Department for Communities and Local Government

ERDF low carbon economic growth in the East of England

EUROPEAN UNION Investing in Your Future
European Regional Development Fund 2007-13

Local Management Committee
Subject: **East of England European Regional Development Fund (ERDF) Competitiveness Programme 2007-2013** Minutes from June 2014 LMC meeting
*Report by J Logue**, Programme Management team, DCLG***
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Summary – This paper provides a summary of the key points made at the June 2014 LMC Meeting.

Summary of Key Points

- **Ali Hadawi, Principle of Central Bedfordshire College, welcome the Committee to the Incuba Centre, explaining that college prides it self in being a centre of excellence with a strong curriculum helping to build the workforce of the future and a quality learning offer; first class learning to provide a skills base to support the local economy.**

- **Neil Wardell, Project Manager of the Incuba ERDF Project, gave a presentation regarding progress of the project, so far.**

- **Programme Delivery update, the Committee welcomed progress on outputs and results and progress towards N+2 but wanted the GDT to give a stronger focus on achievement of those outputs/results. The Committee also endorsed f the work being undertaken by the GDT in preparation for a submission on changes to the Operational Programme.**

- **The Committee endorsed the GDTs closure plan and the flexible approach to resourcing being employed. They agreed all efforts should be employed to maximise the delivery of outputs and results before and during closure.**

- **The Committee endorsed the Annual Implementation Plan 2013.**

- **The Committee also endorsed changes to the LCIF Fund with additional conditions set out by the Committee.**

- **It was noted the Environment Agency is no longer able to chair the LMC's Environmental Sustainability sub-committee. GDT are making representations to colleagues in Natural England about taking over for the remainder of the programme.**

Recommendation 1: LMC to approve the February 2014 LMC minutes.

Local Management Committee (LMC)

Minutes of meeting 5th June 2014
Incuba Centre, Brewers Hill Road, Dunstable, Bedfordshire.

Chair	George Kieffer	SELEP, Acting Chair
Members	Alastair Rhind	New Anglia LEP
	Michael Large	EEBG
	Angela Rowney	SEMLEP
	Lorraine George	SELEP
	Paula Grayson	Equality & Diversity Champion
	Andrea Stark	Arts Council
	Ian Gregory	BIS Local
	Alan Corbett	Herts LEP
Guest Speakers	Ali Hadawi	Principal, Central Bedfordshire College
	Neil Wardell	Incuba, Project Manager
Observer	Sarah Murray	Brussels Office, East of England
Officers	Astrid Jenkins	DCLG Contract Manager and Team Leader
	Paul Smith	DCLG Contract Manager
	Julie Logue	DCLG Programme management
	Simon Hannah	DCLG Technical Assurance & Compliance
	Nupur Takwale	DCLG Contract Manager
Apologies	Neil O'Connor	DCLG, Chair of LMC
	Michael Barnes	CGCP LEP
	Merja Toikka	DG Regio
	Sue Smith	Cherwell & South North Hants
	Cecilia Tredget	EELGA
	Graham Nix	GCGP
	Vanessa Winters	Environment Agency
	Sian Timoney	Luton BC, LEP Rep
	Tracey Cox	Skills Funding Agency
	Rebecca Lane	Arts Council
	Kathy Pollard	Suffolk County Council
	Guy Mills	Cambridgeshire County Council
	Richard Howitt	MEP

Item 1 – Introductions and apologies

1. The Chair, George Kieffer, opened the meeting by welcoming everyone to the Incuba Centre in Dunstable. Apologies were noted. There was no declaration of interest. The meeting was declared quorate.

Item 2 – Introduction to Central Bedfordshire College by Ali Hadawi, Principal.

2. Ali welcomed the Committee to the Incuba Centre and explained that the college has a number of campuses in Dunstable, Luton, Houghton Regis and Leighton Buzzard, the Incuba centre is amongst them. The further education college has a broad curriculum for both adults and young people covering a wide range of courses such as construction, engineering, health and social care, in fact virtually everything apart from farming and land based activities.

3. The college prides it self in being a centre of excellence. Their strategy encompasses two important aspects, Ali explained, a strong curriculum helping to build the workforce of the future and a quality learning offer; first class learning to provide a skills base to support the local economy. Ali concluded that colleges like Central Bedfordshire was having to rethink how it interacts with businesses, especially as business and education talk a different language. This interaction would open up opportunities to make the student experience more fulfilling. First investment is needed; new industries are at last coming to Dunstable to replace traditional industries which have fallen away. Incuba is part of that new contribution to the town's future.

4. Going forward, Ali explained, the college is working with key stakeholders to play a key role in re-invigorating the economy of the town and surrounding areas. He explained that through the South East Midlands Local Enterprise Partnership (SEMLEP) with funding from the Department of Business Innovation and Skills (BIS) in partnership with Vindy they will create an engineering and construction facility that is also a research and development centre that will give both teachers and students access to the latest technology and thinking in this field.

5. Ali explained that the last Ofsted inspection had judged them to be good and acknowledge the key strategic work going on to maintain and improve this position further going forward. The Incuba centre plays and important role in the future success of the college providing flexible and multi-functioning space to maximise a range of practical learning opportunities.

6. The Committee thanked Ali for his informative introduction and welcomed the college's plan to form greater links with business and asked him what percentage of students move into jobs? Ali responded by explaining that they had good systems in place to track students progress but not all courses are feeders into jobs. However, he believed that the figure was high approximately 90%. (Progression rate of students in general was between 97-98%)

Item 3 – Presentation – The Incuba Centre

7. Incuba Project Manager, Neil Wardell, gave a presentation on the progress and achievements so far of the project. A copy of the presentation was circulated to the Committee, after the meeting.

Item 4 - Minutes of the LMC meeting February 2014

8. The chair confirmed that the minutes had been previously circulated and comments invited. No comments had been received. Additional comments were raised at this meeting were:
    - Amend first sentence under paragraph 2 to reflect no additional comments were received and the minutes presented at the meeting were the final version agreed by the Committee.
    - Amend comments under the Item – Minutes of the October 2013 Meeting – to include "The secretariat to ensure the minutes are an accurate, true and fair representation of the discussion at the meeting. No amendments are to be accepted without first being approved and agreed by the Committee".

9. With the addition of the above items the Committee agreed the minutes. All actions were completed and /or incorporated as agenda items at this meeting.

Item 3 – ERDF Programme Delivery Update – Paper 4

10. Astrid Jenkins, GDT East, introduced the paper and made the following key points:

    - There was a better picture on GDT resources, since that last update, three more people will be joining the team during the course of the next four months. These are advertised as generic roles and will have a strong focus on delivery of the current programme to enable existing staff to focus more on working with LEPs to support activities around the 14-20 programme.

    - There are ongoing discussions around the future of the RGF programme and supporting resource requirements.

    - 100 staff is being recruited across the Network to assist with transition and closure of the current programme.

    - N+2 – based on the forecast figures given in the delivery paper are quietly confident of achievement.

11. In discussion, the Committee raised a number of issues relating to performance and resourcing, questioning whether balance of resources were sufficiently weighted to delivering the current programme to help projects achieve underperforming targets in the current OP and volunteered their help and expertise to the GDT to assist in achieving this. The Committee were strongly in favour of resource being weighted to the current programme.

12. In response to a query regarding the transfer of ESF staff to DCLG, specifically to work in GDTs in support of the new ESF programme. Astrid explained that it is unlikely that existing ESF staff will be transferred over to work in Cambridge GDT because of their existing location. However recruitment of ESF posts for the new programme would begin in September 2014.

13. Astrid drew the Committee's attention to comments made by Merja Toikka, DG Regio in correspondence before the meeting on achievement of N+2:

    > "In the telephone I was informed you were confident that no N+2 should take place this year for the EE OP. I appreciate that. However, in Programme Delivery report (Paper 4), the table on N+2 progress targets on page 4 clearly shows us and the Monitoring Committee that in the five firsts months this year cumulative performance is 31% so far of the 2014 target spend of £14.5 million. Project claims till 31 May is not mentioned in the table but would be of interest for us and the MC of 5 June to know. Therefore, we see the balance remaining for the second half of 2014, with the summer lull, would be £10 million out of the £14.5 million i.e. clearly over 50%.
    >
    > Hence, the question is are you short or not in N+2 today; it is the implementation of the plan that is relevant. Page 3 of Programme Delivery report states clearly that "the N+2 target is expected to be the most challenging target since the start of the programme".

14. In response Simon Hannah, GDT Technical and Assurance Manager, explained that the programme is in a better position to where we were this time last year. Since the paper was compiled another £1.2m of claims were paid to the end of May. He also explained that over £3m worth of claims were currently in the office to be paid, so by the end of June we should have caught up to the forecast figure given in the paper. He explained

that an analysis of each project had been undertaken to establish their contribution to N+2 to compile the forecast figure. To ensure this is realistic, we have plotted the worse case scenario. Given where we currently are with claims, we should by the end of August 2014 have spent more than is forecast. Performance reviews of each project remain ongoing so we always have up to date forecast information. Our plan is to ensure that no claim is sitting round the office. Therefore we are forecasting that N+2 will be achieved mid-November.

15. The Committee were encouraged by progress, but cautioned the GDT not to under estimate the workload or the resource needed to achieve N+2, meet OP targets and close down the programme. They were greatly concerned about whether delivery of all these key pieces of work were achievable with the time remaining with team capacity and the pull on activities to support the introduction 14-20 programme. The Committee asked in light of the fact that there is no scope to contract new projects after 31 January 2014, whether there were any particular projects that would give cause for concern in terms of spend.

16. Astrid responded by saying there was no projects that were of particular concern. As already explained the GDT are undertaking another performance review of projects, this would identify those projects who cannot spend, and de-commit money from them, with the aim to give the money to those identified as being successful and who could absorb more spend. Also transitional type projects have been agreed which helps fill the gap.

17. The issue that was of more concern to the GDT, Astrid explained, is the achievement of the outputs and results. New resource will be targeted at delivery to help the projects draw in more businesses to help to contribute to the under achieving outputs. A pipeline of projects will be maintained in case there is a change in policy but this is challenging given the practicalities of spend and delivery in the remaining time left in the current programme.

18. In discussion, the Committee talked about the problems in delivering results, specifically related to R3 - No of successful innovation related initiatives in SMEs, where performance is currently only 29.82%. Simon explained there were challenges in capturing results like R3 because of the time lag in being able to capture the results. Capture comes much later through ongoing follow up work with the projects. However, as the last approved OP change was able to open up results pan-axis, so the GDT is now working with projects to capture these results, as before the change many projects, were achieving results but not able to record them.

19. The Committee noted the underperformance of Priority Axis 1 in contrast to the over performance of Priority Axis 2. Simon explained that it is easier to justify/evidence non-innovation related outcomes and results, something that the team is trying to counter with the projects to educate them on the definitions of activities for capture.

Operational Programme Changes –Paper 4 (Annex A Revised)

20. The Chair explained that the GDT were seeking the support of this Committee to make the case of change of the Operational Programme to the European Commission. The GDT had revised the paper following comments made by DG Regio, and tabled it at the meeting for discussion. The recommendation is now that LMC endorses the work being undertaken by the GDT in preparation for the submission of a robust justification for changes to the Operational Programme.

21. The Committee were in agreement but given that it is proposed that the money is removed from Priority Axis 1, which focuses on Innovation, they wanted clarification as to

whether there was any significant innovation related projects in the pipeline mentioned earlier. Astrid explained that there was not, but there were two capital build projects. It was established that there was no demand for Priority Axis 1 type projects, the demand and success of the programme lay with Priority Axis 2 and therefore in order to achieve full spend against commitment it was logical to move the money in this way. However this is counter to view taken by the Commission

22. Astrid shared with the Committee comments made by Merja Toikka, DG Regio in correspondence before the meeting on the proposals for change:

    "As in the OP modification of 2013, an inter-service consultation will be carried out. The Secretariat-General will scrutinise very carefully, as it did in 2013, all proposals for OP modifications. It has already rejected a number of proposed OP modifications. We would therefore advice you to check Article 33, your jobs and growth creating justifications, including those used in the context of the 2013 EE OP modification, inform the needed changed indicators as well, and package better your case in a revised Annex to Paper 4 with additional justifications in line with the SG thinking informed to you in 2013.
    <u>All this is needed for a document to be given for Monitoring Committee approval for the changes and justifications to be proposed</u>.

    We were surprised to learn that the MA is proposing not only a transfer from TA but, for the second time around, a transfer from PA1 to PA 2, this time a proportionately big amount of £5.7 million. We kindly ask you to give the justifications to the Monitoring Committee and to us in a revised Annex to Paper 4 for such a proposed transfer. The East of England is supposed to be one of the best areas in England for R&I and yet the Priority Axis continues not to perform as planned. Could you kindly inform the Monitoring Committee and us in the document the reasons why, and what is currently failing and the lessons learned for the 2014-2020 programme in PA1 area of R&I (which will be a key area for the 2014-2020 period)"

23. In subsequent correspondence, Merja had emphasised:
    "At the Feb 2014 MC the GDT informed it would prepare changes to the OP to maximise the ERDF investments; from PA 4 (TA) to PA 2 and to get better percentage in outputs and results in lagging indicators. I advised the EE GDT for instance that any possible key programme output and result indicator currently below 50% of OP target would need to be further worked up of the committed projects"

24. Astrid confirmed that she assured Merja that the plan is to undertake an assessment in preparation for a submission, in a similar way to the work undertaken for last year's OP change. The Committee therefore reaffirmed their endorsement of the work being undertaken by the GDT in preparation for submission.

Item 4 – ERDF 2007-13 Closure Plan

25. Simon introduced his paper and explained that the Committee will recall at its last meeting in February 2014, it asked for assurances that the processes being employed to close down the programme would not impact the programmes ability to deliver and the right resources were in place to make this happen.

26. At the current time, the central DCLG have moved to a flexible resourcing model and have identified closure as one of the areas where resource can be shared to address issues or slippage. It has enabled more resource to be brought into the GDT. As a result more dedicated resource has been moved on to closure activities. Simon concluded that that the Committee needed to be aware of two key pinch points, in terms of the time line of activities, where the GDT has a large number of projects to close down. One in

September 2014, where this activity has the potential to impact delivery of N+2 and one next June 2015, where the majority of the remainder of the projects will be closed.

27. The Committee endorsed the GDT planned approach to closure and the flexible approach to resourcing being employed but wondered whether resource could be strengthened to focus more on achieving outputs and results and for the GDT to consider taking on outside contractors with the specific expertise to help identify and capture outputs and results.

28. Committee members also volunteered their individual expertise should the GDT need it. As with the previous discussion on programme performance, the Committee were concerned that there would be criticism both nationally and from the Commission if programme targets haven't been met by closure of 2007-13 programme next year. They agreed all efforts should be employed to maximise the delivery of outputs and results before and during closure.

Item 5 – Annual Implementation Report 2013

29. Julie Logue, East of England GDT, introduced the paper and requested that the Committee endorsed the report prepared. The plan would be subsequently submitted to the EC by 30 June 2014 for their consideration. In parallel, colleagues at DCLG would be quality assuring the document.

30. Julie explained the correspondence had been received by Vanessa Winters, Environment Agency, endorsing the Environmental section of the plan. Paula Grayson also endorsed the cross-cutting themes section, and said she was pleased with the programme's progress on equalities targets.

31. The Committee endorsed the plan and thanked Julie for her work on putting this document together.

Item 6 – LCIF Performance Update Paper

32. Paul Smith introduced his update on the delivery of the ERDF funded East of England Low Carbon Innovation Fund (LCIF) project. The main points are:

    - Paul explained that since the paper was written four additional investments have been added to the 29 investments mentioned in the paper, this now raises the total to £10.4m of ERDF invested.

    - The Committee was also asked to endorse a change request raised by the fund. Summary of the changes:

        - A reduction in the lower threshold of the Smaller Investment Scheme from £25,000 to £10,000 to make the scheme more available to the micro-business (such as is seen in the creative industries)

        - Increase to the upper threshold for the Main Fund from £750,000 to £1m to attract larger investments and reduce the need for follow-on investments.

        - Short term convertible loans (3-9 months), essentially to use in the Low Carbon technologies sector, typically seen as a "hard to reach" sector.

- Allowing outputs to be counted for SMEs who have been approved for investment for three months but have not yet received investment.

33. Paul also explained he had an opportunity to see the marketing of the fund in action at an event at the High House Production Park, Purfleet, on 4th June 2014 hosted by the Royal Opera House ERDF project. The event was designed to highlight how the Culture Change programme can help businesses network with creative industries colleagues. He noted it was interesting to see the synergies between the two programmes and the opportunities that might bring for both projects. Andrea Stark, Arts Council, supported this and also confirmed that 80% in the sector are micro businesses that could benefit from the SIS lowering the threshold.

34. The Committee strongly debated the merits of agreeing the change request. The Committee were most concerned as to whether the fund, on current evidence, could achieve its' spend (£10.5m) and indicator targets in the time remaining even with the changes proposed. The GDT appraiser had carried out a detailed appraisal of the change request including analysis of market failure, Astrid confirmed, and supported the case for change. There were pro and cons to agreeing these changes. On balance the Committee felt that the changes had merit but wanted to see robust additional activities carried out by the fund and for them to access expert advice in certain sectors, develop stronger cross collaboration to safeguard achievement of targets set.

35. Astrid shared with the Committee comments made by Merja Toikka, DG Regio in correspondence before the meeting on the LCIF Fund:

    "The LCIF, after many pep up measures introduced, is still not attracting enough new clients. Objectively, any monitoring body would like to learn the reasons hindering this, and why withdrawn applications stay relatively significant in numbers (e.g. have banks started giving loans? Or are alternative funds attracting better local companies?) to learn the lessons for a possible legacy period or new period. Transparency is appreciated.

    The LMC of 13 February was informed that LCIF performance against quarterly investments and indicator profiles are now reported monthly, convertible loans scheme is in place alongside equity investments. However, the reported data on LCIF (Paper 7) is from 31 March. We presume in your monthly contacts you could get updated figures from May to present them to us and to the MC of 5 June.

    The LCIF funding scope is now proposed by the MA and MC to be extended in both ends, to attract more clients. With 10.000 EUR *(NB: Sterling not Euros)* investments it is objectively more difficult to create jobs than with bigger investments, but good luck. However, the LCIF jobs targets and other targets remain valid. Kindly ensure that the funding agreement between the MA and the Fund manager will again contain the jobs and other targets as the LCIF is contributing to the ERDF EE OP overall attainment of the targeted results."

36. In conclusion the Committee agreed:

    - To approve reduction of the lower investment threshold from £25,000 to £10,000 subject to this measure being used to fund Investments in the Creative Industries sector only, to address the gap in the market for access to finance for companies in this sector. Also to establish a Creative Industries Advisory Group to support LCIF in this area. It was suggesting that Andrea Stark as a member of LMC and representative for the sector be the champion for this group.

- To approve increasing the upper threshold from £750,000 to £1m subject to the understanding that LCIF need to do better in this area and look critically at achieving better outcomes and results, e.g. job creation. The GDT agreed to stipulate that any investments seeking over £750,000 should be submitted for endorsement by the GDT Contract Manager prior to investment on a case by case basis and for those investments they must be able to demonstrate the potential achievement of a significant number of outputs and results.

- To approve the introduction of short term convertible loans subject to the condition that this offer must not displace any other alternative sources of funding currently available for providing finance to SMEs. Again better targeting of SMEs is needed to ensure an increased number of outputs and targets are achieved.

- To approve allowing outputs to be counted for SMEs who have been approved for investment for three months but have not yet received investment is approved provided these SMEs have received at least 12 hours of support and the investment has been approved by the Investment Committee.

Action: GDT to communicate LMCs approval of changes with conditions to LCIF and execute variation to contract accordingly.

Item 7 – LEP Updates

37. The Chair, introduced this session by asking LEP representatives to update the Committee on activities including progress on ESIF strategies.

- **SEMLEP** – Angela Rowney reported:
  - Hoping to hear outcome of their Strategic Economic Plan (SEP) submission around mid-July 2014. This includes a bid of around £60m (2015/16) of Local Growth Funds.
  - The SEP focuses on four key themes; Business Productivity, Markets, Skills and Infrastructure (roads) to enable development of commercial and residential sites to proceed.
  - The Velocity Business Support service has been successfully launched in Milton Keynes and Bedfordshire and will be rolled out to Northamptonshire shortly. This will provide support and advice to SMEs and grants up to £10k.
  - Assisted Area Status has been achieved for Luton, Dunstable, Corby and Kettering.
  - SEMLEP developed a social inclusion strategy which formed part of its ESIF strategy submitted on 31/05/2014. Have been able to include two CLLDs for Luton and Corby.
  - SEMLEP has recently appointed a new Head of Enterprise, Lindsay Mitton, who will be leading on skills and EU funding.

- **Herts LEP –** Alan Corbett reported:
  - Following Feedback on ESIF Strategy, working on actions to further develop the strategy with support from DCLG colleagues.
  - Collective meetings between Cambridge GDT and the four LEPs in their patch are proving to be useful in sharing understanding with common issues.
  - Two key areas of the ESIF agenda are being progressed establishment of a shadow governance committee and progressing calls for proposals while

managing expectations on when funding will become available. Herts are also continuing to work with Opt-in organisations to agree a way forward.

- **South East LEP** – George/Lorraine reported:
    - SEP proposals have been submitted, will wait to hear outcome. Negotiations will cover funding for 2015-16 period.
    - Assisted Area status has been achieved for a number of places including Brightlingsea, Clacton and Harwich.
    - For the ESIF Strategy work is underway to establish the sub-committee and Opt-ins remain a hot topic;
    - The strategy is proposing a long list of CLLDs, approx. seven in total.
    - LEP is setting up governance arrangements taking into consideration its devolved model and looking at strategic fit and project pipelines.

- **New Anglia LEP** –Alastair reported:
    - Like others waiting to here outcome of submitted SEP
    - Progressing with ESIF strategy actions, still many unknowns and further guidance required.
    - Thanks to Cambridge GDT for support with the local agenda.
    - Awaiting the letter from BIS on ERDF opt-ins across England by the end of the month, so NALEP can plan next steps.

Item 7 – Equalities & Environment Update – Paper 7

38. This paper was presented for information only. Paula Grayson commented that from an equalities perspective and from the information given in the Annual Implementation Report, she was pleased to see the progress made on female targets. Given the huge challenge achievement presents given many projects support sectors that are traditionally male dominated.

39. Julie Logue drew the Committee's attention to the Environmental update by Vanessa Winters, who had explained that the changes to the structure of the Environment Agency meant that they can no longer commit to chairing the LMC's Environmental Sustainability sub-committee. The GDT were planning to make approaches to colleagues in Natural England (DEFRA) to see if they were interested in taking over the role for the last operational year of the programme. The Committee endorsed this approach. There were no further comments.

Item 8 – AOB

40. There were no substantive items. The Committee asked for an update on the 14-20 programme. The GDT agreed to include this in the programme delivery paper for the next meeting.

    Action: GDT to provide more detailed update on 14-20 programme at the next meeting

41. The Committee were asked to note that the next meeting is due to take place on 25th September 2014 and will be held at the GDT offices, Eastbrook, Cambridge. The meeting was closed.

    ERDF GDT East June 2014

    Summary of Action Points

No	Action	By when
1.	GDT to provide more detailed update on 14-20 programme at the next meeting.	25th September 2014
2.	GDT to communicate LMCs approval of changes with conditions to LCIF and execute variation to contract accordingly	2nd July 2014