

NORTH EAST ENGLAND COMPETITIVENESS PROGRAMME 2007-13

MEETING OF THE PROGRAMME MONITORING COMMITTEE:

22 JUNE 2011

	Role	Sector/Organisation
Attendees		
David Rossington	Chair	Department of Communities and Local Government (DCLG)
Lesley Calder	Member	One North East
Cllr Neil Foster	Member	Durham
Cllr Tom Brechany	Member	Northumberland
Cllr Bob Cook	Member	Tees Valley
Ieva Zalite	Member	European Commission
Claire Hoskins	Member	DCLG
Alan Sanderson	Member	Higher Education
Jo Curry	Member	Voluntary Sector
John Cuthbert	Member	Private Sector
Tony Sarginson	Member	Private Sector (PEG Representative)
Adelle Rowe	Member	Environment/Sustainability
Adrian Sherwood	Member	RDPE
Catherine Pearson	Observer	Durham
Heather Smith	Observer	Northumberland
Linda Edworthy	Observer	Tees Valley
Gordon Bell	Observer	Tyne & Wear
Martin Swales	Observer	South Tyneside Council
Iain Derrick	Secretariat	One North East
Raffaella Ebani	Secretariat	One North East
Craig Milligan (Minutes)	Secretariat	One North East
John Hildreth	Item 2	NETPark
Jenny Kwok	Item 2	NETPark
Bill Leitch	Item 13	BIS
Apologies		
Cllr Bryan Charlton	Member	Tyne & Wear
Kevin Rowan	Member	TUC/Equal Opportunities/ESF Link
Andy Stewart	Member	BIS

AGENDA ITEM 1 - WELCOME, INTRODUCTIONS AND APOLOGIES

The Chair welcomed members to the twelfth and final meeting of the North East of England Programme Monitoring Committee held at NETPark, Durham.

AGENDA ITEM 2 - NETPARK ACHIEVEMENTS PRESENTATION

John Hildreth, Business Development Executive and Jenny Kwok, Membership Executive, gave a short presentation on the achievements of NETPark.

AGENDA ITEM 3 - DECLARATION OF INTERESTS

No declarations of interest were received.

AGENDA ITEM 4 - MINUTES FROM PREVIOUS MEETING AND MATTERS ARISING

The minutes of the previous meeting were formally approved by the Committee. The ERDF Secretariat reported progress against the five action points identified within the minutes; the Committee noted that all action points are either complete or underway.

AGENDA ITEM 5 - PROGRAMME IMPLEMENTATION PROGRESS REPORT AND RISK ASSESSMENT

The ERDF Secretariat gave an update on progress in respect of Programme performance, financial commitments, expenditure targets and performance against Programme indicators.

The key issues highlighted were:

- Strong performance on payments of claims in advance of transfer to DCLG systems. 71 compliant claims (worth £11m) were processed and paid within a two week period.
- Surge in new activity - £46m of new PIPs have been received. It is estimated this will result in c£26m of approvals.
- The number of projects at risk of de-commitment has risen from 20 to 28. The ERDF Secretariat is continuing to support the Proposers in getting the projects back on track. To date no projects have de-commitment confirmed.
- As a result of the higher than target error rate the NE Programme remains interrupted. The ERDF Secretariat and DCLG are working intensively to provide the Commission with reassurances in order to lift the interruption.

PMC was advised that in response to the interruption monitoring and audit activity would significantly increase. PMC noted the requirement for more intensive monitoring but asked that the ERDF Secretariat ensure that effective targeting be used and resources allocated on the basis of risk and impact.

DG Regio noted that the NE Programme had recently received an unqualified assessment of its End to End Audit, this would help reassure that the Programme is delivering compliantly.

Risk Assessment

Transition

- Lesley Calder informed PMC that she is now responsible for managing the Yorkshire and Humber Programme, in addition to the North East.
- 32 members of One North East staff will transfer over to DCLG on 1 July 2011, including a role for an existing RDA state aid/legal expert. Staff will be based in Citygate, Newcastle.
- Action has been taken to ensure the effective transfer of all ERDF data by 1 July 2011.
- Interim payments arrangement will be in place for 1 July 2011.

Performance

DCLG is reassured that there will be minimum risk to the performance of the Programme.

The BIS representative reported that work is underway to consider potential sources of match funding from national BIS resources and offered to share the findings of the match funding review with partners. PMC welcomed this work and suggestion that BIS produce a note on available sources of match funding, for circulation at the next meeting.

Action 1 – Bill Leitch to produce a note on available sources of Match Funding, for circulation at the next meeting.

AGENDA ITEM 6 - ERDF GOVERNANCE

The ERDF Secretariat presented a paper detailing the outcomes of discussions with Members on:

- Proposed membership of the ERDF Local Management Committee.
- Local Management Committee Deputy Chair.
- Role of ERDF Programme Executive Group and sub groups of the LMC.

PMC agreed:

- LMC Membership as set out in Annex 1 of the ERDF Governance paper (ref LC/SEC/JUNE/11/Item 6).
- The ERDF Secretariat to ensure appropriate induction for new members prior to the next meeting. Continuing members can participate in a refresher course, if required.
- To endorse the LMC Terms of Reference as proposed in Annex 1a.
- To be quorate will require 40% members in attendance.
- Following nomination by Cllr Bob Cook, seconded by Alan Sanderson, Cllr Neil Foster was appointed to the role of LMC Deputy Chair.
- PEG membership should be expanded to include an additional Private Sector representative. PEG to act as the delegated group for the endorsement of projects. The ERDF Secretariat to review and update the Programme Executive Group Terms of Reference.

The Chair thanked Members for working with the ERDF Secretariat to draft the Governance proposals.

PMC thanked Cllr Foster for accepting the role of Deputy Chair. The ERDF Secretariat confirmed that it was looking creatively at how an appropriate level of resources could be made available to support the Deputy Chair, particularly through Technical Assistance.

Action 2 - The ERDF Secretariat to update PEG Terms of Reference, incorporating the role of endorsing projects.

Action 3 - The ERDF Secretariat to investigate how Technical Assistance money can be used to support the functions of the LMC Deputy Chair role.

AGENDA ITEM 7 - PROGRAMME MODIFICATION PROPOSAL

As agreed at the last PMC (14 April 2011) the ERDF Secretariat has worked closely with PEG to consider options that will form the basis of a modification of the North East England ERDF Programme.

PEG has recommended the following proposals to PMC for endorsement.

- That the priority 1 modification proceeds on the basis of an indicative 75/25% capital/revenue balance;
- That the Priority 2 modification proceeds on the basis of an indicative 60/40% capital/revenue balance;
- The virement of up to £4m from Priority 3 into Priority 1 and/or 2.
- That the ERDF Programme Executive Group works closely with the ERDF Secretariat to refine the modification proposals and is delegated to agree the final submission to DG Regio.
- That the current ring fenced 'ESF Type' activity not be taken forward.

PMC noted that the capital/revenue allocations are indicative and for planning purposes only. They are not binding and flexibility would be maintained.

On the basis that;

- The Programme meets the criteria required for Programme modification in agreement with the EU Commission.
- The proposed modification take account of the significant issues facing the Programme and Partners including institution change, economic conditions and availability of match funding.

PMC requested that a minor change be made to the text at Annex 3 to remove reference to the 'Regionally' significant sites. This is to be implemented by the Secretariat.

PMC agreed to the proposed modifications and delegated PEG to finalise and submit the formal modification to DG Regio by mid July 2011.

PMC noted that it would be useful to understand the implications of changes and changing landscapes, in particular the transfer of One North East assets to the Homes and Communities Agency. The Chair suggested inviting Fiona Gough, Deputy Director, Local Economies and Regeneration, DCLG, to give an update at the next meeting as she is based in the North East.

Action 4 - The ERDF Secretariat to amend the proposed Operation Programme text at Annex 3.

Action 5 - The ERDF Secretariat to invite Fiona Gough to the next LMC meeting to give an update on the transfer of assets from One North East to HCA.

AGENDA ITEM 8 - FINANCIAL ENGINEERING INSTRUMENTS (FEIs)

The ERDF Secretariat provided PMC with an update on the operational progress made by Finance for Business|North East and the Creative Content Fund. The main issues highlighted include:

North East Finance: Holding Fund Manager Review

One North East commissioned Deloitte LLP to undertake a review of the Holding Fund Manager and Product Fund Managers engaged in the delivery of the Finance for Business|North East suite of funds.

The report details findings around:

- Governance and Quality Framework.
- Strategy and Operational Framework.
- Monitoring of Product Funds.
- Treasury Management.
- Stakeholder Engagement and Communication.

An Action Plan has been developed based on the findings of the review for North East Finance (NEF) to consider. The ERDF Secretariat will work with Deloitte and NEF to ensure the actions are addressed.

Fund Performance: Finance for Business|North East

- Progress against profile is currently behind target in some areas; the recent launch of the Micro Loan Fund should ensure the current level of under performance will recover.
- 88 deals have been offered to 84 SMEs, with an investment of £17m ERDF and total investment of £35m.
- As a result of the investments, 100 new jobs have been created and over 500 safeguarded.
- Over £1m has been recycled back into the Holding fund.
- £1.9m of interest has been earned on idle funds.
- The first repayment to the EIB will be made during the current quarter.

Creative Content Fund

- 9 investments made (against a target of 11) with a total value of £2.8m (£1.4m ERDF).
- £500k of private leverage attracted.
- 2 additional investments made early April will mitigate risk of ongoing underperformance.
- Fund currently approaching the end of pilot and considering ways to take the Fund forward.

PMC requested the following amendments to future reports:

- Details of how repaid funds are recycled.
- Tables 1 and 2 to be reviewed and presented consistently.
- An additional chart/table detailing size of investment in values ranges.

Action 6 - The ERDF Secretariat to make amendments to Financial Engineering Instruments (FEI) Progress Report.

AGENDA ITEM 9 - IMPLEMENTATION OF ARTICLE 13 MONITORING STRATEGY

PMC received a formal update on the implementation of the ERDF Article 13 Monitoring Strategy. The strategy states that all projects will receive:

- A Project Engagement Visit following approval, but prior to any payment of claims.
- A two stage (certification and authorisation) desk based reviews of all claims.
- At least one Project and Progress Verification (Article 13) visit.

Since the start of the Programme 53 Article 13 visits have taken place, which have resulted in 207 actions being raised, 23 of which are currently overdue/outstanding.

PMC noted the report.

AGENDA ITEM 10 - 2010 ANNUAL IMPLEMENTATION REPORT

PMC was asked to endorse the Draft Annual Implementation Report and assessment of information and publicity activities in advance of formal submission to DCLG and the European Commission by 30 June 2011.

The European Commission representative thanked Partners for the quality and content of the report.

PMC agreed to endorse the Draft Annual Implementation Report 2010.

AGENDA ITEM 11 - RDA AS FINAL BENEFICIARY

PMC was presented with a final update on project activity where One North East acts as the Final Beneficiary of ERDF investment. No issues were raised by PMC.

AGENDA ITEM 12 - COMMUNICATIONS UPDATE

The ERDF Secretariat presented a report updating PMC on communications activity initiated since the last meeting of the PMC. No issues were raised by PMC.

Members were asked to encourage Partners to attend the ERDF Annual Stakeholder Event on 12 July at Citygate, Newcastle. The event is just one of a range of events taking place as part of 'ERDF Month'.

AGENDA ITEM 13 - EU COHESION POLICY POST 2013 SUMMARY OF 5TH COHESION REPORT AND UPDATE ON POST 2013 ERDF NEGOTIATIONS

Bill Leitch (BL), BIS, gave an update on Post 2013 negotiations. The main issues highlighted were:

- The EU Commission will publish its proposed budget framework for the funding period 2014-2020 by the end of June 2011.
- Further details on Commission proposals for how the Structural funds will operate post 2013 are expected to emerge during September 2011 when the draft regulations are published. No budget levels will be known at this stage.
- Full details of the Structural Funds budget are yet to be agreed but it is expected that Structural / Cohesion funds will continue at circa 1/3 of the European budget.
- The UK government's overall agenda is to control the EU Budget and the level of Cohesion spending available in richer members states and to ensure it is targeted at areas of greatest need.
- The UK will push for greater emphasis on the use of Financial Engineering Instruments and recyclable loans within Structural Funds.
- In the EU Council the UK Government will oppose the European Parliament and EU Commission proposal to create a transitional 'Intermediate Category' of regions (with a GDP level of between 75% and 90% of EU GDP).
- A Whitehall level departmental group had been established to support the BIS lead policy role on Structural Funds post 2013. This group had representation from Government Departments and Devolved administrations but no representation from localities in England.
- BL concluded that there remained a long way to go before it will be known whether and how a successor to the current North East Programme may operate.

PMC requested that local partners and English regions should be kept informed of negotiations and that the PMC / LMC going forward would provide a helpful mechanism to ensure existing local priorities and ERDF knowledge/experience is captured and fed into discussions and negotiations at national level. Partners suggested that the ERDF Secretariat could also act as a sounding board for national government departments following their transfer into DCLG on 1st July.

AGENDA ITEM 14 - ANY OTHER BUSINESS

14.1 First Meeting of the LMC

The first meeting of the LMC is scheduled to place on Friday 14 October 2011, 10.30 – 12.30, venue TBC.

14.2 Suggested 2012 Meeting Dates

- Friday 24 February 2012, 10.30-12.30
- Friday 22 June 2012, 10.30-12.30
- Friday 12 October 2012, 10.30-12.30

Action 7 - PMC Members to suggest suitable venues to host future LMC meetings.

Minutes end