



EUROPEAN PROGRAMMES STRATEGY GROUP (EPSG)

Draft Minutes of meeting held at Government East Offices for the East of England 1 February 2011

Chair:	Mike Barnes	GO–East
Members:	Bob Blake Jim Church Andrew Cogan Paula Grayson Zoe Manning Guy Mills David Morrall Arni Narain Angela Rowney Andy Stewart Merja Toikka Julia Upton Ieva Zalite	Summit Skills Jobcentre Plus COVER Equalities Group University of Essex (AUEE) Cambs CC (for EPs) EEDA CLG Luton CFO BIS EC DG Regio Environment Agency EC DG Regio
Officers:	Malcolm Cross Andrew Hitter Andy Luff Claudia Maresca	EEDA GO-East EEDA EEDA
Apologies:	Marco Cereste Mark Mitchell Adrian Neale Cllr Kathy Pollard Jim O’Kane Stuart Durrell	EEDA COVER EC, DG Employ EELGA, (Lib Dem) DWP, ESF Division JCP

Introduction & apologies

1. Mike Barnes welcomed members and acknowledged apologies. He introduced Merja Toikka who would be replacing Ieva Zalite as DG Regio desk officer for the East of England programme.

Minutes of Last Meeting

2. The minutes of the last meeting held on 21 October 2010 were approved as a true record.

Matters Arising – Actions from 21 October 2010 meeting

Comment
DM to commission evidence base for new digital content fund and report to the next EPSG meeting – <i>Underway and to be presented to EPSG in April</i>
EEDA Secretariat to circulate LCIF flyers - <i>Resolved</i>
DM to produce a paper for next EPSG on LEP engagement – <i>Verbal update today</i>
EEDA Secretariat to circulate Creative Industries slides – <i>Resolved</i>
EEDA Secretariat to circulate ESF slides - <i>Resolved</i>

EPSG Governance Issues

3. David Morrall verbally updated the group regarding changes to all ERDF Programme Monitoring Committees (PMC) in England. PMCs would be re-focussed in line with the localism agenda and re-named Local Management Committees (LMC). DCLG would chair the new LMC, with a Deputy Chair responsible for leading on local objectives under the direction of the Chair. The process for selecting the Chair and Deputy was still being worked out and would need to be transparent. David was confident that by the next meeting, there would be greater clarity on the Deputy Chair role.
4. David reminded EPSG that, although ERDF delivery took place through the PMC, the day to day running of the programme was via the sub-groups and options were being discussed to ensure localism was delegated to sub-committees.
5. Andy Cogan asked if the LMC would be geographic. David replied that coverage would remain unchanged, but would need to reflect localism. He added that the change was more an evolution of the existing PMC rather than an attempt to destabilise the current partnership.
6. In the East of England there were currently 5 LEPS but 3 of them spanned locations outside the ERDF area, so there was a need to clarify how these would function in practice. In principle LEP nominees would reflect areas coinciding with the ERDF programme. There were a number of principles to consider:

- i) EPSG membership – it would be desirable to avoid inflating the current membership of 29 and there could be rationale for a more compact committee. Discussion with members on how to take this forward would take place under the new Chair;
 - ii) Cross-programme emphasis – DWP had taken the decision to cease regional ESF committees, so arrangements for complementarity with ESF would need to be considered.
 - iii) the same principle would also be applicable to RDPE and the Territorial Co-operation programmes;
 - iv) discussion would need to take place around the CCT groups and what the process should be for operating them;
 - v) The group would need to consider whether it remained appropriate for the Performance Improvement Group to be chaired by EELGA or whether it would be better to have a sub-group chaired with an ERDF focus.
7. David advised EPSG that although a paper had been drafted, he felt it was right to discuss the points with the new Chair before it issued. It was also important for EPSG to discuss and consider these issues prior to meeting, so that members could come to the table with some idea of the direction of travel.
 8. Andy Cogan asked if the new process would be time limited to the current ERDF programme round or would it roll over to planned future rounds. David replied that this was only for the current round, but an evolved structure would be in synchronisation with new arrangements across the country and so more fit for purpose.
 9. Andy Luff said that interim arrangements needed to be put into place for the Competitiveness Delivery Group (CDG), whose terms of reference (TOR) and membership included organisations that had since been abolished and stated that 9 members must be present in order for meetings to be quorate. This had inevitably led to delays in approving projects. Andy proposed that as an interim arrangement the TOR should be amended to state that a quorum would be achieved with one third of the current membership present.
 10. David Morrall was keen not to change the group or propose new members without involving the new Chair.
 11. Mike Barnes confirmed that EPSG would await a proposition by written procedure on the understanding that it was an interim basis for membership until new governance structures were in operation.

Regional Economic Analysis – Paper 2

12. Glen Athey introduced his paper to the group and invited questions, as well as informing them that the paper had now been updated and could be found at www.insighteast.org.uk
13. Glen gave a short presentation on Broadband and the Economy and told members that:
 - There were now more than 80 million websites (15 years ago there were 18,000 web sites);
 - In September 2009, 1.7 billion of the world's 6.7 billion citizens (25.6 per cent) were using the internet, with usage growing 380 per cent from 2000 to 2009 (internetworldstats.com);
 - Estimated annual global economic benefits were estimated at US \$ 1.5 trillion (ITIF);
 - Annually £50 billion of UK consumer purchases were made online (Digital Britain);
 - In 2009, the Information, Technology and Innovation Fund and LSE suggested that £15 billion investment in ICT infrastructure would generate 700,000 jobs;
 - Ofcom surveys revealed that most of the households not connected to a broadband enabled fixed line were mainly in rural areas in the South East and East of England;
 - 3 per cent fewer rural households accessed fixed broadband than the England rural average;
 - The East of England recorded the 8th lowest broadband speed (of 3.289Mbps) amongst the 12 nations and regions of the UK in a 2008 speed test of 36,000 (conducting 188,000 speed tests) postcodes conducted by thinkbroadband.com in 2008;
 - Only 23 per cent of rural households could potentially access Virgin Media Broadband (compared to UK average of 56 per cent);
 - Clearly, the East of England had a leading technology based economy, and high quality, high speed broadband access was critical to maintaining its competitive position;
 - At an absolute minimum, download speeds available at or above **3.6Mbps** were needed in every household, business, and school, to enable the region to fully benefit from the new generation of digital services and content available online
14. David Morrall thanked Glen for the helpful context and detail regarding economic opportunities married with infrastructure problems. David asked if Glen was aware of any particular issues that were blockages for SMEs to unlock the commercial potential of broadband.

15. Glen felt that the main issue was that teleconferencing and virtual meetings were increasing ways of business communication and an inability to access them was a barrier for many SMEs.
16. Members discussed the issues that businesses in the region faced regarding broadband speeds, citing business in and around Luton Airport as an example. Glen added that in Scotland, technology parks had been built with fibre optics to act as an exchange so that businesses had the opportunity to link up.
17. David Morrall commented that there was a clear government commitment to superfast broadband and it would be interesting to see how this was translated into an offer in the next programme.

LEP Update

18. Verity Hinde from GO-East gave an update to EPSG members on the new Local Enterprise Partnerships (LEPs).
19. In the East of England, there were 5 LEPs: Herts, SE Midlands, Kent/Essex/East Sussex, Greater Cambs/Greater Peterborough and Norfolk/Suffolk, which meant there was 100% coverage across the region.
20. Once LEP boards had been set up, the government would formally recognise them and they would start to do business. A summit on growth and competitiveness was being organised which would be the first opportunity for all LEPs to meet and share their ideas and implement the plans they had in place. Details of when and where the summit would be held had yet to be agreed.
21. Verity added that in January this year, a Capacity Fund was announced, with a small amount of money (£4m nationally over 4 years) to allow partnerships to identify what the real issues were for partners in their area. The money would allow research to take place into how these issues could be tackled.
22. BIS were very keen to have some structure and local dialogue and were in the process of developing teams based outside of Whitehall to develop that work. There would be 6 teams across the country under the branding BIS Local.
23. David noted an interesting dimension to LEPs in that one of their functions would be the pooling of resources to lever in other government initiatives which would be useful for ERDF purposes in terms of match. Verity agreed and added that one of the valuable things would be sharing of best practice and this would be explored further at the summit.

24. A discussion followed around business and the purpose of LEPs and the difficulty on getting all sides (business, voluntary and LA) involved and keeping that involvement going.

ERDF Transition

25. David Morrall updated EPSG on the transition in management arrangements for ERDF. The ERDF team would be located at Eastbrook (former GO-East building in Cambridge) and would function in practice in broadly the same way as now. Around 250 ERDF staff from the RDAs would transfer into DCLG on 1 July 2011. Since each was used to operating in different ways, there was an aim to harmonise working practices, which could mean a degree of remodelling, but would not alter the way ERDF was delivered.
26. Andy Luff advised EPSG that some members of the team had been involved in the transition processes and were looking at how these fitted within the new governance structures. The transition groups would be looking in detail at all RDAs to identify best practice. They were trying to avoid any substantial changes to the programme which would need approval from the Commission.
27. Merja Toikka asked how the adoption of best practices would be foreseen. David answered that it was intended to have systems which delivered the most impact in the most streamlined way and which were compliant.

ERDF Programme Delivery Update – Paper 3

28. Andy Luff presented Paper 3 and highlighted the following points:
- Announcements on policy covering business support and technology and innovation centres published in January 2011;
 - Treasury revised forward exchange rates (December 2010) now applied to the programme allocation;
 - N+2 2010 spend target exceeded by over € 500k or 5%;
 - N+2 2011 target appeared extremely challenging. Measures initiated to review performance of each contracted project against profile;
 - OP amendments formally sent to CLG for submission to the Commission. Response awaited;
 - 6 project concepts received under bidding round 12. Of those 4 invited to submit full business case, 1 rejected and the other invited to re-submit.
 - Since the October EPSG meeting two further projects had been approved and two existing projects had received approval for additional ERDF support. These approvals had a total project value of £3,586,865 and total ERDF value of £1,395,866;

- Bidding round 13 now launched on EEDA website – closing date for receipt of concepts 31 January 2011;
- A total of 9 project concepts received for second housing call. Of these, three invited to business case stage and three invited to re-submit;
- East of England bid for Plugged in Places funding “EValu8” project was successful in winning £2.9 million of funding, despite strong competition from other regions. Following on from this an associated ERDF project led by the University of Hertfordshire had accepted an offer of £906,000 of ERDF funding;
- A specific call for transport related projects had been launched in November 2010;
- Estimated take up of funds during 2011 was 76% of the programme allocation;
- Risk assessment of project funding beyond financial year 2010/11 continued but the position of a number of projects remained unclear;
- Commitment towards programme targets remained varied. Some targets had already been exceeded while others were significantly underperforming;
- 32 initial project “engagement” visits completed and 11 project assessment and verification visits (PAVs) carried out;
- 3 audits carried out by the independent audit authority. Issues identified were being addressed.

29. Andy Stewart asked if there would be a replacement for the Screen East project. David Morrall replied that EPSG had agreed to commission a fresh evidence study and although this would follow the same procurement process, the nature of the organisation may be different.

30. Merja Toikke commented that what had been presented was very good, and the changes proposed to the programme would help globally to speed up some of the achievements. Andy stated that some changes to indicators had been proposed following on from the mid-term evaluation report commissioned last year. Due to the recession more jobs had been safeguarded, for example. He added that previously there had been insufficient information to accurately benchmark.

EPSG noted the paper

ERDF Support for Technology Strategy Board Innovation Programmes – Paper 4

31. David Morrall introduced this paper setting out the opportunities for the East of England ERDF Competitiveness programme to join with other regions and devolved administrations in supporting a number of the Technology Strategy Board’s (TSB) successful innovation programmes targeted at SMEs. Several of these products were

already boosted or enabled by significant ERDF support in the East of England and other regions.

32. There were strong synergies between ERDF Priority Axis 1 'Promoting Innovation and Knowledge Transfer' and Priority Axis 2 'Stimulating Enterprise and Supporting Businesses' and strands of the TSB's £220 million budget (2008-9) programme. Combined, there were significant opportunities to increase benefits to a larger number of SMEs and in new ways whilst meeting mutual ERDF/TSB objectives:
- At a time of shrinking public sector resources, the TSB's innovation and business programmes provided substantial match funding and leverage for ERDF.
 - Only the TSB delivered these programmes and so a non-competitive selection process is recommended.
 - The process of transfer of some RDA and BIS business support responsibilities to the TSB required that approval of any support should be expedited if it was to deliver optimal outcomes
 - It was highly desirable that regions and devolved administrations acted in unison so that relevant TSB programmes continued to be delivered within a national framework but were tailored to regional objectives, and so that the processing of any applications may be expedited.
 - The East of England's low carbon economic growth theme was unique and offered specific opportunities which could be influential in shifting TSB programming in line with carbon reduction commitments.
33. David provided two recommendations for EPSG to agree in principle: ERDF support for TSB innovation programmes, in conjunction with other regions and devolved administrations, with the condition that the programme's low carbon economic growth theme was maintained; and to conduct a non-competitive selection process with the aim of supporting TSB innovation programmes where relevant and practical and provided that those activities were eligible and delivered appropriate impact and value for money
34. Mike Barnes clarified that EPSG understood the concepts they were being asked to agree in principle today.

EPSG approved the recommendations

Support for Broadband – Paper 5

35. Andy Luff gave an update on work undertaken since the October 2010 EPSG which had endorsed a proposal for the inclusion of limited support for broadband in the programme.
36. Commenting on developments in the national policy context Andy advised that a new strategy paper had been published by the Government in December 2010 which mapped out how the stated vision of superfast broadband rollout would be delivered. It also included useful policy guidance that could be incorporated into the development of the proposed call for projects. He pointed out that the commitment to a universal standard had been dropped. The paper set out how the take up and effective use of broadband could help businesses and encourage innovation activity and also produce low carbon and equality benefits.
37. Following publication of the new broadband strategy further discussions had been held with Broadband Delivery UK (BDUK) during which it had been agreed to seek to align the East of England ERDF call for projects with the BDUK timetable and to involve BDUK in specification and assessment of project concepts.
38. BDUK was preparing details of a call for projects, which was likely to be launched in the spring of 2011. Bidding would be via a competitive process providing funding for 4-6 projects nationally. BDUK was enthusiastic and keen to maximise the potential use of ERDF support for the broadband initiative and was prepared to help with assessing projects even without BDUK match funding.
39. BDUK was developing state aid guidance and a notification template which the ERDF secretariat proposed to adopt to ensure that project proposals were compliant. It was envisaged that there would be a UK umbrella state aid scheme and work was underway to develop a proposal.
40. Some EPSG members queried whether project proposals would be mainly Local Authority led and if there would be areas where state aid would not be a problem. Andy Luff said that there were still a number of issues to be resolved. The initial BDUK call would be targeted at LAs but it was not yet possible to provide any specific details.
41. David Morrall pointed out that the carbon impacts of the wider use of broadband had to be carefully assessed. Working at home, for example, involved the heating and lighting of individuals' homes which was not necessarily carbon efficient.

EPSG approved the following actions:

- (i) *To seek to align the East of England ERDF call for projects with the BDUK timetable to allow potential opportunity for match funding;*
- (ii) *To involve BDUK in the development of the specification and initial assessment of project concepts received to ensure synergy with Government policy;*
- (iii) *That proposals received in the EDF call do not have to be successful in the BDUK call providing match funding can be demonstrated and proposals meet the criteria set out in the specification.*

EPSG also approved the proposal to adopt the BDUK state aid guidance and notification template

Low Carbon Innovation Fund (LCIF) – Paper 6

- 42. Significant progress had been made since the last EPSG meeting in October 2010. In particular, governance arrangements for the fund had been developed comprising three committees –
 - *Board of Directors* which would endorse cash-flowing release of investments and maintain a strategic perspective;
 - *Investment Committee* which would consider investment proposals submitted by the Fund Manager and retain full decision-making responsibilities for investments and make recommendations on these to the Board for release of funds; and
 - *Steering Group* which would have a critical eye and offer advice, input and guidance to the board of directors of LCIF in relation to its operation and investment strategy.
- 43. ERDF (at Director level) would have observer status on the Board of Directors. Members of the Investment Committee would have considerable technical expertise and some would be FSA registered.
- 44. Andy Luff reported that satisfactory revised management arrangements for both Low Carbon Investment Centre (LCIC) and the LCIF had been announced.
- 45. The Fund Operator (the University of East Anglia through LCIC) had promoted the fund at a range of business events in the region

since the launch and several expressions of interest had been completed on the web portal.

46. Andy Luff asked the EPSG to note that a significant milestone had been reached with an initial investment approved from the fund, which would shortly to be announced.
47. Commenting on arrangements for monitoring performance Ieva Zalite said it would be good to have a monitoring framework in place. Andy Luff understood that the Commission was developing relevant guidance.

EPSG noted the progress made and news of the first LCIF investment

Project Change Requests (contracted projects) – Paper 7

48. Currently there were no specific procedures for handling change requests from projects. The nature of requests ranged from minor re-profiling of project funding to significant changes to contracted business case targets and finance.
49. In the interests of transparency the ERDF secretariat proposed to publish guidance clarifying the procedures and setting out the principles and parameters for considering change requests. The proposed guidance also included arrangements for reporting approved changes to the EPSG and timescales for dealing with change requests.
50. Guy Mills asked if there was scope for reducing the timescales. Andy Luff said these were indicative and would be discussed with applicants on a case by case basis. Depending on the nature of the request some could be dealt with quickly while others, involving substantial change to the business case would take considerably longer.
51. EPSG was asked to endorse the proposed guidance note (attached as Annex 1 to Paper 7).

EPSG approved the “Request for change in existing projects” guidance note

Regional ESF Programme update

52. Andrew Hitter confirmed advice given at the last EPSG meeting in October 2010 that regional management of ESF would end with the abolition of the GO network on 31 March. He said Information on

outcomes and results set out in the regional framework would still be available at local level, though details would need to be sought from ESF Division (ESFD) at DWP.

53. Regional N+2 targets were currently being revised by ESFD.
54. Commenting on outcomes detailed in the management information supplied to the meeting, Andrew pointed out that the data indicated that performance on outcomes was progressing well.
55. Andrew provided brief CFO updates, reporting that a number of specifications had been issued for activity to be delivered from January 2011:
 - DWP would shortly publish revised specifications for 2011-13 activity
 - The Skills Funding Agency had commenced procurement for NEET and Community grants for 2011-13 late in 2010.
 - For NOMS – SERCO had been successful in being awarded the contract for delivery for 2011-13
 - EEDA would continue to operate as a CFO within the second half of the programme, with contracts due to run until December 2011
56. Adult learners' week would take place during 14-20 May 2011 and would also celebrate its 20th anniversary this year. Details of the regional event were still to be finalised.
57. David Morrall commented that following the change of Government, ESF would inevitably be adapted to support the changing domestic policy and be focussed with greater emphasis on national CFOs. Andrew said this was currently being debated.

EPSG noted the report

Communications update – Paper 9

58. Malcolm Cross introduced this paper covering communications activity for the final Quarter of 2010.
59. The update provided details of the media relations programme, including press releases/coverage of the cross programme 'Creating Futures' event and ERDF competitiveness programme projects, together with ERDF case studies, e-bulletins, website activity and details of facilitator-led meetings with partners.

EPSG noted the communications activity undertaken between September and December 2010

ERDF Communications Plan assessment – Paper 10

60. An assessment of progress in implementing the ERDF Competitiveness Programme Communications Plan during 2007-2010 had been undertaken by the ERDF secretariat. This activity supported a requirement under the programme's implementing regulations that the Annual Implementation Report for 2010 provides an assessment of information and publicity measures carried out thus far.
61. Introducing the assessment report, Malcolm Cross explained that the assessment examined performance against the current approved communications plan to establish the extent to which activities proposed in the plan had been undertaken. It also reviewed the continuing relevance of the plan, thus providing a basis for making any improvement or modification to the plan.
62. The assessment findings confirmed that most proposed activities had been undertaken and that these activities had been effective in raising awareness of the programme amongst target audience groups. The ERDF secretariat believed that the communications plan core objectives continued to be relevant as did the activities required to achieve them. The current communications plan remained fundamentally sound although there were a few areas where some adjustment for improvement could be made.
63. The current strategy and apparatus for delivering programme communications measures would, however, need to be adjusted to meet the emerging new management arrangements for ERDF programmes in England. In view of the imminent changes it was proposed that amendment of the plan be deferred pending further clarification.

EPSG noted

- (i) *progress and achievements in implementing the Communications Plan during the first years of the programme*

and agreed:

- (ii) *to defer immediate formal revision of the Communications Plan pending clarification of future programme management arrangements*

(iii) the ERDF programme secretariat should undertake a review and update of the plan with the aim of submitting a revised draft plan to the EPSG (or its successor LMC) in the second half of 2011

Equalities Group update – Paper 11

- 64. Paula Grayson presented the Equalities Group (EG) update paper providing details of activities of the group which met in November 2010.
- 65. With the abolition of GO-East the EPSG Equalities Group (EG) now had no secretariat. The membership of the EG was heavily biased towards ESF and many members had no continuing interest in the ERDF programme. Arrangements for the future functioning of the group would therefore need to be considered. The action plan would also need to be reviewed.
- 66. There would be a continuing need for the Equal Opportunities cross cutting theme and broader equalities issues to be monitored during the remainder of the ERDF programme. It was proposed therefore that the EG should continue to function as a virtual group but meet once each year in March to agree input for the Annual Implementation Report (AIR) and to monitor and review overall progress being made. Appropriate revision of the EG terms of reference would also need to be made.

EPSG agreed that the EG should function as a virtual group but meet once each year to agree input to the AIR and review progress

RDPE update – Paper 12

- 67. The RDPE update was issued as an information paper.

Other Business

- 68. The EPSG wished to record thanks to Andrew Hitter and the GO-East ESF team and to Mike Barnes for their service to the EPSG (and its predecessor SFSG) over a number of years, and wished them well for the future.
- 69. The EPSG also wished to thank Ieva Zalite for her contribution to the group since the beginning of the ERDF Competitiveness Programme. This was Ieva's last EPSG meeting before taking on a new role with the EC.

EEDA
European Secretariat
March 2011