

**MINUTES OF SOUTH WEST COMPETITIVENESS
EUROPEAN REGIONAL DEVELOPMENT FUND
LOCAL MANAGEMENT COMMITTEE MEETING
15 MAY 2013 10.00AM – 12.00
INNOVATION CENTRE, UNIVERSITY OF EXETER,**

Attendees:

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| Theo Leijser | DCLG, Chair |
| Tim Jones | Heart of South West LEP |
| David Owens | Gloucester First Local Enterprise Partnership |
| Linda Spröge | DG Regio |
| 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 (from item 3) |
| Paul Sadler | Environment Agency |
| Karen King | Bristol City Council |
| Sally Edgington | BIS |

In attendance:

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| Eifion Jones | SW GDT, DCLG |
| Tim Wheatley | SW GDT, DCLG |
| Michelle James | SW GDT, DCLG |
| Tina Conway | SW GDT DCLG |

Apologies:

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| Jon Bright | DCLG |
| Colin Skellet | West of England LEP |
| Anthony Payne | Plymouth City Council |

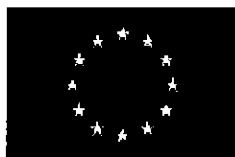
**Item 1: Minutes of the 11 October 2012 & Matters Arising
01 SW COMP LMC Paper May 2013**

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| 1.1 | The Local Management Committee (LMC) agreed the minutes as an accurate record of the meeting with the addition of Linda Spröge to the attendees list. |
| 1.2 | <p>The Chair updated the LMC on actions identified in the minutes:</p> <p>Section 2.7 Partner briefing to the DCLG Locality Director was ongoing and taking place outside of LMC related activity.</p> <p>Section 3.7 Issues highlighted at the previous meeting had been largely resolved, one broadband project had been contracted and the second was in the process of being contracted.</p> |



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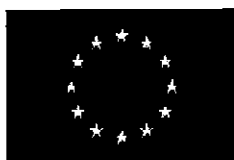
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| | <p>Section 6.15 The Post 2013 presentation had been made available.</p> <p>7.1 The SW Competitiveness Annual Event had taken place on 12 December 2012, preceding the BIS 2014-2020 roadshow. There had been a good level of attendance and presentations from 3 projects, which had provided useful context for the rest of the day in demonstrating the range of activity that ERDF can support.</p> |
| Item 2: Deputy Chair's update | |
| 2.1 | In the absence of the Deputy Chair the LEPs in attendance gave an overview of LEP activity in the Programme area. |
| 2.2 | The Chair of Heart of the South West reported that the LEP had been working with Whitehall on the City Deal for Plymouth and the LEP area as part of the Wave 2 entry, focusing on Plymouth's unique selling point as a hub for marine innovation activity. Dialogue with LEPs from around the country, but notably the West Midlands, had been very useful in sharing experience around managing partnerships. |
| 2.3 | The Comprehensive Spending Review announcements on 26 June were expected to confirm the sum available from the Single Local Growth Fund and the extent to which there would be a competitive element versus set allocations. |
| 2.4 | A big challenge for all LEPs was to align the funding streams available, recognising that the Skills & Employment agenda had also now been assigned to the LEP, along with housing and the infrastructure strand looking at marine, broadband, road and rail. A critical step was to establish a co-investment platform assisting the private sector, social enterprises and intermediaries. In undertaking this exercise in alignment it was anticipated that match funding for ERDF could be identified. |
| 2.5 | The Gloucester First LEP representative reported that the LEP was focusing on use of the Single Pot. It was thought that 90% would be allocated to LEPs and the remaining 10% would be accessed on a competitive basis. |
| 2.6 | It was noted that there was debate around functional economic areas and the boundary of the LEP, and that Gloucester First were looking to work with West Midlands and Oxfordshire particularly around the M5. It was acknowledged that this would add a layer of complexity to administration but was expected to bring greater benefits for the area. |
| Item 3a: ERDF Performance Report 02a SW COMP LMC Paper May 2013 02b SW COMP LMC Paper May 2013 | |



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| 3a.1 | DCLG reported that the variation in exchange rates had added £5m to the Programme value since the beginning of the year, which meant the potential over commitment had proportionately reduced, but the Programme could still be fully contracted. There would be a push to get projects to contract before the deadline at the end of 2013, thereafter only appropriate extensions to existing projects could be made. |
| 3a.2 | The LMC heard that contracting Priority 3 and bringing the pipeline forward had made a lot of progress on the position reported at the last LMC meeting and the Filwood project, which was discussed at the last meeting, had been endorsed in January and the contract terms were being worked out. The Open Calls had resulted in a number of new proposals which were progressing through appraisal. DCLG had a reasonable degree of confidence that Priority 3 would be fully contracted. |
| 3a.3 | The Competitiveness Operational Group had agreed to look at a couple of new Priority Axis 1 projects to pick up the headroom in that area, the tight timing for the projects to be contracted and delivered within the remaining Programme was factored into the development of these proposals. |
| 3a.4 | Programme targets showed a healthy forecast profile against contracted Outputs, each project has its actual performance measured against their profile, the cumulative picture of performance versus forecast shows a sound position. |
| 3a.5 | N+2 was the biggest Programme risk this year. The cushion for achievement of the target was only £0.5m, which was very slim, when it is considered that in previous years the cushion has shrunk as projects have fallen behind expenditure profiles. There are consistent under spends from a number of projects, so they had been offered an amnesty to amend their profiles on the understanding that a project falling behind on its profile was at risk of losing part of its ERDF allocation as it would be transferred to a project that could spend and deliver for the Programme. |
| 3a.6 | The LMC welcomed the figures showing actual performance against Programme targets and agreed to assist with spreading the message that projects must submit claims or money would be lost to the Programme. |
| 3a.7 | DCLG then explained that the Department was looking at fixing a sterling amount for each Programme to use as its allocation in recognition that the financial climate and the extreme variations in exchange rates was making it very difficult to predict eventual Programme values and contract appropriate levels of investment in projects. The situation was compounded by the fact that most Programmes had around 50% of their allocation to spend in the last two years of their life. The Government would take the risk over further exchange rate changes once a sterling rate had been agreed. |
| 3a.8 | At the LMC's request DCLG then provided an update on the Superfast broadband proposals. The broadband proposals totalled £12m within Priority Axis 2, £1m of |



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| <p>Action</p> <p>3a.9</p> | <p>which was infrastructure where delays were being experienced in the roll-out, but it was expected that sufficient businesses would be able to access the infrastructure within the Programme life for the targets under the business support elements to be met. The LMC agreed that putting ERDF resource into demand stimulation was a key move in making a step change in business use of broadband opportunities. It was understood that negotiations were underway to overcome the issues delaying the infrastructure activity.</p> <p>BIS Local agreed to determine the extent to which the content of that work could be shared with the LMC.</p> <p>DCLG then also provided an update on the proposal to establish a nuclear innovation centre at Bridgewater, which could help to create a cluster of businesses that could then access the Hinkley power station supply chain. There were issues around timing as in order to receive ERDF the centre would be created in advance of the power station. DCLG were seeking further information on the benefits that would accrue from working with other renewables, low carbon and de-commissioning that could make the proposal worthy of ERDF investment with or without the Hinkley benefits.</p> |
| <p>Item 3b: Compliance Report 03 SW COMP LMC Paper May 2013</p> | |
| <p>3b.1</p> | <p>DCLG reported that the report provided to the LMC did not raise major issues of concern, providing an update on the audit issues reported previously and confirming the 2012 Programme audit rate had been concluded at 0.2%, although the national error rate had been higher than the 2% threshold set by the EC. To avoid a formal interruption for all English Programme payments the government had applied a self-correction to bring the error rate to below 2%. However, other issues had been identified by the Audit Authority that meant the government was expecting a formal notification of an interruption. This would not impact on projects as DCLG would cashflow payments to projects until the interruption was lifted. DG Regio confirmed the interruption would be lifted once the action plan to address the audit issues had been achieved and confirmed that many Programmes experienced interruptions as part of the process in ensuring Programme activity was taking place in an appropriate manner.</p> |
| <p>Item 4: Annual Implementation Report 04a SW COMP LMC Paper May 2013 04b COMP LMC Paper May 2013</p> | |
| <p>4.1</p> | <p>DCLG explained that the Annual Implementation Report was a formal report to the European Commission, providing an update of the Programme's financial and physical progress during 2012. The Report follows a set template of questions covering the calendar year and must be submitted to the Commission via the SFC2007 system by 30 June 2013. The Report recounted issues and</p> |



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| | discussions from LMC and Competitiveness Operational Group meetings and was an opportunity to highlight good practise or potential issues for the future. The EC would consider the Report for admissibility and then determine whether it could be approved. Non-approval of the Report could lead to suspension of the Programme. |
| 4.2 | As part of the standardisation process an overview was being undertaken across all English Programme Annual Implementation Reports in order to provide a consistent line on national issues, such as self-correction and the national economic position. This was not intended to hold up the process of obtaining LMC agreement to Programme level information within the Report. |
| 4.3 | DCLG clarified that Table 5 categorised projects by a series of Lisbon Agenda codes identifying activity on the basis of its contribution to the competitiveness agenda, in order to provide data that the EC could use on an aggregated basis alongside information being received from ERDF Programmes across Europe. |
| Action | LMC members further identified a mis-print in Table 1 and offered to review their own material to determine whether they could provide further local economic data to elaborate on the material provided in section 2.4. |
| 4.4 | DG Regio confirmed the Report must ensure that performance activity is provided in euros, that Core Indicators are clearly distinguished from Operational Programme indicators, that Financial Engineering Instrument data is clearly encoded and that the weblink to the beneficiary data is clearly provided. |
| 4.5 | The LMC agreed the Report represented Programme activity in 2012 and that it should be submitted to the EC with regard for the comments made by LMC members. |
| Item 5: Technical Assistance 05 SW COMP LMC Paper May 2013 | |
| 5.1 | It was noted that two Local Enterprise Partnerships were present at the meeting, who could potentially benefit from the proposals set out in the paper, it was agreed that they should remain in the meeting as they would be able to provide information on the LEPs' ability to respond to the opportunity within Option 2. |
| 5.2 | DCLG explained that the purpose of the Technical Assistance priority was to support the implementation of the Programme as set out in the EC Regulations and the LMC was responsible for approving Technical Assistance investment. The Secretariat Running Costs project incorporated all the regulatory activities defined in the EC Regulations and would require a 10% increase to its ERDF investment to cover the costs of implementation up to Programme closure and contribute to national evaluation activity. Having established the costs of the Programme implementation it was estimated that there was approximately £1m ERDF remaining in the Technical Assistance priority. Two options for use of the funds were set out in the paper. |



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| 5.3 | DG Regio confirmed that under Option 1, the transfer of Technical Assistance funds would be an admissible reason to request a modification of the Operational Programme, but the modification would required an inter-service consultation within the EC for which 3 months was usually allowed. |
| 5.4 | The LMC debated the merits of the two options and decided that as a further £1m was not required in Priority 1 to achieve the Programme targets, the greatest benefit would be to invest in a robust strategy for further ERDF investment. The LMC then turned to determining how the funds should be made available and the criteria that should be applied. LMC members were very keen to encourage LEP collaboration without restricting individual areas ability to work with LEPs outside of the current Programme area. |
| Decision: | The LMC endorsed the use of ERDF Technical Assistance to support Local Enterprise Partnerships in the development of an ERDF strategy to guide delivery of the 2014-2020 ERDF Programme. |
| 5.6 | The LMC decision was based on a joint proposal being submitted by the South West Local Enterprise Partnerships (LEPs). Up to £1million would be available to be matched by LEP resources (50:50), the division of that resource amongst the five LEPs to be agreed between LEPs, recognising that LEPs in the South West area may require differing levels of support. LEPs could choose not to participate, the full £1million would remain available to the LEPs partnering in the Technical Assistance bid. Support for LEP activity other than the strategic preparation for 2014-2020 ERDF Programme delivery would not be eligible. |
| 5.7 | The criteria for appraisal was agreed as set out in the paper with the addition of the need for an outcome of up to five Structural and Investment Fund strategies - one per participating LEP. |
| Item 6: Post 2013 Update 08 SW COMP LMC Paper May 2013 | |
| 6.1 | DCLG explained the proposal for the delivery of the ERDF 2014-2020 Programmes was intended to create as much flexibility as possible. There would be a national growth programme including the three Structural Funds, 100% of ERDF activity would sit within this national programme, whilst elements of European Social Fund (ESF) and European Agriculture, Farming and Rural Development (EAFRD) Fund would be included. There would be a national Programme Monitoring Committee overseeing the Operational Programme for each Fund. |
| 6.2 | Subject to EC agreement the English allocation for EU Structural Fund activity was £6.17bn. LEPs had indicated their willingness to drive the strategy determining how the funds would be invested. |
| 6.3 | The next stage was the development of the Partnership Agreement between the |



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| | UK government as the member state and the EC. Indications of strategic intent would be provided by LEPs and would help shape the negotiations with the EC. LEPs had received initial guidance on shaping their Structural and Investment Fund strategies, with a request to think about timeframes, governance, to consult with partners, provide views on delivery of Financial Engineering Instruments (FEIs) and provide views on any additional freedoms of flexibilities required to deliver growth opportunities in their areas. |
| 6.4 | Initial input was expected from LEPs in May, whilst full plans would be developed between May & September. Following the outcome of the Comprehensive Spending Review on 26 June notional LEP area allocations would be made accompanied by more detailed guidance. Negotiations over LEP plans would take place December to January 2014, with a view to formal sign off and commencement of Programmes in summer 2014. |
| 6.5 | Committee members were informed that the ERDF Secretariat had engaged with LEPs in the South West area, and that bilaterals within BIS, DWP, DEFRA and DCLG had taken place to gain a greater understanding of the direction LEPs want to take in the 14-20 Programme and what support they may seek. |
| 6.6 | The Chair confirmed that Government guidance clarified that DCLG would remain the Managing Authority for ERDF; DEFRA would be the Managing Authority for rural funds and fish and DWP would be the Managing Authority for ESF. The Managing Authorities would retain overall responsibility for the Programmes, contracting directly with the project applicants and also paying the projects directly. Audit arrangements would be directly from the Audit Authority to the project. The structure would remove liabilities from the LEPS. It was added that DEFRA proposed to set aside an allocation for LAGs. |
| Item 7: Any Other Business | |
| 7.1 | The LMC's attention was drawn to the proposal to combine the 2013 annual event with the LMC scheduled for 4 October. It was proposed to hold the event and LMC at an ERDF funded project and use the event to celebrate achievements from across the Programme life. LMC members were asked for help in thinking of innovative ways of sharing project successes at the event. |
| The meeting closed at 12 noon. | |

Theo Leyser
chair



