

SCOTTISH EUROPEAN STRUCTURAL FUNDS FORUM



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MINUTES OF MEETING HELD ON MONDAY 30th JANUARY 2006 MERIDIAN COURT, GLASGOW

Present

Members:

Allan Wilson MSP (Chair)	Deputy Minister for Enterprise and Lifelong Learning
Elsbeth Attwooll MEP	Member of European Parliament
Sir Ken Collins	Chairman, Scottish Environment Protection Agency
Liz Connolly	Chief Executive, Scottish Enterprise Lanarkshire
Eddie Carrick	Chair, East of Scotland European Consortium
Linda Fabiani MSP	Convenor, Scottish Parliament European & External Relations Committee
Adam Gaines	Director, Disability Rights Commission, Scotland
Cllr Malcolm Green	Spokesperson on European Affairs, Glasgow City Council
Cllr Alasdair Hutton	Leader, Scottish Borders Council
Alison Magee	Convenor, Highland Council
John McClelland	Chair, Scottish Funding Council
Irene Oldfather MSP	Deputy Convenor, European & External Relations Committee of the Scottish Parliament
Frank Pignatelli	Chief Executive, Learndirect
William Roe	Chairman, Highlands and Islands Enterprise
Martin Sime	Chief Executive, Scottish Council for Voluntary Organisations
Cllr Pat Watters	President, COSLA

Officials:

Graeme Dickson	Head of Enterprise & Industrial Affairs Group, Scottish Executive
Diane McLafferty	Head of European Structural Funds Division, Scottish Executive
Nigel Lindsay	European Structural Funds Division, Scottish Executive
Mabel Hildebrand	European Structural Funds Division, Scottish Executive
Jim Millard	European Structural Funds Division, Scottish Executive
Phil Raines	European Structural Funds Division, Scottish Executive
Pat Snowdon	Rural Development Division, Scottish Executive
Graeme Watson	European Structural Funds Division, Scottish Executive
Paul McFadden (Secretariat)	European Structural Funds Division, Scottish Executive

Alasdair Rankin (Observer) Clerk to Scottish Parliament European & External Relations Committee

Apologies

Campbell Christie	Chairman, Scotland Europa
Gerard Madill	Policy Advisor, Universities Scotland
Grahame Smith	Deputy General Secretary, Scottish Trade Unions Congress
Alan Wilson	Chief Executive, Scottish Council Development and Industry

Welcome and introduction

The Deputy Minister for Enterprise and Lifelong Learning welcomed members to the meeting and invited them to introduce themselves. He also welcomed new members who were attending the Forum for the first time: Councillor Alasdair Hutton; John McClelland; Linda Fabiani; and Adam Gaines. The Deputy Minister also extended the Forum's thanks to those members stepping down: Esther Robertson; John Swinney; and Councillor David Parker.

Minutes of 13 June and matters arising

The minutes of the last meeting were confirmed as a true and accurate record.

Financial performance and implementation of the 2000-06 Scottish Programmes (Paper 1)

The Deputy Minister confirmed that Scotland had met the challenging targets on N+2 but that the Executive and partners had had to be particularly pro-active. He asked Nigel Lindsay to provide an update on last year's financial performance and the targets for this year.

Nigel Lindsay stated that achieving the targets for 2005 had been particularly demanding because of the considerable increase in the number of claims. The fact that all programmes had met their targets masked a number of problems. In particular, there were a number of spikes in spending patterns with a massive effort required to reach the target in the last month of the year. This uneven spend caused a number of management and budgetary difficulties. For this reason the Executive wanted to make some changes in 2006. First of all it would be necessary to communicate targets clearly from an early stage. In addition, the Executive wanted to set out targets during the course of the year to allow them to take remedial action early if necessary.

Graeme Watson outlined the number of claims for each programme. He emphasised that the need to process claims within 30 working days made it difficult to process a flurry of late claims. He also highlighted that spreading claims throughout the year minimised the impact of currency exchange rate fluctuations.

Councillor Alasdair Hutton paid tribute to the South of Scotland PME staff who had helped make N+2 targets.

Update on the 2007-13 European Structural Funds negotiations (Paper 2)

The Deputy Minister welcomed the fact that a deal had been agreed under the UK Presidency in December and that there was now greater certainty over funding. Phil Raines introduced

paper 4 which provided an update on EU negotiations. He outlined the nature of the final deal which was reached by the UK Presidency much against expectations. The UK provided an EU budget of 1.045% EU GNI which was essentially a compromise between the Commission proposals and the preference for a greater focus on budgetary discipline of a number of larger Member States including the UK.

In terms of what the deal meant for Scotland much was still unclear and had still to be decided. However, Structural Funds would continue to be available throughout Scotland albeit at significantly reduced levels. Scotland as a whole could receive between 40 and 45 % of what it currently receives in 2000-2006 with Highlands and Islands receiving approximately €158 million (£105 million pounds). The level of funding which Lowland and Upland Scotland would receive was currently being negotiated between the UK nations which had to agree on how to divide the Competitiveness money allocated to the UK. There remained a number of important steps. At EU level, negotiations on the draft Community Strategic Guidelines (CSG) and the draft Structural Funds Regulations were continuing. At UK level the DTI was due to publish the UK National Strategic Reference Framework (NSRF) for consultation at the end of February.

Elsbeth Attwooll MEP commented on the procedure to be followed for agreement between the Council and the Parliament. The General Regulation would have to gain the assent of the Parliament while the ERDF and ESF Regulations would be subject to co-decision which meant that the Parliament could insist on a compromise in the final package. Ms Attwooll emphasised that no guarantees could be given on the speed or content of the Parliament's agreement. Ms Attwooll also emphasised the fact that the development of future programmes required a three-way fit between domestic policy, the NSRF and the CSGs, not just between programmes and domestic strategies.

Pat Watters commented on the NSRF consultation, asking if there was a role for the Structural Funds Forum in commenting on the draft NSRF. In reply, the Deputy Minister emphasised that the NSRF was in draft form and the consultation period allowed all partners and stakeholders to comment on and influence its development. He also emphasised that alignment of programmes with domestic policy, as well as with EU policy, had been the Executive's intention from the outset. The development of the Executive's key strategies/policy had involved extensive consultation to date.

In response to a question from Martin Sime as to whether the NSRF was a Scottish or UK document. Diane McLafferty explained that, although the consultation was being undertaken at UK level, the Scottish chapter had been developed by the Executive. Mr Sime also noted the important implications of future programme development for the voluntary sector and indicated that a significant role for the sector in developing plans would be welcomed.

The Executive was asked to update the Forum on its efforts to improve the Scottish share of Competitiveness funding. The Deputy Minister assured the Forum that maximising Scotland's share was the Executive's top priority and that discussions between officials and Ministers were ongoing to ensure that we received a fair and equitable share.

Irene Oldfather MSP urged members to participate in the NSRF consultation saying that we should not wait for the final figures. She also stated that the Scottish Parliament's European and External Relations Committee (EERC) would be discussing the NSRF and she suggested that the Committee could take evidence from Structural Funds partners. She also referred to

the Globalisation Adjustment Fund and suggested that this was an initiative which, depending on how the criteria were developed, could be of use in Scotland in the event of substantial redundancies. The Deputy Minister thanked Ms Oldfather for agreeing to pursue this through the EERC. On the Globalisation Adjustment Fund Diane McLafferty advised that the next step was for the Commission to define the parameters.

William Roe asked for an update on State Aids and whether the UK had discretion to extend the State Aids map to include the eastern parishes of Moray which was about to face a major loss of jobs. The Deputy Minister assured Mr Roe that discussions were taken place with Alun Michael, DTI Minister for Regional Policy, on this issue and that if there was a way to extend state aids coverage the Executive would pursue it.

Update on planning for the future co-operation objective – (Paper 3)

Jim Millard presented paper 3 updating members on the development of plans for the Co-operation Objective. He emphasised that the paper had been produced on the basis of the Commission's draft proposals but that these proposals had met with broad agreement so there was a degree of certainty. The two main points of interest for Scottish participation were:

- The possibility of the Ireland/Northern Ireland cross border programme being extended to include South West Scotland. Officials were exploring this possibility with Irish and Northern Irish colleagues.
- Transnational co-operation would involve more of the same in terms programme coverage with the geography remaining broadly the same, although the Northern Periphery programme may extend into rural areas of Southern Scotland and into Ireland.

Programming on the Co-operation Objective was not as advanced as with mainstream programmes although the Executive was looking at what priorities should be covered. It was intended that programmes would be put to consultation in the Autumn. Potential resources had only been estimated in broad terms as the final amounts available would be determined once Member States had agreed the level of their participation in the programmes. A stakeholder event on the Co-operation Objective would be held on 10 March in Glasgow to discuss potential Scottish involvement under the co-operation objective.

Elsbeth Attwooll MEP stated that the European Parliament was keen on the Co-operation Objective but was concerned at the levels of money allocated to it under the December budget deal and would probably push to get this increased.

William Roe emphasised the importance of trade between Ireland and the Scottish islands and the important role which the Co-operation Objective could play in developing this.

In response to a question regarding South of Scotland eligibility by Alasdair Hutton, Jim Millard explained that there would be flexibility to allow some South of Scotland eligibility. The North Sea, North Western Europe and Northern Periphery Programmes all allowed South of Scotland involvement.

Update on preparing future structural funds programmes (Paper 4)

The Deputy Minister invited Diane McLafferty and Phil Raines to speak to the paper and outline progress on developing future Structural Funds programmes. Ms McLafferty reminded members that the Executive had outlined its initial plans at the last Forum and had promised to hold consultation on these plans. The first wave of consultation had been undertaken at a series of stakeholder events throughout Scotland which had been attended by up to 300 people. The Executive's preliminary thoughts had been outlined and stakeholders asked to comment on draft priorities. She emphasised that future programming had to take account of a number of factors including:

- The need to complement domestic strategies and reflect EU strategies clearly;
- The need to ensure the needs of all regions are met, particularly in Lowland and Upland Scotland with one ERDF and one ESF programme proposed for the region;
- The need to concentrate funding in an environment of fewer EU resources; and
- The need to complement with the Rural Development Fund and the European Fisheries Fund.

ESFD officials had also recently met with MEPs and the Deputy Minister was due to meet Westminster MPs. Full consultation would be undertaken on operational programmes in the Spring.

Phil Raines outlined the draft priorities which had been discussed at the stakeholder events. The influence of the EU's Lisbon Agenda on the priorities was clear and this was a result of a requirement contained in the draft Structural Funds regulations to focus Structural Funds on Lisbon-type activities. An important issue for the Forum were views on how priorities should be concentrated further. One particular challenge in drafting programmes was addressing the different needs of Lowland and Upland Scotland, but the experience of the current Objective 2 East programme – which balanced urban and rural areas – as well as the Objective 3 programme would be helpful.

The Deputy Minister thanked all who had contributed to the process of developing the priorities and agreed that it was important now to better define the key activities which should be priorities for the more limited funds.

Martin Sime emphasised the significant voluntary sector interest in Structural Funds. It was necessary to discuss the impact which a concentration of this list would have on the sector.

Elsbeth Attwooll MEP suggested that it would be useful to identify the needs of different areas as a preliminary step. She asked whether the Lowland and Upland Scotland area could be better served by a number of different ERDF programmes, recognising that urban areas had different needs from rural areas. The Deputy Minister stated that flexibility was critical but reiterated that the Executive was not convinced that a number of smaller programmes in the Lowland and Upland Scotland area would provide good value for money.

Adam Gaines emphasised the need to take equal opportunities into account in developing programmes. The Deputy Minister highlighted that this would be a theme running through the programmes.

Significant discussion centred around the need to align the funds with the Rural Development Programme. Pat Snowdon from SEERAD explained that the strategy for EU rural development funding was being developed and one factor that would be taken into account in

the forthcoming consultation was how it should align with Structural Funds. Diane McLafferty also confirmed that ESFD and SEERAD colleagues were working together to make sure duplication was eliminated.

Alasdair Hutton was concerned about how rural areas would compete with urban areas for the reduced funding under the draft priorities. He emphasised the continuing infrastructure needs of the South of Scotland but Phil Raines noted that, with reduced funding and the eligibility restrictions, this kind of activity should come from domestic funding. The Deputy Minister emphasised that only 5% of economic development spending in Scotland came from Structural Funds.

Malcolm Green agreed that it was necessary to make hard decisions and that this must be done as soon as possible. As everyone would naturally wish to protect their own interests it was necessary for the Executive to give independent and clear direction. He also emphasised the importance of designing a delivery model that ensured money was spent wisely. He praised the work of the PME's and the Executive in meeting N+2 each year but also highlighted that this often occurred at the expense of meeting other priorities. Better-targeted, better-monitored and more strategic programmes were needed in future.

Hall Aitken study on delivery of future programmes (Paper 5)

The Deputy Minister thanked members for the useful discussion on programme content but emphasised the need to discuss delivery of programmes. He invited Phil Raines to introduce discussion of the Hall Aitken study on future delivery which had been commissioned following the last Forum meeting and was now available.

Phil Raines outlined the purpose and aims of the study, which had been to look at how Structural Funds were managed in other regions of the EU, and outlined the key lessons identified which would help inform the design of a future Scottish model. He stressed that the aim of the study was not to compare costs of different systems as this would have been too difficult and expensive a project.

The Deputy Minister thanked Phil Raines for the update and welcomed the Hall Aitken report which had been a useful exercise and which had helped inform the consultation process. Referring to the discussion on delivery at the last Forum he acknowledged that some members had voiced some disquiet at the possibility of co-financing being used to deliver future Structural Funds in Scotland and whether this would result in the allocation of all the Funds to key organisations such as Scottish Enterprise and other key organisations. The fact that Community Planning Partnerships (CPPs) were now being considered as potential beneficiaries shows that this was not the case. Local Authorities would be a key part of this process.

Malcolm Green welcomed the report and agreed that Local Authorities should have an important role in a future delivery model as managers of CPPs. He asked the Executive to recognise that Local Authorities could help them achieve an effective delivery system and asked that they be given a fuller role in the development of a new system. The Deputy Minister confirmed that the Executive would look to the Local Authorities to help them explore further the possibility of using CPPs.

Martin Sime felt that the connection between the priorities and the delivery mechanism would be important. It was necessary to define the priorities clearly before then looking at the delivery system. He also believed we should not assume that the delivery mechanism for ESF would be the same as for ERDF.

Ken Collins highlighted that the Hall Aitken report did not indicate that any country had solved the problem of bureaucracy. He said that the question needed to be asked about a new system would achieve the important elements of delivery systems identified by Hall Aitken: local responsiveness; flexibility; and additionality.

Pat Watters asked the Deputy Minister how the Executive intended to proceed forward. The Deputy Minister replied that the Executive needed to consider the feedback from this discussion as well as from the stakeholder events and begin to design a model which could be taken to consultation. Diane McLafferty agreed that it would be important to reflect on the feedback from the stakeholder events where, in particular, it had been made clear that partnership was important. The challenge was to try and find a model which retained partnership and local decision-making but which found a greater level of strategic fit – something which many countries achieved better than Scotland. Options for a hybrid system were being considered.

Liz Connolly emphasised that the record of the stakeholder events should be balanced in the views that it reflected among those who attended. As a SEP Board member, she underscored the importance of effective planning for the future as a prolonged period of uncertainty would be unhelpful for SMEs as some were already losing key staff. This could cause problems in meeting N+2 targets under the current programme. The Deputy Minister said that he was aware of the importance of retaining expertise in this area and that this would be considered in the design of any new delivery model. He also mentioned that expressions of interest would soon be sought for contracts for a future SME in Highlands and Islands and in Lowland and Upland Scotland. This would be through a Prior Information Notice to be published in the early Spring..

Next meeting

Martin Sime asked whether there was a need for more regular meetings in this crucial period. The Deputy Minister suggested that, given the remit of the Forum, it was possible that the next meeting could be the last in the current programming period. Ken Collins suggested that there should be a meeting to update members on the outcome of the Austrian Presidency. Pat Watters suggested that a meeting be held after the consultation on Scottish programmes. The Deputy Minister said that he would give serious consideration to when the next meeting of the Forum should take place.