



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

**SOUTH WEST COMPETITIVENESS AND EMPLOYMENT PROGRAMME
EUROPEAN REGIONAL DEVELOPMENT FUND
LOCAL MANAGEMENT COMMITTEE
Thursday 10 May 2012 10.30 – 12.50
Devon County Council Offices, Exeter**

Attendees

| | |
|-------------------|------------------------------------|
| Jon Bright | DCLG (Chair) |
| Colin Skellett | West of England LEP (Deputy Chair) |
| Tim Jones | Heart of South West LEP |
| Deborah Watson | Universities South West |
| Richard Cresswell | Environment Agency |
| Anthony Payne | Plymouth City Council |
| David Thomas | Torbay Council |
| Suzy Wright | Employment & Skills Partnership |
| Will Godfrey | Bristol City Council |
| Paul Shand | BIS Local |

In Attendance

| | |
|----------------|----------------|
| Carl Wyard | Torbay Council |
| Theo Leijser | DCLG |
| Eifion Jones | DCLG |
| Tim Wheatley | DCLG |
| Michelle James | DCLG |

Project Presentation

| | |
|---------------|-------------------------|
| Jerry Corless | City of Bristol College |
| Bob Tarbuck | DCLG |

Apologies

| | |
|-----------------|-------------------------|
| Helen Cole | SW TUC |
| Nigel Hutchings | SW Chambers of Commerce |
| Trevor Smale | South West Forum |
| Gordon Oliver | Torbay Council |
| Hilary Cox | Dorset LEP |
| Linda Sproge | DG Regio |

| Item 1: Minutes of 22 March 2012 Local Management Committee meeting & Matters Arising | |
|--|--|
| 1.1 | The Minutes were agreed as an accurate record of 22 nd March meeting. |
| 1.2 | It was confirmed the actions had been undertaken with the exception of the circulation of the New Deal information (section 2.5), which was still being gathered. |
| 1.3 | The LMC's attention was drawn to the extraordinary LMC meeting that had been arranged in response to the action under section 8.6. An informal workshop was to be held on 17 th May, providing the opportunity for partners to discuss views on ERDF delivery in 2014 – 2020 and articulate preferences for future participation in ERDF delivery. |
| Programme Context | |
| Item 2: Overview of Local Enterprise Activity – Deputy Chair | |
| 2.1 | The Deputy Chair began by explaining the Chairs of Local Enterprise Partnerships (LEPs) in the South West had agreed a date to meet and discuss areas of common interest, such as a joint proposal to government to deliver a South West Marine Energy Park and the renewal of the First Great Western franchise. |
| 2.2 | The Deputy Chair then provided an activity update from the West Of England LEP. Seven hundred businesses had been engaged in LEP sub-groups or LEP activities, the next step was to create suitable places for businesses to thrive in. There had been a Ministerial visit to the Temple Mead Enterprise Zone in Bristol and five further Enterprise Areas had been identified offering employment capacity for 100,000 people. Work on the final round of Rapid Transit would help to link areas to employment opportunities. A joint company had been created to help channel funding to skills activity that would complement the employment opportunities being created. |
| 2.3 | A meeting was scheduled for the following week between Greg Clarke & Cabinet Office to discuss the City Deal for Bristol, which would make £1bn available for infrastructure. Resources accumulated from business retention rates would allow a company to be created that channel funds and deliver transport. Closer working with UKTI was also seen as critical to success. |
| 2.4 | Finally, November would see the elections for Bristol's first elected Mayor. |
| 2.5 | The Deputy Chair then invited the Chair of the Heart of the South West LEP to provide an update on activity in that area. |
| 2.6 | Progress was reported as good in Heart of the South West, the structure was working for partners, enabling conversations on economic priorities |

| | |
|--|---|
| | <p>an allowing consensual approaches to activity, recent work between Natural England and the Environment Agency was quoted as an example of the LEP's success in enabling co-operation.</p> |
| 2.7 | <p>It was acknowledged that the area could not claim to be equal to the powerhouse in the West of England LEP, but the area did have Europe's largest infrastructure project in the £10bn investment in Hinkley nuclear power station, which offered incredible opportunities for the surrounding area. The LEP was helping to identify the direct and indirect growth that could be stimulated.</p> |
| 2.8 | <p>The area had won pilot status for Rural Growth network and had been invited to bid for the advanced manufacturing service. A difficult, but essential task for the LEP was to blend rural needs with Citycentric initiatives emanating from Whitehall.</p> |
| 2.9 | <p>Expectations of what LEPs could undertake had become higher than had been expected at inception, but despite the stretch on resources the opportunities were welcomed. The change in goals for the LEP had surfaced issues around governance, accountable body status, state aid issues and VAT issues. The LEP's creativity had been tested by the Growing Places Fund, but a sustainable business plan had been created. The skills that existed on the LEP Board meant that many issues could be resolved in-house.</p> |
| 2.10 | <p>The overview led to discussion amongst LMC members over the value of managing thousands of bids for a relatively small bid, such as the Coastal Initiative. There was support for making an allocation to a body to manage for an area.</p> |
| 2.11 | <p>Plymouth City Council made a number of points, beginning with thanks to the LEP's work with local authorities on the rail franchise & recognition for the support from LEPs in writing letters to government regarding the SW Marine Energy Park, which help to explain the level of work required to make ideas into reality. The final point was to make use of the lessons learnt by the West of England LEP to aid the Heart of the South West LEP in moving through the Growing Places process.</p> |
| 2.12 | <p>Other members of the LMC commented on the focus on a low carbon theme in the next round of ERDF programmes and there was agreement that the proposals around the SW Marine Energy Park could fit.</p> |
| <p>Item 3a: ERDF Performance Report 02a COMP LMC Paper May 2012</p> | |
| 3a.1 | <p>The Head of Competitiveness introduced the paper explaining the data did not reflect the turmoil of the last couple of weeks affecting the euro exchange rate. Using the monthly exchange rate for May the</p> |

| | |
|--|--|
| | programme was valued at £104m. |
| 3a.2 | Commitment levels were generally good, there was a substantial pipeline, some of which had been commissioned by the new Competitiveness Operational Group (COG), demonstrating that momentum was continuing. The challenge was moving through appraisal and demonstrating an ability to deliver in under three years. The opportunity was reducing to see significant results and impacts occurring within the Programme period. 30 June 2015 was the very last day for project defrayal. |
| 3a.3 | The LMC were aware that Priority Axis 3 remained the area where most of the Programme headroom remained. Detailed discussion of this had been held at the March LMC meeting, where members had agreed the need to look at making slight amendments to the Operational Programme to allow a broader geographic spread of Priority 3 activities if necessary. This would be discussed under agenda item 5. |
| 3a.4 | There was a slight slip in the projected spend, April figures stated 27.1meuros against March figures of 27.9, due to a few projects shifting proposed expenditure from 2012 to 2013. The PDT was working with investments to ensure claims were made promptly thereby keeping to profile and achieving N+2. The N+2 projection was tested against a 30% optimism bias |
| 3a.5 | LMC members had some concern over investments deferring spend and encouraged the PDT to be testing whether projects were subject to slipped timescales or had bigger issues with their delivery. It was confirmed that case officers were seeking that understanding with each project and investments would be pushed to meet contracted profiles, slippage would be accepted by exception. |
| 3a.6 | Plymouth City Council raised the issue of aligning funding streams to provide match for ERDF, whilst meeting the demands of other funds – e.g. Regional Growth Fund's requirement to establish revolving funds. BIS confirmed that their aim was to prioritise the due diligence appraisal for projects seeking ERDF to assist delivery. LMC members heard that LEPs who had obtained Regional Growth Fund and Growing Places had it within their gift to determine how funds should be allocated including its use as match for ERDF. |
| Item 3b: ERDF Quarterly Monitoring Report 02b COMP LMC Paper May 2012 | |
| 3b.1 | South West PDT's Head of Compliance introduced the paper and highlighted some key areas to the LMC. |

| | |
|--|--|
| 3b.2 | The Moore Stephens report had identified a handful of small irregularities, which were now nearly all closed. No systemic issues had been raised. The time constraints of the exercise meant that the consultants had undertaken a quick analysis and then left the PDT to resolve the issues raised by the analysis. |
| 3b.3 | Compliance work would be tested in the audit of July to June activity. At present errors were valued at £32k, which, if not resolved, would result in an error rate similar to the previous year's at less than 1%. [N.B. The EC expect error rates to be below 2%] |
| 3b.4 | The Chair reminded the LMC of the initial levels of financial irregularities identified in the 2000-06 Programmes – across England £249m had been brought down to £45m after an immense level of work. The work undertaken by the PDT Compliance Team was critical to preventing a similar situation for current Programmes. |
| 3b.5 | In response to a question from the LMC, the PDT confirmed that at present there was no financial penalty for under-achievement of Programme targets. There would be a full discussion at the October LMC meeting, looking at the trajectory for meeting targets and discussion of any difficulties affecting particular targets. It was noted that the LMC was particularly interested in hearing of the areas that particularly impacted in a project's ability to achieve its targets, e.g., breach of contract / accessing match funding. |
| Item 3c: Mid-term Review of South West Loan Fund 02c COMP LMC Paper May 2012 (for noting) | |
| 3c.1 | The Head of the South West PDT explained the economic situation made it difficult to complete deals with businesses, however there was no current concern that funds would not be fully utilised. Job creation was lower than original forecasts, but there was more emphasis on safeguarding jobs. |
| Noted | The LMC noted the paper. |
| Item 4: Annual Implementation Report 03a COMP LMC Paper May 2012 (Overview) 03b COMP LMC Paper May 2012 | |
| 4.1 | The LMC heard it was a regulatory requirement that a report providing details of financial and practical activity for each calendar year was submitted to the EC. The LMC paper provided the proposed report for 2011. The format and subject matter was specified by EC Regulation and provided a snapshot of Programme progress as of 31 December 2011. Issues discussed by the PMC & LMC during 2011 featured in the Report. |
| 4.2 | The Heart of the South West LEP and West of England LEP offered to share their economic analysis with the South West PDT for use in compiling the 2012 report, this offer was accepted. |
| Approved | The LMC approved the Annual Implementation Report for |

| | |
|--|--|
| | <p>submission to the EC subject to two amendments i) p.5 that the LMC did see availability of match funding as a much bigger risk to Programme delivery than stated and ii) that the language on p.14/15 around resource on environmental activity be kept factual.</p> |
| <p>Item 5: Changes to the Operational Programme 04a COMP LMC Paper May 2012 04b COMP LMC Paper May 2012</p> | |
| 5.1 | <p>The Head of Competitiveness explained there was a context setting paper providing a table of changes to the text in paper 04b – the amended Operational Programme. There were four areas of changes:</p> <ul style="list-style-type: none"> i) Updated Implementing Provisions identifying the change of programme management responsibility from RDAs to DCLG ii) A typo in the original Operational Programme, where the target ‘No. of businesses within the region engaged in new collaboration with UK knowledge base’ had been placed in Priority 2 instead of Priority 1. The Programme Monitoring Committee had noted this in June 2008 and the target had been correctly recorded in the Annual Implementation Reports iii) The addition of the Priority theme 10:Telephone networks (broadband) as advised by DG Regio to accommodate broadband activity under Priority Axis Two, should the commissioned activity translate to a contracted investment. iv) Slight changes to the text in Priority Axis Three to accommodate the planned call opening up the possibility that activity outside of the three Strategic Investment Framework areas could be supported if it met the objectives of Priority Axis Three and contributed to the targets of that Priority. |
| 5.2 | <p>The Head of Competitiveness explained that the changes proposed under item 4 above were very slight, adding the word ‘initially’ to the Operational Programme text in relation to targeting the SIF areas. This change reflected the outcome of the discussion held at the previous LMC meeting in March.</p> |
| 5.3 | <p>Members talked through the proposed system, establishing that all proposals had been ranked with a low/medium/high probability of proceeding. Medium or high would be asked to submit full applications. After 29 June the Competitiveness Operational Group would look at the SIF plans and the notional allocations would be reduced, after ensuring sufficient remained to fund the high or medium proposals. SIF areas would still be able to access remaining Priority Three funds for proposals that were not ranked as high or medium, but would do so in competition with bids responding to the open call. All low ranked proposals would be considered for ERDF investment as part of the pool. The criteria for assessing proposals from the pool was posted on the DCLG website.</p> |

| | |
|--|--|
| 5.4 | Members recognised that deliverable activity needed to be contracted as soon as possible, preferably all by the early part of 2013 in order to complete before Programme close. In light of the ongoing discussions and review of options that had been held with the LMC, the majority of members viewed the proposal as a sensible way forward. |
| Agreed | It was noted that Bristol City Council did not agree to the change in wording for Priority Axis Three, however a LMC decision was made to agree the four proposed changes to the SW Competitiveness Operational Programme |
| Item 6: Presentation of South West Composite Gateway | |
| 6.1 | Jerry Corless of the City of Bristol College and Bob Tarbuck of the SW Programme Delivery Team presented an overview of the development and delivery of the South West Composite Gateway. |
| 6.2 | The project was an £375k ERDF investment in Further Education Colleges working with businesses to offer composite based solutions and support to enable growth. During the first year a range of issues had arisen including: the need to understand ERDF regulations; turning the written plan into delivery; establishing the College's credibility as able to support outside the classroom and the challenge of spending as set out in the contract. Overcoming these issues, in three years the £841k project had created 18 jobs and assisted 35 businesses to launch 23 new products. |
| 6.3 | <p>Examples of the project's activity include:</p> <ul style="list-style-type: none"> • reduced unit costs by redesigning rotar for composite production strong enough to withstand the Arctic environment • metallic based work adapting composites for new markets with the College also training 50 members of staff in its application • radar application • assisting a company to develop its idea for an anti-piracy device |
| 6.4 | These activities have either produced or project substantial increases in turnover for the businesses involved. |
| 6.5 | LMC members were very interested to hear how the lessons learned by the College in the early days of delivery were used to assist new projects and identify potential tripwires. There was also interest in LEPs building better partnerships with Colleges to access opportunities. |
| Item 7: Any Other Business | |
| 7.1 | There were no items raised, the Chair closed the meeting at 12.50 |
| Next Meeting: Late May 2013 DCLG offices, Mast House Plymouth | |