

YORKSHIRE & THE HUMBER ERDF 2007- 13 REGIONAL

COMPETITIVENESS AND EMPLOYMENT

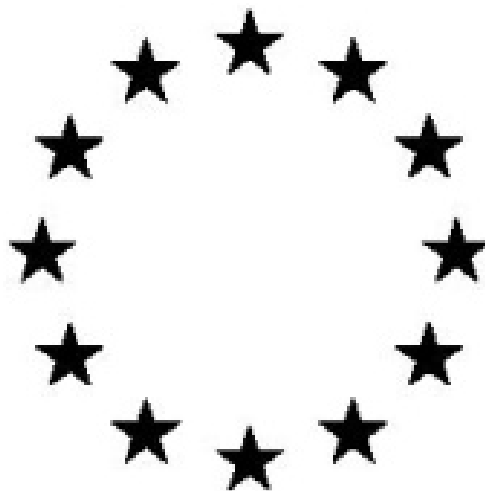
PROGRAMME MONITORING COMMITTEE

MINUTES OF THE MEETING HELD ON

1 March 2011

at

Advanced Manufacturing Research Centre



PRESENT	ORGANISATION	REPRESENTING
Felicity Everiss (FE)	GOYH	Chair
Paul Stephens(PS1)	Leeds City Council	West Yorks LAs
Graeme Warren (GW)	Environment Agency	Environment
Prof. Mike Smith (MS)	Sheffield Hallam University	Universities
Linda Sproge (LS)	DG Regio	European Commission
Judy Robinson (JR)	Involve Yorkshire	Voluntary Sector
John Mothersole (JM)	Sheffield City Council	SY PMB
Trevor Shaw (TS)	Yorkshire Forward	RDA
John Illingworth (JI)	Goodwin Centre	Voluntary Sector
Garry White (GW)	CLG	CLG
Chris Longley (CL)	FSB	Private sector
Tom Cray (TC)	Rotherham MBC	SY LAs
Martin Cantor (MC)	Barnsley Council	SY LAs
Phil Holt (PH)	Deloitte MCS	Deloitte MCS
Tricia Yang (TY)	Deloitte MCS	Deloitte MCS
SECRETARIAT		
Malcolm Taylor (MT)	Yorkshire Forward	RDA
Paula Shelley (PS2)	Yorkshire Forward	RDA
Adrian Green (AG)	Yorkshire Forward	RDA
Peggy Haywood (PH)	Yorkshire Forward	RDA
Portia Forbes-Rawlins (PFR)	Yorkshire Forward	RDA
Richard Holmes (RH)	Yorkshire Forward	RDA
Eleanor Marshall (EM)	Yorkshire Forward	RDA
APOLOGIES		
Simon Driver	North Lincolnshire	Humber LAs
Cllr Stephen Houghton	Barnsley MBC	South Yorkshire LAs
Liz Bavidge	Bavidge Consulting	Equalities & Diversity
Will Fieldhouse	GOYH	Observer
Karl Battersby	Rotherham Council	South Yorkshire LAs
Liz Towns-Andrews	Huddersfield University	Yorkshire Universities
Joan Palmer	NYLC	RWSP
John Lewis	TUC	Trade Union Representative
Chris Kirby	BIS	BIS
Jonathan French	NY Partnership Unit	North Yorks LAs
Colin Mellors	University of York	Y&H PMB Chair
Gary Lumby	Yorkshire Bank	Access to Finance

AGENDA ITEM 1: WELCOME & INTRODUCTIONS, APOLOGIES, AND CONFLICTS OF INTEREST

001. Felicity Everiss (FE) welcomed members to the meeting and gave a brief introduction to the Advanced Manufacturing Research Centre (AMRC), apologies from members were noted. There were two declarations of interest:

- 1) Martin Cantor: Science City York
- 2) Chris Longley: Finance Yorkshire

AGENDA ITEM 2: MINUTES OF LAST MEETING 20.12.2010 & ACTIONS ARISING

002. The minutes of the meeting held on 20 December 2010 were AGREED as a true and accurate record.

Matters Arising:

003. Para 254 in previous minutes, Digital Region report should be a written update instead of a presentation.

004. Para 225 MC gave an update on the abolition of the regional ESF committees. Discussions had been held with DWP and it had been agreed that where localities wished to continue with local ESF monitoring committees they would be allowed to do so; the committee would have to be part of an existing local framework.

AGENDA ITEM 1: Paper 01.11 Programme Overview and Update (MT)

005. MT gave a verbal update to accompany his paper. MT informed members that the next 6-9 months would be challenging, especially during the transition. A main objective of the transition was the successful and smooth transfer of staff and structure to CLG, it was noted that staff had the opportunity to leave with voluntary redundancy if they wished. It was felt the programme needed to keep momentum to reach the N+2 target and comply with the regulations of the programme, it was hoped the transition would not become a large distraction. There was a need to overcome staff uncertainty over which staff were in scope for transition. Staff would be sent letters by the end of March to inform them if they were in scope for transfer, there was also an internal recruitment process to fill vacancies within the team.

006. There were a number of capital projects which were on hold due to state aid issues, there were ongoing talks with BIS, it was also noted that there were a number of political pressures related to the projects. If the projects did not go ahead there was a potential loss of £30 million ERDF. The PMC were informed that MT and TS had a meeting with CLG in w/c 7/03/2011 to discuss the issues.

007. The state aid issues related to the inclusion of land value and developer fees in the calculation of maximum grant to private sector developers, which had been allowed by other regional development agencies. BIS had asked YF to keep the projects on hold until the issue had been resolved.

008. The Chair advised that this was an issue which could create problems further down the line if it remained unresolved. She believed it was a question of interpretation and judgement.

In the discussion which followed the following comments were made:

009. JI: Asked what the lawyers had said. TS replied that YF's legal advice had been that the costs were allowable.

010. JM: What had BIS said and what advice were they giving, were BIS providing clarification or were they leaving the decision to YF? The PMC were informed that BIS had still asked for the YF to hold the projects despite YF's legal advice.

011. It was suggested that BIS would wait until July when powers were transferred to CLG for further movement on the issue.

012. TS felt that there was confusion over regulations; different things were said to what was given in writing. There was a chance that if YF went ahead, they could be called into BIS if the interpretation was not felt to be correct. YF wanted clarity and consistency over issues across the country and they needed government advice.

013. The Chair informed the Committee she was prepared to send a note to BIS regarding the issue, asking for clarification, emphasising the need to create a level playing field across the Programmes.

Structure/Reorganisation

014. The Committee were informed that the transition was a complicated process, there was a pulling together of 8 RDAs with different ways of operating, plus the incorporation of the new localism agenda.

015. The Chair hoped her proposed meeting with Philip Cox (DCLG) who was in charge of the transition would provide further clarification to members. It was thought there could be a loss of experienced staff which would create a risk to programme.

016. The PMC would be formally renamed the LMC (Local Management Committee), the functions of the Committee would continue in accordance with the ERDF regulations. The new chair of the LMC was named as Lucy Makinson, who was the Director of Local Government Efficiency at DCLG. The Chair would meet with Lucy Makinson to discuss the role and to bring her up to date on the programme. There would be a membership review as links would need to be created to new partners such as LEPs (Local Economic Partnerships). LMC sub-groups could be renamed and they were welcome to look at their membership at the same time.

017. There was a need to appoint a new deputy Chair, FE proposed that the LMC have 2 deputy chairs to reflect the ERDF structure in Yorkshire and the Humber. DCLG had asked that the deputy chair be a significant local figure. FE would write to members and various partner organisations to inform them of the new arrangements and to seek their views on future membership.

In the discussion which followed the following comments were made:

018. MC: noted it was important to look at the division of roles and what responsibilities were assigned to deputy chairs, perhaps giving responsibility for some spending decisions. The deputy chair roles were not clarified enough but it was also important to nominate deputy chairs ourselves and not to have them imposed by DCLG.

019. CL: noted that the Federation of Small Businesses (FSB) had conducted research on LEPs regarding how operational they were. They found the LEPs were at a number of different stages and some would not be ready to be involved in the programme.

020. PH: at the last SY PMB the board discussed deputy Chairs of the LMC and were supportive of 2 deputy chairs.

021. TS: noted that the LMC decided the strategy for ERDF and where it should be spent, not the chair or deputy chair.

022. It was felt the Committee needed to understand the localism agenda and how it affected the ERDF programme; central government could give more direction than they gave previously.

023. Chair: with the PMB arrangement, there was already good partnership working which directed programme spend, monitoring and governance of the programme. Central government could provide more direction but would not interfere if no advice was sought. Yorkshire & Humber had strong local structures which should direct the future governance arrangements.

024. MC felt the issue was an operational problem, there would be project delivery changes but everyone was still unsure of the changes.

025. The Committee were informed that there would be new processes, which needed to be designed with local input. There was already a national IT system which YF did not use and this was a question of timescales rather than design. It was noted there would be less resource for programme management as time went on as this had happened with previous programmes.

026. ACTION: The Chair offered to write to BIS regarding ongoing State Aid issues if necessary

027. ACTION: The Chair was to write to PMC and sub-group members regarding the new arrangements

028. The PMC endorsed the recommendation of two Deputy Chairs for the new LMC

029. The PMC endorsed a membership review of the LMC and its sub-groups

AGENDA ITEM 2: Paper 2.11: Programme Performance (AG)

030. AG informed the committee that over 57% of the programme had been contracted and committed. A number of expressions of interest (EOIs) were dependent on whether match funding would be obtained. He then went through the different priorities.

031. Priority 1- To date, twelve projects in Priority 1 had received offer letters with a total ERDF investment value of £45.8m (with a further £5.7m earmarked for additional commitments on contracted projects). This represented 47.4% of the allocation total. Expenditure payments of £4.4m were significantly behind contract profile of £11m due to delays in project activity and/or audit inspection issues. If all the Priority 1 proposals currently in development proceeded to contract then approximately £64.7m (66.9%) of the total ERDF allocation would have been committed (£1.5m currently resided in the earlier stages of development). There would remain, therefore, £32.0m of the Priority 1 allocation over the lifetime of the programme to be achieved.

032. Priority 2- To date, eleven projects in Priority 2 had received offer letters with a total ERDF investment value of £73.3m (with a further £0.6m earmarked for additional commitments on contracted projects). This represented 32.2% of the allocation total. Total expenditure payments of £53.9m were approximately in line with contracted profile.

033. If all the Priority 2 proposals currently in development proceeded to contract then approximately £173.5m (76.3%) of the total ERDF allocation would have been committed (£68.9m currently resides in the earlier stages of development). There would remain, therefore, £54.0m of the Priority 2 allocation over the lifetime of the programme to be achieved.

034. Priority 3- To date, seventeen projects in Priority 3 had received offer letters with a total ERDF investment value of £34.4m (with a further £0.5m earmarked for additional commitments on contracted projects). This represented 34.3% of the allocation total. Expenditure payments of £11.5m were significantly behind contracted profile to date, being approximately 40% of the overall total.

035. If all the Priority 3 proposals currently in development proceeded to contract then approximately £106.9m (106.4%) of the total ERDF allocation would have been committed (£39.2m currently resided in the earlier stages of development).

036. Priority 4- To date, five projects in Priority 4 had received offer letters with a total ERDF investment value of £40.2m that represented 70.1% of the allocation total. Total expenditure payments of £17.9m had been made against the allocation.

037. If all the Priority 4 proposals currently in development proceeded to contract then approximately £61.7m (107.6%) of the total ERDF allocation would have been committed (£16.3m currently resides in the earlier stages of development).

038. The committee were informed that there needed to be further expenditure of £89 million to hit the N+2 target for the year. There was a plan in place for projects; this was a 2 fold plan

- i. The overall pipeline has been prioritised so that a manageable number of projects have been allocated to each of the project development managers to focus on and drive forward to contract. The approval timelines behind these had also been analysed to highlight any “pinch points” for resource in terms of the Appraisal, Article 13 and Contracting teams. Any resource implications raised would be discussed internally with Yorkshire Forward colleagues to address.

- ii. The contracted projects would be brought back on line to contracted spend profile as far as is practical. There would be a review of outstanding Article 13 issues and a concerted effort to bring these to a rapid conclusion. (This, however, may result in clawback on some projects having to be pursued).

039. The indicators were a little behind due to spend issues; however most of the contracted outputs and indicators were at the correct programme level.

040. GW from the Environment Agency stated that they would be willing to help with the assessment of projects submitted in the Climate Change Call.

041. LS asked how far RGF could be used as match for ERDF.

042. It was stated this was hard to quantify, it was dependent on the type of project and it's eligibility for ERDF, the example of Yorkshire Biorefinery was given. GW from DCLG stated that only a very few of Round 1 RGF bids from across the UK had included ERDF.

043. JM stated there was a need to ensure the local areas were willing to maximise the use of ERDF.

044. PS2 stated that there was likely to be a joint ERDF/RGF announcement with round 2, this would maximise the marketing opportunities for ERDF and RGF.

045. CL asked if there would be a joint application process, he was informed there were no plans at the moment for one application process, but that DCLG/BIS were discussing potential areas of alignment.

046. TS stated there were a number of difficulties with retrofitting projects to ERDF

047. MC stated that round 2 of RGF would be more programme/thematic based which should provide more projects for ERDF.

AGENDA ITEM 3: Paper 3.11 Risk Register (AG)

048. AG stated that delays with payment of project claims arising from A13/A16 audits was an area of particular risk. It was noted it was important to sort the problems before the projects continued.

049. The risk register was noted.

050. TS stated that under the new arrangements it was unclear who was responsible for reaching the N+2 target. It was thought this was mainly a cultural issue and it was thought the PMBs should keep a close eye on this, as it had a good base to monitor the issue.

AGENDA ITEM 4: Y&H PMB and SY PMB Updates

051. PH gave the SY PMB update; the PMB had had an in depth discussion over the programme, a meeting would take place with JM/MT about Programme transition issues. The PMB discussed the project pipeline and had received a JESSICA presentation.

052. PS2 gave the Y&H update in the absence of Colin Mellors; she read an email sent by Colin. The Y&H PMB had one meeting (31 January) which involved just one proposal for endorsement - Killingholme Marshes.

053. The other main messages for PMC were:

1. The PMB were sensitive to the fact that ensuring compliance with Article 13 was probably delaying some claims and therefore affecting the spend profile. Whilst this caused some short-term difficulties, they supported the measures being taken to prevent more serious longer-term difficulties. Whenever possible, they needed to explain the reasons for the scrutiny at this point so that it is seen as helpful rather than unnecessary.

2. The PMB remained very concerned about staffing capacity, especially since they were told that this was holding up some good pipeline proposals
3. The PMB was supportive of the JESSICA proposal in principle but recognised the need for careful work to bring about its successful introduction. Also, careful thought was needed to be given to the selection of the fund level. They were concerned that the proposal should not be 'rushed through' without ensuring that all loose ends were tied up.

AGENDA ITEM 4.1 Paper 23.10 Access to Finance (A2F) Sub-Committee (S/c) Report

054. MS gave the PMC an update in the absence of the Sub-Committee chair Gary Lumby. The Seedcorn and Business Loan funds were seen to be operating at an acceptable level. There were concerns over the Equity fund which was behind the required run rate. The demise of Business Link Yorkshire was a concern to Finance Yorkshire as there could be a loss of quality referrals of business ready proposals. There were concerns about the willingness of projects to agree to the management fees and terms of Finance Yorkshire for Equity deals. Some companies were dropping out of agreements due to fees although they were told the upfront the costs. This would be a discussion item at the next A2F meeting.

055. The Creative Yorkshire Content Fund (CYCF) and CDFI projects would now report to Finance Yorkshire who would update the A2F S/c, they would report directly to the S/c if there were any serious issues.

056. The Chair noted the LMC should keep a close eye on Finance Yorkshire as issues related to the project could come to a head later in the programme.

057. PS1 noted that it was good to keep in touch with the economic situation which could affect projects.

058. CL felt that that FY should have better links with the private and voluntary sectors, including a possible joint initiative with the Charity Bank North.

059. It was asked when CYCF would be ready to begin operating; PS2 replied that the aim was for it to be operational from midsummer 2011.

AGENDA ITEM 5: Paper 05.11 Communication/Publicity Regulation Compliance

060. RH presented this paper; he shared the publicity regulations and some guidance related to publicity and marketing to the Committee. He noted the guidance available helped projects as it interpreted the ERDF regulations; there were also examples in the papers.

061. The Committee were informed that compliance with publicity was generally good, there were some areas for concern. The areas which caused particular difficulty were publicity on procurement documentation and project staff who were funded by ERDF but were unaware of this. Help was available to projects if they needed any additional information.

062. RH stated the EC wanted people across the EU to be aware of the ERDF programme and its successes; the move to CLG would provide an opportunity for publicising the Programme.

063. The Chair congratulated RH on the paper, she noted it provided a good reference guide for projects and should be disseminated more widely.

064. The PMC noted the paper

AGENDA ITEM 6: Paper 06.11: JESSICA Recommendations

065. Phil Holt and Tricia Yang from Deloitte presented their report on the potential for a JESSICA in the Programme area and gave a short presentation giving an overview, a short refresher of JESSICA and answers to key questions raised during the consultation.

066. It was noted that the JESSICA provided a legacy outside ERDF to other partners; it was a long term investment rather than a short term solution. The recommendation was to have a holding fund (HF) for the Y&H JESSICA. The European Investment Bank (EIB) had been appointed to manage other JESSICA holding funds in London, North West, Scotland and Europe. Y&H had however already established Finance Yorkshire which had a unique and local aspect which could be used to manage the holding fund.

067. The committee were informed that there was a lot of local support for a JESSICA and there was strong demand for projects.

068. The chair noted that the committee were not being asked to commit funds but to endorse the JESSICA project, there would need to be a further lengthy discussion to decide on commitment of funds.

In the discussion which followed the following comments were made:

069. MS: The A2F committee were supportive of the JESSICA but had technical questions which needed to be answered. These would be referred to Phil Holt from Deloitte.

070. JI asked who could manage the HF apart from EIB/FY, why was there no suggestion to have a tender process for the management of the HF?

071. CL had concerns over the legacy, how would it continue ERDF objectives through the legacy, post 2013 and after FY?

072. JM: The SY PMB was supportive of the JESSICA and local authorities would provide match.

073. GW: The EC were concerned about match being provided through facilitating assets.

074. PS1 was supportive of the project but wondered if there were any issues which could stop the project from going ahead.

075. MC was supportive of the project but noted that the report did not mention any disadvantages of a JESSICA, which he was wary of.

076. TS noted that the legacy of JESSICA would be good for the region, but wanted to know if there was a real demand for the project.

077. PS2 noted that the PMC would make sure that JESSICA would be correctly funded and felt other partners would be keen to be involved. She also stated that FY would not necessarily have a continued hold over the legacy.

078. LS stated that the JESSICA needed to be compliant with the latest guidance.

079. The PMC Sub-committees needed to be more involved in the JESSICA and further discussions with CLG and EC should be held.

080. The PMC were informed that the Secretariat were recommending that FY submit an ERDF application to be managers of the JESSICA holding fund (HF), if this complied with national rules.

081. The legacy was meant to provide a long lasting effect on Yorkshire & Humber.

082. There were differing views on land match and these views needed to be clarified.

083. The major hold up to a JESSICA would be a lack of projects and the major step of creating the holding fund and governance structures.

084. Deloitte replied that 27 projects had been identified potentially for the JESSICA and Leeds LEP still had to send in details of their projects.

085. Discussions about the makeup of the Urban Development Funds (UDF) still needed to be had.

086. It was agreed that there was a high level of commitment to the JESSICA.

087. The Chair noted that all indications were for the JESSICA but there was still a lot of work to do. She would like to see a number of answers to the questions asked here and not given in the report.

088. A JESSICA was a major commitment and required a major discussion and more detailed work. There was a need to make sure local authorities and LEPs were supportive of the JESSICA.

089. It was noted this work would not all be carried out by the Secretariat, it was partners' responsibility too. She said that there was a need to build momentum with the LAs, the Chair asked the SY PMB Chair to raise the issues with other local authorities. JM agreed to raise the issues at a Joint Chief Executive Sub-group meeting, particularly regarding the provision of assets as match.

090. The Chair said the SY/RoR PMB Chairs needed to use the PMBs as a vehicle to enable parties to understand the JESSICA mechanism and implications. All partners needed to

understand the process. It was not a major project but a Financial Instrument for PMC approve as required.

091. The Chair asked PH to write to members to explain the reasons why FY should apply to be the managers of the holding fund and the implications of this, particularly for compliance with public procurement rules.

092. PS1 asked if examples of JESSICA projects could be sent to members to give them a better idea of what an actual JESSICA looked like and how it operated. It was noted the English JESSICAs had not invested yet but there were other examples in Scotland and across Europe.

093. CL noted if possible it would also be good to see examples of the governance structures.

094. Action: Technical questions regarding the JESSICA should be directed to Deloitte and must be answered before the PMC was asked to make a final decision.

095. The PMC endorsed the decision for a JESSICA subject to them being satisfied with the reasons for Finance Yorkshire being invited to apply to be managers of the Holding Fund, and that this was compliant with ERDF and public procurement regulations.

AGENDA ITEM 7: Paper 07.11 ERDF Evaluation Update

096. PS2 informed the PMC that an interim report from Regeneris the evaluators of the programme would be presented to the June LMC. She asked the PMC to endorse the continuation of the Evaluation Steering Group (ESG) as a sub group of the LMC.

097. The PMC endorsed the continuation of the ESG as a sub-group of the LMC.

AGENDA ITEM 8: Paper 08.11 Cross Cutting Themes Subcommittee Update

098. EM gave an update of the Cross Cutting Theme sub-committee, it was noted the targets were behind but this was linked to spend of projects rather than any deeper problems.

099. The CCT S/c would like the PMBs to raise the issues of CCTs, to note its importance to the programme. A new Equality Act had come into force in late 2010 and it was expected that projects review their equality policies in the light of the Act.

100. The Chair of the CCT S/c noted continued concern with the active implementation of CCTs and the resources available to help projects, especially their targets related to women and BAME groups.

101. The Chair noted that CCTs were an important part of the programme and it was important to utilise the marketing materials of the programme to keep up awareness of CCTs.

AGENDA ITEM 9: Paper 09.11 Forward Work Plan/AOB

102. The PMC noted the forward work plan.

103. John Mothersole (JM) along with Colin Mellors the Chair of the RoR PMB wanted to thank Felicity Everiss (FE) for all her hard work and dedication to the programme and PMC.

104. TS also wanted to thank FE for her hard work and he appreciated all the work she had done.

105. Felicity thanked members for their kind words and wished them and the programme well for the future.

106. Meeting Close

107. The next LMC meeting would be 21 June at Bridlington Spa 11.00- 13.30pm