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## Highlands and Islands Convergence Programmes 2007-2013 PROGRAMME MONITORING COMMITTEE



### Minute of Meeting Wednesday 18 February 2009 Centre for Health Science, Inverness

#### **Present:**

Dr John Rigg (Convenor)	Scottish Government, Enterprise, Energy and Tourism Directorate
Cllr Alex MacDonald	Comhairle nan Eilean Siar
Mr John Ferguson	Scottish Council for Voluntary Organisations
Ms Morag Redwood	Highland Equality Forum
Ms Linda Stewart	University of the Highlands & Islands Millennium Institute
Mr Iain Duff	Scottish Council for Development and Industry
Ms Susan Davies	Scottish Natural Heritage
Ms Lynn Hamilton	VisitScotland
Cllr Sandy Park	The Highland Council
Cllr Stephen Hagan	Orkney Council
Cllr Dick Walsh	Argyll & Bute Council
Ms Rosemary Thompson	North Highland Council
Mr Stephen Boyd	Scottish Trades Union Congress
Mr Alex Paterson	Highlands and Islands Enterprise
Mr John Ferguson	Scottish Council for Voluntary Organisations
Ms Liz Galashan	Skills Development Scotland

#### **European Commission Advisors**

Mr Kristina Penkyovska	European Commission (DG Regional Policy)
Mr Marc Vermyle	European Commission (DG Employment and Social Affairs)
Mr Jonathan Denness	European Commission (DG Regional Policy)

#### **In Attendance**

Mr Dennis Malone	Intermediate Administration Body
Ms Lorna Gregson-MacLeod	Intermediate Administration Body
Mr Jim Millard	Scottish Government, Enterprise, Energy and Tourism Directorate
Ms Norma Hurley	Blake Stevenson Consultants

#### **Convenor's Introduction**

#### **Action**

1. Dr Rigg welcomed members to the fourth meeting of the Committee and to the Centre for Health Science, recently opened by Jim Mather MSP, which received £3.5 million of ERDF.
2. He noted the efforts made by members in trying to get to Shetland for the previous meeting and in particular congratulated Dick Walsh for overcoming the weather difficulties.
3. Dr Rigg welcomed in particular:
  - Liz Galashan, Skills Development Scotland, Kristina Penkyovska the new Desk Officer from the Commission replacing David Yormesor, attending their first meeting, and Alex Paterson from HIE; and
  - Norma Hurley, Blake Stevenson Consultants, currently carrying out an evaluation exercise for the Scottish Government.



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**Apologies**

**Action**

4. Apologies were received from:  
Mr William Roe - Highlands and Islands Enterprise  
Cllr Alastair Cooper – Shetland Islands Council

**Minutes of Previous Meeting 04 June 2008**

5. Ms Penkyovska requested that the Minute reflect the Commission perspective “about keeping the strategic objectives of the Programme and ensuring that the evaluation indicators were met without moving away from the Priorities set out in the Operational Programmes under the Strategic Overview, with specific reference to marinas, sports facilities and community halls.”

This point will be incorporated at Para 15 of the Minute.

6. Subject to the above, the Minute was agreed as an accurate record.

7. Mr Vermyle reminded the Convener that all documents issued to the Programme Monitoring Committee should be uploaded onto the Commissioner’s SFC database. Dr Rigg acknowledged that this was a function to be undertaken by the Managing Authority.

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**Matters Arising**

8. The following Matters were raised:

(i) Para. 13: N+2 Comparison

Mr Malone referred to the request from Mr Vermyle for comparative figures on N+2, and confirmed these have been incorporated into the N+2 Report.

(ii) Para. 14: Lisbon/Job Creation

Mr Malone noted the Lisbon reference and agreed to amend this in future reporting.

(iii) Para. 22: Decommitment (raised by Cllr MacDonald)

Mr Millard explained that although no formal paper had been finalised, the Compliance Procedures provided the basis for potential decommitment. These procedures have been designed to ensure best use of the funds. What constitutes weak performance will be detailed in the final version of the Report which will be circulated to the Committee.

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IAB

(iv) Para. 25: Complementarity

Mr Malone confirmed that the note from the Programme Review Group had been circulated and approved by the Committee by Written Procedure. He anticipated more interaction once other funding streams are implemented.

(v) Para. Executive Summary

Mr Malone confirmed that Executive Summaries of the two Annual Implementation Reports would be provided to the Programme Monitoring Committee in June.

IAB

(vi) Para 10: Equal Opportunities

Ms Redwood requested copies of the horizontal theme annexes for the Strategic Delivery Bodies’ applications.

IAB

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- (vii) UHI Millennium Institute: SDB Course Development Action  
Mr Ferguson along with Mr Vermyle sought clarification on the earlier agreement that “course development” / “academic development” would not exceed 20% of the ESF award. Ms Stewart confirmed that the level of expenditure is being monitored in relation to all activities over the lifetime of the Programme. IAB
- (viii) Forestry and Food  
In response to a query from Cllr Hagan, Dr Rigg confirmed that use of ESF to train for the forestry and food sectors is now allowable.

**Strategic Overview (HI/PMC/07-13/02)**

9. Dr Rigg introduced the Report by stating that the recent changes in the economic environment meant this was an opportune time to consider how Structural Funds might best be deployed.
10. Mr Malone highlighted the key points referring to the institutional responses to the economic downturn from the Commission in particular and from other key partners. He suggested that consideration ought to be given to applying some of the actions detailed by the Commission in the Recovery Plan.
11. He also referred to current levels of commitment on the Programmes, highlighting key projects and expressed concern over the rate of expenditure and the level of engagement of certain key organisations e.g. local authorities. He also suggested that the new implementation arrangements – Strategic Delivery Bodies and Community Planning Partnerships – had not yet achieved an anticipated ‘head of steam’.
12. Several key points were highlighted:
  - the limited number of projects that have been approved;
  - the scale of the projects that have been approved;
  - revenue based rather than “lumpy” capital;
  - disappointing expenditure; and
  - broadly Programmes remain “fit for purpose”.
13. Mr Denness was grateful that the Commission’s Recovery Plan had been circulated. He referred directly to the proposals on page fourteen of the Plan which detailed how Structural Funds might influence the current situation referring in particular to:
  - how to accelerate expenditure;
  - the additional 2.5% advance; and that
  - programme extensions to increase spend.
14. He referred to the opportunities to increase financial engineering through Jessica<sup>1</sup> & Jeremie<sup>2</sup> – although limited in scope in the Highlands and Islands. He agreed with the views expressed by the Programme Review Group that the Programmes remained “fit for purpose” but acknowledged there needed to be an element of “tweaking” and that the Commission is standing ready to help.
15. In concluding he acknowledged the slow start to the Programme and that accelerating expenditure is doubly difficult to do, however there were no plans (at present) to propose changes to the financial profile. He invited the Partnership to consider what other actions needed to be undertaken.
16. In thanking Commission colleagues, Dr Rigg explained that whilst we would like to accelerate, we still need to maintain the quality threshold, provide match funding and

<sup>1</sup> Joint European Support for Sustainable Investment in City Areas

<sup>2</sup> Joint European Resources for Micro to medium Enterprises

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meet all the requirements of financial control.

**Action**

17. Mr Denness in response to a query from Mr Ferguson indicated that he would hope that any amendments required from the Commission could be achieved by early July.
18. Cllr MacDonald agreed on the need for acceleration and suggested a greater emphasis could be placed on infrastructure investment particularly as keener prices could deliver better "value for money".
19. He also suggested reverting to a twice yearly bidding cycle and noted the references to Energy and Fibre Optic Broadband in documentation but was not aware of any proposals in the Highlands and Islands.
20. Cllr Walsh suggested that the elements of the Scottish Plan had yet to demonstrate suitable levels of synergy and that we need to get the joined up thinking, and innovation necessary to achieve the funding arrangements required to allow draw down of funds.
21. Mr Vermyle suggested that virements between Priorities may be considered, and this point was agreed by Dr Rigg. Mr Malone stated that the monies remaining in Priority 2 ESF were now out of kilter with the other two Priorities.
22. Ms Redwood pointed out that accessing the funds was still perceived as a problem made more difficult by the lack of advance payment. She expressed concern about virements in Priority 2 suggesting that we need to support the businesses we have.
23. Mr Malone confirmed that as Skills Development Scotland matured, a closer working relationship could be developed that offered a more strategic perspective.
24. Dr Rigg thanked members for their comments. He stated that over the next few months, all options would be pursued in order to bring a more comprehensive perspective to the next meeting. He indicated however that in respect of the bidding cycle, he wanted to stick with current arrangements for the time being.
25. In conclusion, the Committee noted the Report (defined action following N+2 Report), and Dr Rigg introduced Norma Hurley from Blake Stevenson Consultants, commissioned by the Scottish Government to update Programmes in light of the recent changes.
26. Ms Hurley's outline is attached at Appendix 1. Key elements include:
  - input for Annual Implementation Reports and economic analysis;
  - updating of data;
  - references to vacancies and National Insurance registrations;
  - trying to achieve a local picture across the area; and
  - future growth sectors, aligning with current priorities in the Highlands and Islands.
27. Dr Rigg confirmed that the Report would be circulated to members when ready, and invited comments:

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Cllr Park - small businesses are finding it difficult to get banks to lend;

Ms Davies – land based industries are showing a resilience in the current climate and should be supported;

Cllr Hagan – challenge for local authorities is that investment priorities are not currently aligning with the Programmes;

Ms Stewart – UHI Millennium Institute is encouraging development and innovation in education and training to support an energy and environment focus.

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**Annual Financial Targets (N+2) (HI/PMC/07-13/028)**

28. Mr Malone detailed the targets for 2009 which even allowing for the 2.5% additional advance remain challenging. The current expenditure declared on the system is quite stark but we know significant expenditure has been incurred.
29. Immediate challenges need to clarify expenditure for 2009 and encourage claiming but also need to focus on activity now that will impact into 2010. Need more expenditure from Strategic Delivery Bodies and Community Planning Partnerships. IAB  
IAB
30. Mr Vermyle expressed concern over the comparative figures, whilst Mr Denness expressed disappointment over the rate of implementation and the Partners limited appreciation of the seriousness of the situation. He indicated that he did not want to undertake a decommitment based on 2009 or 2010, and that the Programmes were fundamentally sound, but that there would be no relaxation of the regulations. He challenged the Partnership to address the situation and was particularly critical of the new delivery arrangements which should have produced an accelerated spend.
31. Partners acknowledged the seriousness of the position and comments around the table agreed that action is essential.
32. In summary Dr Rigg indicated that action needed to be taken on a number of fronts and proposed the following:
- migration of applications on to the new system; Scottish Government /IAB
  - workshops to further promote opportunities within the Programmes prior to the next bidding Round; Scottish Government/ IAB/ Partners
  - immediate discussions with Strategic Delivery Bodies and local authorities (Community Planning Partnerships) to accelerate rate of implementation during 2009 and 2010. J. Millard/ D. Malone
  - Delegated authority to Mr Millard and Mr Malone to undertake discussions with key partners over potential investments, commissioning of key projects, particularly around the ‘green agenda’ and others; J. Millard / D. Malone
  - Delegated authority to the Scottish Government and to the IAB to consider with the Commission possible amendments to the infrastructure of the Programmes e.g. virements, intervention rates, eligibility, the use of other mechanisms such as Jessica. Scottish Government/ IAB/ European Commission
33. Dr Rigg confirmed the “small window of opportunity” and stressed the need for the “Partnership” to be proactive in order to avoid the loss of resources and that we cannot wait around for targets to be missed. A comprehensive report will be presented to the committee at its meeting in June 2009. Scottish Government
34. The Committee agreed to the comprehensive package of actions outlined.

**Fast Track and Rapid Response: Implementation (HI/PMC/07-13/029)**

35. Mr Millard confirmed that the proposals for “fast-tracking” of projects and “rapid response” sought to address a number of factors:
- the need to support time-critical strategic projects;
  - economic downturn; and

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- concerns expressed over the effect of a single bidding Round.
- Action**
36. The proposals will of necessity have regard to due diligence and the need for consistency in respect of audit, and it was confirmed that projects coming forward under these arrangements would wherever possible be integrated into the normal appraisal arrangements.
37. It was agreed that additional guidance would be provided on matters such as time-criticality and the need for full planning, however Ms Gregson-MacLeod confirmed that greater flexibility on planning was already being implemented. Scottish Government / IAB
38. Dr Rigg agreed to monitor the effects over the Programme of the single bidding Round. Scottish Government
39. Subject to a request from Mr Ferguson to tighten the phraseology of Para 9 of the report, the Committee approved the recommendations. IAB

**Advisory Group Convener's Report (HI/PMC/07-13/030)**

40. Mr Millard reported on progress in supporting projects, thanking the Advisory Groups and the IAB for bringing forward a comprehensive package of recommendations. He confirmed that substantial additional discussion had been undertaken with Partners in resolving a number of outstanding matters.
41. Overall, he indicated that the number of applications had increased, that the quality had improved and that the sections on horizontal themes and innovation in particular were addressed more fully – mainly as a consequence of the summer workshop programme.
42. In order to encourage Partners, the assessment had applied a degree more flexibility.
43. Prior to the discussion on individual projects, several members declared interest. The Convener noted.
44. Mr Vermyle expressed disappointment about the limited progress being made in developing the skills sector. In response, Ms Galashan acknowledged that Skills Development Scotland (SDS) remained a relatively immature organisation and had a capacity problem in the Highlands and Islands, nevertheless the organisation was aware of the potential benefits of Structural Funds and its role in strategic development.
45. On Equal Opportunities, Ms Redwood congratulated the Highlands & Islands Partnership Programme on the workshops and benefits of wider thinking will improve the delivery of projects. She identified evidence of:
- a more practical application of the theme;
  - a move to demonstrate how Equal Opportunities will affect project delivery; and
  - more proactivity;
- and hoped that this will add to the changing of the mindset particularly among more senior managers. She hoped to see new guidelines issued as soon as possible.
46. Following clarification on a range of detailed points in respect of projects, the Committee approved the recommendations in respect of projects and in respect of the Community Planning Partnership plans from Orkney and Shetland Islands Councils as presented, for consideration by the Minister.
47. Following a number of comments on the arrangements for Ministerial announcements,

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Dr Rigg agreed that this would be expedited with utmost urgency in order to achieve the momentum at local level.

**Action**

**Strategic Delivery Bodies: Annual Update (HI/PMC/07-13/031)**

48. Progress on activity and expenditure on the Strategic Delivery Bodies was given by Alex Paterson and Linda Stewart on behalf of Highlands and Islands Enterprise (HIE) and UHI Millennium Institute respectively.
49. Mr Paterson indicated that HIE had adjusted their proposals to reduce the number of elements to give greater flexibility, but that outputs would not change. He confirmed that detailed implementation arrangements were close to agreement with the Scottish Government and that HIE was on target to achieve 65% expenditure by March 2010.
50. In response to a query from Cllr MacDonald, he agreed to provide spend/jobs figures by area in the next report. Mr Paterson
51. On hearing progress on UHI Millennium Institute, Mr Vermyle again expressed concern over the level of expenditure on academic development. He asked that details of how the figure of 57% contained in the report related to the percentages previously referred to.
52. Ms Stewart agreed to pursue the matter with Mr Vermyle, but confirmed that expenditure would relate to both academic and curriculum development. Ms Stewart
53. Mr Denness suggested that targets for the UHI Millennium Institute required to be re-assessed. This was agreed. IAB
54. Members noted progress.

**Programme Timetable (HI/PMC/07-13/031)**

55. The schedule set out for 2009 and 2010 was agreed.

**Programme Closure (Oral Report)**

56. Mr Millard confirmed this item was for information only, competence lying with the previous Monitoring Committee.
57. Ms Penkyovska confirmed that the Commission had agreed the extension for the Transitional Programme to 30 June 2009, along with 10% flexibility between Priorities.
58. Mr Millard confirmed that limited opportunities in respect of strategic projects could result in additional drawdown, this benefitting the Programme in the light of the significant de-commitment made by HIE.
59. Mr Millard also confirmed that the Final Report on the Transitional Programme would be circulated to the previous Committee by Written Procedure, after the summer break.

**Any Other Competent Business**

60. Cllr MacDonald requested clarification on the relationship between the Strategic Delivery Bodies and the Single Outcome Agreements. Mr Millard agreed to consider the position and report back. J. Millard
61. Dr Rigg explained that the Scottish Government response on the consultation on the

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**Action**

future of Territorial Cooperation will come from Mr Swinney. He agreed to circulate.

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- 62.** On behalf of the Committee Dr Rigg expressed thanks to Iain Duff (Scottish Council for Development and Industry) for his contribution to the work of the Committee. Iain is moving to a new post of Deputy Agent with the Bank of England in Scotland.

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