

**MINUTES OF JPMC MEETING IN ST ANDREW HOUSE, EDINBURGH
WEDNESDAY 14 NOVEMBER 2018**

In attendance:

David Anderson	Scottish Government (chair)
Cathy Cacace	Scottish Government
Kenneth Robertson	Scottish Government
Patrick Douglas	Scottish Government
Kirsten Beddows	Scottish Government
Eleanor Kay (sub)	Scottish Land and Estates
Christine Mulligan (sub)	Skills Development Scotland (SDS)
Gavin Bruce (sub)	Scottish Funding Council (SFC)
Carroll Buxton	Highlands and Islands Enterprise (HIE)
Grahame Smith	Scottish Trades Union Congress
Anna Fowlie	Scottish Council for Voluntary Organisations (SCVO)
Sharon Thomson	Scottish Local Authorities Economic Development (SLAED)
Vicki Swales	Scottish Environment LINK
Stuart Black	Highland Council
Francesca Giannini (sub)	Scottish Enterprise (SE)
Fiona Grossman	European Commission DG Agri
Kris Magnus	European Commission DG Regio
Evert Veltkamp	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
Damian Yeates	Skills Development Scotland
Iain Scott	Scottish Enterprise
Martin Smith	Scottish Funding Council
Liz Cameron	Scottish Chambers
Neil Ritch	Big Lottery Fund
Mark Bevan	Scottish Council for Development and Industry
Sarah Jane Laing	Scottish Land and Estates
Scott Walker	National Farmers' Union, Scotland
Graham Black	Marine Scotland
Alastair Mitchell	Scottish Government
Elinor Mitchell	Scottish Government
Ian Davidson	Scottish Government
Thomas Glen	Society of Local Authority Chief Executives and Senior Managers

Item 01: Welcome and introduction

As Chair, DA welcomed members to the meeting.

AGENDA ITEMS FOR DISCUSSION

Item 02: Minutes and Action Log from Meeting on 30 May 2018

The minutes were accepted. All actions closed or addressed through agenda items.

Action 1: KR notes that it has not been possible to progress due to the uncertainty over the final EU exit deal. DA adds that the latest advice from HM Treasury is that TA is not included in the guarantee from the UK Government in the event of no deal.
Action 2: KR confirms that the Systems Manager is now in place, stakeholder engagement is ongoing and the team is considering future support sessions. In the meantime lead partners should contact the EUMIS inbox for assistance.

Item 03: Performance against Partnership Agreement

a. ESF and ERDF Operational Programmes

CC outlined the key points from Section 1, including the tables from 1a and 1b that demonstrates commitment of funds. CC noted that they show a low rate of claims, particularly in the H&I. CB notes that HIE is hoping to submit substantial claims by the end of 2018. CM added that SDS are in a similar position, and that the figures in the document do not include pending claims. F Giannini noted that SE have claims that they are waiting to submit once existing claims are approved.

DA asked committee members whether it is fair to say that lead partners are experiencing difficulties processing their first claim. CM agreed, and added that SDS are in a steady routine of claim submission in one SI, but in another they are facing difficulties submitting due to verification of participant eligibility and evidence from third parties. DA noted that ESFSAD is working towards increasing commonality of understanding and consistency of the process, which on-the-spot checks should help with.

CC outlined Section 2 and asked for comments from committee members. Regarding expectations of ESFSAD meeting the performance framework and milestones, DA noted that a number of milestones will not be met and some movement between priorities might be required, though none of the performance reserve itself should be lost. F Giannini and CM had a discussion about SE and SDS delivering Challenge Fund operations soon, and agreed to take advice from other lead partners on paperwork. With regard to Priority 3, CM noted that SDS have committed the SI but not operations, though these should be committed in the next few weeks.

DA noted final decommitment will be quantified following December payment request to EC. CC reported that the figures at Annex E reflect the position at 30 September, and at 5 November projected decommitment had fallen to €74m based on paid claims and €47m based on submitted claims. DA also noted the MA and Lead

Partners are aware of the need to submit claims in order to reduce scale of decommitment.

CM noted that with regards to the National Third Sector Fund, SDS continues to pay claims under Phase 1 but they have undergone challenges with evidence requirements and are working closely with the Managing Authority to address this; Phase 1 has been extended to July 2019 which means the lack of progress on Phase 2 is less concerning. AF asked the reason for delaying the start of Phase 2; CM replied that delivering Phases 1 and 2 at the same time would risk duplication of activity.

CC noted that ESFSAD is working through the Early Preventative System Audit (EPSA) report before going back to Lead Partners. DA wished to formally record his thanks to Lead Partners for assisting with the audit report at short notice.

DA noted that although the guarantee from HM Treasury means there is less urgency to commit during Phase 2, ESFSAD is still aiming to commit with pace.

CC noted that there is ongoing work to make the compliance process simpler for all parties. DA expanded on that by explaining the phased approach of Article 125 visits which seek to check that LPs have the correct systems in place. This is followed by verification and Stage 2 on-the-spot checks as prescribed by Regulations, the latter of which will increase in frequency in 2019 and occur when performance milestones have been met. AF asked KM whether the level of compliance in Scotland is the same as other countries, and whether we could learn from other countries' experiences. KM replied that the responsibilities lie with Member States, and EC suggest general principles so Member States' situations are comparable though never the same. KM noted that he has witnessed similar discussions around verification problems in Austria and the Netherlands and improvements need to be agreed with the Audit Authority (AA).

DA noted that the Management Control System was tested by an independent audit body against regulations and then passed a system audit by the AA to check it was still fit for purpose; the currently reported errors from audits of paid claims is around 1%, which is similar to other countries. F Giannini asked KM if Scotland is lagging behind other countries on time leading to decommitment. KM replied that it is not so regular at the beginning of the programme period to undergo decommitment like that of Scotland.

b. EAFRD Programme

KB updated members on the performance of the Scottish Rural Development Programme (SRDP). KB noted that the SRDP is committed and spending well, though this means there is less money from the remainder of the programme which is compounded by tightening Scottish Government budgets. Levels of activity vary across schemes: the new entrant scheme is fully committed and now closed, while the broadband project has not been as active as hoped and LEADER projects took longer to begin than planned. KB has shared the HM Treasury guarantee with stakeholders to alleviate uncertainty over Brexit, but she urged that more clarity is needed because SRDP cuts across the Common Agricultural Policy (CAP) and

ESIF. F Grossman added that SRDP is performing well and its execution rate (46.6%) is above the EU average of 32.5%.

VS noted that concern is high among RDOC members and stakeholders about what happens at the end of the programme; uncertainty is a given due to cycles of EU funding but Brexit complicates matters. She said that there is an urgent need for clarity on what will replace CAP. She also noted that monitoring for the agri-environment scheme occurs too late in the process which results in a lack of information on its outcomes. KB noted VS's remarks and acknowledged that the monitoring was getting underway later than previously expected, however, it should still be useful to inform future decisions.

c. EMFF Programme

The update paper was noted.

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

DA introduced the risk register, noting the top risks of expenditure, claims and performance. DA referred to ESFSAD's increased rate of meetings with LPs to resolve issues around claims processing and delivery, and that the Division's commitment to the process of learning and trying new ideas should extend to the committee too. F Giannini emphasised that the committee should remain strategic in outlook, while acknowledging the importance of discussing technical details. In a discussion on how to speed up the claims process, F Giannini noted that submitting more than one claim at a time can lead to complications so SE prefers to submit one at a time.

DA noted that ESFSAD is held to a high standard of compliance and evidence by the AA. DA added that there is an expectation of simplification with the Shared Prosperity Fund (SPF) but any future funding would still require strict regulations and audits. GB asked if it would be beneficial for LPs to engage directly with the AA so that they hear about their experience from a first-hand account. DA replied that issues are discussed during meetings between the AA & MA but is happy to see if there's a way to bring in the LP.

ACTION 01: ESF and ERDF MA: To examine strengthening engagement between Lead Partners and Audit Authority

GB and CM both expressed that in some cases in the claims process it appears the MA is interpreting the rules in a way that goes beyond EU regulations. DA replied that ESFSAD is committed to discussing interpretation of the regulations with the EC to bring about consistency of application. In a discussion around MAAP meetings to increase the pace, DA confirmed that these are happening ad-hoc in order to process applications quickly.

Item 05: Update on programmes

a. YEITC

The update paper was noted.

b. HITC

SB expressed that HITC members would like to be involved in setting the agenda for the meeting, which DA noted.

ITEMS FOR INFORMATION

Item 06: Update on ESF and ERDF Communications Strategy

PD outlined the update on communications, including increased social media figures, details of the next annual event and a commitment to strengthen the dialogue with Lead Partners.

Item 07: Update on Post-EU Exit Funding and Programmes

DA outlined that discussions are ongoing with the UK government, and there is an ambition of simplification for future funding arrangements. There are various scenarios depending on the manner of the UK's exit from the EU, including managing three different compliance systems simultaneously. GB asked whether the UK government consultation will be published by the end of 2018, which DA confirmed is the expectation.

Item 08: AOCB

None.

Item 09: Date of next meeting

The next meeting will take place on Wednesday 12 June 2019, Atlantic Quay, Glasgow.

ACTION POINTS FROM JPMC MEETING ON 14 NOVEMBER 2018

	Action	Owner	Completed
1	To examine strengthening engagement between Lead Partners and Audit Authority	ESF and ERDF MA	