



Local Management Committee

Subject: East of England European Regional Development Fund (ERDF) Competitiveness Programme 2007-2013

Minutes from October 2013 LMC meeting

<i>Report by J Logue, Programme Management team, DCLG</i>

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Summary – This paper provides a summary of the key points made at the October LMC Meeting.

Summary of Key Points

- Claire Lambert, Project Manager, the Low Carbon Business Programme 2009-15, gave a presentation on her successful ERDF funded project. The project operates an innovative and responsive model across a wide range of sectors and as a result the project has met or exceeded all its programme outputs and results and targets for reduction in CO2 emissions.
- A refocused update on delivery of the programme was given. The GDT had reviewed and reorganised itself with the team structure reflecting its four key priorities: Commitment, Audit, achievement of N+2, and Closure. Since the paper was written, the East of England is the now first GDT to reach 100% commitment. Audit is a key issue and is currently taking up a lot of resource in light of the work around interruption. An N+2 plan is in place and all activities are being focussed on its achievement.
- LMC endorsed and approved the Technical Assistance (TA) Change Request form. The request sought a 20 month extension with a request to allocate up to £74,449,428 to the TA project. Its objective is to support the successful management and delivery of the programme until closure. An updated version of the Technical Assistance Strategy was also approved. LMC also acknowledged CDG's approval of the TA outline application from Norfolk County Council, on behalf of New Anglia LEP, worth £230,000 of ERDF funding.
- A Progress report on LCIF was provided to LMC, who noted that LCIF performance is not where it should be in this stage of the programme. However, progress was now being made with more intervention from the GDT. LMC asked the GDT to set monthly targets for LCIF over the next three month period and invited LCIF to present the results against set targets at the next meeting.
- Merja Toikka gave a presentation on the next programme from the EC perspective. LMC members acknowledged that there was a challenge for all LEPs to think big and work together in this region to make the next programme a success.
- Information was provided by each LEP highlighting progress with their draft ESIF strategies. Each LEP will meet with BIS/DCLG colleagues to obtain feedback in preparation for the production of final versions in January 2014.

Recommendation 1: LMC to approve the October 2013 LMC minutes.

Local Management Committee (LMC)

Minutes of meeting 25th October 2013 held at High House Production Park, Purfleet, Essex.

Chair	Neil O'Connor	DCLG
Members	George Kieffer Michael Large Angela Rowney Lorraine George Cecilia Tredget Paula Grayson Andrea Stark Alastair Rhind Michael Barnes Cllr Stephen Robinson	Deputy Chair LMC EEBG SEMLEP South East LEP EELGA Equality & Diversity Champion Arts Council New Anglia LEP GCCP LEP Essex County Council (on behalf of Kathy Pollard)
Invited Guests/Observers	Lorraine George Claire Lambert Peter Rimmer Graham Farrant	South East LEP TGSE ERDF Project Manager TGSE ERDF Project CEO, Thurrock Council
Officers	Astrid Jenkins Paul Smith Julie Logue	DCLG Contract Manager and Team Leader DCLG Contract Manager DCLG Programme management
Advisor Apologies	Merja Toikka David Morrall Guy Mills Michael Large Ian Gregory Alan Corbett Robert Sturdy Vicki Ford Vanessa Winters	DG Regio Head of GDT, East of England Cambridgeshire County Council EELGA BIS Local Herts LEP MEP MEP Environment Agency

Item 1 – Introductions and apologies

1. The chair, Neil O'Connor, opened the meeting by welcoming everyone to High House Production Park, Purfleet, Essex. Apologies were noted. There was no declaration of interest. The meeting was declared quorate.

Item 2 – Minutes of the LMC meeting June 2013

2. The chair confirmed that the minutes had been previously circulated and comments invited. Comments had been received and will be incorporated in the minutes before recirculation and agreement. Additional comments were raised at the meeting these were:
 - Page 1 – list of members – Lorraine George's title to be amended to South East LEP.
 - Item 4 –ERDF Priority Axis 4 Resourcing – page 4, paragraph 19 – last sentence to be removed as the letter referred to did not actually exist.

- Item 4 –ERDF Priority Axis 4 Resourcing – page 4, paragraph 20 – It was confirmed that LEPs will see the draft version of the Regeneris evaluation in November 2013, along with their ESIF strategy feedback.
 - Item 4 –ERDF Priority Axis 4 Resourcing – page 5, Action Point 2 – re-circulate David Morrall's response to LEP Chairs letter.
3. All actions were completed and /or incorporated as agenda items at this meeting.

Item 3 – The Low Carbon Business Programme 2009-15

4. This ERDF funded Project is one of the best performing in the current programme. Claire Lambert, Project Manger, and Peter Rimmer took the Committee through the presentation, previously circulated to the Committee, highlights included:
- South Essex Economy had higher than average business start ups but conversely high than average business failures and an historic perception of low up take in business support.
 - Highest industrial and commercial CO2 emissions in the East of England.
 - Attracted a lot of local authority funding and as a result more hours of support offered and higher outcomes helping self made macro businesses who traditionally didn't seek this kind of help.
 - Key to the success of the project is the green partnership approach which is a flexible model, primarily from local authorities in the area.
 - Another key to success has been the well defined three stage approach:
 - Engagement & Awareness (Business engaged)
 - Diagnostics & Assessment (Green audit & environment initiatives)
 - Carbon Reduction solutions (e.g. low carbon grants, brokered advise & support)
 - Delivery Strands covering 2 phases; Business Start up support; Social Enterprise support and Support to existing SMEs (this is the strand which provides the majority of the support)
 - The project has met or exceeded all its programme outputs and results; as a result of a mid-term review of the project it has managed to increased jobs created target and consequently prevented some businesses from closing.
 - Claire and Peter went through the different kinds of support on offer and the lessons learned from each. Highlights were: challenges around low conversion rate from **Business Start** up courses; with **Business Support** flexibility of the model was key, close monitoring, multiple delivery model, sector specific offers and developing new support products as a result; **e-commerce-** getting the message out on social media; offering **grants** is a huge part of the programme- launch of the mini grants system has been a success and doesn't need match funding as this is balanced out by the bigger grant programme.
 - Local Achievements- this too is good news, as targets for reduction in CO2 emissions have been exceeded beyond what was envisaged in the business case.
 - The presentation ended with a number of case studies. Further examples can be found on the projects' website.
5. The Committee praised the project for its approach and successes. George Kieffer, deputy chair of LMC, particularly highlighted the approach as a much more concrete approach than other previous government sponsored organisations and initiatives. He also asked whether TGSE could provide, on its website, the locations of the

businesses it has helped and /or whether the project have exemplars they could highlight which could be of benefit to other businesses seeking information.

6. Andrea Stark, Arts Council member, explained that Claire's good work on the TGSE project was instrumental in the development of the current Royal Opera House project in as much as Claire could provide feedback on the pitfalls as the two projects have similar issues, around partnering, engagement and environment. Given Lessons will be learned from TGSE that will benefit the Royal Opera House.
7. Cecilia Tredget, EELGA member, commented that she was very impressed with the interaction on the environmental level and asked how the project successfully influenced on this point. Clare responded by saying that the project has a lead officer in each of the local authorities who are responsible for handing out forms that explain to respective recipients what they might be eligible to receive.
8. The Chair thanked Claire & Peter for their presentation to the Committee and congratulated them on their achievements and wished them continued success.

Item 4 – ERDF Programme Delivery Update

9. Astrid Jenkins, GDT East, introduced her paper and explained that the East of England GDT had reviewed and reorganised itself with the team structure reflecting its four key priorities: Commitment, Audit, achievement of N+2, and Closure. As a result 2 temporary resources have been added to the team. This update paper has therefore been re-focussed around those priorities. In summary:
 - **Commitment** – Since the paper was written, the East of England is the now first GDT to reach 100% commitment. Originally the target figure by the end of December was 105% but this has been revised by DCLG, in light of the continuing work around the interruption of the programme. The GDT is still pursuing projects currently in the pipeline (9 in total) in case any further money becomes available but in theory the East has no further funding. The GDT has reviewed the performance of projects, and de-committed funding from underperforming projects with a view to give more to top performing projects. This has provided an opportunity to encourage projects to focus on addressing the current gaps in targets across the programme.
 - **Audit** – this is a key issue and is currently taking up a lot of resource because of the work to address the issues highlighted by the EC for interruption of the programme and as a consequence is stretching team resources.
 - **N+2** – Four capital build projects are providing a £15million pound potential contribution to the N+2 target by the end of this year. The current forecast now indicates a marginal achievement of N+2 by £100,000. Resources within the team are focussed on ensuring this is achieved. There are two risks around this achievement, however. Firstly, the calculation of the exchange rate may be revised, if this happens it might mean a change to the target and consequently the target might not be met. Secondly, a likely resolution to discussions between government and the EC on the Interruption might mean that a flat rate correction or penalty will be applied to the programme. This may mean the target will be changed by a certain amount, or by a proportional percentage.
 - **Closure** – Additional resource is being used to help the GDT close the programme down. This has allowed the team to have some time to focus on activities for the new 2014-20 Programme.

10. The Committee welcomed the GDT's approach to managing the key activities and achievement of N+2 and recognised that progress had been made. They were supportive of the robust approach to de-commitment. It also acknowledged that the Operational Programme changes agreed at the last LMC meeting had been approved by the EC.
11. Angela Rowney, SEMLEP member, asked whether there was a time limit on re-committing money and also whether the decision to limit commitment to 100% was local or national. In response Astrid explained that the decision on 100% was a national one, as was the contracting timeframe by the end of December 2013. This timeframe may be extended, but the GDT was working on this basis, and the team had undertaken 23 contract variations to maximise commitment ahead of this deadline.
12. Cecilia Tredget asked whether the flat rate correction/penalty will be applied nationally and what impact that would have given the fact that the operational programme agreed locally based allocations. Astrid responded by saying that the flat rate correction would be a national decision but that the flat rate correction could be proportionate to the size of each programme when applied across the country. Neil O'Connor added that it is hoped that, because of the interruption work currently undertaken by DCLG, this situation would be resolved by the end of December 2013.
13. Michael Barnes, GPGC LEP member, expressed concern about resources in relation to closure. He noted that the previous programme had experienced particular problems which had become resource intensive, and asked whether lessons learned from that programme were being applied to this programme. Also given the current team are now involved in the new programme work, while still working on the current programme, is there plans for additional resource or would current resources be further stretched.
14. Astrid responded to Michael by explaining that the 14-20 Programme resources are currently under discussion but every opportunity was being taken to draw on other resources when and where possible utilising contractors and temporary staff. With regard to closure, Astrid explained that the team had proactively responded to this issue and a proposal was put forward to utilise staff previously recruited to support the work relating to the interruption onto closure. However, this resource has currently been diverted to the interruption work.
15. Alistair Rhind, New Anglia LEP, commented that the current N+2 picture seemed better than in previous years and that error rates seem also very low. However, DCLG's policy on the 100% commitment rate may have delivery implications. Merja Toikka, DG Regio, also supported this point emphasising the programme should remain focussed, as always, on jobs and growth and congratulated the team on its key indicator results. Astrid responded by emphasising that the margin of achievement of N+2 target was still quite narrow but all efforts within the team were focussed to encouraging projects to spend to maximise outputs & results.
16. In response to a query from George Kieffer, Astrid explained that the Treasury provides a fixed Exchange Rate with which the programme works. However, it is anticipated that this will eventually change, so the GDT have factored this into their N+2 achievement plans.

Item 5 – ERDF East of England Priority Axis 4

17. Astrid Jenkins introduced the paper and invited the Committee to:
- Approve the Technical Assistance (TA) Change Request form, attached to the paper at Annex A. The Technical Assistance project had been approved to run up until 2014. However the programme itself will continue to run up to December 2015. This request seeks a 20 month extension with a request to allocate up to £74,449,428 to the TA project. Its objective is to support the successful management and delivery of the programme until closure. It had also been endorsed by the CDG at their meeting on 14th August 2013.
 - Agree an updated version of the Technical Assistance Strategy to reflect the current position. This includes the ability for a LEP/LA to apply for funding to help assist in their preparation for the next programme.
18. Astrid explained that since the circulation of the paper, a TA outline application from Norfolk County Council, on behalf of New Anglia LEP, had been approved by the CDG on 23rd October 2013. This was worth £230,000 of ERDF funding. There were also other proposals in the pipeline. New Anglia LEP is being encouraged to work with other LEPs on their project to make it a more joined up proposal. Alistair Rhind confirmed that this assumption had been built into the proposal.
19. Astrid confirmed, in response to a query from George and Angela that the East of England part of SEMLEP is not excluded from this funding and they can draw down funding for that area in the current programme. However arrangements could be different for the next programme.
20. Merja Toikka queried how this project extension would affect the 4% programme limit on TA, as the Operation Programme Changes recently approved does not include TA. Astrid explained that there were no plans to extend the 4% limit. The plan was to maximise the use of existing funding within the limit to help deliver the remainder of the programme and assist the LEPs with their plans for the next programme.
21. The Committee welcomed the New Anglia project and endorsed the approach taken by the GDT. They approved the TA Change Request and the Updated TA Strategy.

Item 6 – Low Carbon Innovation Fund (LCIF)

22. Paul Smith introduced his update on the delivery of the ERDF funded East of England Low Carbon Innovation Fund (LCIF) project. Highlights are:
- Paul explained that since the paper was written two additional investments have been added to the nineteen investments mentioned in the paper, this now raises the total to £7.14m of ERDF invested. This represents 35% of the Funds now invested with an overall allocation of 46%.
 - The Committee were asked to note that the figures for Jobs created and safeguarded in the paper have dropped since May 2013. This was because an audit identified that some of the numbers were not eligible to be counted.
 - Since the paper was written and following a recent visit to the project, Paul confirmed that investment made will create an additional 98 jobs in the next 12 months.

- In response to LMC concerns over performance two additional resources have been put in place in the team which has allowed more of Paul's time to be spent on monitoring performance of the LCIF fund.
 - If the fund deviates from the targets set, Paul will report back to the LMC. There is also an invitation to attend the next LMC meeting in February
23. The Committee noted the performance issues with the fund and discussed what impact this may have on plans to include VC funds in the new programme. In discussion they concluded that the concept is good one but there may be a risk around ensuring that the current fund is best placed to maximise opportunities for management of VC funding in the East. They also wanted to see how this fund performed and how effectively it manages its investments over the coming months, and how it plans to engage with relevant sectors to maximise opportunities for investments. They drew on the early example of the TGSE project, where the project was much more grounded and had a realistic impression of where it was and what it wanted to achieve, looking across different sectors and the LCIF fund could benefit from this focus. LCIF should be encouraged to take up the offer that Andrea Stark had made to support them in accessing other sectors.
24. In summary, the chair noted that LCIF performance is not where it should be in this stage of the programme however some progress was now being made with more intervention from the GDT. LCIF should be asked to provide an action plan over a three month period and be invited to the next meeting to justify their results against targets set. There is a need to make sure the investments produce results.

ACTION: LCIF to produce a clear proposal outlining new investments, outputs and results urgently to the LMC

ACTION: GDT to encourage LCIF to engage more actively with other sectors.

ACTION: GDT to include in the LCIF update paper a trajectory of performance.

Item 7 – Presentation – Jobs & Growth 2014-2020 Programme

25. Merja Toikka gave a presentation on the new EU structural and investment policy for 2014-2020 from the EC perspective, with key messages and informal tips for all players for consideration. Highlights were:

Message 1. Cohesion Policy is aligned to the objectives of Europe 2020 strategy on smart, sustainable and inclusive growth.

This means each future ERDF Operational Programme has to be in line with the EU 2020 strategy + in line with the Common Provisions Regulation + in line with the ERDF Regulation + in line with the Partnership Agreement strategy contents. Future projects also have to follow EU 2020 strategy.

Hence, this means strategic orientation at all levels. I.e. a whole new ball game for all players compared to previous structural fund periods.

Message 2. Starting point: The Member State, the MA and the stakeholders are invited to ask themselves: Where do we want to be in 2020 and beyond?

What are our needs and problems? What do we want to change? Our strengths? Our weaknesses? What kind of actions are needed to get the competitive advantage per chosen sector/thematic objective we want? And what kind of indicators?

Use ERDF in cooperation with other funding.

Message 3. Hence, results-oriented intervention logic is the key. Once you get it right, the making of a Partnership Agreement and Operational Programme comes naturally.

This implies a marks-man approach: focus on key 3-4 thematic objectives per ESI Fund to make the competitive difference wanted. The MA and LEPs were invited to challenge themselves as other Member States and their regions will, and invest wisely – private sector know how is a key to future revenues and growth. Use of financial instruments is recommended – will need an ex-ante assessment, and collaboration at LEP grouping level; local firms need to start learning not to rely on grants. FIs will bring sustainability and recycling of invested money within a region(s).

Make sure all stakeholders are involved and consulted per ESI Fund: ERDF, ESF, Rural Development Fund (each with relevant intervention logics!) and EMFF (potential for maritime, marine, offshore sectors also within the Atlantic Strategy).

Stakeholder cooperation + Out of silo thinking are needed – that's what competitors to your economic operators, to your sectors and to your areas/regions will be doing in other Member States!

This point 3 also means that future programme(s) should be linked to the Research and Innovation Smart Specialisation Strategies (RIS3). RIS 3 is an ex-ante conditionality for thematic objective 1 (R&I). Be innovative in many ways, e.g. in business creation under chosen TOs, in finding low carbon business solutions, in new sectors, new skills needed by economic operators to prosper, etc. Ensure that RIS3 investment fits into a bigger picture (industrial strategy) and makes sense, incl. how to bring the local level to the universities, research and commercialisation of research results. LEPs were advised to have used the latest RIS3 guide, done a SWOT analysis and consulted their local stakeholders and partners.

Since projects have to follow EU 2020 strategy as well, look for future projects where EU investment can add value, help attain a seven year competitive edge, a lasting difference in the LEP areas and TOs focused. Avoid projects which can be done by national allocations.

Message 4. Financial allocation by thematic objectives. For instance, for the ERDF there are four key investment priorities RTDI, ICT, SME Competitiveness, shift to low carbon economy in all sectors. In more developed regions, like the East of England LEP areas, at least 80% of the total ERDF resources at national level must be allocated to 2-4 of those four thematic objectives, and at least 20% to the thematic objective shift to low carbon economy.

See your chosen TOs and RIS3 areas as new businesses and jobs creators that are or will become also internationally competitive.

Message 5. Cohesion policy = Investment policy. Cohesion policy 2014-2020 is a modern business promotion and business and jobs creation policy. Wise investment always pays off – Challenge yourselves! Your competitor countries will.

An Austrian RegioStar winner project in Smart Growth was presented as an illustrative pre-example thereof."

26. The chair thanked Merja for her presentation. Cecilia Tredget commented that there was a challenge for all LEPs to think big and work together in this region rather than competing against each other. The Committee concurred.

Item 8 – LEP Updates – including 2014-20 ESIF Submission

27. The Deputy Chair, George Kieffer, introduced this session by asking LEP representatives to focus primarily on the submission of their ESIF Strategies.

- **SEM LEP** - Angela Rowney explained that they are currently working with other LEPs and approaching different sector groups to help these sectors develop ideas going forward. SEMLEP are still working on making a City Deal part of the strategy.
- **Herts LEP** - their Quarterly Economic Report is included in Paper 7, Annex A.
- **South East LEP** – Lorraine George explained that they were awaiting the “light touch” feedback on the draft strategy, meeting with BIS & DCLG colleagues next week. A lot of work has been done in terms of scoping out thematic objectives for the different funding strands. There is quite a lot of emphasis on cohesion in the strategy. The LEP chairman has an ambition to include a JESSICA fund & the LEP is waiting to find out whether this will be possible. The main focus is trying to “turn off” some of the Opt-ins (9 in total) and establishing a common approach on CLLDs.
- **GCGP LEP** – Michael Barnes explained that they undertook major consultation event to support the drafting of the strategy with separate workshops for key areas. Awaiting feedback on draft strategy and also have meetings set up with BIS & DCLG. At the moment trying to negotiate Opt-ins and having conversations with DWP next week. GCGP are also looking at sources of match funding. Other GCGP LEP activities this quarter are set out in LMC Paper 7.
- **New Anglia LEP** – Alistair Rhind echoed the experiences of other colleagues in drafting the strategy, including challenges around meeting the tight deadlines and lack of resources. Two City Deals are on target to be part of the NA LEPS strategy. They are the only LEP area to have two City Deals. There is £9 million worth of RGF coming into the LEP area. The LEP is currently working with local colleges on assisted studies. NALEP are holding a Skills Summit on 28th November where Skills Minister, Mathew Hancock, will be attending.

Item 9 – Presentation – Thurrock Council- Vision for the future

28. Graham Farrant, CEO of Thurrock Council gave a short presentation on Thurrock Council's ambitions for their key areas of growth & development, including High House Production Park. The presentation is attached to these minutes for information. The LMC thanked Graham for presenting to them.

Item 10 – Equalities & Environment Update

29. This paper was presented for information only and was not discussed. This paper provided an update for the LMC on the activities of the Equalities Group and the current priorities of the Environment Agency. The Committee were asked to note the continuing actions against the Terms of Reference for the Equalities Group and give any further comments on the current draft of the LMC Objectives and Action Plan. There were none offered at the meeting.

Item 11 – AOB

30. There were no substantive items. The Committee were asked to note the proposed dates of the next year's meetings and were invited to offer available locations for these meetings.

31. Meeting Dates for 2014:

- 13th February 2014
- 5th June 2014
- 25th September 2014

The meeting was closed

ERDF GDT East October 2013

Summary of Action Points

No	Action	By when
1.	LCIF to produce a clear proposal outlining new investments, outputs and results urgently to the LMC	25 th November 2013
2.	GDT to encourage LCIF to engage more actively with other sectors.	25 th November 2013
3.	GDT to include in the LCIF update paper a trajectory of performance.	25 th November 2013