

**Minutes for the Meeting of the West Midlands Objective 2 Programme Monitoring Committee
and Objective 3 Regional Committee held on 27th March 2003 at Government Office for the
West Midlands.**

Attending

Mr Graham Garbutt – Chair
Cllr. Philip Atkins – Local Authorities
Prof. John Brookes – Higher Education
Ms Elizabeth Charlton - DCMS
Mr David Collier – NFU
Mr David Cragg – West Midlands Learning & Skills Council
Mr Brin Davies – DEFRA
Mr Mitesh Dhanak - OPDM
Mr David Draycott – West Midlands Business Links
Mr John Edwards – Advantage West Midlands
Mr Peter Little – Voluntary Sector
Ms Isabella Moore – Private Sector
Cllr. Paul Tilsley – Local Authorities
Cllr. Peter Sayles – Local Authorities
Ms Sadie Walton – Further Education

Deputies

Mr Neil Baker, for Ms Rosemary Thew, Employment Service
Mr Peter Knights, for Mr Mike Grace, Competent Environmental Authorities
Mr Andy Stewart, for Mr Andrew Bayer, DTI

Observers

Mr Rhys Jones - DTI

European Commission

Mr John Walsh – DG Regional Policy

AWM

Mr Francis Lee
Ms Henriette Lyttle Breukelaar

Citigate Communications

Ms Christine Arthur
Ms Gill Holtom

GOWM Secretariat

Ms Carolyn Ball – Minutes and Priority 3 Manager
Ms Evelyn Bingham – Innovation Advisor
Mr Keith Brown – Priority 2 Manager
Mr Tony Chapman – Regional Accountant
Mr Nicholas Cole – Head of Secretariat
Mr Richard Corfield – Equal Opportunities Advisor
Mr Mark Foley – South Eastern BES Team Leader
Mr Dave Hill - Environmental Sustainability Advisor
Ms Hanne Hoeck – Regulation and Accountancy Advisor
Mr John Horseman – Head of Delivery Assurance Unit
Mr Phil Howard – ESF Manager
Mr Chris Marsh – Director, Regional Policy and Europe Division
Mr Andy Palmer – Inspection Officer
Mr David Roberts – EKOS Consultant
Mr Graham Watt – Priority 1 Manager

1. Welcome, Introductions and Apologies

1. Chairman, Mr Graham Garbutt, welcomed Mr Andy Stewart, attending for Mr Bayer, DTI, and his colleague Mr Rhys Jones. He also welcomed Mr Mitesh Dhanak of ODPM, Mr Neil Baker deputising for Ms Thew, Jobcentre Plus, and Mr Peter Knights, attending for Mr Grace of the Countryside Agency. The Chair also welcomed Ms Gill Holtom and Ms Christine Arthur of Citigate PR who had been engaged by the Secretariat to promote the Structural Funds Programmes. Mr Tony Inglis was to present on Innovative Actions later on the agenda.

2. Apologies had been received from Mr Ken Lambert (DWP), Ms Jackie Williamson (West Midlands Small Business Service), Mr Norman Price (Private Sector), Ms Geraldine Tsakirakis (Voluntary Sector), Cllr Roger Lawrence (Local Authorities), Ms Christine Wood (TUC), and Mr Benedict Wauters (DG Employment and Social Affairs) - no deputies were fielded.

3. It was noted that future meetings would be attended by Damian O'Brien who is replacing Benedict Wauters.

4. Mr Graham Garbutt thanked Prof. John Brookes for his sterling work on behalf of the HE Sector. Prof. Brookes announced that his colleague, Prof. Mike Wright, of Aston University would attend for the HEA in future.

2. Minutes of the Meeting Held on 16 December 2002 and Matters Arising

5. Mr Graham Garbutt made a special mention of the success of the visit by Commissioner Barnier to the region on 7 March and thanked everyone involved for ensuring that the event ran smoothly.

6. Mr Chris Marsh provided a short update on the position on Programme Closure. More detailed information would be available in due course.

7. Cllr. Paul Tilsley announced that he was currently looking after WMEN, following the departure of Mr Rodney Reed, until a new CEO was appointed.

8. The minutes were accepted as a true record.

3. AOB Declarations

9. Mr Chris Marsh flagged up the post-2006 debate. He also wished to take PMC's advice on issues surrounding a current large project.

4. Update on Objective 2 Programmes

Overview

10. Mr Marsh spoke to a series of tabled charts (Annex A) relating to the Management Information at Paper 09. Despite encouraging volumes of projects coming through the system, spend remained seriously behind profile. It will be important to achieve a better feel for slippage by developing an improved sensitivity analysis, including the geographic picture at the sub-regional level. There are obviously implications for projects in appraisal with no spend in 2003. These will be given a lower priority. There was an issue around so-called

“stagnant” projects; and the wider issue of how to manage the flow of programme funds after December, once N+2 had been addressed.

11. PMC commented that it was important to keep a balance to ensure that the strategic outcomes should not suffer in pursuit of meeting N+2 targets (tables showing the progress towards the achievement of Outputs and Results for the Programme are contained in the meeting information pack pages 43 to 45). ESF remained a problem area, despite work to address these issues, and there is a distinct danger of decommitment.

12. At the national level, Mr Mitesh Dhanak explained that West Midlands was giving cause for concern. It appeared that other regions had extensively over-committed for this year only, and ODPM therefore felt more confident that these regions could meet the 2003 N+2 decommitment target. Mr Chris Marsh welcomed any ideas to bring spend on. He outlined West Midlands activities currently in hand to encourage spend. There was an acknowledgement that careful and close management of the programme should obviate the necessity for over-commitment.

13. AWM had made a distinction between slippage and underspend. They had created a new post to look after the strategic packages. The Learning and Skills Council had some good ideas to improve the situation regarding ESF. AWM was confident that they would meet their spend profiles.

4a Management Information

14. Mr Graham Watt spoke to Paper 09 relating to the achievement of outputs, results and targets which would determine the West Midlands’ share of the Performance Reserve. Chris Marsh expressed concern that numbers may not be all that reliable at this stage, particularly as they were dependent on expenditure profiles being met. This was illustrated by a point made by John Walsh who identified questions raised by some of the charts.

➤ PMC noted the contents of Paper 09

Action: Secretariat to provide a more in-depth analysis of the implications behind the figures at the next meeting of the PMC in July.

4b Delivery Assurance Unit

15. Mr John Horseman spoke to Paper 10, which was updated by a tabled paper (Annex B). Activities included data cleansing for better, more relevant management information – an example of which was the graphs used by Chris Marsh. These would be complemented by a series of graphs disaggregating this information to sub-regional level by the next PMC subgroup meeting (1 April). These would be shared with SRGs on a regular basis and at future PMC and SOG meetings. The Unit had produced a risk register of projects unlikely to come through with spend on profile. Immersion training activity on the Structural Funds, providing training sessions on claims procedures and on the new electronic system was continuing, which should help to eliminate errors.

➤ PMC noted the contents of Paper 10

4c AWM Task Force

16. Ms Henriette Lyttle and Mr John Edwards spoke to Paper 03. In support Mr David Cragg outlined the LSC plan for increasing take-up of Objective 2 ESF by working with the HE/FE sectors in due course.

➤ **PMC endorsed the measures outlined on Paper 03**

Action: PMC members to actively engage with the sectors they represent and disseminate Actions of the AWM Structural Funds Task Force

17. The Chair drew attention to Paper 11 on the West Midlands Local Government Association Task Force, however there was no-one present to speak to it. Cllr. Paul Tilsley had attended one of their meetings in the last week and was able to assure PMC that the WMLGA Task Force plan was operating on schedule and was looking very positive.

➤ **PMC noted the contents of Paper 11**

18. Mr Garbutt welcomed any additional ideas for bringing spend forward.

4e HEA Activity and Engagement with the Structural Funds

19. Mr Graham Garbutt reported that he had attended a very positive discussion on the way forward. The UK was reportedly 'as good as the US in producing spin-off benefits from R&D activities'. However, it was not perhaps as good at catching the spin-offs; there was an expectation that this would need to be tackled by regional partnerships supporting SMEs. There was a need to build a mechanism for the Higher Skills Agenda via HEs using ESF. Despite these problems, the West Midlands was an exemplar in this sector, with the GO, AWM and the HE sector working together. The next issue was taking the Partnership for Progression Agenda and making it work. Longer term, these Partners could be major participants in taking the next stage forward. There is potential here for the advanced Model Apprenticeships scheme. A critical issue would be to bring young people through into the manufacturing industry.

4f The Horizontal Themes

20. Ms Evelyn Bingham, Mr David Hill and Mr Richard Corfield jointly presented a series of slides (Annex C) on the Horizontal Themes, looking at volumes as well as mechanisms for embedding the Horizontal Themes into the Structural Funds programmes. They were developing case studies, and identifying and disseminating best practice. It was acknowledged that equal opportunities and environmental sustainability have a statutory framework, whilst innovation suffered from a lack of definition and therefore identification, particularly in small to medium sized enterprises.

4g Publicity Strategy Paper 06

21. Gill Holtom and Christine Arthur from Citigate PR presented the slides at Annex D, following an introduction by Keith Brown. PMC commented that it would be important to raise awareness among the private sector of the availability of the Structural Funds. Funding issues would inevitably need to be sorted out in due course. PMC welcomed the presentation and particularly the likely implementation of a separate European Structural Funds website.

➤ **PMC noted the progress reported in Paper 06 and Annex D**

4h Objective 2 Monitoring Strategy for ERDF Paper 17

22. This was tabled and is available at Annex E. Mr Marsh briefed PMC on old programme closures. More qualified audit certificates had been issued programmes in the West Midlands than other regions primarily due to the a high level of reported irregularities. However, he gave an assurance that current audit systems are robust and indeed West Midlands' auditors often provided support and training for other regions. He further assured the Committee that unacceptable practices, which may have prevailed in old programmes, do not now do so.

23. Mr Andy Palmer spoke to paper 17 (at Annex E). He outlined the checks and inspections carried out at project level. These covered progress, expenditure, outputs, processes, the Horizontal Themes and viability. Though there was some scope to share best practice with Advantage West Midlands, nevertheless the 5% checks were laid down in EC Regulations. PMC expressed concern that we should avoid 'auditors auditing auditors'.

24. For the Commission, John Walsh explained that regarding simplification, issues such as certification of systems were being proposed that would reduce the prospect of overlapping checks and allow Government Office auditors to concentrate effort on payments. However, the statutory requirements remained and the European Court of Auditors would expect the GO to have carried out the necessary checks.

- **PMC endorsed the enhanced arrangements for monitoring and inspection as detailed in the monitoring strategy attached to paper 17 and as required by EC Regulation.**

4i Mid-Term Evaluation

25. Mr Marsh spoke to paper 07 which was supplied for information. Cllr Tilsley pointed to the proposal for a Shareholder Group (on page 6 of the preamble), and asserted that surely PMC comprised such a group with a clearly identified executive already in operation.

- **PMC noted the progress reported in Paper 07**

5 Innovative Actions

26. Mr Tony Inglis spoke to the slides (Annex F). Chris Marsh asked PMC to note the aims of this programme and to expect to receive a regular report about its progress.

- **PMC endorsed the proposal to take responsibility for this new programme.**

6 Objective 3 – Paper 08

27. Mr Phil Howard updated PMC on this programme, speaking to Paper 08 and Annex G. He reported that there was now an approved Objective 3 Regional Development Plan.

28. On co-financing, Job Centre Plus would be up and running very soon. Mr Howard had held one-to-one meetings with existing co-financing organisations to review progress and agree next steps.

29. PMC registered the need to watch LSC spend. Mr Peter Little made the point that again PMC was rushing through Objective 3 matters, due to its late place on the agenda. He felt

there was a need for scrutiny by Priority Working Group 4 on spend and performance. HEA access to Objective 3 funding was another issue which could usefully have wider airing.

- **The proposals in Paper 08 and in Annex G were fully endorsed by PMC**

7 - Information Papers

- **The Priority 1 update at Paper 04 was accepted;**
- **The Priority 2 update at Paper 14 was accepted;**
- **The Priority 3 update at Paper 15 was accepted.**

Paper 12 - Lessons Learned Report.

30. Prof. John Brookes objected to the phrase 'not overly dominated by HEIs' and this was noted. Mr Chris Marsh acknowledged that the lessons learned needed to be distilled further and re-presented.

Action: Secretariat to re-examine Lessons Learned from old programmes and present the information in a more easily digestible form.

Technical Assistance Paper 16.

31. Mr Keith Brown reported that, after some negotiation, the region's largest local authority had agreed to contribute and this would make a significant difference to the match pool. Cllr Tilsley declared an interest in WMEN.

8 Any Other Business (i)

32. Mr Marsh outlined the issues concerning the Foleshill Gasworks project, otherwise known as Coventry Arena. There were a number of issues connected with the demonstration of market demand and the viability, both of which were reliant on a Deloitte Touche plan commissioned by Coventry City Council. However, the City Council was not prepared to share the plan or the figures. There were also issues on State Aids regarding the joint venture arrangements which may not meet the *pari passu* criteria. Again, Coventry City Council is not prepared to share the detail. Coventry City Council was however prepared to take the whole risk for the project. Mr Marsh wished to put the Coventry issues to ODPM for a decision and asked whether PMC were content. Mr Walsh for the Commission pointed out that, as it appeared that Coventry CC would in any event be the accountable body for the project, it was asking GOWM to accept the project without the full rigour of a normal appraisal. There was a concern that other potential projects could be disadvantaged by the waiving of appraisal procedures in this case.

- **PMC felt that the case should be put to ODPM for guidance.**

Any Other Business (ii)

33. Mr Keith Brown updated PMC on the Structural Funds Post-2006 debate. He had recently attended a sub-group of the REF Group and he outlined how the group intended to undertake the consultation and respond to DTI by its deadline of 4 July 2003. DTI is understood to be prepared to provide speakers who will support a regional roll-outs. It was noted that PMC should be invited to any West Midlands roll-out. Mr Dhanak reported that Departments and the Treasury were very willing to attend any regional events.

9 Dates and Time of Future Meetings

34. Mr Garbutt asked members to note that the next meeting was a joint meeting with SOG at a venue to be arranged.

DATE	TIME	VENUE
2 nd July 2003 (Joint meeting with SOG, PWG and SRG Chairs)	10.00am	TBA
4 th September 2003	10.00am	GOWM
19 th December 2003	10.00am	GOWM