

**Minutes of the Meeting of the West Midlands Objective 2  
Programme Monitoring Committee and Objective 3 Regional Committee  
held on 12 November 2007 at the Government Office for the West Midlands**

Attending

Trudi Elliott – Regional Director, GOWM (Chair)  
David Collier - NFU  
David Cragg – West Midlands Learning & Skills Council  
Tony Higgs – Jobcentre Plus  
Paul John – Advantage West Midlands  
Nigel King – Environmental Authorities  
Stephen Langley – DG Regio, European Commission.  
Chris Marsh - Deputy Regional Director, GOWM  
Marjatta Oksanen – DG Emploi, European Commission  
Prof David Tidmarsh – HE sector  
Cllr Paul Tilsley - Local Authorities  
Geraldine Tsakirakis – Voluntary Sector

Observers

Jon Bloomfield – Advantage West Midlands  
Elizabeth Charlton – GOWM Assistant Director, Economy and Europe  
Steve Darling – GOWM Deputy Team Leader – European Team  
Geoff Hale – GOWM (Minutes)  
Hanne Hoeck – GOWM Technical Team Leader.  
Phil Howard – GOWM ESF Programme Manager  
Graham Watt – GOWM European Team Leader  
Patrick Willcocks – Birmingham City Council

Apologies & Deputies

Cllr Philip Atkins – Local Authorities  
John Edwards – AWM, deputised by Paul John  
Dr. James Green – Private Sector  
Simon Gundry – CLG  
Ken Lambert – DWP  
Cllr. Roger Lawrence – Local Authorities  
Roger McKenzie - TUC  
Isabella Moore – Business Sector  
Norman Price – Private Sector  
Andrew Stewart – BERR  
Cllr. Ken Taylor – Local Authorities  
Margaret Tovey – Jobcentre Plus, deputised by Tony Higgs  
Mike Wilkinson – Environmental Authorities, deputised by Nigel King.

**Welcome and Introductions**

1. Trudi Elliott welcomed everyone to the meeting and explained that because the meeting coincided with a meeting of the Enterprise Board, there were a number of members absent.

2. There were no declarations of any other business.

### **Minutes of Previous Meeting held on 12 July 2007 and Matters Arising**

3. Marjatta Oksanen requested that a form of words be appended to the minutes after paragraph 31 to record that the Commission acknowledges the work done in implementing GO-AT recommendations. The Committee agreed that this should be emailed to Secretariat and included in the minutes.
4. The minutes were then accepted as a true record.

### **Update on ERDF Objective 2 Programme**

5. Graham Watt presented the management information report Paper 23, which had been emailed prior to the meeting and tabled on the day. He said that details of progress to the N+2 target would be covered in the next agenda item.
6. In section 4 of the report, Graham reported steady progress on outputs and results but again pointed out that while some indicators are performing well, notably businesses assisted and ESF outputs, others are not, particularly business start-ups, area of land serviced and premises provided. He stated that some of this shortfall will be addressed by the new bids and extensions to projects and that would be quantified after the appraisal process had been completed.
7. Graham explained that following discussion at the PMC Executive Sub-Committee meeting in October, some development work on a report to highlight slippage of progress against targets will be carried out. However, with the current focus on achieving N+2 this report is not expected to be available until early 2008. Graham reminded everyone that data contained in these charts is reported by projects and that ESF data is gathered from project closure reports, the bulk of which are not due until 2008.

### **Update on N+2**

8. Graham Watt presented the report on meeting the N+2 target (Paper 24).
9. On ERDF Graham started by reporting that against a 2007 target of €652.2 million spend had increased to €589.8 million, which leaves €62.3 million left to spend. Graham explained that the impact of the fluctuation of the exchange rates was giving cause for concern. The Treasury planning rate of £1=€1.50 was at odds with the current exchange rate of €1.43. Therefore, the N+2 target for 2007 could potentially be £456.0 million which means that with current spend at £404.4 million, there is still £51.7 million which needs to be spent this year.
10. Graham stated that this situation is critical and it is highly unlikely that the target will be reached.

11. Graham went on to explain the various issues which are currently preventing speedier progress in claims being paid. These include outstanding audit certificates, missing transaction lists to accompany claims, outstanding actions from Article 4 visits, and investigations of irregularities and ineligible expenditure. Graham explained that the Secretariat had put in place arrangements to ensure these issues could be dealt with more speedily which included the secondment of a number of GO staff into the European Team. It was also pointed out that the issue had been raised with Chief Executives and was discussed at the GOWM Management Board.

12. He also said that the introduction of the TESA system was also having an impact on the rate of spend. He explained that the migration of data from the old ERDF2000 payment system onto TESA had required the financial profile to be updated on a large number of projects. These have been identified and a process is underway to correct them. There are other issues that require the intervention of the TESA helpdesk which have been slow to resolve. Another issue was the non take-up of the system by some organisations and a apparent problem some users have with logging in.

13. Graham reported that a claims 'blitz' in Government Office in October resulted in the payment of 78 claims amounting to £3.8 million in grant paid. A similar claims push in early November realised another £5.4 million from 60 claims processed. Going forward, the intensive effort to release claims will continue up to the CLG deadline of 14 December, with some projects switching from quarterly to monthly claims to maximise spend.

14. Trudi Elliott expressed her concern that the concerted effort made by the European Team was not mirrored by applicants. She stressed the importance of submission of claims on time and with the correct and accurate accompanying documents. She said that European Team resources were limited and they could not spend time chasing applicants for missing items or querying incorrect submissions. Trudi also expressed surprise that some applicants were having difficulties engaging with the TESA system which is recognised as being a straightforward and intuitive system to use and is no more difficult than other systems. It was also pointed out that all applicants have access to on-line training modules.

15. The Committee understood that any criticism of the West Midlands Programmes not meeting N+2 targets would apply to all partners, not just the GO European team.

16. Stephen Langley pointed out that decommitment at this level (potentially around £30m) would be unprecedented and is at least three times the size of previous situations in other Programmes. He went on to say that it was clear that hard work was continuing to reduce the amount outstanding but there is still a large deficit to make up.

17. Stephen Langley questioned the impact the Article 4 audit has had on progress towards N+2. Liz Charlton explained although a lot of work had taken place to put in place robust systems to manage the process, work to resolve issues raised by monitoring and inspections is ongoing, so it is difficult to quantify the amount of grant

to be returned to the Programme as a result, although it could be around £10 -14 million.

18. Phil Howard updated the ESF position by stating that on Objective 2, the amount still to spend had reduced to £5.5 million and that work was ongoing with applicants to submit a further claim to cover November spend. Phil was hopeful that this target would be achieved.

19. On Objective 3, Phil reported that the shortfall had been reduced to £3.58 million with the quarter 4 claims to come in November. After discussion the Committee agreed that for reasons of regional reputation, further claims to clear this amount should be requested from applicants to enable this notional regional Objective 3 target to be achieved.

20. The Committee endorsed the recommendation in Paper 24.

***Action: Committee members take appropriate action with projects to encourage them to spend to profile and submit claims on time with the requested information.***

### **Update on ESF Objective 2 & 3 Programmes**

21. Phil Howard presented Paper 25. On Objective 2 Phil highlighted that apart from Measures 1.5 and 1.6 there was resource available to commit and a meeting would be held in early 2008 to decide on how this would be released. On Measure 1.6, Phil reported that there were ongoing discussions with the applicants to reduce this over-commitment. On Objective 3, Phil reported that the DWP action note is still in force, preventing commitment of available resources until the national picture is balanced.

22. On Article 4 monitoring, Phil reported that the programme of inspections was still on target. Although the Article 4 monitoring for Objective 2 and 3 are combined into a single plan, the Committee requested a more detailed discussion at the next meeting around how the two programmes compare.

***Action: Secretariat to provide the next PMC with details of progress towards meeting the Programmes' monitoring targets.***

### **Maximising Commitment - Update on New Bids and Extensions**

23. Steve Darling presented Paper 26 to give an update on the new bids and extensions in relation to the over-commitment strategy. He started by saying that there were now 17 Priority 1 extensions, of which 4 have been approved with a combined ERDF grant value of £6.8 million. In addition there are now 14 new bids with an estimated value of £4.6 million of grant. On Priority 2 Steve reported that there was no change to the figures shown in the paper but stated that two more projects had been approved.

24. Steve said that the appraisal process ensured that projects covered the necessary horizontal themes and linked with strategic themes. He said that projects were prioritised on their ability to plug gaps in the Programme and that they had to be achievable and deliverable in the time remaining. It is not expected that any of these would be able to claim grant in 2007. He said that the Secretariat was mindful to ensure that the applicants were kept informed on progress but it was recognised that not all applications would be successful. Discussions are taking place with Advantage West Midlands where they are providing match funding and Paul John stated that, exceptionally for certain smaller projects it may be possible to 'fast-track' approvals.

25. In conclusion, Liz Charlton said that notwithstanding N+2 issues this year, overall the Core Programme is expected to meet its target at the end of next year. However, the Transitional Programme is currently experiencing around 10% slippage which because of the nature of Transitional areas may be difficult to fill, although there are some small projects that are due to start soon.

#### **Update on Article 4 Monitoring and ERDF Suspension**

26. Liz Charlton tabled Paper 27, which had been emailed to members on 9 November 2007. She was very pleased to announce the suspension of the ERDF Programme is to be lifted. This followed the submission to the Commission of a strategy that addressed concerns over residual risk issues. However, Liz stated that there is still a lot of work to do and the management systems will be kept in place throughout 2008, and Action Plan Accountable Bodies will need to maintain similarly robust systems.

27. Trudi Elliott then formally thanked everyone involved including GO staff and partners around the region who contributed to the work undertaken to get the suspension lifted.

#### **Post 2006 Programme – Update**

28. Paul John presented Paper 28. He started reporting that the final version of the Operational Programme document is currently undergoing inter-service consultation within the Commission and that it was expected to be approved before the end of the year. A launch event is being planned for 22 January. Stephen Langley responded by saying that no major issues were expected and congratulated all concerned on the excellent co-operation between all concerned which he said was unique.

29. At National level, Paul reported that negotiations on proposed management and control arrangements were continuing albeit frustratingly slowly, but he considered that there were no major issues and puts the Programme in a good position for a controlled start in January. At regional level, the shadow programme management arrangements have been implemented.

30. Stephen Langley questioned if the staff transfer arrangements adequately provided resources for an effective launch of the new Programme and at the same

time continued management and closure of the current Programme. Paul explained that a staff transfer plan has been agreed between AWM and GOWM which details resource requirements over the transitional period. He said that this was working smoothly and is kept under constant review. The plan provides for a staged transition to the end of 2008 with a residual team not transferring dealing with closure.

31. Liz Charlton explained that the new ESF Programme would be managed by DWP with staff based in the GO although discussions are ongoing on what the exact role these staff would perform and questions around funding are still to be resolved. This would of course be covered by the PMC for the new Programme.

### **Information Papers**

32. Hanne Hoeck introduced Information Paper 31 on Venture Capital Funds. She started by saying that as requested information was now provided in tabular form. She reported that the ESF Loan Fund project was progressing well and was proving very successful, but The Prince's Trust had agreed to give up £2 million of the £5 million allocated because due to a failure to achieve expected match funding, they had not had enough staff capacity to deliver the required initial support for loans to go ahead. Also due to their charitable objectives they were unable to support people over 30 and the Commission had previously indicated that we should seek support for this group as well as the under 30s. Hanne reported that there has been limited scope to reallocate this to an organisation with the necessary delivery mechanisms in place. She has contacted the relevant CDFIs and it appears that there is a possibility that they can take some of the money, but far from the £2 million. She is seeking an urgent meeting to pursue this.

33. In terms of the new Programme, Hanne said that the Regional Finance Forum had looked at priorities and recommended that successful elements such as the film fund and creative fund be considered. She also said that there had been studies to map requirements. On page 48 of the paper it was confirmed that the proposals to address debt finance would be presented to the new PMC, although updates will continue for this PMC.

34. There were no observations on the other information papers.

### **Any Other Business**

35. Marjatta Oksanen announced that this was her last PMC as she was retiring from the Commission in April 2008. On behalf of the Committee, Trudi Elliott thanked Marjatta for her support of this Programme and wished her a happy retirement.

### **Date of Next Meeting**

36. The next meeting will be held at 10.00 hrs on 3 June 2008 at GOWM, 5 St Philip's Place, Birmingham.