



Department for  
Communities and  
Local Government

**Minutes of the East Midlands ERDF Combined Local  
Management Committee and Investment Sub-Group 2007-  
2013**

**Date: 23<sup>rd</sup> February 2015**

**Venue: Apex Court, City Link, Nottingham**

<b>Full LMC Members Present*</b>	<b>Representing</b>
Rachel Quinn (RQ) (Chair)	One East Midlands
Mark Foley (MF)	Department for Communities and Local Government
Mary-Louise Harrison (MLH)	Leicester City Council
Dan King (DK)	University of Nottingham
Richard Kirkland (RK)	D2N2 LEP
Cllr Geoff Stevens (GS)	East Midlands Councils
Pete Holmes (PH)	BIS Local
Renaldo Mandmets (RM)	DG Regio: European Commission
Stuart Young (SY)	East Midlands Councils
Sam Todd (ST)	Environment Agency
Jo Lappin (JL)	Northamptonshire LEP
Ian White (IW)	Department for Communities and Local Government

<b>Observers</b>	<b>Representing</b>
Anna Vincent (AV)	Department for Communities and Local Government
Martin Holland (minutes)	Department for Communities and Local Government

\*A full list of apologies is provided at the end of the meeting minutes.



EUROPEAN UNION  
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European Regional  
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<b>Item 1: Welcome and Introductions</b>	<b>Action</b>
The Chair (RQ) welcomed members to the meeting and thanked everyone for attending. Introductions were made and apologies noted.	
<b>Item 2: Declaration of interests</b>	<b>Action</b>
None.	
<b>Item 3: Minutes of Previous Meeting and Matters Arising</b>	<b>Action</b>
3.1 Members accepted the minutes as a true record.	
<b>Item 4: Programme Update – For Information (Paper 01)</b>	<b>Action</b>
<p>4.1 IW presented Paper 01 and highlighted the following points:</p> <ul style="list-style-type: none"><li>• The East Midlands Programme Value is £221.44m against which £222.46m (100.46%) is contractually committed.</li><li>• All projects are now contracted and in delivery.</li><li>• The East Midlands programme exceeded the 2014 N+2 target by £11.743m.</li><li>• 5 outputs have exceeded their targets: ‘Number of Businesses assisted to improve performance’, ‘People Assisted to Start a Business’, ‘Square Metres Upgraded’, ‘Brownfield Land Reclaimed’ and ‘Number of businesses engaged in new collaborations with the UK knowledge base’.</li><li>• 4 outputs – ‘GVA from businesses improving performance’, ‘Graduates placed in SMEs’, ‘Number of businesses improving performance’ and ‘public and private investment leveraged’ do not have enough in delivery or pipeline to meet their targets.</li></ul> <p>4.2 IW informed Members that a review was currently being undertaken of all closed projects to review which outputs were claimed and what was achieved overall. IW went on to highlight the key figures achieved from the last quarter.</p> <p>4.3 JL asked whether there would be any impact on the programme from under achievement of outputs. MF responded to say that we would be accountable to the Commission for none achievement of outputs on the current programme but that there would be no financial impact to the projects for any under achievement. He went on to say that on the 14-20 programme there will be greater accountability to the projects themselves for under achievement of their agreed outputs.</p> <p>4.4 PH asked about PA3 and the general performance of this I terms of spend throughout the programme. MF confirmed that any underspend on technical assistance would be transferred out of the programme.</p> <p>4.5 RM commented on the good achievement of the core outputs for the</p>	



programme. He noted the under achievement of GVA which MF said was a problematic indicator to achieve given the nature of what is required to support and evidence this and the timescales involved. He went on to say that projects on the 14-20 programme will be required to design them in such a way that ensures they can sufficiently achieve their stated outputs and results within the given timescales. GS commented on the good performance of brownfield land and was pleased to see that this had been achieved which was a positive result overall.

**Item 5: Reprofile Exercise – For Information (Paper 02)**

**Action**

5.1 MF presented the paper, noting the following key points:

- £12,801,964 ERDF slippage has been requested as 'carry-over' from 2014 to 2015.
- £2,013,315 ERDF has been voluntarily decommitted by projects.
- £6,468,353 ERDF of additional funding has been requested by projects.

5.2 MF noted that moving into the final year of the programme, 2015 would be different in terms of approving slippage requests as there is no longer the ability to roll underspend into future years. All projects were contacted in Jan 2015 to reprofile their projects for the final year. The outcome of the exercise will see a large number of projects pushing activity into late 2015. MF went on to say that the Department is still very aware of the risks involved in doing this from the 2000–2006 programme.

5.3 Three recommendations will be presented to the board as follows:

- Do nothing - All projects remain as they currently are
- Allow all project requests through
- Combination of some approvals and some declined to provide an even spread across the programme and minimise risk

If individual projects require decisions to be made, the LMC will be consulted either through a meeting or via written procedures.

5.4 DK commented on the need to ensure that there is sufficient transition between this programme and the new one and the reprofile exercise is key to this. He went on to ask that, if the option allows, can we explore the organisations view point on allowing a project to continue as a means of justification. MF agreed and said that this approach would be adopted if required.

5.5 RM commented that over commitment by up to 5% more than the programme maximum is common on other member states. MF replied to say that the MSA made a decision to manage the programme at 100% due to the risk factor and fluctuation in exchange rates and commitment levels.

5.6 JL asked whether we are looking at lessons learnt on the current programme to inform the guidance and assist projects so that they are



aware of what is required from them and how they need to operate in order to be successful. RQ answered to say that the ERDF Annual Event would focus on this with projects showcasing their experience of ERDF and discussing what did/didn't work.

5.7 SY stressed the importance of accurate financial profiling as poor information from projects leads to issues in higher level programme performance. We need to ensure that these issues are understood and that future projects are made aware of this when delivering activity on the new programme.

5.8 MF commented that projects have not fully grasped the concept of forecasting, with many simply providing a flat profile. The profiles are used to provide forecast and target information to the Treasury. The issue does not just rest with the European Commission, it is a wider Government pressure we have to respond to.

5.9 PH asked whether there is any national good practice we can draw upon with examples of where it has been done well? MF said that the lessons learnt from the current programme had been well documented for example in the use of FEIs and the associated risks of using these to invest large sums of money from the outset.

5.10 MLH raised the issue of the time and delays often incurred during the contracting stage of the project process, attributable to both the MA and the applicant. MF highlighted that if a project gets through to full application stage then they need to ensure that they are ready to deliver as projects which reach this stage will go through to contracting. He stressed that this was critical for accurate financial forecasting with minimal delays. Some of the Challenge Fund projects were able to achieve this as they were at the point of being able to deliver immediately.

5.11 DK highlighted the issue that most organisations can't go out to tender until they have a formal offer of grant as this is not in line with their internal procedures. Therefore the key learning from the current programme is critical to ensure projects hit the ground running. He also asked whether the new set of indicators had been confirmed. This needs to be addressed from the outset to enable projects to plan for this. MF responded to say that this is hard to achieve early on in a projects development but the current processes and systems in place will evolve on the new programme and will go some way to helping achieve this. He added that indicators have not yet been confirmed.

5.12 JL raised concerns over issuing a call for projects without the confirmed indicators as we may be in a position where by we are retrofitting projects to meet the new indicator targets.



<b>Item 6: Audit and Monitoring Update - For Information (Paper 03)</b>	<b>Action</b>
<p>6.1 MF highlighted the 2 national audit regimes which currently govern ERDF, these being Article 13 and Article 16. He informed members of the recent visit from the EC which looked back at projects retrospectively from previous years on the current programme. This was prior to standardisation of ERDF following its move into DLGG. This was raised as an issue by the GDT as protocols were being applied to projects to which they did not necessarily originally apply to. We are now working to a 60 day turn around to respond to the issues raised before the programme is interrupted. The GDT is currently working through these issues, demonstrating that our standardised processes meet the requirements and satisfy the Commission.</p> <p>6.2 MF informed members of a full procurement review that was currently being undertaken, working with projects to assess procurement activity for compliance.</p> <p>6.3 The current programme is under the threat of interruption, with the commission requesting that the final declaration for 2014 be withdrawn which will have a significant impact on the N+2 achievement if this goes ahead. MF confirmed that the Team is working through the more significant issues with the Commission to resolve these and prevent a potential interruption.</p> <p>6.4 RM commented on the issue of procurement accounting for almost 30% of all errors on European programmes. MF responded to say that this is the biggest issue on the East Midlands programme and, as part of best practice, will be rigorously tested and addressed at the outline and full application stage on the new programme going forward to ensure that these problems do not continue.</p> <p>6.5 DK commented that in recent years we had seen strong legal arguments and case law tested in regards to procurement, but by applying it retrospectively, many projects were not originally aware of these issues and were being unfairly scrutinised.</p> <p>6.6 MF stated that he felt it was unfair that the EC tested very old projects that were not party to the new regulations, processes and methodologies.</p>	
<b>Item 7: Equalities Data – For Information (Paper 04)</b>	<b>Action</b>
<p>7.1 RQ informed members of the recent research that had been undertaken. This was originally a random sample of projects, however the response rate meant that this was then opened up to all live projects on the current programme in order to obtain sufficient data. Data was received from around 36 projects (20% of the programme total). Distinct disparities were noted between the priority axis. The questions asked were as follows;</p>	



- Do you collate information on equalities?
- Do you analyse that data?
- Do you pass this information on to the MA?

Four key elements were identified as being essential to ascertain at the beginning of the programme are Age, Gender, Disability and Ethnicity.

The findings highlighted that gender was not an issue with a good split across the programme. Ethnicity revealed 66% of the programme comprised of white British. Only 4.38% of the programme receiving support had a disability.

The findings also highlighted that PA2 was far more diverse than PA1 due to the geographical spread and type of under deprived areas and organisations PA2 focussed on. RQ asked the question of what we can learn from these findings.

7.2 MLH raised that it was concerning that this level of information was not on MCIS and that we need to be clear with projects from the outset that this information is being collated and assessed to see where projects are falling down on certain groups or sectors. RQ confirmed that D2N2 have built in an eligibility mechanism to assess where projects are falling down on particular areas of equalities.

7.3 MF commented that MCIS wasn't designed to collate this level of information so this cannot be achieved at this stage. In terms of analysis at a local level, there is a proposal by DCLG to assess this information during the appraisal process which will put a greater emphasis on collating this data.

7.4 MLH noted that by 2011, less than 21% of the beneficiaries under PA1 were woman. This needs to be reviewed at the interim and the appropriate action taken to address this.

7.5 MF said that LEPs and partners have responsibility for economic growth and the equalities requirements should be reflected in the calls for projects that they issue to ensure these targets are met.

7.6 JL commented that we must ensure we don't become lost in this basic information which has not yet been confirmed. If we don't know our current expectations on the programme, we can't act accordingly. We must know our targets and results and ensure they are realistic in order to achieve them.

7.7 MF added that partners need to ensure that the relevant people are aware of the requirements and that their projects are designed accordingly to reflect this from the outset to target any under-represented groups and to stimulate activity.

7.8 RQ said that this would require further analysis and will be developed



<p>in greater detail as part of the planning on the new programme to ensure it is adequately addressed.</p> <p>7.9 DK highlighted the issue of how equalities data works in respect of PA1 where the activity is very much business focussed rather than based on the individual and therefore this type of data cannot be accurately pinpointed as there is no single beneficiary available.</p>	
<b>Item 8: 2015 Communications Plan – For Agreement (Paper 05)</b>	<b>Action</b>
<p>8.1 MF informed members that the communications plan is a standard document that is required by the Team. If anybody wishes to make comment on the plan, please feed this back to the GDT.</p> <p>No further discussions were held on this matter.</p>	
<b>Item 9: 2014-20 ESIF Programme Update – Verbal Update</b>	<b>Action</b>
<p>MF provided the following updates on the development of the ESIF programme</p> <p>9.1 Letters were currently being issued by Angus Gray and Julia Sweeney informing on the new Calls for projects.</p> <p>9.2 Core cities will hold IB status for SUD activities.</p> <p>9.3 Lord Ahmad has now written out to all European Growth Programme Colleagues, LEPS and other partners setting out governance arrangements for the 2014-2020 ESI Funds and progress in getting Programmes agreed with the Commission.</p> <p>9.4 Current deadlines were tight with activity being proposed for launch in mid-March, however there was still a gap on the progress of the Low Carbon work being undertaken which needs to be addressed.</p> <p>9.5 An interim system will be used to manage the programmes called LOGASnet for which usernames and passwords will be required. Partners will be requested to provide this information in due course to ensure sufficient access is set up to enable organisations to apply for funds.</p> <p>9.6 Programmes would be formally adopted in June although an exact date cannot yet be confirmed.</p> <p>9.7 MLH asked when the informal sign of the OP would occur. MF responded to say that this would be towards the end of February/beginning of March. He noted that the calls for activity were relatively non-contentious which reflected the current position and meant they would be able to go out with the calls on the 16<sup>th</sup> March, as planned. He highlighted that this</p>	



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was being done at risk and that as of yet, there had been no further detail provided on retrospection.	
<b>Item 10: Date of Next Meeting</b>	<b>Action</b>
10.1 MF said that the DCLG Programme Board meeting on Thursday would dictate whether a further meeting was required based on the decisions made and the outcome of this. If specific decisions are required to be made by the LMC, this could be done via a meeting or written procedures. And the relevant course of action would be taken.	
<b>Item 11: AOB</b>	
11.1 RQ requested any particular comments from a governance perspective which could be highlighted at the forthcoming Annual Event; Items raised were as follows: <ul style="list-style-type: none"> <li>• Making such a large investment in the programme at such an early stage with a call for projects when the OP has not yet been formally signed off</li> <li>• The requirement for an early issue of guidance and governance to ensure awareness by partners and potential applicants</li> <li>• The importance of accurate information being submitted by projects through claims and forecasting</li> <li>• The need to adhere to publicity and procurement to avoid potential irregularities across the programme</li> <li>• The role of governance, the decision making process and the relevant advise available in doing this.</li> </ul>	

<b>Apologies</b>	<b>Representing</b>	<b>Deputy attending</b>
Susannah Lewis	Lincolnshire County Council	
Maxine Aldred	Private sector	
Jon Baker	Environment Agency	Sam Todd
Cllr David Bill	Hinckley & Bosworth Borough Council	
Sajeeda Rose	Northants	Jo Lappin
Sonia Coleman	Bolsover District Council	
Rowena Limb	BIS Local	Pete Holmes
Justin Brown	Greater Lincolnshire LEP	
Merja Toikka	European Commission – comments sent	
Jon Collins	East Midlands Councils	
Roger Moors	SEEM	

<b>Nil response:</b>	<b>Representing:</b>
Simon Feneley	Further Education
Sam Todd	Environment Agency





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Mike Stubbs	DEFRA
Lee Barron	TUC
Cllr Eion Watts	Sheffield City Region LEP
Sue Smith	SEMLEP