

**MINUTES OF PMC MEETING IN ATLANTIC QUAY, GLASGOW
WEDNESDAY 12 JUNE 2019**

In attendance:

Hilary Pearce (HP)	Scottish Government (chair)
David Anderson (DA)	Scottish Government
Cathy Cacace (CC)	Scottish Government
Ryan Gunn (RG)	Scottish Government
Robert Buntin (RB)	Scottish Government
Stuart Black (SB)	Highland Council
Robin Clark (RC)	Highlands and Islands Enterprise (HIE)
Andrew Livingstone (AL)	Skills Development Scotland
Francesca Gianninni (FG) (sub)	Scottish Enterprise (SE)
Malcolm Leitch (ML) (sub)	Scottish Local Authorities Economic Development (SLAED)
Aled Wright (AW)	Welsh Government
Kris Magnus (KM)	European Commission DG Regio
Joanne Knight (JK)	European Commission DG Regio
Evert Veltkamp (EV)	European Commission DG Emplo

Apologies:

Liz Ditchburn	Scottish Government
Mary McAllan	Scottish Government
Alistair Buchan	Scottish Islands Local Authorities
Bertie Armstrong	Scottish Fishermen's Federation
Carroll Buxton	Highlands and Islands Enterprise (HIE)
Damian Yeates	Skills Development Scotland (SDS)
Grahame Smith	Scottish Trade Unions Congress
Martin Smith	Scottish Funding Council
Liz Cameron	Scottish Chambers
Anna Fowlie	Scottish Council for Voluntary Organisations
Neil Ritch	Big Lottery Fund
Sharon Thomson	Scottish Local Authorities Economic Development (SLAED)

Item 01: Welcome and introduction

HP welcomed members to the meeting.

HP noted the Written procedure email of 8 May proposing changes from JPMC to PMC, receiving three responses in support of it. Members in attendance happy with the changes detailed in the written procedure. ML noted that technically we are still a Joint PMC due to there being two programmes, ESF and ERDF.

HP provided an update on the pre-suspension of funds from European Commission. Letter from the European Commission was received by Scottish Government in February 2019. The pre-suspension period is due to expire on 15 November 2019. By this time we need to have agreed a way forward and have actions endorsed by Scottish Government Audit Authority. Following this endorsement the recommendation can be made to EC to lift pre-suspension, allowing cash flow to be reinstated between Scottish Government & EC.

HP noted that we are currently going through claims with a fine toothcomb and will continue to process claims for anything currently pending that is not affected by the audit issues.

AL asked if there are any potential issues that would result in the pre-suspension not being lifted, HP advised we are currently working closely with EC to ensure this does not happen.

ML noted that his area was subject to the audit and were not given feedback on if the information was sufficient or not, then when the letter was received they were left uncertain if it was them or not. HP explained out of the six Lead Partners (LP) audited, all had at least one of the audit issues mentioned.

ML noted that now the audit issues are very much in the public domain, it is an issue that is pressing. ML asked if claims should still be submitted knowing that they might not be paid anytime soon or should they not be submitted. HP advised LPs can still pay the claims to the delivery agents and we will pay the claims when the pre-suspension is lifted. DA added it is a choice for LPs whether to continue to process claims from Delivery Agents – it is not for the MA to make this decision and that the risk will rest with the LP. SB noted there is potential reputational damage to LPs if they do not pay out to projects (e.g. Shirly Project).

Item 02: Minutes and Action Log from Meeting on 14 November 2018

The minutes were accepted with SB noting point 5b; H1C members would like to be involved in setting the agenda for the meeting but does not think that has been picked up. HP noted. All other actions closed or addressed through agenda items.

AGENDA ITEMS FOR DISCUSSION

Item 03: Performance against Operational Programmes

a. Update on Performance

HP summarised the key points from the paper, highlighting that there had been a general reduction in the figures committed. HP added we have already de-committed expenditure from last year (2018) and are likely to be in a similar position this year.

Members were reminded of the key risks associated with not meeting financial targets (N+3), including poor delivery of projects/initiatives and reduction of service delivery – particularly within rural communities

b. ESF and ERDF programmes risk register and issues log

HP explained the format of the risk register has now changed, in line with revised Scottish Government guidance/principles on risk management. As a result, the impact of a risk is weighted significantly higher than the likelihood. HP highlighted the top five risks detailed within the risk register. RC noted that additional notes need to be added to reflect the points raised at HITC, RG stated this has been updated in action log and will be circulated to members shortly. FG asked if pre-suspension should be included within the risk register, HP agreed adding that timing did not allow for it to be included within the paper provided to members, this was also raised at HITC.

Item 04: Update on programmes

a. HITC

HP asked about minutes of the HITC meeting held last Thursday, RG advised the action log is currently with Dave Roberts for clearance and will be circulated shortly.

b. YEITC

HP advised members will have received a copy of the summary note and report following the final meeting of the YEITC Group on 8 March. Given that the work of the group has not concluded, the activity on the initiative has now ceased as of 30 September 2018. HP expressed she would like to thank all members of the YEITC Group for their work. ML asked if the information was publically available, DA confirmed the information is available on the ESF website.

AGENDA ITEMS FOR DECISION

Item 05: Annual Implementation Reports

a. ESF & b. ERDF

HP noted that before she opened up to comments she wanted to highlight some things on the draft AIR. In relation to compliance commitments, we do recognise it does have an impact on LP's and the MA is happy to provide to support and advice

to LP's to ensure they meet their compliance requirements. HITC had a number of comments, principally about the tone of some of the phrases on the AIR. These comments, particularly with Section 2.1, will be revised to address members comments.

FG raised that she felt the tone should be different, HP requested she writes in with specific paragraphs & some suggestions on re-phrasing.

KM advised they will review it before it is submitted to European Commission and add any comments. They will then come back to Scottish Government by end of August, when we will have 3 months to make any suggested changes.

HP asked members if they were happy with the overall substance of the AIR, subject to changes being made. Both SB & LM voiced that they did not want to delay the submission. HP further advised that if anything material comes up then we will come back to PMC but if not, then we will submit AIR.

FG noted that all Partners should be mentioned, only two are at the moment, HP advised that we should be able to include additional detail to the draft and asked members to submit further comments.

No further comments raised, committee are happy to endorse AIR subject to changes.

Item 06: Changes to ESF and ERDF Operational Programmes

HP noted the key findings are failure to meet N+3 targets will risk further de-commitment. SB asked if there is any risk of money being lost from Highlands & Islands to the Rest of Scotland. HP advised that she will confirm this detail for members adding that the question was also raised at HITC.

ML asked for some clarification on the figures as they did not appear to balance. Currently, it appears that money has been taken from Transition areas and redistributed into More Developed areas. DA advised we are happy to clarify figures..

AGENDA ITEMS FOR INFORMATION

Item 07: ESF and ERDF Communications Strategy update

HP highlighted to members that the paper on the communications strategy was written and published prior to the recent media attention. HP provided an update on the strategy, including the regular e-bulletin for LP's. DA asked if the e-bulletin is a useful tool for members, the general consensus from members is that it is read and worthwhile. HP advised we can get a copy list of people who are not EUMIS registered to ensure they receive the e-bulletin.

ML asked if there is any plan to run another LP event after summer recess. HP advised at earliest we are looking at dates in September and will confirm details with members in due course.

Item 08: Monitoring and Evaluation update

HP asked for all comments from members to be submitted to the MA.

Item 09: Financial Instruments update

HP noted that although no actions or decisions are required on this, it is worth noting some points. SME Holding fund is managed by Scottish Government and was created to address market failures in the provision of access to finance for SMEs. Phase 1 appointed delivery agents to provide micro-finance, equity and loans to SME with growth and export potential, with almost all of the targets having been exceeded. This led to Phase 2, where the Scottish Growth Scheme, a series of Scottish Limited Partnerships managed on a fully commercial basis by private and public sector fund managers appointed following a full procurement process which has been operational since January 2019. HP noted that there was a comment at HITC last week that there should be an analysis that is specific to Highlands & Islands. ML added it would be interesting to note granular information on other areas, not just Highlands & Islands.

Item 10: AOCB (including verbal updates on Simplification and Post-EU Exit funding)

HP advised she would provide verbal updates on Simplification & Post-EU Exit Funding.

On Simplification firstly, we fully intend to involve LP and intend to set up working groups to take this forward but have not been able to do so yet due to audit issues.

In regards to Post-EU Exit funding, at the moment all three scenarios are still in play. This being leaving with a deal, no deal or revoking Article 50. . Until further decisions are made we are still a member state. Scottish Ministers position is that Scotland voted to remain within the EU so any Shared Prosperity Fund (SPF) needs to have Scotland as an equal partner and not just consultees.

HP highlighted that only through consultation with Lead Partners that we will progress.

Item 11: Date of next meeting

HP proposed date of next meeting to be 14 November 2019 in Atlantic Quay, Glasgow. KM asked members if they felt it was too late in the year and if they should be more frequent. ML & SB both expressed they would be tempted to go with the November date.

HP advised we would circulate provisional dates and increase more frequent communications with Lead Partners.