



SKSEC/JUN/2009

NORTH EAST ENGLAND COMPETITIVENESS PROGRAMME 2007-13

MEETING OF THE PROGRAMME MONITORING COMMITTEE:

18 JUNE 2009

Attendees	Role	Sector
Jonathan Blackie	Chair	Government Office North East
Malcolm Page	Member	One North East
Cllr Neil Foster	Member	Durham
Cllr Jim Smith	Member	Northumberland
Cllr Bryan Charlton	Member	Sunderland
Kevin Rowan	Member	TUC and ESF link
Alan Sanderson	Member	Higher Education
Mark Thrumble	Member	Further Education
Peter Smith	Member	GONE
Ieva Zalite	Member	European Commission
Jonathan Denness	Member	European Commission
Claire Hoskins	Member	CLG
Catherine Pearson	Observer	Durham
Steve Revell	Observer	Northumberland
Bryan Mayhew	Observer	Sunderland
Dan Smith	Observer	CLG
Pat Gorman	Observer	CLG
Andy Stewart	Observer	BIS
Iain Derrick	Secretariat	One North East
Raffaella Ebani	Secretariat	One North East
Susan Kennedy	Minutes	One North East
Jackie Law	Minutes	One North East
Apologies		
John Cuthbert	Member	Private Sector
Adele Rowe	Member	Environment/Sustainability
Jo Curry	Member	Third Sector
Cllr Bob Cook	Member	Stockton
John Lowther	Observer	Stockton
Lesley Calder	Secretariat	One North East
Adrian Sherwood	RDPE Link	One North East

AGENDA ITEM 1. WELCOME AND APOLOGIES

The Chair welcomed members to the fifth meeting of the Programme Monitoring Committee held at NaREC.

Members were advised of apologies received from:

- John Cuthbert (Private Sector)-No substitute.
- Adele Rowe (Environment/Sustainability)-No substitute.
- Cllr Bob Cook (Local Authority Stockton)-No substitute
- Jo Curry (Third Sector)-No substitute.

AGENDA ITEM 2. DECLARATION OF INTEREST

Peter Smith declared an interest in Agenda Item 11 (Evaluation Plan Update)

Reason: personal involvement with Fraser Associates in preparing the Evaluation Plan.

Peter Smith was not involved in the discussion on this agenda item.

AGENDA ITEM 3. MINUTES FROM PREVIOUS MEETING

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. PROGRAMME IMPLEMENTATION REPORT

The Secretariat presented a report to update the PMC on progress in taking forward the implementation of the Operational Programme.

PMC was updated on calls and commissioning activity including:

Open Call for Urgent and Retrospective Projects May 2008

PMC was informed that the first call for urgent and retrospective projects generated 51 Expressions of Interest across 2 priorities. There are currently 29 active projects across the business process with an estimated ERDF potential allocation of c£34.9m. 22 projects have been withdrawn or rejected.

A small number of projects have yet to submit business cases. A final deadline of 30/06/09 was set for submission of any outstanding business cases. The assessment of all remaining projects is expected to be completed by July 2009.

Innovation Connectors Limited Call July 2008

Total amount of ERDF sought under this call currently stands at £50m, with just over £12m approved.

One North East have put a number of measures in place to speed up the development of projects submitted under the September 2008 limited call and address concerns raised by PEG regarding management capacity to develop and deliver the investment plans and associated expressions of interest.

Economic Downturn Call November 2008

All projects submitted under the November 2008 Call have now been assessed. 14 projects were submitted; 4 projects have been approved and 10 have been withdrawn or rejected due to eligibility issues.

February-December 2009 Open Calls

Two new open calls were launched on 9 February 2009 for Priority 1 and Priority 2 respectively. The calls are operating on an extended timescale and a responsive mode. The calls are subject to review every 3 months to consider thematic, spatial, output delivery and coverage and to take account of gaps in provision.

There has been a slower than expected response to the 2009 open calls, however a pipeline of potential projects developed by the ERDF Team within One North East Delivery Directorate indicates that a further 15-20 projects have expressed an interest in the calls.

Technical Assistance

There have been 6 projects submitted for Technical Assistance resources to support implementation of the programme. The funding sought to date (ERDF of £1,998,72) includes applications from One North East in its capacity as the Article 59 (2) Intermediate Body and from Sub-Regional Partnerships involved in supporting implementation at local level.

Current Position Towards Achievement of 2009 n+2

PMC was asked to note that based on current estimates of projects approved and under appraisal and taking into account risk adjustment the programme must generate a further £1.085m of expenditure in order to achieve the n+2 target of £18.92m.

The JEREMIE initiative and VCLFs transitional funds have been excluded from the n+2 target forecasts in 2009 due to the high risk of delay in approval. The Agency is working towards establishment of the JEREMIE vehicle in early 2010 and as such believes it is prudent to include JEREMIE against spend targets for 2010 rather than 2009.

The Agency representative, Malcolm Page (Deputy Chief Executive), assured PMC that One North East was adopting a pro-active approach to monitoring contributions to n+2 and adopted a risk adjusted and over programming based approach. The achievement of n+2 continues to receive high level attention at One North East, with fortnightly monitoring at Deputy Chief Executive level.

The secretariat reported that ERDF claims against spend profile is lower than expected with a 40% underachievement against claim forecasts. One North East is addressing this through intensive work with Project Deliverers, including bespoke claim training sessions and the issue of detailed claim schedules.

PMC reminded the Secretariat of the need to maintain the quality of spend through a robust appraisal of projects in order to guarantee the quality of approved projects despite the pressures associated with achieving the n+2 target.

Venture Capital Loan Funds

PMC was informed that good progress continues to be made in the development of the JEREMIE model to regional Venture Capital Loan Funds (Financial Instruments).

Partners agreed to extend the maximum length for a project from 3 to 5 years in the case of VCLF projects. It was reported that the current version of the 2007-13 ERDF Delivery Framework sets out a maximum duration for ERDF approvals of 3 years. However, at its meeting 13 May the Programme Executive Group agreed that the 3 year ceiling in the case of VCLFs was not appropriate, given that fund investment periods are typically 5 years while fund management and supporting revenue measures will run for longer than the VCLFs to allow for management and repayment of the investment made. PMC noted and agreed to endorse the change to the Delivery Framework.

Action 1: Secretariat to update the Delivery Framework to reflect the extended duration of VCLFs.

Programme Executive Group

PMC received a short update on the work of the PEG.

PEG has been instrumental in the development of the programme evaluation plan specification, endorsed proposals to utilise ERDF to part fund energy efficiency activities and reviewed arrangements for monitoring and reviewing progress of the Innovation Connectors investment plans.

High Level Risks

PMC received an updated risk register, setting out programme high level risks.

The key risks were identified as the delay in guidance from CLG, including Chapter 2 (Eligibility) of the User Manual, possible delays in the establishment of 'fit for purpose' MCIS system and lack of guidance on the application of Article 55 (revenue generating projects).

Partners expressed concern that without final guidance regional partners and projects were moving forward at significant risk to future compliance and that this issue needed to be addressed as a matter of urgency.

The CLG representative confirmed that Chapter 2 (Eligibility) is with lawyers and will go to the national Programme Implementation Group on 24 June for sign off. CLG also reassured the PMC that the transition between consultants employed to work on the development of MCIS had gone smoothly.

PMC requested an update on the use of ERDF to support ESF type activity under priorities 1 and 2 of the programme including information on additional outputs on ESF and Enterprise activities which were agreed at the PMC meeting on 22 October 2008. The secretariat will provide a paper at the next PMC and will include an update following further discussion with the EU Commission scheduled for early July 2009.

Action 2: The Secretariat will provide a paper to update the PMC on the use of ERDF to support ESF type activity.

AGENDA ITEM 5. ANNUAL IMPLEMENTATION REPORT

The PMC was asked to formally endorse the draft Annual Implementation Report (AIR) for the 2007-13 Programme. The report follows a template provided by the European Commission and covers the calendar year January to December 2008.

The PMC endorsed the AIR which will be submitted via CLG to the EU Commission by the 30 June 2009 deadline.

Action 3: The Secretariat to finalise the draft Annual Implementation Report to incorporate comments from partners and submit via CLG to the EU Commission in time to hit the 30 June deadline.

AGENDA ITEM 6. INNOVATION CONNECTORS NAREC UPDATE

PMC received a presentation from Mark Pearson, Energy and Process Manager, One North East. (Presentation attached at Annex 1).

The PMC welcomed the update and commented that this is remains an exciting area of work for the region, with clear links between investment and the potential for long term employment.

AGENDA ITEM 7. ERDF SUPPORT FOR ENERGY RELATED INNOVATION

PMC was informed that the EU Commission amended its ERDF legislation to allow the UK to open up to 4% of the value of the national allocation of structural funds to activities linked to energy efficient refurbishment and the use of renewable energy in existing homes for social cohesion purposes.

At its meeting on 13 May PEG endorsed the proposal for presentation to PMC.

PMC received a presentation from Alex Fowler, Energy Senior Specialist, One North East, (Presentation attached at Annex 2).

The Secretariat presented the recommendations:

- The inclusion of energy efficiency and renewable energy activities in the programme;
- The use of up to 4% of Priority 1 funding;
- The key ERDF focus will remain to;
 - Enhance the ability of new or existing SMEs to exploit new business opportunities
 - Demonstrate and trial innovative new technologies
 - Create and safeguard jobs
 - Support spatial cohesion
- Delegate to PEG responsibility to oversee the specification and implementation for a limited call linked to energy efficiency and renewable energy activity in existing homes.

PMC agreed in principle and asked PEG to bring forward a firm proposal and report to the next PMC meeting with details of how the proposals will be delivered.

Action 4: PEG to provide detail on how ERDF support for energy related innovation in housing could be delivered and report progress proposals to the next PMC meeting.

AGENDA ITEM 8. JEREMIE PROGRESS UPDATE

PMC received a presentation from Malcolm Page, Deputy Chief Executive One North East. (Presentation attached at Annex 3).

The PMC noted the continuing progress in securing agreement to the £125m JEREMIE initiative, which remains on schedule for approval in late 2009.

Partners welcomed the progress outlined in the presentation, however, the EU Commission representative questioned whether the region was confident that sufficient progress would be made in national and European level negotiations to facilitate establishment by end 2009/early 2010. MP responded that as things currently stood the Agency was cautiously optimistic that its milestones would be achieved.

AGENDA ITEM 9. JESSICA

The Secretariat presented a report to inform PMC of developments regarding potential opportunities in the use of JESSICA (Joint European Support for Sustainable Investment in City Areas). The aim of JESSICA is to exploit financial engineering mechanisms to support investment in sustainable urban development.

The North East approach is to actively maintain a watching brief on options linked to JESSICA. The Secretariat is meeting with EIB representatives on 26 June to explore possible areas of collaboration, as such contributions and comments from partners in advance of the meeting were welcomed.

The Secretariat will continue to report developments on JESSICA to PEG and to report to PMC at future meetings.

AGENDA ITEM 10. RDA AS FINAL BENEFICIARY

In accordance with the agreed process set out in the ERDF Delivery Framework the Secretariat informed PMC of projects at selection and approval stage where One North East acts as Final Beneficiary of ERDF investment. Currently these are:

- Flexible Families;
- Manufacturing Advisory Service/North east Productivity Alliance (MAS/NEPA);
- Design Centre for the North;

- Developing SME Expertise (formerly North East Skills Safe);
- Providing Access to Finance for SMEs;
- Horizons;
- Design Network North (DNN);
- ERDF Technical Assistance Core Application;
- Growth Logistics 2;
- The BUILD Project;
- MAS NE Resource Efficiency;
- Project Verification Service.

It was noted that One North East is currently the final beneficiary in approximately 5% of the total value of the Programme.

AGENDA ITEM 11. EVALUATION PLAN UPDATE

(Peter Smith left the meeting at this point)

The PMC received the final draft of the Evaluation Plan which has been developed in consultation with and endorsed by the Programme Executive Group. The Plan will allow the partnership to consider a range of thematic, operational and strategic issues impacting upon the programme.

PMC was advised that whereas there is no longer a regulatory requirement to adopt a mid-term evaluation, it was decided to retain this approach in light of the positive experience of the mid-term evaluation in the 2000-2006 Programme.

The Chair requested that the Evaluation Plan be amended to include a section on governance and the importance of the involvement of the partnership as part of the proposed 'Improving Implementation' work.

Action 5: The Secretariat to amend the Evaluation Plan to include a section on governance and the involvement of partnership with the 'Improving Implementation' workstream.

AGENDA ITEM 12. COMMUNICATIONS UPDATE

The Secretariat presented a report to update the PMC on communications activity.

The regular communication activity has continued including:

- The launch of the Priority 1 and Priority 2 calls for projects;
- Four stakeholder e-bulletins
- Publicity for project approvals;
- An average of 1700 website 'hits' per month;
- Internal One North East communications.

In addition, to meet the requirement to undertake an annual publicity activity for the ERDF programme, One North East has organised an 'ERDF Week' from 15 to 19 June. PMC were advised of the full range of events and activities which have been organised for ERDF stakeholders.

The Chair commended the Secretariat on the high standard of communication activity, with particular reference to the website and ERDF bulletins.

AGENDA ITEM 13. ANY OTHER BUSINESS

PMC received a minor amendment to the Terms of Reference for the Programme Executive Group for agreement. The PEG are to be deemed to be quorate if 5 members (including One North East) are present and PEG's schedule of meetings are to be 6 weekly. PMC agreed both amendments.

Date of Next Meeting: 22 October 2009 10.00-12.00.