



Department for
Communities and
Local Government

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

Date: 24 May 2013

Venue: Room 301, Cumberland Place, Nottingham

Full Members Present	Representing
Rachel Quinn (Deputy Chair)	One East Midlands
Mark Foley (MF)	Department for Communities and Local Government
Alan Weaver (AW)	TUC
Cllr David Bill (DB)	East Midlands Councils
Martin Traynor (MT)	East Midlands Business Forum
Cllr Geoff Stevens (GS)	East Midlands Councils
Jon Baker (JB)	Environment Agency
Cllr Jon Collins (JC)	East Midlands Councils
Kristina Kuzmanova (KK)	European Commission: DG Regio
Rowena Limb (RL)	Department for Business, Innovation and Skills
Frank Horsley (FH)	D2N2 LEP
Dan King (DK)	University of Nottingham
Philip Cox (PC)	Leicester and Leicestershire LEP

Observers	Representing
Brenden Byczkowski (BB)	Department for Communities and Local Government
Michelle Targett (MiT)	Department for Communities and Local Government
Sarah Walker (SW)	Department for Communities and Local Government
Ian White (IW)	Department for Communities and Local Government
Hanne Hoeck (HH)	Department for Communities and Local Government

Apologies Received	Representing
Cllr Eion Watts	Sheffield City Region LEP
Sue Smith	SEM LEP
Jenny Gammon	Greater Lincolnshire LEP
Michael Stubbs	DEFRA
Helen Miller	NEP/SEM LEP
Mark Carroll	Department for Communities and Local Government
Roger Moors	Social Enterprise East Midlands
Iris Lightfoote	Race Equality Centre
Stuart Young	East Midlands Councils



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Item 1: Welcome and Introductions	Action
<p>1.1 The chair (RQ) welcomed members to the meeting and thanked everyone for attending. RQ explained that Mark Carroll had sent his apologies and also welcomed a delegation from Turkey who are in the UK to gain an understanding of how ERDF is administered. Introductions were made and apologies noted.</p>	
Item 2: Declaration of interests	Action
<p>Cllr Jon Collins – Nottingham City Council Bids</p>	
Item 3: Minutes of 1 March 2013	Action
<p>3.1 RQ reviewed the minutes and actions of the previous meet and requested any comments.</p> <p>3.2 AW and BD asked to be added to the list of attendees.</p> <p>3.3 DB requested clarification regarding the matter of investment in transport and if this inability to fund this area through ERDF could be challenged through the European Commission. MF agreed to respond outside of the meeting.</p>	<p>Minutes agreed by members following requested amendments.</p>
Items 4: Programme Performance	Action
<p>4.1 MF presented Paper 1 and updated members on the current programme position. The value is £221m and progress has been made with 68.5% legally committed and a pipeline of 52% of programme value. With 20% over programming, including the recent Challenge Fund, the programme is well placed to fully commit.</p> <p>4.2 The immediate concern is N+2. Whilst progress is being made against the 2012 target the rate of spend needs to be increased significantly. There are a number of projects that are still to make claims in 2012 and for the first quarter of 2013. Where claims have been made there is already worrying levels of slippage against forecast.</p> <p>4.3 Time taken to respond to appraisals queries is also a concern with some still outstanding from 2012. MF asked members to agree to a letter being sent to all applicants with outstanding information, giving a deadline of the 30th June to provider a satisfactory response or the project will be withdrawn from the pipeline. In advance of the letter MF agreed to send to members a list of all appraisals currently in the system.</p> <p>4.4 BD requested a comparison of programme performance with the other regions to put the East Midlands position in context. MF agreed to provide</p>	<p>GDT to write to applicants with outstanding appraisal issues requesting information by the end of June.</p> <p>GDT to send N+2 and Commitment comparison across GDTs and project</p>





**spend and claim
submission
comparison.**

Next LMC scheduled for 24 July

Item 5: N+2 Spend Target – 2013

Action

5.1 RQ informed members that a transposed table within paper 2 was slightly inaccurate and an amended paper was circulated.

5.2 IW presented paper 2 and informed members that the spend target for 2013 is £130.66m with a further £36m of declared expenditure required to achieve the target. As things stand the programme is forecast to underachieve by some £9.3m. The withdrawal of JESSICA had contributed £6m to the gap and contingency had to be made for increasing levels of irregularities being identified through audit.

5.3 LMC was advised that the GDT would be:

- pursuing outstanding 2012 claims;





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- prioritising the top 50 projects in delivery which have the highest forecast spend for 2013 to ensure spend and claims come in on time and to profile;
- prioritising appraisal of 18 projects with identified spend in 2013;
- mitigating against value of future irregularities with applicant workshops on high risk areas including procurement;
- implementing monthly claims for high value projects in the final quarter.

5.4 DK commented that the recently introduced desk based defrayal checks which have to be undertaken by the GDT on all submitted claims will slow down the process along with the extra information which has been requested around evaluation and audit taking up project manager time.

5.5 MF informed members that the GDT have to declare expenditure to the commission by December and so November is the last chance to capture spend. If the programme is close to the target there is the possibility of requesting an extra claims run at the start of December.

5.6 JC asked for the best estimate of how much money will be lost to the programme due to not achieving the N+2 target and to note that the position is deteriorating. MF stated his belief that it can be achieved however, it will be tight and the only way to achieve this is ensuring projects claim on time and to profile. The process will require a lot of effort from partners and projects as well as getting approvals out as soon as possible. MF also confirmed that the reason for the current position was the return of JESSICA funding.

GDT to write to underperforming projects.

Item 6: Challenge Fund

6.1 RQ informed members that the programme received an impressive response to the challenge fund and invited IW to present Paper 6.

6.2 Members were informed of both the criteria and deadlines set out within the challenge fund prospectus for both the large and small project call and that following the close of each call the GDT received £94m of large application bids and £22.7m of small application bid. All bids were assessed by the GDT and subsequently considered by the LMC ISG on the 10th and 25th April.

6.3 Each outline application was judged on:

1. Demonstrated impact in PA2 areas;
2. Supported achievement of underperforming targets (specifically GVA, Public and Private leverage, Graduates placed and businesses improving performance)
3. Strategic importance





4. Timescale / deliverability
5. Additionality and
6. Ability to accelerate spend into current year (contributing to N+2 target)

6.4 On 10 April 2013 ISG agreed to invite to full application 5 projects with a value of £21.75m and, on the 25 April 2013, agreed 6 projects total value £7m. A further 3 smaller projects were selected in reserve should further funding become available.

6.5 None of the projects contributed towards the overall "Number of Graduates placed in SMEs" however "Public and Private Investment levered" has been included by a number of the outline applications. IW also informed members of the next steps to be performed by the team before each of the selected bids are brought before the LMC.

6.6 JC asked for clarification of the criteria set out within the prospectus. IW confirmed that the intention was for 90% of the overall challenge fund to go towards larger bids worth a minimum £5m each with 10% towards smaller projects of a minimum value of £500k. Priority would be given to larger bids but this would not exclude smaller projects.

6.7 JC stated that from the original criteria set, only 1 of the 5 selected larger bids met the £5m threshold and that the balance between the larger and smaller bids is more than 10%. JC also voiced concern that the ISG had ignored the criteria set by LMC and called into question the competence of the process undertaken by the ISG in selecting the projects invited to submit a full application.

6.8 RQ informed members that 3 projects identified in the smaller project grouping were component parts of a large bid that ISG had asked to be broken down to consider each separately.

6.9 MF also confirmed that the GDT had received 3 eligible bids exceeding £5m. One had been invited to full application, one was discussed in terms of component parts of which subsequently 3 have been brought forward and the final outline was not selected due to issues of additionality.

6.10 FH stated that the LMC ISG had to be realistic and pragmatic to support projects that were deliverable within the bounds of available funds. All projects were discussed and considered fairly. Lessons needed to be learned for the next programming period whereby large, strategic bids should be encouraged and submitted at the earliest opportunity.

6.11 MT agreed with FH that due process had been followed.





6.12 JC commented that projects should have been given the chance to change or re-submit their bids due to the change in criteria and that none of the counter arguments presented altered the fact that bids were put in on one basis and judged on another. He had been advised that the larger bids were not considered by the ISG.

6.13 RL disagreed and commented that of the 3 eligible bids that came through, 1.5 have been selected and the other was judged as having additionality issues.

6.14 MF also confirmed that all bids were considered by the LMC ISG and reiterated that one was not eligible due to additionality, a second was invited to full application and the third was invited to submit full applications for three of five components from the original outline application.

6.15 RQ, as chair of the LMC ISG also confirmed that every bid received a fair hearing and that due process had been followed.

6.16 GS confirmed that, while he understood JC's position, the ISG made decisions on the information available although he conceded it was not an easy process given the volume of paperwork involved.

6.17 RQ informed members that Nottingham City Council had requested that the LMC agree to the Dance4 outline application be re-considered by ISG. JC declared an interest and left the meeting.

6.18 Nottingham City Council had raised the fact that Dance4 had not been invited to full application because the match funding package was not secure. They challenged this point, stating that it was always the intent for the City Council to underwrite any funding shortfall and in their opinion this was clear in the application.

6.19 RQ stated that the group needed to be robust on the process but invited comments from the group as to whether this should go back to the ISG for further consideration or should a decision be taken now by the LMC.

6.20 MT voiced his concern that this could open up further challenge from other applicants whose outline bids were not taken forward and DK stated that all applicants put forward a bid and decisions were made on a fair and equal basis. FH also stated that any applicant could offer to underwrite match funding but this needed to be explicit in order for the ISG to appraise the applications fairly. It was agreed that this was not explicit in this case and the ISG judged the application accordingly.

6.21 GS agreed that the group cannot go back down the process again as it puts other decisions into question. MT also stated that it was a competitive process; every bid was considered and cannot go back on





<p>these decisions. RL informed members that the project had already been considered twice (with both Dance4 and Nottingham City Council as applicants) and on both occasions the situation of match was not clear.</p> <p>6.22 Members agreed with the original LMC ISG decision regarding Space 4 and would not reconsider the project.</p> <p>6.23 RQ also asked members to consider a request from Nottingham City Council to allow the development of the Nottingham Science Park as a first reserve. Members agreed they had no issue with the applicant developing this project at risk but there would be no guarantee that funding would be available. At this point the LMC or LMC ISG is not in a position to agree a 'reserve' list as the process remains competitive. MT asked clarification of the ranking of the bids put through the challenge fund to date. MF confirmed there was no ranking as all bids would be taken to the September ISG. RQ reminded members that the LMC would need to play an active role in developing a 'supply chain' of strategic projects for the benefit of LEPs and the 2014-20 programme. Many projects unsuccessful at this time in the Challenge Fund may well fall into that supply chain.</p>	
Item 7: Programme Outputs and Indicators	Action
<p>7.1 IW presented paper 3, following a request from 3rd March LMC on indicators.</p> <p>7.2 On the overall position, these include proposed figures from challenge fund projects invited to bring forward a full bid. Of the programmes contracted targets, 5 indicators currently meet the target, two already exceeding and another 3 are contracted to exceed. Three are yet to reach the target in terms of contracted and pipeline figures. Even with the challenge fund projects these targets will not be met. In terms of PA performance, PA1 have five contracted to meet the target and 2 currently under-contracted. PA2 have three targets meeting the contracted value and two which are currently under-contracted.</p> <p>7.3 MiT informed members that GVA was always a difficult target to achieve. Members asked if this would this cause a problem and MF confirmed that the GDT will have to justify the underperformance. Ability to meet performance targets would be more critical for the 2014-20 programme.</p> <p>7.4 DK commented on the difficulty project managers have in evidencing GVA and that this needs to be taken into account for the new programme. AW asked if the criteria have been laid down for the LEPS and would there be resources for this. MF informed members that full guidance for LEPs will be available late June/early July. LEPs would be supported by local teams from DCLG, BIS and Defra.</p> <p>7.5 RQ voiced concern with the paper as there are no recommendations</p>	





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<p>in the recommendations section. In terms of something practical but progressive RQ suggested that members beginning to consider how the LMC shares learning for the benefit of the 2014-20 programme. Members agreed this as an item for the September LMC agenda.</p>	
Item 8: Priority Updates	Action
<p>8.1 RQ invited both BB and MiT to present an update on each of the Priority Axis.</p> <p>8.2 BB informed members that PA1 was currently at 89.8% commitment (including broadband). Pipeline from the PA1 4th call, which is still in appraisal, takes the priority to the full £96m with some over commitment. There is one application which is due in under the challenge fund but this is scalable.</p> <p>8.3 MT informed members that the GDT had received every PA2 application from the initial allocations and, at the moment, PA2 allocation was £110m of which £72m has been committed. A further £42m is currently in appraisal and pending contract. Whilst it appeared that several districts were exceeding allocation, projects in appraisal would only be approved up to allocation value. Highest levels of unallocated funding were in Oadby & Wigston and North Nottinghamshire.</p> <p>8.4 RQ stated that a discussion was needed on PA3 underspend and where the LMC will prefer to reallocate this underspend. MF asked for this to be discussed at the next meeting as there will be clearer view of the pipeline and where allocations need to be in terms of PA1 and PA2.</p> <p>8.5 RL asked how the GDT were informing partners that Technical Assistance is still available. MF confirmed he was raising this point with LEPs if they wish to make use of it.</p>	<p>Proposal for reallocation of funding to be presented to the LMC.</p>
Item 9: Audit and Monitoring	Action
<p>9.1 HH presented a paper to members on audit and monitoring.</p> <p>9.2 HH explained that programmes were at risk of suspension should the national error rate exceed 2%. There was an issue with recent Article 16 audits that had been reported to the Commission as qualified major and that CLG were in discussion with the Commission on how this would be handled.</p> <p>9.3 The main issue was interruption of payments and whilst this was not impacting on projects at the moment it could become an issue but CLG had already taken action against the audit findings and was confident that the issue could be resolved. MF also informed members that this is a national interruption and not due to the East Midlands programme. Vast majority of programmes across Europe have been interrupted. The</p>	





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European Commission do not think there is an issue with quality of checks and systems in place but that there have not been enough checks carried out.	
9.4 HH also informed members of the 10% checks on claims which have recently been implemented.	
Item 10: Broadband Update	Action
10.1 MF informed members that all submitted broadband projects have been approved in the timescales set out by the LMC but that there is a high level of risk in deliverability.	
Item 11: Annual Implementation Report	Action
11.1 Members were circulated the draft version of the Annual Implementation Report and written comments were requested to the GDT by 3 rd June.	Members to send comments to the GDT by June 3rd.
Item 12: 2013 Performance and Impact Evaluation - Recommendations	Action
12.1 Members were circulated a copy of the report and these have been summarised with actions given from the GDT.	GDT to circulate letter sent to LEPs. GDT to draft paper on future arrangements of the LMC.
12.2 MF commented that in terms of final recommendations and impacts going forward this will need to be shared with the LEPs. DB requested that on transfer of the activities of this committee to the LEPs he would appreciate a simple guide on what will happen going forward. RW agreed to circulate the letter which went to LEPs.	
12.3 MF confirmed that for the current programme there will a continuing requirement for LMC but as it nears completion the need for meetings would be less frequent. There would not be an LMC for the new programmes but a national board.	
12.4 AW asked if social partners were being involved in the process. RQ confirmed that work was on-going and guidance from Government is that more engagement was needed.	
12.5 Members confirmed they were content with the recommendations of the paper.	
Item 13: AOB	Action
13.1 DB queried if the programme was being adequately publicised from all partners. MF commented that a lot more work is being done by the GDT in terms of case studies, emails and updates along with a business support booklet. He informed members that a Minister would be visiting the region during autumn 2013.	





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Date of Next Meeting	Action
Date of next LMC – 24 th July 2013	Members to confirm attendant to Sarah Walker – sarah.walker1@communities.gsi.gov.uk by 12th July.



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