Structural Funds Newsletter

Introduction

We received very positive feedback with regards to the first edition of the European Structural Funds Newsletter, as well as some great suggestions about what to include in this months issue. Staff were particularly interested in gaining a clearer understanding of the issues surrounding the closure of older programmes and the work being carried out in the Future Funds team with regards to the implementation of the new operational Programmes. Staff working on both topics have kindly provided us with an update on this.

Previous European Structural Fund Programme

Closure of the 2000-06 Programmes

Graeme Watson and Paul Marshall have been working on the closure of the 2000-06 Programmes. Graeme has provided us with a detailed description of what is involved in this stage of the project.

The final stage in the delivery of the programmes is called closure. The closure process takes three stages;

Stage 1

The longest and more complex first stage is predominantly completed by the Managing Authority who prepare a report summarising the outputs of the programme. The Certifying Authority also provides a final financial summary of the amounts paid to applicants by priority and an analysis of the amounts recovered from the European Commission. This report is very detailed and follows a template provided by the European Commission and typically takes a number of months to complete.

Stage 2

The second stage in the closure process is where the European Commission reviews the closure report and raises any issues it requires clarification on directly with the Managing Authority. Typically this will be to do with irregularity reports

asking the Managing Authority to confirm that these amounts have been deducted from the final payment request.

Stage 3

The third and final stage is where the Certifying Authority reviews the final closure calculation sent by the European Commission. This closure calculation details all of the monies paid out by the Scottish Government and the funds received from the European Commission by priority and intervention rate and sets out the final balance due to be paid to or repaid by the Scottish Government.

Once all three stages have been completed and agreement is reached   the European Commission will send a final invoice and it is the date this invoice is paid which triggers the Document Retention Date. Applicants must retain all of the project related documents up until the Document Retention Date as the European Commission has the right to audit the project information up to this date.

There are 10 operational programmes in the 2000-06 programming period which require to be closed and their closure status is as follows;

Document Retention Date		Programme Status
Innovative Actions	31/12/2012	Closed
Leader +	31/12/2015	Closed
Urban II	31/12/2014	Closed
Objective 3 ESF		With Commission
Highlands & Islands ESF		With Commission
West ESF		With Commission
South of Scotland ERDF		At closure stage
West of Scotland ERDF		At closure stage
Highlands & Islands ERDF		At closure stage
East of Scotland ERDF		At closure stage

The closure process is an essential stage in the delivery of the programmes. Failure to provide adequate closure documentation to the European Commission can have a serious financial impact on the Scottish Government.

Definition of Error Rates

Graeme Watson has kindly provided us with a clear definition of how error rates are calculated and their implications;

Annual Error Rates

The annual error rates are the means by which the European Commission uses to measure the effectiveness of the delivery of Structural Funds. The error rates are calculated as follows;

1. The Audit Authority Article 62b checks determine the error rates reported to the European Commission.

2. The error rates are reported to the European Commission on an annual basis in the Audit Authority's Annual Control Report.

3. If a European Commission audit takes place after the Annual Control Report and the Commission auditors identify any additional errors on projects already checked by the Audit Authority then the reported error rate would increase.

4. If the Managing Authority have identified and corrected the error prior to a visit by the Audit Authority then this error would not feature in the Audit Authority's error rate.

5. If the Audit Authority found additional irregularities to those identified by the Managing Authority then those irregularities would feature in the Audit Authority's error rate calculation.

If the error rate is over 2% for any given programme then we have to "self-correct" the programme to less than 2%. This self-correction means that we cannot recover some of the grant we have paid out to applicants from the Commission.

We can recycle the self-corrected amount and reuse it; however, we will have spent it twice and are only able to recover it once."

Future Funds

Following feedback from the previous newsletter we thought it would be beneficial to let you know what the individual roles in the team are:

Kat Feldinger – Future Funds Team Leader; Regional Aid rules and maps and leading on Partnership Agreement.

Lorna-Gregson MacLeod – Co-leading on Partnership Agreement and engagement with Rural and Fisheries Divisions. lead on performance framework for new programmes

Nikki Wilson – leading on Communications for future programmes, negotiations with UK Government and Devolved Administrations on new regulations, Evaluation of Strategic Delivery Mechanism and Project Manager for Simplified Costs TA Project.

Lynda Smith – leading on Control Mechanisms for future programmes, Operational Programmes, lessons learned and regulations working group.

Muriel MacKenzie – leading on Appraisal Process, Technical Assistance Implementation, indicators working group, Annual Implementation Reports; Monitoring and Evaluation Group, Horizontal Themes and Gender Mainstreaming.

Louise Sweeney – leading on Information Technology, lessons learned from current IT system and establishing revised or new IT system.

Multi Annual Financial Framework (MFF)

Last week the Heads of State and Government came to an agreement on the size and shape of the EU Budget for 2014 – 2020. Following on from this agreement BIS has calculated the allocations to regions based on the MFF methodology. This may result in Scotland receiving significantly less funding than is currently available under the current programmes. BIS are aware that the level of funding may not be suitable to Ministers and there will be further negotiations to identify and consider alternative methodologies.

In addition to the MFF being agreed, an announcement on a Youth Employment Initiative worth €6bn, €3bn of which is new money and €3bn is ring fenced within the European Social Fund. This money will go to NUTS II regions with levels of youth employment above 25%. Allocations will be based on EU youth unemployment rates for 2012, which are not yet available from Eurostat but it is anticipated Scotland may benefit from this Initiative.

The Future Funds team will keep you updated on any developments with the MFF and Scottish allocations and on the Youth Employment Initiative.

Operational Programmes

Work is currently under on the new Operational Programmes by looking at what activities need to be funded in the next programming period and how these will contribute to the Partnership Agreement and Europe 2020 targets. A first draft of the OPs will be launched for consultation in May.

Technical Assistance

The majority of the Technical Assistance projects have now been assessed by the Advisory Group, PMC and recommendations approved by the Deputy First Minister. The table below gives an overview of the projects that have been approved.

Project Title	Project Sponsor
Evaluation & Feasibility Study – CPP MI systems	Dundee City Council
Occupational Segregation and Gender Mainstreaming	Glasgow Caledonian University
Regional Funding for Social Innovation	Glasgow Caledonian University
Playing Our Part in Roma Inclusion - Technical Assistance	Glasgow City Council
University of Highlands & Islands	Lessons Learned from the 2007-13 Convergence Programmes in the Highlands & Islands

There are two projects still to be submitted and approved, these are SCVO Third Sector Technical Assistance and Scottish Government Simplified Costs. The Future Funds Team will keep you up to date on any developments with these projects.

Information Technology

The ESF IT project for the 2014-2020 programming period is now underway. At present we are seeking assistance with this project internally but we will start to seek external engagement in the next few weeks. The project is in the early stages of developing the requirements for the future programme and we have assistance from the SG Business Analyst, Lynda Holland to complete this work. We will aim to provide regular updates through the newsletter as emerging information is made available.

Update on State Aid

State Aid Unit

A State Aid Local Authority Network meeting will be held on the 26th of February from 1pm. This is the 8th network meeting to take place and is gaining in popularity. The workshop will give an update on what is happening in state aid world and lets stakeholders share their experiences. There will be a representative from each local authority attending. More information on this network meeting will feature in the next edition of the newsletter.

More Accessible Broadband

"The European Commission has just announced updated guidelines around how public money can be used to build broadband networks in line with EU state aid rules. The key points arising from these new guidelines are as follows:

Next generation broadband can now be delivered in a number of ways, with technology neutrality a key principle. Public money can now be used to help deploy ultra-fast broadband networks in cities, albeit with a number of conditions. Any subsidised network will need to be demonstrate a clear step change from existing/planned networks; be open access, wholesale only; and not lead to distortion of competition – all of which reflect the wider focus of the guidelines.
The EC want Member States to set up national infrastructure databases. Any operator bidding for public money will also need to declare what infrastructure they own in the area and share that info with other bidders, to facilitate infrastructure sharing.

The full text of the new guidelines can be accessed here: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:025:0001:0026:EN:PDF

In addition, the European Commission has found that a UK umbrella support scheme for investments in next generation access (NGA) broadband networks, Broadband Delivery UK (BDUK), is in line with EU State aid rules. In particular, the scheme is aimed at supporting local projects in rural and remote areas, where such networks would unlikely be developed on commercial terms. BDUK, as a national competence centre, will assist local granting authorities in designing and implementing successful broadband support measures in line with EU competition rules.

The full text of the BDUK decision can be accessed here: http://ec.europa.eu/competition/state_aid/cases/243212/243212_1387832_172_1.pdf

The next edition of the newsletter will be published next month. If you would like to make any contributions or suggestions as to the content of the newsletter please contact Nicola.wilson@scotland.gsi.gov.uk