



# **YORKSHIRE & HUMBER COMPETITIVENESS PROGRAMME 2007-13**

## **LOCAL MANAGEMENT COMMITTEE**

### **LATERAL BUILDING, LEEDS**

**5th April 2012**

<b>Attendees</b>	<b>Role</b>	<b>Sector/Organisation</b>
Lesley Calder	Member (Chair)	DCLG
Lynn Benton	Member	Hull & Humber LEP
Colin Mellors	Member (Y&H PMB Chair)	PVC York University
David Dangerfield	Member	Environment Agency
Chris Longley	Member	Federation of Small Business
Gary Lumby	Member (A2F Chair)	Private Sector- Banking
Richard Wright	Member	SCR LEP
Clive Darnell	Member	Goodwin Trust
Isobel Mills	Member	BIS Local
Lee Pepper	ERDF Finance Manager	DCLG
Craig Wallace	ERDF Implementation Manager	DCLG
Peggy Haywood	ERDF Implementation Manager	DCLG
Richard Holmes	ERDF Communication Manager	DCLG
Portia Forbes-Rawlins	ERDF Governance Officer	DCLG
<b>Apologies</b>		
Simon Driver	Member	Hull & Humber LEP
John Lewis	Member	TUC
Patrick White	Member (Chair)	DCLG
Liz Bavidge	Member	Equalities & Diversity
John Mothersole	Member (SY PMB Chair)	CEX- Sheffield Council
Rob Pearson	Member	HCA
Judy Robinson	Member	Involve Yorkshire
Ian Rowe	Member	Yorkshire Universities
Cllr Roger Stone	Member	SCR LEP
James Farrar	Member	York & North Yorkshire LEP
John K Anderson	Member	RoR Skills Rep
Gill Alton	Member	SY Skills Rep
Cllr James Alexander	Member	LCR LEP Rep
Linda Sproge	Observer	EC

## WELCOME, INTRODUCTIONS AND APOLOGIES

The Chair welcomed LMC members to the extra ordinary meeting convened to discuss:  
The outcome of the programme review

To consider the lifting of the open call suspension, and  
Review performance issues.

The extraordinary meeting was called following LMC agreement at its meeting 14 February to suspend all calls subject to a detailed performance review to be completed by April 2012.

All members provided introductions.

LMC noted:

- First meeting for Clive Darnell, who replaces John Illingworth as a 3<sup>rd</sup> Sector representative.
- First meeting for Lynn Benton who attends as the representative for the Hull & Humber Local Enterprise Partnership.
- Thanks to Trevor Shaw, Yorkshire Forward representative, for his contribution to the Programme as LMC and PMC member. Yorkshire Forward officially closed on 31<sup>st</sup> March 2012.

## DECLARATIONS OF INTEREST:

Chris Longley – Finance Yorkshire - customer

## AGENDA ITEM 1 - MINUTES FROM PREVIOUS MEETING AND MATTERS ARISING

Minutes of the previous meeting formally approved by the LMC

**LMC agreed that the minutes should record that given it's detailed discussion on programme performance and risk, LMC wished for a further opportunity/meeting to consider progress and next steps. LMC places significance and weight on the issues discussed, particularly in relation to risk and delivery performance.**

1. Linda Spröge had been incorrectly referenced as a member of the LMC and not as an observer. This had been updated in the minutes

All matters arising were covered on the agenda

## AGENDA ITEM 2: PROGRAMME PERFORMANCE & RISK

The Programme Delivery Team (PDT) provided an update on overall performance. LMC noted:

- The Programme value increased by £7.1m due to exchange rate fluctuations and now stands at **£494.8m**.
- There has been a minor decrease in the ERDF Programme legal commitment due to the fluctuations. This is down from 58% to **57%**.
- **£20.5m of dormant projects have been removed from the pipeline.** However, Outline Applications received in advance of the Programme pause has **increased** indicative commitments to the following levels:
  - ~ Priority 1 (Innovation) - 132% indicatively committed.
  - ~ Priority 2 (Enterprise) - 115% indicatively committed.
  - ~ Priority 3 (Sustainable Communities) - 104% indicatively committed.
  - ~ Priority 4 (Non Phasing In Area only) - 135% indicatively committed.
- A further **£109m of project activity is considered high risk.** Agenda item 3 proposes mitigatory action.
- The programme is indicatively overcommitted by 117%.

## N+2

The Programme Delivery Team (PDT) provided an update on progress towards the 2012 N+2 target. LMC noted:

- The target for 2012 is £291.7million.
- The programme requires spend of £73.5 million to achieve the target.
- Contracted projects will spend £48 million by December if all projects spend to current profiles. All projects will be monitored to identify deviations from profiles.
- The pace of claims submission has declined significantly and ERDF claimed in the 1<sup>st</sup> quarter of 2012 was significantly below profile.
- The JESSICA project will contribute £13m if the ERDF application is successful.
- A shortfall of c.£12m would need to be spent by projects currently in the pipeline to meet the shortfall.
- **The N+2 2012 target has accelerated from medium to high risk.**

## Risk Register

The Programme Delivery Team (PDT) advised LMC that the risk register format had not yet been updated due to competing priorities. This would be completed by its next meeting. LMC noted:

- The risk register is intended to focus on only the most significant and strategic risks to the programme.
- The register will be updated to consider the effect of mitigating actions

LMC discussed:

- The ERDF Delivery Team discussed the implementation of the Project Performance Recovery Policy.
- A comprehensive review of project output and result performance was undertaken in early 2012. Performance is not sufficient to deliver current Operational Programme targets with significant deficits for the key indicators of Jobs Created and GVA increases in Priorities 1 and 2, and GVA increases in Priority 3.
- A programme modification, re-quantifying the output and result targets will be prepared by the ERDF Delivery Team. Economic conditions have changed considerably since the Operational Programme was developed. However, value for the ERDF invested would still need to be demonstrated.
- The Programme modification would be agreed by the LMC and will be discussed with PMBs where appropriate.
- The LMC may need to approve the modification through written procedures given timescales.
- There are currently no European Commission regulations to de-commit money from the programme for underperformance against results targets. However, clawback is a risk where projects fail to meet their contractual conditions.
- Projects at the risk of clawback will be notified and the PDT with a clear explanation of the reasons for doing so.

## JESSICA

The ERDF Delivery Team presented an update on progress with the JESSICA project. LMC noted:

- The change in applicant from Finance Yorkshire to Sheffield City Council : Finance Yorkshires was set up as a single Special Purpose Vehicle to deliver the JEREMIE fund, any changes in the companies Articles of Association to allow Finance Yorkshire to deliver a JESSICA fund would be subject to approval from both Capital for Enterprise and the European Investment Bank, In February 2012, the European Investment Bank ruled that they would not be prepared to allow Finance Yorkshire to

amend the Articles of Association and as such they are no longer able to apply to become the Holding Fund Manager for JESSICA.

- Sheffield City Council on behalf of the partners and the Local Enterprise Partnership have expressed its willingness to take forward the existing application to establish a £20 million Urban Development Fund which will incorporate £13.2 million ERDF and £7.1 million cash match funding from the DCLG Growing Places Fund and SCC.
- The change to the project from a Holding Fund with 2 Urban Development Funds to Sheffield City Council directly procuring a single Urban Development Fund for urban development on the basis that the case for market failure for energy and climate mitigation was weak.
- The high level of risk in securing approval of the revised application at this late stage in the programme.

**The LMC agreed:**

- **That, given the significant changes to the economic context within which the Programme must deliver and scale of financial and institutional change, a programme modification is appropriate. The programme modification would be approved by written procedures if necessary.**
- **That the revisions to the JESSICA project were appropriate and mandated the Delivery Team to proceed to appraisal.**

### **AGENDA ITEM 3 – DRAFT ERDF PROSPECTUS**

Item 2 provided LMC with data on the project pipeline, its deliverability and degree of risk. Given that a high degree of risk was identified, the ERDF Delivery Team recommended that the open calls be re-opened for Priorities 1,2 and 3 (including call for super fast, last mile broadband) on a time limited basis.

The ERDF Delivery Team presented the proposed Prospectus and Call for Proposals and a supplementary Call for Proposals – SME Access to Super Fast Broadband.

The Performance Management Boards had endorsed this approach. The LMC noted:

- The Call focuses on activity where the Programme is deficient, advises on the types of activity the Programme requires and provides suggested guidelines for delivery of outputs and results.
- Certain activities have been removed to focus on under performing targets and be more accessible to potential projects.
- Capital only projects are not requested as these will limit contributions to outputs and results where the Programme is deficient (Jobs and GVA).
- Partners should be encouraged to align RGF and Growing Places Fund opportunities to match with ERDF where possible and appropriate.
- The LMC, PMBs and PDT will re-consider the position with regard to capital activities dependent on the response to this call and further analysis of the overall Programme position.
- Capital projects in South Yorkshire could investigate the use of the JESSICA project.
- Any Broadband projects must be deliverable and be able to deliver outputs and results within the Programme lifetime. Further discussions with the EC may be required.

**The LMC agreed:**

**To approve the new Call for Proposals and Prospectus including SME Access to Super Fast Broadband**

#### **AGENDA ITEM 4 – CHANGES TO THE ERDF BUSINESS PROCESS**

The PDT presented revisions to the ERDF application and business process as a result of the DCLG standardisation exercise. The intention is to provide a more consistent approach across English ERDF Programmes. LMC noted:

- All PDTs have been supplied with revised documentation. These will be made available to partners from 1<sup>st</sup> April.
- Advice, guidance and training will be provided by the ERDF Delivery Team and/or the Technical Assistance projects.

#### **AGENDA ITEM 5 – COMMUNICATION STRATEGY**

The ERDF Communication Strategy had been considered in outline at the LMC meeting of the 14<sup>th</sup> February. The Plan had been amended in a response to the comments received at that meeting.

The strategy is a high level document that outlines the PDT approach to ensure that the Programme complies with ERDF regulations stipulating that the Programme is publicised appropriately.

The PDT presented the Strategy. LMC noted and endorsed:

- The key messages for 2012
- The methodology for communicating with partners and stakeholders.
- The means for publicising the Programme in accordance with the regulations.

**The LMC agreed:**

- **To approve the Communication strategy.**

#### **AGENDA ITEM 6 -Y&H AND SY PMB UPDATES**

Colin Mellors provided an update on the Y&H PMB meetings. The PMB had discussed the outcome of the pipeline review and potential PMB intervention to improve outputs for the programme.

Craig Wallace provided an update on the SY PMB meetings. The PMB had discussed:

- recommending the approval of the Prospectus and Call for Proposals
- the pipeline cleanse and project review

It was noted the Access to Finance sub-committee had not met since the last meeting. Members would receive an update at its next meeting in June.

**LMC noted the updates.**

#### **AGENDA ITEM 7 – ERDF PROGRAMME POST 2013**

Isobel Mills (BIS) provided a verbal update on development of the 2014-2020 ERDF programme. LMC noted:

- On 14<sup>th</sup> March a working paper on the proposals had been produced. The working paper included ESF, RDPE, Maritime and ERDF programmes post 2013.
- An informal consultation on the next European programmes was underway, closing date 27<sup>th</sup> April :The consultation was intended to stimulate thinking in relation to:
  - Simplification
  - Rigour of project management
  - Match funding
  - Geography
  - Combining & integrating funds

- LMC members will have further opportunity in future to contribute to the discussion on EU programmes. LMC members were encouraged to contribute to help shape the new Programme.
- LMC indicated that TA should be used as early as possible to help with preparation for the new Programme.

**Action: IM to discuss potential for joint government department road shows on the next EU programmes.**

**LMC noted the update.**

## **AGENDA ITEM 8: AOB**

### **Digital Region**

- LMC received an update on Digital Region. LMC noted that a detailed review had been undertaken by the DR Board to consider options for sustain and further developing the project. The preferred option to re-procure the Delivery Partner via OJEV compliant process.
- LMC endorsed the proposed approach and mandated the ERDF Delivery Team to enter into detailed negotiations with Digital Region.

### **Technical Assistance proposal**

LMC was asked to note that an outline application had been received from IPPR to conduct post 2013 preparation work/research on a Northern Geography. The Delivery Team to assess in full, ensuring Geography. The Delivery Team to assess in full, ensuring this would not duplicate other activity.

### **Select Committee Consultation**

LMC members were reminded of the parliamentary Select Committee review of ERDF.

Chris Longley confirmed that a FSB submission would be made. He was happy to receive views from LMC members.

**Action: RH to circulate further information to LMC members.**

**Minutes end**