

**Minutes of the West Midlands Regional ERDF  
Local Management Committee 2007- 2013**

**Date: 31<sup>st</sup> May 2012**

**Venue: Boardroom, 5 St Philip's Place, Birmingham**

<b>Full Members Present</b>	<b>Representing</b>
Terrie Alafat	Department for Communities and Local Government (DCLG)
Mark Foley	DCLG
Cllr Roger Phillips	Marches Local Enterprise Partnership (LEP)
Paul Hebblethwaite	Innovation Alliance
Norman Price	Innovation Alliance
David Rowe	Private Sector
Jon Baker	Environment and Sustainability
Cllr John Mutton	Coventry and Warwickshire LEP
Cllr Roger Lawrence	Black Country LEP
Sharon Palmer	Voluntary Sector
Madeleine Atkins	Higher Education
Tony Bray	BIS Local

<b>Deputies</b>	<b>Representing</b>
Cllr David Sparks	Black Country LEP
Cllr David Thain	Worcestershire LEP

<b>Observers</b>	<b>Representing</b>
Ruth Nugent	EU Commission
Rose Poulter	West Midlands Councils
Anne-Marie Simpson	Homes and Communities Agency
Hanne Hoeck	DCLG
Anna Vinsen	DCLG
Ted Ryan	Voluntary Sector (Non LMC)
David Morrall	DCLG (Non LMC)
Angus Gray	ESF (Non LMC)

<b>Apologies</b>	<b>Representing</b>	<b>Deputised by</b>
Cllr Philip Atkins	Stoke-on-Trent and Staffordshire LEP	
Cllr Paul Tilsley	Greater Birmingham and Solihull LEP	
Cllr Simon Geraghty	Worcestershire LEP	Cllr David Thain
Zahid Nawar	Equality and Diversity	
Barrie Williams	Private Sector	

Item 1: Minutes and Actions from last meeting (Terrie Alafat)	Action
<p>1. Terrie Alafat welcomed members to the meeting of the West Midlands Local Management Committee and new members of the Committee</p> <p>2. The previous minutes were deemed an accurate and true record of the meeting.</p> <p>3. Actions 1, 2, 5, 6, 7, 8 &amp; 9 from the previous meeting were to be covered in today's meeting. Papers for actions 3, 4 and 10 had already been circulated to members.</p> <p>4. As all actions had been covered on today's agenda or via correspondence there were no outstanding queries.</p>	
Item 2: Future Programme (David Morrall (DCLG) , Angus Gray (ESF) & Tony Bray (BIS))	Action
<p>5. David Morrall gave a presentation on the proposals for the structural funds in the next funding period 2014 – 2020. The slides were circulated to LMC members. David outlined DCLG's emerging thinking: highlighting the opportunities for joint programming with ESF and placing an emphasis on local decision making. Key questions for the LMC to consider are what the top priorities will be for funding; what would work best in terms of programme geographies; and how should we achieve alignment between the funds.</p> <p>6. The Committee asked on what basis areas had been categorised as less developed, transitional or more developed. David Morrall advised that areas were categorised on the basis of their GDP per capita relative to the European average.</p> <p>7. Cllr Phillips commented that Herefordshire has been grouped with Warwickshire when categorised and this had disguised its relative poverty.</p> <p>8. Cllr Lawrence noted that 5% of funds would be focused on urban development and that there could be up to 20 specific cities identified. In terms of the level of integrated urban planning across the Black Country towns, Cllr Lawrence suggested that the Black Country had a good case to be considered on the same basis.</p> <p>9. The Committee asked to what extent there was flexibility to change the geographic groupings which had been used for categorisation or contest the statistics that had been used for the categorisation. David Morrall advised that the last three years of</p>	

Eurostat data had been used to categorise areas. If more recent Eurostat data becomes available before the funds are finalised, then this would be used so there could be some change. However, it would not be possible to change the way in which areas had been grouped for the purposes of categorisation, as this was based on an agreed standard unit at which Eurostat data is collected across Europe.

10. Angus Gray, DWP, head of ESF for England gave a presentation on the emerging thinking for the 2014-2020 ESF Programme which will focus on helping people into work, upskilling and bringing people out of poverty. Its aim is assist disadvantaged groups, particularly those not eligible for mainstream provision with scope to support growth through self employment. Angus accepted that there was a challenge to improve the strategic planning for ESF and make sure that local voices are heard. He suggested that the existing national arrangements work well for worklessness, leveraging in national match funding; but suggested there might be benefits in aligning ESF to support growth alongside ERDF.

11. Tony Bray reported on the results of the recent BIS consultation on the Common Strategic Framework. He reported that responses had been received from Staffordshire LEP, Worcestershire LEP, Birmingham City Council, Black Country LEP and Coventry & Warwickshire LEP, Birmingham University, Aston University, Warwick University, Coventry University and West Midlands Councils.

12. He advised that Ministers from the various departments with responsibilities for structural funds will meet in June to begin to set out a collective Government position. There was still a long way to go in the development of the new programmes with a significant amount still to be agreed at European and national level. Tony advised the meeting there are 2 main stages, the preparation and agreement of the Partnership agreement by March 2013 and then detailed Operational Programme negotiations.

13. In response to Jon Baker's question regarding Cross Cutting themes he confirmed that they will be retained as a core feature of the programmes.

14. Sharon Palmer advised that the voluntary and community sector is leading one of the task and finish groups under the WM Council led work to develop a West Midlands socio economic framework for the new funding period. Whilst DWP may be talking to the voluntary sector at a national level, they should also look at what is happening at a local level and look at an integrated approach. Angus said he would respond to any invitation.

<p>16. Norman Price noted the absence of businesses from the list of organisations which had responded to the BIS consultation and said this was a significant omission, given that businesses are the key beneficiary for ERDF programmes. He said it would be important to ensure business representatives were fully engaged in the activity at a local level to prepare a socio economic framework for the new programmes to ensure that the right interventions are designed to meet business needs.</p> <p>15. David Rowe said that the optimum geographical level to deliver an intervention can be different depending on the type of intervention that is being considered. For example, a project targeting high value businesses might be best delivered at a West Midlands level, but a project which will have multiple beneficiaries, such as a worklessness project, might better delivered at a more localised level, even smaller than a LEP area.</p> <p>16. In terms of programme geographies, Cllr Lawrence noted that it is complicated enough as it is, without defining any new areas. He used the example of the 30 newly announced areas for health commissioning which have no correlation to existing areas. He said that if you correlate labour markets, job markets, etc... the one unit which persists is the sub regional unit.</p>	
<b>Item 3: Programme Performance (Mark Foley)</b>	<b>Action</b>
<p>17. Mark advised that good progress is being made against the spend target for 2012. He noted that the drawdown of the first tranche of Jessica funds was now likely to be in June.</p> <p>18. The programme value is reducing due to fluctuations in the exchange rate and this will be discussed in further detail in agenda item 4.</p> <p>19. Outputs and results were to be discussed in more detail at agenda item 6 but it was to be noted that projects which support a high number of SMEs should be prioritised in any forthcoming bidding rounds if Priority 1 and Priority 3 are to achieve their target level of support to business.</p>	
<b>Item 4: Bringing the Programme in on balance (Anna Vinsen)</b>	<b>Action</b>
<p>20. Anna gave a presentation on the factors affecting levels of commitment and set out various mechanisms which could be used to manage exchange rate gains and losses.</p>	

21. The LMC considered the recommendations which had been set out in the accompanying paper:

- a) Start over programming; accept a greater number of projects into development than the remaining balance. This was agreed.
- b) Establish a reserve list of projects which can be contracted by December 2013 and spend by 2015. This may involve taking projects through appraisal, but we would not take them to investment decision unless funding was available. Care would need to be taken in managing applicants expectations in this regard. This was agreed. LMC also recommended that such projects should be scaleable.
- c) For projects which are live, start to identify those which are scaleable upwards and downwards after 2013. However, we need to disseminate this message to the networks as soon as possible. Agreed.
- d) For the LMC to monitor slippage more closely. Agreed.

22. Anna then summarised the position of each Priority in respect of indicative demand for the remaining balance, with a view to considering whether further changes should be made to the financial tables to reflect absorption capacity of each priority.

23. In Priority 1 we currently have a pipeline of £30 million and a bidding round is being considered for June to take up the remaining balance of £13.9 million. There was a question whether there would be sufficient demand to take up all the remaining balance. It was also noted that the conversion rates in Priority 1 are lower than Priority 2 and there have recently been issues with match funding and applicant capacity to develop multiple projects. There will be meetings in July with the HEIs and research base to promote the call.

24. In Priority 2 there has been a recent call for small business loan projects as £6.3 million that had been contracted to CDFIs was withdrawn following the change in the COCOF guidance on FEI regulations. From this call there was only 1 application which leaves us with a remaining balance £3.5 million. This Priority has a higher conversion rate and the fastest spend with the last bidding round having been over subscribed.

25. In Priority 3, packages are either fully committed or nearing full commitment level. £1.7 million remains available within the package allocations but is set against identified projects in the package pipeline. A bidding round was launched in March under Priority 3 to take up the remaining balance of £7 million outside the packages. 8 applications were received with a value of £12 million. 6 applications were selected with a value of £9 million. Priority 3 is therefore

<p>currently overprogrammed, but it was noted that the £9m allocated against the projects selected under the recent bidding round was likely to reduce as ineligible activities are discounted. It was however noted that spend is lagging in this Priority with only 6 % of the allocation spent to date and projects are very prone to slippage. The Jessica is taking 12% of the allocation with the investments tranching with only £5 million initially.</p> <p>26. Cllr Mutton remarked upon the low rate of spend in Priority 3, and questioned why Coventry and Nuneaton package had not been allowed to put in applications for additional funding in the recent bidding round, even though they had only missed their target by £10k.</p> <p>27. Mark Foley stated that although it was only £10k, there had been a strong steer from the LMC that we had to draw the line at the level which had been agreed with all packages.</p> <p>28. We are being told by packages that expenditure will accelerate but if it doesn't then we will have a real problem at the end of this year. There have been 2 years of debate on this Priority and in view of this we need the discussions and decisions by the end of the year.</p> <p>29. Anna Marie Simpson felt that the 6% figure was stark and that more analysis would be helpful to see what lay beneath it. She suggested that it would be helpful to conduct a risk analysis of projects in priority 3. Mark replied that risk analysis is part of project appraisal. He noted that Priority 3 gap funding projects had been added into the access to finance paper which would provide the LMC with a more detailed indication of the performance of individual projects within Priority 3, with significant risk of slippage.</p> <p>30. Terrie felt that this issue needed to be discussed in more detail at the next meeting.</p> <p>31. Terrie requested that agenda item 7 on the Priority 1 bidding round should be brought forward as this was relevant to the discussion on future investment strategy.</p>	<p><b>1. Action Item to be on the agenda, P3 and risks.</b></p>
<p><b>Item 7: Priority 1 Bidding Round (Anna Vinsen)</b></p>	<p><b>Action</b></p>
<p>32. Anna presented a paper on the proposed Priority 1 bidding round. She advised that the aim of the prospectus was to bring forward as many eligible projects as possible within the parameters of the operational programme. She explained that it was proposed that the call remained open until September to take account of the</p>	



<p>academic summer break, given that the HEI sector were the key stakeholders of this Priority.</p> <p>33. She noted that the LMC Subcommittee had recommended that the if a greater number of eligible projects are received than the balance available, that the priority be overprogrammed, and that it be reflected within the selection decision, whether a project is a priority for funding, or has been selected as a reserve project. This had been reflected in the prospectus.</p> <p>34. Madeleine Atkins said that the HEI Sector welcomed the bidding round. One of the reasons for the withdrawal of projects after the last bidding round had been technical provisions around the match so they would also welcome the surgeries that had been offered.</p> <p>35. Norman Price added that the activities within the prospectus seemed too tightly defined, to which Anna responded that the bullet points were meant to be examples of the type of project which could be supported, and that she could amend the prospectus to make this clearer.</p> <p>36. The Priority 1 bidding round was agreed on this basis.</p> <p>37. Mark highlighted that in the event that an insufficient value of satisfactory Outline Applications were received in the bidding round to enable the full remaining balance in Priority 1 to be committed, then the LMC would need to consider moving the remaining balance from Priority 1 to other Priority Axes which evidence of greater demand. He noted that this would require a programme modification and would be subject to Commission approval.</p> <p>38. Terrie asked whether the Committee were happy with the approach of considering whether changes would be necessary to the financial tables at the next LMC meeting when consideration could be given to the volume of projects which had come through the Priority 1 call.</p> <p>39. This was agreed.</p>	<p><b>2. Action:</b> <b>Discussion about moving funding to be made at the next LMC meeting following the closure of the P1 bidding round.</b></p>
<p><b>Item 5: Programme Highlight Paper</b></p>	<p><b>Action</b></p>
<p>40. This paper was noted for information.</p>	
<p><b>Item 6: Outputs Performance (Glyn Darbyshire Evans)</b></p>	<p><b>Action</b></p>
<p>40. Glyn gave a presentation on outputs and results performance</p>	

<p>advising that, following recommendations in the Mid-Term Evaluation and to better reflect actual Programme activity, they had been re-balanced across Priority Axes and that some targets had been reset (up and down).</p> <p>41. He advised that taken at face value the number of outputs which had been contracted or which were promised through the pipeline would suggest that we are set to exceed most targets. However he warned that in some priorities we are relying on a small number of projects in the pipeline to reach our targets. He also noted that actual achievement to date was less impressive.</p> <p>42. Most at risk are the Business Assist outputs and losing Business Link has made it tougher. We are relying more heavily on a set of small organisations to achieve the targets and we are heavily dependent on projects in the pipeline.</p> <p>43. Glyn reminded the committee that the regeneration outputs associated with P3 had been described at most at risk within the mid term evaluation given the low level of commitments. Accordingly, the "floorspace" targets were revised downwards in the recent modifications and now the picture has improved significantly. The pipeline is very good 143%, but only contracted 28% of this target has been committed and only 1% actually achieved.</p> <p>44. For the "Premises upgraded to BREEAM standard" output, the pipeline looks very healthy, but if you look at the contracted and actuals figures it looks optimistic. To upgrade to BREEAM standard is very expensive so that can impact on the number and type of applicants.</p>	
<p><b>Item 8: Irregularities and Monitoring Update</b></p>	<p><b>Action</b></p>
<p>45. This paper was noted for information.</p>	
<p><b>Item 9: Access to Finance Update (Hanne Hoeck)</b></p>	<p><b>Action</b></p>
<p>46. Hanne advised that Grant schemes which were being supported by ERDF had been added to the report for the first time.</p> <p>47. The paper was noted and Terrie asked that next time it was higher on the agenda so we can discuss in more detail.</p>	<p><b>3. Access to Finance Update to be placed higher on the agenda for next meeting.</b></p>
<p><b>Item 10: Annual Implementation Report</b></p>	<p><b>Action</b></p>



48. Terrie asked for members to send any comments on the report to Glyn within 2 weeks.	<b>4. Members to provide any comments to Glyn Darbyshire Evans by 14<sup>th</sup> June 2012</b>
<b>Item 11: Communications Survey</b>	<b>Action</b>
49. Terrie commented that this was a good paper and that the suggestions for additional communication activity would be taken on board.	<b>5. Communication strategy on the programme performance. to be discussed next meeting</b>
<b>Item 12: AOB and Close</b>	<b>Action</b>
50. There being no other matters of any other business, Terrie Alafat thanked the LMC members for their attendance and contributions and closed the meeting.	

**Date of next meeting: Thursday 27<sup>th</sup> September 2012 11am to 1pm**

**Minuted by: Hanne Hoeck, DCLG**