

SCOTTISH EUROPEAN STRUCTURAL FUNDS FORUM



Europe and Scotland
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MINUTE OF MEETING HELD IN ATLANTIC QUAY, GLASGOW MONDAY 6 DECEMBER 2004

Present:

Allan Wilson MSP (Chair)	Deputy Minister for Enterprise and Lifelong Learning
John Swinney MSP	Convener, European & External Relations Committee of the Scottish Parliament
Elspeth Attwooll	Member of the European Parliament
Alyn Smith	Member of the European Parliament
Cllr David Parker	Leader, Scottish Borders Council
Cllr Alison Magee	Leader, Highland Council
Cllr Malcolm Green	Glasgow City Council
Esther Robertson	Scottish Further Education Funding Council
Sir Ken Collins	Scottish Environment Protection Agency
Gerard Madill	Universities Scotland
Campbell Christie	Chair, Scotland Europa
Alan Wilson	Scottish Council for Development and Industry
Liz Connolly	Chief Executive, Scottish Enterprise Lanarkshire
John Ireland	Head of Analytical Services Division, Enterprise and Lifelong Learning Department, Scottish Executive
Iain McIver (secretariat)	European Structural Funds, Scottish Executive
Jim Millard	European Structural Funds, Scottish Executive
Nigel Lindsay	European Structural Funds, Scottish Executive
Phil Raines	European Structural Funds, Scottish Executive
Mabel Hildebrand	European Structural Funds, Scottish Executive
Graeme Watson	European Structural Funds, Scottish Executive
David McFadyen	Regional Selective Assistance, Scottish Executive
Observers:	
Donald MacInnes	Scotland Europa
David Simpson	Scottish Parliament
Catriona Burness	European Parliament
Apologies	
Irene Oldfather MSP	Deputy Convener, European & External Relations Committee of the Scottish Parliament
Catherine Stihler	Member of the European Parliament
Cllr Drew Ratter	Conference of Peripheral and Maritime Regions
Diane McLafferty	European Structural Funds, Scottish Executive
Dr Ingrid Claydon	Head of Farm Business Restructuring Division, Scottish Executive
Martin Sime	Director, Scottish Council for Voluntary Organisations

Grahame Smith
William Roe
Frank Pignatelli
Rowena Arshad

Scottish Trades Union Congress
Chairman, Highlands and Islands Enterprise
Chief Executive, Learn Direct Scotland
Department of Educational Studies, Edinburgh University

Welcome

1. The Deputy Minister for Enterprise and Lifelong Learning welcomed everyone to the meeting and invited members to introduce themselves.

Minutes of 24 May meeting and matters arising

2. The Forum approved the minutes of the last meeting.

3. Campbell Christie asked for an update on the Regional Selective Assistance negotiations. It was agreed that this would be taken under Item 7

Financial performance and implementation of the 2000-2006 Scottish Structural Funds Programmes

4. Nigel Lindsay introduced paper 1 which provided an update on how spend on Scottish programmes was progressing. He told the Forum that N+2 meant that some Scottish programmes were facing a challenge in meeting their targets in 2004. He highlighted the effect of exchange rate variations as one of the factors influencing the achievement of N+2 targets and gave the example that variations had increased the N+2 targets by £17.5m since December 2003.

5. The overall position was better than last year, some areas - Objective 3 and South of Scotland Objective 2 – had already met their targets. The ESF and ERDF in Western Scotland Objective 2, ERDF in the Highlands and Islands Special Transition and the Urban II Programmes had yet to meet their targets.

6. Scottish Ministers had written to projects advising them of the position and asking them to expedite claims. These efforts resulted in significant claims coming into the Scottish Executive. European Structural Funds Division was working closely with Strathclyde European Partnership and was confident that all targets would be met for this year.

7. The Minister told the Forum that the Executive was working hard with the PME's and the European Commission to ensure targets would be met. Alison Magee said that fluctuations in the exchange rate are a definite problem and there was the danger that if the value of the pound fell against the Euro then we would over-commit funds.

8. Alyn Smith MEP asked for an update on the FIFG programme. Jim Millard said that SEERAD is working closely with applicants to get as close as possible to meeting the N+2 target. Esther Robertson commented that one of the biggest barriers to achieving N+2 is turning commitment into spend quickly.

9. John Swinney MSP asked whether there was any system in place to ensure that bids came in on time. Nigel Lindsay replied that the PME's were being encouraged to adopt N+2 action plans. The Executive had also encouraged a change of timings for addressing N+2

problems. The N+2 year would now run from October to September which allows time to address difficulties if they arise.

10. Malcolm Green asked what action was being taken to secure increased commitment and spend in priorities that have so far proved unattractive. Nigel Lindsay said European Structural Funds Division had been drawing attention to available funds to fellow divisions within the Scottish Executive.

11. David Parker highlighted the fact South of Scotland had successfully met its targets and asked whether there was any mechanism for moving money around programmes. The Minister confirmed there was no scope for doing this and that in fact there was no lack of projects in the West of Scotland.

Presentation by Scottish Enterprise: the added value of Structural Funds to SEN projects

12. Donald MacInnes gave a presentation on the use of structural funds in Scottish Enterprise projects and the need to focus on the Lisbon Strategy when looking at delivering projects. The main points he made were:

- From 2000 to mid 2004 £142.1 million of Structural Funds money has been spent on Scottish Enterprise projects.
- It was important to ensure that future spending focussed on the aims of the Lisbon Strategy. This would continue to be the case in the post 2006 period.
- Donald MacInnes gave some illustrative case studies of the way in which the money had been spent
- Post 2006, he highlighted the threat of reduced Structural Fund levels, the need for increased trans-national working and a potential reduction in infrastructure capital. He pointed out that there were also opportunities as the Commission's draft regulations complemented the objectives of Smart Successful Scotland.
- To meet these future challenges, Scottish Enterprise would increase its involvement in trans-national partnerships, feed into the Scottish Executive's plans for new programmes and work with Scottish PME's to maximise current programme spend.

13. Ken Collins agreed that a focus on Lisbon was important but felt more focus was needed on links to the Cardiff and Gothenburg agendas in terms of increased sustainability. He asked how Scottish Enterprise's future strategy would address this. Donald MacInnes said that sustainability was important but that the focus on Lisbon was in line with Smart Successful Scotland.

14. Elspeth Attwooll said that the co-operation strand of the Commission's proposals would provide tremendous opportunities but that LA's didn't have the resources to exploit these. Phil Raines said that over the coming months the Executive would be looking at future programmes and that co-operation funding was almost certain to come to the UK. If this was the case the Executive would work to maximise funding and the benefit to Scotland.

Future of the Funds – Revised report from the Analytical Working Group

15. Phil Raines presented the paper by the Analytical Working Group. He started by telling the Forum that David Patel had stepped down from the group and John Ireland was

now in charge of the group. He then outlined the implications for Scotland of the Commission's proposals.

16. The best case scenario was that Scotland will receive a total of €178.9m per annum amounting to €1252.3m over the seven years. The low scenario would provide Scotland with €21.3m per annum amounting to €849.4m over the seven years. The best case scenario would mean a potential drop of 15% in funding in real terms in the 2007-2013 period than in 2000-2006. This would however be conditional on the Commission's proposals for the budget also being successful. In addition it would also be significantly reduced if the Highlands and Islands did not qualify for statistical phasing-out funding.

17. Phil Raines finished by telling the Forum that the Analytical Working Group's immediate tasks were now complete. The Minister told the Forum that the Analytical Working Group would continue to model scenarios as they developed.

18. John Swinney said he thought Scotland could play a role in passing on the expertise we had built up in using Structural Funds to the new Member States. Phil Raines said that Scotland had a strong track record in twinning projects, pointing to the Czech Republic as an example. He added that whilst the Executive was not currently involved in any twinning projects, Strathclyde European Partnership has a commercial arm called Euro-Connections which was working in and transferring good practice to the new Member States.

19. Ken Collins said that the European Parliament would play a role in the decision on the future of the Funds and wished to know what role the Executive was playing in influencing the EP. The Minister agreed that the European Parliament would have a critical role. To this end, he said he had met with Scottish MEPs on 30 November to discuss the issue. He added that the UK Government had identified key players in the Parliament and was lobbying them on the UK position.

20. The Minister asked Elspeth Attwooll MEP and Alyn Smith MEP to provide an update on progress on the negotiations in the European Parliament. Elspeth Attwooll said that the Parliament had the power of co-decision on the ESF and ERDF regulations and the power of assent on the general regulation. She said there had been a backlash on the Regional Development Committee amongst members from urban areas who felt the regulations did not fully address urban issues. Elspeth Attwooll finished by saying that one of the difficulties the Parliament is facing is that they are also considering the Financial Perspective which would heavily influence the Structural Funds budget. Alyn Smith said that the UK Government's position on the future of the Funds was not welcomed by MEPs and it also appeared that there was no fall-back position. Alyn Smith added that the issue of sparsely populated areas was being investigated by MEPs. The Minister said that the Scottish Executive was looking to maximise funding for Scotland as a whole whatever its source and as part of this it was liaising closely with the UK Government as negotiations progressed.

21. Campbell Christie asked whether Highlands and Islands would fall within the sparsity of population criteria. Phil Raines said the Executive would need to investigate the issue.

Update on the 2007 – 13 Structural Funds negotiations and partner engagement

22. Phil Raines presented his paper updating members on the Structural Funds negotiations and partner engagement in Scotland. He said that negotiations in the Structural

Actions Working Group were at an early stage. The DTI was the lead UK department at the SAWG though the Scottish Executive is part of the UK negotiating team on a rotational basis with the other Devolved Administrations. Preparation of the UK line was discussed at meetings of a Core Negotiating Group which comprised DTI, other UK departments and the Devolved Administrations. Negotiations were also taking place on the EU's future Financial Perspective which would influence any future Structural Funds settlement. The Treasury was leading the UK's negotiating team on this issue.

23. Amongst Member States there had been some consensus in the negotiations on the lack of simplification promised by the Commission in the general regulation and the drafting of the ESF regulation. However, much work still needed to be done, particularly on the focus of expenditure and the operation of the Co-operation Objective.

24. On partner engagement, the Executive had held a series of meetings with Scottish Structural Funds partners between September and December. These meetings allowed the Executive to bring partners up to date on the progress of negotiations and gave partners the opportunity to pass on any concerns on the draft regulations. The European Structural Funds Division had also worked closely with other divisions in the Executive with a Structural Funds policy interest. This included the Environment and Rural Affairs Department who were leading for the Executive on the Rural Development Regulations.

25. These meetings had indicated that preparations for possible future programmes would need to take place ahead of any agreement on the future of the Funds. The Executive was intending to begin such programming in co-operation with partners by mid-2005.

26. David Parker asked for an assurance that the Executive would do everything possible to fight for South of Scotland Convergence status. The Minister said the Executive would do whatever was possible to maximise resources for the South of Scotland though he pointed out that it looked very unlikely that the South of Scotland would gain NUTS II status due to Eurostat's decision to delay completing the NUTS review until 2008.

27. David McFadyen provided a brief update on Regional Selective Assistance and said the Scottish Executive's aim was to retain the ability to deploy assistance across the whole of Scotland and not just the Highlands and Islands. He said that the Executive supported the UK position and wished to see RSA support down to NUTS III level rather than the present NUTS II.

Date of Next Meeting

28. The Minister thanked members for attending and suggested that the Forum should meet again in June 2005. A date would be proposed by e-mail.

**SCOTTISH EXECUTIVE
European Structural Funds Division
December 2004**