

**MINUTES OF A MEETING OF THE WEST MIDLANDS STRUCTURAL FUNDS
PROGRAMME MONITORING COMMITTEE EXECUTIVE SUB-COMMITTEE
HELD ON 8 FEBRUARY 2006 AT THE GOVERNMENT OFFICE FOR THE
WEST MIDLANDS**

Attending

Ms Sheila Healy – Chair
Ms Denise Allman - Staffordshire SRG
Ms Julia Bakewell – Herefordshire, Worcestershire and Shropshire SRG
Mr David Draycott – West Midlands Business Link Network
Ms Janet Fortune – Local Authorities, Coventry & Warwickshire SRG Chair
Dr James Green – West Midlands Confederation of Chambers
Cllr Roger Lawrence – Local Authorities
Mr Mick Laverty – Advantage West Midlands
Ms Julie Robson – West Midlands Learning and Skills Council
Cllr Paul Tilsley – Local Authorities
Prof Michael Wright – West Midlands HE Sector
Patrick Willcocks – Birmingham & Solihull SRG Chair

Government Office

Michael Duppa – Quantity Surveyor
Mark Foley – Deputy Director, Europe
Hanne Hoeck – Accountant and Regulatory Adviser
Phil Howard – ESF Policy Manager
Chris Marsh – Director, Corporate Strategy and Europe
Gerry Russell – Innovation Manager (Minutes)
Graham Watt – Management Information and Reports Manager
Charu Wilkinson – Research, Evaluation and Technical Assistance Manager

Observer

Anna Vinsen – European Strategy Officer, AWM

Welcome and Introductions

1. Sheila Healy welcomed everyone to the meeting. Julie Robson was deputising for David Cragg, Mick Laverty was deputising for John Edwards, Denise Allman was deputising for Nigel Senior, and Julia Bakewell was deputising for Geoff Hughes. Apologies had been received from Peter Knights, Environmental Authorities, John Edwards, AWM, Nigel Senior, Staffordshire SRG Chair, and Geoff Hughes, Herefordshire, Worcestershire and Shropshire SRG Chair.

Minutes of the Meeting held on 5 October 2005 and Matters Arising

2. Charu Wilkinson reported that as the vast majority of projects had completed the renegotiation of their performance indicators, the data was now much more robust and there was no longer any need to provide extended management information on notional data.

3. Hanne Hoeck had confirmed in correspondence with Julie Robson that the £43m figure previously quoted for ESF in paper 21 was correct.

4. Mark Foley confirmed that ODPM attended the November PMC meeting and gave a presentation on the National Strategic Reference Framework.

5. Mark Foley noted that following the previous meeting one comment had been received concerning ERDF support for the Ironbridge George World Heritage Site and that this had been taken into account, and the application had now been approved.

6. The minutes were accepted as a true record.

Progress Update on ERDF Objective 2 - Paper 01

7. Graham Watt introduced Paper 01 on ERDF spend progress in 2006. The latest figures showed that £303.6m has been spent towards the N+2 target of £341.5m. This did not take into account the expected return of £14.1m of decommitted funds to the Programme. While this decommitment did not affect previous years' N+2 targets, it increased the value of spend required in 2006 to some £52m.

8. Charu Wilkinson reported on the financial absorption of the measures. The AWM action plan which will absorb £16.6m had not been factored into the table as it was not yet clear how the resources would be split across the measures. The level of under-commitment in the transitional programme was highlighted, together with the fact that we no longer have the flexibility to vire funds between the priorities, and also the level of spend at 53% of the allocation was seriously lagging behind, particularly under Priority 3 where only 57% of the budget has been committed and 27% of the budget has been spent so far.

9. The Outputs and Results data were now more robust with most of the projects having completed the renegotiation process. There were significant shortfalls in the ERDF indicators, which should be addressed by the project extensions and applications received in the new bidding round. This is considered to be a critical issue as the Commission is unlikely to accept any justification for falling short of targets by over 50%. Performance of the ESF indicators was better, particularly the NVQ targets.

10. There was a discussion about possible ways of achieving additional spend in the transitional programme and meeting the required Outputs and Results. This included bringing forward Priority 3 projects. Patrick Willcocks and Janet Fortune both raised the possibility of additional funding for Priority 3, but Charu Wilkinson spoke about the difficulties of this. The scattered geographical coverage has posed a considerable challenge for partners to develop projects. Even where projects have come forward, there has been a high level of slippage/ under-spend resulting in significant under-absorption. Mick Laverty said that there were difficulties with new capital projects at this stage in the programme because of lead in times, planning etc, and there would be more scope in Priority 1 for spending additional resources. The members agreed there needed to be clarity about the financial position of the programme given that this year presented the last opportunity to amend the financial tables and that every effort should be made to avoid the return of uncommitted funds to the Commission. Mark Foley indicated that planning for the final series of strategic virements would begin in June.

11. Various ideas for the way forward were discussed but it was agreed that a small group involving Chris Marsh, Mark Foley, David Cragg, John Edwards and Mick Laverty would be formed to look at possible ways of overcoming the situation.

Action Point: A working group will be established to identify ways in which to ensure full commitment and spend of the existing Objective 2 Programme.

Progress Update on ESF Objective 2 and 3 - Paper 02

12. Phil Howard introduced Paper 02 and indicated that the Objective 3 programme was progressing well, but that there was concern about the Objective 2 programme. He reported that since the paper had been prepared in January an additional £10m of Priority 1 funds had been returned, making a total of £25m that need to be contracted. He suggested that the better performing CFOs should be offered these further funds. He was also re-negotiating with under-performing CFOs.

13. Julie Robson was confident that the LSC would reach its targets. She also suggested that it would be better to stick with the co-financing model rather than move to Alternative Bidding given the complexities of that process and need to contract on an actual cost basis.

14. There was a discussion about the progress of the MG Rover Package. The LSC were confident that all resources assigned to the package would be spent.

15. For both ERDF and ESF programmes it was noted that more stringent audit by EC auditors meant that partners were more likely to be risk averse.

Progress of the new Bidding Round Paper - 03

16. Mark Foley reported on the current situation, which was that the Priority 1 extension requests have been agreed and will now proceed to contract. The Priority 2 applications are of a mixed quality and the Secretariat aims to make recommendations to the full PMC on 2 March 2006.

Report on the status of Capital Projects within the programme - Paper 04

17. Michael Duppa spoke to this paper, noting that of the 152 capital projects with a value of £237m in the programme, there were 29 projects with a value of £88m identified as high risk and a further 33 projects with a value of £57m considered as medium risk. There have already been discussions between GOWM and the sponsors of the high risk projects, with the expectation that grant will be returned. The medium risk projects are being investigated further to try to identify why they are not meeting their targets. GOWM will continue to work with these 62 projects to try to support successful delivery. It is intended that this review will be completed by 31 May 2006, so that decisions can be taken in time for the final reallocation of funds by September 2006.

Planning for the Post 2006 Programmes

18. Mark Foley briefly outlined the current position with respect to the new programmes, and the fact that DTI will be consulting on the National Strategic Reference Framework shortly, with a twelve week consultation period. The methodology for allocating the funds had not been agreed and there was a further delay because the European Parliament had rejected the budget agreement reached under the UK Presidency. David Draycott asked if there would be the opportunity for the PMC Executive Sub-Committee to discuss the post 2006 Programmes. ODPM/ DWP would be invited to a meeting of regional partners once the NSRF consultation had begun.

19. Patrick Willcocks noted that there was a lot of work going on in the region outside the PMC looking towards the new post 2006 funding situation. Chris Marsh noted that there should be a coherent regional argument as to how any funds should be utilised. Mick Lavery stated that it was important that the region demonstrated that lessons had been learnt from the current and previous programmes so that the same mistakes are not made in a future programme. Sheila Healy suggested that a couple of Case Studies should be developed. Mark Foley reported that a Qualitative Evaluation of the current programme was being carried out to identify any lessons.

20. Notwithstanding this situation, a regional working group was being formed involving Trudi Elliot, Mark Foley, Jon Bloomfield, David Cragg, and John Edwards to begin the development of the new Competitiveness Programme.

Commission Audit of the Objective 2 ERDF Programme

21. Mark Foley reported that GOWM had received a draft report of the EU Audit which raised concerns about both the Retrospective projects and Land and Property projects. Some of the comments in this draft were being addressed by the ODPM and the DWP as the implications could affect other areas of the UK, not just the West Midlands.

Technical Assistance

22. Charu Wilkinson reported that currently available Technical Assistance funding would be sufficient until the end of 2007, though she did warn that this situation could change and it was important to be clear about the implications on the budget of the ex ante evaluation work and the exit strategy from the current programme.

23. Charu Wilkinson also mentioned the recent communication from DWP regarding the Commission's concerns about the "voluntary" nature of the match pool contributions. Members were assured that the region had received declarations from almost all contributors confirming that they had voluntarily contributed towards the match pool fund. Copies of these declarations have been supplied to DWP for providing assurances to the Commission.

Draft Agenda for PMC 2 March 2006 – Paper 05

24. The members reviewed the proposed agenda for the 2 March meeting, which was accepted. James Green's request for an item on what had happened to the approach from the NEC is covered in the proposed paper on the 2004 Priority projects. Patrick Willcocks requested an item on the revisions to the State Aid map.

Any Other Business

25. There were no further items of business.