



Hertfordshire ESI Funds Sub-Committee

Minutes of meeting held Wednesday 20 March 2019

**Fletchers Lea, Ware Priory, High Street, Ware, Hertfordshire
SG12 9AL**

Agenda:

1. Welcome and introductions
2. Minutes of 3 December 2018 meeting and actions update
3. European Regional Development Fund (ERDF) National Programme Update
4. ERDF General Update on Applications & Calls
5. ERDF Projects
6. European Social Fund (ESF) National Programme Update
7. European Agricultural Fund for Rural Development (EAFRD) National Programme Update
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. In addition to this, members should 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 3 December 2018 meeting and action update

2.1. All Action Points from the ESIF Sub Committee meeting on 3 December 2018 were confirmed as cleared.

2.2. The ESIF Sub Committee discussed the outstanding action point from the July 2018 Sub Committee meeting, requesting formal Performance Information from the Big Lottery Fund (BLF), and **Norman Jennings** noted that the Big Lottery Fund provide quarterly progress updates on projects which he offered to

circulate to the ESIF Sub Committee as they are received. However, it was noted that these updates did not include granular level data that the original action point had been raised for. This included breakdowns of project information relating to capturing equal opportunities data relating to ethnicity, women, Roma and travelling community demographics. **Norman Jennings** agreed to draft a response to the Big Lottery Letter reiterating the importance of being able to collect data in line with the criteria set out in the programme.

Action 1

- **Norman Jennings to draft response to the Big Lottery Fund noting the need for more granular and ward level data.**

Action 2

- **Secretariat to circulate original response from Big Lottery Fund to ESIF Sub Committee members.**

2.3. The minutes from ESIF Sub Committee meeting on 3 December 2018 were agreed.

3. ERDF National Programme Update

3.1. **Georgia Pritchard** introduced the National Programme Update paper and highlighted progress on key points.

3.2. **Georgia Pritchard** noted that the contracted National Programme value was £3.296 Billion and made up of 606 projects totalling £1.559 Billion of ERDF. There are a further 609 projects currently in development with a total ERDF value of £1.151 Billion. This represents approximately 50% of the total programme value. Commitment in More Developed Areas is approximately 50%.

3.3. Performance against each Priority Axis (PA) was highlighted from the circulated update paper and it was noted that the lower financial progress on Priority Axis 4, Low Carbon, and Priority Axis 5, Climate Change could have been hampered by early Programme definitions of Energy Efficiency and Resource Efficiency and clarity on the type of projects that could deliver under these Priority Axes. Further iterations of guidance and amendments to the Operational Programme have been agreed with the Commission seeking to address this. It was also noted that the levels of funding in these Priority Axes was agreed in the regulations at 20% of the Programme value for all member states. **Georgia Pritchard** did note that although financial performance against Priority Axis 4 was low, progress towards output targets had been exceeded. The remaining Priority Axis output targets are progressing well.

3.4. **Georgia Pritchard** updated the ESIF Sub Committee on Brexit, noting the impact negotiations had had on the call schedule and that the May 2019 call would now be happening in June 2019. The call template will contain the link to a document, approximately five pages, drafted by Andy Luff and Vicki Bidwell, setting out the LEP priorities. The Treasury Guarantee remains in place so irrespective of the outcome of the Brexit Deal or No Deal situation the programme funding has been secured. **Andy Luff** noted that no guidance had been provided relating to the five page document each LEP area is expected to

produce and **Georgia Pritchard** confirmed that this was being clarified and that the revised call schedule reflected this. It was agreed that the investment priorities and strategies for each LEP are unlikely to have altered.

- 3.5. A further call may be held at the end of the year, however this has not been confirmed and may change depending on various Brexit scenarios. It is expected this call will be for a National Reserve Fund and as such areas and projects will need to bid for funding.
- 3.6. Movement of Priority Axis funds between LEP areas was still an option and swaps between LEPs in the South East Growth Delivery area could be facilitated relatively easily. Movement of funds between Priority Axis within a LEP area is not currently possible.
- 3.7. It was noted that the N+3 Expenditure target had been achieved nationally and therefore no funds had been de-committed from the programme. The N+3 target has been set for this year and forecasts indicate a small shortfall locally but the national target is forecast for achievement.
- 3.8. **Georgia Pritchard** noted that there are some good examples of Programme publicity on the ESIF You Tube channel as well as the publication of 2018 project booklets, with examples of projects from across the country. The ESIF Sub Committee were also reminded about the Greater South East Twitter account – @Growthsoutheast

Action 3

- **Secretariat to circulate the link to the ESIF You Tube Channel.**

4. General Update on Applications & Calls

- 4.1. **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 as per the Management Information paper.
- 4.2. **Norman Jennings** raised concerns regarding the remaining £4.2 Million available in Priority Axis 1. It was noted that other LEPs are experiencing similar situations and nationally there is considerable interest in moving funds between Priority Axis1 and Priority Axis 3, and that this was a message shared by many other LEP areas. **Vicki Bidwell** also confirmed that she liaised with the other Greater South East Relationship Managers for potential funding swaps, and that since there was no formal process for this mechanism LEPs were encouraged to contact other LEPs to open discussions. It was also agreed that future calls should be seeking to address this situation.

5. ERDF Projects

- 5.1. **Vicki Bidwell** provided a summary of the project Appraisal and Outline 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.

Appraisal

LCIF2 (Financial Instrument)

- 5.2. **Vicki Bidwell** confirmed the papers for this appraisal had been circulated to the ESIF Sub Committee by Written Procedures the previous week but had been included in the agenda to provide the members with an opportunity to discuss and comment as the timeframe permitted. **Vicki Bidwell** gave an overview of the ERDF project to the ESIF Sub Committee.
- 5.3. Norfolk County Council has agreed to take on the role of Entrusted Entity for this Priority Axis 4 project which will cover New Anglia, Greater Cambridge and Peterborough and Hertfordshire LEP areas. Norfolk County Council has agreed to take on this role, provided it remains cost neutral for them, this led to the complex process of identifying project costs, and how these can be covered. The project will start in 1 April 2019 and will complete by 31 December 2023. The investment will look to Promote Research and Innovation in Adopting Low Carbon Technologies, by supporting low carbon tech start-ups and greater commercialisation of low carbon products and services. The project is seeking £11.3 Million of combined ERDF funding against project total expenditure of £22.5 Million. SMEs and the previous fund will provide the remaining match funding of £10.9 Million. The Investment fund project will support 48 enterprises, of which 10 will be new; 3 will co-operate with research institutes; 20 will introduce new to the fund products and an estimated 10,000 tonnes reduction in greenhouse gases. It was noted that whilst the value for money was satisfactory as an Investment Fund project rather than a grant project, a legacy fund from follow on investments is expected, as demonstrated in the LCIF1 fund providing match funding for this project.
- 5.4. The ESIF Sub Committee noted their thanks to **Andy Luff**, Ministry of Housing Communities and Local Government (MHCLG) colleagues and Steering Group members in ensuring this project reached contracting stage, and as an area were supportive of the application. **Vicki Bidwell** confirmed that the other LEPs involved in this Investment Fund had processed the application by Written Procedure due to the timings of their ESIF Sub Committee meetings and the specific provision in the Article 50 Withdrawal Agreement that Financial Instrument projects cannot be contracted after Brexit, hence the need to adhere to the tight deadline. **Andy Luff** noted that the process had been quite lengthy and that outside factors such as the European referendum and the Chancellors Guarantee had quite a significant impact on moving this forward. Block 2 Ex Ante, an Options exercise, then needed to be commissioned to determine the need for the fund. **Andy Luff** also noted that whilst the outputs appear to be quite low because assistance to SMEs can only be counted once under ERDF regulations the fund provides the capacity to create a legacy fund for the future investments beyond this programme. LCIF2 is a co-investment fund and as such the match funding does not come directly from SMEs but from other investors, and the match funding is not counted until the point of investment.
- 5.5. Overall, the ESIF Sub Committee agreed that the project had good local and national strategic fit, value for money was satisfactory, and were content to endorse.

Outline Assessment

SMILE

- 5.6. **Vicki Bidwell** provided a summary of the project outline assessment, circulated to ESIF Sub Committee members prior to the meeting, 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.
- 5.7. SMILE is a Priority Axis 4, Supporting the Shift to Low Carbon Economy, application submitted by Ngage Solutions. Total project expenditure in the Hertfordshire LEP Area is £2 Million and the applicant is requesting £1 Million of Hertfordshire LEP area ESIF funding, for a 3 year extension to the current project, which is due to complete December 2019. This is a multi LEP application and will cover Buckinghamshire Thames Valley and Hertfordshire LEP areas. The project start date is 1 January 2020 and will complete on 28 February 2023. It will look to support 100 enterprises and provide 100 grants, of £5,000, in the Hertfordshire area as well as reducing Greenhouse Gases by 625 tonnes.
- 5.8. The ESIF Sub Committee asked how the current project is performing and it was reported that under spend and under performance had been addressed in a Project Change Request, to address flat profiling of targets and slow start up and a recovery plan had been put in place with the project, which has led to a much improved delivery performance and the project is now over performing against the contracted targets. **Vicki Bidwell** also noted that the project has received a considerable number of applicants from all over the country and, whilst this is national programme, the project has been looking at reducing the support to projects from outside the areas and focusing on organisations within the local LEP areas. This has meant some changes to the project delivery model to factor in the approved travel costs of the project Energy Advisors who are required to produce an energy audit before interested organisation can apply for the grant scheme.
- 5.9. **Norman Jennings** noted that Tim Burton had provided the ESIF Sub Committee with an overview paper regarding the project and drew attention to the applications good fit with the Local Investment Strategy, and that the timing offered an opportunity for a smooth transition between the current SMILE project and the continuation application.
- 5.10. 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.

6. ESF National Programme Update

- 6.1. The National update paper, which had been circulated to the ESIF Sub Committee was presented by **Joanna Wright**. Joanna gave apologies for not being able to make the previous meeting, noting that ESF had dedicated approximately 3 months of staff work to working towards achieving

the N+3 target. Joanna confirmed that claims had been submitted to the commission and exceeded the target by £37 Million or 4%.

6.2. As of the end of 2018 ESF commitment stood at £1.65 billion which represents 54.25% of allocation, or £1.63 Billion. Performance in More Developed and Transition areas is good and will achieve financial and output targets for both Priority Axis. Less Developed has a shortfall under Priority Axis 1, affecting Cornwall & the Scilly Isles only, and work is underway to focus on this priority.

6.3. **Joanna Wright** noted that, like ERDF, work is ongoing looking at various Brexit scenario plans. The Treasury Guarantee is in place for this programme and ESF are continuing with 'business as usual' and contracting with confidence.

6.4. The ESF Policy Fund are currently working on the Reserve Fund and are looking for a 'soft transition' through autumn so LEP areas without any remaining allocation can apply to the Reserve Fund for additional funding. **Joanna Wright** noted that locally Hertfordshire LEP Area will need to review their remaining allocations to see where the potential gaps and underspend are and see whether a pre autumn call could be put forward, and whether there is appetite for applying to the Reserve Fund. How this will work and how to apply is being developed and the submission of a business case is a possible process. Further information will be available in due course and clarity is currently being sought by ESF and the LEP on the definition of the Reserve Fund and whether it will form a competitive process. **Joanna Wright** expects to have more detailed information and guidance closer to autumn, when LEPs will be able to put forward requests for additional funds. How long funding will be available is unclear at present and therefore early preparation for identifying potential areas for bidding is advocated for the area.

6.5. **Joanna Wright** confirmed that 2 applications under Priority Axis 2.1 had been fully appraised and issued with a Success Letter and were awaiting full Grant Funding Agreements. The combined total of the two applications was slightly higher than the call they had applied under, however she noted that both applications offered a good use of local funding and were offering different outcomes. The ESIF Sub Committee noted that the project applications process was quite lengthy, approximately 15 months, and **Joanna Wright** confirmed that ESF are looking to streamline process to speed up the appraisal process, particularly as the deadline for contracting is December 2020. It was also noted that resource from the appraisal team had not been called on to process claims for the N+3 target.

6.6. **Norman Jennings** noted that there was a slight variance between the remaining allocation figures he and Joanna had and that this was down to local knowledge, and exchange rate changes, and that this would need to be clarified to establish whether there was a need for another call and in which areas. **Joanna Wright** agreed and noted her figures could only be produced and distributed, based on when official information had been made available, so there will almost always be potential for a discrepancy between local knowledge figures and Managing Authority (MA) confirmed figures. **Joanna Wright** continues to push forward internally to move forward Change Requests as

quickly as possible to have more accurate financial information. There may be extensions to ESFA projects which may offer some flexibility to Investment Priority 2.2. **Joanna Wright** and **Norman Jennings** will continue to liaise to 'bottom out' final values. **Norman Jennings** also noted that locating match funding remains an issue which may mean putting some funds into the Reserve Fund and then liaising with other LEP areas to identify potential call opportunities.

7. EAFRD National Programme Update

7.1. David Sillett was unable to attend the ESIF Sub Committee and had provided a written update.

7.2. The **Chair** asked for comments on the written update. The ESIF Sub Committee agreed that fuller updates were needed, including a narrative on the current programme status, noting that the spread sheet was difficult to interpret, particularly without a representative to explain. It was also noted that other ESIF Sub Committees had also requested more detailed updates from EAFRD.

7.3. **Andy Luff** noted the importance of understanding the current situation regarding unallocated funds and how this will be distributed within the Hertfordshire LEP area. **Andy** noted that the Greater Cambridge & Peterborough ESIF Sub Committee had agreed to draft a formal letter, setting out concerns and requesting clarity for the future plans of the unallocated funds. It was agreed to replicate that request for this ESIF Sub Committee.

Action 4

- **Andy Luff to draft the letter to EAFRD MA requesting more detailed updates on allocations and clarifying what funds are allocated to which projects and the status of those projects.**

8. Hertfordshire LEP ERDF Update

8.1. **Norman Jennings** concluded that the Hertfordshire LEP area Update relating to projects and future call plans have been discussed under ERDF and ESF headings.

9. AOB

9.1. Norman reminded members that a request had been sent for feedback on ESIF Sub Committees from Tim Whelehan at MHCLG, and to please complete and return it.

Action 5

- **All ESIF Sub Committee members to complete MHCLG feedback request.**

**Date, time and venue of future meetings:
25th September 2019 10am-1pm Venue: TBC**

Annex A

List of Agreed Actions for the Hertfordshire ESI Funds Sub-Committee Meeting on 20 March 2019

Agenda Item	Action	Action Assigned to
2	Action 1 Norman Jennings to draft response to the Big Lottery Fund noting the need for more granular and ward level data.	Norman Jennings
2	Action 2 Secretariat to circulate original response from Big Lottery Fund to ESIF Sub Committee members.	Secretariat
3	Action 3 Secretariat to circulate the link to the ESIF You Tube Channel	Secretariat
7	Action 4 Andy Luff to draft the letter to EAFRD MA requesting more detailed updates on allocations and clarifying what funds are allocated to which projects and the status of those projects.	Andy Luff
9	Action 5 All ESIF Sub Committee members to complete MHCLG feedback request.	ESIF Sub Committee Members

Annex B Attendee List

Hertfordshire ESI Funds Sub-Committee Meeting 20 March 2019

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
Jo Wright	DWP	Managing Authority (DWP)
Andy Luff	ACL Europe	Private Sector
Phil Fiddaman (Chris Pearson Deputy)	University of Hertfordshire	Higher / Further Education
Benjamin Wood	East Herts District Council	Local Authority
Norman Jennings	Herts LEP	Herts LEP

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

Name	Position/Title and Organisation	Sector Representation
Vicki Bidwell	MHCLG	Managing Authority (MHCLG)
Claire Tilley	MHCLG	Managing Authority (MHCLG)

Apologies:

Name	Position/Title and Organisation	Sector Representation
Hemant Mistry	Herts Equality Council	Equalities
Paul Witcombe	Herts LEP	LEP
Tim Burton	Herts LEP	LEP
Lisa Devayya	Welwyn Hatfield Borough Council	Local Authority
Chris Pearson	West Herts College	Higher / Further Education
Paul Findlay	University of Hertfordshire	Higher / Further Education
Pam Charman	FSB	Voluntary Sector