

SKSEC/NOV /2010

NORTH EAST ENGLAND COMPETITIVENESS PROGRAMME 2007-13

MEETING OF THE PROGRAMME MONITORING COMMITTEE:

12 NOVEMBER 2010

	Role	Sector
Attendees		
Jonathan Blackie	Chair	Government Office North East
Malcolm Page	Member	One North East
Kevin Rowan	Member	TUC/Equal Opportunities/ESF Link
Jo Curry	Member	Voluntary Sector
Cllr Bryan Charlton	Member	Tyne & Wear
Cllr Neil Foster	Member	Durham
Tony Sarginson	Member	PEG Private Sector Representative
Claire Hoskins	Member	CLG
Ieva Zalite	Observer	European Commission
Heather Smith	Observer	Northumberland
Catherine Pearson	Observer	Durham
Pam Hogg	Observer	Tees Valley
Gordon Bell	Observer	Tyne & Wear
Yvonne Clark	Observer	Government Office North East
Lesley Calder	Secretariat	One North East
Iain Derrick	Secretariat	One North East
Raffaella Ebani	Secretariat	One North East
Susan Kennedy	Secretariat	One North East
Apologies		
Cllr Bob Cook	Member	Tees Valley
Cllr Thomas Brechany	Member	Northumberland
John Cuthbert	Member	Private Sector
Adelle Rowe	Member	Environment/Sustainability
Adrian Sherwood	Member	RDPE

AGENDA ITEM 1. WELCOME AND APOLOGIES

The Chair welcomed members to the ninth meeting of the Programme Monitoring Committee held at One North East.

AGENDA ITEM 2. DECLARATION OF INTEREST

No declarations of interest.

AGENDA ITEM 3. MINUTES FROM PREVIOUS MEETING AND MATTERS ARISING

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

AGENDA ITEM 4. BE-NE FINAL EVALUATION AND PERFORMANCE REPORTING (PRESENTATION)

PMC received a presentation from Simon Allen, Business Support Manager, One North East on the findings of the longitudinal evaluation of BE-NE. A copy of the presentation is attached at Annex 1. PMC was advised that the full report will be published on the One North East website.

Key conclusions from the independent evaluation are:

- The Business Link service has performed well in achieving the aims and objectives for which it was contracted to deliver as well as its key targets, with the performance and impact of the North East England Investment Centre identified as a significant achievement;
- The move from sub-regional to co-ordinated regional level provision has delivered efficiencies, cost savings and economies of scale;
- There has been demonstrable return on the public investment made in the Business Link service;
- As the design and configuration of business support evolves in the future, there are opportunities to capitalise on relationships, good practice and collaborations formed through the delivery of the North East Business Link service;

Nicki Clark, Assistant Chief Executive, BE-NE, presented on BE-NE performance, current activity and future changes to reflect emerging policy. A copy of the presentation is attached at Annex 2.

Key points highlighted include:

- Phase two of the ERDF Funded IDB¹ BE-NE will shift focus and priority for business support services and access to the North East England Investment Centre from supporting pre-start activity to increased investment in start up and businesses struggling with the recession, ensuring a closer alignment with government policy;
- BE-NE is pro-actively examining the potential for increased use of private sector match funding, to compensate for the reduction of public sector resources following the CSR;
- The need to ensure a balance between the need to deliver contracted targets with SME demand;
- Despite the constraints and challenges of reduced public sector investment, BE-NE remains committed to continued delivery of business support services for the North East and continues leverage of ERDF investment.

PMC noted the progress made. Key PMC issues and questions included;

- Desire to see more explicitly the impact of **ERDF** intervention, including impact on SME growth;
- Ability of BE-NE to address the underperformance of Phase 1 of the ERDF funded IDB project within Phase 2 of activity and investment;

¹ Information, Diagnostic and Brokerage (IDB)

- Realism of profiled output/result targets – current profile appears particularly low given that this is phase 2 of ERDF funded activity, phase 2 benefiting from the momentum of phase 1;
- Profiling and performance reporting should enable PEG and PMC to more clearly monitor performance given the significance of the project to the delivery of Programme outputs, impacts and results.

Action 1: Programme Executive Group to consider BE-NE performance, profiling and reporting in more detail.

AGENDA ITEM 5. EARLY MESSAGES FROM THE MID TERM EVALUATION (PRESENTATION)

PMC received a presentation from Simon Hallam and Neil Evans (Regeneris Consulting) on the Mid Term Evaluation of the North East Programme. The presentation is attached at Annex 3 for information.

Initial findings include a number of messages on programme progress, including:

- Continued partner support for the strong Lisbon focus of the operational programme, although a number of partners are keen to review the case for a physical regeneration element;
- Sound programme governance arrangements and good working relationships between the Secretariat and the PEG and PMC, supported by good communications and clear understanding of respective roles;
- Good engagement with partners across the region, although there is evidence (as there is in other English regions) of an ongoing reluctance of the university sector to apply for ERDF funding;
- Strong financial progress and contracted outputs/results targets for businesses created and jobs created/safeguarded remain on track. However this may be at risk in the coming months if public sector match funding is withdrawn further. The key challenge remains translation of financial and contracted outputs into actual spend / achievement;
- Major concern from partners emerging with regards to future availability of match funding, with the scale of funding cuts across all public sector partners still relatively unknown at this stage. The expectation is that private sector funding will be an increasingly important source of match for the programme going forward.

Regeneris confirmed the timetable for the evaluation, with the Strategic Consultations and Project Reviews partially completed and a Beneficiary Survey due to commence in December. The interim report is currently being prepared with the final report expected to be produced in January 2011 and presented to PMC at its meeting in February 2011.

PMC noted that the Mid Term Evaluation is taking place at an opportune time and asked that consideration be given by Regeneris to looking at how ERDF could support national policy changes as part of the mid term of work. This is to be picked up in the Evaluation Steering Group meeting scheduled for Wednesday 24th November.

AGENDA ITEM 6 ERDF NATIONAL DEVELOPMENTS AND IMPLICATIONS OF CSR

PMC received a report summarising the White Paper 'Local Growth: realising every place's potential' and a 1 page summary of the Regional Growth Fund.

PMC was updated on the work of the National Transition Steering Group and informed that;

- There is a strong northern RDA presence on the CLG chaired national ERDF Transition Steering Group including representatives from One North East, Yorkshire Forward and the North West Development Agency;
- A number of work streams have been established to inform consideration of transition issues including HR, Governance, Assets and Liabilities, IT and data;
- No decisions have yet been made on successor management and delivery arrangements. These are to be announced in the Budget March 2011;
- CLG has made progress in respect of the transfer of ERDF staff/capacity. It is highly likely that those staff currently employed on ERDF Managing Authority/Intermediate body functions will transfer to CLG through a COSOP (Cabinet Office Statement of Practice) by end July 2011. This will follow the 26 week period required to revoke the Statutory Instrument which established the RDA as the Article 59 Intermediate Body;
- The RDA staff resource transferred into CLG will not include capacity to support wider functions currently provided by the RDA for example legal, procurement, State Aid and Article 55 advice. CLG has been advised by RDAs nationally that the loss of these critical services could constitute a risk to programme delivery and compliance that will need to be taken into account in any national level Managing Authority structures.

PMC discussed the implication of public sector budget cuts on the availability of match funding. This was identified as a significant risk to the successful achievement of N+2 targets post 2011 and to the wider implementation of the programme.

Concerns were expressed at the lack of alignment of the Regional Growth Fund (RGF) with ERDF and the current lack of clarity on the first round of the RGF, with no apparent process in place to manage and coordinate RGF bids. PMC noted that the scope of ERDF/RGF alignment was likely to be limited due to focus on private sector non SME activity, housing and transport. The Chair noted that there was reference to ERDF in the Local Growth White Paper.

PMC was informed that the Programme Executive Group had agreed to review the North East approach to JESSICA as a priority as a potential mechanism for providing match funding and securing defrayal of ERDF through a holding fund.

In the context of lack of detail on policy developments, PMC requested that an extraordinary PMC should be convened in April 2011 following the formal announcement as part of the 2011 Budget in March of new management and delivery arrangements. The meeting to proceed if there is sufficient clarity on the future of the Programme and its governance arrangements.

PMC agreed that the Secretariat should explore the use of Technical Assistance to explore alignment of Regional Growth Fund with ERDF.

<p>Action 2: The Secretariat to arrange for an additional special PMC meeting in April 2011</p>

<p>Action 3: The Secretariat to explore the use of Technical Assistance funding to maximise RGF alignment with ERDF.</p>

AGENDA ITEM 7. PROGRAMME IMPLEMENTATION PROGRESS REPORT

The Secretariat presented its latest report updating PMC on progress in respect of programme performance, financial commitments, expenditure targets and performance against programme indicators.

Key trends highlighted include:

- Sustained financial performance, however progress has slowed significantly since the June 2010 PMC. Legal commitment levels now stand at £201m against £209m reported in September;
- Commitments represent 60% of the overall ERDF resource;
- Low levels of new project activity; 5 projects have been formally submitted to the Secretariat since July 10. This represents an increased risk to the delivery of the remainder of the programme;
- Low risk position in respect of the cumulative 2010 n+2 expenditure target of £64.7m with £80.4m of claims paid to date;
- Position in respect of contracted levels programme indicators (outputs/results) remaining largely the same as previously reported, however further work is being undertaken to assess actual delivery performance.

The Secretariat reported that it was taking specific action to address the reported risks including;

- One North East Deputy Chief Executive has written to all Local Authority Chief Executives to encourage greater take up of ERDF, and highlighting the risk of loss of resources to the region;
- Working closely with the regions HEIs to encourage greater take up of ERDF;
- Engaging with national funding bodies for example Technology Strategy Board;
- Working closely with PEG to improve performance of current projects.

PMC was informed that N+2 targets have been revised following the publication by the European Commission of revised financial tables re-profiling 2009 N+2 across future years. The financial tables of progress reports for PMC and PEG will be amended accordingly for future meetings.

AGENDA ITEM 8. FINANCIAL ENGINEERING INSTRUMENTS (FEIS) PERFORMANCE REPORTING

The Secretariat presented a detailed progress report updating members on the operational progress made by Finance for Business| North East (JEREMIE) and the Creative Content Fund, showing that reasonable progress was being made in both funds. PMC was also informed that the Micro Finance fund was expected to start operating imminently.

PMC noted that the PEG, in its capacity as the Financial Engineering Instruments Monitoring Committee, had taken active steps to develop understanding and knowledge through attendance at a technical workshop held in September 2010. PMC noted that significant efforts were underway to retain regional ownership/management of access to finance initiatives.

The Government Office representative stressed that there was considerable experiential learning in respect of compliance in FEIs and that the current initiatives should take full cognisance of this. GONE and Secretariat to work closely to learn from the experience of the previous programme to strengthen compliance and manage risk in the current initiatives.

Action 4: GONE and Secretariat to work closely to ensure that the current FEI projects learn and benefit from the experience of the previous programme.
GONE to share the detail of audit/compliance issues with the ERDF Secretariat.

AGENDA ITEM 9. RDA AS FINAL BENEFICIARY

In accordance with the agreed process set out in the ERDF Delivery Framework the Secretariat presented a report updating PMC on projects at selection and approval stage where One North East acts as Final Beneficiary of ERDF investment.

The Secretariat drew the PMC's attention to £10m reduction in ERDF to be taken up by One North East, attributable to Single Programme funding cuts and the inability of One North East to enter into contracts post March 2011.

PMC noted the report.

AGENDA ITEM 10. COMMUNICATIONS UPDATE

The Secretariat presented a report to update the PMC on communications activity initiated since its last meeting in June 2010.

The Secretariat highlighted the growing success of the ERDF Practitioner Network with increasing membership and a well established programme of workshops and events. PMC noted the excellent feedback received in respect of the ERDF Week in June 2010, ERDF week had successfully showcased ERDF programme success to a wide range of stakeholders.

PMC was informed that Joe Montgomery, (Director General, Regions and Communities Group, CLG) had recently met with the ERDF Secretariat and highlighted the Practitioner Network as exemplary in ERDF capacity building and communication.

AGENDA ITEM 11. ANY OTHER BUSINESS

11.1 Ministerial visit to the region;

PMC was informed that the Secretariat is working with Northumberland County Council to co-ordinate a visit by Baroness Hanham, Parliamentary Under Secretary of State, CLG to the ERDF funded Berwick Incubator project.

11.2 Schedule of PMC meetings;

The Secretariat tabled an advance schedule of meetings for 2011:

- 10.00-12.00 10 February 2011
- TBC extraordinary PMC meeting April 2011
- 10.00-12.00 22 June 2011
- 10.00-12.00 19 October 2011.

11.3 PMC Thanks to Malcolm Page:

The Chair reported that Malcolm Page will be leaving One North East at the end of December 2010 to take up a new appointment as Executive Director of Commercial and Corporate Services at Sunderland City Council.

On behalf of PMC the Chair thanked Malcolm for his drive, commitment and leadership of the ERDF Programme, in particular leading extensive and complex work to ensure that the North East was the first English region to secure its JEREMIE programme. PMC members endorsed the comments of the chair and wished the minutes to record thanks for Malcolm's significant contribution to the ERDF Programme and to the region.

Minutes end