. Any Other Business

- 6.1 The Committee were advised that the next scheduled meeting of 15th April clashed with a meeting on the Enterprise and Lifelong Learning Committee's report into the mapping of Lifelong Learning in Scotland. The Committee agreed that the Programme Management Executive should explore alternative dates in the same week.

Committee Decision: The Programme Executive to contact all Committee members to establish the possibility of altering the date.

- 6.2 Members of the Committee expressed their congratulations to the Scottish Executive and the Programme Management Executive on the Press coverage related to the Ministerial announcements of successful projects on 11th February 2002.

7. Date of Next Meeting

- 7.1 To be confirmed as detailed at point 6.1 above.

**SCOTTISH EXECUTIVE/EAST OF SCOTLAND OBJECTIVE 2 PROGRAMME
MANAGEMENT EXECUTIVE
MARCH 2002**