



European Union

European Structural
and Investment Funds

**European Structural and Investment
Funds**

2014 - 2020

Growth Programme for England

Hertfordshire ESI Funds Sub-Committee

Minutes of meeting held Monday 3 December 2018

**University of Hertfordshire, Sandringham Room, MacLaurin
Building, 4 Bishop Square, Hatfield, Hertfordshire AL10 9NE**

Agenda:

1. Welcome and introductions
2. Minutes of 12 July 2018 meeting and actions update
3. European Social Fund (ESF) National Programme Update
4. European Agricultural Fund for Rural Development (EAFRD) National Programme Update
5. European Regional Development Fund (ERDF) National Programme Update
6. ERDF General Update on Applications & Calls
7. ERDF Projects
8. Hertfordshire Local Enterprise Partnership (LEP) Area Update
9. AOB

1. Welcome and introduction

- 1.1. The **Chair** thanked ESIF Sub Committee members for their attendance and apologies were noted (Annex B).
- 1.2. The **Chair** reminded the ESIF Sub Committee of the need to declare any conflicts of interest and ensure all members were aware of and had signed and returned the Terms of Reference forms provided at the meeting.
- 1.3. The **Chair** reminded the ESIF Sub Committee to make declarations of interest where necessary and provide comments on the local strategic fit and value for money of the applications presented to them during this meeting.

2. Minutes of the Meeting held on 12 July 2018 meeting and action update

- 2.1. Action Point 1 could not be confirmed due to the member being unable to attend the ESIF Sub Committee to provide an update. **Norman Jennings** confirmed a timetable of preferred call dates has been provided to Joanna Wright.

2.2. **Vicki Bidwell** provided an update on the International Manufacturing call. The full application was received on 9 November 2018 and is currently being appraised by the Midlands GDT as the lead LEP. It is expected this project will be presented at the March 2019 ESIF Sub Committee. **Tim Burton** noted that the change of applicant had raised concerns regarding whether they understood the strategic needs of the Hertfordshire area. He confirmed that he had met with the Economic Growth Solutions Team, who are delivering the project, and was content that the applicants interpretation of the new and old projects systems was correct.

2.3. Action points 3 & 5 were confirmed as cleared.

2.4. **The Chair** asked the Secretariat to clarify whether Action Point 4 had been addressed by Hemant Mistry and if not assist with moving it forward by providing a draft letter for the **Chair** to review.

2.5. The minutes from ESIF Sub Committee meeting on 12 July 2018 were agreed.

3. ESF National Programme Update

3.1. **Joanna Wright** was unable to attend the ESIF Sub Committee and had provided a written update.

3.2. **Georgia Pritchard** asked for comments on written paper to take back to ESF.

Norman Jennings noted that the Secretariat had emailed a Written Procedure, on 21 November 2018, requesting Local Sub Committee advice regarding contract extensions to service providers delivering PA1.1 (Supporting Unemployed people back into work). **Norman** would like clarity from Department of Work and Pensions (DWP) regarding the rationale for reduction of deliverables. The remaining allocation in PA1.1 is subject to Education and Skills Funding Agency (ESFA) opt in calls and yet to see results from that. **Norman** is supportive of the extension, but noted there was limited feedback on how the schemes are progressing and noted it was disappointing to be asked for feedback on schemes where the ESIF Sub Committee are not being updated. **Norman** agreed to contact Reed, the project deliverer, for an update.

3.3. **Norman Jennings** provided an update on ESF priorities from the Hertfordshire LEP perspective. Priority 1.2 relating to those Not In Education, Employment or Training (NEETS), has been through an open call and is currently with the DWP Managing Authority. The ESIF Sub Committee would welcome an update on this.

3.4. Priority 1.4 Social Inclusion is co-funded by Big Lottery Fund (BLF) which already has three existing projects in place and are proposing extensions to both

expenditure and duration to 2023 for two of the projects and a duration extension to the third, which is behind profile. **Norman** noted that Hertfordshire LEP is will support these changes but also noted that the current provider may be better than BLF are anticipating. It could achieve their contract targets sooner and may need more in extended budget. **Norman** confirmed there were funds and that this would use the remaining funds available under that priority.

- 3.5. **Norman Jennings** noted that Priority 2.1 has a call out with ESFA as the opt-in provider for Skills Support in the Workplace. Further information on which provider has been selected should be available later in December 2018. Changes to the exchange rate means there should be some funds remaining in this priority. The open call of £1.5 million has been ongoing since April 2017 and as yet no provider has been chosen. **Norman** reminded the ESIF Sub Committee that four outline applications had been reviewed by ESIF Sub Committee members and that two of the applications, submitted by Bravista and Hertfordshire County Council, had been supported and were still in the application process.
- 3.6. Following a written communication from **Catherine Blair**, Head of DWP MA, asking that current providers are encouraged to make sure N+3 targets were met, **Norman Jennings** drafted a response noting that this was not acceptable and that if contracts were released in a more timely manner expenditure targets would be more likely to be met. There had been no response to this communication as of the date of the committee meeting. Joanna Wright contacted Norman Jennings to confirm that written procedure would be used for the Priority 2.1 £1.5 million open call applications and that the proposal was being put forward to support both applications. **Norman Jennings** reminded members of the importance of providing strategic fit feedback.
- 3.7. Priority 2.2 Skills Brokerage has approximately £1.8 million of funding remaining. The ESIF Sub Committee also noted that ESFA were no longer providing opt-in for this priority.
- 3.8. The ESIF Sub Committee discussed the recent letter issued to all ESIF Sub Committee Chairs from DWP Head **Catherine Blair** regarding staff workloads focussing on claim processing and payment and the planned return of DWP staff to other areas of work.
- 3.9. The **Chair** asked the ESIF Sub Committee members if DWP performance, as a Managing Authority was an on-going problem. **Andy Luff** confirmed it had been a substantial problem throughout the programme and that applications and claims were slow to be processed. He also stated that almost all DWP resource has been diverted to N+3 and claim payments. It was also noted from the Management Information written update that spend levels were low, and that Priority Axis 2 had no expenditure recorded, despite there being live projects.

The ESIF Sub Committee agreed this meant it was not possible to ascertain a true picture for any meaningful discussions regarding allocations. It was agreed that whilst the local DWP representative, Joanna Wright, provided good contributions to the ESIF Sub Committee, overall DWP as a Managing Authority was not providing an acceptable level of support. The ESIF Sub Committee agreed it may be beneficial to clarify who the appropriate ESF DWP Minister is to further escalate the performance situation.

3.10. **Andy Luff** updated the ESIF Sub Committee that the national network ESF DWP Managing Authority meeting which was scheduled for 29 November 2018 was cancelled at short notice due to **Catherine Blair** unexpectedly being unable to attend. It was confirmed that Hertfordshire LEP network are seeking to reschedule this meeting early 2019 to discuss the issues of programme delivery.

Action 1:

- **Norman Jennings to contact Reed for an update on the PA1.1 (Supporting Unemployed People Back into Work) project progression.**

Action 2:

- **ESIF Sub Committee members to respond to the Secretariat with their comments relating to the Project Change Request written procedures email sent 21 November 2018.**

Action 3:

- **DWP to provide the Committee with an update on the 1.2 open call.**

4. EAFRD National Programme Update

4.1. Mohua Bhattacharya was unable to attend the ESIF Sub Committee and had provided a written update.

4.2. The **Chair** asked for comments on the written update. **Norman Jennings** updated the ESIF Sub Committee about meeting with Mohua Bhattacharya and discussed the open call for business grants which has now closed. The call produced a handful of outline applications, however quite a few have dropped out. The budget is about £1.2 million, which is relatively small compared to other areas in the region and commitment is under profile. It was mentioned that there was over-subscription on broadband and Hertfordshire County Council had submitted a bid, approximately £2 million, that had been endorsed. The ESIF Sub Committee was unable to confirm whether the funding had been secured.

4.3. **Andy Luff** asked what happens to under-spend now that the programme had closed for new applications and where the money will go. Previous discussions had indicated it was possible that the LEADER Programme may access the

funds as all that budget had been allocated and there were still plenty of demand for grants. Mohua Bhattacharya had indicated during the meeting that there was some funding but that no decision on where to move the available funding had been made yet. The ESIF Committee discussed that as this funding is part of notional allocation should the ESIF Sub Committee be consulted.

5. National Programme Update (ERDF)

- 5.1. **Georgia Pritchard** introduced the National Programme Update paper, and highlighted progress on key points.
- 5.2. Claims paid as of the end of October/early November 2018 totalled 123% of the N+3 target nationally meaning the target had been met. Locally claims valuing approximately £70 million have been processed. These claims will be subject to further compliance testing which will determine whether any ineligible expenditure will need to be removed from the total amount being claimed from the Commission.
- 5.3. **Georgia** highlighted that progress towards targets in most areas of the programme were performing well. The Error rate is below 2%, which should mean a reduction in the number of audits.
- 5.4. The November 2018 call produced 20 applications for the Greater South East area and there will be a further call in Spring 2019 though this will be tied into the outcome of Brexit. There is another call potentially scheduled for autumn 2019. **Georgia** confirmed that the calls will either be under the current arrangements or Treasury Guarantee and that either way the programme funding has been secured. Following changes to the Exchange Rate there will be opportunities for fund swapping and anyone interested should discuss this further with Vicki Bidwell. **Georgia** confirmed that once there had been decision on the reserve fund she would provide an update.
- 5.5. Two Supporting Local Growth booklets have been published and distributed to the ESIF Sub Committee members. Included in the booklets was a link to a dedicated YouTube channel which has had an additional five new project films. If any members have not received these communications they should contact the Secretariat to be added to the distribution list.
- 5.6. The Annual review meeting with the Commission went well and changes to the Operational Programme related to bringing N+3 targets in line were agreed.
- 5.7. The UK Shared Prosperity Fund (UKSPF) regional engagement events are being held and the key messages received were regarding; flexibility of the future fund; balance of control between local and central partners;

collaboration across LEP boundaries and monitoring and evaluation of the future programme single fund. A Strategic outline business case for the new fund is being developed which will be sent to Treasury. **Paul Findlay** attended a regional meeting and said there was some confusion regarding whether the UKSPF was aid for less developed regions or investment in transitional and more developed regions. **Paul** drew attention to the ERDF management Information figures provided in the ERDF National Programme Update regarding commitment by category of region which indicated most ERDF is going to more developed regions and investment in areas of strength. It was agreed that balance was important and that areas where growth was underway should continue. **Georgia** did note the Oxford/Cambridge corridor would help focus some of this.

5.8. **Andy Luff** noted a LEP network meeting with Cities and Local Growth Team and UK Shared Prosperity which raised some issues such as when does UKSPF start and how much is in the fund. **Andy** noted that the message regarding available funds was subject to the comprehensive spending review and Brexit.

5.9. **Norman Jennings** noted that the performance figures, expenditure is approximately 50% and outputs 95% towards targets are national statistics and requested that this information be provided at local level. More local detail, where applicable, would further assist in identifying areas to focus on in calls. **Vicki Bidwell** confirmed that she collates the information from claims.

Action 4:

- **The Secretariat to send members the link to the YouTube Channel**

Action 5:

- **Vicki Bidwell agreed, going forward, to provide a local update within her Update agenda item.**

6. General Update on Applications & Calls

6.1. **Vicki Bidwell** introduced the item and provided the ESIF Sub Committee with a summary on progress of projects being taken forward in Hertfordshire LEP area by Priority Axis (PA) and referred to the data on commitment contained in the Management Information (MI) Dashboard paper that was circulated for this agenda item.

6.2. **Vicki** spoke to the written paper noting the areas allocation figure had increased by approximately £4.3 million due to the change in exchange rate.

6.3. **Vicki** updated on the four projects that are at Grant Funding Agreement (GFA) stage; InCampus should have the GFA issued in the next few days;

Herts E-Taxi Trial was awaiting match funding confirmation letters and the full application updated accordingly; Hertfordshire Business Expansion Grant Scheme is completing a final re-profile so the project does not fall straight into under-performance before GFA; Eastern New Energy requires final approval regarding state aid advice. **Tim Burton** noted that where there were delays in providing relevant match funding evidence he and **Lisa Devayya** could provide help with prompting these letters. The Committee was made aware that often delays in receiving necessary evidence meant the profiles provided in the full application were already behind schedule before a GFA had been issued. Ensuring this issue has been fully addressed and the relevant paperwork amended often led to unavoidable delays in issuing projects with contract.

6.4. **Vicki** updated the Committee members on the Hertfordshire Low Carbon Innovation Network project which has submitted a final Project Change Request (PCR) in October requesting a three month extension, to the activity end date (to December 2018), due to delays at the start of the project. The project has had to work with some SMEs outside the area, and have had difficulty completing the full 12 hours with some SMEs. The project value has reduced from £1.26 million to £712,000, largely due to salary revisions following the re-organisation, and streamlining so more ERDF experienced staff are working on the project. The changes to salary profiles has a natural knock on effect on other expenditure categories such as Overheads and Marketing. The outputs targets have also been proportionally reduced, with the original target of 75 Businesses Supported reducing to 44. Vicki noted that the project still represented excellent value for money, and has only been brought to the committee due to the size of the reduction.

6.5. Processing of claims continues. Project expenditure is low against the performance framework target for 2018, with a variance of 54%. One reason for this is due to the lack of a Cell & Gene project claim which was expected and forecast to be significant. The project was subject to a delay due to snagging issues encountered between the original build contractor and the fit out contractor.

6.6. The PA1 call ended on 21st October and 1 application from the Royal Veterinarian College for the Hertfordshire Advanced Imaging Facility project was received. The project is for a research and training facility for £2.9 million of ERDF against total project expenditure of £5.833 million. **Vicki** confirmed that this application had not been included in the General Update figures which were collated in November.

6.7. PA4 call value was £1 million with one application received from Ngage Solutions for the 3 year continuation project Low Carbon Workspace. The

application has been submitted to Hertfordshire and at present the GDT are not aware if other LEP areas have been approached too.

6.8. The March 2018 International Trade Call, is on hold while a second call for other LEPs to be involved was issued. The second call ended 23rd November, with several other LEPs putting forward funds. The full application is on hold until all the outline applications have been assessed, and then put into one application, and presented via written procedure in January 2019.

7. ERDF Projects

7.1. **Vicki Bidwell** provided a summary of the project assessments and asked for comments from the ESIF Sub Committee on the Strategic Fit and value for money. There were no declarations of interest made for this project.

Outline Assessment Applications

Proconnect 2

7.2. Creative England submitted a 3 year continuation application under the March 2018 open call. The applicant is currently delivering Proconnect in Hertfordshire, which is due to end next year. The applicant is seeking £500,000 ERDF from the LEP area against £1.1 million total expenditure.

7.3. **Vicki** drew the Committee's attention to the Gateway conditions including noting that the start date for this application was 1st July, however the original project has an end date of 31st August, which is duplication and will need to be addressed before the application can move to the next stage. **Vicki** noted good local strategic and national fit, particularly supporting SMEs in media and film sector which have been identified in the strategy. Good value for money for most of outputs, however the applicant will need to address those outputs that do not meet project averages. It was noted that the continuation application did not contain reference to the large grant scheme, which is included in the current project and clarity will need to be sought as to why this has been omitted since the project is applying under a continuation application

7.4. The ESIF Sub Committee discussed the project noting that grant schemes usually have SME match funding and asked where this was coming from if not SMEs. **Vicki** confirmed that grant scheme expenditure is included under the Other Revenue cost category heading and this application saw the Other Revenue amount at approximately 13% of expenditure compared to 30% in the previous project. Further clarity will need to be sought on what the project will be capturing under Other Revenue. **Vicki** confirmed that the applicant was providing all match funding. The Committee noted that creative industry SMEs

can be particularly difficult to find and engage with but that that should not be a barrier to putting forward applications.

- 7.5. Overall, the ESIF Sub Committee agreed that the project had good local and national strategic fit and value for money, and provided that the conditions raised in the assessment were addressed it was content to endorse.

Full Application Appraisal/Project Change Request (PCR)

Hertfordshire Start-Up Programme (HSUP) (extension)

- 7.6. **Vicki Bidwell** provided a summary of the project assessment and asked for comments from the ESIF Sub Committee on the Strategic Fit and value for money. There were no declarations of interest made for this project.

- 7.7. **Vicki** presented the Project Change Request form noting that this application is a three year continuation project to deliver start up support services in Hertfordshire area. The current project is providing business advice and support, twinned with two grants schemes; a small grant scheme for new SMEs and a slightly large grant scheme to accelerate established SME's to the next stage of business. **Vicki** also noted that progress towards expenditure and outputs targets was good with only a 6% slippage against total financials of £2.47 million. The proposed increase is 102% against project costs. The grant scheme value has increased so larger grants can be awarded and the majority of match funding is from partners with a reduced contribution from the SMEs. The grant intervention rate for SMEs is not fixed and will be on a sliding scale. The continuation project will support 5% more businesses than the original which represents exceptional value for money for outputs, with the exception of the SME match due to the reduced contribution from them. There was good feedback from Contract Manager on current projects performance, noting claim submissions were timely and was delivered well against both the Hertfordshire Performance Framework and N+3 target.

- 7.8. The ESIF Sub Committee discussed the project with **Tim Burton** noting that the summative assessment evaluation proves the original market failure case was really strong and did exist and support was fragmented across the county. **Norman Jennings** also noted that there had been a lot of support for the original project and felt that the continuation project offered good strategic fit and excellent value for money, and as part of the Hertfordshire Growth Package it is considered a cornerstone project.

- 7.9. Overall, the ESIF Sub Committee agreed that the project provided sufficient local strategic fit and value for money and supported the application subject to usual conditions.

8. Hertfordshire LEP ERDF Update

- 8.1. **Tim Burton** introduced the Hertfordshire LEP area Update and put forward the Re-profile of Allocations by Priority Axis paper to the Sub Committee members for discussion.
- 8.2. **Tim** highlighted progress on key points noting that, whilst there was some harmonisation of figures needed following the ERDF update, much of the feedback on progress had been covered by Vicki Bidwell under the previous item.
- 8.3. Priority Axis 1 - The LEP was pleased to note the submission of the Royal Veterinarian College (RVC) for the Hertfordshire Advanced Imaging Facility project, which has reduced the remaining available funding from the LEP area update paper from £4.2 million to potentially £1.3 million, if the RVC application is successful. The Committee commented that alignment with the Local Growth Fund maybe be beneficial to the RVC application. It was also noted that the expected Strength in Places Expression of Interest has not yet been submitted and the Committee discussed scheduling calls for spring and autumn of 2019. **Vicki** indicated that Cell and Gene Therapy project had shown interest in future calls for a further capital project.
- 8.4. **Tim** noted there was good synergy with the Cell and Gene Therapy project and that both projects offered good case study material, which is particularly useful due to the lack of similar projects around the country.
- 8.5. The Committee noted the indicative aspiration restriction (15%) on supporting capital projects and confirmed this was not a capped figure and there was some flexibility.
- 8.6. **Tim** introduced the Re-profile of Allocations by Priority Axis paper as an information and tactical paper to consider how to make use of the additional £4.3 million funding following the exchange rate change. The LEP has been working with Invest Hertfordshire as well as Stevenage Bio Science for potential projects. The Committee noted that whilst there are available ESIF funds securing match funding remains an issue for potential applicants.
- 8.7. The Committee discussed what other areas have used their PA1 funds on, and noted that case studies are now available. It was suggested that Innovate UK may provide useful discussions due to their project links across the country.
- 8.8. Priority Axis 3 - There are four projects at full application stage, valuing £3.4 million and two good projects at the outline stage. There is £1.7 million of available funding remaining. Although PA3 normally attracts a number of projects, securing match remains an issue for applicants. The Committee also

noted that extensions to well performing projects appear to have been capitalised on so new projects need to be sought. More social enterprise project would be welcomed but, again, securing match funding was an issue.

8.9. Priority Axis 4 – A call for the remaining £1 million of available funding has been published and the LEP want to continue the Low Carbon Work spaces project and an application from Ngage has been received. The Eastern New Energy project has been excluded from these figures as it has not yet been contracted. Investment in to Financial Instruments (FI) has been increased to £2.7 million. It was noted that there was potential for some PA4 projects (Low Carbon Economy) to be an eligible fit under PA1.

8.10. **Andy Luff** introduced an update on Financial Instruments (FI) noting that the Steering Group met on 18th September 2018. The FI covers the Hertfordshire, Greater Cambridge & Greater Peterborough and New Anglia LEP ESIF areas and Andy noted that there had been significant liaison with Norfolk County Council and the University of East Anglia, to develop a draft application. The application was discussed at the Steering Group meeting, and was formally submitted on 5th October. The applicants have responded to initial appraisal questions and a meeting is scheduled for 13th December, at Marsham Street, London, with the Appraisal and Legal staff to discuss the fund issues, particularly the role of University of East Anglia as an applicant or delivery partner.

8.11. Article 137 of Brexit document, which relates to Financial Instruments which contains the legal provision that FI must be approved before any Brexit agreement comes into effect, meaning the project will need to approved and contracted before the Brexit deadline (March 2019).

8.12. There is a cap on costs, as set out in the regulation, which will impact on annual costs. It is hoped that this will be clarified at the meeting on 13th December. The project could be valued at up to £11 million of ERDF, and it is expected that the contracting process will start in February. The final, appraised, application will be presented at each relevant ESIF committee.

9. AOB

9.1. **Andy Luff** commented on the problems encountered with the definition of Undertakings in Difficulty. An updated version (version 9) of the eligibility rules was circulated at the end of November. However the guidance is problematic due to the evidence required which has impacted on up to 30% of SMEs being engaged with. A work around has been included in the guidance and if the support provided to the SME is valued at less than £50,000 then the SME does not need to provide evidence of debts but can self-declare their status as not in difficulty. However the regulation also states that evidence needs to be retained

to declare the company does not fit under the definition of an Undertakings in Difficulty. Further clarity on how this regulation can work in practice is sought and Andy noted that he understood some projects had already raised this with the Greater South East Growth Team.

9.2. Members sought clarity on the Terms of Reference forms provided at the beginning of the meeting. It was confirmed that all members must sign their agreement to the Terms of Reference and return to the MHCLG Secretariat. A declaration form should be signed by members on each occasion they need to declare a conflict of interest. The forms will available at each meeting is should be returned on the day to the Secretariat.

Date, time and venue of future meetings:

Date: Wednesday 20 March 2019 10am-1pm Venue: TBC

Annex A

List of Agreed Actions for the Hertfordshire ESI Funds Sub-Committee Meeting on 3 December 2018.

Agenda Item	Action	Action Assigned to
3	<u>Action 1</u> Norman Jennings to contact Reed for an update on the PA1.1 (Supporting Unemployed People Back into Work) project progression.	Norman Jennings
3	<u>Action 2:</u> Norman Jennings asked the Local Sub Committee members to respond to Tim Whelehan with their comments relating to the Project Change Request written procedure email sent 21 November 2018.	Norman Jennings
3	<u>Action 3:</u> DWP to provide the Committee with an update on the 1.2 open call.	Joanna Wright
4	<u>Action 4:</u> The Secretariat to send members the link to the YouTube Project Channel.	MHCLG Secretariat
5	<u>Action 5</u> Vicki Bidwell agreed, going forward, to provide a local update within her Update agenda item.	Vicki Bidwell
11	<u>Outstanding from July meeting - Action 4:</u> Hemant to draft formal Performance Information request letter for Linda Haysey to sign and Joanna to send to BBO.	MHCLG Secretariat to follow up on progress.

Annex B Attendee List

Hertfordshire ESI Funds Sub-Committee Meeting 3 December 2018

Chair:

Name	Position/Title and Organisation	Sector Representation
Linda Haysey	East Herts District Council	Local Authority
Georgia Pritchard	MHCLG	Deputy Chair - Managing Authority (MHCLG)

Sub-Committee Members:

Name	Position/Title and Organisation	Sector Representation
Katherine Brierley	Herts County Council	Local Authority
Lisa Devayya	Welwyn Hatfield Borough Council	Local Authority
Paul Findlay	University of Hertfordshire	Higher / Further Education
Chris Pearson	West Herts College	Higher / Further Education
Andy Luff	ACL Europe	Private Sector

Others in attendance (non-members - including secretariat):

Name	Position/Title and Organisation	Sector Representation
Vicki Bidwell	MHCLG	Managing Authority (MHCLG)
Tim Burton	Herts LEP	LEP
Norman Jennings	Herts LEP	Herts LEP
Claire Tilley	MHCLG	Managing Authority (MHCLG)

Apologies:

Name	Position/Title and Organisation	Sector Representation
Mohua Bhattacharya	RPA	Managing Authority (RPA)
Sarah Elliott	Hertfordshire Community Foundation	Non-Profit Organisation
Hemant Mistry	Herts Equality Council	Equalities
Jo Wright	DWP	Managing Authority (DWP)
Paul Witcombe	Herts LEP	LEP