

# Lowland and Uplands Scotland

## European Regional Development Fund 2007-2013 Programme:

CCI:2007UK162PO001

## 2014 Annual Implementation Report



**EUROPE & SCOTLAND**

European Regional Development Fund  
Investing in your Future



**The Scottish Government**  
Riaghaltas na h-Alba

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# 1. IDENTIFICATION

## 1.1 Criteria

<b>OPERATIONAL PROGRAMME</b>	<b>Objective Concerned:</b> Competitiveness
	<b>Eligible Area Concerned:</b> Lowlands and Uplands Scotland
	<b>Programming period:</b> 2007-2013
	<b>Programme Number:</b> CCI:2007UK162PO001
	<b>Programme Title</b> Lowlands and Uplands Scotland: European Regional Development Fund Programme 2014-2020
<b>ANNUAL IMPLEMENTATION REPORT</b>	<b>Reporting Year:</b> 2014
	<b>Date of Approval of the Annual Implementation Report by the Monitoring Committee:</b> 24 June 2015

## 1.2 Ministerial Foreword

### **DRAFT – AWAITING MINISTERIAL APPROVAL**

This Annual Implementation Report presents the activities for the Lowland and Upland Scotland European Regional Development Fund Programme in 2014.

During 2014 Scotland's economy experienced positive growth accompanied by a sustained improvement in the labour market, indicating that recovery was indeed starting to have an impact; there have also been encouraging signs that business confidence is improving.

The Economic Recovery Plan continues to play an important role in this, seeking to front-load spending to help build recovery by supporting activities that will improve the long term competitiveness of the economy. This meant that by the end of 2014, this ERDF Programme was fully committed. Indeed, our positive approach to the use of the funds and willingness to over-programme augurs well for high levels of outturn against commitments and stakeholders ability to achieve desired outcomes.

A total 240 ERDF projects have been funded to date in the Programme area. ERDF continues to make a particularly important contribution at a time when infrastructure spend and access to credit for SMEs are under pressure. During the course of this Programme, investments have been made in the knowledge and design sectors, further and higher education establishments, and enterprise and growth sectors.

Thirty new projects received assistance during the year. Reflecting the economic situation, these predominantly provided additional support to SMEs through various Business Gateway projects.

By the end of 2014, the N+2 expenditure target for the Programme was met, confirming expectations now that final targets will also be met.

During the course of 2014, considerable effort has been invested in the development of the new 2014 – 2020 European Structural and Investment Fund Programmes. The three EU2020 objectives of smart, sustainable and inclusive growth are closely aligned with the Scottish Government Economic Strategy, including a tighter focus on building the low carbon economy, on R&D and innovation in all areas and sectors of Scotland, and on investing in our human capital through employability and skills initiatives, the Scottish Government and stakeholders developed ideas around how to encourage greater synergies between the structural, rural development and fisheries funds and the wider European funding landscape.

I was particularly pleased to welcome the Commission's approval of the ERDF and ESF Operational Programmes for Scotland for 2014-2020 and I look forward to working with all of you on these, building on the success of the 2007-2013 Programmes and making the most of these funds in future in Scotland.

**Keith Brown**  
**Cabinet Secretary for Infrastructure, Investment and Cities**



## 2. OVERVIEW OF IMPLEMENTATION

### 2.1 Achievement and analysis of Programme progress

This section examines the progress made during the year in implementing the Lowlands and Uplands of Scotland ERDF Operational Programme. It has been reviewed from a range of different financial and physical perspectives and the data has been extracted from the EUROSYS online application and claims system. The financial tables in Section 2.1.2 highlight expenditure paid out by the project beneficiaries and included in payment claims sent to the Managing Authority. The remainder of this section highlights the physical information of the Operational Programme.

#### 2.1.1 Information on the physical progress of the Operational Programme

The physical progress against the indicators and targets contained within the Operational Programme are detailed within Chapter 3. The table below details progress against each of the 4 Priorities to the end of 2013, from commitments made under Rounds 1 – 10, inclusive. This includes the Operational Programme target, the forecast targets from committed projects and the actual achievements to date.

Indicator Name	Type	Target	Forecast	% Target Met by Forecast	Actual	% Target Met by Actual
Number of enterprises supported.	Output	3,900	46248	1185.85%	15867	406.846
Number of new products and services developed by supported enterprises and research centres.	Result	1,800	2209	122.72%	1968	109.333
Increase in turnover in supported enterprises (£m).	Result	290	1745	601.72%	2532	873.103
Number of research networks and collaborations supported.	Output	600	2553	425.50%	3285	547.500
Number of new products and services developed by supported research networks.	Result	900	990	110.00%	674	74.889
Number of renewable energy projects supported.	Output	240	950	395.83%	685	285.417
Number of gross jobs created.	Result	25,600	53282	208.13%	30229	118.082
Number of enterprises receiving financial support.	Output	250	8002	3200.80%	8198	3279.200
Number of individuals and new enterprises receiving advice/consultancy.	Output	11,600	56738	489.12%	48711	419.922

Indicator Name	Type	Target	Forecast	% Target Met by Forecast	Actual	% Target Met by Actual
Number of new business starts resulting from support.	Result	5,500	16006	291.02%	12973	235.873
Number of enterprises receiving support for e-commerce.	Output	5,700	7644	134.11%	4848	85.053
Number of enterprises receiving support for energy-saving and resource-efficiency.	Output	5,700	3168	55.58%	2289	40.158
Number of e-commerce strategies developed.	Result	4,100	3835	93.54%	1779	43.390
Number of enterprises implementing environmental audits and energy-saving/resource-efficiency systems.	Result	4,100	2222	54.20%	1085	26.463
Number of job brokerage initiatives supported.	Output	30	134	446.67%	162	540.000
Number of ICT and e-learning facilities supported.	Output	40	97	242.50%	78	195.000
Number of childcare and other community facilities supported.	Output	30	52	173.33%	46	153.333
Number of transport hub projects supported.	Output	25	21	84.00%	9	36.000
Increase in the number of individuals gaining employment through supported job brokerage schemes.	Result	650	30721	4726.31%	25581	3935.538
Increase in the number of individuals gaining employment through supported ICT/e-learning facilities.	Result	650	2067	318.00%	1527	234.923
Increase in the number of individuals gaining employment through supported	Result	500	884	176.80%	38	7.600

Indicator Name	Type	Target	Forecast	% Target Met by Forecast	Actual	% Target Met by Actual
childcare/community facilities.						
Area of business space created or modified (m <sup>2</sup> ).	Output	9,900	253719	2562.82%	67455	681.364
Number of enterprises supported.	Result	1,100	6533	593.91%	6060	550.909
Number of social enterprises supported.	Result	350	247	70.57%	117	33.429
Number of new marketing initiatives.	Result	910	358	39.34%	386	42.418
Number of enterprises introducing new supply and production processes.	Result	910	426	46.81%	183	20.110
Number of e-learning/childcare and other community facilities supported.	Output	40	70	175.00%	8	20.000
Number of educational access projects supported.	Output	20	19	95.00%	4	20.000
Number of local transport projects supported.	Output	20	18	90.00%	2	10.000
Number of enterprises benefiting from supported facilities.	Result	900	30623	3402.56%	453	50.333
Occupancy rates of business space by the end of the Programme (%).	Result	90	52.80	58.67%	1.94	2.156



## 2.1.2 Financial information

### 2.1.2.1 Payments to Project Sponsors

Priority	Fund scope	Expenditure paid out by the beneficiaries included in payment claims sent to the Managing Authority	Corresponding Public Contribution	Private Expenditure	Expenditure paid by the body responsible for making payments to the beneficiaries	Total payments received from the Commission
• Research and Innovation	ERDF	191,551,840.32	191,551,840.32	0	71,437,092.78	56,888,793.65
• Enterprise Growth	ERDF	253,243,447.47	253,243,447.47	0	101,297,378.99	85,374,180.44
• Urban Regeneration	ERDF	176,783,908.79	176,783,908.79	0	84,856,276.22	55,984,432.09
• Rural Development	ERDF	57,241,481.71	57,241,481.71	0	22,896,592.68	16,469,508.44
• Technical Assistance	ERDF	8,932,194.77	8,932,194.77	0	4,466,097.39	3,883,387.84
<b>Grand Total</b>		<b>687,752,873.05</b>	<b>687,752,873.05</b>	<b>0</b>	<b>284,953,438.06</b>	<b>218,600,302.46<sup>1</sup></b>

Figures above are in Euros (€).

<sup>1</sup> Still awaiting payment of Payment Request 8 (see table below)

### 2.1.2.2 Payment Received from European Commission

The table below shows the payments requested and received<sup>2</sup> under the Lowlands and Uplands (LUPS) ERDF 2007 – 2013 Programme. The LUPS ERDF N+2 target was met by the end of 2014.

LUPS ERDF CCI:2007UK162PO001		Taken from EC Declarations			Taken from EC Receipts				
Payment Request No	Date	Expenditure Declared	Cumulative Expenditure	EC Declaration Community Support Requested	Community Support Received	Date Received	Sterling Received	Cumulative Sterling Received	Exchange Rate
2% Advance	02/11/2007	N/A	N/A	N/A	€ 7,519,156.88	02/11/2007	£5,239,348.51	£5,239,348.51	0.6968
3% Advance	14/05/2008	N/A	N/A	N/A	€ 11,278,735.32	14/05/2008	£8,971,106.07	£14,210,454.58	0.7954
2.5% Advance	24/04/2009	N/A	N/A	N/A	€ 9,398,946.10	24/04/2009	£8,327,466.24	£22,537,920.82	0.8860
1	09/09/2009	€ 1,697,245.70	€ 1,697,245.70	€ 848,622.76	€ 848,622.76	17/02/2010	£739,659.60	£23,277,580.42	0.8716
2	22/12/2009	€ 61,999,510.21	€ 63,696,755.91	€ 25,265,256.17	€ 25,265,256.17	17/02/2010	£22,021,197.28	£45,298,777.70	0.8716
3	22/11/2010	€ 72,515,722.81	€ 136,212,478.72	€ 27,887,941.27	€ 27,887,941.27	03/05/2011	£24,954,548.34	£70,253,326.04	0.8948
4	28/11/2011	€ 133,478,681.69	€ 269,691,160.41	€ 55,633,954.16	€ 55,633,954.16	08/12/2011	£47,267,219.55	£117,520,545.59	0.8496
5	20/12/2012	€ 119,083,280.92	€ 388,774,441.33	€ 48,757,352.85	€ 48,757,352.85	20/09/2013	£41,025,412.01	£158,545,957.60	0.8414
<b>Rejected 6</b>	<b>23/12/2013</b>	<b>€ 145,975,809.11</b>	<b>€ 534,750,250.44</b>	<b>€ 61,517,592.26</b>					
Part payment 7	22/10/2014	€ 142,777,735.63	€ 531,552,176.96	€ 60,207,174.54	€ 1,710,597.16	03/12/2014	£1,349,756.96	£159,895,714.56	0.7891
7	22/10/2014	€ 142,777,735.63	€ 531,552,176.96	€ 58,496,577.38	€ 58,496,577.38	30/12/2014	£45,678,339.37	£205,574,053.93	0.7809
8	23/12/2014	€ 156,200,696.09	€ 687,752,873.05	€ 66,353,135.45					
Cumulative Community Support received				€ 284,953,437.20	€ 218,600,301.75				

Payment Request 6 rejected at the Commission's request to take account of the agreed self-correction figure during 2014.

<sup>2</sup> Payments requested and received differ in the two tables as a result of rounding.

### **2.1.3 Breakdown of use of the funds**

All projects are required to submit applications through the EUROSYS online application system to enable the appropriate information required under the Council Regulation (EC) No. 1083/2006 Article 37(d). The categories of assistance have been compiled by all applicants receiving Structural Fund assistance.

A breakdown of assistance by the various Lisbon Codes can be found in Annex A.

### **2.1.4 Assistance by target groups**

The 2007 - 2013 Operational Programme identified a range of groups of individuals, economic sectors and geographically targeted areas in the LUPS Programme area which would be prioritised for ERDF support over the life of the Programme. To date, there has been a range of ERDF funded activity targeted as follows:

#### **Programme Target Groups**

- Disadvantaged urban communities (e.g. Priority 2 entrepreneurship support; Priority 3 employability pathways);
- Women (Priority 2 enterprise support, loan funds and job brokerage schemes);
- Ethnic minorities (Priority 2 enterprise support, loan funds and job brokerage schemes, supported ICT facilities)
- SMEs (All Priorities)

#### **Sectors**

- Research and innovation (Priority 1)
- Low carbon economy, including climate change (Priorities 1, 2, 3 and 4)
- Renewable energy (Priorities 1, 2, 3 and 4)
- Sustainable public transport (Priorities 3 and 4)
- Creative Industries (Priorities 3 and 4)
- Food and Drink (Priority 1)

#### **Areas**

Geographical targeting through eligible areas:

- Priority 3 (urban regeneration)
- Priority 4 (rural development)

### **2.1.5 Assistance repaid or re-used**

As at 31 December 2014, a cumulative total of 16 projects in the Lowlands and Uplands ERDF Programme had been de-committed by the Managing Authority for compliance reasons, withdrawn by the sponsor or the sponsor had declined the offer of grant following the issue of an approval letter. By 31 December 2014, final claims had been processed on projects resulting in £1.2m of unused expenditure (or 0.06%) had been under-claimed against approved ERDF grant awards. All money from project de-commitments, withdrawals or underspends is recycled by the Managing Authority to fund new activity.

### **2.1.6 Quantitative Analysis**

#### **2.1.6.1 Horizontal Themes**

Horizontal themes underpin the projects which are funded by the Operational Programmes. A key measure in ensuring that good practice is embedded within the programme, horizontal themes must be an integral part throughout the life cycle of a project. The three themes- environmental sustainability, equal opportunities and social inclusion- are present throughout the entire process, from development through delivery and monitoring and evaluation. To this end,

on the spot visits monitor the progress of the projects to ensure that the horizontal themes are being instituted as core values within the projects. Visiting team members ask to see clear examples and evidence of how the project management have considered and implemented the values of the three themes. Project management is also responsible for ensuring that partners and sub-contractors involved in the project also follow the same policy.

The purpose of this summary is twofold: firstly it will describe the ways in which these projects contributed to horizontal themes and, secondly, discuss our preparation for the programme. First of all, however, the report will describe the horizontal themes and their purpose.

### **2.1.6.2 Social Inclusion**

The Scottish Government is committed to provide the opportunities and the incentives for all to contribute to Scotland's sustainable economic growth. Reducing inequalities in income and opportunity is critical to achieving the Scottish Government's aim of making Scotland a better, fairer place for everyone, no matter where they live. Despite progress in a number of areas, substantial differences in life chances, quality of life and social inclusion are evident.

By reconnecting large numbers of people in disadvantaged groups and communities to the mainstream economy, and encouraging work that pays fairly, we help more people in Scotland to fulfil their potential; increase economic growth and participation in our labour market and create greater social equality across Scotland. This improves the capacity of individuals and their families to lift themselves out of poverty.

#### *Welfare Reform*

The UK Government has introduced the Welfare Reform Act 2012 which will see significant changes to the welfare system and will impact on people and policies in Scotland. Although Welfare Reform is a matter wholly reserved to the UK Parliament, the reforms will impact upon people and services across Scotland. This is why we are committed to working with our partners and stakeholders to better understand and, where possible, mitigate the worst effects. We are working in partnership with local authorities, third sector, health service and the housing community in a collaborative effort to support people in the transition to the new benefits regime and to do what we can to mitigate as many adverse consequences as possible.

#### **Whitlawburn Community Energy - West Whitlawburn Housing Co-operative - LUPS/ERDF/2010/4/3/0111**

West Whitlawburn Housing Co-operative (WWHC) is developing a community energy project, Whitlawburn Community Energy, supplying affordable heat and hot water to social housing in the Whitlawburn area of Cambuslang, South Lanarkshire. In addition to the environmental benefits of the project, it is tackling the levels of fuel poverty in the community. In the most recent Scottish Neighbourhood Statistics (2009) analysis, 47.4% of residents in Whitlawburn were considered income deprived compared to a national rate of 15.6%. The objective was to reduce fuel bills for tenants and evidence to date indicates there has been around a 30% reduction in bills.

#### **Shawfield - Dalmarnock 'Smart Bridge' - Clyde Gateway URC - LUPS/ERDF/2010/4/3/0148**

The Shawfield - Dalmarnock 'Smart Bridge' links Clyde Gateways' priority employment areas - South Dalmarnock, the location of the Dalmarnock Transport Hub, and the National Business District at Shawfield. The key outcome will be a new infrastructure asset that links areas of opportunity with those of need, including two areas with the potential to accommodate over 15,000 jobs.

This is essential in the area as at the start of the project, the unemployment rate in Dalmarnock was 8.4%, which was 2% above the Glasgow average and double the Scottish rate. The Smart Bridge aims to link local people with the employment opportunities created by other regeneration

activity, including the National Business District – Shawfield (LUPS/ERDF/2012/6/3/0027) and Rutherglen Low Carbon Zone (LUPS/ERDF/2013/7/3/0011) ERDF projects.

### **Lups/ERDF/2014/10/3/0001: The Prince’s Trust – Youth Enterprise-Employment Hub**

This capital project will create a flag-ship, mixed use space to deliver high quality Employability and Enterprise training support for young people and young businesses. The Trust aims to increase its annual reach to 11,000 young people across Scotland and over 6,600 in the Clyde Valley by 2015/16 and help 3 out of 4 of those young people to move into education or training, into employment or to start their own business.

Supporting disadvantaged and excluded young people to access the support they need to get into education and employment is the Trust’s core business. By developing a new Centre in Glasgow, they will be able to significantly increase their outreach across Glasgow and the wider Clyde Valley area – where levels of multiple deprivation, worklessness and social exclusion are consistently above national average. Given their background and levels of social exclusion, the majority of young people that the Trust supports typically start one of their programmes with low confidence in their ability to succeed and a lack of awareness of the opportunities available to them.

This new Youth Employment & Enterprise Hub will create a level playing field for this disadvantaged group of young people, breaking down barriers, fostering ambitions for the future, raising awareness of the range of support services available to them and supporting them to transition into positive outcomes. By providing young people access to high quality training and tailored wrap around support, the Trust will ensure at least 75% of the young people they support, move into a positive destination in education, training, employment or self-employment. By providing those hardest to reach young people with access to this complete support package, will aim to significantly reduce inequalities between the least advantaged communities and the rest of society across the Clyde Valley region.

#### **2.1.6.3 Equal Opportunities**

##### *Equality and the Budget*

In October 2014, the Scottish Government published the sixth annual Equality Statement alongside the Scottish Draft Budget 2015-2016. It provides an equality context for the budget and outlines the evaluation of the equality impacts of proposed spending plans.

The Equality Budget Statement evaluates the impacts across **each portfolio, identifying particular areas for focus or concern to report on in 2015 to ensure** that progress is monitored and effectively measured.

The statement highlighted a number of key opportunities for long-term consideration and improvement:

Improved guidance and dialogue: EBS guidance continues to be refreshed and improved. In addition, this year’s EBS contains a series of short chapters covering strategic themes identified through discussions with EBAG and consistent with areas of inquiry raised by last year’s budget scrutiny:

- Devolved Taxes
- Welfare Reform
- Modern Apprenticeships
- Human Rights and the Budget

To inform the preparation of these chapters, EBAG hosted discussions with relevant policy teams and analysts to share insight about the kinds of equality consideration that might be taken into account to help create better outcomes through policy design and budget decisions.

Continuous improvement: Each portfolio has identified key areas of focus or concern to report on next year to ensure effective use of the assessments undertaken in the year. This year the EBS also reflects budget decision making in two new Cabinet portfolios: Training, Youth and Women's Employment and Commonwealth Games, Sport, Equalities and Pensioners' Rights.

Equality Evidence: The Equality Evidence Finder has continued to be updated with new evidence from the 2011 Census and other sources. New equality analysis from the census, covering a number of protected characteristics across policy areas, will be released later in October 2014 helping further to fill gaps in the equality evidence base.

### *Public Sector Equality Duty*

In December 2013, the Scottish Government published proposals to enable the better performance of the Public Sector Equality Duty, as required under the Equality Act 2010<sup>3</sup>.

The commitment by Scottish Ministers' to improve the quality of equality outcomes and the continued development of a robust and wide equalities evidence base underpins the statement, with the following themes for activity identified:

- Setting and reporting on equality outcomes;
- Practice sharing and knowledge transfer;
- Reporting on pay gaps and occupational segregation;
- Improved national and local data availability.

### *Occupational Segregation*

The Scottish Government's Occupational Segregation Cross-Directorate Working Group (reconvened April 2013), continued to meet throughout 2014 and act as the main vehicle for taking forward work to tackle gender stereotyping and occupational segregation - and to implement the relevant recommendations of the Women's Employment Summit and the Royal Society of Edinburgh's Tapping All Our Talents report.

The group is chaired by the Head of the Scottish Government's Equality Unit and has a core membership of Government officials and representatives of Close the Gap, the Scottish Resource Centre for Women in Science, Engineering and Technology, Men In Childcare and the STUC; but will invite other members as required depending on the policy areas being considered. This is likely to include officials from other areas of the Scottish Government and from delivery agencies as appropriate e.g. Scottish Enterprise, Highlands and Islands Enterprise and Skills Development Scotland.

The Group reports directly to the Strategic Group for Women and Work, chaired by the Minister for Youth Employment, which has a remit to agree:

- the range of actions and recommendations from the Women's Employment Summit;
- priorities across each commission and the timescales for action and by whom;
- content of Ministerial reports to Parliament on progress.

### **LUPS/ERDF/2009/3/1/0290 – Edinburgh Centre for Carbon Innovation**

The ECCi project aims to address the lack of provision of business support between the research community and small and medium sized enterprises (SMEs). The project's challenge is to establish an innovation supply chain to bridge the gap, with specific focus on

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<sup>3</sup> <http://www.scotland.gov.uk/Resource0044/00440901.pdf>

knowledge and innovation in carbon accounting, foot printing and monitoring in the built environment, transport and infrastructure sectors, product and services.

The equal opportunities actions were set to take account of the lack of female and young entrepreneurs in the low carbon sector. One focus of the project was to enhance the attractiveness to potential female entrepreneurs of a supportive innovation environment, through the development of topic clusters and networks of enterprises drawing on their experiences. The project has become involved with some groups of female entrepreneurs e.g. WiRE (Women in Rural Enterprise) and the Women into Science Engineering and Technology (WiSET).

#### **LUPS/ERDF/2013/9/2/0046 – Business Gateway Plus – Dumfries & Galloway Council**

The project has been developed to complement, provide additionality and add scope to the Business Gateway (BG) services across Dumfries and Galloway (D&G). The project has been developed to address delivery gaps identified in the BG National Evaluation 2011 and the D&G regional evaluation of BG (Sept 2011). This project addresses identified market failure and assist a wider range of companies to access support and guidance that is in addition to the existing BG core contract. This project will not duplicate the current mainstream BG delivery, but will enhance and provide more specialist expertise accessibility in the identified areas of market failure and gaps in provision.

Within the project D & G Council have targeted young people and set up The Young Entrepreneur Project which provides free and confidential advice on business start-up to young people between 18 and 30 with a business idea. They have a dedicated Young Entrepreneur Co-ordinator who targets young people working with the Council's Employability and Skills Team/schools/colleges/universities. There's a wide package of support available; including assistance with planning and writing a business plan. There's also access to grant funding for market research into the viability of their business idea. Separate publicity and events have been developed to target this audience.

#### **2.1.6.4 Environment Sustainability**

The goal of sustainable development is to enable all people throughout the world to satisfy their basic needs and enjoy a better quality of life without compromising the quality of life of future generations.

The Scottish Government has as its overall purpose to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

For Scotland we are delivering this through our work supporting Scotland's transformation to a low carbon economy.

The threat that climate change poses to the people of Scotland, our quality of life and our environment is clear. For this reason, we will continue to support international efforts to prevent the very real economic and social impacts of climate change on present and future generations, and on the biodiversity within our environment. It is imperative that we act both locally and globally to reduce damaging greenhouse gas emissions by moving to a low carbon economy.

A low carbon Scotland will capitalise on both our natural resources and the talents and skills of our people. It will make better use of our precious natural resources both at home and abroad, reduce our dependence on fossil fuels and provide us with greater resilience to volatile energy and commodity prices.

A low carbon Scotland will reduce the amount of energy people need to use in their homes, schools, workplaces, and public buildings and, in doing so, help to reduce levels of fuel poverty. It will improve our public spaces and improve public health by reducing traffic pollution, increasing active travel and increasing woodland cover, particularly in and around urban areas. Tree planting, peatland restoration and increasingly sustainable land use will also benefit our biodiversity.

Simply put, a low carbon Scotland is a better Scotland and an investment in the future. The Scottish Government has made the transition to a low carbon economy a strategic priority in our Government Economic Strategy.

2014 has focused upon implementing a number of changes brought about in the previous year. The Low Carbon Scotland Behaviours Framework 4, published on 4 March 2013, lays out what the Scottish Government will do to drive and support the move to low carbon living in the lead-up to the first key climate change target in 2020.

Supporting the Framework, Influencing Behaviours – Moving Beyond the Individual: A user guide to the ISM tool<sup>5</sup> was published on 5 June 2013. Using the latest social science research the new ISM (Individual, Social and Material) tool was developed as a practical tool for policy makers and others to understand influencing people's behaviours.

A number of workshops using the ISM tool are taking place over the summer and we will provide a web update in the autumn, highlighting the progress that we are making.

The Low Carbon Behaviours – Key Data for Scotland<sup>6</sup> report, published on 4th October 2013, provides trend data, where available, for the Scottish Government's 10 Key Climate Change Behaviours areas. The key areas span home energy, personal transport, food and consumption.

The ISM (Individual, Social and Material) Tool Progress Report<sup>7</sup>, published on 30th October 2013, is a short report highlighting progress to date in disseminating and using the ISM tool within the Scottish Government and its agencies, as well as other environmental organisations. It provides an update on the workshops that have taken place to date and those that are planned for the future to improve the behavioural aspects of RPP2 policies, spanning transport, housing, waste and farming.

Whilst all ERDF projects are assessed for their contribution towards environmental sustainability, the increasing focus on renewables and low carbon in Scotland has led to an increase in the number of specific projects coming forward. Below are specific project examples:

#### **Lups/ERDF/2010/4/2/0090: Crichton Carbon Centre – ESPI: Environmentally Sustainable Process Improvement**

This 3 year project involves a programme of activity to develop capacity for sustainable growth in the SME community. Its main objective is to enable SMEs to renew, review or redevelop their supply and production processes in new ways by taking account of the life cycle of goods and services from raw material to end of life. The project works with SMEs to review their business operations, identifying opportunities for implementing or improving sustainable business practices.

The project aims to support 90 enterprises during the lifetime of the project. The outcomes from the programme will demonstrate that environmental stewardship can be used to strengthen

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<sup>4</sup> <http://www.scotland.gov.uk/Publications/2013/03/8172>

<sup>5</sup> <http://www.scotland.gov.uk/Publications/2013/06/8511>

<sup>6</sup> <http://www.scotland.gov.uk/Publications/2013/10/3267>

<sup>7</sup> <http://www.scotland.gov.uk/Topics/Environment/climatechange/scotlands-action/lowcarbon/lowcarbonbehaviours/ismprogressreport>



regional businesses, improve their competitiveness and contribute to economic regeneration in a consistent and sustainable way.

### **Industrial EcoParks LUPS/ERDF/2008/1/2/0204**

Assistance to SMEs for the promotion of environmentally-friendly products and production processes. Offered SMEs the opportunity to eliminate or reduce water, energy & waste costs on an individual basis. Investigated opportunities for symbiosis, where the wastes or outputs from one SME can be used by a neighbouring SME. Sophisticated approach which considered solid wastes, effluent, waste heat, carbon footprint & transport as opportunities for symbiosis or industrial ecology. The project provided entrepreneurship support which took account of these market drivers. Helped SMEs to identify green markets locally & globally and develop innovative products & services. Uniquely the project also offered a specialist monitoring, measurement & data analysis service. This practical support added value to both the resource efficiency & entrepreneurship elements & includes wastewater, carbon foot printing, composting, soil testing, CAT scanning, data modelling & novel methods of visualising environmental problems. Provided help in developing, maintaining & sustaining dynamic, innovative & competitive SMEs. The project was an innovative response to increasing EU policy pressures to deliver sustainable development. It provided sustainable development support, integrated across all media (air, water, including renewable energy etc). The project supported 120 enterprises for energy saving and resource efficiency.

#### **2.1.6.5 Innovative actions**

The Scottish Government is committed to creating a dynamic infrastructure for research and innovation – this will enable Scotland to compete in those industries set to drive the global economy in the years ahead, such as low carbon, life sciences and digital. To achieve this, the Government Economic Strategy has identified fostering a culture of innovation and research and development as a key theme.

One ERDF project which exemplifies this theme is the Strathclyde University project the Technology and Innovation Centre (TIC). TIC is an inspirational new building in Glasgow city centre and part of the large scale collaborative International Technology and Renewable Energy Zone (ITREZ). It brings together University and industry research and commercialisation activities, thereby bridging gaps between research, technology and commercialisation. As a result, industry will be better able to exploit new technologies for economic benefit.

The building has been designed with Low Carbon principles to the fore in an area very well served by public transport which is also a priority area for economic regeneration at national planning level. TIC has purpose-designed space which the University and partners use to create a dynamic environment in which large-scale industry demand-led collaborative RTD programmes, University research facilities, associated staff and postgraduate research students, SME engagement and company creation activities can be co-managed. TIC's key drivers will be benefits for industry partners, the local, regional national and European economies.

The new Technology & Innovation Centre opens doors to new areas of research, innovation and technology development, all aimed towards creating new possibilities, new levels of dynamic collaborations and productive outcomes. TIC will assist to solutions to challenges in the low carbon economy, including:

- low cost, greener power and energy
- renewable technologies
- photonics and sensors
- advanced engineering

- pharmaceutical manufacturing
- nanoscience

The new centre will accelerate the way in which researchers in academia and industry collaborate and innovate together, within a new specifically designed state-of-the-art building in the heart of Glasgow. The teams will include researchers, engineers and project managers from academia and industry, who will work side-by-side on projects spanning future cities, manufacturing, health and energy.

#### 2.1.6.6 Transnational Activity

### SCOTLAND'S SMART, SUSTAINABLE AND INCLUSIVE CITIES

The desire for establishing and maintaining sustainable environments in Scotland's cities and urban areas is recognised through the investments made under the 2007-13 European Structural Fund programmes.

Although there has not been the scope for supporting transnational activities within our regional programmes, Scotland's local authorities and urban development partners have sought numerous opportunities to complement ERDF and ESF funded projects through actions supported under other EU funding programmes.

Their participation in these projects has brought not only additional financial contributions to local and regional urban strategies, but also provided a richer resource from collaborative working and knowledge sharing with others across Europe to achieve their wider goals and ambitions. These experiences have afforded Scottish urban partnerships additional opportunities for cross policy working, and collaborate with organisations across the public, private, academic and societal spectrum for greater coordination of efforts and increased impact.

The wealth of collaborative experience and knowledge gained by Scottish stakeholders through complementary transnational collaborative efforts are demonstrated through the following project examples:

- Edinburgh City Council worked with 19 European Cities on the CASCADE project under the Competitiveness and Innovation Programme to allow networking and peer-to-peer learning on local energy leadership and develop sustainable energy action plans in support of delivering Europe 2020 targets for energy and climate change.
- Aberdeen City Council and MUSIC project partners from the INTERREG North West Europe programme area collaborated to develop new techniques and measures to improve mainstream techniques in urban policy on CO2 reduction transition through shared innovative thinking about future urban planning methods and challenges. In addition, the Council also worked with different partnerships through SURF under the North Sea programme to exchange information and develop a common approach towards the sustainability of urban fringe area, and on the INTERREG IVC project CCIC to improve regional innovation policies by enhancing innovation in public sector,
- The STEP-UP FP7 Cooperation Energy project enabled Glasgow City Council to partner with cities from Belgium, Latvia and Sweden and share existing experience of integrated energy planning, to then build on this through learning and adapting experience from other cities and partners to create a coherent and easy-to-use model for energy planning
- The Low Energy Retrofit for Multi-occupancy Urban Housing action, led by Changeworks under the Competitiveness and Innovation Programme and in collaboration with partners from Austria, has aimed to overcome the current limitations surrounding energy performance and multi-ownership in multi-occupancy housing (e.g. tenements, blocks of flats) to implement pilot projects and provide a technical and engagement toolkit for use across EU member states.

- The main objective of the Leonardo Integrated Action Programme in Lifelong Learning SATURN project, led by the Edinburgh World Heritage Trust, was the development of standards of vocational training in integrated urban regeneration and develop of a set of specialised manuals covering conservation-led urban regeneration, modern GIS applications in urban regeneration and education in the area of urban revitalisation.
- The Senior Citizenship project under the Grundtvig Senior Volunteering Projects initiative allowed Xchange Scotland to facilitate exchange visits between volunteers in Glasgow and Germany, aimed at improving participants understanding of Global Active Citizenship and to teach the participants more about sustainable living practices, urban development and civic partnership as well as intercultural and intergenerational learning.
- The TRUST project was a large 30-partner research project under FP7 that allowed Scottish Water to work with counterparts across Europe to deliver co-produced knowledge that will enable communities to achieve a sustainable, low-carbon water future without compromising service quality
- Edinburgh Napier University has led on the FP7 Coordination Action UrbanIxd project with partners in Denmark, Hungary and Romania to establish a research community to exploit the opportunities of data-rich urban environments and make better use of ICT advances in capturing the human-centred view of people's interaction with cities and transform them into tangible benefits for Europe's citizens, industry and society.

These examples not only demonstrate synergies with the 2007-13 ESF programmes, but also resonate with the considerations being given for strategic investments for sustainable urban development under the 2014-2020 programmes. The ability to identify coordinated investment priorities across our 7 cities is supported by the creation of the Scottish Cities Alliance, and provides a platform for shared exchange of learning and knowledge from previous activities. In addition, the opportunities for dissemination of outcomes of these interventions can be explored further within future investments made by the Scottish ESIF under the themes of low carbon economy, sustainable transport, green infrastructure, research and innovation, SME competitiveness.

The 2007-13 INTERREG Programmes are supporting projects with Scottish partners that also complement the work of our regional European Structural Fund activities. These include actions to address demographic change and improvement in the health and welfare services that can bring new innovation, business, skills and employment opportunities to communities.

*NHS24 are partners in 2 projects funded by the INTERREG IVC Programme:*

- Regions and governments are faced with an unsustainable situation with increasing pressure on health and social care resulting from demographic changes. A new generation of innovative, secure, wearable, interactive health solutions will have to be developed in regions for the care of the elderly to help establish a 'personalized healthcare system'. The CASA Network, comprising of 13 participating European regions, has come together to search for joint solutions, access best practices and improve policy for the deployment of assistive living solutions. At the end of this 3-year project, CASA will enable the participating organisations to mainstream the learning of the exchange of experiences into their regional strategies.
- The societal and economic benefits from wider use of telemedicine are potentially huge. However, despite the benefits and technical maturity of the applications, the use of telemedicine services is still limited in Europe. NHS24, the Scottish Centre for Telehealth and Telecare (SCTT), and partners from 8 other European regions, are establishing a Regional Telemedicine Forum (RTF) to deliver innovation at the regional level. Actions will contribute to ensuring that regional policies respond better to today's economic and social challenges and complement the work of other regional Structural Funds eHealth and telemedicine projects focused on interoperability issues and the testing of new telemedicine pilots.

*The Northern Periphery Programme also supports activities under related themes:*

- The Recruit and Retain project, led by NHS Western Isles, is a consortium of regional partners from 6 countries looking to find solutions to the persistent problem of difficulties in recruiting and retaining high quality people to work in the public sector in the remote rural areas of Northern Europe. This relates to those people working in education, the social services, the fire and emergency services and local government.
- Strategic investment in urban-rural partnerships has the potential to transform the uptake of telemedicine. The Implementing Transnational Telemedicine Solutions (ITTS) project explores the best ways to achieve this in the northern periphery area. International clinical networks are being set up to promote knowledge exchange, business cases developed to ensure investment achieves goals, and urban-rural partnerships in a triple helix context will aim to deliver innovative health service solutions in the periphery. The project is led by the Centre for Rural Health at the University of Aberdeen.
- In addition, the Remodem project is developing and testing an integrated service package for people with dementia living in remote rural communities which allows and supports them to continue living in their current homes and postpones their placement in institutional care. This will be achieved through partners in Scotland, Sweden, Norway, the Faeroe Islands, and Greenland introducing modules of support incorporating tested ICT services to improve access to qualified dementia-specific community support and enable more cost-efficient care.

For the next programming period, NHS24 is in discussion with Northern Ireland and Republic of Ireland health authorities about the potential for an eHealth/telehealth trilateral project within the 2014-2020 Cross Border Programme to promote social inclusion and local regeneration.

These territorial cooperation activities complement projects supported by Scotland's Structural Funds Programmes.

Health Science Scotland brings together the most senior figures from across Government, academia and the National Health Service to increase the level and quality of health research and development in Scotland. This partnership aims to improve and facilitate collaborative and innovative early phase clinical trials between academic and industry partners to increase the speed and adoption of high quality clinical and health improvements and generate sustainable economic benefit.

ERDF has provided funding for the establishment of an e-health training and education unit to support Moray Digital Health Initiative (MDHI), a multi-disciplinary collaboration between NHS Grampian and Moray College UHI. It leverages the unique relationship between primary care, secondary care, social care and the Moray population to find digital solutions to the problems facing health care delivery in the 21st century. It also works in close partnership with the Glasgow School of Art.

- INTERREG IVA Cross Border Programme – Irish Scottish Links on Energy Study (ISLES)

The Irish Scottish Links on Energy Study (ISLES) was a joint project between the Scottish Government, the Department of Enterprise, Trade and Investment (Northern Ireland) and the Department of Energy, Communications and Natural Resources (Ireland). ISLES was part funded by the European Union through the INTERREG IVA Cross Border Programme for Northern Ireland, the Border Counties of Ireland and Western Scotland. The Programme support was £1,466,667, awarded on 15 December 2008, towards a total project cost of £1,600,000.

The ISLES project team won 'the best partnership working' at the European Structural Funds 2007-13 Mid Programme Best Practice Awards on 23 November at the Glasgow School of Art.

The project examined the feasibility of the construction of an offshore electricity transmission network linking potential offshore sites for the generation of renewable energy in the coastal waters of Ireland, Northern Ireland and Western Scotland. The feasibility study developed a clear business case for the construction of such a grid and examined the following aspects:- technology and infrastructure; environment and planning; regulatory and finance; and construction and deployment. The study also involved close co-operation with the energy industry and other stakeholders involved in grid transmission systems and renewable energy. The study results were launched at the National Economic Forum and ISLES conference at Hampden Stadium on 23 November 2011. A trilateral ministerial meeting between Fergus Ewing, Pat Rabbitte the Irish Minister for Communications, Energy and Natural Resources and Arlene Foster Minister of Enterprise, Trade and Investment at the Northern Ireland Assembly also took place on the day to discuss the implementation phase of the project and to identify further areas for collaboration between the three jurisdictions.

A follow up ISLES 2 project application was submitted to the Cross Border Cooperation programme in February 2012.

## **2.2 Compliance with Community Law**

The Scottish Government will continue to ensure full compliance with all aspects of Community Law during the implementation of the ERDF Programme.

## **2.3 Management and Control**

### 2.3.1 The Compliance Team

The Scottish Government is continuing to use the 4 stage compliance system:

- Stage 1: Administrative checks (desk based) under Article 60(b)
- Stage 2: On-the-spot checks under Article 60(b)
- Stage 3: Analysis of findings from the Compliance checks at Stage 1 and 2
- Stage 4: Article 62 work undertaken by the Audit Authority (AA)

The role of the Compliance Team (CT) is to ensure that the Management Control System (MCS) is fully adhered to in the implementation of the Structural Funds programmes in Scotland. The team continues to undertake a detailed programme of Article 60b visits in line with the approved MCS. The team liaises closely with MA staff to ensure that any irregular expenditure is removed from statements of expenditure and that supported actions are implemented in line with their approved applications.

A rigorous claim checking regime has been implemented which ensures that all claims are supported by a full transaction list and are not declared to the Commission until 20% of the expenditure has been checked back to source documents.

In addition, during the project selection and approval process potential projects are scrutinised to ensure that they comply with the eligibility rules.

### *Compliance and Monitoring 2014*

Following revisions of the MCS in 2013 no further updates were required in 2014.

### *The Compliance Monitoring Group*

The remit of the CMG is to consider analysis of the results of desk-based verification checks and Article 60(b) on-the-spot visits to projects and to identify problems that recur across projects. In doing this work, the CMG will have regard to the results of audit work carried out from time to time by DG Regio, DG Emploi, the ECA and Audit Scotland, as well as to the results of Article 62(b) checks made by the Audit Authority and checks made by the Certification Authority. During the course of 2014 the CMG met 3 times, over this period the group has discussed and acted upon:

- Progress on 20% verification checks.
- Progress on Article 60(b) on-the-spot checks.
- Progress on Article 62(b) visits.
- Analysis of the findings from the verification checks, Article 60(b) checks and Article 62(b) audits. Discussions to identify any trends or systemic weaknesses. This information is used to develop National Rules and Q&A documents.
- Proposed changes to the MCS document.
- Community Planning Partnerships.
- Progress towards N+2
- Other CA issues

### 2.3.2 Article 60b Checks

During 2014 the Scottish Government initiated 28 Article 60(b) ERDF visits with 19 of these being completed. These are detailed in the table below. All follow-up action was noted within the Article 60b form completed by the compliance team following the on-site audit, wash-up meeting and follow-up work. Just over £17.4 million was verified, 33.9% of expenditure declared at the time of the visits. The error rate stands at 0.73% for the visits which have been finalised. There were no systemic errors found during these visits.

Project Reference	Sponsor	Project Title
LUPS/ERDF/2010/4/4/0127	Visit Scotland	New Seasonal Tourism Campaigns in The Lups P4 Areas
LUPS/ERDF/2010/3/6/0125	Visit Scotland	New Seasonal Tourism Campaigns in The South of Scotland
LUPS/ERDF/2009/1/6/0008	Scottish Historic Buildings Trust	Greenlaw Town Hall - Office Development
LUPS/ERDF/2011/4/2/0032	Dumfries & Galloway Council	South of Scotland Business Competitiveness Project
LUPS/ERDF/2010/4/2/0090	Crichton Carbon Centre	ESPI : Environmentally Sustainable Process Improvement
LUPS/ERDF/2009/2/6/0276	Scottish Borders Council	Scottish Borders Rural Business Site Development
LUPS/ERDF/2010/3/6/0143	SEStran	Regional RTPI System - Borders
LUPS/ERDF/2008/2/1/0447	University of Dundee	The Bioportal
LUPS/ERDF/2009/3/1/0290	The University of Edinburgh	ECCC Edinburgh Climate Change Centre
LUPS/ERDF/2011/4/1/0001	Scottish Further & Higher Education Funding Council	Interface Phase 2
LUPS/ERDF/2010/4/4/0138	Angus Council	Rural Tourism Business Support

Project Reference	Sponsor	Project Title
LUPS/ERDF/2009/3/3/0205	Strathclyde Partnership for Transport	Redevelopment of Dalmarnock Rail Station
LUPS/ERDF/2008/1/1/0197	The Robert Gordon University	Innovation & Design Management
LUPS/ERDF/2010/4/4/0102	Aberdeenshire Council	Aberdeenshire Real Time Passenger Information (RTPI)
LUPS/ERDF/2010/4/2/0088	Glasgow City Council	Enterprise Creation in Disadvantaged Communities
LUPS/ERDF/2010/4/2/0089	Glasgow City Council	Enterprise Growth in Glasgow
LUPS/ERDF/2008/2/2/0501	West of Scotland Loan Fund Ltd	Gap Funding for SMEs
LUPS/ERDF/2013/7/3/0011	Clyde Gateway URC	Rutherglen Low Carbon Zone
LUPS/ERDF/2012/6/3/0027	Clyde Gateway URC	National Business District - Shawfield
LUPS/ERDF/2010/4/4/0096	Fife Council	East Neuk Creative Industries Hub
LUPS/ERDF/2010/4/3/0147	West Dunbartonshire Council	West Dunbartonshire Employability Programme Job Brokerage 3
LUPS/ERDF/2013/9/2/0046	Dumfries and Galloway Council	Business Gateway Plus - Dumfries and Galloway
LUPS/ERDF/2012/5/3/0008	Strathclyde Partnership for Transport	Revitalising Subway Stations: A Catalyst for Regeneration
LUPS/ERDF/2010/4/2/0154	University of Glasgow	Encompass
LUPS/ERDF/2013/9/2/0049	Falkirk Council	Business Gateway Plus (Forth Valley)
LUPS/ERDF/2011/5/1/0034	University of Glasgow	SAHSC Industry Support Programme
LUPS/ERDF/2010/4/3/0103	Clackmannanshire Council	Clackmannanshire Works 2011 ERDF
LUPS/ERDF/2010/4/3/0111	West Whitlawburn Housing Co-operative	Whitlawburn Community Energy

### 2.3.3 Irregularities

For the period, 1 January – 31 December 2014, there were 350 irregularity records logged on Eurosyst totalling £4,056,509.02 (€4,787,917.99) irregular expenditure. Of these, 3 totalling £59,825.58 (€72,649.68) were withdrawn and 173 are non-reportable, totalling £1,386,981.01 (€1,660,391.00), as they were identified before being included in a Statement of Expenditure to the Commission. Of the remaining 174 records, 73 irregularities, totalling £431,558.02 (€503,267.91) have been recovered and 101 irregularities, totalling £2,178,726.85 (€2,552,323.79) are pending recovery. All irregularities to be recorded on the Anti Fraud Information System (AFIS) are with the Managing Authority to process.

LUPS ERDF	Number	Expenditure	Expenditure
Withdrawn	3	£59,825.58	€72,649.68
Non Reportable	173	£1,386,981.01	€1,660,391.00
Recovered	73	£431,558.02	€503,267.91

Pending Recovery	101	£2,178,144.41	€2,551,609.40
Total	350	£4,056,509.02	€4,787,917.99

### 2.3.1 Audit Authority View of Programme

#### System Audits

The Audit Authority (AA) submitted the 2014 Annual Control Report (ACR) and Opinion to the Commission via SFC2007 on 29 December 2014. The content of the ACR is currently under discussion.

From a systems audit perspective it is clear that the MA control framework is operating effectively and the AA was able to provide Category 1 and 2 assurances in each of the audit reviews it carried out in 2014. A summary list is below.

The Audit Strategy for 2014 included details of the following systems audits:

- Certifying Authority: Systems for Ensuring the Accuracy of Statements of Expenditure and Grant Draw Downs (Galileo Reference 009/031)
- Managing and Certifying Authorities: Eurosyst (Galileo Reference 009/027)
- Managing and Certifying Authorities: Compliance with Article 60 of Council Regulation (EC) No. 1083/2006 (Galileo Reference 009/028)
- Managing Authority: Systems Claims Checking and Processing and Monitoring Financial Progress (Galileo Reference 009/029)
- Managing Authority: Effectiveness of Systems for Ensuring the SDBs Comply with Outcome Agreements (Galileo Reference 009/030)

#### **Scope**

The audit review covered:

- Operational Framework reflects the regulatory requirements set by the European Commission;
- CA has access to; receive; and maintain appropriate records;
- Appropriate compliance with Management Control system (MCS) guidance;
- Certification and Draw Down from the Commission is in accordance with EU requirements and the MCS; and
- Amounts recoverable and recoveries made have been notified to the Commission and accounted for in the Statement of Expenditure.

#### **Assurance and Key Findings**

The AA provided reasonable assurance (EC category 2) as any errors and omissions relate to the inexperience of new CA staff and audit testing identified only minor errors in figures reported to the Commission.

The MCS sets out clearly the need for documented responsibilities, delegations, agreements and reporting requirements, and has, embedded detailed desk instructions for the CA. Audit testing revealed that the existing desk instructions, although adequate require an element of CA operational knowledge and should be more detailed for those with no previous CA knowledge.

We noted that the CA have appropriate audit trails including various control spread sheets, completed template report forms and regular attendance at appropriate meetings demonstrate that the CA is monitoring and reviewing the outcome of all audits. However, the CA have not been fully compliant with the requirements of the MCS this year, due mainly to staffing changes. We found that the required financial reconciliations had not been completed in accordance with guidance and it



was also noted that the completed template reports, provided by the MA, failed to demonstrate that they had been reviewed by the CA. Furthermore not all AA verification certificates had been completed.

The CA is completing appropriate returns in respect of expenditure including recoveries

**Managing and Certifying Authorities: Eurosyst**

**Scope**

The scope of the audit covered a review of the following:

- Clear definition, allocation and separation of functions between and within the managing authority/intermediate body/ies;
- Adequate audit trails in place;
- Reliable accounting, monitoring and financial reporting systems in computerised form;
- Clear definition, allocation and separation of functions between and within the certifying authority/intermediate body/ies; and
- Adequate audit trail and computerised system.

**Assurance and Key Findings**

The AA concluded that some deficiencies were found in the operation of the Eurosyst systems which were counter balanced by “off line” checks” and provided reasonable assurance (EC Category 2).

Clear definition, allocation and separation of functions is clearly documented in the MCS and the systems requirements for Eurosyst.

Eurosyst itself does not provide an adequate audit trail, however, when this is combined with information held in the SG electronic data management system (e-RDM), hard copy documents, and the SG general ledger (SEAS) then an adequate audit trail exists. One exception to this is the ability to verify a complete record of systems issues and upgrades and the resulting implementation dates of system changes.

A lack of consistency in data input, changes to data input methods, a lack of linkages between payments and irregularities, and system anomalies detract from overall reliance on Eurosyst to provide reliable accounting, monitoring and financial reporting information. ESFD do however, have clearly retained documentation and various off line controls, hence there are checks and balances in place to facilitate management control of the programme.

**Managing and Certifying Authorities: Compliance with Article 60 of Council Regulation (EC) No. 1083/2006**

**Scope**

The scope of the audit covered a review to the following:

- Verify that the appropriate management verifications are being performed in

**Assurance and Key Findings**

In general the AA found controls to be good and provided substantial assurance (EC Category 1) .

- accordance with the Regulation requirements; and
- To ensure that reliable accounting, monitoring and financial reporting systems are maintained in computerised form

ESFD have in place detailed procedures, including templates and checklists which facilitate the implementation of adequate management verifications. Within the MCS and associated Desk Instructions, ESFD have clearly documented the sampling methodology implemented for both Article 60 Admin checks and On the Spot verifications. Appropriate documentation is retained on both e-RDM and Eurosyst which provides a full audit trail of management verifications and any subsequent follow-up processes.

To facilitate the management of the Structural Funds, ESFD utilise Eurosyst (Management Information System); SEAS (Scottish Government Accounting System); and e-RDM (Scottish Government Electronic Records Management System). The adequacy of Eurosyst has been subject to audit in greater detail and reported in the Eurosyst Report 2014/2015.

## **Managing Authority: Systems Claims Checking and Processing and Monitoring Financial Progress**

### **Scope**

The AA's remit was to:

- To ensure clear definition, allocation and separation of functions;
- Confirm management verifications are operating effectively;
- Verify that ESFD operate reliable accounting, monitoring and financial reporting systems in computerised form; and
- Ensure that an adequate audit trail is embedded in the process.

### **Assurance and Key Findings**

While reported data required a degree of manipulation to present the information in the required format, in general the AA found controls to be good and provided reasonable assurance (EC Category 2) .

While the Scottish Government no longer use intermediate bodies in the management of ESF, functions are clearly defined, allocated and subject to separation of duties within the MCS.

The MA have in place documented procedures and appropriate checklists which should detect any material misstatements. While some inconsistencies within the dates of claims were identified we confirmed that all administrative verifications were completed before certification. Evidence was on file to confirm that administrative verifications encompassed both the claim and the supporting documentation. However, errors and omissions in recording these checks were identified. It was noted that the documented guidance in place included the requirements placed on the MA by the CA in relation to the verifications performed.

Reliable accounting, monitoring and financial reporting systems in computerised form has been subject to audit in greater detail and reported in the Eurosyst Report 2014/2015.

Accounting and monitoring information is available at an operational, managerial and Commission level. However, it is noted that a degree of electronic and manual manipulation of Eurosyst data is required to provide effective reports in some instances. Documentation is retained of all checks and verification performed by the MA. This includes confirmation that beneficiaries maintain either a separate accounting system or an adequate accounting code for all transactions relating to the assistance. The use of electronic systems and electronic copies of documentation ensures that the MA comply with the requirements of Article 90 of Regulation 1083/2006, ie regarding availability of documents.

## **Managing Authority: Effectiveness of Systems for Ensuring the SDBs Comply with Outcome Agreements**

### **Scope**

The scope of the audit covered a review to ensure:

- Operational Frameworks between MA and SDBs reflects the MCS requirements approved by the European Commission;
- MA have effective procedures to ensure robust selection decision making;
- MA have effective procedures in place to inform, guide and support beneficiaries;
- MA have effective monitoring and reporting procedures in place; and
- Adequate audit trails are maintained and available.

### **Assurance and Key Findings**

The AA provided a reasonable assurance (EC Category 2) . This opinion is influenced by the fact that the individual projects, which form part of the Outcome Agreements (OAs), are subject to the same level of monitoring of progress and outcomes as all the other projects. This has been confirmed and reported on in previous audit work from current and previous years.

The MCS sets out details for the use of SDBs. It states that the SDB projects are subject to the same compliance arrangements as all other projects, and in addition, the delivery of these projects will be governed by an OA. There is, however, no apparent requirement within the Regulations which necessitates the use of OAs

The MCS sets out that the OAs will:-

- be for a three year period
- include a description of the internal procedure used by each organisation.
- At the start of each three year period be reviewed by the PMC who will make recommendations to Ministers.
- Be formally reviewed on an annual basis by the MA and PMC for financial and outcome performance.
- Have the MA commission an evaluation of the performance towards the end of the first OA and these will form the basis for decisions

on any subsequent OAs.

The OAs state that quarterly claims should be submitted by the SDBs. Our examination evidenced that this is not being consistently adhered to.

Some of the evidence required was difficult to locate due to inconsistencies in naming conventions and filing practices. Also there is a lack of consistency in the format and requirements of the three OA's.

Audits of Operations – Lowlands and Highlands (LUPS) ERDF

The following are projects with significant error rates LUPS ERDF:

Edinburgh Napier University project (LUPS/ERDF/2008/3/1/0267) has a 9.47% error rate due to ineligible staff costs unverifiable. Revised error rate is 0.82%.

University of Dundee project (LUPS/ERDF/2008/2/1/0447) has 22.14% of ineligible staff costs that could not be verified. Revised error rate is 0.46%.

Coatbridge College (LUPS/ERDF/2008/2/3/0348) has an error rate of 21.05% due to the appointment of the Quantity Surveyor being non-compliant (in our view). Revised error rate is 21.05%

West Lothian Council (LUPS/ERDF/2010/4/2/0087) has an error rate of 18.72% due to missing procurement documentation.

Lanarkshire Enterprises project (LUPS/ERDF/2010/4/2/0083) has an error rate of 8.02% due to missing procurement documentation.

Biosciences project (LUPS/ERDF/2009/3/1/0154) has an error rate of 100% due to ineligible method used to calculate staff costs. Revised error rate is 4.68%.

Perth College (LUPS/ERDF/2008/2/2/0409) has an error rate of 33.93% due to non-compliance with procurement regulations.

Scottish Enterprise project (LUPS/ERDF/2008/1/1/0499) has an error rate of 7.87% due to lack of supporting documentation with grants made and advance payments.

Scottish Enterprise project (LUPS/ERDF/2008/1/1/0498) has an error rate of 35.68% due to missing documentation. Revised error rate is 13.56%.

Dundee City Council (LUPS/ERDF/2008/1/3/0238) has an error rate of 7.06% due to a variety of reasons such as incomplete audit trail, over-claimed staff costs, apportionment issues, and non-project related costs. Revised error rate is 0.19%.

Moray College project (LUPS/ERDF/2008/2/4/0256) has an error at a of 10% due to non-compliance with procurement regulations.

Edinburgh Business Development project (LUPS/ERDF/2010/4/3/0115) went into liquidation and no documentation was available to review.

There are 12 of 28 projects with issues in this programme and can be grouped into 2 main themes; unverifiable costs (6) and public procurement problems (5) (together with one liquidated project). While the straight-line error rate (sampling error) was 2.47%, the extrapolation resulted in a high projected error rate of 7.93%, and combined with LUPS ESF results, the error rate is 7.3%. This has now been revised to 3.30%.

## **2.4 Competition Policy and State Aids**

European Structural Funds projects are assessed at application stage with European State Aid rules considered. During auditing of the projects audit teams will if required ask for further advice. In many cases project applicants have either secured a notified scheme under the General block exemption regulation or activities are publically procured to ensure that there is no distortion of markets.

## **2.5 Public Contracts**

All applicants are required to read and accept the Terms of Conditions contained within the Compliance and Declaration section of the application form. This requires certification prior to any offer of grant being issued and this includes confirmation that the projects is complying with public procurement legislation.

## **2.6 Significant Problems Encountered and Measures Taken**

There were no significant problems encountered during 2014.

## **2.7 Changes in the Context of the Operational Programme Implementation**

### **2.7.1 Socio-Economic Context**

This section provides information on the economies of the Lowlands and Uplands and Scotland as a whole in 2014.

Growth in output was particularly strong during the first half of 2014, weakening slightly in the latter part of the year in the face of significant headwinds. Comparing the most recent quarter (2014 Q4) with the corresponding quarter of 2013, GDP grew by 3.3 per cent in Scotland and 2.8 per cent in the UK.

The unemployment rate in Scotland declined during 2014, falling from 6.6 per cent in Dec - Jan 2014 to 6.0 per cent in Dec – Jan 2015. This is higher than the unemployment rate in the UK as a whole (5.6 per cent).

The Lowlands and Uplands Scotland region accounts for 91.2 per cent of Scotland's population. The profile of the area is therefore broadly in line with that of Scotland as a whole.

### **The Lowlands and Uplands Region**

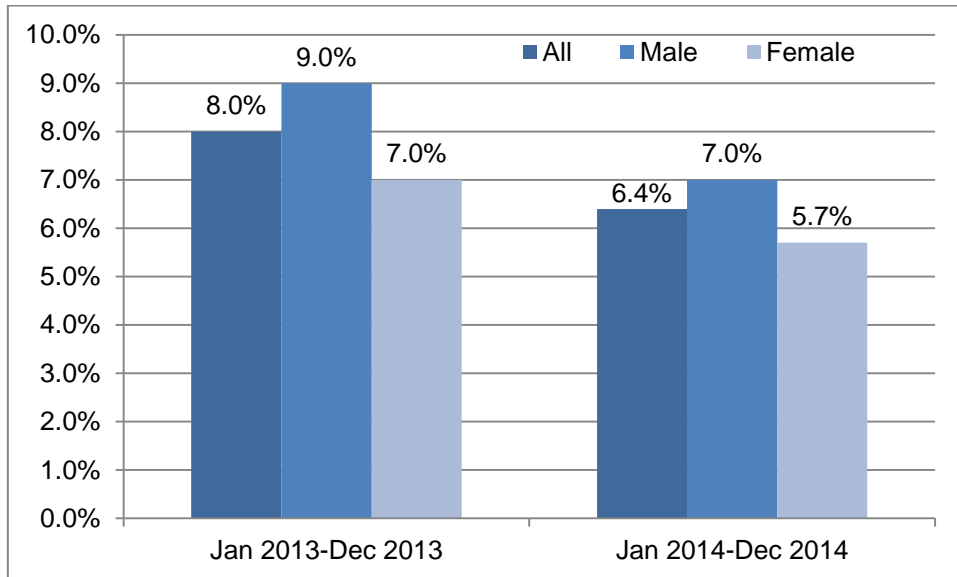
The Lowlands and Uplands Scotland (LUPS) region described in this section consists of Eastern Scotland, North Eastern Scotland and South Western Scotland NUTS 2 regions. The data in this section uses the 2010 NUTS boundaries, as these correspond to the programme boundary.

#### *Unemployment*

Unemployment in the Lowlands and Uplands at the end of 2014 was 158,000, representing 6.4 per cent of the economically active population aged 16+ (Figure 5). This was 1.6 percentage points lower than a year earlier.

The unemployment rate for males and females in LUPS in 2014 were 7.0 and 5.7 per cent respectively. Over the last year the female rate has decreased by 1.3 percentage points, while the male rate decreased by 2.0 percentage points.

**Figure 1: Unemployment Rate**  
**Percentage of economically active population aged 16+, LUPS**



Source: Annual Population Survey

The youth unemployment rate (ages 16-24) in the Lowlands and Uplands decreased from 20.9 per cent in the year to December 2013 to 17.5 per cent in the year to December 2014.

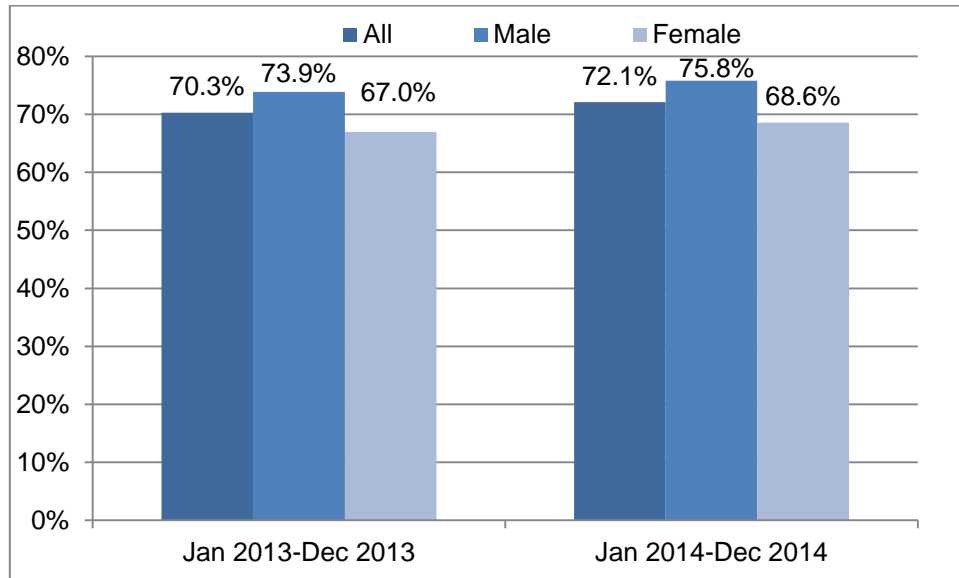
The unemployment rate for young males decreased from 23.5 to 20.4 per cent over the course of 2014, while the rate for females decreased from 18.1 to 14.2 per cent over the period.

*Employment Rate*

As Figure 2 shows, the employment rate for people aged 16-64 in LUPS was 72.1 per cent in the year to December 2014 an increase of 1.8 percentage points compared with the previous year. The rate for LUPS was lower than the rates for Scotland and the UK as a whole (72.6 and 72.2 per cent respectively).

The employment rate for men living in the Lowlands and Uplands region in 2014 was 75.8 per cent, and the rate for women was 68.6 per cent. The gap between employment rates remained constant between 2013 and 2014 at around 7 percentage points.

**Figure 2: Employment rate by gender**  
**Percentage of population aged 16-64, LUPS**



Source: Annual Population Survey

The employment rate in 2014 varied considerably across the Seventeen NUTS 3 regions which make up the Lowlands and Uplands area as Figure 8 shows. The employment rate was lowest in Glasgow City at 63.9 per cent and highest in Aberdeen City and Aberdeenshire at 78.5 per cent.

**Figure 3: Employment rate of NUTS 3 areas**  
**Percentage of population aged 16-64, LUPS**

NUTS 3 Region	Rate %
Aberdeen City and Aberdeenshire	78.5
Scottish Borders	78.3
West Lothian	77.4
Perth & Kinross and Stirling	76.1
East Lothian and Midlothian	74.5
South Lanarkshire	73.9
City of Edinburgh	73.5
Clackmannanshire and Fife	73.2
Falkirk	73
Inverclyde, East Renfrewshire and Renfrewshire	72.3
Dumfries & Galloway	71.9
South Ayrshire	71.7
North Lanarkshire	71.1
East Dunbartonshire, West Dunbartonshire and Helensburgh & Lomond	70.5
East Ayrshire and North Ayrshire mainland	69.8
Angus and Dundee City	66
Glasgow City	63.9

Source: Annual Population Survey



## Self-Employment

In the year to December 2014, 11.4 per cent of those in employment (aged 16+) living in the Lowlands and Uplands were self-employed. Men were more likely than women to be self-employed in the Lowlands and Uplands (14.4 per cent vs. 8.3 per cent).

### 2.7.2 Policy Context

#### Scotland's Economic Strategy

*Scotland's Economic Strategy*<sup>8</sup> – published in March 2015 – sets out how the Scottish Government will continue to make full use of the levers currently devolved to the Scottish Parliament in order to deliver on the Purpose established in 2007 to:

*“...focus the Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.”*

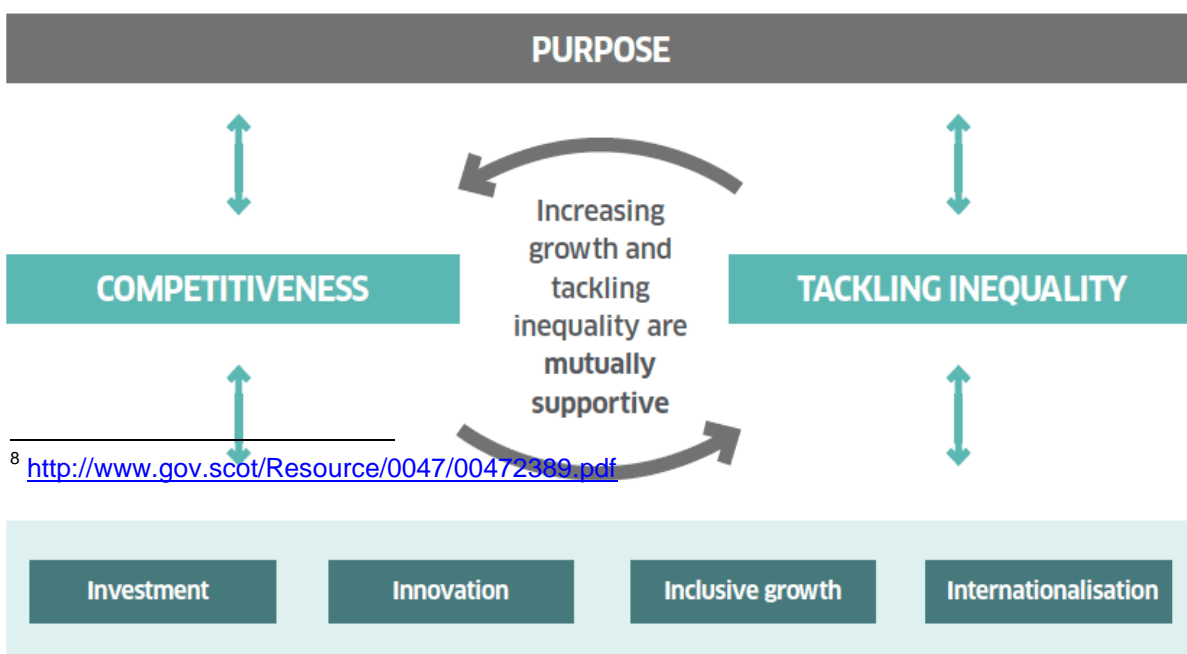
*Scotland's Economic Strategy* provides an over-arching framework for how the Scottish Government will create a more productive, cohesive and fairer Scotland. The Strategy sets out how Scotland will go beyond pre-recession levels of economic performance, by tackling the underlying challenges in the economy and labour market, increasing the competitiveness and sustainability of the Scottish economy, and tackling inequality in a way that ensures the benefits of economic success are shared by all.

The approach set out in *Scotland's Economic Strategy* is focused on two mutually supportive goals for achieving our Purpose; **increasing competitiveness** and **tackling inequality**. Scotland's Economic Framework is outlined in Figure 1.

**Increasing competitiveness** is essential for improving Scotland's long-term economic performance. This involves raising the productivity of Scotland's workforce; improving Scotland's infrastructure and the ability of people to participate in the labour market; and businesses growing and expanding both at home and overseas.

As well as being important in itself, **tackling inequality** is vital to creating the conditions to deliver economic growth that is sustainable over the long term and is shared by all. Recent international evidence from the OECD and the IMF suggests that higher inequality can have a negative impact on growth and economic resilience.

**Figure 1: Scotland's Economic Framework**



<sup>8</sup> <http://www.gov.scot/Resource/0047/00472389.pdf>

Promoting competitiveness and addressing inequality are important interdependent ambitions. These goals are underpinned by four priority areas which the Scottish Government will focus on to deliver sustainable economic growth:

- **Investing** in our people and infrastructure in a sustainable way;
- Fostering a culture of **innovation** and research and development;
- Promoting **inclusive growth** and creating opportunity through a fair and inclusive jobs market and regional cohesion;
- Promoting Scotland on the **international** stage to boost our trade and investment, influence and networks.

To ensure that the benefits of economic success are shared across all of Scotland, *Scotland's Economic Strategy* recognises that the public sector, businesses, trade unions, the third sector and communities must work together in partnership to achieve the goals of boosting competitiveness and tackling inequality. Scotland's 2014-15 Programme for Government therefore focuses on the following priorities:

- Creating more, better paid jobs in a strong sustainable economy
- 
- Building a fairer Scotland and tackling inequality
- 
- Passing power to people and communities

### **Spending Review & Budget Bill**

The Spending Review and Budget Bill identify how the Scottish Government is prioritising spending to accelerate the recovery and support the vision set out in Scotland's Economic Strategy. Alongside the focus on economic growth, this includes tackling any barriers that people, particularly young people, face in realising their economic potential.

### **Scottish and UK National Reform Programmes**

Through the National Reform Programmes (NRPs), EU Member States report each year on their own structural reform programmes and the progress being made towards the ambitions of Europe 2020 – the European Union's strategy for delivering smart, sustainable and inclusive growth across Europe. As part of this, the Scottish Government fully contributes to the development of the UK Government's National Reform Programme. However, to help provide the European Commission with more detail on the unique characteristics of Scotland and the distinct approach to Europe 2020 ambitions we are taking forward within the UK, a Scottish National Reform Programme (SNRP) is produced annually. The SNRP provides a valuable opportunity to highlight particular areas where actions being taken forward in Scotland are making an important contribution to delivering the priorities of Europe 2020.

The SNRP demonstrates Scotland's commitment to engage positively with EU institutions to fully represent Scottish interests and highlight particular Scottish strengths to European partners. The report sets out the actions that Scottish Government is undertaking in support of the delivery of the five EU headline targets set out in Europe 2020 – covering Employment; Innovation and R&D; Climate Change; Education; and Social Inclusion and Poverty Reduction. European Funds, including Structural Funds continue to play a crucial role in unlocking development and stimulating sustainable economic growth in Scotland.

The Scottish Government is strongly supportive of the ambitions and priorities of Europe 2020. There is a significant degree of commonality between Europe 2020 and *Scotland's Economic*

*Strategy.* Central to both strategies is a focus on reducing inequalities and raising competitiveness to deliver economic growth that is smart, sustainable and inclusive.

In June 2014, the European Commission provided the UK with a set of Country Specific Recommendations (CSRs). In summary, these recommendations focus on:

- Reducing the budget deficit in a sustainable manner while pursuing a differentiated growth-friendly approach to fiscal tightening by prioritising capital expenditure;
- Continuing efforts to increase the supply of housing, alongside considering reforms to the taxation of land and property to alleviate distortions in the housing market;
- Improving skills that meet employer needs, ensuring employer engagement by placing emphasis on addressing skills mismatches through more advanced and higher level skills provision and furthering apprenticeship offers. In addition, reducing the number of young people with low basic skills;
- Continuing efforts to reduce child poverty in low-income households and improve the availability of affordable quality childcare;
- Continuing efforts to improve the availability of non-bank finance to SMEs; and
- Facilitating an increase in network infrastructure investment – with a particular focus on increasing the predictability of the planning process and the clear presentation of funding commitments.

The Scottish National Reform Programme outlines where the Scottish Government is taking action, within the powers available to it, against the identified priorities.

The 2015 Scottish National Reform Programme<sup>9</sup> highlights the important role of European Structural Funds in supporting smart, sustainable, and inclusive growth in Scotland. The SNRP provides case studies from projects funded by the ERDF and ESF Programmes.

## **2.8 Substantial Modifications under Article 57 of Regulation (EC) No. 1083/2006**

There were no substantial modifications under Article 57 within the LUPS European Regional Development Fund during 2013.

### **2.8.1 Amendments made to the ERDF Operational Programme**

There were no amendments made to the LUPS European Regional Development Fund during 2014.

## **2.9 Complementarity with Other Instruments**

This Programme and the ESF Regional Competitiveness and Employment Programme for LUPS were developed together, ensuring that the priorities identified for the two programmes would complement and add value to each other.

Both programmes seek to maximise synergies between ERDF and ESF interventions. Article 34 (2) of Council Regulation (EC) No 1083/2006 provides for the ERDF to fund interventions which fall within the scope of the ESF (and vice versa), provided such interventions are necessary for the successful implementation of an operation and have a direct link to that operation. Further details about how this flexibility is deployed can be found under the relevant Priorities in the Operational Programme on the Scottish Government Website. There were no projects approved during 2014 which required cross fund flexibility.

In line with Article 37(1) of EC regulation 1083/2006, strict demarcation criteria and mechanisms for co-ordination between the ERDF and ESF on the one hand and the European Agricultural

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<sup>9</sup> <http://www.gov.scot/Resource/0047/00476579.pdf>

Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF) on the other are set out in the respective Operational Programmes which can be found on the Scottish Government Website.

In terms of Programme implementation, demarcation and complementarity is ensured primarily through the PMC, which covers both the ERDF and ESF Regional Competitiveness and Employment programmes for LUPS.

### **2.9.1 European Social Fund (ESF)**

The overall framework for implementing the Lowlands and Uplands Scotland ESF (ERDF) Programme is the same as that for ERDF(ESF) therefore providing consistency in the application of management controls and delivery. These include:

- a single Monitoring Committee with members appointed to take decisions and make recommendations on both funds;
- Monitoring Committee meetings with agenda items which cover both funds;
- the Managing Authority for both funds are co-located within the same Scottish Government Division;
- common training between Managing Authority staff; and,
- a common set of verification and compliance arrangements.

A clear distinction is made between the types of activity that will be supported through the two Programmes as set out in the approved Operational Programmes. Whilst it is important that the funds should not support the same activity, the promotion of the need for integration is still required and actively pursued.

### **2.9.2 European Investment Bank**

The European Investment Bank (EIB) manages the JESSICA Holding Fund in Scotland on the Scottish Government's behalf and ran the procurement exercise that identified Amber as manager of the first Scottish JESSICA Urban Development Fund. This has opened up possibilities for joint working across a range of areas, not just confined to the JESSICA model. In parallel, the EIB provides loans to a number of large-scale infrastructure projects in Scotland. However, this does not duplicate the work of Structural Funds.

### **2.9.3 European Agricultural Fund for Rural Development**

The Scottish Rural Development Programme implements relevant measures in Regulation 1698/2005. These comprise those related to Axis 1, improving the competitiveness of the agricultural and forestry sectors, Axis 2, improving the environment and the countryside, Axis 3, the quality of life in rural areas and diversification of the rural economy and axis 4, Leader. It takes full account of other Community support instruments, setting out the demarcation criteria for the operations supported by the EAFRD and those supported by other Community support instruments. The Scotland Rural Development Programme runs from 2007 to 2013. The operational programme was approved in early 2008.

To ensure co-ordination at the level of approved projects, a member of the Agriculture, Food and Rural Communities Division attends the LUPS Programme Monitoring Committee.

### **2.9.4 European Fisheries Fund**

The EFF succeeds FIFG in all Member States and operate over the 2007 – 2013 programming period (2007-2013). In consultation with stakeholders and other UK Administrations, the Scottish Government developed an Operational Programme for the EFF and the new schemes were launched during 2008. Again, the Managing Authorities for both Programmes will continue to liaise closely to avoid overlap and secure complementarity between the Programmes.

## **2.9.5 Co-ordination between LUPS and Highlands & Islands Programmes**

During the year liaison and joint working agreements between the two programmes took place within the following fields:

- systems review and revisions;
- application processing/appraisal; and,
- Preparations for on the spot verification visits under Article 60b.

During 2014 two projects led by SCVO were approved, both of these are operating on a pan-Scotland basis and the lead contacts and management from both the project team and MA have been working closely to ensure that the projects are delivered effectively in both areas.

## **2.10 Monitoring Arrangements**

In terms of data collection, the EUROSYS system ensures that the necessary data both to monitor eligibility, expenditure and outputs and results, is captured to allow systematic and qualitative monitoring. The Progress Report function, in particular, demands more information on project progress to allow full monitoring at all stages of the project – this report is required to be submitted by project sponsors on a quarterly basis and the system has been developed to ensure that steps are taken if reports are not submitted timeously or with sufficient detail.

This more regular dialogue using the online system, supplemented with regular monitoring visits from the Managing Authority, provides an effective and efficient monitoring framework of which evaluations can gain the benefit.

### **2.10.1 Programme Monitoring Committee**

The management arrangements for the Programme are based on a two tier structure comprising:

- Programme Monitoring Committee, responsible for monitoring and reviewing progress of the ERDF and ESF Operational Programmes, for consideration of operational issues and approval of project recommendations; and,
- Advisory Groups, responsible for detailed project appraisal, development of guidance and advice on selection criteria.

The Committee and the Advisory Groups are chaired by an official of the Scottish Government and serviced by the Managing Authority.

In accordance with Article 63 of Council Regulation (EC) No 1083/2006 of 11 July 2006 a single Monitoring Committee was established with responsibility for the ERDF and ESF Operational Programmes.

In order to ensure quality and effectiveness of the Programme, the Committee has agreed its own:

- Terms of Reference; and,
- Rules of Procedure,

within the institutional, legal and financial framework of the Member State. These were attached for information as Annex 2 in the 2007 AIR.

Membership of the Committee combines representatives of the key public, educational and voluntary bodies operating within the Programme area together with “social partners”.

### Meetings held

The Monitoring Committee considered and approved a number of items by written procedure during 2014, which included: approval of the AIR for 2013, updates on the JESSICA, venture capital and loan funds, new project approvals and updates on the 2014-2020 Programmes.

### Advisory Groups

Four Advisory Groups support the Programme Monitoring Committee in the implementation of the ERDF Programme - one for each Operational Priority. The groups undertake technical appraisals of projects, in accordance with the approved selection criteria; and make recommendations to the Committee. The Advisory Groups are chaired by a Scottish Government official and comprise technical experts. Although predominantly drawn from the wider partnership, members are not there as representatives of specific organisations or sectors. Appointment to the different advisory groups was made by the Scottish Government following an open recruitment process.

During 2014 there was one Advisory Group meeting. An amalgamated Advisory Group (comprising Advisory Group members from all 4 Groups) met on 4 March 2014 to discuss applications which had been originally submitted under the Business, Innovation and Growth Call in 2013 but had been placed on a reserve list until funds became available. These applications spanned all 4 ERDF Priorities and therefore an amalgamated Advisory Group was required for appraisal of these applications.

Annex 3 of the 2007 LUPS ERDF AIR contains details of the Advisory Group Structure, Terms of Reference and Rules of Procedure for the Scottish Structural Funds Programmes for 2007-2013.

## **2.10.2 Managing Authority Action**

The work of the Managing Authority (MA) continued to concentrate on the essential elements for effective implementation of the programmes. The MA was responsible for the assessment and payment of Progress Reports and Financial Claims received through the Eurosyst IT system. The MA is also responsible for the planning and arrangement of Article 60(b) on-the-spot audits of projects, in line with the Monitoring and Compliance System agreed with the Commission. In addition, a number of groups continued to lead the development of both Evaluation and Communication Plans, which the MA was a member of.

## **2.10.3 On-going Evaluation Activity**

### Monitoring and Evaluation Group

The purpose of the Monitoring and Evaluation Group is to oversee the Scottish Structural Funds Evaluation Plan 2007-2013, share good practice across Structural Funds Programmes, and assist in building the evidence base for the 2014-2020 programmes in Scotland, learning lessons from the current Programmes through exchange of experience and evaluation.

Given the stage reached in the 2007-2013 programme, it is unlikely that further evaluation work will be undertaken. Attention will now turn to developing and producing the Evaluation Plan for the 2014-2020 Operational Programme.

## Ex Ante Evaluation

The ex-ante evaluation provides an external evaluation of the ESIF Programmes which has been submitted with the operational proposals to the European Commission, for consideration when assessing the programmes prior to their adoption (Article 25). Programmes cannot be approved, and therefore cannot distribute any funding, without such an evaluation taking place.

Hall Aitken were appointed in March 2013 to undertake the ex-ante evaluation exercise. The overall aim of the ex-ante evaluation is to help inform the development of the Scottish Government's European Social Fund (ESF) and European Regional Development Fund (ERDF) programmes for 2014-2020 and the Scottish chapter of the Partnership Agreement. The evaluation is an iterative and complex assessment which considers the main features of the Programme, such as the strategic principles, the selected objectives and priorities which follow from it and considers how far they are justified by the baseline review of the Region. It will also comment on targets which have been set, indicators which have been chosen, the likely impacts from the programme and consistency of financial allocations.

During the course of 2013 Hall Aitken have actively evaluated the key subject areas including the contribution to the Europe 2020 strategy, Strategic Environmental Assessment, Equalities Impact Assessment and an assessment of Financial Instruments for both programmes. They have assessed the Scottish Chapter of the Partnership Agreement which has allowed this to be submitted to UK Government for inclusion in the overall Member State Partnership Agreement.

Hall Aitken are currently undertaking the evaluation of the Operational Programmes which was submitted to the European Commission in 2014.

### **2.10.4 National Performance Reserve**

This is not relevant to the LUPS ERDF Programme.

### 3. IMPLEMENTATION BY PRIORITY

#### 3.1 Achievement and analysis of progress

The socio-economic analysis contained in the Operational Programme and updated in [Section 2.7.1](#) of this report describes the strengths and opportunities upon which the region can build, particularly with respect to its research and innovation and enterprise development as well as the localised challenges of urban and rural areas within the region.

A number of key challenges have been identified for the ERDF Programme. These include:

- increasing the regional benefits of a strong higher and further education sector;
- improving RTD and innovation across the region;
- increasing the number of people becoming entrepreneurs;
- addressing the development bottlenecks for new and growing businesses;
- improving the indigenous enterprise development of the most disadvantaged urban communities;
- improving the ability of disadvantaged urban communities to access economic growth in the areas of opportunity;
- increasing the diversification of the rural economy into new activities, while supporting sustainable competitiveness of traditional industries; and,
- improving key support services to underpin the sustainability of rural economic development.

A total of €375,957,844.00 (approx £316,128,437.50 at an average exchange rate of €1 EURO = £0.840861396) has been available for commitment during the Programme's lifetime. This is based on previous drawdowns and the December 2013 exchange rate and has been allocated to the ERDF Programme during the 2007 – 2013 programming period and it will be delivered through five Priorities. These are:

- Priority 1 – Research and Innovation (€91,648,953);
- Priority 2 – Enterprise Growth (€121,575,144);
- Priority 3 – Urban Regeneration (€101,000,888);
- Priority 4 – Rural Development (€69,874,522); and
- Priority 5 – Technical Assistance (€8,977,857).

#### 3.2 Information on the Physical and Financial Progress of the Programme

Project Approvals				
	2014		Total to end 2014	
Priority	No. of Project Approvals	Sum of Grant Award	No. of Project Approvals	Sum of Grant Award
1	2	£770,887.01	69	£75,309,234.35
2	5	£972,107.79	60	£113,730,408.42
3	1	£992,138.26	55	£85,950,103.11
4	1	£348,393.46	41	£40,690,060.30
5	0	£-	15	£7,710,198.26
<b>Total</b>	<b>9</b>	<b>£3,083,526.52</b>	<b>240</b>	<b>£323,390,004.44</b>



## Financial Status of Priorities

Priority	Expenditure Committed in Approvals		Grant Committed in Approvals		Declared by Managing Authority by end 2014		% of Allocation Paid
	During 2014	Total to End 2014	During 2014	Total to End 2014	Eligible Expenditure	Grant Award	
1	£2,114,361.40	£234,942,217.47	£770,887.01	£75,309,234.35	£164,470,998.14	£61,337,598.92	81%
	€ 2,592,523.92	€ 288,074,365.34	€ 945,222.99	€ 92,340,406.60	€ 191,551,840.32	€ 71,437,092.78	
2	£2,430,271.49	£289,054,357.19	£972,107.79	£113,730,408.42	£215,222,181.71	£86,088,872.69	89%
	€ 2,979,877.03	€ 354,423,957.48	€ 1,191,949.82	€ 139,450,523.53	€ 253,243,447.47	€ 101,297,378.99	
3	£2,492,138.26	£221,862,205.83	£992,138.26	£85,950,103.11	£147,648,415.71	£70,871,239.43	77%
	€ 3,055,734.96	€ 272,036,310.99	€ 1,216,510.18	€ 105,387,706.27	€ 176,783,908.79	€ 84,856,276.22	
4	£870,983.66	£104,250,851.59	£348,393.46	£40,690,060.30	£48,152,130.17	£19,260,852.07	48%
	€ 1,067,956.49	€ 127,827,166.32	€ 427,182.59	€ 49,892,111.44	€ 57,241,481.71	€ 22,896,592.68	
5	£-	£15,452,942.91	£-	£7,710,198.26	£7,660,841.00	£3,830,420.50	33%
	€ -	€ 18,947,623.67	€ -	€ 9,453,858.46	€ 8,932,194.77	€ 4,466,097.39	

For comparative purposes, the Sterling and MEURO Figures used in the 'Commitments' are based on an average exchange rate of 1 EURO = £0.815561 or £1 = 1.22615. This is based on previous drawdowns and the current exchange rate.

### 3.2.1 Priority 1: Research and Innovation

#### Progress to date in Implementation and Key Operational Issues

##### Financial Analysis

During 2014 2 new projects were approved under this Priority. The average grant rate was 35.5%,

##### Qualitative Analysis

The objective of this Priority is:

“To to improve the competitiveness of the Lowlands & Uplands Scotland enterprise base through increased innovation and a fuller use of its RTD base”.

There has been an excellent interest in this priority to date and just over 100% of the available budget has been allocated to 69 projects. Partly as a consequence of this high commitment level it has resulted in a majority of the indicators already being forecast for full achievement. This is of course dependent on all approved commitments being fully delivered in accordance with their applications. However, as explained elsewhere, for many of the indicators, the reported achievement levels are significantly in excess of the forecast results. Our analysis has shown that these figures are broadly accurate and that this discrepancy is principally a result of Approved Programme Targets being set at too low a level. For the two indicator that have not yet achieved the Approved Programme Target, progress has been made during the year and it is anticipated that the Approved Programme Target will be met by the end of the Programme period.

#### Case Study: Bioquarter Life Science Commercialisation 2014

<b>Project Title</b>	Bioquarter Life Science Commercialisation 2014
<b>Reference</b>	LUPS/ERDF/2014/10/1/0028
<b>Project Sponsor</b>	The University of Edinburgh
<b>Priority</b>	1
<b>Total Eligible Project Costs</b>	£1,158,033.00
<b>Structural Fund Grant Required</b>	£463,213
<b>Intervention Rate Required</b>	39.99%
<b>Project Description</b>	
<p>The project will build on the successful BioQuarter commercialisation programme to rapidly increase the scale and output of its activities. This will be delivered through:</p> <p>(i) Funding a BioQuarter Company Creation team, comprised of 4 skilled commercialisation advisers with over 75 years of industrial experience who, for individual projects will provide strategic advice, facilitation and coordinate all commercial and technical support.</p> <p>(ii) Marketing to raise the profile of commercialisation as an option and to encourage greater disclosures to BioQuarter for subsequent support including an annual innovation award programme.</p> <p>(iii) A series of specialist advisers to provide detailed and technical advice to projects and companies. The nature of the specialist advice will vary on a case by case basis, but will generally fall into the following categories: Market research; Regulatory advice and support; Formulation of clinical development plans; Product marketing; Investment in intangible assets through technology transfer; Travel; and Legal advice.</p> <p>(iv) Final technical development as required and assessments to provide necessary evidence required to finalise the case for and success in raising funding.</p>	

This project is focused on the identification and targeting of innovation and intellectual property from within University of Edinburgh (UoE) and Lothian Health Board (LHB) which has the potential to be commercialised in the private sector. This is achieved through general interest being converted to the identification of potential commercialisation projects through the annual innovation award programme and then a comprehensive suite of supports to assist the formation of successful, sustainable and high growth spin out companies.

#### Indicators and Targets

Type	Indicator	Target from Approved Application
Output	Number of enterprises supported.	13
Result	Number of new products and services developed by supported enterprises and research centres.	25
Result	Increase in turnover in supported enterprises (£mn).	18
Output	Number of research networks and collaborations supported.	0
Result	Number of new products and services developed by supported research networks.	0
Output	Number of renewable energy projects supported.	0
Result	Number of gross jobs created.	51

*Priority 1: Analysis of Indicators and Targets*

Type	Indicator	Unit	Target	Baseline	Achievement								Total	% target met by actual
					2007	2008	2009	2010	2011	2012	2013	2014		
Output	Number of enterprises supported.		2,500		0	175	1564	2108	3097	1953	1445	1297	11639	465.56%
Result	Number of new products and services developed by supported enterprises and research centres.		1,800		0	2	75	182	538	467	296	405	1965	109.17%
Result	Increase in turnover in supported enterprises	£mn	150		0	1	8	15	233	-103	44	125	323	215.33%
Output	Number of research networks and collaborations supported.		600		0	11	275	323	1037	447	535	657	3285	547.50%
Result	Number of new products and services developed by supported research networks.		900		0	0	31	39	141	286	114	63	674	74.89%
Output	Number of renewable energy projects supported.		150		0	2	46	73	114	165	134	148	682	454.67%
Result	Number of gross jobs created.		6,100		0	53	137	374	1153	1039	349	477	3582	58.72%

### **3.2.2 Priority 2: Enterprise Growth**

#### Progress to date in Implementation and Key Operational Issues

##### Financial Analysis

There were 5 new project approvals made under this Priority in 2014.

##### Qualitative Analysis

The objective of this Priority is:

“To improve enterprise formation and growth rates by enhancing the enterprise support environment, particularly with regards to access to finance, entrepreneurship, e-commerce and resource efficiency”.

There has been an excellent interest in this Priority to date and 1114% of the available budget has been allocated to 60 projects. Of the £113.7m grant committed to date, a total of £74.88m (66%) has been committed to five risk capital funds that are addressing market failure in the supply of growth capital and debt finance for SMEs in the Programme Area.

Three of the funds are operated through the Scottish Investment Bank structure (via Scottish Enterprise). They include two early stage equity schemes – the Scottish Co-investment Fund (£26.7m ERDF) & Venture Fund (£20m ERDF) – and a loan fund (£20m ERDF), aimed at innovative technology companies and established growth and export companies. In addition, there are 2 smaller loan funds being taken forward by consortia of local authorities – East of Scotland Investment Fund (£2.181m ERDF) & West of Scotland Loan Fund (£6m ERDF).

On the basis of the commitments made to date some of the approved indicators are already being forecast for full achievement. With regard to the ‘Number of enterprises receiving financial support’ the forecast figure, in view of the greater than anticipated investment in VCLFs, understandably exceeds the approved programme target. This is of course dependent on all approved commitments being fully delivered in accordance with their applications and all original output/impact/result planning assumptions proving realistic.

Of the projects approved to date in Priority 2, there has been a reasonable spread of applications between organisational types including support to local authorities to complement business gateway activity. However, due to the concentration of resources on VCLF activity, a majority of the awards have gone to the SE/HIE Network.

##### Scottish Co-Investment Fund

The Scottish Co-Investment Fund (SCF) is a £66.7m equity investment fund established by Scottish Enterprise to invest from £100,000 to £1,000,000 in eligible SMEs. The SCF was awarded £26.7m ERDF grant in April 2008 and commenced making investments in November 2008. ERDF is drawn down in tranches of 20% of the total fund value with the next tranche being triggered once 75% of the previous tranche has been invested. The SCF is targeted at new and emerging SMEs and with its private sector partners, adopts a novel and innovative co-investment model, investing in companies alongside private and corporate investors and established venture capital funds in an equal risk/equal reward (pari passu) basis. The ERDF grant was matched by public sector funds totalling £40m providing a total fund capitalisation of £66.7m.

To date, £24.9m in ERDF grant has been paid to the SCF. Private Sector match funding is not paid to the Fund, it is committed at the level of the individual deal. Through its individual investments, the fund has leveraged/matched £98.7m private sector investment

To date the Fund has invested a total of £58,620,945 in 168 SMEs.

Analysis of the investee companies by BVCA (British Venture Capital Association) sector shows that Software and Computer services remains the largest overall recipient by Fund value (£12.8m). During 2014; Software and Computer Services companies received £3.3m, Life Sciences sector, the 2<sup>nd</sup> largest recipient, received £2.4m.

The analysis also shows that the majority of deals (56%) are located in the East of Scotland area. The Scottish Investment Bank (SIB) is still engaged in on-going work both internally and externally (e.g. LINC network) to engage with investee companies, Investment Partners, including angel groups and the wider market to encourage activity throughout Scotland.

The analysis of instruments used in the deals, confirms that quasi-equity remains above the threshold of 70% of the deals made. Indeed 81% of the SCFII investments are equity investments.

Based on the original approval, by the end of March 2015, the Fund value has been fully invested in SME's. SIB are currently preparing a revision to the original approval, shifting budget from running costs to Fund value

**Please Note:** *From the Financial Engineering Instrument tables submitted to the SCF2007 it would appear that 219 SMEs have been supported. However, the fund can invest both equity and loans in SMEs therefore the actual figure is 168 SMEs as some SMEs have received a combination of equity and loan investment.*

#### Scottish Venture Fund

The Scottish Venture Fund (SVF) is a £50m evergreen fund established to address the early stage equity gap for ambitious young growth companies. As with the Scottish Co-Investment Fund, the SVF forms contractual partnerships with active venture capital fund managers, corporate venturers and business angel syndicates to invest in the range of £500,000 to £2m per transaction in high-growth SMEs. SVF also invests on a pari passu basis with co-investment partners within a deal ceiling in the range of £2m to £10m.

The SVF was awarded an ERDF grant of £20m in April 2009 and this is matched by £30m from public sector sources. ERDF is drawn down in tranches of 20% on the value of the investments made.

To date, £18.2m in ERDF grant has been paid to the SVF. As with the SCF, private sector match funding is not paid to the Fund, it is committed at the level of the individual deal. Through its individual investments, the fund has leveraged/matched £102m private sector investment.

From the launch of the Fund £46,741,300 has been invested in 43 SMEs.

Analysis of the investee companies by BVCA (British Venture Capital Association) sector shows that Energy is the largest overall recipient by Fund value (£9.6m). However during 2014 companies in the Software and Computer services received the largest level of investment (£2m) compared to the £1.2m for the Energy sector

The analysis also shows that the majority of deals (49%) are located in the East of Scotland area. The Scottish Investment Bank (SIB) is still engaged in on-going work both internally and externally (e.g. LINC network) to engage with investee companies, Investment Partners, including angel groups and the wider market to encourage activity throughout Scotland.

The analysis of instruments used in the deals, confirms that quasi-equity remains above the threshold of 70% of the deals made. Indeed 72% of the SVFII investments are equity investments.

Based on current market conditions and evidence of demand, it is expected that the Fund will fully invest the total ERDF grant contribution with the approved investment period. A revision to the original approval, shifting budget from running costs to Fund value, has already been approved.

**Please Note:** *From the Financial Engineering Instrument tables submitted to the SCF2007 it would appear that 61 SMEs have been supported. However, the fund can invest both equity and loans in SMEs therefore the actual figure is 43 SMEs as some SMEs have received a combination of equity and loan investment.*

#### Scottish Loan Fund

The Scottish Loan Fund was launched in April 2010. This is a £50m loan fund providing unsecured and mezzanine debt finance to established growth and exporting businesses in the range of £250,000 to £5m on a fully commercial basis. The Loan Fund was awarded £20m ERDF grant in the Third Application Round, following a presentation to the PMC at its meeting in March 2010. The ERDF is drawn down in tranches of 20% of the total fund value with the next tranche being triggered once 75% of the initial tranche has been invested.

Maven Capital Partners was appointed as the Fund Manager in April 2011.

To date the Fund has made 19 investments with a total loan value of £48.9m.

Analysis of the loans issued shows that over half of the loans have been in SMEs located in the Aberdeen/Grampian area. Analysis of the investee companies by SIC

#### West of Scotland Loan Fund

The West of Scotland Loan Fund is a consortium of the 12 Local Authorities in the West of Scotland and was incorporated as a company limited by guarantee in June 1996 following local government reorganisation. The Fund provides debt finance of up to £100k to new and existing medium sized enterprises across the West of Scotland area. The Fund operates through the network of the local authorities' Economic Development units working in partnership with the Business Gateway, Scottish Enterprise and professional advisers engaged with SMEs.

In July 2009, the West of Scotland Loan Fund was awarded £6m ERDF grant under the LUPS ERDF Programme. This was matched by public sector funds totalling £4.5m and private capital from Barclays Bank plc of £4.5m providing a total fund capitalisation of £15m.

From 1 April 2009 to 31 December 2014 the Fund issued loans totalling £11.9m. A total of 2,311 jobs have been created or safeguarded.

In 2014, there were 390 businesses supported overall of which 129 were employing 10 or more people (SME) and 261 employing 9 or less (Micro business). As a result, the number of businesses supported in 2014 is 390.

The West of Scotland Loan Fund provides finance as part of an overall funding package (up to 50% normally and up to 75% in exceptional circumstances). Therefore the total value of loans committed in contracts signed with final recipients which have been previously been reported on the SFC2007 database includes the private sector contribution to the individual funding packages.

### East of Scotland Investment Fund

The East of Scotland Investment Fund is a consortium of 10 Local Authorities in the East of Scotland and was incorporated as a company limited by guarantee in December 2009. The Fund provides debt finance of up to £50k to new and growing small and medium sized enterprises across the East of Scotland area. As with the long established West of Scotland Loan Fund, the East of Scotland Investment Fund operates through the network of the local authorities' Economic Development units, working in partnership with the Business Gateway, Scottish Enterprise and professional advisers engaged with SMEs.

In December 2010, the Fund received £1.78m from the European Regional Development Fund through the LUPS 2007-13 ERDF programme and along with match funding of £1.5m from the Royal Bank of Scotland and the balance of £1.72m from the member authorities. The East of Scotland Investment Fund was established as a £5m fund to invest in new and growing businesses during the course of the six years to 2015. Due to increased demand the fund was increased to a £6m fund in 2013. The fund received an increased ERDF award of £401k taking the overall ERDF contribution to £2.181m. The match funding was also increased to £1.8m from the Royal Bank of Scotland and the balance of £2.019m. This level of funding will allow the fund to operate at a level which will make a significant difference to the supply of growth capital to new and growing, small and medium sized businesses. Note: This additional grant may no longer be required by the Fund and possibly returned in 2015.

From December 2010 to December 2014, the Fund issued loans totalling £3.593m. A total of 709 jobs have been created or safeguarded.

In 2014, there were 90 businesses supported overall of which 28 were employing 10 or more people (SME) and 62 employing 9 or less (Micro business). As a result, the number of businesses supported in 2014 is 90.



*Priority 2: Analysis of Indicators and Targets*

Type	Indicator	Unit	Target	Baseline	Achievement								Total	% target met by actual
					2007	2008	2009	2010	2011	2012	2013	2014		
Output	Number of enterprises receiving financial support.		250		0	116	857	1355	1627	2116	1136	976	8,183	3273.20%
Result	Increase in turnover supported in enterprises.	£mn	140		0	23	109	342	278	35	711	711	2,209	1577.86%
Output	Number of individuals and new enterprises receiving advice / consultancy.		11,600		0	3022	7092	8988	10582	9562	5430	4,010	48,686	419.71%
Result	Number of new business starts resulting from support.		5,500		0	537	2185	3425	3067	1993	1587	174	12,968	235.78%
Output	Number of enterprises receiving support for e-commerce.		5,700		0	360	1221	2486	1030	951	723	-1926	4,845	85%
Output	Number of enterprises receiving support for energy-saving and resource-efficiency.		5,700		0	65	575	1678	768	295	490	-1582	2289	40.16%
Result	Number of e-commerce		4,100		0	165	357	785	288	171	175	-163	1778	43.37%

	strategies developed.													
Result	Number of enterprises implementing environmental audits and energy-saving/resource efficiency systems.	4,100		0	10	112	277	540	65	101	-20	1085	26.46%	
Result	Number of gross jobs created.	13,600		0	693	2720	4277	5342	2924	5076	4,782	25,814	189.81%	

**Please note: Following an audit by ECA it was identified that targets relating to e-commerce & e-strategies had been double counted . Also, the energy saving and resource efficiency targets are also lower than previously reported due to the withdrawal of some projects.**

### 3.2.3 Priority 3: Urban Regeneration

#### Progress to date in Implementation and Key Operational Issues

##### Financial Analysis

During 2014 one new project approval was made under this Priority.

##### Qualitative Analysis

The objective of this Priority is:

“To increase the contributions of the most disadvantaged urban communities to Lisbon goals by supporting their regeneration.”

There has been a good level of interest in this priority to date and over 103% of the available budget has been allocated to 55 projects. Partly as a consequence of this high commitment level it has resulted in a majority of the indicators already being forecast for full achievement. This is of course dependent on all approved commitments being fully delivered in accordance with their applications. However, as explained elsewhere, for many of the indicators, the reported achievement levels are significantly in excess of the forecast results. Our analysis has shown that these figures are broadly accurate and that this discrepancy is principally a result of Approved Programme Targets being set at too low a level. For those indicators where the Approved Programme Targets have not been achieved, it has been because there simply has not been the demand for these types of activity.

##### JESSICA

A £50 million JESSICA Holding Fund, managed by the European Investment Bank (EIB), was established in 2010. This was capitalised by £24 million from ERDF Priority 3 (Urban Regeneration) and matched by £26 million from the Scottish Government. The EIB led a procurement exercise to identify the first Scottish Urban Development Fund and a consortium led by Amber Infrastructure was selected.

The fund – SPRUCE – was formally launched in Glasgow on 12 December 2011, and extensive market engagement has been undertaken as well as formally establishing the governance and control frameworks, populating the project pipeline, and working with project sponsors on the appraisal and development of initial potential schemes. Interest in the fund is very strong, particularly from private sector developers, where the benefits of SPRUCE funding in areas where traditional finance is hard to secure in current market conditions.

There was recognition that the change of direction of the fund to city centre developments, was in response to market conditions and that by supporting the growth of our cities with the inclusion of a detailed community benefit clause, and a return of recycled funds, there would be investment for the future rather than having little or no investment pipeline.

Amber made their first SPRUCE investment, Dundyvan in November 2012 and a further three significant projects have been supported since then. There is the potential for up to four more projects to receive funding by the end of 2015 with one of those anticipated by the end of March. Progress is on a par with other UK JESSICA funds and well ahead of other funds in Europe.

In February 2014 a £9.6 million investment was agreed to progress a £200 million multi-purpose development which will create thousands of jobs in Edinburgh.

**The Haymarket** will transform the derelict former goods yard next to Haymarket Station into a 650,000 sq ft multi-purpose development, regenerating the area and supporting around 300 jobs during construction.

## Case Study: Youth Enterprise – Employment Hub

<b>Project Title</b>	Youth Enterprise - Employment Hub	
<b>Reference</b>	LUPS/ERDF/2014/10/3/0081	
<b>Project Sponsor</b>	The Prince's Trust	
<b>Priority</b>	Priority 3	
<b>Total Eligible Project Costs</b>	£2,492,138.26	
<b>Structural Fund Grant Required</b>	£992,138.26	
<b>Intervention Rate Required</b>	39.81%	
<b>Project Description</b>		
<p>This capital project will see the creation of a flag-ship, mixed use space in Glasgow to deliver high quality Employability and Enterprise training support for young people and young businesses. It aims to reach 11,000 young people annually across Scotland and 6,600 across Glasgow and the Clyde Valley, helping 3 out of 4 of those young people into education or training or to setting up their own business.</p> <p>This project will see a Grade B listed building in the centre of Glasgow refurbished to create a facility providing a flexible and creative learning environment for some of Scotland's most disadvantaged young people. Flexible training rooms and new ICT infrastructure as well as incubator space for young growing businesses with access to wrap around business support services are among the facilities that will be provided.</p>		
<b>Indicators and Targets</b>		
<b>Type</b>	<b>Indicator</b>	<b>Target from Approved Application</b>
Output	Number of ICT and e-learning facilities supported.	10
Output	Area of business space created or modified (m <sup>2</sup> ).	27051
Result	Number of gross jobs created.	20

*Priority 3: Analysis of Indicators and Targets*

Type	Indicator	Unit	Target	Baseline	Achievement								Total	% target met by actual
					2007	2008	2009	2010	2011	2012	2013	2014		
Output	Number of job brokerage initiatives supported.		30		0	11	37	45	57	9	2	2	163	543%
Output	Number of ICT and e-learning facilities supported.		40		0	14	35	0	22	3	4	0	78	195%
Output	Number of childcare and other community facilities supported.		30		0	4	7	10	23	1	0	1	46	153%
Output	Number of transport hub projects supported.		25		0	0	0	0	0	0	2	7	9	36%
Result	Increase in the number of individuals gaining employment through supported job brokerage schemes.		650		0	568	1742	3783	4413	2584	2497	9,994*	25,581	3936%
Result	Increase in the number of individuals gaining employment through supported ICT/e-learning facilities.		650		0	2	175	516	649	76	48	61	1,527	235%
Result	Increase in the number of individuals gaining employment		500		0	0	0	0	36	2	0	0	38	8%

Type	Indicator	Unit	Target	Baseline	Achievement								Total	% target met by actual
					2007	2008	2009	2010	2011	2012	2013	2014		
	through supported childcare/community facilities.													
Output	Area of business space created or modified	m <sup>2</sup>	7,500		0	0	0	1035	6127	5733	3202	6,430	22,527	300%
Output	Number of renewable energy and resource / energy-efficiency projects supported		90		0	1	0	0	0	0	2	0	3	3%
Result	Number of enterprises supported.	m2	1,100		0	15	428	201	648	526	89	441	2,348	213%
Result	Number of social enterprises supported.		350		0	0	27	1	44	20	8	17	117	33%
Result	Number of gross jobs created.		4,500		0	31	201	368	1613	1357	1370	- 2,814*	2,126	47%

\*Note that 5457 jobs were previously, erroneously recorded as 'Created' not 'Job Brokerage', therefore an adjustment has been made

### 3.2.4 Priority 4: Rural Development

#### Progress to date in Implementation and Key Operational Issues

##### Financial Analysis

During 2014 one new project approval was made under this Priority.

##### Qualitative Analysis

The objective of this Priority is:

“To maximise the contribution of rural areas to achieving Lisbon goals with a view to developing sustainable economic growth.”

There has been a good interest in this priority to date and over 111% of the available budget has been allocated to 24 projects. Much of this commitment is contingent on the Next Generation Broadband Infrastructure project going ahead. This is currently going through the Major Project application process.

#### Case Study: East Lothian Business Units

<b>Project Title</b>	East Lothian Business Units	
<b>Reference</b>	LUPS/ERDF/2013/10/4/0072	
<b>Project Sponsor</b>	East Lothian Council	
<b>Priority</b>	Priority 4	
<b>Total Eligible Project Costs</b>	£870,983.66	
<b>Structural Fund Grant Required</b>	£348,393.46	
<b>Intervention Rate Required</b>	39.99999954 %	
<b>Project Description</b>		
<p>This capital project will enhance and expand an existing business centre to create an additional 8 new units, addressing a lack of affordable business space for rural SMEs within the East Lothian area. An energy efficient, flexible business centre will be created which can be used for offices and/or workshops for SMEs in the area. The units will utilise on site energy generation – photo voltaic cell and air source heat pump technologies.</p> <p>The provision of these units will allow businesses the opportunity to develop and grow, or choose to relocate or remain in the area supporting a diverse and growing rural economy.</p>		
<b>Indicators and Targets</b>		
<b>Type</b>	<b>Indicator</b>	<b>Target from Approved Application</b>
Output	Number of enterprises supported.	8
Result	Number of new marketing initiatives.	1
Result	Number of enterprises introducing new supply and production processes.	0
Output	Number of e-learning/childcare and other community facilities supported.	0
Output	Area of business space created or modified (m2).	600

Output	Number of educational access projects supported.	0
Output	Number of local transport projects supported.	0
Result	Number of enterprises benefiting from supported facilities.	7
Result	Occupancy rates of business space by the end of the Programme (%).	38
Result	Number of gross jobs created.	0



*Priority 4: Analysis of Indicators and Targets*

Type	Indicator	Unit	Target	Baseline	Achievement								Total	% target met by actual
					2007	2008	2009	2010	2011	2012	2013	2014		
Output	Number of enterprises supported.		1,400		0	0	136	189	5,696	822	541	556	7,940	567%
Result	Number of new marketing initiatives.		910		0	4	15	31	85	124	77	50	386	42%
Result	Number of enterprises introducing new supply and production processes.		910		0	0	39	36	61	39	8	0	183	20%
Output	Number of e-learning/childcare and other community facilities supported.		40		0	0	0	0	6	1	0	1	8	20%
Output	Area of business space created or modified	m <sup>2</sup>	2,400		0	0	0	0	328	14,766	7,423	22411	44,928	1872%
Output	Number of educational access projects supported.		20		0	0	1	0	0	2	0	1	4	20%
Output	Number of local transport projects supported.		20		0	0	0	1	0	1	0	0	2	10%
Result	Number of enterprises benefiting from supported facilities.		900		0	0	23	57	194	160	19	0	453	50%
Result	Occupancy rates of business space by the end of the Programme	%	90		0	0	0	0	0	0	0	1.94 <sup>10</sup>	1.94	2%
Result	Number of gross jobs created.		1400		0	0	4	1,549	-520	23	195	42	1,293	92%

<sup>10</sup> \*Note that this is the percentage of business space created (44928 m<sup>2</sup>) which has been occupied. Of those which have reported the occupancy rate, the rate is 74.37% (781.2 m<sup>2</sup> completed, 681.93 m<sup>2</sup> occupied)

## 4. MAJOR PROJECTS

### 4.1 Major Projects

#### *Victoria and Albert, Dundee*

The Victoria and Albert at Dundee project was to create a world-class new build facility in Dundee city, with a focus on design, design creativity and innovation, with the potential to attract visitors, investment and business. The project had the potential to develop the local and national economy, delivering a range of direct and indirect outcomes such as job creation and support for SMEs through the development and delivery of a programme of design-led business innovation, academic & SME collaboration and supply chain activity.

The Commission reviewed the application and on 1 August 2014 wrote to the Scottish Government requesting that the application be withdrawn. The application was formally 'stopped' on the SFC Database on 24 October 2014.

#### *Technology and Innovation Centre*

The Technology and Innovation Centre at Strathclyde (TIC) major project application was approved by the Commission on 24 May 2012 under Priority 1 (Research & Innovation). The project is led by the University of Strathclyde, in partnership with Scottish Enterprise and the Scottish Funding Council.

Once completed, it will provide Scotland with a world class research and knowledge exchange facility in Glasgow that will allow industry to work with academic groups, researchers, engineers and graduates in a shared location to develop research concepts through to commercialisation. It is expected to house up to 850 multi-disciplinary researchers with 500 industry researchers, engineers and project managers.

The TIC aims to attract leading research investment in the areas of energy, renewables, enabling technologies, advanced manufacturing and business disciplines. The University, alongside its industry partners, aims to more than double the scale of research investment in these areas from £70m to £150m+ over the next 5 years and create up to 500 new, high value research, technology and engineering jobs.

During 2014 the project got slightly delayed which will result in the majority of costs being claimed at the latter stage of the project. Project remained on track with a completion date of September 2014 and a financial end date of September 2015 when all cost will be defrayed..

#### *NGA Broadband Infrastructure – “Rest of Scotland”*

The Scottish Government submitted a Major Project application to the Commission for the NGA Broadband Infrastructure – “Rest of Scotland” project, which will be delivered by its Digital Directorate, on 31 July 2013. The project aims to address failure in the broadband infrastructure market which has left large parts of the country excluded. It supports the Scottish Government's target of ensuring that 85% of premises have access to Next Generation Broadband infrastructure by 2015. The application seeks ERDF grant of EUR 17,138,485.

The Commission wrote to the Scottish Government advising of their decision to reject the application on 11 October 2013 as it was inadmissible due to it not meeting the requirements of Article 40 of Regulation (EC) No 1083/2006. Meetings took place between the project sponsor, Managing Authority and the Commission to discuss all the issues raised in the letter and subsequently a revised application was submitted via the SFC system on 12 June 2014. This was rejected by the Commission on 4 August 2014. The application was deemed inadmissible as information was still missing or was not sufficiently clear to allow the Commission to appraise the

project. The project was resubmitted on 6 October 2014 with a number of accompanying documents and was deemed admissible by the Commission on 17 November 2014.

The project then proceeded to Inter-Service Consultation within the Commission and the Managing Authority received a letter on 18 December 2014, with comments and feedback on the application, interrupting the consultation phase.

## 5. TECHNICAL ASSISTANCE

### 5.1 Requirements

Under Article 45 of the General Regulation (EC) No 1083/2006 of 11th July 2006, Technical Assistance may finance the preparatory, monitoring, administrative and technical support, evaluation, audit and inspection measures necessary for programme implementation. Such actions shall include in particular:

- assistance for project preparation and appraisal;
- evaluations and studies;
- measures aimed at partners, beneficiaries and the general public relating to the provision of information;
- measures to disseminate information and raise awareness;
- the installation, operation and interconnection of computer systems for management, monitoring, inspection and evaluation; and,
- improvement in evaluation methods.

### 5.2 Use of Technical Assistance

Towards the end of 2012 seven projects received assistance from the Technical Assistance budgets of all four Programmes (H&I ERDF and ESF, and LUPS ERDF and ESF) to review the implementation of the existing Programmes and help prepare for the new 2014 – 2020 Programmes.

The breakdown of these projects are as follows:

Project Name	Total Cost	Grant Requested	Programme Relevance (H&I / LUPS) <sup>11</sup>	Project Description
Evaluation and Feasibility Study – CPP MI systems (Dundee City Council)	£30,000	£15,000	LUPS ERDF - £6,900 (46%) LUPS ESF - £4,950 (33%) H&I ERDF - £2,250 (15%) H&I ESF - £900 (6%)	Evaluating MI Systems used by CPPs and will provide recommendations for new programmes
Occupational Segregation and Gender Mainstreaming (Glasgow Caledonia University)	£51,974	£20,990	LUPS ERDF - £9,655.40 (46%) LUPS ESF - £6,926.70 (33%) H&I ERDF - £3,148.50 (15%) H&I ESF - £1,259.40 (6%)	Evaluate gender mainstreaming with focus on women in Scotland's labour market in context of Structural Funds.
Regional Funding for Social Innovation (Glasgow Caledonia University)	£46,318	£23,159	LUPS ERDF - £10,653.14 (46%) LUPS ESF - £7,642.47 (33%) H&I ERDF - £3,473.85 (15%) H&I ESF - £1,389.54 (6%)	Evaluate social innovation at national and European level to identify how it can be supported by Structural Funds post 2013.
Playing our Part in Roma Inclusion (Glasgow City Council)	£100,370	£50,185	LUPS ERDF - £23,085.10 (46%) LUPS ESF - £16,561.05 (33%) H&I ERDF - £7,527.75 (15%) H&I ESF - £3,011.10 (6%)	Provide knowledge base, maintain networks, and develop needs-based

<sup>11</sup> The funding comes from the TA allocation, which is split across all 4 programmes each project application is split across the LUPS and Highlands & Islands ERDF and ESF programmes.

Project Name	Total Cost	Grant Requested	Programme Relevance (H&I / LUPS) <sup>11</sup>	Project Description
Lessons Learned from 2007 – 2013 Convergence Programmes in H&I (UHI)	£259,888	£129,944	LUPS ERDF - £57,774.24 (46%) LUPS ESF - £42,881.52 (33%) H&I ERDF - £19,491.60 (15%) H&I ESF - £7,796.64 (6%)	Provide recommendations for shaping future strategy for H&I
Third Sector TA Project (SCVO) – Lowland and Uplands Scotland	£38,223	£19,111	LUPS ERDF - £8,791.29 (46%) LUPS ESF - £6,306.80 (33%) H&I ERDF - £2,866.73 (15%) H&I ESF - £1,146.69 (6%)	Capture how third sector use Structural Funds and how they can participate equally in delivery of future programmes
Third Sector TA Project (SCVO) – Highlands and Islands Scotland	£34,122	£17,061	LUPS ERDF - £7,848.06 (46%) LUPS ESF - £5,630.13 (33%) H&I ERDF - £2,559.15 (15%) H&I ESF - £1,023.66 (6%)	Capture how third sector use Structural Funds and how they can participate equally in delivery of future programmes
Developing Simplified Costs Approaches for Structural Funds (Scottish Government)	£135,065	£67,533	LUPS ERDF - £31,065.18 (46%) LUPS ESF - £22,285.89 (33%) H&I ERDF - £10,129.95 (15%) H&I ESF - £4,051.98 (6%)	To exploit the advantages of the EC Simplification Agenda to contribute to more effective and efficient operation of SF projects through optimal use of simplified costs

During the course of 2014 projects completed and submitted final reports to Scottish Government and the recommendations from these reports have been considered alongside the proposals that derived from the shadow Strategic Delivery Partnerships (SDPs) exercise held over the summer of 2013 and now being taken forward as Strategic Interventions in the 2014-20 Programmes.

The recommendations from the projects on gender mainstreaming and Roma inclusion have informed the approach to horizontal themes, in particular equalities and inclusion.

The third sector project and the social innovation project have highlighted a need for greater uniformity in how third sector organisations can get involved in delivering large-scale projects like the CPP pipelines, as well as the need to investigate specific arrangements for the third/social sector for other activity, e.g. addressing poverty and community development. This is being taken forward with Lead Partners and will help the 2014-20 programmes meet ring-fencing requirements in relation to social inclusion.

## **6. INFORMATION AND PUBLICITY**

### **6.1 Scottish Communication Plan**

The Communication Plan defines how information about the European Structural Funds in Scotland for 2007 - 2013 will be communicated and publicity activity devised and delivered. It sets out the key stakeholders and other interested parties, key messages about the European Regional Development Fund (ERDF) and European Social Fund (ESF) activity and the communication channels used to disseminate this information. It sets out how the Scottish Government will provide information that is timely, clear, and reliable, and in a form compatible with EC Regulation 1828/2006.

### **6.2 Publicity and Information**

The communications activity for the European Structural Funds is the responsibility of the recently established communications team which comprises a Communication and Engagement Manager and a Communications Officer. The team is solely responsible for all communications and publicity activity relating to the ESF and ERDF programmes. The team is taking a proactive approach to communicating and promoting the funds in Scotland.

#### **European Structural Funds Division Website**

The European Structural Funds website has undergone significant change throughout 2014. Information is now categorised by programming period so that the user can find information quickly, reducing the amount of time visitors have to spend searching the website. This approach has resulted in positive feedback from Scottish Government staff and external stakeholders.

The Communications and Publicity section of the website has also recently been updated with information categorised by programming period. The 2007-2013 Communications and Publicity section includes the logos for 2007-2013 and the Publicity Requirements and Communications Plan documents. There is also information relating to the 2013 annual communications activity and photos capturing the event.

#### **Annual Publicity Event**

The Scottish Government's European Structural Funds division is required by EC regulations to carry out an annual communications activity for each year of the ERDF and ESF programming period. Past activity has ranged from award ceremonies and road shows to stakeholder information days. In 2014 a new approach was taken which used digital technology (in the form of an online booklet) to promote and raise awareness not only of the achievements of the funds over the previous 12-month period, but also European funding achievements in Scotland over the last seven years.

The online booklet - A Smart, Sustainable and Inclusive Scotland in Europe – also included information about the 2014-2020 programme as it was the beginning of the new ERDF and ESF programmes and the booklet was a good opportunity to engage with stakeholders about future work.

The online booklet includes an overview of the 2007-2013 programmes, 20 case studies covering ESF and ERDF, and an introduction to the 2014-2020 programmes which outlines the main aims and objectives for the next seven years and the strategic plan to achieve these.

#### **Publicity Requirements**

The Scottish Government published the European Structural Funds 2007 - 2013 Programme Publicity Guidance in line with requirements under Articles 8 and 9 of Regulation 1828/2006.

The guidance covers how and when to acknowledge the European Union's Structural Funds contribution, information about the correct use of logos and the technical specification realign to their use.

A copy of the guidance, the relevant European Commission Regulations and the agreed European Structural Fund logos for Scotland can be found on the Scottish Government website.

### **Announcement of List of Projects**

A full list of approved projects is available from Scottish Government website at: <http://www.scotland.gov.uk/Topics/Business-Industry/support/17404/StructuralFunds2007-201/17405>

### **Visibility and Awareness**

When the new Communications Team was established in September 2014 a Google Analytics account was set up to record information about visitor to the European Structural Funds pages of the Scottish Government website. Monitoring activity included the number of visits to the website per month and the most frequently visited pages. The information was used in the redesign of the website to improve the experience for visitors. This included the archiving of pages no longer viewed to remove out of date information.

Measures were also established to increase traffic to the site. This included regular email updates about the programme sent to stakeholders, often with a link to the 'Latest News' section of the website. The strategy proved successful, with Google Analytics results showing that visits to the 'Latest News' section of the website increased from 217 in September 2014 to 707 by January 2015. During the same period the section recording the highest increase in visitor numbers was the 'Programme Documentation' section for 2014-2020, with rates increasing from 159 in September 2014 to 1059 in January 2015.

Statistics for the website will continue to be analysed and the website will be updated accordingly.

## Annex A Breakdown of Activity against Lisbon Codes

CODE BY PRIORITY THEME DIMENSION	CODE FOR THE FORM OF FINANCE DIMENSION	CODE FOR THE TERRITORIAL DIMENSION	CODE FOR THE ECONOMIC ACTIVITY DIMENSION	CODE FOR THE LOCATION DIMENSION	COMMITTED GRANT
01	01	01	01	UKM	664,035.00
01	01	01	01	UKM2	436,692.19
01	01	01	06	UKM	243,777.78
01	01	01	08	UKM22	406,653.83
01	01	01	12	UKM	766,673.37
01	01	01	18	UKM	555,474.00
01	01	01	19	UKM	307,674.01
01	01	01	19	UKM34	2,300,000.00
01	01	01	21	UKM	1,755,459.55
01	01	01	21	UKM21	997,333.00
01	01	01	22	UKM	15,581,718.00
01	01	01	22	UKM2	421,326.85
02	01	01	08	UKM22	574,476.00
02	01	01	11	UKM50	757,630.78
02	01	01	19	UKM25	5,304,000.00
02	01	01	19	UKM34	1,026,420.07
02	01	01	21	UKM	581,621.00
02	01	01	21	UKM34	6,655,035.00
03	01	01	01	UKM	260,683.76
03	01	01	06	UKM2	2,825,235.38
03	01	01	12	UKM	696,055.25
03	01	01	19	UKM2	1,238,052.00
03	01	01	21	UKM25	1,624,000.00
03	01	01	22	UKM	2,936,755.37
03	01	01	22	UKM2	303,568.22
04	01	01	01	UKM	935,039.23
04	01	01	01	UKM23	558,818.08
04	01	01	06	UKM	2,039,994.14
04	01	01	08	UKM	1,559,635.00
04	01	01	12	UKM	430,965.32
04	01	01	14	UKM	57,813.00
04	01	01	18	UKM	123,334.00



04	01	01	19	UKM	1,594,819.21
04	01	01	19	UKM2	1,949,949.20
04	01	01	19	UKM21	2,100,000.00
04	01	01	19	UKM25	1,500,000.00
04	01	01	21	UKM	2,862,205.42
04	01	01	21	UKM22	715,119.80
04	01	01	22	UKM	8,581,722.77
04	01	01	22	UKM2	501,600.56
04	01	01	22	UKM50	246,905.76
04	01	05	06	UKM50	330,962.45
04	01	05	18	UKM24	808,002.99
05	01	01	21	UKM	114,662.85
05	01	05	06	UKM32	418,682.33
05	01	05	06	UKM38	64,756.17
05	01	05	11	UKM24	199,719.00
05	01	05	16	UKM32	736,010.00
05	01	05	16	UKM38	199,563.00
05	01	05	21	UKM	249,507.80
05	01	05	21	UKM32	826,718.33
05	01	05	22	UKM	165,677.61
05	01	05	22	UKM32	204,368.29
06	01	01	08	UKM	494,000.00
06	01	01	14	UKM	216,727.65
06	01	01	15	UKM	232,223.99
06	01	01	15	UKM34	1,049,775.00
06	01	01	16	UKM3	395,484.67
06	01	01	16	UKM31	430,355.07
06	01	01	18	UKM	347,036.68
06	01	01	21	UKM	339,779.91
06	01	01	21	UKM2	695,284.87
06	01	01	21	UKM34	841,338.00
06	01	01	22	UKM	9,290,531.80
06	01	01	22	UKM2	2,201,677.00
06	01	01	22	UKM3	223,887.12
06	01	01	22	UKM33	1,140,514.00
06	01	05	21	UKM	240,647.85
06	01	05	21	UKM2	

					225,045.09
06	01	05	21	UKM27	1,936,403.00
07	01	01	22	UKM	816,243.60
08	01	01	15	UKM	3,280,677.89
08	01	01	15	UKM34	2,204,946.91
08	01	01	16	UKM35	268,826.00
08	01	01	21	UKM3	861,333.07
08	01	01	22	UKM2	1,499,120.57
08	01	01	22	UKM25	158,855.00
08	01	01	22	UKM28	243,726.68
08	01	01	22	UKM31	393,108.70
08	01	05	22	UKM32	568,786.00
08	03	01	15	UKM	20,000,000.00
08	03	01	15	UKM2	2,181,000.00
08	03	01	15	UKM3	6,000,000.00
08	03	01	22	UKM	46,666,667.00
09	01	01	16	UKM2	832,003.80
09	01	01	16	UKM21	300,000.00
09	01	01	16	UKM22	102,883.65
09	01	01	18	UKM21	892,703.41
09	01	01	21	UKM22	2,516,265.97
09	01	01	21	UKM36	3,946,005.81
09	01	01	22	UKM	5,347,606.02
09	01	01	22	UKM2	275,000.00
09	01	01	22	UKM22	83,600.00
09	01	01	22	UKM3	1,736,343.04
09	01	01	22	UKM35	854,588.00
09	01	05	20	UKM	66,523.97
09	01	05	22	UKM32	906,996.00
10	01	05	10	UKM	13,616,016.00
11	01	01	18	UKM36	1,276,381.21
11	01	05	11	UKM50	191,879.45
14	01	01	16	UKM34	500,000.00
14	01	01	18	UKM38	700,000.00
14	01	01	20	UKM21	622,442.96
14	01	01	22	UKM35	487,680.00
14	01	05	16	UKM22	185,731.86

14	01	05	18	UKM32	946,059.74
14	01	05	18	UKM5	2,618,867.99
26	01	01	11	UKM21	2,044,500.00
26	01	01	11	UKM22	1,871,754.38
26	01	01	11	UKM28	346,667.00
26	01	01	11	UKM3	4,418,950.00
26	01	01	11	UKM34	4,060,209.00
40	01	05	21	UKM2	289,038.78
43	01	01	08	UKM38	2,365,887.39
43	01	01	21	UKM21	817,928.26
50	01	01	16	UKM38	644,454.00
50	01	01	20	UKM34	88,672.00
50	01	01	22	UKM35	410,000.00
50	01	05	12	UKM38	194,670.00
55	01	05	14	UKM	6,475,316.67
55	01	05	21	UKM	1,393,598.89
57	01	05	21	UKM2	281,779.41
57	01	05	22	UKM2	803,445.58
61	01	01	11	UKM21	180,000.00
61	01	01	12	UKM34	1,349,394.82
61	01	01	12	UKM38	3,170,928.00
61	01	01	16	UKM33	2,244,000.00
61	01	01	16	UKM34	10,185,896.99
61	01	01	17	UKM38	1,029,121.00
61	01	01	18	UKM21	644,952.83
61	01	01	18	UKM35	329,633.26
61	01	01	20	UKM22	472,448.21
61	01	01	20	UKM31	275,830.27
61	01	01	20	UKM33	364,099.85
61	01	01	20	UKM34	908,520.00
61	01	01	20	UKM38	1,474,133.02
61	01	01	21	UKM34	1,571,804.00
61	01	01	21	UKM36	2,546,320.91
61	01	01	22	UKM21	322,428.27
61	01	01	22	UKM25	810,700.59
61	01	01	22	UKM28	938,709.82
61	01	01	22	UKM33	

					3,603,495.00
61	01	01	22	UKM34	1,688,571.85
61	01	05	06	UKM5	768,597.13
61	01	05	11	UKM	99,800.00
61	01	05	11	UKM22	267,275.00
61	01	05	11	UKM23	409,999.99
61	01	05	11	UKM24	1,865,779.00
61	01	05	16	UKM23	348,393.46
61	01	05	16	UKM24	1,064,820.00
61	01	05	16	UKM38	1,117,363.83
61	01	05	22	UKM5	1,373,433.00
61	03	01	22	UKM	24,000,000.00
85	01	01	17	UKM	2,538,398.02
85	01	01	22	UKM	13,364.84
86	01	01	17	UKM	5,000,000.00
86	01	01	20	UKM	23,085.10
86	01	01	22	UKM	135,350.30

**323,390,004.44**