



Department for
Communities and
Local Government

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

Date: 27th September 2012

Venue: Room GA, 5 St Philip's Place, Birmingham

Full Members Present	Representing
Terrie Alafat	Department for Communities and Local Government (DCLG)
Mark Foley	DCLG
Cllr Roger Phillips	Marches Local Enterprise Partnership (LEP)
Cllr Sir Albert Bore	Greater Birmingham and Solihull LEP
David Rowe	Private Sector
Norman Price	Innovation Alliance

Deputies	Representing
Helen Carvell	Higher Education
Cllr Alan Farnell	Coventry and Warwickshire LEP
Cllr David Sparks	Black Country LEP
Kevin Postones	BIS Local

Observers	Representing
Ruth Nugent	EU Commission
Rose Poulter	West Midlands Councils
Anne-Marie Simpson	Homes and Communities Agency
Hanne Hoeck	DCLG
Anna Vinsen	DCLG
Emma Smith	DCLG (minutes)
Ted Ryan	Voluntary Sector (Non LMC)
Cllr Ben Adams	Stoke-on-Trent and Staffordshire LEP (Non LMC)

Apologies	Representing	Deputised by
Cllr Simon Geraghty	Worcestershire LEP	
Prof. Madeleine Atkins	Higher Education	Helen Carvell
Zahid Nawar	Equality and Diversity	
Sharon Palmer	Voluntary Sector	Ted Ryan (Non LMC)
Paul Hebblethwaite	Innovation Alliance	
Cllr Philip Atkins	Stoke-on-Trent and Staffordshire LEP	Cllr Ben Adams (Non LMC)
Cllr John Mutton	Coventry and Warwickshire LEP	Cllr Alan Farnell
Jon Baker	Environment and Sustainability	
Tony Bray	BIS Local	Kevin Postones
Barrie Williams	Private Sector	
Cllr Roger Lawrence	Black Country LEP	Cllr David Sparks





Item 1: Welcome and Introductions Minutes of previous meeting and actions arising (Terrie Alafat)	Action
<ol style="list-style-type: none">1. Terrie Alafat welcomed members to the meeting of the West Midlands Local Management Committee.2. The previous minutes were deemed an accurate and true record of the meeting, with the exception of paragraph 11, where it was noted that BIS had also received responses from Herefordshire Council and Shropshire Council to the CSF Consultation.3. Mark Foley noted that Actions 1, 2 and 3 from the previous meeting were to be covered as part of today's agenda; no comments had been received under Action 4 and the AIR had now been submitted to the Commission. More information would be circulated to members to respond to action 5 on the communication strategy.	<ol style="list-style-type: none">1. Circulate information on a communication strategy for programme performance.
Item 2: Programme Performance Update (Anna Vinsen)	Action
<ol style="list-style-type: none">4. Anna Vinsen presented a paper summarising the Programme's performance, noting that spend would be covered separately under agenda item 3. For detailed information on the update please refer to paper 2 and the associated annexes.5. Anna Vinsen noted that in response to a request the breakdown of investment via selection route had been provided under annex 4. It was noted that there had been more use of non competitive selection at the beginning of the Programme to initiate key strategic projects, but that increasingly open bidding rounds are used.6. Norman Price suggested that further use of non competitive selection be considered in the future to ensure that output priorities could be targeted as required. Terrie Alafat suggested that this proposal be discussed under agenda item 5.7. Terrie Alafat noted that the output 'SMEs assisted' was currently under performing, and this must be considered given its importance. Anna Vinsen remarked that the move from larger regionally delivered projects to smaller locally focused projects, had increased the challenge in achieving this target,	





<p>due to reductions in economies of scale. However, the team are continuing to focus on this. Mark Foley added that for some projects supported, such as those associated with Science City, it is not possible to capture all the impact within the programme period due to long lead times.</p> <p>8. Cllr Sir Albert Bore noted the strong performance against the social enterprise target, compared to that of the SMEs assisted target. David Rowe stated that it was a credit to the Programme Delivery Team (PDT) to have achieved the social enterprise targets at this point.</p> <p>9. Terrie Alafat asked if it was possible to provide information on the impact projects were achieving. It was noted that this would be considered in the Impact Evaluation Assessment contained within the programme evaluation strategy.</p>	
Item 3: Spend Position (Mark Foley)	Action
<p>10. Mark Foley presented a paper on the spend position. For detailed please refer to paper 3.</p> <p>11. Mark Foley noted that the achievement of 2012 N+2 was at risk, primarily due to high levels of project slippage.</p> <p>12. Norman Price asked whether project spend forecasts were up to date. Mark Foley stated that a letter had been issued to projects asking for updated forecasts to November and the majority had been revised downwards, meaning that there was only £5m headroom to achieve N+2.</p> <p>13. Mark Foley noted that there were a number of projects with significant slippage, notably JESSICA, and the Gap Funding schemes supported through the package, but added that all projects had experienced some degree of slippage.</p> <p>14. Terrie Alafat asked whether more could be done to address slippage. Mark Foley stated that slippage was the result of a number of things, including the fact that a lot of organisations had experienced a reduction in capacity so project officers could not devote the time necessary to a project, and match funding being harder to find. Mark added that the Cabinet approval process in Local Authorities was very time consuming and could add a significant delay to project development and contracting. Cllr David Sparks noted that the Black Country</p>	





<p>had a 'key decisions' system which was significantly quicker than Cabinet and could be used on these occasions, but it was not clear if project managers were aware of this.</p> <p>15. Cllr Roger Philips noted that an open dialogue between local authorities and DCLG needed to occur to identify any significant barriers to delivery/spend and remove them. Anne Marie-Simpson offered the help of the HCA in this if required.</p> <p>16. Terrie Alafat requested the following items were completed urgently:</p> <ul style="list-style-type: none"> • Realistic spend profiles were provided to the PDT; • Major projects liaise with DCLG to negotiate barriers with HCA help where needed; and • A fast-track system is implemented within Local Authorities for timely Cabinet approval of applications where required. <p>17. Cllr Sir Albert Bore suggested that a letter be issued to Local Authority Leaders and Chief Executives impressing upon Local Authorities the importance to the region of achieving N+2 and how they could assist with this.</p> <p>18. Norman Price asked whether Technical Assistance funding could be provided for areas where capacity was an issue. Anna Vinsen stated that this should not be necessary as all geographical areas of the region already had Technical Assistance funding applications either in appraisal or delivery. Mark Foley added that all projects received management and administration funding as part of their grant award.</p>	<p>2. Mark Foley to write to LA CEx's and Leaders re: N+2.</p>
Item 4: JESSICA (Hanne Hoeck)	Action
<p>19. Hanne Hoeck presented a paper providing an update on the West Midlands JESSICA proposal. For detailed information on the update please refer to paper 4.</p> <p>20. The three options for JESSICA were discussed by the group:</p> <ol style="list-style-type: none"> 1) Withdraw support; or 2) Birmingham City Council undertake a full re-tender using an OJEU Open Procedure; or 3) Birmingham City Council moves to a negotiated procedure without issue of a new OJEU notice. <p>21. Ruth Nugent noted that the Commission did not view option 3</p>	





<p>as presented in the paper as an eligible option, because a negotiated procedure would not be suitable for this type of procurement.</p> <p>22. Cllr Sir Albert Bore apologised for the present situation, and noted that whilst the timescale would be tight Birmingham City Council were keen to see a revolving fund delivered for the region.</p> <p>23. In response to questioning, Mark Foley noted that if delivery of JESSICA did not prove possible within the timeframe stated, there was time to allocate the £10m to other projects – i.e. those identified through the bidding round as per agenda item 5. Mark added that that, whilst tight, the timescale outlined under option 2 could be achieved.</p> <p>24. <u>LMC members agreed that option 2 should be adopted. Birmingham City Council will be permitted to undertake a full re-tender for the fund manager of the JESSICA project using an OJEU Open Procedure to complete by end December 2012</u></p>	
Item 5: Position of Priority Axes and Future Investment Strategy (Anna Vinsen)	Action
<p>25. Anna Vinsen presented a paper summarising the levels of commitment within each Priority Axis and future investment strategy. For detailed information on the update please refer to paper 5 and the associated annexes.</p> <p>26. Anna Vinsen stated that as the Priority 1 bidding round had only recently closed it had not been possible to include information on this within the paper. Members were asked to note that the PDT received bids totalling £9m against an available allocation of £25m under this round. It is anticipated that circa £6m of this will be eligible for funding under Priority 1, which leaves a large balance remaining. A list of the bids received was tabled to all members at the meeting.</p> <p>27. Anna Vinsen noted that several applicants who attended the Priority 1 bidding round surgery sessions had projects more suitably aligned to Priority 2, which, along with the oversubscription of the last bidding round, indicates that there is a high demand for Priority 2 activity. In addition, the Priority 3 Package owners had recently written to the PDT outlining a number of projects which could come forward if more funding were available. <u>Members agreed that a Priority 2 and 3 bidding</u></p>	





round be launched shortly to take up the balance remaining and establish a 'reserve list' in the event further funding became available. This would also allow existing projects to apply for additional funding to provide additional impact as required.

28. Mark Foley suggested that the bidding round did not have any allocation specified against the Priority Axes, but instead following closure of the bidding round the PDT and LMC assess where the most demand was and make a request to the Commission to modify priority level financial allocations accordingly, utilising the Priority 1 balance as necessary. Members endorsed this approach.

29. Anna Vinsen asked members to consider whether any underspend against this year's package level spend targets should still be deducted from the associated package allocation, or whether slippage should be considered going forward on a project by project basis. Members were also asked to consider the recommendation that unused funds which become available through slippage to be placed in a Priority 3 wide pot to be made available for the strongest Priority 3 project regardless of Package area. Members felt that slippage should be managed on a project by project basis rather than via the Package allocation, and any unused funds would be made available to Priority 3 projects on the reserve list from the new bidding round. It was noted that this approach would be of benefit to Packages which had already fully committed their original allocations, as they would be able to bid for more funding.

30. Anna Vinsen noted that the Priority 3 bidding round would be as open as soon as possible, but that worklessness projects would be excluded as this area is currently oversubscribed. Members agreed that as part of the bidding round criteria, all applicants must have planning permissions etc in place by June 2013 to ensure that they can spend, or the projects will be withdrawn.

31. Members agreed that the North Staffordshire and Coventry and Nuneaton Packages would be given a deadline of February 2012 to submit appraisal ready full applications, to ensure that they reach 100% commitment.

32. Cllr David Sparks asked how the projects received under the





<p>Priority 2 and 3 bidding round would be assessed to ensure that they were viable. Anna Vinsen noted that this would be as per recent bidding rounds, with surgery sessions held prior to the closing date to improve deliverability, a compliance assessment performed by the PDT once an application was received, and a LMSC panel making the final selection decision. Helen Carvell stated that the surgery sessions held under the recent Priority 1 bidding round were very helpful in developing project ideas and confirming eligibility.</p> <p>33. Norman Price noted that whilst new projects could not be contracted post December 2013 it would be possible to augment existing projects to take up any additional resources which become available through slippage or exchange rate gains.</p> <p>34. Norman Price stated that as much flexibility as possible should be utilised to ensure that all opportunities available were used, such as using match from the Technology Strategy Board or other Government Departments. Mark Foley asked members to make LEPs aware that circa £30m ERDF was available to match their funds if activity fell within eligible categories.</p> <p>35. <u>Version 4.2 of the Priority Axes 1, 2, and 3 Investment Frameworks were approved as presented.</u></p>	
Item 6: Performance of Venture Capital and Gap Funding Schemes (Hanne Hoeck)	Action
<p>36. Hanne Hoeck presented a paper summarising the performance of Venture Capital and Gap Funding Schemes. For detailed information on the update please refer to paper 6.</p> <p>37. Hanne Hoeck noted that the paper contained an error – recommendation ii should not have been included as the LMSC had already approved this.</p> <p>38. Hanne Hoeck stated that for the first time information on gap funding schemes had been included in the paper. Hanne noted that these schemes had made either no or low value investments, and were only making claims for management and administration costs; as such at least 50% slippage is expected on these projects.</p> <p>39. Mark Foley noted that the gap funding schemes would be reviewed in quarter 1 of 2013, and the LMC would be asked to</p>	





make a recommendation on whether they should continue, reduce in value, or close based upon demand shown.	
Item 7: Audit and Monitoring Report (Hanne Hoeck)	Action
<p>40. Hanne Hoeck presented a paper summarising the level of irregularities and compliance issues within the West Midlands. For detailed information on the update please refer to paper 7.</p> <p>41. Hanne Hoeck noted that the audit issues related to the SME Internationalisation project were still unresolved, and that an arbitration panel was required.</p> <p>42. Hanne Hoeck stated that due to the nature of the issues found on the Business Link and MAS projects it was likely that the error rate for the West Midlands would be over the 2% threshold imposed by the Commission. Hanne noted the challenge in recovering information to respond to audit issues in those cases where organisations have closed, for instance, Business Link. Hanne noted that the error rate was being calculated nationally this year, so if this is over 2% then the English Programmes may be suspended.</p> <p>43. Terrie Alafat noted that to date the West Midlands has performed well with a very low error rate, and thanked the team for their hard work managing this.</p> <p>44. Cllr Roger Philips stated that responding to audit enquiries was a requirement of receiving ERDF so a lack of response was unacceptable, and suggested that a letter be issued from the LMC to project applicants reminding them of their obligations. <u>Members agreed that a letter should be issued to all projects reminding them of the need to respond to requests from the PDT.</u></p> <p>45. Mark Foley stated that forthcoming Capacity Building events were being targeted at under-performing projects to try and avoid systemic errors from being established within organisations. This is alongside warning letters and meetings where necessary.</p>	<p>3. A letter to be issued to all projects from the LMC re: need to respond to audit enquiries.</p>
Item 8: Update on Future Programming Period 2014-2020 (Anna Vinsen)	Action
46. Anna Vinsen provided a verbal update on the Future Programming Period (2014-2020).	





<p>47. Anna Vinsen stated that a Ministerial meeting had been held on 18th September with DCLG, BIS, DEFRA and DWP; however, due to the Cabinet reshuffle three of the four Ministers responsible for European funding streams had been transferred to other responsibilities, so the meeting was more of a briefing exercise for the new Ministers than a decision-making meeting. Anna noted that a further meeting was scheduled for 7th November where it was hoped key decisions on the future programming period would be made.</p> <p>48. Anna Vinsen stated that there was currently a conflict between the DCLG and BIS positions regarding the future delivery of ERDF; with BIS promoting a centrally run national model, and DCLG advocating a number of sub-national programmes at the level of city regions or groupings of LEPs, as it is felt that this model is better aligned to local growth. It is hoped that these positions will be reconciled by the November Ministerial meeting.</p> <p>49. Anna Vinsen noted that a series of national road shows were being held shortly. The West Midlands session will be held on 21st November in Birmingham, chaired by Norman Price, and there will be an opportunity for all attendees to feed into the discussion. Kevin Postones noted that BIS would shortly be issuing road show invites to all LMC and LMSC members.</p> <p>50. Rose Poulter proposed that a letter was issued from the LMC (in the name of Norman Price as LMSC Chair) stating the West Midlands preference for a locally driven agenda as opposed to the centrally focused BIS position. <u>Members agreed with this proposal.</u></p>	<p>4. Letter to be sent to BIS from Norman Price on behalf of the LMC stating the West Midlands' position.</p>
Date of next meeting, AOB and close (Terrie Alafat)	Action
<p>51. Terrie Alafat informed LMC members that effective from Monday 2nd October, Mark Foley would be managing both the West Midlands and East Midlands ERDF Programmes and Teams.</p> <p>52. Meeting dates for 2013 will be circulated shortly; it is likely that these will be on a Thursday or Friday as these are the days Mark will be in Birmingham on West Midlands business.</p> <p>53. There being no other matters of business, Terrie Alafat thanked</p>	<p>5. Circulate 2013 LMC meeting dates to members.</p>





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the LMC members for their attendance and contributions and closed the meeting.	
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Minuted by Emma Smith

