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**Highlands and Islands (Scotland) Structural Funds  
Partnership Ltd  
(Interim)  
Programme Monitoring Committee**



**(Interim)  
Minute of Meeting  
Tuesday 25<sup>th</sup> September 2007  
Town House, Inverness**

**Present**

Dr John Rigg	Scottish Government
Cllr Sandy Park	The Highland Council
Cllr Alex MacDonald	Comhairle nan Eilean Siar
Cllr Alistair Cooper	Shetland Islands Council
Cllr Dick Walsh	Argyll & Bute Council
Mr Stuart Black	Highlands and Islands Enterprise
Ms Susan Davies	Scottish Natural Heritage
Mr John Ferguson	Scottish Council for Voluntary Organisation
Ms Rosemary Thompson	The North Highland College
Ms Linda Stewart	UHI Millennium Institute
Ms Lynn Hamilton	VisitScotland
Mr Ian Duff	Scottish Council for Development & Industry
Ms Morag Redwood	H&I Equality Forum

**European Commission**

Ms Annick Villarosa	DG Regional Policy
Mr Mark Vermyle	DG Employment

**In Attendance**

Mr Jim Millard	Scottish Government
Mr Dennis Malone	Intermediate Administration Body
Ms Lorna Gregson-Macleod	Intermediate Administration Body
Mr Donald MacKenzie	Intermediate Administration Body

**Convenors Welcome and Introduction**

1. The Convenor welcomed members to the first meeting of the Monitoring Committee for the two new Programmes for the Highlands and Islands. He stressed the "interim" nature of the Committee and confirmed that "in principle" decisions would require to be formalised (by written procedure) once both Programmes are approved.
2. Following the "tour de table", the Convenor noted the passing of Dr Jeff Watson of Scottish Natural Heritage, a member of the Transitional Programme Monitoring Committee.

**Apologies**

3. Apologies were received from:
  - Cllr Stephen Hagan      Orkney Islands Council
  - Mr William Roe        Highlands and Islands Enterprise
  - Mr Stephen Boyd        Scottish Trade Union Congress



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Programme Monitoring Committee**



**Operational Programmes 2007 - 2013**

4. Dr Rigg explained that the Operational Programmes had been submitted to the Commission before Easter and that the process of Commission appraisal included inter-services consultation and subsequent negotiation between the Commission and the Managing Authority. He confirmed the recent approval of the ERDF Programme and that the ESF Programme was due to be approved shortly.
5. He referred to the set format of the documents and mentioned in particular:
  - the significant front loading as detailed in the financial tables which present particular challenges in respect of expenditure;
  - the relative difficulty that may be experienced in vireing between priorities; and
  - the need given the limited resources to focus on projects that deliver legacy and maximise added value to clearly stated Ministerial objectives.
6. In response to a question from John Ferguson, Mr Vermyle confirmed the timetable for the approval of the ESF Programme and that given the need for consideration by the ESF Committee, the document would not be signed-off until the end of October/early November.
7. In reply to a point raised by Stuart Black, Dr. Rigg agreed that the figures relating to expenditure for 2007 were extremely challenging hence the need to proceed without delay. He confirmed the intention to run three full rounds by Christmas 2008.

**Operational Arrangements**

8. **(i) Programme Monitoring Committee (HIPMC/07-13/001)**
  - 8.1 Mr Millard stated that the Terms of Reference and Rules of Procedure were drawn from the Regulations and arrangements for previous Programmes. The Terms of Reference in particular clearly define the responsibilities of the Committee.
  - 8.2 Commission representatives raised two points:
    - the Committee as “interim” has no legal standing; and
    - that it was regrettable that no meeting of the 2000 – 2006 Transitional Programme had taken place during 2007.
  - 8.3 In addressing the first point, the Convenor agreed that once the ESF Programme was signed-off, all “in principle” decisions would be formalised by written procedure, and endorsed as an item on the agenda of the next meeting.
  - 8.4 Following further intervention from Ms Villarosa regarding the need for

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consultation on matters such as N+2, particularly given the continuing decommitment of EAGGF and FIGF, the need for a meeting of the 2000 – 2006 Committee was essential. Following discussions it was agreed to facilitate a Committee meeting in the early part of 2008 to coincide with the consideration and approval of the Annual Implementation Report (2007).

- 8.5 On this basis it was agreed to delete the final sentence of paragraph 7 of the covering report. Thereafter the Committee approved the Terms of Reference and Rules of Procedure.

**(ii) Advisory Groups (HIPMC/07-13/002)**

- 9.1 Mr Millard detailed the role of Advisory Groups in undertaking project appraisal. He confirmed that adverts had been placed (closing date of 28<sup>th</sup> September 2007) inviting expressions of interest for membership and anticipated that the Managing Authority would be making appointments within the next few weeks.

- 9.2 A training day is scheduled on 8<sup>th</sup> November for Advisory Group Members to assist in ensuring full participation at the meetings arranged for 10/11/12<sup>th</sup> December. Mr Millard stressed the non-partisan role of members.

- 9.3 Cllr MacDonald queried the need for the three groups. The Convenor stated that a substantial number of applications were anticipated in the first three rounds and the Government was keen to retain the peer review element. Dr. Rigg added that the arrangements could be re-examined during 2008, depending on the number of bids received. Mr Millard agreed that it was essential to review and that it was in no-one's interest to convene groups with few applications.

- 9.4 John Ferguson asked whether the Monitoring Committee should have a role in ensuring balanced Advisory Groups. The Convenor confirmed that appointments remain the responsibility of the Managing Authority but that he was content that membership be circulated to the Committee by written procedure for information.

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- 9.5 Ms Stewart added that in the past, Advisory Groups had added to the value of the Programme through a balanced geographical and sectoral representation.

- 9.6 Cllr MacDonald asked about the Advisory Groups Chair. The Convenor confirmed that the Chair would come from the Managing Authority in order to ensure the strategic direction of the Programme.

- 9.7 Cllr Cooper expressed concern over the likely number of applications given the SDBs and CPPs. The Convenor confirmed allocations up to:

70% of Priority 1 (ERDF) to HIE;  
50% of Priority 2 (ERDF) to UHI Millennium Institute ;and  
55% of Priority 3 (ESF) to UHI Millennium Institute

Dr Rigg confirmed the need for continuous review of the demand from applications elsewhere in the Programmes. The Advisory Groups will also be required to take a view on the SDB outcome agreements and the CPP Plans.



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**Highlands and Islands (Scotland) Structural Funds  
Partnership Ltd  
(Interim)  
Programme Monitoring Committee**



- 9.8 Mr Vermyle confirmed that the objectivity of Advisory Groups is a key area of interest of the European Court of Auditors.
- 9.9 In respect of the concerns raised over potential conflict of interest, Mr Duff proposed that the Chair of Advisory Groups take a more proactive position and that potential conflicts be formally declared and minuted accordingly. The Committee agreed.
- 9.10 There being no further questions, the Committee agreed appointment procedures, Terms of Reference and Rules of Procedure.

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**Implementation Arrangements (For Information)**

10. The Convenor introduced a group of six reports for information detailing progress on a range of matters. Mr Millard was invited to take the Committee through each.

**(i) Registration Procedures (HIPMC/07-13/003)**

- 10.1 Essentially a mechanism to establish confidence in organisations. 37 successful registrations to date. One definite rejection, possibly a second. Committee noted the report.

**(ii) National Rules on Eligibility (HIPMC/07-13/004)**

- 10.2 One set of national rules drawn from the regulations, designed to tighten eligibility of expenditure including staff costs, where these are incurred in delivering additional activity. The Rules also address issues such as “on-costs”, and moveable infrastructure. Mr Millard confirmed that the National Rules and the Stage 2 application form are now available on the website.
- 10.3 John Ferguson requested that two of his concerns be minuted:
- the withdrawal of advance payments; and
  - the ineligibility of costs associated with the financial management of projects

Having regard to Mr Ferguson’s points, the Committee noted the report.

**(iii) Strategic Delivery Bodies (HIPMC/07-13/005)**

- 10.4 This arrangement recognises the active participation of UHI Millennium Institute and HIE in previous programmes and their strategic importance in the forthcoming programmes. The SDB role allows planning and delivery with greater certainty. Mr Millard confirmed that the same disciplines would apply to SDBs as to other applicants.
- 10.5 Mr Black confirmed that HIE’s internal systems would be used to assess suitability of businesses to receive assistance and added that it was not the intention to operate schemes of assistance but to support a small and restricted number of “businesses of scale” in addition to investment in infrastructure.



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**Highlands and Islands (Scotland) Structural Funds  
Partnership Ltd  
(Interim)  
Programme Monitoring Committee**



**10.6** The Convenor confirmed that SDBs would provide their own match funding, that the Committee would see the outcome agreement and that HIE and the UHI college network could participate in applications outwith the SDB arrangements. Thereafter the Committee noted the report.

**(iv) Community Planning Partnership (HIPMC/07-13/006)**

**10.7** Packages of projects (plans) to be appraised by Advisory Groups. Once approved then individual components brought forward from responsible parties. Local Authorities to act as quality control but will only apply for their own projects. Work in progress.

**10.8** Cllr Walsh requested that in view of the need to move quickly, dialogue is established with the Scottish Government and the IAB. Mr Millard was pleased to make this commitment.

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**10.9** Mr Millard suggested that there was a need to begin to defray expenditure to facilitate N+2, but recognised the time it may take to get plans fully implemented.

**10.10** Ms Villarosa sought greater understanding of the status of CPPs. It was confirmed that the CPP supported by the respective local authority would “collate the plan”. The CPPs would not be the beneficiary. The individual body responsible for the project would implement.

**10.11** Ms Davies requested that a visual representation of how all these various components linked together would be useful. Mr Millard agreed. The Committee noted the report.

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**(v) N+2 Financial Targets (HIPMC/07-13/007)**

**10.12** On hearing the challenging targets for the early years, the Committee noted the report.

**(vi) Audit and Monitoring (HIPMC/07-13/007)**

**10.13** The increasing rigour of audit was explained by Mr Millard. He confirmed the good track record in the Highlands and Islands and the need to maintain this position. The Committee noted the report.

**Implementation Arrangements (For Decision)**

**11.** The Convenor introduced three reports for “decision in principle”. Mr Millard was invited to take the Committee through each.

**(i) Selection Criteria/Scoring System (HIPMC/07-13/009)**

**11.1** Mr Millard stated that the selection criteria were presently fit for purpose but would be subject to adjustment should strategic priorities change. The scoring system was transparent and would be a useful mechanism for Advisory Groups.

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**Highlands and Islands (Scotland) Structural Funds  
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Programme Monitoring Committee**



**11.2** Following discussions it was agreed to approve the scoring system subject to:

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- a re-assessment of the weighting applied to Innovation and Value Added from Low to Medium; and
- the application of a sensitivity test in reviewing the outcomes.

**(ii) Application Procedures & Timetable (HIPMC/07-13/010)**

**11.3** Mr Millard confirmed that the report covered the first round only but that the intention is to run three rounds by the end of 2008. He added that in order to ensure projects could be implemented quickly, co-financing should be confirmed in advance of AG meetings (10/11/12 December).

**11.4** Mr Ferguson expressed concern over the date for confirmation of match-funding particularly given the current budget review. In response the Convenor noted Mr Ferguson's point and accepted the need for a flexible approach.

**11.5** Mr Millard also confirmed the publicity arrangements, advertising the first round. Thereafter the Committee agreed:

- the timetable ; and
- the date for confirmation of co-finance prior to Advisory Group (subject to flexibility).

**(iii) Retrospection (HIPMC/07-13/011)**

**11.6** Mr Millard set out the case for limited retrospection of incurred and defrayed expenditure. He stated the need for 3 reasons:

- retrospection to 1<sup>st</sup> January 2008 for individual applications (as no project will be formally approved until the end of the month);
- retrospection to 1<sup>st</sup> August 2007 to allow SDB's to make a contribution towards N+2; and
- retrospection to 3<sup>rd</sup> January 2007 for Technical Assistance to allow the Scottish Government to seek reimbursement of management and development costs.

**11.7** The Committee agreed.

**ESF Shadow Round (HIPMC/07-13/012)**

**12.** Mr Millard presented the report highlighting issues over quality and volume. A large volume of applications had not been expected due to the autumn 2006 round which picked up most interest for 2007.

**13.** He asked members about the format of the project reports indicating that the current layout was likely to be that covering the next round.



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**Highlands and Islands (Scotland) Structural Funds  
Partnership Ltd  
(Interim)  
Programme Monitoring Committee**



14. Members were broadly content, several expressing positive comments. Following consideration of comments from Mr Ferguson it was agreed that once the online data system was established arrangements would be made to provide members with the opportunity to access the full forms and all supporting details. **SG**
15. Mr Millard also confirmed that under Freedom of Information applications could be requested and would be provided excluding financial or personal information.
16. In respect of appeal, Mr Millard confirmed that the Convenor is the final arbiter in respect of the equity and appropriateness of the process, and that the scoring system will highlight any other anomalies.
17. The Convenor agreed to ensure that information on project approvals and activity would be incorporated on the respective websites, including those of partners.
18. Ms Villarosa indicated that the regulations oblige the Managing Authority to publicise final beneficiaries.

**Communications Plan (HIPMC/07-13/013)**

19. Mr Millard confirmed that the Communications Plan was now a requirement of the regulations, and following a request from the Convenor to check that the Plan had been issued to Commission representatives, the Committee noted the report. **IAB**

**Evaluation Strategy (HIPMC/07-13/014)**

20. Mr Millard detailed the revised arrangements for evaluation on the respective Programmes, indicating that this would be on a continual basis.
21. He invited members to provide comments to the IAB, whilst Mr Vermyle stated he would be happy to provide an input. The Committee noted the report.

**Technical Assistance (HIPMC/07-13/015)**

22. Mr Millard confirmed that Technical Assistance (of up to 3% of the value of the Programme) was available to support programme administration, management, evaluation and database development.
23. The report sought approval from the Committee for 65% of the allocation, a sum of £2.311m from ERDF and ESF to support such activities, including the costs associated with the IAB contract.
24. Cllr MacDonald asked whether TA would be available to support CPP's. Mr Millard agreed to pursue this matter. **SG**
25. It was agreed that TA be approved for up to £2.311m and that retrospection, to 3<sup>rd</sup> January 2007 be applied.



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**Highlands and Islands (Scotland) Structural Funds  
Partnership Ltd  
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Programme Monitoring Committee**



**Strategic Overview**

26. The Convenor confirmed that the report was for information only in the spirit of continuity. Mr Malone added:
- the Transitional Programme was now 100% committed;
  - arrangements were in place for the reallocation of any underspends;
  - all projects were now underway;
  - N+2 had once again been achieved under ERDF and ESF; and
  - the financial adjustments necessitated by the N+2 shortfall on EAGGF and FIFG had been undertaken.
27. The Committee noted the progress.

**Any Other Competent Business**

28. In response to a query from Cllr Cooper regarding the status of the EAFRD and EFF Programmes, it was confirmed that the SRDP was with the Commission and a decision was expected by the end of the year. With EFF, the Programme has yet to be submitted.
29. It was agreed that future papers for the Committee would be issued electronically to Commission officials and to respective European Officers.

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**Date and Location of Next Meeting**

30. The schedule of meetings to comprise:  
(around) 30<sup>th</sup> January 2008 – Dunoon  
May/June Shetland



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