

From: Programme Delivery Team

To: Local Management Committee

Subject: MINUTES OF THE MEETING 7 December 2011

Present:

Members/Alternates

Sir Howard Bernstein	HB	Regional Leaders Board	Manchester City Council
Cllr Dave Cargill	DC	Merseyside (RLB)	Halton Borough Council
Neil Clatworthy	NC	HEI Sector	NWUA
Cllr Flo Clucas	FC	4NW	Liverpool City Council
Bill Darbyshire	BD	Sustainability	Environment Agency
Guy Flament	GF	Desk Officer	European Commission
David Higham	DH	BIS Local	BIS Local
Rob Johnston	RJ	Cumbria (LEP)	Cumbria Chamber
Val Jones	VJ	Third Sector	Merseyside Network
Alan Manning	AM	TUC	NW TUC
Cllr Tony Markley	TM	Cumbria (RLB)	Cumbria CC
Cllr Sue Murphy	SM	Manchester (RLB)	Manchester City Council
Cllr Michael Ranson	MR	Lancashire (RLB)	Ribble Valley CC
Francis Lee	FL	Cheshire (LEP)	Chesh West & Chester Council

Programme Delivery Team

David Read (Acting Chair)	Director, European Programme
Ruth Hollis	Committee Support Officer
Nicola Lavin	NL ERDF Head of Projects

Observers/Guests

Sarah Carling	Appraisal & E&D Manager	PDT
Andy Churchill	Third Sector	Merseyside Network
Paul Dickson	Merseyside (RLB)	TMP
Paul Evans	Manchester (RLB)	AGMA
Liz Hey	Manchester (LEP)	New Economy, Manchester
Kevin Little	Cumbria (LEP)	Cumbria
Paul Roots	Sustainability	Environment Agency
Eleanor Carter	RLB (RLB)	Halton BC
Shabana Patel	RLB (RLB)	Lancashire CC
Paul Creed	PC	Homes & Communities Agency (JESSICA)

Introduction and Apologies

The meeting was chaired by David Read as Philip Cox was unable to attend.

DR opened the meeting at 14.08.

Apologies were noted from:

Philip Cox	Director	CLG
Jackie Arnold	LEP	Cumbria
Toby Willison	Sustainability	Environment Agency
Mike Emmerich	Manchester (LEP)	New Economy
Kath Boullen	Merseyside (LEP)	NW CCI
Keith Burnley	HEI Sector	NWUA
Cllr Phil Davies	Merseyside (Political)	Wirral Met. Borough Council
Dennis Mendoros	Lancashire (LEP)	Private Sector
Cllr Terry O'Neill	Cheshire (Political)	Warrington BC

Minutes of the Meeting 28 September 2011

- i. AM noted he had not been present at the meeting, though records show he was. Subject to that amendment, the minutes of the last meeting were agreed as a true record.

Matters Arising from 28 September 2011

Item 2: Programme Performance

Action:

PDT to review content of Programme Performance paper.

Action:

PDT to coordinate a marketing meeting for discussions between sub regional representatives and North West Fund.

Item 3: Investment Framework Revision

Item 4: Re-quantification of Programme

Action:

The Strategy Group to review IFs as part of the quantification exercise, on behalf of LMC, and report back.

- ii. All above points are all covered in the agenda for this meeting.

Declarations of Interest

No Declarations of Interest were received prior to or at the meeting.

Item 1: Programme Update

DR introduced the paper, which was presented in a new format to incorporate requests from members. DR discussed the Programme Monitoring Report

(PMR) highlighting the different elements of the new report. Concerns relating to the Euro crisis and potential impact on the exchange rate and implications for the Programme. This has been raised with DCLG centrally and NW PDT are monitoring the position.

- 1.1 DC asked if PDT feel there will be time to develop new TA projects. DR replied the call is anticipated in early January with an expectation that contracts will be signed prior to the end of March when the existing contracts finish.
- 1.2 GF thanked DR for the revised format. The European Commission would also like to see:
 - analysis of Programme by Priority
 - overall performance with and without the FEIs
 - types of irregularities and source including frequency of errors needs to be provided to the committee
 - an independent assessment on the VCLF to review performance and their revised business plan. GF requested Commission be kept posted on progress.

GF was pleased to hear about the full project performance analysis of the programme that the Strategy Group are conducting. The Commission wants to be informed of the result by March LMC. The Commission need to be fully aware of any changes and risks to the Programme.

- 1.3 VJ appreciated the clear report, but noted no reference to Equality & Diversity.
- 1.4 SM thought the report format an improvement on the previous style but would like to see actual spend contained in the next report.
- 1.5 AM noted GF comments and advised that detailed information on Output performance was provided to LMC sub committees eg PMSC. It is absolutely the responsibility of LMC to be the voice of the wider partnership, and to this end would they like to see greater detail of the project visits; assurance that irregularities are corrected; that lessons are learnt from the visits. It is good to see the traffic light table on key projects which flags up to the wider partnership where issues need to be addressed.
- 1.6 HB wished to reassure members of the work that is underway. The Strategy Group are making a root-and-branch assessment of all existing projects and also a thorough assessment of the project pipeline to confirm they represent economic priorities of the sub regions and wider region. There are significant challenges and the need to be clear on how we can up our game to meet our spend profile which may highlight the need for significant changes to ensure delivery. The outcomes of the analysis are to be brought back to the Strategy Group by February including future funding priorities.
- 1.7 BD asked if cross cutting themes would be included. HB responded all areas will be examined and included.

Action:
PDT to report back to LMC on re-quantification progress.

Action:
Programme update to include analysis by priority, cross cutting themes and actual spend details.

Item 2: Update on JEREMIE – The North West Fund (NWF)

DR provided an update following the paper:

£11m drawn down by fund managers to date and NWF expect circa £13m to be invested by the end of the year.

The North West Fund has put the fund manager of the Development Capital fund on notice. The NWF will hold their next Investment Advisory Panel meeting in March to review performance of the individual funds.

A copy of the NWF revised business plan and marketing strategy has been requested.

- 2.1 FC felt the paper presented to LMC to be a polite rendition of the FEISC views, as the sub committee were not at all satisfied with the performance of NWF or the failure of YFM to make an investment. Fund manager fees are being paid on time despite very poor outcomes and performance.

Since the FEISC meeting she had sought the views of other fund managers in the North West, to discover that though equity funding is difficult in the current climate greater engagement with the banks is required to support the funding package.

NW businesses are in desperate need of the £185m tied up in NWF. Some of the funds are performing well, but others not. YFM are presenting at the FEISC meeting in January. FC felt frustrated and angered by the situation, as did others round the table, as despite the strenuous efforts to establish this Fund, one year on there is no real evidence of progress.

- 2.2 VJ agreed with FC and asked why the fund managers could not be paid on results. GF restated an independent assessment is crucial and should be completed before the next LMC to validate the revised business plan.
- 2.3 FL agreed but felt as there is not much time left there may be an argument for reallocating the money to the better-performing funds. SM felt this would not take away the fact that no investments have been made by one fund and there is a serious need to make that fund perform.
- 2.4 VJ asked if resources were available to fund an independent assessment. DR replied funding would come from TA and DCLG due to

the requirements of the Commission to undertake an independent assessment.

- 2.5 HB considered the NWF is a highly complex project and presents a real challenge for the Programme. A new independent risk analysis would show whether the outcomes were possible, as part of the re-quantification, as it will provide the intelligence for where support is needed. A review needs to include performance, operational governance, links to SRP/LEP structures, management and the arrangements relating to oversight of the funds.
- 2.6 TM commented he had raised the issue of lack of publicity 12 months ago. The fund must be actively promoted: if there is low take-up in urban areas, what chance is there for rural areas? Criteria may have to be changed. DR responded that the PDT are working with RJ and the Chamber to ensure NWF gets the message out to the right businesses.
- 2.7 RJ felt there is unanimous disappointment at the inertia shown by North West Fund and a potentially embarrassing situation will develop unless immediate steps are taken to apply pressure; perhaps ERDF networks and partners can be utilised.
- 2.8 FC responded comments at the FEISC had left no doubt the situation must be addressed by NWF. The fund must be promoted to banks, solicitors, accountants, who already have involvement with businesses.
- 2.9 DR concluded JEREMIE is a great opportunity for the North West. A report will be brought back to LMC and progress will be communicated in between.

Action:
Independent Assessment to be carried out on the NWF prior to March LMC.

Action:
LMC to be updated on NWF position, and paper to be brought back to March LMC.

Item 3: Update on JESSICA

DR introduced Paul Creed, HCA (project applicant was NWDA, now transferred to HCA) to present the paper.

- 3.1 HB, having had some involvement in the development of this project, was concerned that though the Local Authority have underwritten the outcomes as required, further bureaucracy was causing delays to commencing investment. PC replied the Investment Board will discuss the position; HB asked who was accountable for the Investment Board, now the NWDA is closing?

- 3.2 FC commented she had raised the point about the Fund accountability with the response that the NWDA interest would transfer to DCLG or BIS. She asked for clarification of where accountability does lie.
- 3.3 DR responded the UDF makes the investment decisions. PC advised there had been some confusion within the Investment Board as to their role.
- 3.4 PC added the Investment Board have been advised there is a good pipeline of projects.
- 3.5 DR felt the key action is to work on the governance, with clarity on the duties of the Investment Board, and notify members of those organisations so that LMC can be kept better informed.
- 3.6 GF asked when will the investments start to flow, and will targets be met by the end of the programme? PC advised investments will continue to December 2014. DR added both Evergreen and Chrysalis have identified projects expected in the next 3 months; PDT will provide a list for the next LMC.
- 3.7 It was agreed that Merseyside and North West UDFs will present an update to the March LMC.
- 3.8 BD commented there was no mention of cross cutting themes in the paper and wanted to ensure these were not overlooked. PC responded the requirements are written into the investment plans. BD replied we need to see evidence of this as sometimes the need to deliver big schemes overrides less prominent issues.

Action:
The applicant (HCA) to clarify the role/accountability of the investment committee.

Action:
PDT to provide list of JESSICA projects ready for investment and evidence of cross cutting theme inclusion.

Action:
Merseyside and Rest of North West UDFs to present at March LMC.

Item 4: Update on Super Fast Broadband

NL updated members on progress with the Super Fast Broadband call. A meeting will take place on 15 December in London where representatives of each sub region and the Audit Authority will be present for discussions on flexibility within the programme and apportionment of costs. A separate call is also planned under Priority 5 to help applicants undertake project development. Good progress is being made and PDT are working to resolve issues.

- 4.1 SM asked if the £40m suggested allocation could be exceeded if necessary, applying the BDUK allocation methodology to projects. NL responded the figure was thought appropriate when discussed at PMC in June but is not precise. BDUK allocation is based on a particular costing methodology, where there is a wide disparity between BDUK allocation (based on market failure) and ERDF request, applicants have been asked to explain why, and clarity is being sought.
- 4.2 FL noted BDUK have different parameters.
- 4.3 TM and MR stressed the importance of SFB for their respective sub regions and hoped there would not be delays caused by bureaucracy. DR commented there are also important State Aid issues to be resolved by applicants and hopefully the appointment of consultants will help.
- 4.4 GF noted £40m is a substantial amount left to allocate; clear timelines need to be in place.

Item 5: Feedback from Sub Committees

DR introduced the paper.

- 5.1 NC noted a comment in the paper re further bids not being approved. DR responded this does not apply to projects in the pipeline.
- 5.2 VJ referred to the Business Support Transition Group (BSTG), which appears to have “sidelined” the Voluntary Sector to a cross cutting theme, but this is a growing sector and it would be useful to know the membership of that group. DR replied that the Voluntary Sector are represented on the Strategy Group and the membership of the BSTG will be circulated to the Strategy Group.
- 5.3 FL felt the right decision had been made to close the Food NW projects but would welcome feedback on closing the project as there is considerable sector involvement in Cheshire. DR responded an update is proposed at the next PMSC.

Item 6: Post 2013

DR explained the post 2013 paper was originally presented by Simon Nokes at the Strategy Group meeting on 23 November and to the Regional Leaders Board. The Strategy Group felt it should be presented to LMC members for information.

Item 7: AOB

There being no other business, DR closed the meeting at **15.50**.

Minutes agreed by LMC.

[See over page]

Minutes agreed by LMC.

Signed

**Philip Cox
DCLG
(Chair)**

Date