

NORTH EAST ENGLAND COMPETITIVENESS PROGRAMME 2007-13

MEETING OF THE LOCAL MANAGEMENT COMMITTEE – 14 OCTOBER 2011

Attendees	Role	Sector/Organisation
David Rossington	Chair	Department of Communities and Local Government (DCLG)
Cllr Neil Foster	Deputy Chair	Local Authority (Durham County Council)
Cllr Tom Brechany	Member	Local Authority (Northumberland County Council)
Cllr Bob Cook	Member	Local Authority (Stockton BC representing Tees Valley LAs)
John Cuthbert	Member	Private Sector
Jeremy Middleton	Member	North Eastern LEP
Alastair MacColl	Member	Tees Valley LEP
Alan Sanderson	Member	Higher Education
Jo Curry	Member	Voluntary Sector
Adelle Rowe	Member	Environment/Sustainability
David Curtis	Member	Homes and Communities Agency
Ieva Zalite	Advisor	European Commission
Catherine Pearson	Participating Observer	Durham County Council
Heather Smith	Participating Observer	Northumberland County Council
Gordon Bell	Participating Observer	Sunderland City Council representing Tyne & Wear Local Authorities
Stephen Catchpole	Participating Observer	Tees Valley Unlimited
Adrian Sherwood	Observer	Rural Development Programme for England
Tom Smyth	Observer	BIS Local
Katie Weston	Observer	Work Experience Placement
Lesley Calder	Secretariat	DCLG
Iain Derrick	Secretariat	DCLG
Raffaella Ebani	Secretariat	DCLG
Craig Milligan (Minutes)	Secretariat	DCLG
Apologies		
Cllr Bryan Charlton	Member	Sunderland City Council representing Tyne & Wear Local Authorities
Tony Sarginson	Member	Northern Business Forum representing Private Sector
Kevin Rowan	Member	Trades Union Congress
Debbie Allingham	Member	Further Education
Linda Edworthy	Observer	Tees Valley Unlimited supporting Tees Valley Local Authorities

AGENDA ITEM 1 - WELCOME, INTRODUCTIONS AND APOLOGIES

The Chair welcomed Members to the first formal meeting of the LMC, and gave special welcome to Cllr Neil Foster, in his first meeting as Deputy Chair. The Chair introduced five additional members to the committee, Jeremy Middleton (Member), representing the North Eastern LEP, Alastair MacColl (Member), representing the Tees Valley LEP, David Curtis (Member) representing the Homes and Communities Agency and Tom Smyth (Observer), representing BIS Local.

The Chair thanked Teesside University for hosting the meeting.

AGENDA ITEM 2 - DECLARATION OF INTERESTS

No declarations of interest were received.

AGENDA ITEM 3 - MINUTES FROM PREVIOUS MEETING AND MATTERS ARISING

The minutes of the previous meeting were formally approved by the Committee. The ERDF Secretariat reported progress against the seven action points identified within the minutes. On the action relating to the transfer of assets from One North East to HCA David Curtis confirmed that transfer had been completed and that a committee to manage the assets (in line with the local stewardship model) had been established involving the LEPs. He undertook to provide an update on the assets under consideration at the next LMC meeting.

The Committee noted that all action points are either complete or underway.

Action Point 1 - The HCA to provide an update on the assets transferred from One North East to the HCA which are included in the local stewardship model.

AGENDA ITEM 4 - TEES VALLEY LEP PRIORITIES AND ASPIRATIONS FOR ERDF GOING FORWARD

Stephen Catchpole, Managing Director of Tees Valley Unlimited, presented Tees Valley LEP priorities to support economic growth. Presentation attached for information.

Following the presentation, the Chair set two broad questions for discussion:

- How can the LMC support LEPs success?
- How can the full potential of ERDF be explored given match funding constraints?

Key discussion points included:

- LMC noted the potential opportunities for significant future structural fund investment in Durham and Tees Valley after 2013. Members agreed that this should not be to the detriment of the rest of the region.
- It was noted that North Eastern LEP faces similar issues and is setting similar objectives to those identified in the Tees Valley presentation.
- Jeremy Middleton (NE LEP) commented that a UK Banks' initiative (Business Growth Fund) that has emerged from Project Merlin negotiations between national government and the banking sector is actively seeking investment opportunities. This provides an opportunity for the North East and the LEPs could provide a

mechanism through which to attract and secure this investment. However it was noted that LEP capacity particularly in the North East LEP may be a constraint. LMC Members asked that further information on this initiative be tabled at future meetings.

- LMC expressed the view North East partners should continue to work together collaboratively to identify and take advantage of opportunities, sharing resources where this is appropriate. However, it was noted that fully resourced mechanisms are not in place to facilitate this.
- LMC noted that the current ERDF programme is closely aligned to the strategic objectives of both the North Eastern and Tees Valley LEPs. The current modification proposals are also strongly influenced by LA and LEP investment priorities and therefore ERDF should continue to deliver against the strategic objectives of both LEPs now and in the new round of programmes.
- The ERDF Secretariat confirmed that future calls for projects under the current programme will be underpinned by these investment priorities and be driven by local investment needs and opportunities.
- LMC noted that ERDF Technical assistance could provide support for collaboration and engagement in the current programme and preparatory work for the next programme.

LMC agreed that at future meetings further consideration would be given to:

- How and who is best placed to facilitate joint working between LEPs on ERDF?
- How and who is best placed to explore the Business Growth Fund opportunity?
- Investigate the availability of Technical Assistance to support LEP engagement in the current programme and post 2013.

On behalf of LMC, the Chair thanked Stephen Catchpole for his presentation,

Action Point 2 - The ERDF Secretariat to:

i) support the Deputy Chair to explore the scope for partnership options and any possible actions (including Technical Assistance) that could be taken to support LEPs within the context of the current ERDF programme.

ii) Work with Deputy Chair and LEP colleagues to consider how and who is best placed to explore Business Growth Fund opportunity

AGENDA ITEM 5 - BUSINESS SUPPORT AND INNOVATION EMERGING NATIONAL PRIORITIES

Tom Smyth (TS), Deputy Head of Department for Business Innovation Skills (BIS) Yorkshire, Humber and the North East, gave a brief presentation detailing the National priorities within BIS. Copy of the presentation attached for information.

Following the presentation key discussion points included:

- **Support for social enterprise:** BIS will ensure that support is delivered through its product range. TS to provide further information on how BIS is working to ensure social enterprise is taken into account and related issues of access to new structures and products is addressed .
- **BIS: ERDF alignment.** BIS is working to ensure that potential national sources were sufficiently signposted to ERDF. TS explained that the need to maximise ERDF match against Business Coaching For Growth was already built into current thinking and that discussions were underway regarding other national sources such as MAS. TS undertook to keep LMC updated on developments.

- **Delivery of early stage business support.** LMC affirmed that the promotion of entrepreneurship and early stage business start up remains a key element in addressing enterprise deficit and creation of new businesses. Early stage start up support will be delivered via Next Steps and Job Centre+. TS to seek further guidance on national thinking and update at future LMC.

Lesley Calder confirmed that the ERDF Team is working closely with BIS on aligning national investment with ERDF where possible, and where appropriate working across Programme boundaries to simplify administration.,

The Chair thanked Tom for his presentation.

Action Point 3 - BIS Local (TS) to consult national BIS colleagues and update LMC regarding:

- Scope and means through which social enterprise are able to access national products
- BIS thinking with regards to support for pre and early stage start up support and promotion of entrepreneurship

AGENDA ITEM 6 - PROGRAMME IMPLEMENTATION PROGRESS REPORT – FOCUS ON KEY RISKS

The ERDF Secretariat gave an overview in respect of Programme performance, financial commitments, expenditure targets and progress against indicators. The key issues highlighted in discussion were:

Programme Performance

- The programme has financially committed £201m at end of June 2011. This leaves a further £120m ERDF resource.
- The Secretariat advised partners that the level of commitment had fallen from £215m earlier in 2011 and that the pace of new commitments remained slow, with no net increase since to report since June PMC. With only 9 quarters remaining until the deadline for commitment (December 2013), the Programme will need to approve c£14m per quarter which is significantly above the rate of commitments achieved to date;
- Achievement of N+2 targets beyond 2011 remains a significant risk, based on the current level of expenditure and de-commitment. Whilst the 2012 N+2 target is considered achievable there is a need to ensure that the rate of spend and claims made by approved projects is improved to ensure the target is met.
- The number of projects at risk of de-commitment has reduced slightly with the Secretariat focusing on recovery plans to bring projects back on track;
- The loss of One North East and the Business Link service project development capacity and match funding resources continues to hamper the level of new project activity in the programme.

Financial Progress

- The Secretariat reported that payments are lagging behind forecast profile with recent data indicating a 23% underperformance between contracted expenditure to date and claims received.

Outputs and Results Progress

- The ERDF Secretariat will continue to monitor the pace of outputs and results achieved against contracted profiles in light of the Programme Modification submitted in July.

Key discussion points included:

- LMC expressed concern that following the abolition of previous business support structures gaps in provision may emerge which the two LEPs in the North East are not yet able to cover. LMC hopeful that Government will attach priority to ensuring adequate provision is in place to support business in the North East.
- Members were concerned that national provision in the future may not allow for prioritisation of those areas that are most disadvantaged and /or most in need of support. LMC members felt that this issue should remain a key priority for North East partners.
- LMC suggested that an exercise to match possible project activity with sources of available match funding would be helpful, although LMC remained unclear at what level it should be done i.e. at project, geographic and /or organisation level and who would be in a position to lead the exercise.
- LMC members commented that they were concerned at the lack of RGF Round 1 matched against ERDF and felt that the degree to which round two projects will provide match for ERDF would be crucial. The Secretariat will review the outcome of the RGF Round 2 to assess extent of RGF / ERDF match.
- A further observation raised during discussion was the extent to which ERDF should be used to top up government initiatives or whether it should be used purely to cover gaps. LMC members felt that this should remain an important consideration in debates concerning future provision and possible support post 2013.

The Chair summarised discussion and concluded that the comments made underline the seriousness of the issues currently facing partners. He requested that the PEG reflect and propose a draft 'action plan' focused upon the issues raised for consideration at the next LMC

Action Point 4 – PEG to propose timebound / practical actions identifying how partners and ERDF could help mitigate the issues that were raised in discussion by partners.

Compliance

The Secretariat reaffirmed the significance attached to managing and monitoring compliance.

- Compliance remains a key DCLG priority for ERDF. An illustration of this is the comprehensive programme of additional and enhanced independent Article 13 currently underway;
- The Programme of enhanced Article 13 checks is an important component of DCLG's Action Plan to mitigate risk of Programme interruption/suspension. 20 North East projects will be tested.
- The North East Programme received a positive report from Audit Authority End to End Audit earlier in 2011 confirming the robust nature of the existing management and control system;
- The ERDF Secretariat continues to monitor and manage irregularities closely. No major systemic issues have been identified to date;

- Significant effort is directed towards managing the level of the **error rate**. This is supported by a clear plan of action to address findings by the Audit Authority to help minimise the risks of the error rate exceeding the 2% EU tolerance threshold;
- There is some further work to do on the error rate for 2010 and the Secretariat is working with the Audit Authority to conclude. The 2010 outcome will be reported in the Annual Control report submitted to the EU Commission by the Audit Authority in December;
- LMC noted that an ERDF error usually occurs as a consequence of human error, or the lack of clear formal guidance available, and/or the incorrect interpretation of regulations;
- Following every Article 13 project monitoring and verification visit the ERDF Secretariat develop an action plan with clearly identified steps to rectify any issues raised;
- LMC was asked to continue to support the ERDF Secretariat with any action taken to help manage risks.

The LMC noted the intensive monitoring and verification work underway.

The member from Tyne and Wear asked if the letter that was to be sent by the Secretariat to Local Authorities on procurement compliance could be issued. LMC agreed that the letter should be issued to all partners from the Chair (David Rossington).

Action Point 5 – The ERDF Secretariat to issue letter on procurement compliance, signed by David Rossington, to all programme partners.

AGENDA ITEM 7 - FINANCIAL ENGINEERING INSTRUMENTS

The ERDF Secretariat gave a brief update on the progress of the Financial Engineering Instruments (FEIs).

Finance for Business|North East

Key highlights, as at 30 June 2011:

- £22m invested in 159 different SMEs
- 135 new jobs created and over 600 jobs safeguarded
- Over £1.6m repaid to the fund from investments made
- EIB loan repayments made.
- £29.7m of cumulative investments forecast by 30 September 2011-10-17

Creative Content Fund

Key highlights, as at 30 June 2011:

- 12 investments made
- £1.7m invested

LMC Members were asked to note the content of the report.

AGENDA ITEM 8 - PROGRAMME MODIFICATION UPDATE

The ERDF Secretariat reported that the Programme modification was formally submitted at the end of July 2011. The Commission's formal feedback on the proposed modification is expected by the end of October 2011.

AGENDA ITEM 9 - REVISED OPERATIONAL PROGRAMME INVESTMENT FRAMEWORK

The ERDF Secretariat presented the draft Investment Framework revised by the Programme Executive Group (PEG) to reflect changes in the economic climate since the Operational Programme was produced.

The revised Framework sets out proposals in respect of the arrangements and processes through which the remaining Programme resources will be invested. Currently circa £55m ERDF remains available for investment i.e. either not contracted or not indicatively allocated to pipeline projects.

The Framework sets out the commissioning routes available, indicative resource levels and indicative timelines for commissioning. The proposed commissioning routes and associated ERDF levels are:

- Non competitive selection (c£5m)
- Time limited bidding rounds for capital investment (c£33m)
- Open calls for revenue investment (£17m)

LMC commented as follows:

- Secretariat should maintain focus on communications and ensure that ERDF opportunities are cascaded widely;
- Alignment with potential sources of match funding needs to be maximised through commissioning.

LMC approved the revised Operational Programme Investment Framework.

AGENDA ITEM 10 - COMMUNICATION UPDATE

LMC Members were asked to note the communications activity undertaken since the last meeting of the PMC in June 2011.

AGENDA ITEM 11 - UPDATE ON POST 2013 DEVELOPMENTS

The European Commission published new draft regulations on 6 October 2011 regarding proposals for how ERDF will be targeted during 2014-2020. There will be three categories of regions based primarily on performance against average EU GDP:

- Less developed regions
- Transition regions
- More developed regions.

Early indications suggest the North East may be in line to benefit from future eligibility as the proposed transition region category incorporates Durham and Tees Valley. In addition, the rest of the North East programme area is likely to be classed as a more developed region. As a transition area both Durham and Tees Valley would receive their own separate budget allocation whereas the remainder of the North East would have to compete with other regions within a national budget.

As part of the preparatory work, a key focus will remain developing more simplified regulations which are more streamlined and easier to manage by Member States.

Issues still to be resolved include:

- The overall size of the budget is still to be decided;
- National/regional programmes still to be determined;

- Distinction between functional economic areas versus administrative economic areas is still being debated.

From a UK government perspective Tom Smyth highlighted the following points:

- In terms of the UK level negotiations with the EU there is still a long way to go;
- UK government view is that structural funds should be targeted at poor Member States;
- Transition support should be based on GDP;
- Rationalisation of EU funding streams is a key policy ambition.

Ieva Zalite from the EU Commission stressed that the next round of programmes will be underpinned by:

- Increased focus on performance and results;
- More concentration on thematic priorities.

LMC Members agreed that local partners will need to come up with a solution as to what we want to do as a region and investigate ways of influencing National level decision making.

Action Point 6 – The ERDF Secretariat to produce and circulate with these minutes a timetable detailing expected future milestones regarding the Post 2013 negotiations.

AGENDA ITEM 12 - ANY OTHER BUSINESS

The next meeting of the Local Management Committee is scheduled to take place on the 24 February 2012 at 10:30-12:30.

Northumberland County Council offered to identify a venue for the meeting, to be confirmed.

Minutes end