

CMSEC/FEB /2011

NORTH EAST ENGLAND COMPETITIVENESS PROGRAMME 2007-13

MEETING OF THE PROGRAMME MONITORING COMMITTEE:

10 FEBRUARY 2011

	Role	Sector
Attendees		
Jonathan Blackie	Chair	Government Office North East
Lesley Calder	Member	One North East
Cllr Neil Foster	Member	Durham
Cllr Bob Cook	Member	Tees Valley
John Cuthbert	Member	Private Sector
Tony Sarginson	Member	PEG Private Sector Representative
Alan Sanderson	Member	Higher Education
Claire Hoskins	Member	CLG
Ieva Zalite	Member	European Commission
Catherine Pearson	Observer	Durham
Heather Smith	Observer	Northumberland
Linda Edworthy	Observer	Tees Valley
Gordon Bell	Observer	Tyne & Wear
Iain Derrick	Secretariat	One North East
Raffaella Ebani	Secretariat	One North East
Craig Milligan	Secretariat	One North East
Apologies		
Kevin Rowan	Member	TUC/Equal Opportunities/ESF Link
Jo Curry	Member	Voluntary Sector
Cllr Thomas Brechany	Member	Northumberland
Cllr Bryan Charlton	Member	Tyne & Wear
Adelle Rowe	Member	Environment/Sustainability
Adrian Sherwood	Member	RDPE

1. WELCOME AND APOLOGIES

The Chair welcomed members to the tenth meeting of the Programme Monitoring Committee held at One North East.

2. DECLARATION OF INTERESTS

No declarations of interest were received.

3. MINUTES FROM PREVIOUS MEETING AND MATTERS ARISING

The minutes of the previous meeting were formally approved by the Committee. The Secretariat reported progress against the four action points identified within the minutes; the Committee noted that all action points are either complete or underway.

4. NATIONAL DEVELOPMENTS

The ERDF Secretariat gave a presentation updating PMC members on National developments and related issues.

4.1: National ERDF Transition Steering Group

The Secretariat provided PMC with an update of the national DCLG Chaired ERDF Transition Steering Group established to support the transfer of the ERDF Programmes from the RDAs to DCLG. The Group has met regularly since September 2010, making some progress. RDAs are represented on the Group, including One North East.

The North East ERDF team is also actively involved in supporting work streams comprising of:

- People and skills
- Governance
- Business Process
- Statutory instrument, transfer of assets and liabilities
- MCIS/IT systems

Key work stream decisions/issues include:

- RDA ERDF staff currently performing ERDF Management Authority/Intermediate Body functions are likely to transfer to DCLG under COSOP arrangements.
- The location of the ERDF Team is not yet decided, however the Team is likely to remain at Stella House in the interim
- One North East will make a business case to DCLG for the transfer of additional business critical functions including state aid support and audit (Art 16 and 13) management and co-ordination
- Future delivery of the Programme will require an enhanced role for Partners, particularly in project development and project management. The significant support currently provided by the RDA will cease to exist.
- A harmonised ERDF business/application process will be developed and implemented nationally by DCLG.
- A Local Management Committee (LMC) will be established to replace PMC, chaired by a DCLG Director. The Director responsible for the North East likely to be confirmed by March 2011
- The LMC is to have a significant North East figure as Deputy Chair, selection and appointment process to be confirmed.
- Decisions on who will be responsible for projects where One North East acts as final beneficiary are ongoing as part of the RDA Asset and Liabilities transfer
- Alignment of ERDF with Regional Growth Fund ongoing.

4.2: Post 2014

The Secretariat reported that discussions have commenced at EU level aimed at shaping the way in which ERDF and Structural Funds more widely will be organised in the next budgetary period after 2014. The European Commission is currently consulting upon the size of the EU budget available to support ERDF but also upon the way in which it will be distributed across Member States.

Over the course of 2011 Member State governments will contribute directly to this discussion and it is important that local partners and emerging Local Enterprise Partnerships are aware of and fully resourced to enable them to feed into the emerging debate. Key considerations would be likely to include:

- How the ERDF Competitiveness strand may be organised post 2013
- How ERDF will align against the emerging EU 2020 Agenda
- What, if any, geographic focus will inform future programmes

It was reported that discussions are underway to negotiate an offer for the UK for European funding post 2014. Decisions on Managing Authority arrangements are still to be made. Whilst it is understood that there is likely to be little change to the Convergence Programme, Member States will need to decide, organise and resource the future Competitiveness Programme.

4.3: PMC/LMC Changes

DCLG was asked to give an update on the timetable and process for establishment of Local Management Committees. DCLG confirmed that:

- Directors from DCLG will be appointed to LMC/PMCs in the next couple of weeks and will be in place by 1 April 2011.
- DCLG will issue written confirmation outlining LMC structure and process, including how the Deputy Chair will be selected.
- DCLG will work with existing PMCs and Regional ERDF teams on changes to governance arrangements
- DCLG stressed that it would not be seeking to displace the existing PMC but wished to build on existing arrangements

PMC Members highlighted a number of substantive issues for consideration by DCLG, current PMC and members of any emerging LMC including:

- Robust terms of reference to be developed clearly setting out the responsibility and accountability of LMC members.
- The need to have clarity over the responsibilities attached to the first half of the programme managed by the PMC.
- The need to have a process and timeline in place for consideration
- Clarity on how LEP and any other relevant representation will be appropriately secured without creating an onerous, ineffective structure.

It was acknowledged that the Mid Term Evaluation would form an appropriate point for handover of the programme from PMC to LMC, the evaluation includes a review of performance up to Dec 2010.

Action 1 - The ERDF Secretariat provide PMC with an Executive Summary of the Post 2014 Cohesion report.

Action 2 - Post 2014 arrangements to be included in the Agenda for the next PMC.

Action 3 - The ERDF Secretariat to attend a future NBF meeting to discuss post 2014 arrangements.

5. PROGRAMME IMPLEMENTATION PROGRESS REPORT

The ERDF Secretariat summarised key points from the detailed Programme Implementation Report setting out an overview of progress in respect of programme performance, financial commitments, expenditure targets and performance against programme indicators.

5.1 Key issues included:

- Revised N+2 targets have been formally agreed by the European Commission following the abolition of the 2009 target.
- **Financial performance remains sound.** The Secretariat reported some improvement in commitment levels, **£207m** against £201m reported in November 2010; however the rate of commitment since summer 2010 is however considered slow. Commitments represent **64% of the total ERDF resource**;

- Changes to available funding, delivery structures and investment priorities since June 2010 are impacting on the delivery and performance of the programme – these were identified in detail in the programme risk assessment.
- Strong financial performance to date has been largely attributable to Finance for Business North East (JEREMIE). Financial performance going forward will be entirely dependent on individual projects and the timely submission of accurate ERDF claims. PMC was advised that the rate and pace of project expenditure, submission and authorisation of claims will need to improve significantly if current levels of performance are to be maintained and future n+2 targets achieved. The Secretariat advised PMC that its role and that of its constituent members in driving up levels of commitment and performance would be critical in future, particularly given the loss of significant capacity from the RDA.
- c£2.5m of new project activity is currently in appraisal; c£8m at business case stage development and PIPs to the value of c£15m ERDF currently under assessment. This represents a slowing down of projects coming forward, impacting on the project pipeline and heightening the **risk of achievement of 2012 n+2**
- PMC was asked to note that the performance of approved projects was of increasing concern. The number of requests for variations to contract increasing significantly and achievement of outputs and results demonstrating underachievement. The Secretariat provided a number of specific examples to illustrate.

5.2 The secretariat advised PMC that:

- It was continuing intensive review of individual project performance
- In accordance with the agreed de- commitment strategy 20 ERDF projects are subject to a recovery plan intended to give projects the opportunity to take action to improve performance within a specified timescale
- A programme of information and training for ERDF projects was underway to support performance improvement

The Secretariat advised PMC that projects subject to a recovery plan failing to make satisfactory performance improvement would, in accordance with the agreed de-commitment strategy be **subject to de commitment of ERDF** commensurate with the level of underperformance.

PMC noted the risk attached to current performance, and agreed that whilst the Programme is operating in unprecedented conditions and there are external factors and influences that are impacting on project delivery, where the level of performance (outputs and results) is not commensurate with ERDF claimed and spent, appropriate action should be taken.

5.3 PMC agreed that:

- The ERDF Secretariat to work closely with the ERDF Programme Executive Group on the implementation of the ERDF de-commitment strategy where appropriate. The Programme Executive Group to be provided with detailed information regarding projects at risk of de commitment and for it to consider and agree appropriate action, including de commitment of ERDF investment where appropriate.
- The Secretariat to ensure PMC receives information on projects **at risk of and to be subject to** de commitment in order that it is fully sighted on the number and nature of individual projects.

DCLG confirmed that nationally ERDF programmes were experiencing similar ERDF performance issues.

The Secretariat advised PMC that future ERDF Management arrangements would place greater emphasis on partner responsibility and accountability for project performance, and that partners should work closely with the ERDF secretariat to consider how capacity could be developed.

Action 4 - The ERDF Secretariat to provide ERDF PEG with details of projects at risk of decommitment and work with PEG to consider and agree appropriate action in relation to project performance – including decommitment.

Action 5 – PMC to receive regular reports on projects at risk of and to be subject to decommitment of ERDF.

Action 6 – PMC members to consider and address ERDF performance issues within own organisations/sectors where appropriate and consider how appropriate capacity can be developed.

6. MID TERM EVALUATION UPDATE

PMC received a brief update on the independent mid term evaluation. Key findings include:

- Strategic focus of the ERDF Operational Programme remains relevant
- Objective of the Operational Programme to support economic restructure remains sound and relevant
- Governance and management of the Programme to date are considered efficient and effective
- Spend and commitment largely **on track up to end 2010**, however significant changes in respect of funding, structures, delivery vehicles and regional economic conditions means "business as usual is not an option"
- The assumptions used as a basis for developing the ERDF programme deliverables in 2006/7 are now unrecognisable and should be revisited.

It was agreed that the Programme Executive Group to consider the independent Mid Term Evaluation Report in detail at its meeting 23rd March and make recommendations to PMC at its next meeting.

Following PEG/PMC agreement the Secretariat to commence discussions with DG Regio as a precursor to negotiations on any recommended change or modification to the Programme.

Action 7 - The ERDF Secretariat to facilitate PEG and PMC consideration of the Mid Term Evaluation findings and final report, and to commence initial discussions with DG Regio as a precursor to negotiations on any recommended change or modification to the Programme.

7. PROGRAMME RISK ASSESSMENT

PMC received a detailed presentation on Programme risk and was asked to consider the Programme Risk Assessment in detail given the heightened risk to Programme performance. Annex 2 refers.

One North East Head of Europe and Skills reported that:

- Whilst the Mid Term Programme Evaluation findings were positive in respect of programme management and performance up to Summer 2010, the Programme is not considered deliverable in its current form as a direct result of current economic,

financial and structural changes entirely out with the control of the Programme and its management.

- Revised future management arrangements for the ERDF Programme and loss of significant capacity following the abolition of the RDA will place greater responsibility on individual partners and projects to drive forward delivery (project development, pipeline and performance)

PMC agreed that the identified risks were significant and that action was required. PMC noted that the actions agreed in respect of addressing project performance and taking forward the findings of the Mid Term Evaluation would form key elements of the PMCs risk management strategy.

PMC agreed that the Secretariat should undertake a programme of awareness raising/communication to ensure that key partners (particularly Local Authorities and LEPs) were fully aware of programme issues and risks.

Action 8 – Local Authority members to meet during March to discuss Programme delivery issues/ options and identify partners with potential development capacity.

AGENDA ITEM 8 - FINANCIAL ENGINEERING INSTRUMENTS (FEIs) PERFORMANCE REPORTING

PMC received the report on progress of Financial Engineering Instruments (FEIs). Key issues include:

- Article 16 audits for both (Finance for Business|North East (JEREMIE) and the Creative Content Fund) funds raised no substantial issues; however some practical recommendations were identified to help strengthen systems and processes.
- Fund Managers recently received training relating to evidencing of outputs, document retention and performance issues delivered by the ERDF Secretariat.
- As of 31 December 2010, £14m of investments made to 70 SMEs which has raised £15m leverage.
- The Micro Loan Fund Management has completed the procurement process. Entrust will manage the fund which should begin operations during the first quarter of 2011.

Through discussion, PMC requested that the report be amended. Sectors listed in tables 5.4 and 5.6 to be listed in a consistent sequence, and table headings to be clearer and more accurate

PMC agreed to endorse the updated reporting cycle, as detailed in section 7 of the FEIs report.

Action 9 - The ERDF Secretariat to incorporate PMC suggested amendments into all future Financial Engineering Instruments Progress Reports.

Action 10 - The ERDF Secretariat to liaise with FEI Fund Managers to establish the reason for the large number of enquires reported as rejected.

AGENDA ITEM 9 - RDA AS FINAL BENEFICIARY

PMC received a detailed report on ERDF project activity where One North East acts as the final beneficiary. No issues were raised by PMC

AGENDA ITEM 10 - COMMUNICATIONS UPDATE

The ERDF Secretariat presented a report updating PMC on communications activity initiated since the last meeting of the PMC. No issues were raised by PMC.

AGENDA ITEM 11 - ANY OTHER BUSINESS

11.1 - PMC CHAIR

Given the closure of Government Office for the North East and changes to ERDF management arrangements, this meeting was the final meeting of the North East England ERDF PMC under the chairmanship of Jonathan Blackie.

PMC members wished the minutes to record their thanks and appreciation to Jonathan for his contribution to and leadership of PMC in the current and previous ERDF programmes.

11.2 – Next Meeting

The date of the next scheduled meeting is 14 April 2011, 14.00 – 16.00 at Stella House

Minutes end