

**MINUTES OF SOUTH WEST COMPETITIVENESS
EUROPEAN REGIONAL DEVELOPMENT FUND
LOCAL MANAGEMENT COMMITTEE MEETING
4 OCTOBER 2013 10.00AM – 11.15
INNOVATION CENTRE, UNIVERSITY OF EXETER,**

Attendees:

Jon Bright	DCLG, Chair
Colin Skellet	Deputy Chair, West of England LEP
Tim Jones	Heart of South West LEP
David Owen	Gloucestershire First Local Enterprise Partnership
Linda Spruge	DG Regio
Anthony Payne	Plymouth City Council
Trevor Smale	Voluntary Sector Forum
Nigel Hutchings	SW Chamber of Commerce
Deborah Watson	Universities South West
Suzy Wright	Employment & Skills Partnership
Ros Etheridge	SW TUC
Stephen Hilton	Bristol City Council
Theo Leijser	SW GDT, DCLG
Sally Edgington	BIS

In attendance:

Eifion Jones	SW GDT, DCLG
Tim Wheatley	SW GDT, DCLG
Michelle James	SW GDT, DCLG

Apologies:

Richard Cresswell	Environment Agency
Hilary Cox	Dorset Council
Katie Pratt	Equality SW
Ian Coates	BIS (Sally Edgington deputising)

**Item 1: Minutes of the 15 May 2013 & Matters Arising
01 SW COMP LMC Paper October 2013**

1.1	It was noted that Minutes should be amended to reflect the correct spelling of David Owen's name and Bridgwater and approved references to either Gloucestershire First or GFirst . With those amendments the Local Management Committee (LMC) agreed the minutes as an accurate record of the meeting.
Agreed	
1.2	DG Regio also clarified that the three month timeframe referred to on p.6 covered the whole of the EC's process for consideration of a request to modify an Operational Programme not just the inter-service consultation.



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Item 2: Deputy Chair's update	
2.1	The Deputy Chair began by explaining that all the LEPs were focused on development of their Growth Strategies making the best case for access to the Heseltine pot. There was a general concern that LEPs did not have the capacity to respond to the government's growing expectations of them and a plea that LEPs should not be distracted from their original purpose of creating jobs and economic growth.
2.2	Specifically in the West Of England LEP area, activity in the Enterprise Zone was progressing well and funding opportunities were becoming clearer. The Deputy Chair had been involved in the Witty Review as part of his LEP role and this was helpful in working with local Universities as it was clear that these institutions could have a key role in driving growth.
2.3	Heart of the South west LEP commented that there were concerns that Whitehall did not fully appreciate the impact of the cut-backs to local authorities and how they were affecting core services. The LEP was keen to see continuity of business engagement and were working to avoid the unpacking of the Single Pot becoming divisive. There was felt to be a big problem with finding match funding for the 14-20 round of ERDF and the LEP was seeking a solution to accessing a greater scale of private sector funding that could be deemed compliant.
2.4	Gfirst reported a similar position to the West of England in terms of progress, a range of partners were supporting the LEP's strategic thinking recognising the importance of partnership engagement as the means for presenting a sound case to access competitive pots of funding.
2.5	LMC members discussed the perception that LEPs were holding large pots of funding, where they felt the reality was the funding remained to a large extent in Local Authority control. It was recognised that Local Authority found it difficult to prioritise economic growth when basic social services were being squeezed by budget reductions. Members discussed the risk to Local Authorities where LEPs were keen for the local authorities to take on borrowing to enable activity to go ahead. It was explained that borrowing impacted on the Local Authorities revenue budgets by increasing not only the liability, but the ongoing revenue costs due to repayments. Revenue budgets were also being reduced substantially through direct cuts and the impact of inflation, so Local Authorities were often not in a position to be able to take on borrowing.
2.6	There was general support for investigating where Local Authority assets could appropriately be used as collateral and the use of gap funding to pump prime big projects that could offer returns in the longer term.
Action	The LMC concluded some of the mechanisms imposed on LEPs could act as disincentives. The LEPs were encouraged to provide feedback to Whitehall contacts.



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**Item 3a: ERDF Performance Report
02 SW COMP LMC Paper October 2013**

3a.1	DCLG took the LMC through the dashboard setting out the performance of the Programme. The LMC were reminded that the reported Programme value had fluctuated, but for programme management purposes the value had been fixed at £103.9m.
3a.2	Priority 1 was slightly over-committed, once all endorsed projects became contracted the ERDF value of Priority 1 projects would be 105% of the Priority allocation. Including endorsed projects Priority 2 was at 110%. At the end of 2012 less than 30% of the Priority 3 allocation was contracted, but DCLG was able to report that the Priority was now 99% committed.
3a.3	The forecast target achievement based on contracted and endorsed investments showed good performance. Not all targets would be met, as recognised at the Mid Term Review, but many would be and a significant number would be exceeded.
3a.4	Achievement of N+2 had been an area of concern earlier in the year, but following intensive work with projects to bring forward sufficient claims, DCLG were now forecasting that N+2 would be met.
3a.5	DCLG confirmed to the LMC that none of the Programme allocation could be transferred to other English Programmes. Whilst Member States do have discretion to negotiate virement between Programmes, the deadline for doing so had passed at the end of the September and no request had been made to the EC.
3a.6 Action	LMC members were delighted with the progress on Priority 3 and with the impact of the work by DCLG's Priority 3 case officer. It was agreed that DCLG would send each LEP an area specific piece elaborating on the successes of the Programme & the potential for future ERDF activity, which the LEPs would be able to use to communicate with local media.

**Item 3b: Compliance Report
03 SW COMP LMC Paper May 2013**

3b.1	DCLG confirmed there were no particular Article 16 issues to report on this occasion. There had been significant work undertaken by DCLG in response to the interruption to payments. The interruption was continuing, the initial issue around reporting on Article 13 visits had been resolved, but attention was turned to all claims processed by the EC being completely clean in relation to irregularities. DCLG Director for ERDF had been with the Commission a couple of days prior to the LMC meeting and there were daily conversations with the EC working to resolve the questions raised.
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	<p>The effect was that DCLG was carrying a £0.5billion overdraft whilst awaiting reimbursement for claims paid to beneficiaries.</p> <p>LMC members noted that good project development reduced the administrative impact of complying with EC Regulations. Members commented that a small project required as much effort to administer as a large one, particularly for RDPE projects. The LMC heard that for the 14-20 Programmes, Departments were working together to design a national system that would meet the verification requirements of the EC, but also make the customer journey easier to follow and understand.</p>
<p>Item 4: Post 2013 Update including Local Enterprise Partnership engagement</p>	
<p>4.1</p>	<p>DCLG reported that Local Enterprise Partnerships (LEPs) were due to submit their draft European Structural & Investment Fund strategies (ESIFs) by 7 October 2013 for a combined appraisal by government departments. The shadow National Growth Board would review the appraisals and agree feedback for each LEP. This would allow a period for working with LEPs towards submission of fully developed plans at the end of January 2014. There had been good contact between DCLG, BIS and the LEPs in the SW Competitiveness area and this would aid ESIF development.</p>
<p>4.2</p>	<p>Following submission of the ESIFs in January, the intention was to construct a national Operational Programme for each EU Fund built from the foundations of the 39 ESIFs. DCLG as the ERDF Programme Managing Authority would then negotiate agreement of the ERDF Operational Programme with the EC.</p>
<p>4.3</p>	<p>DCLG then explained the principles of design that were being used to create a business process for the 14-20 EU Programmes operational from mid-2014:</p> <ul style="list-style-type: none"> i) It would apply to ERDF, ESF and elements of EAFRD covering appraisal, funding agreements and monitoring ii) The customer journey was central to the design, seeking to make engagement with the Programme as straightforward as possible iii) Programme management would be more complex and LEPs would be party to assisting easing the process for applicants iv) Responsibility for delivery of strategy lay with LEPs v) Responsibility for ensuring compliance with EC Regulations lay with the Managing Authority. Minimum standards were being drafted for LEPs to adhere to in managing the development pipeline.
<p>4.4</p>	<p>The current IT systems were not deemed fit for purpose and a new system would</p>



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<p>4.5</p> <p>4.6</p> <p>Action</p> <p>4.7</p>	<p>be developed based on the business process.</p> <p>LMC members commented that there seemed to be a vacuum of information on Programme development and there was consensus that it was important to feed in the lessons learnt from this Programme into the development of the new Programme. The LEPs responded to this point, acknowledging that they had been wrestling with the mechanics of the requirements of developing the ESIF and the broader Strategic Economic Plan that each LEP had to develop. The two strategies had to interrelate but the timetables didn't quite match. The LEPs indicated their commitment to broader communications and consulting with partners on drafts.</p> <p>DCLG agreed to map common areas of interest amongst SW ESIFs to share with LEPs and enable them to identify areas of collaboration, some LEPs would want to look beyond the South West for collaboration, Gloucestershire were already working with Worcestershire. HOTSW LEP were interested in investigating working with Cornwall & Isles of Scilly LEP on connectivity issues. It was agreed DCLG and Plymouth City Council would discuss potential for inclusion of transport measures in the ESIF.</p> <p>In relation to the Opt-In Options DCLG advised that LEPs should state in their draft ESIFs how much they wanted to spend and for what outcome and then negotiate with the Opt-In providers from there. DCLG also advised that LEPs should own the methodology used to determine Programme targets, to enable revisions to targets to be made should circumstances affect the Programme rationale as based on the current evidence base. This was particularly important given the next round of Programmes could have financial penalties for not achieving Programme targets.</p>
<p>Item 5: Any Other Business</p>	
<p>5.1</p>	<p>This was the last meeting at which Jon Bright would be Chair, due to his decision to move on from DCLG. Jon thanked partners for their support and said how much he had enjoyed taking part in the LMC meetings and seeing the fruition of everyone's hard work in the success of the Programme.</p> <p>The Deputy Chair thanked Jon for his work as Chair, but also for his support to the area as a representative of Whitehall providing intelligence on issues and championing local causes within central Departments. LMC members echoed the Deputy Chairs' words of thanks.</p>
<p>The meeting closed at 11.15 and was followed by the SW Competitiveness 2013 Annual Event.</p>	

