



EUROPEAN PROGRAMMES STRATEGY GROUP (EPSG)

Draft Minutes of meeting held at Eastbrook, Cambridge 1 June 2011

Chair:	Neil O'Connor	DCLG
Members:	Marco Cereste Andrew Cogan Stuart Durrell Gill Eden Guy Mills David Morrall Arni Narain Angela Rowney Merja Toikka Julia Upton	EEDA COVER JCP Bedfordshire CFOs Cambs CC (for EPs) EEDA DCLG Luton CFO EC DG Regio Environment Agency
Officers:	Malcolm Cross Andy Luff Claudia Maresca	EEDA EEDA EEDA
Observers:	Pete Northover Sarah Murray	BIS Local: London & East East of England Brussels Office
Apologies:	Cllr Graham Butland Paula Grayson Mark Mitchell Cllr Kathy Pollard Bryony Rudkin Andy Stewart	EELGA (Con) Equalities Group COVER EELGA, (Lib Dem) EELGA BIS
Presenters:	Nick Boyns Rob Spires	PACEC PACEC

Introduction & apologies

1. Neil O'Connor, Director of Fire Resilience and Emergencies within DCLG and will now chair this group as it moves from a Programme Monitoring Committee (PMC) to a Local Management Committee. Neil will have an interest in a part of the East of England region

beyond his ERDF role as he also holds the Localities / relationship DCLG lead role for Norfolk and Suffolk. Neil looked forward to developing his understanding of ERDF and to working closely with Members in support of this.

2. Neil welcomed members and acknowledged apologies.

Minutes of Last Meeting

3. A key action from the previous EPSG agenda was the setting out of new governance arrangements for the LMC. David Morrall would be talking to a paper prepared on this issue later in the meeting.
4. The minutes of the last meeting held on 1 February 2011 were approved as a true record.

Paper 1 - LMC Governance

5. David Morrall highlighted that a key issue for the committee to address was the transition from a PMC to a LMC which will include Membership changes and agreeing the process for appointing a LMC Deputy Chair. .
6. Members queried if there would be boundary issues resulting from the LEPs once they become members of the Committee. David confirmed that the boundaries defined by the current ERDF programme would remain the same and that LEP nominees on the new LMC would represent the geographies within the boundaries of the East of England ERDF Competitiveness Programme.
7. David proposed that a Task and Finish group should be established, to include both Committee and non committee members, regarding the appointment of the Deputy Chair. The timeline for completion of this work would be end of July.
8. David confirmed that the commitment needed by the Deputy chair would be between 17 and 9 meetings (4 LMC, 12 CDG and 1 Ministerial meeting) although this workload might be mitigated if the Deputy LMC Chair only chaired CDG meetings that coincided with quarterly bidding rounds; David Morrall, as the local DCLG lead, might chair non-bidding round CDG meetings under such an arrangement.
9. Members queried if the post was a paid position or if expenses were paid. David confirmed there would be no salary but expenses would be paid.

10. It was agreed that the Task and Finish group would propose names and identify the selection criteria for the Deputy Chair position which would be agreed by the end of July. It was agreed that the Task and Finish group would be supported by the EEDA (DCLG) Secretariat, and would comprise of 3 members from this group and 3 from either stakeholders or LEPS.
11. Andy Cogan and Guy Mills volunteered on behalf of this group. David Morrall agreed to seek one further nomination from PMC.
12. As a number of organisations previously involved in PMC have been/are being dissolved, Members agreed that LMC membership would need to be broadened out to include representatives from Local Enterprise Partnerships (LEPs). While it was noted that some LEPs straddle regions and that a number of LEPs only have board members rather than support staff at this stage it was agreed that each LEP should nominate one representative to deal with a large portion of the East of England region. David agreed to amend the recommendation.
13. Discussion was held around the number of political candidates and the need to have a balance of Members.
14. David advised members that other committees were retaining cross European programme representatives and that in terms of oversight, it would be beneficial to this programme. Members agreed with this recommendation.
15. Julia Upton advised members that a sensible and practical proposal would be to amalgamate both the Environmental Sustainability and Equalities group into one. While Members agreed with this rationalisation, it was agreed that Paula Grayson (who was absent from the meeting) would be consulted on this proposal before a final decision is made.
16. European Social Fund (ESF) was discussed in relation to the six seats it held on the PMC. As members were aware, EPSG no longer had responsibility for the ESF programme. It was proposed that the Skills Funding Agency acted as the overall national seat for ESF and one remaining seat to be shared between Luton and Central Beds. Members agreed with this recommendation. It was agreed that David would amend the EPSG membership list attached to Paper 1.
17. Members were asked to consider David's proposal to offer a seat to the Brussels Office. This was agreed by Members who felt it was reasonable and important at a strategic level to have input from Brussels. This proposal was agreed by Members.

18. David advised Members that the sub-regional partnerships currently have two seats on the PMC. As the proposal for LEPs to have 5 seats removes that need for sub regional partnerships representation this could impact on Guy Mill's membership who brings considerable expertise to the group. Members agreed to reserve the right to consider this further.
19. The Chair advised members that they had covered the nine recommendations in the paper and stated that David would produce a paper for the next meeting to cover the processes of implementing the recommendations.

Paper 2 - Regional Economic Intelligence

20. David reminded Members that with the demise of Insight East these reports would no longer be available in their current format. A query was raised by David on whether the Committee wanted to continue receiving this information and if so how could it be resourced.
21. Marco Cereste stated that the paper was very useful and it was helpful to have this information. He was happy to leave the logistics to the group.
22. Members agreed that David should further explore the three options recommended in Paper 2 and report back to EPSG.

Cohesion Report – Verbal Update, Sarah Murray

23. Sarah advised members that the publication of the 5th Cohesion Report in October 2010 marked the start of the consultation on the next set of programmes and this consultation period concluded with the Cohesion Forum in Brussels in January 2011. The East of England European Partnership formally responded to this stakeholder consultation and was represented at the Cohesion Forum by the co-chair of the Europe and International Forum, Cllr Marco Cereste.
24. The next phase in the development of the programmes will be the publication by the European commission (expected before the summer) of the draft regulations (ERDF, ESF and General Regulation). The inter-institutional debate will begin in earnest, although the European Parliament is already very active on the subject.
25. Reference will be made to the context which will shape the post 2013 programmes (size and prioritization of cohesion policy), namely the inter-institutional financial framework.

26. Angela Rowney raised the issue that during a LGA presentation, BIS had given a strong message that in the ERDF next programme would be national. Sarah confirmed that while the precedence will be for smaller member states to have national ERDF programmes, in the case of England, 2 or 3 thematic programmes may be established however a national programme may be possible but, ultimately, the Commission would defer to member states as long as programmes were consistent with the regulations.

ERDF Transition – Verbal Update David Morrall

27. David informed members that the transition is on track in terms of transfer of the ERDF business operation from EEDA to DCLG and transfer of assets (staff, MI, systems) to Eastbrook. David agreed to keep members informed of progress/issues.

Paper 3 - ERDF Programme Delivery Update

28. Andy Luff presented his paper to members and highlighted the following:
- Regional Growth Fund (RGF) round 2 launched 12 April 2011. ERDF Local Delivery Units will be involved in RGF process going forward;
 - Treasury forward exchange rates - revision in June 2011 anticipated;
 - N+2 2011 target remains extremely challenging. A review performance of each contracted project against profile has been undertaken and actions agreed;
 - Court proceedings for the Screen East Low Carbon Digital Content Investment Fund (LCDCIF) scheduled for end of June 2011;
 - OP amendments undergoing Commission “inter-service consultation”. Awaiting a response;
 - Seven project concepts received under bidding round 13. Of those four were invited to submit full business case. A poor response received to bidding round 14.
 - Between February –April 2011 EPSG meetings, one further project has been approved and two existing projects have received approval for additional ERDF support. These approvals have a total project value of £1,731,987 and total ERDF value of £932,635;
 - A call for broadband related projects was launched in March 2011 with an event held on 19 April. Closing date for project concepts 27 May 2011;
 - Two housing projects were approved from round 1 and a further five going forward in round 2. A further housing call is unlikely. Project concepts from the transport call is under consideration;

- Proposal for specific call for Cradle to Cradle related projects (proposed by Suffolk) recommended for LMC discussion in September 2011;
 - Estimated take up of funds by during 2011 is now 86% of the programme allocation;
 - Commitment towards programme targets remains varied. Some targets have already been exceeded and others are significantly underperforming;
 - Thirty four initial project “engagement” visits have been completed and 14 project assessment and verification visits (PAVs) have been carried out;
 - Six audits have now been carried out by the independent audit authority. All issues identified are being addressed.
29. Neil O'Connor thanked Andy and asked what he felt the major issues were. Andy replied that a critical issue had been compliance whereby projects had put in unrealistic profiles and once approved, they were unable to deliver.
30. Neil asked how worried we should be about the level of irregularities. Andy stated that although error rates are around 2.6/2.7%, which is higher than the Commission level of 2%, other regions were also having difficulties with one region having 50% and another 15%. Andy reassured members that measures are in place to reduce irregularities. .
31. Andy advised Members that he would not be transferring to DCLG and that this was his last report for this group. David Morrall told members that Andy had done a fantastic job over the last 10 years and that he would be greatly missed. Discussions were ongoing regarding a temporary extension to Andy's contract to enable a smooth handover and transition.
32. EPSG approved the recommendations.

Paper 4 - ERDF Competitiveness Programme Interregional Strand

33. David Morrall advised members that this paper was to update them on preparations to develop a specification for interregional activity and to launch an initial call for projects.
34. EPSG agreed the recommendation

Paper 5 - Low Carbon Innovation Fund (LCIF) Update Report

35. Andy Luff introduced this paper and advised members that the ERDF offer letter for the Low Carbon Venture Capital Fund was issued on 6 November 2009 and returned accepted by UEA on 10

November 2009. Following this a procurement exercise was undertaken by UEA to appoint the Fund Manager. The LCIF was formally launched at an event which took place at the St John's Innovation Centre in Cambridge on Monday 27 September 2010. Around 70 people from across the region attended the event.

36. Andy told Members that Turquoise International was managing the fund in partnership with the Low Carbon Innovation Centre (LCIC) at the University of East Anglia (UEA).
37. Andy added that UEA finance's projection was that the investment fund of £8m will generate interest of approximately £700k short of that needed to cover fund running costs over a five year period at best case scenario. The position was further complicated by revised guidance from the Commission which ruled that the interest generated from ERDF VC Funds was ERDF and cannot be treated as match funding to be used alongside ERDF. However, it was not clear if this ruling applied retrospectively. The position has been discussed with DCLG who were writing to the European Commission to seek clarification.
38. Andy agreed to send comments to Merja who will act on our behalf to try and resolve the problem.
39. Guy Mills raised a query regarding the total funding of the 20 applications received so far. Andy agreed to action this point .
40. EPSG members approved the recommendations.

Creative Industries Financial Instrument study – Presentation by PACEC Consultants

41. Nick Boyns and Rob Spires presented the findings of their Creative Industries research which outlined what constituted the creative industry sector and what the issues/market failures were for this sector.
42. Their recommendations, as listed in their paper proposed the development of an Equity Co-Investment fund of £3m for SMEs in creative industries, including a convertible or repayment loan finance as mezzanine finance between £20-£100k over the period 2012-2015.
43. Neil O'Connor thanked Nick and Rob and advised Members that the slides were available upon request from the ERDF Secretariat.
44. EPSG discussed the model and heard that it was based on the same kind of rationale as Screen East. David Morrall reminded members that we had an evidence base, and the central case for

the fund hadn't changed, but market economics had and this report has covered that.

45. Alastair Rhind stated that the previous programme was specifically targeted towards film, computer gaming and digital media. The proposed equity co -investment fund would have a broader scope for potential applicants which would in turn give a greater level flexibility to the operation of a successor fund.
46. EPSG queried the dual management of this fund. David confirmed that DCLG were insistent on this arrangement given what happened with Screen East and reminded Members that the original Screen East fund was approved by DCLG and BIS.
47. Merja Toikka suggested that there might be scope for a successor fund to be taken under the umbrella of Low Carbon Innovation Fund (LCIF).
48. Alastair Rhind advised that a delivery mechanism would need to be established using competitive tendering, similar to that used for the LCIF to secure a fund operator. If this approach was taken, measures would need to be put in place to widen the opportunity for organisations in the region to act as the fund operators. Alternatively the existing fund could be topped up however, Alasdair was unsure if this would be possible.
49. David Morrall and Alastair Rhind agreed to discuss and explore this option with DCLG and BIS.
50. EPSG approved the recommendations in the report.

Paper 6 – AIR

51. Malcolm Cross introduced this paper which was principally a factual report detailing progress over the last year (2010). The structure of the report and nature of content is prescribed in the programme implementing regulations.
52. Malcolm explained that EPSG approval was required before the Annual Implementation Report can be submitted to the Commission (via the Managing Authority (DCLG)) by 30 June deadline
53. Merja congratulated Malcolm on a good report.
54. EPSG approved the 2010 Annual Implementation Report.

Paper 7 – Communications

- 55. Claudia Maresca introduced this paper which was for information only. The paper provided an update on communications activity for the programme between January and May 2011. The significant press coverage for that period was the visit by President Barosso the Region.
- 56. Sarah Murray felt that there was a need to make a case to show the value of our programme to the Commission and to try and work closely with them and ask them to be our advocates.
- 57. David Morrall advised EPSG that Baroness Hanham was coming to the region in July. Sarah asked if it could be widened to include MEPs. David agreed to check this.
- 58. EPSG noted the paper.

Paper 8 - Equalities Update

- 59. Neil O'Connor advised members that in Paula Grayson's absence the committee would note the paper.
- 60. David Morrall added that in light of the new Equality Act 2010, a review of procedures would be undertaken to ensure continued compliance.
- 61. EPSG noted the paper

Paper 9 - ESF programme Update

- 62. David informed EPSG that this paper was for information purposes only. As we have been given a contact name and as the ESF programme has a range of MI which will be relevant to this Committee, David advised members that we should ensure that data is exchanged on an ongoing basis.
- 63. EPSG noted the paper.

Paper 10 – RDPE Information Paper

- 64. David Morrall noted that this paper was for information only, however in the future it was agreed it would be useful to have a representative from the RDPE team to attend.

65. Guy Mills had a concern around the Sustainable Green Tourism project, and the fact that he hasn't seen any progress since January. David Morrall agreed to pass this on to David Sillett.

Paper 11 - Territorial Co-Operation Programme

66. Neil O'Connor asked the ERDF Secretariat to re-circulate this paper.
67. David Morrall confirmed it was just an update paper.

Any Other Business

68. David Morrall informed EPSG that Malcom Cross would not be transferring to DCLG due to early retirement and wished to formally note and thank him for his contribution to the programme over the last 12 years.
69. Neil O'Connor wanted to also personally record his thanks to the EPSG and that he looked forward to working with them all in the future.

Date of Next Meeting: 20 September 2011

ERDF Secretariat
July 2011