



European Union

European Structural
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**European Structural and Investment
Funds
2014 - 2020**

Growth Programme for England

North East ESI Funds Sub-Committee

Minutes of meeting held 06 February 2020 Citygate, Newcastle

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1. North East Fund of Funds Presentation

The sub-committee received a presentation from Jason Hobbs (JH) CEO, North East Fund Ltd to update Members on the progress of the North East Fund.

The presentation slides are issued with these draft minutes.

In response to points of clarification raised by Members, JH confirmed:

- The reported ERDF outputs underplay direct job creation given the nature of the evidence/reporting requirements.
- The low carbon funds are performing reasonably well. Investment in PA4 and the low carbon sector is very positive but while there are many opportunities to increase the level of funding, investments are constrained by the requirement to achieve programme targets.

- The average conversion rate from application to success in securing investment is 1 in 5, however the rate varies significantly across funds, with equity being 1 in 8/9 and small scale investments 1 in 2/3. All decisions are commercially led and there are a number of reasons for turning applications down. Companies failing to secure investment are signposted to other forms of assistance.
- Fund Managers seek to align with other providers of finance and engage with a range of trade bodies. They promote and collaborate with other local provision (such as Business Durham), including co-hosting drop in clinics with other organisations such as RTC North.
- Some drop-in clinics are held in growth hubs however it is acknowledged that integration with the Growth Hub could be further developed - for example the BBB funding finder does not currently sign post to the North East Fund.
- Rural engagement is strong in the west of county Durham and further drop-in sessions are planned across the whole geography. Alignment with the Durham Growth Fund is working well.
- Variable interest rates apply - a standard interest rate across all funds does not work.

2. Welcome and Introduction

2.1. Apologies

Apologies are recorded in the attendance list at Annex B of the minutes.

2.2. Declaration of Interest

The Chair and secretariat reminded the sub-committee of:

- The publication of revised ESI Funds sub-committee Terms Of Reference (ToR) placing emphasis on the management of conflict of /declarations of interest;
- The importance - and member responsibilities in respect of - conflicts/declarations of interest as set out in the ToR;
- The requirement for the secretariat to hold a signed code of conduct for each member/nominated deputy (ToR Annex C refers);
- The requirement to annually update the individual member declarations of interest (ToR Annex D refers).

Annex D templates were issued to members and deputy members for the 2020 update with a deadline for return by 06 February 2020. Any members who have not yet completed and returned the updated form are urged to do so as soon as possible.

- No Declarations of Interest were made in respect of any agenda items at this meeting.

3. Minutes of 08 October 2019 and 28 November 2019 meeting and progress of actions

3.1. Agreement to minutes

The ESI Funds sub-committee formally agreed the minutes of the meetings held on 08 October 2019 and 28 November 2019.

3.2. Update on actions

The ERDF and the ESF managing authority provided an update on actions from previous meetings. A copy of the updated action log is issued with the minutes.

3.3. Update on Written Procedures

The ERDF managing authority presented a paper to update members on the outcome of requests for sub-committee advice sought via written procedure since October 2019.

- **ERDF: Northern Powerhouse Internationalisation Fund**

Full Application Appraisal (Written Procedure closed 01 October 2019)

Sub-committee advice:

The ESI Funds sub-committee is supportive of the application; it continues to demonstrate reasonable value for money, fit with local development need, growth conditions and opportunities, noting that support for smaller businesses identified as high growth but with a turnover below £500k could be strengthened.

- **ERDF: North of Tyne Rural Business Growth Service**

Full Application Appraisal (Written Procedure closed 21 November 2019)

Sub-committee advice:

The ESI Funds sub-committee is supportive of the application; it continues to demonstrate reasonable value for money, fit with local development need, growth conditions and opportunities within the North East LEP area ESIF strategy.

- **ERDF: Durham Ambitious Business Start Ups (DABS)**

Full Application Appraisal (Written Procedure closed 05 December 2019)

Sub-committee advice:

The ESI Funds sub-committee is supportive of the application; it continues to demonstrate reasonable value for money, fit with local development need, growth conditions and opportunities within the North East LEP area ESIF strategy.

- **ERDF: Newcastle Helix Incubator and Accelerator**

Full Application Appraisal (Written Procedure closed 10 January 2020)

Sub-committee advice:

The ESI Funds sub-committee is supportive of the application; it continues to demonstrate reasonable value for money, fit with local development need, growth conditions and opportunities within the North East LEP area ESIF strategy.

- **ERDF: Movement of Funds**

(Written Procedure closed 10 January 2020)

- Move up to c£4m ERDF funds from PA4 NE SUD into mainstream NE PA4
- Move c£2m ERDF from PA5 NE SUD into NE mainstream PA5 and undertake an exchange with Leeds City Region for equivalent PA3 funds given demand for NE PA3 and lack of demand for NE PA5

Sub-committee advice:

The ESI Funds sub-committee is supportive of the proposed movement of funds.

4. Managing Authority Updates

4.1. ERDF

The ERDF managing authority updated members on national considerations:

- Confirmation that under the terms of the Withdrawal Agreement Bill the England ERDF will continue to participate in the 2014-20 EU Programmes as originally planned until closure, providing welcome certainty for all stakeholders and communities that benefit from ESIF investment.
- Circa 65% of the ERDF programme value of c£3.3bn is legally contracted with a further c30% under consideration in the pipeline. The n+3 2019 expenditure target was successfully achieved and good progress is being made towards the 2020 n+3 target with c80% having already been achieved.
- The ERDF Reserve Fund is expected to be launched in the spring in England-wide calls at Priority Axis/Category of Region level. The Reserve Fund is likely to focus on the Priority of Axes supporting Innovation, SME Competitiveness, Low Carbon and Preserving and Protecting the Environment. It is hoped that it will encourage new collaborations across LEP areas or sectors; integrated activity across the Industrial Strategy's foundations of productivity and new ways of delivering initiatives through the SME Competitiveness priority axis. Further details about the Reserve Fund will be circulated to members as soon as these are made available.

In response to points raised by members the managing authority confirmed that:

- Strategic fit will continue to be a key selection criteria alongside value for money and deliverability.
- Deliverability will be a fundamental consideration at this stage in the ERDF programme. Speculative projects will not be supported.
- Advice from LEP area ESIF sub-committees will continue to be sought where applications propose to deliver within their LEP area.

4.2. ESF

The ESF managing authority updated members on the following national level issues:

- The N+3 for 2019 has been achieved and good progress is being made in respect of the 2020 n+3 target;
- There are currently 223 full applications in appraisal with additional appraisers recruited and being trained to help with the appraisal workload;
- Secretary of State clearance has been given to extend existing ESFA projects to 2023 that are delivering successfully. These will be progressed as soon as possible via PCRs where LEP areas are in agreement. Funding will be recycled within existing MOU's where possible.
- The Project Change Request (PCR) submitted last year in respect of the National Lottery Community Fund has now been finalised and approved, extending their provision to 2023.
- The option of launching National Calls was under consideration – to be administered via the ESF Reserve Fund, however the MA are currently reviewing the value of the programme to better reflect the current exchange rate position to minimise any risk of Programme underspend and therefore National Calls are now unlikely.
- LEP area new Call proposals for new activity in Priority Axis 1 Transition area are currently on hold whilst the revaluation of the programme is being considered. PA2 new Call Proposals can still be considered.
- Geoff Hawker has been appointed as Deputy Director, Head of European Social Fund Division replacing Dr Catherine Blair.

4.3. EAFRD

This is a standard agenda item. No EAFRD update was provided.

5. Local Partner Update

This is a standing agenda item. No local partner update was provided.

6. EAFRD Programme Implementation

Members noted the progress report provided by the managing authority in respect of the EAFRD growth programme and sought clarification on the following points:

- Confirmation of the call value of the Round 3 National Reserve Fund Call.
- In view of the high level of application drop-out rate of 72% in the Round 2 Call, the sub-committee wished to understand what learning has been taken from the Round 2 experience is to inform the Round 3 Call.

Action 1: EAFRD managing authority to clarify the two points raised by Members:

- Confirmation of the call value of the Round 3 National Reserve Fund Call.
- In view of the high level of application drop-out rate of 72% in the Round 2 Call, the EAFRD MA to advise the sub-committee of learning from the Round 2 experience and how this has informed the Round 3 Call.

7. ERDF Programme Implementation

7.1. LEP Area Status Report

The ERDF managing authority provided an overview of performance highlighting in particular the following:

- Having concluded the June 2019 call round overall ERDF commitment levels, contracted and pipeline, stand at c£253.9m, representing 96.5% of the notional allocation, however a degree of attrition is anticipated.
- Following advice from the North East SUD Advisory Group and the ESIF sub-committee, the managing authority is progressing the cross LEP funds exchange involving the transfer of £3m Priority Axis 5 under-utilised funds in the More Developed area in exchange for £3m Priority Axis 3 funds. The exchange of funds is intended to help the North East LEP area to maximise the take up of the notional ERDF allocation.
- A final North East SUD call was launched in January 2020 aimed at utilising the remaining c£4m headroom in the North East SUD programme. The call will close at the end of March 2020.

7.2. Outline Application Assessments

This is a standing agenda item. No Outline Application Assessments were presented

.Full Application Appraisals

This is a standing agenda item. No Full Application Appraisals were presented.

8. ESF Programme Implementation

8.1. LEP Area Status Report

The ESF managing authority provided an update on progress in respect of North East LEP area calls and commitment levels, drawing members attention to the significant overbid in the Priority Axis 2 call Skills for Growth, with demand exceeding the available funding ringfenced for a further planned call.

For all Calls where there was an over-commitment, the MA has requested that the LEP area apply for the potential additional funding (i.e the additional amount over the Call value) now, rather than wait for those applications to reach the appraisal/ESIF advice stage. This would ring-fence the appropriate allocation from the Reserve Fund in respect of those applications successfully completing appraisal. The ESF MA has provided the LEP with the details of the amount for each Call and category of region where additional funding is required.

The sub-committee confirmed its support for the proposal to seek additional funding for current pipeline applications to be applied for through the Reserve Fund.

In response to points raised by members the ESF managing authority confirmed:

- Full applications awaiting appraisal are dealt with in chronological order, based on the date the application was submitted.
- Project extensions must be submitted as a full application via open calls and will be subsequently processed via a Project Change Request.

Given the timing of the next sub-committee meeting and in order to avoid delays to the approval process, Members agreed to the managing authority's request to provide advice via written procedure on the Full Application appraisals that are close to completion.

8.2. Full Application Appraisals

This is a standing agenda item. No Full Application Appraisals were presented.

9. CLLD ESF and ERDF

The ERDF managing authority provided a brief presentation of the CLLD progress report in respect of ERDF and ESF performance to date for the five North East LEP area programmes and invited the North East Combined Authority representatives to share on the ground delivery experience in respect of the Sunderland Economic Corridor and the North and South Durham CLLD programmes.

Members noted:

- The positive and encouraging performance improvement after a slow start.
- The importance of wide ranging communications and engagement at local level through, for example, practitioners events, focus groups and close working with local intermediaries.
- The impact of Local Action Groups in driving progress and overcoming challenges in CLLD delivery.
- The Local Action Group model has been very successful in focussing and co-ordinating provision in the most economically and socially disadvantaged areas.
- There may be useful learning from LEADER; the CLLD national lead to consider LEADER input to the national CLLD network.

Operational challenges included:

- The multi-fund approach; linking ERDF and ESF has proved challenging in practice. CLLD may provide useful lessons that could help multi-fund alignment in the future.
- The CLLD strategy development phase was intended to ensure that CLLD would be implemented following the needs analysis – with the strategy providing sound foundations for implementation. Partners considered that the time lag between the

establishment of the strategy and the approval of the full applications resulted in loss of momentum.

- Replicating national ESF/ERDF locally at CLLD level was considered to impact on engagement. The ERDF MA welcomed further discussion on this point.

ACTION 2: The Secretariat to advise the CLLD national lead of Sub-committee feedback in respect of sharing LEADER learning/experience with the national CLLD network.

10.Items for Information

The next meeting is scheduled for **9.30-12.30 29 April 2020**. Future agenda items will be confirmed in due course with further project presentations currently under consideration by the Secretariat.

Annex A

List of Agreed Actions from 06 February 2020 North East Sub-Committee Meeting

Agenda Item	Action	Action Assigned to
6	EAFRD managing authority to clarify the two points raised by Members: <ul style="list-style-type: none">• Confirmation of the call value of the Round 3 National Reserve Fund Call.• In view of the high level of application drop-out rate of 72% in the Round 2 Call, the EAFRD MA to advise the sub-committee of learning from the Round 2 experience and how this has informed the Round 3 Call	EAFRD managing authority
9	The Secretariat to advise the CLLD national lead of Sub-committee feedback in respect of sharing LEADER learning/experience with the national CLLD network.	Secretariat

Annex B Attendee List

North East ESI Funds Sub-Committee 06 February 2020 meeting

Chair & Deputy Chair:

Name, title and organisation	Sector/Organisation Representing
Neil Warwick Partner, DAC Beachcroft LLP	Chair
Lesley Calder Head of Team, North East, Yorkshire and the Humber, MHCLG	Deputy Chair

Sub-Committee Members:

Name, title and organisation	Sector/Organisation Representing
Raffaella Ebani ERDF Programme Manager, MHCLG	ERDF Managing Authority
Maureen Stafford ESF Operations Manager, Department for Work and Pensions	ESF Managing Authority
Heather Smith Corporate Programmes & External Funding Manager, Northumberland County Council	North of Tyne Combined Authority
Catherine Pearson Funding and Programmes Team Leader, Durham County Council	North East Combined Authority
Narinder Singh Strategic Funding Manager, Gateshead Council	North East Combined Authority
John Scott Corporate Lead-Business Investment, South Tyneside Council	North East Combined Authority
Ammar Mirza, AmmarM (UK) Ltd	Private Sector
Suzanne Nestor-Robson Deputy Director, Newcastle University	Higher Education
Colleen Peters Director of Business Development, New College Durham	Further Education
Eddie Halstead Economic Development Technical Specialist, Environment Agency	Sustainable Growth

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

Name, title and organisation	Sector/Organisation Representing
Susan Kennedy ERDF Advisor, MHCLG	Secretariat
Abe Ezekiel Legal Advisor, MHCLG	Observer
Naomi Passman Head of European and Local Growth Legal Team	Observer

Jason Hobbs Chief Executive, North East Fund Ltd	Agenda Item 1
Andrew Gibson External Engagement Officer, North East Fund Ltd	Agenda Item 1
James Holloway External Engagement Officer, North East Fund Ltd	Agenda Item 1
James Garland Sunderland City Council	Agenda Item 9
Alex Murray North East LEP	Observer

Apologies:

Name, title and organisation	Sector/Organisation Representing
Sue Parkinson Chair, Business and Enterprise Working Group	County Durham Economic Partnership
Simon Hanson Policy Manager North East, Federation of Small Businesses	Private Sector
Kirsten Young North East Manager, Rural Payments Agency	EAFRD Managing Authority
Helen Golightly Executive Director, North East LEP	North East LEP
Carol Botten Deputy Chief Executive, Voluntary Organisations' Network North East	Voluntary Sector
Antony Braithwaite Chair, North East Farming and Rural Advisory Network	Rural Sector
Andrew Hodgson Chair, North East LEP	Education, Skills and Employment
Julia Lyford Chair, North East Equalities Coalition	Equalities and Non Discrimination
Kate Welch Chief Executive, Acumen	Social Enterprise
Adrian Coates Relationship Manager - North East LEP, Department for Business, Energy and Industrial Strategy	BEIS