

**East Midlands 2007-13 ERDF Competitiveness Programme  
Programme Monitoring Committee (LMC) Meeting**

**Friday 9 December 2011**

**Attendees**

Mark Carroll (MC)	Department for Communities and Local Government (DCLG)	LMC Chair
Rachel Quinn (RQ)	One East Midlands	LMC Deputy Chair
Dan King (DK)	Higher Education Sector	LMC Member
Roger Moors (RM)	Social Enterprise Sector	LMC Member
Cllr David Bill (DB)	East Midlands Councils	LMC Member
Cllr Geoff Stevens (GS)	East Midlands Councils	LMC Member
Mike Stubbs (MS)	Defra	LMC Member
Andrew Bacon (AB)	Leicester and Leicestershire LEP	LMC Member
Cllr Eion Watts (EW)	Sheffield City Region LEP	LMC Member
Helen Miller (HM)	Northamptonshire and South East Midlands LEPs	LMC Alternate
Will Morlidge (WM)	Department for Business, Innovation and Skills (BIS)	LMC Alternate
Ruth Nugent (RN)	European Commission: DG Regio	LMC Adviser
Andrew Morgan (AM)	ERDF Programme Delivery Team	LMC Member
Stuart Creedy (SC)	ERDF Programme Delivery Team	Secretariat
Judith Dibley (JD)	ERDF Programme Delivery Team	Secretariat
Michelle Targett (MT)	ERDF Programme Delivery Team	Secretariat
Jan Sensier (JS)	East Midlands Councils	Observer
Jon Baker	Environment Agency	LMC Member

**Apologies**

Sue Kirby Cllr Jon Collins	EEF The Manufacturers' Organisation East Midlands Councils
Simon Fenely Cllr Robert Parker	Further Education Sector East Midlands Councils
Rowena Limb Jay Vyas Rob Johnston	Department for Business, Innovation and Skills (BIS) Equality and Human Rights Commission TUC

**1) Welcome, introduction and apologies**

The Chair (MC) welcomed Members to the meeting and thanked everyone for attending. Introductions were given by all with the following being noted:

- Rachel Quinn (Chief Executive of One East Midlands) has been appointed as the East Midlands Local Management Committee (LMC) Deputy Chair;
- Will Morlidge was attending as alternate on behalf of Rowena Limb, Area Director for BIS East Midlands and South East Midlands;
- All the Local Enterprise Partnerships in the Programme area had been invited to nominate members and attend the meeting and representatives were present from Leicester and Leicestershire, Sheffield City Region and Northamptonshire and South East Midlands.

## 2) Declaration of interest

- DK declared a declaration of interest on behalf of Nottingham University in the following projects being brought forward for endorsement
  - Environmental Technology Centre 5
  - Innovation Fellowships IV

**Action: LMC Members will be forwarded Register of Interest forms to complete and return to the ERDF Programme Delivery Team in advance of the next meeting**

## 3) Review minutes and actions from previous meeting

Andrew Morgan (AM) reviewed the minutes of the previous meeting providing the following as updates:

- **Broadband** – the Programme update paper at Agenda item 7 includes an update on the UK position in relation to Broadband. DDCLG have submitted a paper to the Commission asking for clarity around eligibility issues LMC will be kept informed of progress.
- **Annual Information Event** – RQ will provide a verbal update at Agenda item 4.
- **Error Rates** – a discussion on error rates was an action from the last PMC. AM updated the LMC related to this informing them that as a result of Internal Audit Service checks of projects in the Programme the error rate for the Programme for 2010 is currently less than 2%. The rate for 2009 was initially considerably higher at 10% largely due to the inclusion in the sample of a number of complex projects. Extensive subsequent work with IAS around the issues highlighted has reduced the 2009 rate. *[Following the meeting, the 2009 rate was confirmed as 8.26%]*. A more detailed update on error rates will be provided to the next LMC.
- **Outputs and results** – as part of the process of moving to DCLG standardised reporting is being developed. The Programme update report uses the new format. This is currently being developed and will be improved once the consolidation and standardisation of nine reporting systems into one has been completed. The East Midlands PDT are inputting to the process to influence the outcomes and produce a reporting format appropriate for the needs of the Programme and the LMC.
- **LMC Membership** – update at Agenda item 5.
- **2010 Annual Implementation Report** – confirm that this had been submitted to the Commission.

The minutes were agreed as an accurate record of the last PMC meeting held on 16 June 2011.
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## 4) Summary of endorsements by written procedures

Since the last PMC meeting (16 June 2011) no endorsements had been taken by written procedures.

**5) LMC Governance [incl Terms of Reference and LMC Investment Sub Group].**

MC presented the governance paper and explained that the Government were keen for ERDF Programmes to have a locally driven approach. In support of this approach and following consultation with Programme partners, DCLG had confirmed that the PMC's will be replaced by a new Local Management Committee (LMC). The paper provides an update on the process for this and builds on the national agreed process and the membership agreed at the last PMC.

MC invited discussion on the Terms of Reference for both groups and the proposed membership of the Investment Sub Group.

The following matters were discussed in detail:

LEP representation on the LMC

The membership of the LMC has been finalised for all sectors except the LEPs and AM thanked partners for their assistance with this. All seven LEPs in the Programme area have been contacted and asked to work together to agree nominations for the LMC. It has been agreed that across the LEPs, five places should be available.

AB questioned what LEPs had done in response to the request for representation and in particular what they had done to address LMC membership. He stressed that there needed to be balance in the LEP representation ensuring that there was adequate business representation on the LMC. There may be instances where doubling up could take place if East Midlands Council members are also LEP board members. All agreed that the LMC does need to have private representation.

HM confirmed that Northamptonshire and South East Midlands have agreed to work together.

JS added that EMC coordinate the LEP coordinators meetings, with the next timetabled for 18<sup>th</sup> Jan and suggested that LMC membership could be taken forward as part of this. LMC members agreed that this should be done and SC will be at the meeting.

AB confirmed that in respect of Leicester and Leicestershire LMC membership is an agenda item on the forthcoming board agenda and representation would be confirmed after that.

**Action – LEP representation to be addressed as part of the LEP co-ordinators meeting on 17<sup>th</sup> January. SC and JS to progress. In addition ERDF PDT, MC, AM and RQ to contact LEPs and follow up earlier contact in relation to LEP representation on the LMC and LMC Investment Sub Group.**

The LMC agreed the Membership and Terms of reference for the LMC.

MC passed to RQ to discuss LMC Investment Sub Group Membership and Terms of Reference.

RQ introduced the paper stressing that it was important that membership had the key knowledge in the region to ensure that issues of economic deprivation were addressed. This group will meet more often than the LMC and will deal with the detailed work in particular around scrutinising projects and ensuring the Programme delivers the activity and outputs to address the regions needs. The group will have a broad remit covering both PA1 and PA2 activity and as such the membership will need to reflect this. As such it will replace the previous PA1 and PA2 PMC sub groups.

The following matters were discussed in detail:

#### Membership

A key area of discussion was around ensuring that the group addressed and represented both the PA1 and PA2 priorities. There needs to be a focus both on addressing areas of opportunity whilst also ensuring that areas of deprivation are addressed and that the two are joined up.

AM provided some additional background adding that the group would bring together the previous PA1 and PA2 groups where representation had largely been at officer level so it was envisaged that this would probably be the appropriate type of representation on the Investment group. This was based on the anticipated time commitment needed as well as the level of detailed knowledge of projects and local activity. There is also a need to ensure appropriate geographic spread in the group representation.

Members were of the view that representation on the sub group should reflect the geographic nature of the Programme, as well as ensuring an appropriate level of knowledge and expertise to cover the requirements of both PA1 and PA2. In respect of Local Authority representation GS and JS agreed to consider this and provide nominations.

MS asked that a standing invitation be given to Defra to cover issues around demarcation. A similar request was made by WM for BIS. Members were in agreement.

**Action: ERDF PDT to work with RQ to liaise with LMC members in respect of nominations to fill the respective allocated seats.**

**Action: East Midlands Councils to liaise with and agree with Local Authority LMC members nominations to fill the respective allocated seats.**

The LMC agreed the Membership and Terms of reference for the LMC Investment sub group; in particular the inclusion in the membership of Defra and BIS representatives

**Action: ERDF PDT to update the LMC Sub Group membership structure on the basis of the points discussed and agreed.**

#### **4) Feedback from the 2011 Annual Information Event**

RQ informed Members that the Programme's 2011 Annual Information Event had taken place on Friday 14 October at Holywell Park, Loughborough University. Past

events have been full day events with an opportunity for partners to take part in workshops and information events. This years event due to the restrictions on spend was a short half day come and listen event which was very timely from a strategic context and gave the opportunity to update partners on the new delivery arrangements for the Programme. RQ was of the view, which was generally supported by members, that there was a missed opportunity with so many partners at the event to engage with them in discussion about how the Programme moves forward. It would have been useful to have some workshop sessions possibly around the PA2 areas and focus going forward, how partners interact with the LMC and others. RQ asked for feedback from any Members about the event, but unfortunately no one from the LMC had attended.

MC led discussion around the need to take opportunities to both establish synergies with other Programmes as well as being proactive about what the Programme does going forward.

## PA2

Members expressed concern about how the PA2 areas are engaged. Members were all of the opinion that there was a capacity building need within the PA2 groups but unsure what the level of support was that was needed. East Midlands Councils offered to co ordinate a network meeting for the PA2 districts with MT and Local Government Association to take forward what is needed. MC concluded suggesting that he write to PA2 boards asking what they want and what element of support is needed.

Members were all agreed that next years annual event should have a wider focus with the opportunity for network sessions/workshops and possibly a sectoral focus. It should be used as an opportunity to look at how projects are brought forward and in particular to exchange best practice.

**Action: MC to write to PA2 boards in relation to capacity, asking what if any support they require and when.**

**Action: Linked to above action ERDF PDT and RQ to work with East Midlands Councils in connection with setting up a network event.**

## **6) Programme update**

Stuart Creedy (SC) presented the Programme update paper (02). The Programme has been progressing well in terms of commitment and project approvals and the 2011 N+2 target has already been exceeded by approx £8.6m.

In summary;

- Programme progressing well with some 150 projects worth approx £119m ERDF
- Strong project pipeline for both PA1 and PA2
- Over 50% committed – this is not the same as spent
- Programme value in € but spent in £ so value fluctuates
- DDCLG/Defra/DWP looking at the forward exchange risk position in relation to the level they will allow Programmes to commit to
- Report includes the national Management Information template which is in development
- PA1 is 70% committed

- PA2 is 40% committed, but there has been a lot of recent work with 65 applications going to appraisal in the New Year
- N+2 is the annual allocation of funds that has to be spent within two years of the year allocated. The Programme achieved this years target in June 2011 and since then has exceeded it by £8.6m. In addition the ERDF PDT have assisted the East of England to achieve their target by releasing staff to them.

In addition, the following matters were discussed in detail:

#### Commitment

Further to Baroness Hanham's Statement of 3<sup>rd</sup> February 2011, PMC Members decided that any allocations in excess of 80% of any Priority Axis would need to be considered and endorsed by the LMC. Members discussed this and were in agreement that the Programme be allowed to commit up to 90% of the funds available at Priority Axis level and that the Chair and ERDF PDT should encourage DCLG centrally to develop a policy for the commitment of the final 10%.

**Action: Chair and ERDF PDT to encourage DCLG centrally to develop policy related to commitment of funds over 90% of the Programme value.**

The LMC agreed that the ERDF PDT be allowed to commit up to 90% of the value of the Programme at Priority Axis level.

#### PA2 Indicative Allocations

SC confirmed that each of the Local Investment Plans had been refreshed and following PMC endorsement of the 2011-13 allocations, Districts have launched 'Calls for Activity' with the responses being encouraging – the PDT are currently considering 36 full applications and a further 24 are expected. In respect of PA2 AM sought Members re- endorsement of the PA2 Indicative Allocations.

The LMC endorsed the PA2 indicative Allocations for 2011-13 (including the transition funding for Boston) recommended by the PMC at their meeting on 16 June.

#### PA1 – Third Innovation Call for Activity

SC provided an update alongside the list of projects at Annex D. 56 Expressions of Interest worth £74.8m ERDF were received of which 27 were invited to full application. Of these 2 were rejected at application stage, 2 chose not to submit a full bid and a further 5 have since withdrawn. 12 have proceeded to appraisal seeking £17.3m ERDF with a further 6 worth £12.6m in the pipeline once issues have been resolved.

#### **JESSICA**

With regards to JESSICA, SC provided an update for the LMC explaining that the East Midlands Jessica fund is made up of £10m ERDF with £5m Single Pot. It is an urban focused fund using PA1 resources in the form of loans, equity or rental guarantees to support capital activity around the development, upgrading or extension of premises and facilities to support innovation. The fund has undertaken extensive work to look for projects and is currently in discussion with Boots and MIRA

amongst others. It is suffering a bit due to the recent proliferation of other 'funds' with potential projects looking to access other less restrictive sources of funding before ERDF. The fund has to have spent all the initial allocation of £15m by July 2015. Taking account of this the JESSICA East Midlands (JEM) Board have asked for a market assessment paper for the next meeting on 27<sup>th</sup> January 2012 to inform their decision making related to the future of the fund. RN stressed that the fund is small so shouldn't have difficulties making initial investments. SC said that unfortunately to date this had not been the experience of the fund and this may be due both to the uncertainty in the property market and the very focused nature of the fund.

MC suggested that an update be provided for the next meeting and it was agreed that the Fund Operator be invited to the next LMC to give an update.

**Action: ERDF PDT to keep LMC informed of position related to Jessica Fund and to provide update at next LMC and invite Fund Operator to the meeting.**

#### Evaluation

SC provided an update on activity around Programme evaluation. ERDF PDT are meeting with SQW to outline parameters for the 2012 impact evaluation of the Programme in January. It is hoped to have a detailed work plan for the next LMC meeting. RQ suggested that as the LMC is a new group with new members it would be useful to bring the findings of the previous evaluations to the group.

**Action: ERDF PDT to report back to the next LMC in respect of work plan for the 2012 impact evaluation.**

**Action: ERDF PDT to coordinate bringing findings of previous evaluation work to the next LMC.**

#### Publicity

SC provided an update on the new climate related to publicity and the restrictions placed on PDTs by the Cabinet Office embargo on spending activity unless approved by them. We secured approval for the annual information event in October 2011 at a greatly reduced level and will need to ensure future activity is consistent with Cabinet Office guidance.

#### Management and Control

SC outlined the work underway around concluding a number of Article 16 reports as part of the work to finalise the 2010 Annual Control Report and in particular the issues that are being highlighted. Despite the best efforts of projects and the PDT, the number of errors being reported related to University TRAC overheads remains unacceptably high. To minimise the ongoing risk associated with this at both a project and Programme level, and after discussion with the LMC Chair, Members were asked to note that the facility to use TRAC will be withdrawn from 1 January 2012 – Annex A. SC confirmed that this is a local decision.

DK outlined the background to TRAC and stated that this is a methodology used for a range of Government Departments. This could cause real issues for University projects going forward as in the main it constitutes the Universities match funding for projects. In addition this occurs against a background of other issues such as the inability of Universities to use Internal Journal Transfers to evidence spend and the complexity of meeting ERDF requirements at project level. It may lead to

Universities making a decision that due to the complexity of the ERDF process they no longer want to be involved. One University has already indicated this. Universities are addressing the immediate issues associated with the withdrawal of TRAC but could not give an indication of the longer term impact. DK asked that the ERDF PDT and LMC feedback to and continue to progress with the MA some of the issues around the A16 process in particular around TRAC, Internal Journal Transfers and the inconsistency of approach from one audit/ and or auditor to another.

MC highlighted that the approach was about managing risk to the Programme and DCLG but agreed that the ERDF PDT and LMC would work with partners around these issues and how they are taken forward and also work with other LMCs.

**Action: ERDF PDT to feedback to the MA and continue to progress issues highlighted around TRAC, Internal Journal Transfers and consistency of A16 approach.**

Members noted the decision taken by the ERDF PDT to withdraw the facility from 1 January 2012 for Universities to use TRAC in the East Midlands.

#### Broadband

SC updated the Members and drew their attention to the paper that has been sent by DCLG to the Commission seeking clarification about what can be supported under the 'last mile' principle for Broadband infrastructure. Such activity is not eligible under the existing East Midlands Operational Programme. 'Connectivity' has always been eligible under the Programme's Priority Axis 2, but this was limited to investment in the 'final mile'.

RN confirmed that the Commission has commented on the guidance. In addition she reminded Members that to be eligible the support needs to be for SMEs and not individuals.

JS asked if the guidance has therefore been agreed and do we need to change the Programme to accommodate. SC confirmed that we need to wait until DCLG get a response from the Commission and then determine what can and cannot be done and then whether the LMC wants to make a recommendation.

MS informed Members that in the rural statement £20m has been provided matched with BDUK money to provide rural broadband. This can support domestic access as well as SMEs but they are facing the same challenges around eligibility. In addition anything the LMC decide to progress needs to be sensitive in rural areas to issues around demarcation.

WM added that there have been a number of RGF bids in this area.

MC confirmed with Members that there is a desire in the region to provide support for broadband but concern around the issues of eligibility.

**Action: ERDF PDT to wait for further guidance from the Commission in response to DCLG's request for clarification and based on this report back to the next LMC meeting.**



East Midlands Programme Performance Data

MC introduced the tables and charts at Annex C of the report and outlined how eager he is that the LMC has appropriate understandable performance data and as part of this, AM is feeding into the process of finalising the national reporting format. There is a danger that there is too much focus on inputs and processes and not enough on outputs. He stressed the need for the LMC to also focus on outcomes and outputs.

JS suggested that each LMC meeting could focus on a specific output in detail addressing what it is and where the Programme is in achieving it.

DB asked whether there a message locally that can be put out by Members. MC replied that there is an issue about how we as a Programme communicate with the Press, for example – Members can speak but civil servants are restricted in what they can say.

AB stressed the need to ensure that the reporting maintained a link between the outputs and the actions achieved e.g. companies grown by a specific action.

MC summarised by suggesting that on future update reports, explanatory notes are provided to support the outputs and results tables and that he and the ERDF PDT team would work with others centrally to ensure the national templates are produced in a user friendly format.

**Action: ERDF PDT to include explanatory notes to support the outputs and results tables in future meeting papers as part of the Programme performance data.**

**Action: As part of ongoing LMC development each meeting to focus on a particular output.**

**8) Summary of endorsements for Consideration before next meeting**

RQ introduced this by reminding Members that this was an exception for the LMC to endorse projects, in future this will be a role discharged by the Investment Sub Group. In this instance the LMC are being asked to undertake the activity as the Investment Sub Group has not yet been set up and endorsement is needed to ensure ongoing Programme and project momentum and activity.

Projects for endorsement:

- Enterprise Inc 2
- Collaborate to Innovate
- Environmental Technology Centre 5
- Innovation Fellowships IV
- Chesterfield Creating Links
- The Hive @ Mansfield Proof of Concept Programme 2
- Chesterfield Cultural renaissance Phase 1
- Connect Invored – Investment readiness
- Teal park
- Fit – out incubation Facilities (Bio City)

Judith Dibley (JD) noted a correction to the paper for the Bio City project, the start date should read 01/01/12.

Members endorsed all the above projects.

## 9) Any other business

MC informed Members that he had received a letter from Baroness Hanham and BIS Ministers thanking all involved in the transition from *emda* to DCLG and passed on to all his thanks. He went on to thank the ERDF PDT for a good set of papers and managing the process related to LMC membership nominations.

### Date of next meeting

10<sup>th</sup> February 2012

### Venue

MC asked if any Members could host. DK said he was sure the University of Nottingham could and would contact ERDF PDT in relation to a venue.

**Action: DK to confirm details of venue to ERDF PDT (Judith Dibley)**

### Summary of LMC endorsements – 9 December 2011

Item	Endorsement
Review minutes and actions from previous meeting	The minutes were agreed as an accurate record of the 16 June 2011 PMC meeting.
LMC Governance	The LMC agreed the Membership and Terms of reference for the LMC
	The LMC agreed the Membership and Terms of reference for the LMC Investment Sub Group; in particular the inclusion in the membership of Defra and BIS representatives
Programme update	The LMC agreed that the ERDF PDT be allowed to commit up to 90% of the value of the Programme at Priority Axis level.
	The LMC endorsed the PA2 indicative allocations for 2011-13 (including the transition funding for Boston) recommended by the PMC at their meeting on 16 June 2011.
	Members noted the decision taken by the ERDF PDT to withdraw the facility from 1 January 2012 for Universities to use TRAC in the East Midlands.
Summary of endorsements	Members endorsed all the projects.