

**East Midlands 2007-13 ERDF Competitiveness Programme
Programme Monitoring Committee (PMC) Meeting**

Thursday 16 June 2011

Attendees

Mark Carroll (MCa)	Department for Communities and Local Government (DCLG)	PMC Chair
Roger Brooks (RB)	East Midlands Universities Association	PMC Member
Elizabeth Donnelly (ED)	East Midlands Development Agency (<i>emda</i>)	PMC Member
David Kelly (DK)	Social Enterprise East Midlands	PMC Member
Rachel Quinn (RQ)	One East Midlands	PMC Member
Jan Sensier (JS)	East Midlands Councils	PMC Member
Cllr Robert Parker (RP)	East Midlands Councils	PMC Alternate
Rowena Limb (RL)	Department for Business, Innovation and Skills (BIS)	PMC Adviser
Kristina Penkyovska (KP)	European Commission: DG Regio	PMC Adviser
Andrew Morgan (AM)	<i>emda</i>	Secretariat
Stuart Creedy (SC)	ERDF Team, <i>emda</i>	Secretariat
Melanie Crunkhorn (MCR)	ERDF Team, <i>emda</i>	Secretariat
Michelle Targett (MT)	ERDF Team, <i>emda</i>	Secretariat
Peter Williams (PW)	East Midlands Councils	Observer

Apologies

Carl Edwards	East Midlands Innovation
Cllr Jon Collins	East Midlands Councils
Cllr Mike Preston	East Midlands Councils
Cllr David Bill	East Midlands Councils
Jay Vyas	Equality and Human Rights Commission
Jon Baker	Environment Agency
Matt Doran	National Trust
Pat Zadora	East Midlands Business Forum

***This meeting was not quorate. Given it was the last PMC meeting, Members who had intended to attend but due to unforeseen circumstances were unable to on the day were invited to provide written endorsement to the decisions taken. This endorsement was received on 24 June.**

Project presentation:

The meeting started with a welcome to Chesterfield by Cllr John Burrows (Leader of Chesterfield Borough Council) and Huw Bowen (Chief Executive of Chesterfield Borough Council) who provided information on the local area and the support received from ERDF to date. This was followed by a presentation from the *Destination Chesterfield* project delivered by the Council and supported under the Programme's sustainable economic and enterprise activity in disadvantaged communities priority (Priority Axis 2).

1) Welcome, introduction and apologies

The Chair (MC) welcomed Members to the meeting and thanked everyone for attending. Introductions were given with the following being noted:

- Mark Carroll (MCa), Director of Decentralisation and Big Society at DCLG has been appointed as the East Midlands Local Management Committee (LMC) Chair and was chairing the last PMC meeting;
- Rowena Limb (RL), Area Director for BIS East Midlands and South East Midlands had taken up the Department for Business, Innovation and Skills (BIS) seat on the PMC, replacing Chris Kirby; and
- Cllr Robert Parker (RP) was attending as alternate on behalf of East Midlands Councils.

The Chair also thanked Chesterfield Borough Council for hosting the meeting and providing information about the District and related projects.

Declarations of Interest

No declarations of interest in addition to those recorded on the standing register were received during the business of the meeting.

2) Review minutes and actions from previous meeting

Melanie Crunkhorn (MCr) reviewed the minutes of the previous meeting. There was one outstanding action point that would be covered separately under agenda item 5:

- ERDF team to arrange a PMC Sub Group to discuss future arrangements of the LMC.

The minutes were agreed as an accurate record of the 02 March 2011 meeting.

3) Summary of endorsements by written procedures

Since the last PMC meeting (02 March) no endorsements had been taken by written procedures.

4) Programme update

Stuart Creedy (SC) presented the Programme update paper (01). The Programme has been progressing well in terms of commitment and project approvals and the 2011 N+2 target has already been exceeded by £2.5m.

SC also confirmed that from 01 July 2011, responsibility for delivering the ERDF Programme in the East Midlands would transfer from the East Midlands Development Agency (*emda*) to the Department for Communities and Local Government (DCLG).

In addition, the following matters were discussed in detail:

PA1 – Third Innovation Call for Activity

SC informed Members that a number of Expressions of Interest (EOIs) received through this call had requested support for either establishing new venture capital/loan funds (VCLFs) and/or seeking support for energy efficiency improvements and renewable energy (EERE) in existing housing (following changes to Regulation 1080/2006, article 7)¹.

EERE

With regards to supporting EERE in housing, SC sought reconfirmation of the PMC's previous view that the Programme would not seek to utilise the provision to invest up to 4% of the Programme's allocation to support greater EERE in existing housing (29.07.10 PMC meeting minutes refer). The PMC agreed to maintain this position on the basis that: given the 4% cap, there would be insufficient funds to make a real step change; there has already been an encouraging response under each of the calls for activity so there is no real need for the Programme to diversify; and to utilise this provision, a formal change request to the East Midlands Operational Programme would need to be submitted to the European Commission.

The PMC agreed to maintain its position *not* to seek to utilise the provision to invest up to 4% of the Programme's allocation to support greater EERE in existing housing.

VCLFs

With regards to VCLFs, SC invited Members views on whether the Programme should support further VCLFs, although they had not been invited in the Prospectus for the third innovation call. David Kelly (DK) said that there had already been an expansion in the range of such products available in the market. Elizabeth Donnelly (ED) expressed concern that if the PMC agreed to support new VCLFs, ERDF funds would be diverted away from projects where match funding is an issue as the overall amount of ERDF available under this call would subsequently reduce.

The PMC agreed *not* to support any requests for establishing new venture capital / loan funds.

¹ As part of its response to the economic crisis, the European Commission has amended Article 7 of EC Regulation 1080/2006 to allow expenditure on energy efficiency improvements and on the use of renewable energy in existing housing to be eligible for support from the ERDF. Under the amendment, Member States will define categories of eligible housing in national rules on eligible expenditure, in conformity with Article 56 of Regulation (EC) No 1083/2006, in order to support social cohesion. The amendment allows Member States to spend up to 4% of their total ERDF allocation on these measures.

In order to comply with the Commission's requirement that energy efficiency improvements and renewable energy measures should be allowed "in order to support social cohesion", in England the measures will be restricted to social housing, as defined in Articles 68 – 70 of the Housing and Regeneration Act 2008.

Broadband

SC said some EOIs were also seeking support for Broadband infrastructure and informed Members that such activity is not eligible under the existing East Midlands Operational Programme. 'Connectivity' has always been eligible under the Programme's Priority Axis 2, but this was limited to investment in the 'final mile'. Under PA1, where capital works were being supported, provision of a broadband connection might be considered as a 'utility' (such as water or electricity/gas supplied) but anything further was not eligible.

Members noted the letter from Carol Sweetenham DCLG Deputy Director (ERDF Delivery) (Paper 01, Annex A) inviting their views on whether DCLG should apply nationally to the European Commission for a change to the European regulations and a subsequent change to each of the Operational Programme's to enable support broadband infrastructure.

Jan Sensier (JS) emphasised the importance of support for broadband activity in local areas and queried if in the first instance it would be possible to return to those particular applicants to see if their projects could be developed into eligible 'final mile' type activity rather than major broadband infrastructure. SC confirmed that given these EOIs had been received under the Priority Axis 1 call this would not be possible as support for the 'final mile' is only eligible under Priority Axis 2.

Kristina Penkyovska (KP) advised that requesting a change to the European regulations is a very lengthy process and at this point of the Programming period it is unlikely the European Commission would approve a regulatory change.

Cllr Robert Parker (RP) queried whether any other regions had requested such a change. MCa said that the Yorkshire and Humber area had put in such a request that was later turned down by the European Commission – this process had also taken the best part of a year to complete.

The PMC agreed that it would *not* express an interest for DCLG to put in a request to the European Commission to change the regulations to allow broadband infrastructure support in Competitiveness regions.

PA2

SC confirmed that each of the Local Investment Plans had been refreshed and the Districts were currently holding a number of local events to launch new calls for activity. The initial response to the calls has been very encouraging.

JS queried whether Oadby & Wigston (new to the Programme's 12 targeted Districts) had sufficient capacity to manage their indicative fund allocation. Michelle Targett (MT) confirmed that the District had established a new governance structure that in the main consisted of a local Board, on which the Leader of the Council sits, that is now responsible for endorsing any EOIs to be taken forward. The Board was established following concerns that the District is not represented on the Leicestershire Local Economic Partnership and it would not be appropriate for decisions therefore to be made at that level. Given the new governance arrangements there appeared to be sufficient capacity in the District to manage their indicative allocation.

2011 Annual Information Event

SC informed Members that the date for the Programme's 2011 Annual Information Event had been set for Friday 14 October and would take place at Holywell Park, Loughborough University. The Chair took the opportunity to encourage Members to attend and to note the date in their diaries.

Action: Members to hold Friday 14 October 2011 in their diary.

Audits

SC informed Members that, further to the information set out in the Paper, *emda* had successfully argued the unconcluded error rate down to 10% (from over 50%) and this figure had now been presented to the European Commission (EC). Andrew Morgan (AM) informed Members that the team continued to raise serious questions over the accuracy of the audit and discussions were ongoing to further challenge the basis of the findings. Regrettably the EC had maintained a temporary interruption on payments to the East Midlands ERDF Programme.

ED queried what measures could be introduced to bring the error rate down and resume payments from the EC. AM said that an increased audit framework was likely to be applied to give reassurance to the EC and Managing Authority. RP asked what the error rate had been in previous years and AM confirmed that as this audit referred to claims for the 2009 calendar year, there were no comparable figures. RL asked how the team intended to manage this information in the wider context and MCa confirmed that any communications briefings on error rates would be shared with Members.

JS asked what measures were in place to ensure projects were aware of their regulatory obligations (to avoid any future financial clawback). MT said that EOI workshops were regularly held with applicants to highlight the regulatory requirements and a number of project manager guidance notes are provided to support delivery of projects in a compliant manner.

MCa took the opportunity to reinforce the view within CLG that the East Midlands ERDF Programme continued to be considered a well managed Programme; there was no question over the robustness of *emda*'s management and control processes as a result of the audit findings. The Chair said that it would become the business of the newly established LMC to discuss and monitor the issue of error rates and in particular identify how it can best support projects and the management of the Programme through what will inevitably become a much tighter controlled environment with increased monitoring and audit.

Action: ERDF Team to develop an agenda for the first LMC meeting and include a discussion about error rates.

Outputs & Results

ED suggested that on future update papers, explanatory notes are given to support the outputs and results tables and it would be helpful to include a profile of achievement on the tables (as is provided for the N+2 table).

Action: ERDF Team to include explanatory notes to support the outputs and results tables in future meeting papers and include a profile of achievement.

The Chair emphasised the importance of focusing on outputs and results and suggested that, when established, the Local Management Committee Sub-Group be tasked with reviewing the level of confidence amongst projects to deliver their forecasted outputs and results.

KP queried the overall commitment rate for the Programme, shown in Annex B as 50.34%, which at this point in the Programme appeared low. AM said that the loss of *emda* Single Programme match funding had in part reduced the level of commitment under Priority Axis 1 and MT commented that the commitment under Priority Axis 2 (37.88%) only represented the first half of funding allocated to the targeted Districts (2007-10) as the second tranche of funding had only recently been agreed (2011-13).

SC noted a correction to the paper at Annex B. The 'Payment to Beneficiaries' section should read: at the end of May 2011, £55.13m ERDF had been paid to projects.

5) Future governance

AM presented the governance paper and explained that the Government were keen for ERDF Programme's to have a locally driven approach. In support of this approach and following consultation with Programme partners, the DCLG had confirmed that the PMC will be replaced by a new Local Management Committee (LMC).

The functions of the new LMC would not be too dissimilar to the PMC; there will however be the introduction of an LMC Investment Sub-Committee responsible for the consideration of project applications. AM informed Members that although the DCLG had set certain parameters for the future governance of ERDF Programmes, much of the detail is for local partners to decide upon.

The following matters were discussed in detail:

LMC Deputy Chair

As set out in the paper, AM explained that for the first time a post of Deputy Chair will be established for ERDF Programme Committees. Following MCa's letter of 19 April, no suggestions for suitable candidates had been received and a more formal process had therefore been set out in a subsequent letter to Members (02 June).

RP queried whether the Deputy Chair would be appointed on the basis of the individual of the particular sector that they represent. MCa explained, and Members agreed, that it would be based on the individual. The Deputy Chair must be someone who is credible and can establish positive relationships, has geographic coverage and the ability to stand away from their particular sector and/or role.

AM said that Expressions of Interest in the role of LMC Deputy Chair were required by 5pm on Friday 24 June. A panel chaired by MCa would then convene by the end of July to review the submissions.

LMC Membership

Members were invited to give their views on the proposed membership structure of the new Local Management Committee.

One of the key challenges discussed was how to ensure the engagement of Local Economic Partnerships and Local Authorities on the LMC. Members were in general agreement that, in the interests of manageability and regularity, there should be no more than 2-3 seats dedicated to the Local Economic Partnerships (LEPs) and similarly no more than 2-3 Local Authority (LA) seats. In addition, Members were of the view that the LEP seats should cover the private sector and people with an entrepreneurial and/or business mindset.

Action: ERDF Team, RL and JS to liaise with LEPs and LAs to task them to decide upon who they would like to nominate to fill their respective allocated seats.

Members were also in agreement that the FE seat was a welcomed addition and that seat should cover wider skills provision. There should also be Trade Union Congress (TUC) representation on the LMC.

Members agreed the proposed membership structure for the LMC; in particular that there should be: no more than 2-3 LEP seats; 2-3 LA seats; an FE seat; and a TUC seat.

MCa said that nominations from the University and Business sectors (amongst others) may depend on the nominations received from the LEPs. The principle of 'doubling up' could well apply to the LMC, although if adopted it will be important for the LMC to operate and maintain a declarations of interest protocol.

Action: ERDF Team to update the LMC membership structure on the basis of the points discussed.

The first LMC meeting is expected to take place during September / October 2011.

6) 2010 Annual Implementation Report

MCa presented the 2010 Annual Implementation Report (AIR) to the PMC for approval. Members noted the background and context in which the AIR had been prepared and were content to endorse the report for formal submission to the European Commission.

Action: ERDF Team to submit the 2010 AIR to the European Commission.

The PMC endorsed the 2010 Annual Implementation Report for formal submission to the European Commission.

With regards to the 2010 Strategic Environmental Assessment Monitoring report (Appendix 1 to the AIR), RP queried what action was being taken to mitigate the increased gap between economic activity in the bottom decile of local authority districts and the regional average. MCa said that this matter would be considered further and a written response to RP (cc'd to the PMC) would follow.

Action: ERDF Team to consider any necessary actions to mitigate the increased gap in economic activity and provide a written response to RP (cc'd to the PMC).

7) Any other business

MCa confirmed that, given the introduction of the Programme's new governance arrangements, this would be the last meeting of the Programme Monitoring Committee with the Local Management Committee meeting thereafter. MCa took the opportunity to thank Members for their contribution to the PMC and delivery of the East Midlands ERDF Programme.

Summary of PMC endorsements – 16 June 2011

Item	Endorsement
Review minutes and actions from previous meeting	The minutes were agreed as an accurate record of the 02 March 2011 meeting.
Programme update	The PMC agreed to maintain its position <i>not</i> to seek to utilise the provision to invest up to 4% of the Programme's allocation to support greater EERE in existing housing.
	The PMC agreed <i>not</i> to support any requests for establishing new venture capital / loan funds.
	The PMC agreed that it would <i>not</i> express an interest for DCLG to put in a request to the European Commission to change the regulations to allow broadband infrastructure support in Competitiveness regions.
Future governance	Members agreed the proposed membership structure for the LMC; in particular that there should be: no more than 2-3 LEP seats; 2-3 LA seats; an FE seat; and a TUC seat.
2010 Annual Implementation Report	The PMC endorsed the 2010 Annual Implementation Report for formal submission to the European Commission.