

NORTH EAST ENGLAND COMPETITIVENESS PROGRAMME 2007-13

MEETING OF THE LOCAL MANAGEMENT COMMITTEE – 22 JUNE 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 Bob Cook	Member	Local Authority (Stockton BC representing Tees Valley LAs)
Neil Warwick	Member	Private Sector
Alan Sanderson	Member	Higher Education
Victoria Keen	Member (Deputy)	Homes and Communities Agency
Matthew Ebbatson	Member (Substitute)	North Eastern LEP
Ieva Zalite	Advisory	North East ERDF Competitiveness Programme, Desk Officer, European Commission
Gordon Bell	Participating Observer	Local Authority (Sunderland City Council representing Tyne & Wear LAs)
Iain Ogilvie	Participating Observer	Local Authority (Northumberland County Council)
Catherine Pearson	Participating Observer	Durham County Council
Linda Edworthy	Participating Observer	Tees Valley Unlimited representing Tees Valley Local Authorities
Tom Smyth	Participating Observer	BIS Local
Stephen Lightley	Item 5a	North East Access to Finance Ltd
Kay Goodinson	Item 5a	North East Access to Finance Ltd
Andrew Mitchell	Item 5b	North East Finance (Holdco) Ltd
David Morrall	Item 7	DCLG
Angus Gray	Item 7	DWP
Kevin Richardson	Item 7	BIS
Lesley Calder	ERDF Delivery Team	DCLG
Iain Derrick	ERDF Delivery Team	DCLG
Raffaella Ebani	ERDF Delivery Team	DCLG
Craig Milligan (Minutes)	ERDF Delivery Team	DCLG
Apologies		
Cllr Tom Brechany	Member	Local Authority (Northumberland County Council)
Cllr Mel Speding	Member	Local Authority (Sunderland City Council representing Tyne & Wear LAs)
Jeremy Middleton	Member	North Eastern LEP
Alastair MacColl	Member	Tees Valley LEP
John Cuthbert	Member	Private Sector
Anne Mulroy	Member	Homes and Communities Agency
Kevin Rowan	Member	Trades Union Congress
Adelle Rowe	Member	Environment/Sustainability
Jo Curry	Member	Voluntary Sector
Debbie Allingham	Member	Further Education
Heather Smith	Participating Observer	Northumberland County Council
Victoria Catesby	Participating Observer	Rural Development Programme for England

AGENDA ITEM 1 - WELCOME, INTRODUCTIONS AND APOLOGIES

The Chair welcomed Members to the third formal meeting of the LMC and thanked Newcastle University for hosting the meeting.

The Chair advised LMC of the following changes in Membership:

- Cllr Charlton, Sunderland City Council representing Tyne and Wear Local Authorities has now retired and is replaced by Cllr Speding.
- Alan Sanderson, Unis4NE representing the Higher Education sector attending his final LMC, his replacement to be confirmed.
- John Cuthbert, Northern Business Forum (NBF) representing the private sector has stood down as Chair of NBF. Alastair Thomson will take forward John Cuthbert's role in representing NBF on the LMC.
- Adrian Sherwood, RDPE Link, replaced by Victoria Catesby.

The Chair, on behalf of LMC, thanked Cllr Charlton, Alan, John and Adrian for their valuable contribution to both the LMC (and previously the Programme Monitoring Committee) and their wider involvement in the economic regeneration of the North East.

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 February 2012 minutes.

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

AGENDA ITEM 4 – FINANCIAL ENGINEERING INSTRUMENTS (FEIs) PERFORMANCE REPORT

In accordance with the Monitoring and Reporting framework agreed for FEIs, the ERDF Programme Delivery Team presented a report giving an update on the progress of the FEIs initiatives covering the period up to 31 March 2012. The key issues highlighted were:

Finance for Business|North East

The £125m JEREMIE Holding Fund comprising of 7 individual product funds remains broadly on track and continues to support high value added sectors and secure significant private sector leverage. Key points included:

- £43m of financial investment has been made to 375 different SMEs.
- £59m of private sector leverage secured.
- 409 investments made to date with 467 new jobs created;
- EIB loan fully serviced (including capital repayment of £3.5m);

Creative Content Fund

- The fund has now completed its pilot stage and the ownership has novated to North East Access to Finance.
- The investments made have begun to generate returns (to date £34k worth of returns against a forecast target of £3.6m).

LMC noted the contents of the report.

AGENDA ITEM 5 – FINANCIAL ENGINEERING INSTRUMENTS (PRESENTATIONS)

As proposed at the last LMC (February 2012), North East Access to Finance Ltd and North East Finance (Holdco) Ltd attended the meeting to provide:

- a) An update on arrangements and structures established to manage legacy funds within the North East emerging from access to finance projects supported through 2000-2006 and 2007-2013 ERDF Programmes.
- b) A detailed performance update on JEREMIE.

a) Legacy Arrangements Position from North East Access to Finance

Stephen Lightley (Chief Operating Officer) and Kay Goodinson (Legacy Programme Manager) of North East Access to Finance Ltd presented details of the structures and governance systems established to manage of legacy funds emerging from 2000-2006 and 2007-2013 Programmes.

Key points highlighted were:

- North East Access to Finance is a private company but accountable for public money (to DCLG, Capital for Enterprise (CfEL) and regional stakeholders including LEPs). NEA2F remains committed to broaden out its reach, in particular to the local authority sector.
- Current focus is on VCLFs schemes supported under 2000-2006 (now generating returns).
- Expected to inherit approximately £30m of legacy funds by the end of 2014, to be spent in the North East Programme area.
- Range of redeployment considerations will impact on the use of the legacy funds, including the potential availability of future ERDF and private sector funding.
- Impact analysis and lessons learned from previous and current initiatives will inform redeployment of legacy funds.

A copy of the presentation is provided at Annex 1.

b) Finance for Business|North East (JEREMIE) Progress Update

Andrew Mitchell - Chief Executive, North East Finance (Holdco) Ltd gave a presentation updating Members on the progress of the Finance for Business|North East project and highlighting key issues going forward.

Members were interested to explore how the funds would address concerns raised previously in relation to:

- Geographical spread of enquiries and deals.
- Conversion rate of enquiries into actual investments.
- Cost per job created/value added results.
- Sectoral distribution.

Key points (using latest figures to June 2012) included:

- Almost £50m invested in over 400 SMEs and £60m private sector leverage secured;
- Good progress made on ERDF outputs and results targets;
- EIB repayment ahead of target;
- Decision process on unallocated £12.5m now in train;
- Sustainability post 2014 remains a key issue with the market already reporting concerns at potential loss of momentum.

A copy of the presentation is provided at Annex 2.

The following key issues/considerations were discussed:

- Tees Valley Unlimited welcomed appointment of TV Ambassador and committed to work alongside NEF to continue to build awareness and engagement in the Tees Valley.
- Acknowledgement that the FEIs had benefited the North East during the current economic difficulties, and therefore the partnership should seek to build on what has worked well.
- It was recognised that one of a number of options under consideration could mean that FEIs may be managed nationally in the future, partners emphasised the critical importance of maintaining a local / North Eastern influence and presence, which was felt to be critical to successful access to finance activity in the programme area in the future.
- FEI funds in the North East continue to outperform other English JEREMIE projects
- Legacy funds generated by the current FEIs should inform preparations of any of future Programme and wider post 2014 consultations. It was felt important that a strong evidence base is established and that lessons learnt are taken into account.
- LEPs should have a role in the future endorsement of FEIs.
- The current lack of clarity on future FEI funds will produce risk if there are no firm proposals by the beginning of 2014, as long term uncertainty could cause people to disengage with FEIs.

The Chair, on behalf of LMC, thanked Andrew for giving a robust and encouraging update on the progress of the JEREMIE funds, as well as providing an insightful analysis of the issues and challenges ahead. The Chair also thanked Stephen and Kay for attending the meeting and giving a clear and informative presentation on legacy funds arrangements and associated issues.

AGENDA ITEM 6 - PROGRAMME IMPLEMENTATION

a) Progress Report and Risk Register

The ERDF Programme Delivery Team provided an update on Programme performance, financial commitments, expenditure targets and progress against indicators. The key issues highlighted in discussion were:

- Some progress had been made in respect of commitment level since the last meeting, however with c£35m (based on committed and pipeline projects) left uncommitted, concerted effort is needed from partners to bring forward robust and deliverable projects.
- All remaining funds must be committed by 31 December 2013 therefore significant efforts are required to increase the rate of commitment over the remaining 6 quarters of the Programme.
- Based on actual committed (excluding pipeline projects) the pace of commitment required is £18m per quarter against current commitment approximately £8m over the last 4 months.
- The Programme is currently in a strong position in respect of the 2012 N+2 target which had been achieved, however there is a significant challenge to maintain the rate of spend needed to ensure future N+2 Targets are met.

b) Programme Action Plan

The ERDF Programme Delivery Team updated LMC on the risk mitigation actions identified within the Programme Action Plan. These included:

- Completion of the Programme modification to offer more scope for infrastructure / capital bids, including the creation of time limited, competitive capital calls promoting alignment with Enterprise Zones. The current calls are open until August, following which a detailed progress review will be undertaken.
- Enterprise Zones identified as strategic sites.
- The commitment to prioritise appraisals on projects within Enterprise Zones, in particular where these are identified as time critical.
- Increased level of Growing Places Fund used as match.

Whilst good progress has been made, LMC was invited to consider the key challenges and issues and to discuss what further action could be taken to more fully mitigate the risk of failing to commit the Programme resources in full by December 2012.

LMC identified the following issues impacting on performance:

- Availability of match funding remains a constraint, national funds in some cases can have a more southern focus such as the Merlin Fund previously discussed by LMC;
- Local Authority budget cuts and the uncertainty of how LA land/resources can be used as match funding continues to constrain increased engagement.
- Private sector engagement is difficult and influenced by the perceived complexity of ERDF rules. ERDF reporting and monitoring regime can act as a disincentive for private sector engagement;
- Perception that ERDF administration and bureaucracy has increased ;
- Limited capacity to develop projects is a key constraint;
- An increase in the pace of activity will require appropriate resourcing, particularly to support project appraisal and contracting;
- GPF and RGF can displace rather than match ERDF;
- The risk of clawback/financial penalty is preventing some organisations from applying.

Following discussions the Chair agreed to share the LMC considerations with Philip Cox, Director, Local Economies, Regeneration and European Programmes, DCLG given his lead responsibility for ERDF within DCLG.

LMC agreed to build upon the Action Plan to reaffirm partners' commitment to identify and explore possible action to minimise risk to the Programme.

Action Point 1 - The ERDF Programme Delivery Team to issue a letter to Chief Executives within Local Authorities encouraging them to consider ERDF as match for any projects taking place within their area.

Action Point 2 - ERDF Programme Delivery Team to issue a Stakeholder bulletin reminding partners of the availability of ERDF and what can/cannot be funded.

Action Point 3 – The Chair to update Philip Cox - Director, Local Economies, Regeneration and European Programmes DCLG and other LMC Chairs highlighting issues which are preventing partners from potentially applying for ERDF funds and commitment to explore potential solutions.

AGENDA ITEM 7 – POST 2013

a) DCLG Preparations, Identification of Challenges and Issues Facing Partners

David Morrall – Head of East of England Programme and Policy Advisor DCLG updated LMC on DCLG's position/approach on Post 2013 Programmes and work on the UK partnership contract.

Key points highlighted were:

- ERDF is viewed as critical to local growth;
- LEPs have a key role in organising programmes according to more flexible functional economic areas;
- Cities also key drivers within programme areas utilising scale and flexibilities;
- Opportunities to align funds e.g. ERDF and ESF to jointly support SMEs/entrepreneurship and self employment;
- Administrative options that maximise local relevance and minimise budget risks;

The presentation is provided at Annex 3.

b) DWP ESF considerations for Post 2013

Angus Gray – Head of ESF Division DWP set out initial DWP considerations on ESF policy and delivery issues Post 2013, including challenges and possible options.

Key points highlighted were:

- Current ESF delivery arrangements effective but not responsive enough to local needs in light of government localism agenda and focus on cities;
- Need to ensure more local input into strategic planning of how the funds are spent;
- Consider potential for different delivery models and identification of sub national organisations with capacity and capability to take on the financial risk;
- Potential of separate operational programmes for different policy priorities.

The presentation is provided at Annex 4

c) Feedback from BIS Informal Consultation on Structural Funds Partnership Agreement

Tom Smyth – Deputy Head, BIS Yorkshire, Humber and the North East confirmed that the analysis of the findings of the informal BIS consultation were being finalised before release by the end of June. A copy of the feedback from the informal consultation with North East Partners held in Durham in April would also be circulated.

Key issues included:

- the need to accommodate both local decision making and national policy priorities,
- the potential role of LEPs in supporting the preparation of the post 2013 Programmes.
- the need to address ongoing challenges over availability of match funding
- the need to ensure a coherent understanding across the North East .
- desire for a joined up approach across Government Departments involved in EU funds ensuring strong working relations and coherent way forward.

Action Point 4 - BIS to circulate feedback from the informal consultation event held in Durham.

During discussion LMC offered the following suggestions:

Priorities

- To support jobs and growth.
- To ensure greater skills opportunities for young people in order to help combat an ageing work force. Pre-employment activity was highlighted as critical to the successful achievement of this objective.
- To ensure that the needs of localities and functional economic areas continue to inform provision
- Increased focus should be placed on monitoring what the Programme delivers.
- Access to finance for SMEs.

Geographies

- Partners should guard against the creation of artificial programme boundaries linked to potentially temporary structures
- Programme geography should if possible continue to reflect current Programme areas e.g. NUTS level 1 and 2, noting that Tees Valley highlighted its position as a functional economic area in its own right.
- Geography identified as a real challenge for Northumberland, in particular the 'Scottish challenge' and understanding the rural economy.

Alignment

- Maximum cohesion supported between funds
- The current ESF is perceived as a National Programme which has no visibility in the North East, therefore making the fund difficult to access. And constraining its flexibility
- There are significant opportunities to align funds around the growth agenda.
- Links to / alignment with the rural fund supported
- Integration of funds is not a new challenge and previous attempts have not been entirely successful.

Consensus

- One size does not always fit all, there will be differing views across the partnership
- Whilst acknowledging that there will be differences of opinion across the sub regions/sectors Partners expressed support to develop a consensus at North East level.
- Increased private sector input into discussions would be required going forward
- Real joined up working between government departments is critical.

DCLG outlined the latest timescales in respect of Post 2013 Programme negotiations:

- Agreement of Draft Regulations expected in summer 2012.
- Programme options developed and Programme areas agreed by end of 2012 to feed into formal consultation.
- During spring 2013 Government to begin formal consultations with Partners on Programme geographies and administrative arrangements. Outcome to form the basis of the final Partnership Contract. Final Partnership Contract expected to be submitted to the Commission by summer 2013.
- Anticipated development of Draft Programmes during second half of 2013.
- Aim to have Programmes agreed as early as possible during 2014 subject to budget agreement

AGENDA ITEM 8 – REVISED TECHNICAL ASSISTANCE STRATEGY

The ERDF Programme Delivery Team circulated a revised version of the Technical Assistance Strategy reflecting changes in the administration of ERDF following the transfer of responsibility to DCLG and inclusion of preparatory activities linked to Post 2013.

LMC **endorsed** the revised Technical Assistance Strategy.

AGENDA ITEM 9 – ARTICLE 13 MONITORING

a) Annual Report to LMC

The ERDF Programme Delivery Team presented an annual report updating Members on the implementation of the Programme Monitoring Strategy. The report ensures LMC is informed of key and/or systemic issues emerging from Article 13 activity and updates LMC on progress since the previous annual report (issued to PMC in June 2011).

LMC **noted** the content of the report.

b) Revised Monitoring Strategy

The ERDF Programme Delivery Team circulated a revised copy of the North East Article 13 Monitoring Strategy for endorsement. The revisions reflect the changes in management, administration and processes, following the transfer of ERDF management functions to DCLG on 1 July 2011 and the standardisation of ERDF processes and systems since April 2012.

LMC **endorsed** the revised North East England Article 13 Monitoring Strategy

AGENDA ITEM 10 – 2011 ANNUAL IMPLEMENTATION REPORT

The ERDF Programme Delivery Team presented the Draft 2011 Annual Implementation Report requiring LMC endorsement in advance of formal submission to the European Commission by 30 June 2012.

LMC received a copy of the Draft Annual Implementation Report two weeks in advance of its meeting to allow for consideration and scrutiny by Partners. The draft report was also endorsed by the Programme Executive Group on 14 June 2012 prior to circulation to LMC.

LMC **endorsed** the Draft 2011 Annual Implementation Report for submission to the European Commission by 30 June 2012.

AGENDA ITEM 11 – COMMUNICATION

LMC was asked to endorse the revised Programme Communications Strategy. The revisions reflecting the impact of the transfer of responsibility for the Programme from the Regional Development Agency to DCLG.

LMC was also provided with an update on communications activity undertaken since the last meeting of the LMC (February 2012).

LMC **endorsed** the revised Programme Communications Strategy and noted the ongoing communication activity.

AGENDA ITEM 12 – ANY OTHER BUSINESS

a) Update on Transfer of Assets and Ongoing Implementation of the Local Stewardship Model

Due to time constraints, a briefing note updating Members on the transfer of assets and ongoing implementation of the Local Stewardship Model will be circulated with the minutes.

Action Point 5 - The HCA to provide a written update on transfer of assets and the ongoing implementation of the Local Stewardship Model.

b) Date of Next Meeting

The next meeting of the Local Management Committee is scheduled to take place on the 12 October 2012 in Durham (location and timings to be confirmed).

Minutes end