

**Minutes for the meeting of the West Midlands Objective 2 Programme  
Monitoring Committee and Objective 3 Regional Committee held on 18<sup>th</sup> July  
2005 at the Government Office for the West Midlands**

**Attending**

Mr Graham Garbutt – Chair  
Councillor Philip Atkins – West Midlands Local Government Association (WMLGA)  
Ms Kirstin Blagden - ODPM  
Mr David Collier – National Farmers Union (NFU)  
Mr David Draycott – Business Link Network  
Mr John Edwards – Advantage West Midlands (AWM)  
Mr Bob George - DTI  
Dr James Green – West Midlands Confederation of Chambers  
Mr Peter Knights – Competent Environmental Authorities  
Councillor Roger Lawrence – WMLGA  
Mr Roger McKenzie – TUC  
Mr Norman Price – Private Sector  
Ms Rosemary Thew – Job Centre Plus  
Councillor Paul Tilsley - WMLGA  
Professor Michael Wright – HE Sector

**Deputies**

Ms Julie Robson, for Mr David Cragg, West Midlands Learning & Skills Councils (LSCs)

**European Commission**

Mr Stephen Langley – DG Regio  
Ms Marjatta Oksanen – DG Emploi

**Observers**

Hannah Harris – Government News Network (GNN)  
Henriette Lyttle – Advantage West Midlands (AWM)

**GOWM**

Mr Mark Foley – Acting Deputy Director, Europe  
Ms Carolyn Ball – Admin & Publicity Manager (Minutes)  
Mr Phil Howard – ESF Programme Manager  
Ms Hanne Hoeck – Accounting and Regulatory Advisor  
Ms Charu Wilkinson – Research, Evaluation and TA Manager  
Mr Graham Watt – MI Systems and Reports Manager

## **Welcome, Introductions and Apologies**

1. Mr Graham Garbutt welcomed those present at the meeting.
2. Apologies had been received from Mr David Cragg, for whom Ms Julie Robson deputised. Apologies were also received from Mr Ken Lambert (DWP), Mr Chris Newis, Ms Isabella Moore (Business Sector), Mr Chris Marsh (GOWM), Ms Elizabeth Charlton (DCMS), Ms Gerladine Tsakirakis (Voluntary Sector), and Mr Scott Upton (FE Sector).
3. The Chair wanted to record thanks to Mr Manfred Beschel who had moved on to other work with Poland, having for a number of years headed up the regional team including the WM desk, in DG Regio. Particular thanks were due for Mr Beschel's help and support following the recent collapse of MG Rover. Stephen Langley for the Commission responded that he would pass on the PMC's thanks to Manfred Beschel and remarked that pro tem Mr Beschel's replacement would be Jon Denness.

## **Minutes of 3 March 2005 Meeting**

4. Kirsten Blagden, ODPM, pointed out that paragraph 7.2 should read '.....DTI will represent the UK with ODPM representing England'. Otherwise the minutes were accepted in full.

## **Papers 18 and 19: Update on Objective 2 and Proposed Modifications**

5. Graham Watt spoke to the detailed Management Information reports in Paper 18. He was supported by Charu Wilkinson who outlined progress on outputs and results. Projects were still engaged in the process of recontracting following the mid-term evaluation. Therefore the figures still showed significant shortfalls. The Secretariat was undertaking an extensive desktop analysis as part of the Update of the Mid Term Evaluation to check that targets were likely to be met by the end of the Programme. A report will be produced for PMC very shortly.
6. Charu went on to talk about financial absorption. The ERDF programme was over-committed when taking into account the activities flowing from the Rover situation and also the Reserve List projects. Looking at the detail, there were variations in performance between different Priorities and Measures and also between the core and transitional areas. Paper 19 (following) set out proposals to manage any over-commitment and at the same time, ebalancing out over/under performance across Priorities and Measures, and between core and transitional areas.
7. It was explained that in the ESF Programme, the N+2 2005 target may not be met unless certain steps were taken. The Programme was under-subscribed overall. There was also the issue of unforeseen private expenditure in certain Measures due to a misinterpretation of the definition of private sector contributions which also affected intervention rates. ESF would be covered in more detail later in the agenda.
8. Charu Wilkinson introduced the related Paper 19 containing proposals for modifications to the Programme. Charu pointed out that the ERDF programme risked de-commitment in view of current levels of underspending. The Paper recommended

planned over-commitment, combined with virement of funds between priorities and measures to help manage the programme. Spend currently was 81% of contracted profiles. John Edwards pointed out the distinction between underspend and slippage. Charu Wilkinson responded that an estimated 70% of projects were slipping whilst 30% were underspending. Roger Lawrence queried the recommendation of the level of 10% over-commitment, and advised that in his experience a 20% over-commitment figure would not be unreasonable. This should be allied to risk assessment of the 2 or 3 largest projects, who were also the biggest underspenders.

9. Kirstin Blagden confirmed the ODPM advice that PMCs should review over-commitment regularly and rigorously. For the Commission, Stephen Langley expressed concern at the prospect of a large underspend. This would be politically very difficult, the more so in view of recent publicity given to the Rover situation and its effect on the West Midlands economy.

10. It was agreed that there should be a targeted call for bids against specific criteria to fill identified gaps in the Programme. It was also agreed that a specific figure of over-commitment should not be applied in order to retain maximum flexibility.

11. Charu Wilkinson went on to detail proposals to move money between priorities and measures in both ERDF and in ESF to help in managing the Programme. John Edwards pointed out that capital projects and revenue projects might require different treatment. Charu explained that the tables had been adjusted to take account of this factor. Roger Lawrence commented that local authorities may have some flexibility to assist in the case of **actual** over-commitments at the end of the Programme, as may other partners.

PMC agreed to revise the recommendations of Paper 19:

**Recommendation 1:** the Secretariat should formally over-commit the ERDF Programme to ensure that spend is achieved, and report regularly on the Programme including the balance of capital and revenue spend.

**Recommendation 2:** Partnerships should be advised there is scope to bring forward further projects or to revise existing projects which were performing well in the ERDF core area. New business would be commissioned through Partnerships to achieve outputs and correct imbalances in the Programme.

**Recommendation 3:** was accepted as proposed.

### **Paper 20: Progress on the Objective 2 ESF Programme**

12. Phil Howard gave an update on ESF Objective 2, asking PMC whether more money should go to the best performers, taking away from the largest under-performers. Julie Robson outlined some issues for the LSC though they were not the only provider involved. In the case of the LSC Action Plan issues around match funding were now on track. The specific issue of public/private sector match had also been resolved. Julie was confident that plans in place now would bring the Action Plan back on track to help meet N+2. She felt that a further open bidding round as

proposed in Paper 20, might be counterproductive. The LSC would be happy to undergo monthly monitoring of its Action Plan.

13. Phil Howard explained that another option might be to enhance existing projects which are performing outside the Action Plan. This strategy was supported by the Committee.

- **The recommendations in Paper 20 were supported with Recommendation 2 being amended to '.....considers authorising enhancements across all ESF measures subject to progress on the LSC Action Plan'.**

### **Paper 21: Progress of the Objective 3 ESF and Co-financing Programme**

14. The results so far from the package of Rover support measures were actually even better than shown. (Julie Robson offered to supply figures for the minutes.) The Commission would be interested to see the updated figures. Phil Howard explained that there was the possibility of additional resource from the national pot up to £50 million via the 4 co-financing organisations. Paul Tilsley felt that this should be publicised more widely, in part to address concerns around the region that resources were being focused on the Longbridge area. For the Commission, Marjatta Oksanen queried the result of recent Article 4 checks; Phil Howard responded that Article 4 checks had been initially targeted at high risk organisations and this had resulted in more work in resolving issues arising.

*Action: Julie Robson, LSC, to supply updated figures for Rover support measures.*

### **Paper 22: Telford & Wrekin Local Area Agreement**

15. Graham Garbutt gave a brief explanation of LAAs and the status of the 3 West Midlands pilot areas: Telford and Wrekin; Wolverhampton; and Coventry. The second phase of LAAs included Shropshire, Herefordshire and Worcestershire; Birmingham, Stoke-on-Trent and Walsall. In 2006 the whole country (and therefore WM region as a whole) would have contracted Local Area Agreements.

16. Local Area Agreements encompassed a community strategy and local priorities and targets. These were for agreement between the local authority and central government which would then be able to target funding streams at local priorities. These were bundled into 4 broad strands: economic development and employment; children and learning; crime, community safety and drugs; and health and the elderly. All these would draw down from a Single Funding Pot which would be managed by contract with central government, ie Government Office.

17. The current Structural Funds could be called upon to support some of the elements in the Telford Local Area Agreement, in which a number of critical projects had been identified. These included the Town Centre development, Ironbridge Gorge, and regenerating the area south of the town centre.

18. John Edwards, AWM, remarked on the high intervention rate. He also made the point that elements requiring support should tie in with AWM's and Structural Funds priorities and also they should not duplicate what was already in place. The elements

would need to be viewed in the context of the Telford and Wrekin Economic Development Strategy. It was acknowledged that more work would be needed to support detailed proposals and also that there could be an issue around outputs.

19. James Green reported that the Telford and Wrekin business community were in support of the proposal. Stephen Langley pointed out that this was fairly close to the end of the Programme and guidelines drawn up by the Commission stipulated that projects not completed by the end of the Programme would have their funds withdrawn.

- **The recommendations in Paper 22 were supported in full, with sanction to progress to the next stage.**

#### **Minutes of the Meeting held on 18 May 2005 to address the MG Rover situation**

20. The minutes were accepted in full.

#### **Paper 23 Activity supporting the MG Rover fall-out**

21. Hanne Hoeck updated the PMC on MG Rover activities. Norman Price commented that the Loan Guarantee Fund could apply to other areas (for example, elements of the Telford Local Area Agreement) in due course. Though there was not a huge demand from the over-50s age group for loans, it was acknowledged that a mechanism was needed to cater for the older age range. It was remarked that the Prince's Youth Business Trust catered for those up to age 30. The proposal would need to keep open flexibility to accommodate those who needed the support.

22. Charu Wilkinson presented progress on the Outside but Serving issue. Stephen Langley clarified that the approval date only became effective from the date of the decision from the EC. DG Regio sought greater clarity on the timing of the interventions. The Chair offered to provide information on progress including dates. The Commission was fully supportive and recognised the urgency of any decisions it would be asked to make. Norman Price commented there was a need to recognise the demand side of investment programmes and that the measures so far contained a lot of supply side activity.

*Action: Graham Garbutt/RTF to provide information on timescales for the various activities.*

- **The recommendations in Paper 23 were agreed in full.**

#### **Paper 24 SME Internationalisation Envelope**

23. Mark Foley outlined the case for extending the SME Internationalisation Envelope project which offered additional outputs and results in areas where the programme was currently falling short.

- **The recommendation to extend the project was agreed.**

## **Paper 25 - Appeals Procedure**

24. Mark Foley explained that reports following a recent Government Office Audit Team visit, recommended that an appeals procedure be introduced. Kirstin Blagden commented that ODPM had challenged this with the auditors. However, it was acknowledged that Paper 25 simply outlined what happened in practice and the procedure was agreed.

- **The recommendation in Paper 25 was agreed.**

## **Paper 26: Horizontal Themes**

25. Hanne Hoeck gave a presentation highlighting the many positive aspects of activity with the horizontal themes. There have been many spin-offs resulting from the horizontal themes in the current Structural Funds Programmes and these have been reported on alongside formal outputs.

26. DG Emploi commented that the female business start-ups ratio was very low; Hanne Hoeck responded explaining that the West Midlands was currently seeking strategies to address this issue. Peter Knights commented that the disappointing figures showed that outputs need to be embedded at the start of a programme and that it was difficult to catch up along the way. It was also difficult influencing via advocacy rather than via direct funding linked to the Horizontal themes. All agreed that there were lessons to be learned for any future programmes. Norman Price thought that the Innovative Actions Programme might be able to help improve outputs and results if it could be expanded to do so.

## **Technical Assistance**

27. Charu Wilkinson gave a verbal update on Technical Assistance. The matchpool situation had recovered somewhat and was now forecast to sustain activity through to 2007.

## **Annual Implementation Report**

28. Graham Watt gave an update on the Annual Implementation Report (AIR) which had been received in Brussels on schedule, and which the Commission had indicated was admissible.

## **Information Papers**

29. Julie Robson commented on Information Paper No 29 that there was active work at SRG level on publicity.

## **Next Meeting**

30. The next meeting was scheduled for 3 November 2005.