

**MINUTES OF PMC MEETING IN ATLANTIC QUAY, GLASGOW
THURSDAY 14 NOVEMBER 2019**

In attendance:

Hilary Pearce (HP)	Scottish Government (chair)
Ryan Gunn (RG)	Scottish Government
Robert Buntin (RB)	Scottish Government
Jennifer Inglis-Jones (JI)	Scottish Government, Audit Authority
Thomas Glen (TG)	Society of Local Authority Chief Executives (SOLACE)
Anna Fowlie (AF)	Scottish Council for Voluntary Organisations
Christine Mulligan (CM) (sub)	Skill Development Scotland
Sharon Thomson (ST)	Scottish Local Authorities Economic Development (SLAED)
Francesca Giannini (FG) (sub)	Scottish Enterprise (SE)
Kris Magnus (KM)	European Commission DG Regio
Evert Veltkamp (EV)	European Commission DG Emplo

In attendance via dial-in:

Martin Johnson (MJ)	Highlands and Islands Enterprise
Rob Clarke (RC)	Highlands and Islands Enterprise
Dave Roberts (DR)	Highland Council

Apologies:

Alistair Buchan	Scottish Islands Local Authorities
Carroll Buxton	Highlands and Islands Enterprise
Damian Yeates	Skills Development Scotland
Grahame Smith	Scottish Trade Unions Congress
Martin Smith	Scottish Funding Council
Liz Cameron	Scottish Chambers
Neil Ritch	Big Lottery Fund
Stuart Black	Highland Council
Matt Lancashire	Scottish Council for Development & Industry
Douglas Colquhoun	Scottish Enterprise

Item 01: Welcome and introduction

HP welcomed members to the meeting, including observers from the EC.

HP noted that Annual Implementation Reports (AIRs) for 2018 relating to both ESF and ERDF have now been approved, with both requesting further information. The MA are currently working on the information required.

HP provided members with an update on the European Social Fund (ESF) pre-suspension. Despite significant efforts so far, we have received notification this week that the programme has been formally suspended and that an update letter would be circulated to all LPs following PMC.

HP further advised this is a technical procedure by the Commission, no change to LP's as it is for MA to work on audit issues. It is worth noting that EC acknowledged significant progress has been made. HP understands the lifting of suspension is a short process, once the Audit Authority have signed off changes then considered by the European Commission (EC).

Jl added that the Audit Authority is waiting for confirmation from the EC.

CM asked if the next phase of work requires any input from LPs. HP advised the MA only require limited clarification from a small number of LPs and will contact them directly, but broadly speaking input is not required. HP further advised there are no practical changes in moving to suspension.

TG asked for the letter advising LPs of the suspension to be circulated to PMC members, which HP confirmed would be done.

ACTION 01: circulate letter to PMC members

AF asked what the SG position is on paying claims to LPs while in suspension and DR asked if claims that have previously been held would now be paid. HP advised we are currently in discussions with Ministers but our position remains that the MA is unable to pay claims until the suspension is lifted. We are also waiting to see how quickly we may be able to have the suspension lifted.

Item 02: Minutes and Action Log from Meeting on 12 June 2019

KM noted that the point raised by Malcolm Leitch in meeting on 12 June 2019, which he agreed with, is not included within the minutes. This point was regarding reporting of information.

FG queried an action that had been allocated to her. RG advised that colleagues had volunteered to provide text to address an issue raised at the previous PMC meeting.

Both AF and CM noted that there was no action log attached to the minutes. HP apologised for this and advised we will recirculate minutes to members, incorporating the points raised and the action log.

ACTION 02: recirculate minutes of 12 June 2019 with Action log

AGENDA ITEMS FOR DISCUSSION

Item 03: Performance against ESF and ERDF Operational Programmes

HP noted points raised that performance papers should include more information going forward. This would include detail on forecasting future budget provision, commitment and spend within the summary paper.

HP detailed so far there has been £547.5m funds committed, breaking down to 77% of ERDF and 61% of ESF funds being committed. HP further details that only four priorities have met their performance targets and is aware of performance issues.

HP also provided information on workshops that have been held with LPs to keep them informed with changes and advised that more are planned, will send invites to these once they are finalised.

HP highlighted to members that the National Rules have changes and recommended that LPs familiarise themselves with these changes and contact MA if they have any queries, through their relevant Portfolio and Compliance Managers.

FG noted that in some figures there have been a reduction in figures committed but unclear on why this is. HP advised that at some MAAP meetings there have been some projects that have reduced commitments. FG also asked if this information will change with re-allocation, RG confirmed this is a snapshot of information and this is an ever evolving document.

FG highlighted that there will be some pipeline projects, which may mean that figures are not up-to-date as planned projects may absorb this.

CM asked if the MA knew the value of claims currently on EUMIS that are unable to be paid due to suspension and what is the N+3 target. HP advised there is currently approximately £12m of claims on EUMIS but can confirm this after the meeting. As for N+3 target, we are approximately £40m short of target but can confirm. KM confirmed for ERDF there is £82-£90m of expenditure missing and stated the MA should have included this information within the papers.

TG stated it would be helpful to see trending information, comparing figures from the PMC meeting in June with the figures presented for the November meeting and provide some narrative to explain the changes.

ACTION 03: future PMC papers will include information across all years of programme, forecasting future budget commitments and spend to date and to provide detail around track trends

DR highlighted that he felt point 8 in the paper has now been superseded following conversations at HITC which HP agreed with, adding that the paper was issued prior

to HITC meeting. Additionally, DR highlighted that the reference numbers within the table detailing performance needs to be consistent as thematic objectives don't always align full with priority axis, HP ensured this would happen going forward. RC echoed DR's comments, it is difficult to evaluate progress as they don't have enough information. It would help to have comprehensive detail of programme to PMC members, feels the information is incomplete and we don't have full picture. HP added she thinks it would be useful to pull this together after the meeting and circulate to PMC/HITC members as soon as possible.

ACTION 04: paper 8 information to be updated to reflect the comments from members and recirculated.

ST stated now suspension hasn't been lifted, the pressure of N+3 being achieved is even more important and voiced concerns about blame being placed on LPs for not turning around claims quickly enough. She feels there are resourcing issues within LPs, and the MA and this will impact on claims being paid once the suspension is lifted. This is a technical area and therefore cannot make staff work any faster, nor can additional resource be brought in. HP noted the concerns of members.

KM reminded members that ERDF and ESF are different in regards to suspension/pre-suspension adding that there is nothing to prevent LPs submitting ERDF claims and he encouraged all Lead Partners to do so. KM stated that the programme was in a similar position to last year and this is now the third year of de-commitment from the programme. Lastly, KM noted that any de-commitment was a lost opportunity to Scotland, but also to the EU as these are shared programmes.

TG asked that the update letters reminded Lead Partners to submit ERDF claims.

DR asked if the position will continue to be the same that they cannot submit claims, what is the MA position? As for Phase 2 claims, how are these affected? HP advised this does not affect Phase 2 applications and regarding the suspension, position remains the same that we cannot pay claims that have been submitted.

DR stated there are numerous issues, including whether some work should be continued or not as LPs have potentially paid out money that cannot be re-claimed. HP clarified, unit cost basis will be used to claim back from the EC but LPs will still claim on an expenditure basis from MA, we are awaiting Audit Authority view on changes. DR added that he will take what has been said in good faith and appreciate the MA are doing all they can to resolve it. HP added perhaps an offline conversation about the issues would be better for DR.

CM highlighted that prior to HITC/PMC she provided pan-Scotland project and programme financial information including eligible expenditure incurred but not yet claimed on EUMIS to her Portfolio Manager and suggested this detail should be added to papers provided to enhance the performance paper. Members agreed with this proposal. HP confirmed this is included within papers for future meetings.

ACTION 05: performance paper to be revised to expand upon financial detail and targets.

Item 04: ESF and ERDF programmes risk register and issues log

HP advised in line with SG guidance on risk management, the risk register continues to follow the same format as provided in previous meetings. As a result, the impact of a risk is weighted significantly higher than the likelihood. The top three risks for attention of members are that expenditure may not meet with 2019 N+3 target and consequently the value of the programme may be reduced, errors and behaviours found in 2007-13 programmes may continue into new operations and expenditure or indicator targets may not be met in the Highlands and Islands area. HP asked if members had any points or are they happy on the content of the risk register.

ST & FG both noted that pre-suspension should be added to the risk register & HP confirmed this would be added.

ACTION 06: risk register to be revised to reflect additional risks around ESF suspension, N+3 targets and financial implications of not meeting targets

Members also sought an update on whether errors found in the 2007-2013 still arise and, if not, could these be removed from the risk register.

DR noted the feedback from HITC members echoed those of the PMC adding that if the Audit Authority are identifying issues they should be addressed, regardless of whether they relate to the old programme or not.

Members also sought further guidance and direction on how to address the issue of delivery agents not receiving payment and the potential impact on the delivery of services and employment. Lastly, members also sought assurances from the MA in relation to the underwriting of payments adding that LP's may not pay delivery agents if they do not receive assurances.

Members suggested organising an ad hoc PMC meeting to discuss in more detail the suspension once issues become clearer. HP added it would depend on the timetable for resolving issues in relation to the suspension but would consider this suggestion in due course.

TG asked on Risk 5, are we satisfied that controls are sufficient. HP advised this is currently with Audit Authority just now and can advise members on any progress. Members stressed the importance of continued dialogue around the implementation and future revision of the National Rules.

TG moved onto Risk 9 regarding IT issues, are we comfortable with what is in place for this? RG advised members that the MA is constantly reviewing, testing and updating the IT systems currently in place to ensure they are 'fit for purpose'.

HP asked if members are happy to endorse the risk register with the changes discussed, which members confirmed they are.

Item 05: Update on Programmes, HITC

HP advised HITC met last Thursday, 7 November, where members discussed many of the topics on today's agenda. Some key issues to highlight to members include on-going collaborative work between the newly formed HITC Working Group continues, allowing for productive conversations around the potential re-allocation of the Performance Reserve. The MA is currently taking advice from the European Commission on this and will update members in due course. Feedback so far from members of the Working Group is that it is a useful platform to enable open conversation and a collaborative approach going forward.

DR echoed the comments from HP adding that the Working Group has been helpful in presenting issues and feeling better informed. There has also been discussions around presentation of information and how some changes may need to be made to National Rules.

RG echoed HP's comments and added that he feels the Working Group is going well.

Item 06: Update on ESF and ERDF Communications Strategy

HP advised there are two papers in relation to this item and highlighted to members that the regulation has changed and that we now require a Communications Strategy which outlines how the MA will "increase the visibility" of the funds. On the first paper (Update paper), this is for noting but welcomed comments from members.

TG added he is surprised the political aspect of the suspension is not included as it will potentially be used as political information. HP advised the timing of the suspension means it could not be included within the papers, but also to be aware that as civil servants we are currently complying with the pre-election guidance.

Reflecting on the Strategy paper, HP informed members that the MA has made several changes to the Communications Strategy stating that these are mainly superficial changes to provide more accurate and up-to-date information, whilst also allowing a more streamlined document. Changes include updating the requirements and actions to better reflect current activity, updating the details such as the change from JPMC to PMC along with simplifying the document by removing the unnecessary 'Publicity Requirements' annex as this exists elsewhere on the website and the information on past and present activity. HP asked if members had any comments on this update.

CM added that she felt a version tracker at the start of the document would be helpful. RG advised we are adding that following a discussion with audit.

ACTION 07: add version tracker at top of document

DR stated he is disappointed we only talk about Twitter, would be good to have information on how we will track other platforms. HP advised she would take this on board.

ACTION 08: consider including other social media information where possible

FG highlighted that point 9 – stakeholders, could include beneficiaries which HP advised she would take forward. FG moved onto N+3, would be good if letters gave regular updates on where we are at with progress towards N+3 which HP added she felt was a great idea as it can certainly do no harm.

TG noted the section on Stakeholders needs to reflect local regional partners, adding that Enterprise and Skills are very much moving to this also.

HP asked members if they are happy to endorse the changes, taking forward changes being included. Members endorsed the changes.

Item 07: Update on Evaluation and Monitoring

HP advised members have received a paper summarising the need to review and revise the current monitoring and evaluation strategy following creation of the Programme Monitoring Committee. This was highlighted to members during the meeting in June, the meeting is broadly the same with the addition of para 13 – work to update the strategy is currently on-going, with the aim to circulate the updated strategy to all members through written procedure by the end of 2019. Therefore, all members were asked to look out for this in the coming months.

ST asked if this will be endorsed by PMC before going to Lead Partners. RG confirmed PMC members will endorse this by written procedure prior to going to Lead Partners.

Item 08: Update on Post-EU Exit Funding

HP advised this paper has been superseded by recent updates. The situation is very much fluid at present the moment but the consultation into Future Funding is now live. The closing date for responses is 12 February 2020. Members are encouraged to share the link with stakeholders and participate in the consultation exercise. There will be events to promote the consultation, the timetable for this is still being finalised but details will be circulated in due course.

Item 08a+b: Update on EAFRD and EMFF

HP advised the last two papers are written papers from colleagues in EAFRD and EMFF. We would not be in a position to answer any details questions but if any members have questions they would be referred to relevant colleagues. No members had questions or comments.

Item 09: AOCB

HP advised no issues have been raised in advance of the meeting and asked members if there was any other business for discussion. No members had any points to raise.

Item 10: Date of next meeting

HP advised unless the need for an ad-hoc meeting is required the next meeting of PMC will be in May 2020, we will liaise with members to identify a date.

KM stated that as he mentioned at the meeting in June, he feels the frequency of the meetings are too far apart. HP advised that we will consider this suggestion.

Jl added that as audit are independent they don't routinely come to meetings but happy for either herself or one of her team to attend if members feel it is helpful.

ST asked for minutes of the meeting to be circulated as soon as possible as it will help with conversations surrounding suspension.

FG noted on the back of the difficulties with dial-in facilities during today's meeting, would it be helpful to rotate locations to allow colleagues to attend in person. HP advised we would look into VC facilities for future meetings and thanked members for their attendance and participation in the meeting.

ACTION 09: consider rotation of location of meetings

Action Log

Action	Description	Owner	Status
01	Circulate letter regarding ESF Suspension to all PMC members	MA	Completed
02	Re-circulate minutes from June 2019 meeting, including action log	MA	Ongoing
03	Include information across all years of programme, forecasting future budget commitments and spend to date and to provide detail around track trends in future PMC papers.	MA	Ongoing
04	Paper 8 to be updated to reflect members comments & recirculated.	MA	Ongoing
05	Performance paper to be revised to expand upon financial detail and targets for future meetings.	MA	Ongoing
06	Risk register to be revised to reflect additional risks around ESF suspension, N+3 targets and financial implications of not meeting targets.	MA	Ongoing
07	Include version tracker at top of Communications Strategy document	MA	Completed
08	Consider including other social media information, where possible, in future communications.	MA	Ongoing
09	Consider rotation of location for future meetings	MA	Ongoing