



EUROPEAN UNION  
Investing in Your Future  
European Regional  
Development Fund 2007-13

## YORKSHIRE & HUMBER COMPETITIVENESS PROGRAMME 2007-13

### LOCAL MANAGEMENT COMMITTEE

### LATERAL BUILDING, LEEDS

14 FEBRUARY 2012

Attendees	Role	Sector/Organisation
Patrick White	Chair	DCLG
Lesley Calder	Head of Programme Delivery Team	DCLG
John Mothersole	Deputy Chair/ SY PMB Chair	CEX- Sheffield Council
David Dangerfield	Y&H PMB Member	Environment Agency
Trevor Shaw	Member	Yorkshire Forward
Rob Pearson	Member	HCA
Chris Longley	Member	Federation of Small Business
Judy Robinson	Member	Involve Yorkshire
Ian Rowe	Member	Yorkshire Universities
Cllr Roger Stone	Member	SCR LEP
John Illingworth	Member	Goodwin Trust
Isobel Mills	Member	BIS Local
Mike Smith	Member	Yorkshire Universities
James Farrar	Member	York & North Yorkshire LEP
Gary Lumby	A2F Chair	Private Sector- Banking
Richard Wright	Member	SCR LEP
John K Anderson	Member	RoR Skills Rep
Gill Alton	Member	SY Skills Rep
Mark Ball	Deputy	TUC Deputy for John Lewis
Cllr James Alexander	Member	LCR LEP Rep
Sarah Tyler	Observer	LGYH
Maraki Mikroudaki	Observer	Leeds City Council
Linda Sproge	Observer	EC
Lee Pepper	Member	DCLG
Craig Wallace	ERDF Implementation Manager	DCLG
Richard Holmes	ERDF Communication Manager	DCLG
Portia Forbes-Rawlins	ERDF Governance Officer	DCLG
Peggy Haywood	ERDF Implementation Manager	DCLG
<b>Apologies</b>		
Simon Driver	Member	Hull & Humber LEP
John Lewis	Member	TUC
Colin Mellors	Y&H PMB Chair	PVC York University
Liz Bavidge	Member	Equalities & Diversity
Richard Kendall	Member	Hull & Humber LEP

## **WELCOME, INTRODUCTIONS AND APOLOGIES**

The Chair welcomed LMC members. All members provided introductions.

LMC noted:

- First meeting for the new Chair – Patrick White, Director Local Government Policy.
- First meeting for John K Anderson, skills representative for the Rest of Region and a Director at BT.
- First meeting for Cllr James Alexander, representing Leeds City Region LEP and the Leader of York Council.
- Thanks to Prof Mike Smith, Pro Vice Chancellor, Sheffield Hallam University for his contribution to the Programme as LMC and Access to Finance Sub-Committee member. This is Mike's last LMC meeting.

## **DECLARATIONS OF INTEREST:**

Trevor Shaw – Item 8. Director of Digital Region

John Mothersole – Item 8. Sheffield City Council is a shareholder in Digital Region

Chris Longley – Item 7. Customer of Finance Yorkshire

## **AGENDA ITEM 1 - MINUTES FROM PREVIOUS MEETING AND MATTERS ARISING**

Minutes of the previous meeting formally approved by the LMC

No matters arising not covered on the agenda.

## **AGENDA ITEM 2 –N+2 2011 UPDATE**

The Programme Delivery Team (PDT) provided an update on N+2 2011 target. LMC noted:

- Target achieved although formal confirmation from the European Commission still to be received.
- The work of all partners who made valuable contributions to the target.
- Thanks to PMBs, especially the PMB Chairs, for the support and work on behalf of the Programme.
- Thanks to L Spruge for her support and sound advice.
- The hard work and commitment of the DCLG Programme Delivery Team under difficult circumstances.
- LMC to take a strategic view on future direction and expenditure of the Programme.
- Successes noted but LMC acknowledged it was important to avoid complacency.
- To prevent a similar situation in respect of N+2 progress 2012 the ERDF Delivery Team is undertaking a full project review and improved contract management processes will be implemented to ensure expenditure was carefully monitored and claims submitted promptly. Further information provided under Item 5.

## **AGENDA ITEM 3 – PROGRAMME PERFORMANCE & RISK**

### **Programme Performance**

The ERDF Delivery Team provided an update on programme performance. LMC noted:

- Assuming all pipeline proposals are successful and all pipeline and legally committed projects deliver to current profiles, the Programme will be over-committed.
- The definition of pipeline is any proposal that has submitted an Outline Application and is in the application process but is yet to be legally committed through the award of a Funding Agreement.
- The definition of legally committed is a project which has completed the application process and been awarded a Funding Agreement.

- Rest of Region is 50.5% legally committed with a further 51% indicatively allocated to pipeline proposals.
- South Yorkshire is 49% legally committed with a further 62% indicatively allocated to pipeline proposals.
- Priorities 1-4 are all over-committed to a lesser or greater extent in both geographic areas.
- Priority 5, Technical Assistance, is under-committed and the ERDF Delivery Team is looking to increase activity under this priority.
- Further updates to the figures are provided in Item 5.
- Annex C provided indicative output performance for the programme. This establishes that the programme is unlikely to achieve a number of key output targets even if all projects fulfil their Funding Agreement obligations.
- The current error rate for the Programme is 1.45%. This is below the 2% target agreed with the European Commission.

LMC discussed:

- The increase in physical build over business support projects and the potential effects on the Programme.
- The need to provide support to SMEs in the current economic climate and whether the Programme was as effective and accessible for SMEs as it could be.
- The consequences of missing output targets. LMC noted that the Operational Programme is extremely important and the Commission require the indicators to demonstrate that Structural Funds Policy works.
- The Commission understands that the output targets for the Programme were agreed in a different economic climate. A Programme modification to adjust target levels would be considered by the EC and had a good chance of success if there is a strong, evidenced argument to support the modifications.

### **Technical Assistance (TA)**

The PDT provided an update on Technical Assistance issues. LMC noted and discussed:

- Take up of TA is disappointing given its availability and pressure on budgets elsewhere.
- Match funding remains a key issue for potential TA applications.
- Thematic and activity focused approaches to TA have been investigated but had proved challenging to make a reality.
- The Delivery Team looking for TA projects to provide a greater level of assistance to projects over a greater part of the project lifecycle.
- The need for greater clarity on what TA can and cannot support.

**Action: ERDF Delivery Team to review the TA strategy.**

### **Over-commitment**

LMC noted:

- The PMC had agreed to an over commitment level of 130% in the early stages of the Programme. This figure would be used until advised otherwise by the LMC or DCLG Senior Management.
- The Programme has to balance the level of over-commitment with the achievement of financial and output targets.
- More projects focusing on creating and supporting SMEs could provide better ways to increase GVA and the number of jobs created.

### **Risk Register**

The ERDF Delivery Team provided an update on the Programme risk register: covering Operational; Strategic; Governance; and Programme Management risks.

Key risks and concerns include:

- Change to the Call for Proposals
- Achievement of indicator targets

- Contract management
- Retention of core expertise, especially TA staff
- New ERDF Business process
- Resources within the Programme Delivery Team

**LMC discussed:**

- Significant concerns over the number of high impact and high probability risks.
- Significant concerns about the level of DCLG resources available to deliver the programme successfully, particularly given the high volume of projects in the pipeline, expected demand, timing of the standardisation launch (1<sup>st</sup> April) and the potential impact of delays. Members were keen to raise the issue with DCLG Senior Management.
- Potential for risks to reduce to a level the LMC are comfortable with once they have been mitigated.
- The timing of the next meeting given the risks presented and potential impact.

**Action: Patrick White to discuss resource concerns with DCLG colleagues**

**AGENDA ITEM 4 – PROGRAMME PRIORITIES 2012**

PDT briefed the LMC on the priorities of the Programme Team for 2012 (discussed in further detail at Item 5):

- Project review exercise – financial and output
- Addressing the backlog of applications
- Implementation of the new business process

**AGENDA ITEM 5 – MANAGING THE PROGRAMME**

PDT presented a paper recommending a review of the selection process and scenarios on the handling of new applications through the Priority Prospectus, LMC noted:

- A tabled paper providing the latest information on commitment levels over and above those presented in Item 3. Potential over-commitment has increased once all Outline Applications have been considered. Of the scenarios presented, the ERDF Delivery Team recommends a pause of the Priority Prospectus until the 1<sup>st</sup> April.
- The pause was discussed at the Yorkshire & Humber Performance Management Board on 30/1/2012 and South Yorkshire Performance Management Board on 6/2/2012. The Yorkshire & Humber Performance Management Board had concerns about the message sent if a pause was put in place. The South Yorkshire Performance Management Board were both supportive of a short pause.
- The pause was to give the ERDF Delivery Team time to complete the project review, address the backlog and have a more clear and reliable information on the output and spend for the programme.

**LMC discussed:**

- The South Yorkshire Performance Management Board had agreed to the pause as it would only be in place for 6 weeks. It was essential that the new Call commenced on 1st April 2012. The SY PMB felt any strong projects would still be there at the end of the pause and resources should be added to the team if they were felt necessary to address the issues.
- High quality projects should be brought forward and the LMC should make decisions to ensure this happened.
- Concerns about how the pause and new Prospectus is communicated to partners, particularly as it will be at the same time as the standardisation launch and a potential change to the selection process.

- Potential risks to the N+2 2012 target, given the need to commit and spend significant amounts each quarter.
- The lack of notification to potential applicants
- The need to discuss the effect of the pause, results of the project review and the new Call for Proposals.

**The LMC endorsed:**

- The review of the project selection process
- The full project review
- The pause of all new applications until the launch of the new Prospectus at the start of April.
- An additional meeting would be held at the end of March/beginning of April to consider the new Priority Prospectus.

The Chair suggested that at its additional meeting the LMC considered the following items

- A forward look at the programme, including strategic investments
- Strong communications to partners
- Implication of the new business process

**Due to the significance of the issues discussed at the meeting the LMC agreed to hold an extra-ordinary LMC meeting in early April 2012 to discuss the risk, capacity and performance of the programme**

**AGENDA ITEM 6 -Y&H AND SY PMB UPDATES**

JM provided a South Yorkshire Performance Management Board update to the LMC. The Board had discussed Technical Assistance, the proposed pause, new Call and selected and approved projects.

CW provided an update on the Yorkshire & Humber Performance Management Board. The board discussed the proposed pause and commitment levels. The Y&H PMB were not entirely supportive of the pause considering the potential interpretation by partners. The strategy was supported but tactics should be re-considered. Output performance and ways to encourage projects to fulfil funding agreement obligations were also discussed.

**LMC noted the updates**

**AGENDA ITEM 7 – ACCESS TO FINANCE (A2F) UPDATE**

Gary Lumby (GL) the Chair of the A2F Sub-committee provided an update to the board. LMC noted:

- Thanks to Prof. Mike Smith for his work and significant contribution to the sub-committee.
- LMC requested to nominate a new A2F member. A selection process would take place, nominations should be sent to Portia Forbes-Rawlins by 14 March.
- Concerns over the performance of Finance Yorkshire. The company had invested £15.3 to 136 firms since its creation in September 2010. All the funds, Seedcorn, Business Loans & Equity were behind target. The Seedcorn fund should be fully invested due to the number of pipeline applications; the Business Loan fund should also be fully committed. The main issue was the Equity fund which had only 7 investments with £5 million being invested, this was against a £15 million target.
- The sub committee had commissioned a detailed review of performance issues. It was closely monitoring progress and requiring Finance Yorkshire to develop a comprehensive recovery plan

- Whilst there are reasons for the underperformance, including: a new fund manager taking over the fund, the market for equity schemes was not strong and a 6 month delay at the start of the contract. The sub Committee is of the view that the pace of progress should be improved.
- LMC to review progress in June,. Discussions will also be held with Capital 4 Growth and European Investment Bank (EIB).

LMC discussed:

- If lessons had been learned from the previous investment vehicles such as PIF and SYIF. The challenging economic climate and the level of economic activity in the fund.
- The need for a different risk appetite for the fund.

### **Creative Yorkshire Content Fund**

This project had now been contracted and was seeking applications

### **CDFI's**

This project had made a successful start.

### **Micro Finance early Stage Growth Fund**

There was no update on this project

### **JESSICA**

The application remains with DCLG awaiting a final decision.

EIB approval is essential to Finance Yorkshire becoming the Holding Fund manager.

The Programme Delivery team is working with Capital 4 Growth and the EIB and it is hoped a resolution will be reached in 7-10 days.

### **LMC noted the report**

### **AGENDA ITEM 8: DIGITAL REGION REPORT**

Trevor Shaw (TS) provided an update to the LMC on Digital Region, a major project to create a wholesale broad band infrastructure in South Yorkshire to help stimulate economic growth with next generation broadband.

The initial ERDF investment was £28.9 million reduced to under £27 million with a contract variation.

LMC noted:

- Yorkshire Forward considered the risks of YF closure on 31<sup>st</sup> March 2012 to be negligible. Responsibility will be transferred to BIS. YF is also liaising with the 4 South Yorkshire Local Authorities regarding the transfer.
- A contract variation to extend the time for the delivery of outputs had been approved by the Executive Management Team on 13.02.2012.
- The network infrastructure was nearly completed and a number of smaller Internet Service Providers (ISPs) were using the network but no large ISP companies such as BT or TalkTalk were using the network impacting on revenue generation.
- Confidence in the technology remains but a business improvement plan has been developed to provide a business plan that will deliver revenues.
- Digital Region is a major project which is strongly supported by DG Regio. The Commission hoped the project would deliver the agreed outcomes.

### **LMC noted the report**

### **AGENDA ITEM 9: COMMUNICATION PLAN 2012**

The ERDF Delivery Team presented the Communication plan for 2012. LMC noted and discussed:

- The objectives and key messages for 2012
- The establishment of an ERDF Practitioner Network to support people involved with ERDF but not employed by the programme

**Action: PDT to include a greater focus on LEP involvement and inclusion in the Communications Plan.**

**LMC agreed:**

- To consider the approval of the plan at the next LMC meeting.

## **AGENDA ITEM 10- AOB**

ERDF Programme 2014-2020

LMC considered the Committee's role in the development of the next ERDF Programme.

LMC noted:

- The LMC should take a proactive approach.
- Alignment with other European programmes should be considered to increase knowledge of other programmes with the potential to increase the level of European funding for Yorkshire and the Humber.
- Programme authorities could be involved in gathering the knowledge and pass the knowledge of the funding to the Programme Delivery Team.
- The new EC strategy for ERDF was available on internet.

**Action: ERDF 2014-2020 Programme to be included as a standard LMC agenda item.**

**Minutes end**