

SCOTTISH EUROPEAN STRUCTURAL FUNDS FORUM



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MINUTES OF MEETING HELD ON MONDAY 2nd OCTOBER 2006 MERIDIAN COURT, GLASGOW

Present

Members:

Allan Wilson MSP (Chair)	Deputy Minister for Enterprise and Lifelong Learning
Elsbeth Attwooll MEP	Member of European Parliament
Cllr Carol Bartholomew	Vice-Chair, East of Scotland European Consortium
Riona Bell	Director of Funding, Scottish Funding Council
Liz Connolly	Chief Executive, Scottish Enterprise Lanarkshire
Frank Gaskell	Highlands and Islands Enterprise
Cllr Malcolm Green	Spokesperson on European Affairs, Glasgow City Council
Cllr Alasdair Hutton	Convenor, Scottish Borders Council
Cllr Alison Magee	Convenor, Highland Council
Cllr Corrie McChord	Vice-President, COSLA
Irene Oldfather MSP	Deputy Convenor, European & External Relations Committee of the Scottish Parliament
Martin Sime	Chief Executive, Scottish Council for Voluntary Organisations
Evan Williams	Scottish Environment Protection Agency
Alan Wilson	Chief Executive, Scottish Council for Development and Industry

Officials:

Graeme Dickson	Head of Enterprise & Industrial Affairs Group, Scottish Executive
John Rigg	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	Farm Business Restructuring Division, Scottish Executive
Graeme Watson	European Structural Funds Division, Scottish Executive

Miranda McIntosh (Observer) European Structural Funds Division, Scottish Executive
 Emeric Heydel (Observer) European Structural Funds Division, Scottish Executive
 Paul McFadden (Secretariat) European Structural Funds Division, Scottish Executive
 Catriona Burness (Observer) Assistant to Catherine Stihler MEP
 Ingrid Dobson (Observer) East of Scotland European Consortium
 James Fowlie (Observer) COSLA
 Iain McIver (Observer) Scottish Parliament Information Centre (SPICe)

Apologies

Cllr Eddie Carrick East of Scotland European Consortium (Cllr Carol Bartholomew attended in his place).
 Sir Ken Collins Scottish Environment Protection Agency (Evan Williams attended in his place)
 Linda Fabiani MSP Convenor, Scottish Parliament European and External Relations Committee
 Adam Gaines Disability Rights Commission
 Gerard Madill Universities Scotland (Charles Marriott attended in his place)
 John McClelland Scottish Funding Council (Riona Bell attended in his place)
 Cllr Drew Ratter Shetland Islands Council
 William Roe Highlands and Islands Enterprise (Frank Gaskell attended in his place)
 Alyn Smith MEP
 Grahame Smith Scottish Trades Union Congress
 Catherine Stihler MEP (Catriona Burness attended in her place)
 Cllr Pat Watters COSLA (Cllr Corrie McChord attended in his place)

Minutes of 30th January meeting

1. The following points were noted regarding the minutes of the previous meeting:
 - Alan Wilson was in attendance – not noted in the minutes;
 - Alasdair Hutton – Convenor not leader of Scottish Borders Council;
 - Pat Snowdon had been in attendance - not noted in the minutes;
 - Catriona Burness was in attendance - not noted in the minutes.

Matters arising

2. Elspeth Attwooll asked for an update on the ongoing state aids issue in Moray. The Deputy Minister informed members that there had been a number of developments and discussions and that there would be an announcement on a revised map by Alistair Darling the next week.
3. Elspeth Attwooll recalled the request at the end of the previous Forum meeting for this meeting to be held at the earliest opportunity. The Deputy Minister explained that the timing had been determined by the consultation on the National Strategic Reference Framework (NSRF), negotiation of the Competitiveness allocation with the DTI and discussions on future proposals in Scottish Cabinet. It had always been the intention for the Forum to meet when there was something concrete to discuss. He highlighted that the Executive had been trying to keep partners informed through the European and External

Relations Committee inquiry, meetings with Scottish MPs and MEPs and bilateral meetings with SCVO, COSLA, H&I Convenors Group and others.

4. Corrie McChord remarked that COSLA appreciated the opportunity to discuss developing programmes with the Deputy Minister and officials. However, it would have been useful to have detailed discussions with partners on the developing programmes. He asked whether there would be an opportunity for this during the consultation. Phil Raines confirmed that there would be a series of priority workshops in November and December – further detail was outlined later in the meeting.

Highlands and Islands 1994-99 audit update

5. John Rigg provided an update on the European Commission's audit of the H&I 1994-99 Programme. The draft reports from the Commission had been critical of the projects funded under the programme and had alleged a number of audit failures. This had been followed up by a detailed letter from DG Regio Director General, Graham Meadows, which alleged systematic failings and had applied a €32m financial correction to the programme as a whole. Following the visit by Commissioner Hübner to Scotland in September, at which the issue was raised by the First Minister, Executive officials had had subsequent discussions with the Commission in advance of a formal hearing in Brussels planned within the next few months. The Executive continued to work towards reducing the penalty significantly. It was pointed out that there had been no suggestion of fraud and that all the projects in question had been implemented in full and had provided good value to the H&I region. This had been made clear to Commissioner Hübner during her visit to Scotland.

6. The Deputy Minister stated that the Executive would vigorously contest these financial penalties.

7. Alison Magee said that she and others in the Highlands & Islands appreciated the position of the Deputy Minister and the First Minister in contesting the Commission's allegations. She highlighted that this was a retrospective audit which provided warnings for future programmes.

8. Irene Oldfather said that she and Linda Fabiani had also met with Commissioner Hübner and had highlighted the importance of the audit with her. Irene Oldfather wanted to know whether any other programmes were at risk. The Deputy Minister said that there were none at present, but audit reports often took years to come through. However, things had moved on and improved considerably since the 1994-99 programmes and this would help prevent any repeat of these difficulties as important lessons had been learnt.

9. Jim Millard highlighted that, under the current programmes, the audit requirements would have been made very clear to partners and were frequently reiterated. Workshops would be held to outline the requirements as closure of the current programmes was approached.

Paper 1 - Financial performance

10. Nigel Lindsay introduced Paper 1 on financial performance. N+2 had been particularly challenging last year but progress had been better this year. The programmes had been 'helped' by the favourable exchange rate which had meant there were smaller targets to

make in sterling terms. Some programmes had already achieved their targets and those that had not were making more encouraging progress than they had at the same point last year. However, there remained work to be done and it was important that no one was complacent.

11. The Deputy Minister emphasised that it was important for partners to continue their efforts to help meet the targets. It was imperative for all to keep on top of N+2 so that underspends could be re-directed to where they were needed in the programmes.

12. Elspeth Attwooll asked whether the Executive could ask the Commission to fix the exchange rate and whether there was anything MEPs could do to support this. Graeme Watson replied that attempts had been made without success with the Commission.

Paper 2 - Co-operation Objective

13. Jim Millard outlined Paper 2 which provided an update on planning for the future Co-operation Objective, the successor to Interreg. Consultation would be undertaken over the coming months on the different programmes. Agreement was close on the financial allocations for each of the programmes in which Scotland would have an interest:

- **Cross Border** Programme with the Republic of Ireland and Northern Ireland (Scotland's west coast including Dumfries & Galloway, South Ayrshire, Argyll and the Isles and, hopefully, North and East Ayrshire)
- **North Sea** Transnational Programme (Scotland's east coast, including the Highlands and the Northern Isles)
- **North West Europe** Transnational Programme (all Scotland)
- **Atlantic Coast** Transnational Programme (Scotland's west coast, including the Highlands and the Western Isles).
- **Northern Periphery** Transnational Programme (where the programme would extend to the Highlands & Islands and Dumfries & Galloway, 'rural' Northern Ireland and parts of the Republic of Ireland).

14. Once consultation had been completed and the financial allocations had been finalised, the programmes would be submitted to the Commission for their approval in the new year with programmes expected to start in late spring or early summer at the earliest.

15. The Deputy Minister highlighted that the European and External Relations Committee of the Scottish Parliament had undertaken an inquiry into future co-operation with Ireland, which included discussion on the Cross Border programme, and had held a debate in the Parliament chamber that week. The inquiry and debate had been extremely helpful and supportive of the Executive's plans.

16. Irene Oldfather highlighted that, with much reduced resources, Scotland should capitalise on the Cross Border programme. She welcomed the work of the Executive in trying to secure North and East Ayrshire in the eligible area – was this likely to be successful? Jim Millard confirmed that this was still an aspiration and work was continuing with the Commission.

Paper 3 - Future programme development

17. Paul McFadden introduced Paper 3 on Future programme development. There had been a great deal of activity since the last meeting of the Forum. Following the stakeholder events at the turn of the year consultation had continued with partners in a number of ways. In particular, a consultation had been undertaken by the DTI on the NSRF, which had finished in May. Responses were being collated and a revised report would be published in October. This would contain final agreement on the Competitiveness allocations, detailed discussions on which had been taking place since earlier in the year. It continued to be the Executive's estimate that Scotland would receive approximately 40-45% of its current levels of equivalent funding under this Objective.

18. The European and External Relations Committee had also undertaken an extensive inquiry into the Executive's plans for future programmes. The Committee had produced a very helpful report, the substance of which would be debated in November and which had fed into the development of the draft Operational Programmes. As mentioned previously by the Deputy Minister, a series of bilaterals had also been undertaken with key partners and workshops had been undertaken on horizontal themes for the programmes. All of this activity had proved useful in feeding into the development of the Operational Programmes.

19. In response to concern that some projects, particularly from the voluntary sector, might be affected by the delay to the start of new programmes the Executive had committed itself to a round of 'shadow' funding for projects dealing with vulnerable client groups. This would essentially provide funding from Priority 1 of the new ESF programmes and would, therefore, be undertaken at some financial risk to the Executive, as the Commission would not be in a position to approve the list of eligible activities in the draft programmes until summer 2007 at the earliest. Further details on the shadow round would be announced in due course.

20. Martin Sime thought that the proposed arrangements for the shadow round were inadequate and was disappointed with the current level of consultation with the voluntary sector. The voluntary sector had uncertainty over what future of Structural Funds could support. A significant proportion of the voluntary sector could be threatened by both the 'gap' in funding between the current and future programmes and the longer-term changes in future Structural Funds support for the sector. The shadow round could not be established soon enough.

21. Phil Raines highlighted that the exceptional circumstances at work in programming this time round. In particular, the drop in overall funding was unprecedented. The Executive did appreciate the problems facing parts of the voluntary sector and wanted to help the transition to the new programmes. In terms of timing, the round would be run at the earliest available opportunity, although it could not be run until consultation on the eligibility criteria in the Operational Programmes had been completed. The round would also represent a significant financial risk for the Executive as the Commission would not have approved the Programme priorities by the time we make awards under the shadow round. Moreover, the Commission had made it clear that the round could not be run in the same way as the previous transitional round in 2000. The relevant Programme Management Executives (PMEs) were also currently making efforts to identify and redistribute underspends as quickly as possible. This would help to address some of the difficulties facing projects.

22. The Deputy Minister noted that the amount Ministers had agreed for the shadow round was not insubstantial and posed a greater risk to the Executive than in previous programmes. The Executive were keen to work with partners to ensure as smooth a transition as possible.

23. It was asked whether the shadow round could be extended to other priorities. Phil Raines responded that the round was being limited to the priorities targeting the most vulnerable groups in society.

Paper 4 – Scottish Executive proposals

24. Phil Raines introduced Paper 4 outlining the Executive's proposals for the draft Operational Programmes. Consultation would commence in the week beginning 24 October. He outlined the priorities and delivery mechanisms for each programme in the Highlands & Islands and Lowlands & Uplands Scotland (the presentation slides are attached to these minutes). He also outlined the Executive's proposals for a series of priority workshops over the coming months which would invite small groups of key specialists to discuss the content and delivery of each priority. He invited nominations from the Forum members.

25. Phil Raines also outlined the role of the proposed Intermediate Delivery Bodies (IDBs) and updated the Forum on the tenders for the new Intermediate Administration Bodies (IABs). The IABs would undertake similar responsibilities to the current PMEs in H&I and Lowlands & Uplands Scotland.

26. The Deputy Minister highlighted that the proposals had been informed by the consultation and discussions outlined under item 3. A meeting with senior Commission officials two weeks previously had also been constructive, although DG Regio had expressed a strong desire to see Priority 1 in the ERDF programmes split into 2 subsidiary priorities.

27. Martin Sime emphasised that accountability and additionality had to be clear in the use of IDBs. There would also be an issue around how inclusive Community Planning Partnerships and other delivery partnerships would be throughout the programmes.

28. Liz Connolly emphasised that there needed to be as effective and streamlined a management and monitoring system for the new programmes as possible. She expressed reservations about the proliferation of partnerships as delivery mechanisms in the new programmes. She also raised concerns regarding the definition of rural and urban areas in the Lowlands & Uplands Scotland ERDF programme, as many areas in central Scotland were not easily identified as one or the other.

29. The Deputy Minister agreed that the urban/rural definition was a critical question. There were areas which could be described as 'peri-urban'. He also said that the partnerships delivering projects could encompass a whole range of bodies, including Urban Regeneration Companies, for example.

30. Charles Marriott responded to the suggestion that the Commission would want business support and innovation under ERDF Priority 1 split into two priorities. He did not think that this would be helpful and offered to provide any help in support of retaining one

priority. The Deputy Minister agreed that splitting innovation and business development would run against current Scottish domestic thinking.

31. Alison Magee said that pressure would come from the Highlands & Islands to increase focus on transport infrastructure. She also felt that there needed to be work to help prevent fragmentation of funding streams, as these needed to be brought together as far as possible. The new EU agriculture and fisheries funds were operated at a national level – would there be scope for Highlands & Islands representation in their monitoring?

32. Alan Wilson agreed that with reduced funding we had to ensure greater alignment with domestic policy. The Deputy Minister also agreed that this would be important and had been discussed with the Commission.

33. Phil Raines responded to a number of points. On delivery, the Hall Aitken report had recommended a series of options – the Executive was proposing a number of these. On the Scottish Rural Development Programme (SRDP), there was scope for the Highlands & Islands Programme Monitoring Committee to co-ordinate activity with that of the SRDP. In developing their respective programmes, ETLLD were in contact with SEERAD officials. The potential fragmentation of funding streams was one of the reasons why it was proposed that elements of the programmes could be delivered through existing delivery channels.

34. Riona Bell emphasised the contribution of Further Education sector to the delivery of existing programmes and asked if they would be invited to the priority workshops. Phil Raines confirmed the sector would be represented.

35. Cllr Alasdair Hutton welcomed the particular recognition of rural issues and asked for assurances that rural areas would get access to Priorities 1 and 2 ERDF as well as Priority 3.

36. Frank Gaskell said that Highlands & Islands Enterprise supported a priority for University of the Highlands & Islands to reflect its importance to the region. He also echoed Alison Magee in saying that there were significant tensions in the programme over infrastructure, particularly transport. It was also important to have greater aggregation between Structural funds programmes, SRDP and other funding streams.

37. Phil Raines said that all areas should have access to ERDF Priorities 1 and 2. However, Priority 2 was intended to be more of an urban priority. He agreed with Frank Gaskell that co-ordination was necessary for the different funds.

Next meeting

38. The Deputy Minister closed the meeting by emphasising the importance of contributing to the consultation which would close on 8th January. He suggested that the Forum could meet again in February and that this would be the last meeting of the Forum as it was currently constituted because of the move to the new programmes.