

NORTH EAST ENGLAND COMPETITIVENESS PROGRAMME 2007-13

MEETING OF THE LOCAL MANAGEMENT COMMITTEE – 24 FEBRUARY 2012

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)
Gordon Bell	Member (Deputy)	Local Authority (Sunderland City Council representing Tyne & Wear LAs)
John Cuthbert	Member	Private Sector
Tony Sarginson	Member	Private Sector
Jeremy Middleton	Member	North Eastern LEP
Alastair MacColl	Member	Tees Valley LEP
Alan Sanderson	Member	Higher Education
Kevin Rowan	Member	Trades Union Congress
Anne Mulroy	Member (Deputy)	Homes and Communities Agency
Ieva Zalite	Advisor	European Commission
Catherine Pearson	Participating Observer	Durham County Council
Heather Smith	Participating Observer	Northumberland County Council
Linda Edworthy	Participating Observer	Tees Valley Unlimited representing Tees Valley Local Authorities
Tom Smyth	Observer	BIS Local
Victoria Catesby	Observer (Deputy)	Rural Development Programme for England
Richard Marr	Item 4	Narec
Tony Quinn	Item 4	Narec
Helen Armstrong	Item 4	Narec
Mark Reynolds	Item 4	Narec/Genecon
Kram Sadiq	Item 4	Narec/Genecon
Lesley Calder	Secretariat	DCLG
Iain Derrick	Secretariat	DCLG
Raffaella Ebani	Secretariat	DCLG
Jeff McCloud	Secretariat	DCLG
Craig Milligan (Minutes)	Secretariat	DCLG
Apologies		
Cllr Bryan Charlton	Member	Local Authority (Sunderland City Council representing Tyne & Wear LAs)
Adelle Rowe	Member	Environment/Sustainability
Jo Curry	Member	Voluntary Sector
David Curtis	Member	Homes and Communities Agency
Debbie Allingham	Member	Further Education
Adrian Sherwood	Observer	Rural Development Programme for England

AGENDA ITEM 1 - WELCOME, INTRODUCTIONS AND APOLOGIES

The Chair welcomed Members to the second formal meeting of the LMC and thanked Narec for hosting the meeting.

The Chair advised Members that Tony Sarginson will be retiring from EEF in March and therefore standing down as LMC and PEG Member. The Chair, on behalf of LMC, thanked Tony for his valuable contribution to both the LMC (and previously the Programme Monitoring Committee) and the PEG along with his wider involvement in the North East.

Richard Marr, Finance Director at Narec, welcomed LMC to Narec and highlighted the importance of ERDF support to Narec. LMC Members were invited to tour the facilities at Narec immediately following 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 six action points identified within the October 2011 minutes.

The Committee noted that all action points are either complete or will be covered during the agenda.

AGENDA ITEM 4 – NAREC MAJOR PROJECT – NATIONAL WIND DEVELOPMENT CENTRE (NWDC)

The NWDC constitutes a major project and as such LMC endorsement is required prior to the project being submitted to the European Commission (EC). A full technical appraisal of the project is currently underway and expected to be complete in April / May 2012. However, as the next meeting of the LMC is in June and in order to minimise potential disruption to the project's (and the applicant's) cashflow, the project is being presented to the LMC prior to the final completion of the technical appraisal to seek timely LMC endorsement so that the application can be lodged with the EC as quickly as possible.

Tony Quinn (Director of Major Projects at Narec) and Mark Reynolds (Genecon), who are the consultants charged with carrying out the full cost benefit analysis for the project, gave a presentation highlighting the contribution made by Narec to the ERDF programme and wider region and future plans for the National Wind Development Centre (NWDC).

Copy of full presentation attached as Annex 1.

LMC was recommended to endorse the submission of the project to the EC, subject to the following conditions:

- The full application is consistent with the information provided in the draft major project application received 18 January 2012.
- The application is subject to a full technical appraisal.
- The full technical appraisal recommends an offer of funding, subject to condition as required.

- The project gains endorsement from PEG in accordance with DCLG approval process.
- The project is deemed acceptable by the EU Commission.

LMC members discussed as follows:

- Clarification sought on where the competition is for this type and scale of facility and the extent to which the facility was dependent on OEM using it, as well as the degree to which it was able to break down barriers to facilitate engagement of new entrants in the market;
- That OEM investment in other parts of the North East was seen as closely aligned to Narec as a provider of independent test facilities;
- Important to ensure that the technical appraisal considers all revenue and income related to the project;
- Emphasised the importance of skills issues and the need to focus future discussions on supply chain and skills development, including the potential of an inventory of offshore skills in the region.

The BIS representative informed the LMC that Narec had been designated by BIS as a 'National Energy Catapult Centre', seen as a key driver of economic development in the North East and a national asset to exploit renewable energy, it is perceived as critical in helping to de-risk investment in this priority sector.

The EC Advisor was content that strategically the project matched the expectations of the Commission and that procedures being followed were appropriate. She highlighted the need to concentrate on State Aid clearance and undertaking an Environmental Impact Assessment. Once submitted and deemed acceptable to the EC the approval process would take 3 months albeit this is dependent any queries being raised. The project can begin spending once the bid is submitted to the EC.

The Chair, on behalf of LMC, thanked Narec for their presentation.

LMC **endorsed** the bid subject to the conditions given.

AGENDA ITEM 5 – PROGRAMME MODIFICATION UPDATE

The ERDF Secretariat presented a paper reminding Members of the proposed Programme Modification, which was submitted to the European Commission in July 2011.

The proposed modification was developed in conjunction with partners and reflects emerging priorities that subsequently formed the basis for the commissioning documents for the Programme Calls launched in December 2011. For example, the calls include measures that allow the Programme to align with time critical Enterprise Zones and the Growing Places Fund developments wherever possible.

The ERDF Secretariat advised LMC that subsequent to the circulation of the report, the EC had formally signed off (on the 15 February 2012) the Programme Modification.

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

AGENDA ITEM 6 - PROGRAMME IMPLEMENTATION

a) Progress Report and Risk Log

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

- Positive picture in respect of financial commitments with an increase in commitment levels for the first time since June 2010;
- Currently £106m left to commit, with only 7 quarters left in the Programme. There is potentially £61m worth of projects in the pipeline; however the Secretariat noted that this value is likely to reduce during the appraisal process;
- The calls opened in December 2011 are expected to deliver a reasonable return in terms of demand and the June 2012 meeting of the LMC will offer a timely opportunity to take stock of the outcome of the calls;
- Output opportunities need to be maximised on existing projects, as any underperformance will need to be recovered by new projects. Again also a good time to take stock of the position on indicators in June;
- The error rate reported to the Commission in December 2011 was below the acceptable threshold of 2%. However procurement compliance remains an ongoing source of concern;
- We have already met the 2012 n+2 target, however a significant number of new projects will be needed if we are to meet future n+2 targets post 2012.

LMC commented as follows:

- Concern was raised as to whether the proposed performance review of organisations with multiple projects and/or significant levels of ERDF was desirable given competing pressures and potential impact on use of resource (time and staff). Principle underpinning proposal is accepted, however LMC agreed that it would be useful to get PEG/partners views;
- With a view to address ongoing procurement compliance a review of current practices should be considered by PEG to establish whether DCLG and project applicants collectively are doing enough to manage procurement risks.

Action Point 1 – The ERDF Secretariat/PEG to consider (a) practicality of the proposed performance review of organisations with multiple projects/large ERDF approvals given competing priorities and limited resource and (b) current practices to support compliant procurement.

The Secretariat informed the committee that DCLG was introducing a new standardised process from April 2012 intended to deliver a greater degree of consistency in the management of ERDF across all English programmes. The Department is committed to make the change seamless and to minimise impact on partners.

b) Programme Performance/Key Risks Action Plan

It was agreed at the last meeting of the LMC held on 14th October 2011 that the PEG, with support from the ERDF Secretariat, would develop a focussed Action Plan identifying lead roles and mitigating actions to address the following key challenges facing Partners in the implementation of the Programme:

- Identification of actions that will address risk in respect of match funding, rate of commitments, claims and defrayal in order to ensure n+2 targets are met and clawback avoided;

- The need for partners to explore the ability to align BIS national products and associated match funding with ERDF and North Eastern Programme area needs;
- Actions needed to ensure Programme deliverables are met in the remaining programme timescales.

The ERDF Secretariat presented the draft Action Plan and gave a brief update on some of the actions identified:

- Modification of the Operational Programme is now complete. This increases potential alignment with targeted capital infrastructure for growth and regeneration funding;
- New ERDF capital and revenue calls have been launched, with fast track procedures in place for project aligned with Enterprise Zone developments. Roadshows to promote the calls were held in Tees Valley and North Eastern LEP areas;
- Increased scope for aligning ERDF with Round 3 RGF which is more Programme based;
- Maximise alignment of ERDF with Growing Places Fund (GPF), including agreement to fast track selection for time critical GPF/ERDF projects;
- Identify scope to reflect regional need and match against BIS national contracts (ie MAS, UKTI and Business Coaching for Growth);
- Ongoing pro-active monitoring of progress by DCLG to ensure contracted targets are delivered and comprehensive programme of support to maximise project compliance and eligibility.

The EC representative advised that the Commission view was that it was unlikely that there is sufficient time remaining in the current programme to put a further FEI / JESSICA initiative in place. Given that FEIs were evolving in response to current practice and that the shape of post 2013 programmes was not known at this stage, it was too early to assess feasibility in advance of next programme.

The BIS representative provided an update on RGF Round 3 which was launched on the 23 February 2012, with a deadline for applications of 13 June 2012. There will be a roadshow in Gateshead on 22 March 2012, places for which can be booked via the RGF website. This Round allows for Programme bids (bringing together smaller projects into one larger bid) which will facilitate better alignment with ERDF. The application form has been redesigned since the last round to take account of ERDF more explicitly. The Secretary of State for BIS will write to LEPs to encourage them to bid for funding. BIS and DCLG will both need to co-ordinate with the two Regional LEPs, to ensure the North East gains maximum benefit from the round of funding.

LMC commented as follows:

- Important to make explicit links between ERDF and RGF Round 3 and the City Deal initiative whereby 12 Cities will qualify for a City Fund, with Newcastle being one of the contenders. As yet ERDF has not been factored into the Fund;
- Managing demand as part of the capital call and handling the prioritisation of capital projects will be a big test for partners. It is important to find a rational way to manage a potential overbid;
- Publication by DCLG of new procurement guidance as part of standardised process was welcomed;
- Concern was raised over the ability of local partners to influence and exercise control over the delivery of national BIS contracts for the provision of business support.

Action Point 2 – The ERDF Secretariat/PEG to continue to monitor and update the Key Issues Action Plan and report back to June LMC.

AGENDA ITEM 7 - FINANCIAL ENGINEERING INSTRUMENTS (FEIs) PERFORMANCE REPORT

The ERDF Secretariat gave a brief update on the progress of the Financial Engineering Instruments (FEIs) covering the period up to the 31 December 2011.

The key issues highlighted were:

- Finance for Business North East is performing strongly with outputs broadly on track.
- The level of job creation has reduced during the quarter, which is an area of concern, however this is offset by an increase in the level of jobs safeguarded.
- The fund is performing strongly with the level of private sector leverage generated.
- The Creative Content Fund has now transferred ownership (from NFM Hold Co.) to North East Access to Finance (NEA2F).

The ERDF Secretariat proposed that North East Finance attend the next LMC to update the committee on the funds performance. It was also agreed by LMC, that NEA2F should attend to give an update on the legacy funds.

The following comments were made by LMC:

- Need to monitor performance on jobs creation as reduction in level of jobs created would lead to an increase in the cost per job.
- Level of rejections (59%) appears to be high.
- Ability to target effectively across the region needs to be addressed in the presentation by Finance for Business North East.

Action Point 3 - The ERDF Secretariat to invite North East Finance and North East Access to Finance (NEA2F) to present to the June LMC.

Action Point 4 - The ERDF Secretariat to work with North East Finance to ensure that: a) the cost per job value is kept under review, b) the rate of enquiries successfully becoming offers is monitored and c) the imbalance in regional distribution of enquiries and the effectiveness of associated mitigating action is kept under review.

AGENDA ITEM 8 – COMMUNICATION ACTIVITY UPDATE

The ERDF Secretariat provided an update to Members on the communications activity undertaken since the last meeting of the LMC in October 2011.

LMC was informed that as a result of the Department's work to standardise the management of ERDF Programmes across England additional training events will take place from April 2012. This will ensure Stakeholders are kept fully updated of any changes in processes which are intended to help minimise the risks to the Programme.

LMC was asked to note ongoing communications activity.

AGENDA ITEM 9 – POST 2013: CONSIDERATION OF STRATEGIC AND PRACTICAL ISSUES FOR PARTNERS IN THE NORTH EAST

BIS Local gave a verbal update on Post 2013 preparations. The key points highlighted were:

- The EU is expected to issue guidelines on the Common Strategic Framework (an EU level investment policy for the delivery of Europe 2020) at the end of February 2012,
- The UK Government will hold a 6 week informal consultation following the publication of the guidelines, to seek the views of all sectors on the shape of future Programmes.
- A more formal consultation is expected to be launched towards the end of the year. Partnership involvement will be critical in the development of the partnership contracts.
- The government is committed to improving the value for money of structural funds with the need to focus support on achieving economic convergence of the poorest states. As well as being in favour of an approach that recognises functional economic areas as opposed to artificial administrative boundaries.
- Partners to note the consultation on assisted areas status, which is also due to take place soon, and is closely linked and relevant to structural funds.

The BIS representative suggested the possibility of holding an event in the region linked to the informal consultation.

LMC Members acknowledged the importance of continued engagement with preparations for funding arrangements Post 2013, to ensure the North East gains maximum benefit. It was requested that the Secretariat presentation given to the February PEG should be circulated to the LMC and the wider partnership.

Action Point 5 - ERDF Secretariat to circulate a copy of Post 2013 presentation given to the Programme Executive Group at the February 2012 meeting.

Action Point 6 – ERDF Secretariat to liaise with BIS to arrange a meeting of representatives from all relevant sectors linked to the forthcoming informal government consultation to discuss the shape of future European Programmes.

AGENDA ITEM 10 - ANY OTHER BUSINESS

10.1 HCA Update on the Transfer of Assets and Local Stewardship Model

As requested at the last LMC, the HCA gave an update on the transfer of assets formerly held by One North East into the HCA.

- Considerable progress has been made in setting up local arrangements. In the North East, the transfer of staff from One North East's Land and Property team to the HCA has been of great benefit in the process.
- The Local Stewardship Steering Group, chaired by David Curtis from HCA, and involving members from each of the LEPs and Local authorities has met twice.
- The focus of the Group is to offset liabilities for the local area, look for potential for further investment of the assets and maximise private/public partnership.
- Currently looking after 56 assets and 238 contingency assets. All assets are listed in the public domain and all have a delivery plan to be incorporated into the HCA wider Business Plan which is expected to be in place in March 2012.
- The current net value of the assets is £26m. It is not currently known how much of this is remaining in the North East. Surplus in the North East will need to balance national stewardship arrangements.

LMC commented as follows:

- Acknowledged the inevitability of national requirements but emphasised the need to keep very transparent records.

- Clarification was sought about the potential implication of the 'City Deal' in Liverpool for other areas.

The Chair clarified that discussions with cities was managed on an individual case-by-case basis

Action Point 7 - HCA to give an update, at the June LMC, on the potential net value of assets remaining in the North East and ongoing implementation of the Local Stewardship Model.

10.2 BIS National Priorities Update

Following an action raised at October 2011 LMC, BIS confirmed that Social Enterprises are able to access National Products in the same way as any other Organisation. In addition the revised Q&A accompanying the RGF now incorporates more references to Voluntary Sector Organisations.

BIS also confirmed that there are no National products available to pre and early stage start ups and promotion of entrepreneurship, therefore there would be no concerns of duplicating any National activities.

Confirmation was given that the Business for Growth Fund was funded by the UK Banks, and not the Government, and therefore could be used as match with ERDF.

10.3 Date of Next Meeting

The next meeting of the Local Management Committee is scheduled to take place on the 22 June 2012 at 10:30-12:30 (Tyne and Wear location to be confirmed).

Minutes end