

From: DCLG

To: Local Management Committee

Subject: MINUTES OF THE MEETING 10 February 2015

Present:

Members/Alternates

David Read (Acting Chair)	DR	DCLG	
Cllr David Brown	DB	Cheshire (LEP)	Cheshire East
Andy Churchill	AC	Third Sector	Network for Europe
Neil Clatworthy	HEI	Sector	NWUEU
Flo Clucas	FC	European Affairs Advisor	Liverpool City Council
Paul Creed	PC	HCA	HCA
Mark Duncan	MD	Manchester LEP	New Economy
Guy Flament	GF	Desk Officer	European Commission
Simon Nokes	SN	Manchester (LEP)	New Economy
Cllr David Southward	DS	Cumbria (RLB)	Cumbria CC
John Thompson	JT	Sustainability	Environment Agency

DCLG

Mike Henesey	MH
Ruth Hollis	
Chris Howarth	

Observers

Paul Evans	PE	Manchester (RLB)	AGMA
Alison Hatcher		Cumbria LEP	Cumbria CC

Introduction and Apologies

DR opened the meeting at **10.08**, thanking members for their attendance.

Apologies were noted from:

Sir Howard Bernstein	Deputy Chair (RLB)	Manchester City Council
Brian Bailey	Lancashire (RLB)	Blackburn with Darwen BC
Kath Boullen	Merseyside (LEP)	St Helens Chamber
Cllr Phil Davies	Merseyside (RLB)	Wirral Met. Borough Council
Mike Emmerich	Manchester (LEP)	New Economy
Francis Lee	Cheshire (LEP)	Chesh West & Chester Council
Sean McGrath	Lancashire (RLB)	Lancashire CC
Cllr Sue Murphy	Manchester (RLB)	Manchester City Council
Cllr Terry O'Neill	Cheshire (RLB)	Warrington BC
Kirsty Pearce	BIS Local	BIS Local

Minutes from the Meeting 10 Oct 2014

The Minutes were agreed as a true record.

Matters Arising from the Meeting 10 Oct 2014

There were no Matters Arising to be addressed.

Item 1: Programme Performance update

Item 4: NWOP N+2 2014 Decommitment

DR introduced the paper. N+2 2014 target was exceeded by £14.4m though much of this was not crystallised till late Nov/December. No Change Controls have been processed since May 2014 due to concerns over N+2; GDT are now in a position where assessments can be made of which projects to move forward, while recognising existing commitment level should not be exceeded. There is c£20m saving to be made to reduce commitment down to 100%.

There is no N+2 target for 2015 however circa £157m claims must be processed in 2015, the final year of the programme, and this can't be left to the last quarter. Closing projects is a priority and extensions need to be managed to avoid large number of projects closing at the end of the programming period. Challenge in managing resources for the MA to successfully close 2007-13 programme whilst launching 2014-20. Indicator targets have been exceeded in many cases.

- 1.1 FC asked what volume of Change Controls was likely. DR replied the tabled lists provided by the LEPs put forward the projects anticipating extensions, though not all would necessarily be agreed. Any extension requests beyond June 2015 have to be approved by DCLG Central. There will be some additional requests for slippage on capital projects.
- 1.2 SN advised the national Programme Board want to avoid a gap between programmes and say they will look favourably on projects which can bridge that gap. DR added retaining activity and project resources to support LEP priorities is a priority to ensure no hiatus in provision between programmes.
- 1.3 GF suggested confirmation of the outputs would be an important element in the sign-off of the 2014-20 programme; also under discussion was an FI across the north of England.
- 1.4 MH explained the content of the tabled sheets. The Internal Project Group (IPG) will examine the projects in detail but will not agree to extension without clear justification. It is the activity, not the project, which will move on into the 2014-20 programme where that activity is supported. The first call for the 2014-20 programme will focus on business support.
- 1.5 FC felt some of the Merseyside projects listed were not necessarily eligible for ERDF but may qualify for funding from other programmes. AW responded LCR LEP are working with consortiums to develop options.
- 1.6 FC asked should a project not require ERDF in the next programme as different funding streams known to be available, would this qualify the project for an extension?
- 1.7 DR replied it would. This is the first element of the process which will be discussed with all partners. A decision is needed by the end of February to take back to the Programme Board. In principle we want a smooth transition,

which means incorporating as much flexibility as possible. The updated list will be circulated to LMC for information.

Action:

GDT to circulate to LMC members final list of projects requesting extensions.

Item 2: JEREMIE update

DR introduced the paper. Spend is still falling short of target but 2014 has seen much improvement for NWF. GDT feel confident the majority of funding will be invested by September 2015. The Fund managers are aware nothing is to be forecast beyond 30 September. It is encouraging that increased performance in Merseyside had a positive effect and LCR partners are thanked for their help. The Microfund is up and running and has completed a number of deals since November. Some banks are now moving back into larger businesses though not yet SMEs. The improved performance means c£3m ERDF will be returned to the programme, not the original £10m.

Outputs are difficult to assess – increased investment levels do not always deliver increased outputs. NWF are confident they will achieve spend.

- 2.1 FC understood the same fund managers would continue in the 2014-20 programme; how can it be ensured DCLG have the same oversight as with this programme, not to repeat mistakes.
- 2.2 DR responded both the EC and UK Govt recognise it is important to build on what we already have for Financial Instruments (FI). When NWF was established governance of the programme lay with NWDA. Part of the current discussions is looking at potential issues in getting the right governance to ensure LEPs have input and influence. Lessons have been learnt from this project that is being captured as part of the Financial Instrument ex-ante assessment. It is compulsory for the 2014-20 programme that FIs undertake an ex-ante assessment. There is not much data which breaks figures down below regional level as this has not been done historically. The next stage will be to establish the investment priorities across the five LEPs to inform the investment strategy as part of Stage 2.
- 2.3 SN asked whether the lack of outputs achieved will have a knock-on effect? DR advised the NWF are addressing the outputs and the balance to be found when moving funding between sub funds. The different nature of the sub funds affects the outputs at the point of investment.
- 2.4 NC queried investments in different areas. DR replied GDT will request a breakdown of investments by sub regions from NWF.
- 2.5 GF asked what action is proposed. DR responded NWF have been tasked to discuss the risks as they see them with their Investment Board and fund managers and bring back suggestions for addressing outputs.

Action:

GDT to request NWF to provide breakdown.

Item 3: Superfast Broadband update

DR introduced the paper. BT forecasts were off the mark especially in Cumbria and Lancashire. GDT are working closely with BT, DCMS and BDUK to discover why and to try to resolve the situation. If BT now deliver to reforecast figures SFB projects should be on track to deliver. The situation was discussed at EPIC on 22 January.

DCLG central have agreed, by exception, an extension for Cumbria SFB to end activity by September with financial completion by December 15. BT have been advised that Cumbria is an exception and BT confirmed all other projects should be able to deliver to the June deadline and are being managed on that basis.

3.1 DS was delighted the situation with Cumbria SFB was resolved, albeit temporarily, and thanked all parties for their efforts.

3.2 FC asked whether the belief that BT prioritise domestic customers over SMEs will be examined.

DR reassured members that in relation to ERDF compliance only SMEs are considered; there has been no evidence that BT are prioritising domestic customers. BT have not had enough people on the ground to do the work. The number of businesses supplied is now increasing. Business benefits for SMEs need to be more embedded in business support projects going forward

Item 5: JESSICA update

PC outlined the paper. Pipeline projects are not itemised but are provided to GDT on a regular basis. In the 2014-20 programme JESSICA projects will be managed by LEPs, HCA's current role will discontinue.

5.1 GF noted EC were satisfied the JESSICA project had been successful in the NW. He requested detail of project completion.

5.2 PC responded financial completion is expected 2016: pipeline investments would soak up any remaining funding.

5.3 DR advised it is not expected that JESSICA will need an extension as current plans show it will complete by December 2015. The Commission have allowed for extensions on Financial Instruments up to March 2017 however expect DCLG will limit any extensions to manage programme closure. PC noted HCA need to manage the message given to the Funds to maintain the pressure to spend.

5.4 DR referred to the URBACT programme. PE provided an overview:

URBACT is a European exchange and learning programme promoting sustainable urban development. URBACT

- enables cities to work together to develop solutions to major urban challenges, reaffirming the key role they play in facing increasingly complex societal changes*
- helps cities to develop pragmatic solutions that are new and sustainable, and that integrate economic, social and environmental dimensions*

- *enables cities to share good practices and lessons learned with all professionals involved in urban policy throughout Europe*
- *includes 500 cities, 29 countries and 7,000 active participants*
- *is jointly financed by the European Union (European Regional Development Fund) and the Member States.*

5.5 DR considered the NW should be proud of this ground breaking work. A number of other cities are now looking to follow the same route. The publicity material is very clear and informative and useful to share with all colleagues. PE agreed to forward to GDT for circulation to members and LEPs.

5.6 FC asked if HCA were aware that LEPs are not financial bodies. PC replied working with combined authorities may be the best approach.

5.7 FC felt the implication that a range of different organisations would be responsible for one element of the programme.

5.8 DR advised a Holding Fund structure is the potential course. The proposal is to work out the best positioning for this, within the LEP or the Local Authority. He thanked HCA for all the work done on the JESSICA project in the 2007-13 programme.

Action:

PE to provide detail and website link for Urbact programme.

Item 6: Feedback from Sub Committees

DR noted much of the EPIC discussion had informed LMC at today's meeting.

Item 7: 2014-20 European Structural Funds Programme update (verbal)

DR provided a verbal update. DR advised members it is expected the OP will be agreed in principle at the end of February, formally signed off in June. The first calls (potentially 5: Thematic Objectives 1, 2, 3, 4 and TA) will be launched mid-March prior to purdah leading up to the general election, beginning 30 March. The first claims from these calls will be submitted in September.

There have been detailed discussions with LEPs regarding governance but the EC are very clear that the Managing Authority will retain ultimate responsibility; Intermediary Body status will be very limited and only for 10% of ERDF allocation. The Managing Authority will have ultimate responsibility as with the current Programme.

The next project calls are likely to be in September. GDT are not anticipating project contracting until the OP is signed off in June; templates are being drafted by DCLG Central with a view to loading onto the website in mid March.

As 2014-15 have been lost to expenditure it will be challenging to meet N+3 targets Dec 2016. It is important to invest in sound projects. The NW should be able to build on previous experience, unlike some LEPs, and has a good track record of engaging with other funding sources should they become available.

The Secretary of State has agreed the creation of 85 new posts, 13 for the NW. Staff will be managing expenditure and closure on 2007-13 and the 2014-20 Programme.

- 7.1 PE asked how Financial Instruments would be managed in the launch call. DR replied the decision is currently with Legal, there is revised guidance. There will be an opportunity for Fund of Funds management in the call. JEREMIE and JESSICA will no longer apply. To comply with procurement rules fund managers will need to start the process in May. A paper explaining the rationale has been submitted to ministers.
- 7.2 AW accepted that linkages between programmes were needed and felt the LEP to be over-burdened with management: greater clarity should be given over TA needs and resources. He asked how cross-LEP working would be managed.
- 7.3 DR responded investment decision will still rest with the MA. Regarding national programmes, it is up to the LEPs to define what they want from national products; ERDF cannot be seen to compete with those products. Business Support projects will be very similar to the current programme.
- 7.4 GF noted EC will be looking at results achieved rather than spend.

Item 8: AOB

- 8.1 DR noted that Paul Roots (Sustainability representative) had moved on to a new role within the Environment Agency and therefore with a heavy heart had stepped down from the ERDF committees. His replacement is John Thompson (unable to attend today).
- 8.2 DCLG have appointed Patrick White as the new Chair of the NW LMC. Patrick was previously with the NWDA, and is now picking up a wider role in the NW, though unable to attend today.
- 8.3 Next LMC meeting to be called in June.

Action: GDT to organise next LMC meeting and inform members.

There being no other business, the Chair closed the meeting at **11.57**.

Minutes agreed by LMC.

Signed

**David Read
DCLG
(Chair)**

Date