



Department for
Communities and
Local Government



EUROPEAN UNION
Investing in Your Future
European Regional
Development Fund 2007-13

EAST MIDLANDS ERDF COMPETITIVENESS PROGRAMME

2007 – 2013

ANNUAL IMPLEMENTATION REPORT

2014

**This report is submitted in accordance with Article 67 of Council
Regulation (EC) No 1083/2006.**

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Section 1: Identification

OPERATIONAL PROGRAMME	Objective concerned: Competitiveness and Employment
	Eligible area concerned: East Midlands – UK
	Programming period: 2007 – 2013
	Programme number (CCI No): 2007 UK162PO010
	Programme title: East Midlands 2007-2013 ERDF Competitiveness Programme
ANNUAL IMPLEMENTATION REPORT	Reporting year: January to December 2014
	Date of approval of the report by the monitoring committee:

1.1 Background

This is the seventh Annual Implementation Report for the 2007-2013 East Midlands ERDF Competitiveness Programme. It summarises Programme implementation and concentrates on activity during the calendar year 2014.

The East Midlands Operational Programme (OP) was approved by the European Commission on 13 December 2007. It has a total allocation from the ERDF of €265,890,862. The Programming period commenced 1 January 2007 and continues to 31 December 2015. The final date for expenditure to be declared is 31 December 2015.

Other than where specifically stated the euro values within this report are drawn from MCIS.

Section 2: Overview of the Implementation of the Operational Programme

The Managing Authority for the Operational Programme is the Secretary of State for Communities and Local Government (the Department). The Department's East Midlands ERDF Growth Delivery Team (GDT) has been responsible for drawing up this Annual Implementation Report for 2014, gaining approval for the Report from the Local Management Committee (LMC) and submitting to the Managing Authority prior to submission to the Commission.

The Report should be read in conjunction with the Operational Programme 2007-13, which explains the strategy behind the Competitiveness Programme; how that strategy was developed in relation to the socio-economic context; how it incorporates cross cutting themes; the spatial priorities; how Competitiveness could add value; how the budget has been divided between Priority Axes; how the budget might balance between activities in each Priority Axis and the delivery arrangements for the Programme.

Article 67 of the Structural Funds General Regulations stipulates that an Annual Implementation Report (AIR) should be produced to provide a clear overview of the implementation of the Operational Programme. The AIR is a key mechanism for demonstrating to regional stakeholders, members of the LMC, the Managing Authority and the European Commission that the Programme is being delivered in full compliance with the Structural Funds Regulations and Implementing Provisions; is achieving its targets, and is engaging effectively with regional stakeholders.

2.1 Achievement and analysis of the progress

The focus for this AIR is to provide information on activity undertaken during 2014 to maintain the mechanisms for implementing the Programme and bringing forward and sustaining project activity. This has involved the provision of additional funds for certain programmes of investment, supporting partners to maximise and secure commitments against their indicative allocations (under Priority Axis 2), maintaining the systems and processes required to manage the Programme effectively and supporting the Programme's governance structures.

2.1.1 Programme Investments

On 17 March 2014 the LMC agreed a strategy to recommit funding which is being released into the Programme with a specific focus on supporting achievement of the 2014 N+2 target. The call for activity would welcome those projects which are performing well to come forward for consideration for additional funding where they are able to demonstrate majority defrayal within 2014. Funding was released back into the programme via a number of routes:

- De-commitment of slippage following the January 2014 re-profiling exercise
- Reconciliation of contracted expenditure to actual expenditure when projects close
- Clawback of irregularities
- Exchange rate gains.

Requests for additional funding were invited from all live ERDF projects on 12 June 2014 which met the following criteria:

- **Value for money** is provided by offering additional impact for the additional funding requested;
- There is **sufficient demand** to support the request for additional funds;
- Additional ERDF funds will **not be substituting** for other sources of finance in the existing funding package.
- The majority of funding could be defrayed in 2014
- Additional match funding is provided at the same level as the current approval

It was also agreed by the LMC that we would need to consider past performance as an indicator of a project's ability to take up additional funds, specifically the level of slippage that may have previously occurred on the project.

As a result of this limited call the LMC recommended nearly £1.4m of additional investment in 7 projects.

By the end of December 2014, 266 projects (worth approx. €262.52m ERDF) had formally accepted or been offered funding agreements. This represents approximately 99.73% of the total Programme value. The total value of commitment has reduced due to re-evaluation of a number of projects resulting in a de-commitment (including financial irregularities) reducing the sum by approximately €5.2m.

Call History

Priority Axis 1		
2008	Innovation call for activity (£25m)	€29.63m
2008	iNets (£11m)	€13m
2009	Resource efficiency call for activity (£5m)	€5.93m
2009	Second innovation call for activity (£20m)	€23.7m
2009	Economic recovery package (£5m)	€5.93m
2009	JESSICA Urban Development Fund (£10m)	€11.85m
2010	iNets (£9m)	€10.67m
2011	Third innovation call for activity (£19m)	€22.42m

2012	<i>Fourth open call for activity (£30m)</i>	€37.5m ¹
Priority Axis 2		
2008	Regionally managed enterprise and access to finance activity (£11m)	€13m
2008	Allocations to 12 target areas (£44m)	€52.14m
2011	Allocations to revised 12 target areas (£48.6m)	€57.35m
2011	Allocation to Boston (£1m)	€1.18m
2013	Challenge Fund	€29.9m
Priority Axis 3		
2008	Core Programme Management and Implementation (£3.6m)	€4.27m
2008	Programme Facilitation (£3.7m)	€4.39m
Total		€292.96²m

There were no further calls during 2014. Detail on the implementation of all these programmes of activity is provided later in this report under the respective Priority Axis update(s).

2.1.2 Information on the physical progress of the Operational Programme

European Commission Core Indicators for ERDF

Following a review of the AIRs submitted by the English programmes for 2010, it was noted by the European Commission that the indicators reported were not those set out in their Indicative Guidelines on Evaluation Methods: Reporting on Core Indicators for the ERDF and the Cohesion Fund (Working Document No. 7).

It was stated by the Managing Authority for the English Programmes that the list of Core Indicators referred to was not finalised until late in 2009, after the submission and approval of the OP documents by the English regions.

The EC has requested that the English Programmes report against this list of indicators.

List of Indicators

Indicators		Cumulative Achievement up to 31/12/12	Cumulative Achievement up to 31/12/13	Cumulative Achievement up to 31/12/14	Total
1- No of gross jobs	Achievement	3,020	3,765	5,513	5,513

¹ The December 2012 exchange rate of €1.2505/GBP has been used.

² The December 2010 exchange rate of €1.185/GBP has been used for all other amounts.

created	Target	8,600	8,600	8,600	8,600
2 - No of gross jobs created for men	Achievement	-			
	Target	-			
3- No of gross jobs created for women	Achievement	-			
	Target	-			
4- Number of RTD projects	Achievement	76	76	76	76
	Target	0	0	0	0
5 – No of Cooperation projects enterprises – research institutions	Achievement	735	2,133	2,616	2,616
	Target	2,300	2,300	2,300	2,300
7 - Direct investment aid to SMEs – number of projects	Achievement	3	3	3	3
	Target	0	0	0	0
8 - Number of start-ups supported	Achievement		552	794	794
	Target	2,000	2,000	2,000	2,000
10 - Investment induced (€m) <i>Private sector only</i>	Achievement			36.2	36.2
	Target	216 (includes public)	216 (includes public)	216 (includes public)	216 (includes public)
11 - Information Society – number of projects	Achievement	1	1	1	1
	Target	0	0	0	0

Indicators 1, 2 and 3 – Jobs Created, Men and Women

Indicator 1 corresponds to the result “No of jobs created” as defined in the OP. Progress against this indicator, 1748 in 2014, has reached 64% of its target. Currently contracted activity has reached 130% of the target set, indicating this target shall be met. Data in regards to the breakdown between Jobs Created for Men and Woman is unavailable as this information is not collected within the East Midlands.

Indicator 4 – Number of RTD projects

This indicator has been defined to capture the number of projects within the Programme aimed at either creating new knowledge or developing existing knowledge. A total of 76 projects have been identified as meeting this definition. As this is not an indicator defined in the OP, it does not have a set target. It is unlikely at this point in the Programme that one will be set.

Indicator 5 – No of Cooperation projects enterprises – research institutions

This indicator has been defined to capture those outcomes where a project brings together enterprises and research institutions to their mutual benefit.

This corresponds well with the output "No of businesses within the region engaged in new collaborations with the UK knowledge base" as stated in the OP. Progress against this indicator has reached 114% of its target. Currently contracted activity has reached 126% of the target set, indicating this target shall be met. As this is not an indicator defined in the OP, it does not have a set target. It is unlikely at this point in the Programme that one will be set.

Indicator 7 - Direct investment aid to SMEs – number of projects

This indicator captures the number of projects in the Programme that result in investments that increase the assets value of an enterprise. Three projects in Priority Axis 1 have been identified that meet this definition. As this is not an indicator defined in the OP, it does not have a set target. It is unlikely at this point in the Programme that one will be set.

Indicator 8 - Number of startups supported

This indicator reflects the number of businesses created following the receipt of aid or assistance paid for using ERDF funds. This indicator corresponds to the result "No of new businesses created and attracted to the region" as defined in the OP. Progress against this indicator has reached 40% of its target. At the end of 2014 contracted activity has reached 138% of the target set, indicating this target shall be met.

Indicator 10 - Investment induced (€m) *Private sector only*

This indicator seeks to capture the amount of private sector investment attracted to the Programme. The OP does not contain a result specifically to capture private sector investment hence this figure is different to the relevant OP indicator. Investment induces has been interpreted to mean match funding.

As set out in the OP, the nearest equivalent is an output which captures both public and private sector investment. Progress against this indicator has reached 16.7%.

Indicator 11 - Information Society – number of projects

One project in Priority Axis 2 has been identified that meets this definition. As this is not an indicator defined in the OP, it does not have a set target. It is unlikely at this point in the Programme that one will be set.

Quantitative Data – Outputs and Results

Outputs and results table

Outputs	Indicators	2007	2008	2009	2010	2011	2012	2013	2014	Total
No of businesses assisted to improve performance ³	Achievement	Nil	5	1,461	2,450	2,794	1,804	1,729	3,401	13,644
	Target (1)	-	-	-	-	-	-	-	-	9,300

³ Approximately 20% of these businesses will receive support related to energy and resource efficiency.

	% of target		0.05	15.71	26.34	30.04	19.4	18.6	36.57	147%
No of businesses engaged in new collaborations with the UK knowledge base	Achievement	Nil	2	174	469	463	684	341	483	2,616
	Target (1)	-	-	-	-	-	-	-	-	2,300
	% of target		0.09	7.57	20.13	29.61	29.74	14.8	21	114%
Public and private investment leveraged (€)	Achievement	Nil	Nil	3,547,524	16,495,090	11,975,109	2,944,000		1,277,772	36,239,495
	Target (1)	-	-	-	-	-	-	-	-	216,000,000
	% of target			1.64	7.64	5.54	1.36			16.7
Sq metres of new or upgraded floor space (internal premises)	Achievement	Nil	517	3,624	22,089.5	15,249	4,165	15,456	9,482	61,100
	Target (1)	-	-	-	-	-	-	-	-	36,100
	% of target		1.43	10.04	61.19	42.24	11.54	42.8	26	196%
No of people assisted to start a business	Achievement	Nil	Nil	118	1,308	1,662	1,287	2,404	2,232	9,008
	Target (1)	-	-	-	-	-	-	-	-	2,700
	% of target			4.37	48.44	61.56	47.67	89	83	334%
Brownfield land reclaimed or redeveloped (ha)	Achievement	Nil	Nil	Nil	1.51	3.19	5.3	13	6	29
	Target (1)	-	-	-	-	-	-	-	-	17
	% of target				8.88	18.76	31.18	76.5	35	173%
Results										
No of jobs created	Achievement	Nil	Nil	162	722.5	1,114.7	738.8	1,027	1,748	5,513
	Target (1)	-	-	-	-	-	-	-	-	8,600
	% of target			1.88	8.40	12.96	8.59	11.9	20	64%
No of businesses improving performance	Achievement	Nil	3	143	133	358	341	171	205	1,354
	Target (1)	-	-	-	-	-	-	-	-	7,200
	% of target		0.04	1.99	1.85	4.97	4.74	2.3	2.8	19%
GVA resulting from businesses improving performance (€)	Achievement	Nil	Nil	186,449	12,130,818	11,463,993	29,196,617	-	-	93,895,496
	Target (1)	-	-	-	-	-	-	-	-	264,000,000
	% of target			0.07	4.61	4.36	11.1			36%
No of graduates placed in SMEs	Achievement	Nil	Nil	27	252	352	307	257	430	1,625
	Target (1)	-	-	-	-	-	-	-	-	4,000
	% of target			0.68	6.30	8.80	7.68	6.4	10.75	41%
No of new businesses created and new businesses attracted to the region	Achievement	Nil	Nil	8	100	133	142	189	242	794
	Target (1)	-	-	-	-	-	-	-	-	2,000
	% of target			0.40	5.00	6.65	7.1	9.4	12.1	40%

The programme is performing well on the provision of a number of key indicators, most noticeably the creation of new jobs and the creation of new

businesses, with other outputs already attaining the programme target. These are:

Business assisted to improve performance 147% with contractual commitments to the end of the programme standing at 274%.

Sq Metres new or upgraded floor space 196%, with 3031% contractually committed.

Number of people assisted to start a business at 334%, with a further contractually commitment to be reported that will increase the reported figure to 465%.

Brownfield Land reclaimed or redeveloped has currently reported 173% attainment of contractual targets. Further commitments will result in this project exceeding the target further and declaring 224% against target.

At the end of this reporting period the jobs created output had declared 64% against target. Due to the necessary delay between creation and reporting this output the forecast over the final two years of the programme is expected to increase to 130% against the Operational Programme target.

The new 'businesses created or attracted to the region' output stands at 40% for 2014, although as with the jobs created measure, the contractual commitments are very much linked to the end of the programme and current data suggests a final output of 2,753 against the target of 2,000 (138%).

It was noted in DeRegio's response to last year's AIR report that a number of our outputs/results had low achievement levels. It can be seen in this year's report that a number of the indicators are still under achieving against target. There are three indicators, as noted below, that are unlikely to achieve the overall target:

- The actual 2014 output relating to 'business improving' performance was 19%. The reported contracted activity stands at 72% and there is likelihood that this target will not be achieved.
- Number of graduates placed within SMEs has increased through 2014 but the overall performance is not as expected and the target is at risk.
- GVA resulting from business improving performance stands at 36% but PA1 contracted is currently €110,158,254 (75%) and PA2 contracted is currently €49,795,859 (42%).

As part of the closure process for the programme we will ensure that all efforts are made to maximise the outcomes for each of these indicators. However as we are close to closure we will not be able to increase our commitments to the required levels.

2.1.3 Financial information

The table below reports Programme level expenditure (in Euros). This includes retrospective expenditure for 2007 and 2008 related to Technical Assistance.

	Expenditure paid out by the beneficiaries included in payment claims sent to the Managing Authority	Corresponding public constitution	Private expenditure	Expenditure by the body responsible for making payments to the beneficiaries	Total payments received from the Commission
Priority axis 1 - of which ERDF expenditure	213,192,384	193,158,696	20,033,687	91,693,445	74,920,172.59
Priority axis 2 - of which ERDF expenditure	170,587,521	162,372,567	8,214,954	104,510,021	78,381,638.04
Priority axis 3 - of which ERDF expenditure	7,797,748	7,766,624	31,123	4,328,700	3,557,756.48
Grand total - of which ERDF expenditure	391,577,652	363,297,888	28,279,765	200,532,166	156,859,567.11 <i>(see NB below)</i>
Total in transitional regions in the grand total					
Total in non-transitional regions in the grand total	Nil	Nil	Nil	Nil	Nil
ESF type expenditure in the grand total where the operational is co-financed by ERDF					
ERDF type expenditure in the grand total where the operational is co-financed by ESF					

NB The figures in the above table are based upon actual claims submitted to and paid by the Department. The November and December 2014 claims, totalling €58,750,831 have yet to be paid.

The Programme has also received the following interim payments from the European Commission for ERDF claimed expenditure:

Pre-Financing and Interest Earned

Under Article 82 of 1083/2006, each programme is allowed a proportion of its ERDF budget in advance to cash flow expenditure. Pre-financing totalling €20,137,198.73m [7.5% of the Programme's ERDF value] was received in three tranches in accordance with EC regulation.

It is important that the Programme can track and manage interest earned on the pre-financing cash balance for two reasons.

Firstly, it is a regulatory requirement that the Programme can report to the Commission total interest earned and confirm how the interest was spent.

Secondly, the pressure on public sector finances makes it imperative that all possible available match funding resources are made available to the Programme.

By the end of 2014 the interest earned totalled €556k (£449k).

Payment		Euro Value €	% Programme
1st		5,369,919.66	2%
2nd		8,054,879.49	3%
3rd		6,712,399.58	2.5%
Total		20,137,198.73	7.5%

2.1.4 Information about the breakdown of use of the Funds Financial information

The Programme level financial table is set out below.

Summary Financial Table - Euros					
	ERDF	National Public	National Private	Total	PA Grant Rate
PA1 Innovation and sustainable business practice	123,825,950	153,342,601	32,396,324	309,564,875	40%
PA2 Sustainable economic and enterprise activity	135,949,950	44,863,484	29,173,491	209,986,925	65%

PA3: Technical Assistance	6,114,963	6,114,963	0	12,229,926	50%
Total	265,890,863	204,321,048	61,569,815	531,781,726	50%

Categorisation

Cumulative breakdown of allocations of the Community contribution by category:

Combination of codes of dimensions 1 to 5					
Code * Dimension 1 Priority theme	Code * Dimension 2 Form of Finance	Code * Dimension 3 Territory	Code * Dimension 4 Economic Activity	Code * Dimension 5 Location	Amount **
02	2	0	0	UKF	10,739,839
03	1	0	0	UKF	26,849,568
04	1	0	0	UKF	13,424,799
05	1	0	0	UKF	10,739,839
06	1	0	0	UKF	37,589,438
07	2	0	0	UKF	22,704,198
08	2	0	0	UKF	43,500,637
09	1	0	0	UKF	32,219,518
10	1	0	0	UKF	4,145,400
15	1	0	0	UKF	4,145,400
61	1	0	0	UKF	53,717,227
85	1	0	0	UKF	3,058,000
86	1	0	0	UKF	3,057,000
Total					265,890,863

* The categories are coded for each dimension using the standard classification

** Allocated amount of the Community contribution for each combination of categories

Table 1: Codes for the priority theme dimension

Code	Priority theme	Target ERDF expenditure €	ERDF expenditure to date €	% of target
02	RTD infrastructures (including equipment, instrumentation and high speed computer networks between research institutes) and specific technology competence centres	10,739,839	24,357,557	227
03	Technology transfer and improvement of cooperation networks between SMEs and research institutes	26,849,598	18,579,235	69
04	Aid for the RTD in particular in the SMEs (including access to RTD services in the research centres)	13,424,799	9,768,489	73
05	Advanced supporting services in companies and groups of companies	10,739,839	10,421,477	97

06	Assistance to SMEs for the promotion of environmentally products and processes	37,589,438	24,126,978	64
07	Investments in companies directly related to research and innovation (<i>innovative technologies, creation of new companies by the universities, RTD institutes and existing companies, ...</i>)	22,704,198	11,603,479	51
08	Other investments in firms	43,500,637	20,814,092	48
09	Other actions aiming at stimulation of research and innovation and entrepreneurship in SMEs	32,219,518	50,542,365	157
10	CI infrastructure (including broad-band networks)	4,145,400	5,333,830	128
15	Other actions aiming at access to the TIC by the SMEs and their effective use	4,145,400	0	0
61	Integrated projects for urban/rural rehabilitation	53,717,227	20,655,964	38
85	Preparation, implementation, follow-up and control	3,058,000	4,045,782	132
86	Evaluation, studies, conferences, publicity	3,057,000	282,918	9
Total		265,890,863	200,532,166	75

Table 2: Coding of the form of financing dimension

Code	Form of financing	Target ERDF expenditure €	ERDF expenditure to date €	% of target
01	Non-refundable aid	240,035,409	198,314,717	82.61
02	Refundable aid (<i>loan, interest subsidies, guarantee</i>)	25,855,454	2,217,449	8.57
Total		265,890,863	200,532,166	75%

Table 3: Coding of the territory dimension

Code	Territory	Target ERDF expenditure €	ERDF expenditure to date	% of target
00	No application	265,890,863	200,532,166	75
Total		265,890,863	200,532,166	75%

Table 4: Coding of the economic activity dimension

Code	Economic activity	Target ERDF expenditure €	ERDF expenditure to date	% of target
23	Not applicable	265,890,863	200,532,166	75
Total		265,890,863	200,532,166	75%

A more detailed breakdown by Territory and Economic activity is not applicable for the East Midlands programme.

Table 5: Coding of the location dimension

UKF. The coding of this dimension can be found in the *Nomenclature of Territorial Units for Statistics (NUTS)* which appears in the annex of Regulation (EC) n° 1059/2003 of 26.05.2003.

2.1.5 Lisbon Earmarking

The EU's Community Strategic Guidelines (CSG) state that a minimum of 75% of Competitiveness Programme expenditure should contribute to the delivery of the EU's Lisbon targets. The categorisation process set out above also enables the European Commission to monitor the contribution that Structural Funds' investments are making to the Lisbon goals of jobs and growth.

The majority of the East Midlands Programme expenditure is allocated to codes 02-15 (see table 1), which are classified as Lisbon codes and activities supported will therefore contribute to the Lisbon goals of jobs and growth. In line with the requirements of the CSG, the East Midlands OP sets out that a minimum of 75% of the Programme's expenditure, as an average over the life of the Programme period, will contribute to the achievement of Lisbon targets.

For codes 2 and 9 performance has significantly exceeded target and contributes to the overall target of 75%.

As at the end of December 2014, **87.54% (€175,547,502)** of the Programmes expenditure had contributed to the achievement of Lisbon targets (codes 02-15).

2.1.6 Assistance by target groups

In line with the approach taken in the development of the OP and associated governance structures, the cross-cutting themes of environmental sustainability and equalities have been mainstreamed across the AIR, with specific references where appropriate.

A number of projects have been approved and are delivering activities that directly address equal opportunities.

2.1.7 Assistance repaid or re-used

During 2014 the following assistance was repaid and reused in accordance with Council Regulation (EC) 1083/2006 Article 98 (no assistance was repaid or reused according to Article 57 concerning the durability of operations).

In 2014 75 NIFFS were raised with a value of €63,551, 56 of these were fully recovered and closed to a value of €30,636.15. A further 15 are concluded but not yet fully recovered (value of €25,522) and the remaining 4 were raised but not concluded (value of €7,392). In relation to these 4, due process was followed and no further claims have been paid.

In 2014 20 SFIRs (Structural Funds Irregularity Reports) were raised with a total value of €1,560,123, of these 12 were concluded with €394,507 recovered. 7 were concluded but not yet fully recovered (value of €647,457). The remaining SFIR was raised but not concluded (value of €14,158), due process was followed and no further claims have been paid.

1 Error Financials was concluded and €332 was recovered.

2.1.8 Qualitative analysis

By the end of December 2014, **266** projects (worth approx. **€262.51m** ERDF) had formally accepted or been offered funding agreements.

By the end of December 2014 a total of **€391.6m** eligible expenditure had been claimed by beneficiaries, comprising of **€200.5m** ERDF grant; **€162.8m** Public Sector Match; and **€28.3m** Private Sector Match. ERDF comprises of **51%** of expenditure claimed (this will level to 50% by programme closure).

At the end of December 2014 actual achievement against the Programme targets has seen a continued improvement during 2014 and it is expected that forecast against target will continue to improve during 2015.

All indicators, with the exception of Public/Private Investment Leverage, have exceeded their original targets in respect of contracted commitment.

The LMC have discussed the comparative underachievement of the *public and private investment leveraged* indicator and considered it to be a result of the economic downturn (reflecting reduced public sector funding availability and private sector investment).

N+2 Spend Targets – € Euros

In summer 2010 the European Commission confirmed that a modification to Article 93 of the General Regulation for the Structural Funds (the De-commitment Rule) to spread equally annual amounts related to the 2007 commitment (the 2009 N+2 target) between 2008-13 commitments had been adopted (16 June 2010).

Commitment Year i.e. Berlin profile	Target year i.e. N+2	Annual commitment	N+2 Profile (Revised June 2010)		
			Cumulative spent target (includes pre-financing payments)	Cumulative N+2 target (excluding pre-financing payments)	N+2 Annual Increments to Cumulative N+2
2007	2009	0	0	(20,137,199)	0
2008	2010	42,857,558	42,857,558	22,720,359	22,720,358
2009	2011	43,594,323	86,451,881	66,314,683	43,594,323

2010	2012	44,345,823	130,797,705	110,660,506	44,345,823
2011	2013	45,112,353	175,910,057	155,772,858	45,112,353
2012	2014	45,894,214	219,199,150	199,061,951	43,289,093
2013	2015	46,691,712	265,890,863	265,890,863	66,828,912
Total		265,890,863			265,890,863

N+2 table

Allocation year	Cumulative Original N+2 (€)	Cumulative Revised N+2 (€)
2007	-	-
2008	-	-
2009	36,115,920	-
2010	72,954,158	42,857,558
2011	110,529,161	86,451,881
2012	148,855,664	130,797,704
2013	187,948,697	175,910,057
2014	227,823,591	219,199,150
2015	268,495,983	265,890,863

By the end of December 2014 the programme has committed **€262.52m ERDF** in 266 projects.

The East Midlands Programme missed the 2013 N+2 target resulting in a reduction of €2.6m. In the last quarter of 2013 90 project claims were submitted and paid with an ERDF value of some €15.9. Failure to meet the 2013 N+2 target has resulted in the Programme value being reduced to €265.89.

To enable the re-profiling and de-commitment to take place within the necessary timescales, in early 2014 the GDT requested revised financial forecasts from all projects to confirm actual expenditure figures.

At the 17 March LMC meeting the committee authorised £2.9m ERDF resource to be voluntarily de-committed from projects. Through robust project management by the GDT during 2014 the EM programme exceeded the 2014 N+2 target by €14.8m.

Cross-Cutting Themes (CCTs)

In line with the approach taken in the development of the Operational Programme and associated governance structures, the cross-cutting themes of environmental sustainability and equalities have been mainstreamed across the AIR, with specific references where appropriate.

Equality

Equalities are an integral part of the delivery of the East Midlands Operational Programme. At application stage there is a requirement for all projects to supply information on, and demonstrate how they will positively promote equality of opportunity for all through all aspects of project planning, consultation, delivery and review. Applicants have to demonstrate how they have taken into account

- Who the underrepresented groups are in the project.
- Does the project identify the needs of underrepresented groups? Is there evidence that people from underrepresented groups have been/will be involved in the development of the project i.e. through consultation with relevant equality organisations?
- Does the project clearly identify how it will meet the needs of all potential beneficiaries? Does it make clear, measurable statements about how it will ensure that people from underrepresented groups will have full equality of opportunity to the project?
- Does the project identify how it will monitor its activities and address any adverse impact identified?

To ensure that all projects are demonstrating a commitment to equalities it is tested through the appraisal, and reported to the endorsement board on all applications as to how they propose to ensure the needs of all potential beneficiaries are considered at all stages of the project development, delivery and review.

Once successfully endorsed, as part of the Funding Agreement negotiations, projects are required to provide monitoring milestones on equality integration. These are reviewed on a quarterly basis as part of the claims process, and further supported with checks at PAV stage.

At the 31 July 2014 LMC meeting Rachel Quinn, Deputy Chair of the LMC, informed Members that following discussion with Priority Axis 2 leads, there was a need for aggregated information to monitor and demonstrate the Programme's impact on equalities. One East Midlands agreed to write to a randomised selection of projects (across the Priority Axes) requesting information on the equalities data they have collected to identify what is being recorded and in what way. This information would then be used by the LMC to communicate to partners the wider impact of the Programme and to inform future Programme evaluation.

At the 7 November 2014 LMC meeting Rachel updated members on progress. Letters had been sent to a selection of projects requesting equalities data by One East Midlands and the early results were being analysed. The deadline for returns was the end of November 2014, and Rachel agreed to share the results with the LMC in 2015.

Environmental

In order to demonstrate integration of the Environmental Sustainability Cross-Cutting Theme (CCT), projects are required at application stage to provide information on, and demonstrate how they will promote mitigation and adaptation approaches to climate change and contribute to a more resource efficient regional economy by:

- Clearly identifying the key environmental impacts associated with the project.
- Describing how negative environmental impacts will be avoided or minimised, across all stages of project activity (design and delivery).
- For capital build projects aspiring to achieve a minimum standard of BREAM Excellent”, or if not justifying why the proposed attainment is the maximum they can possible achieve.

To ensure that all projects are demonstrating a suitable commitment to the environment this is tested through the appraisal, and reported to the endorsement board on all applications as to how they propose to ensure the needs of all potential beneficiaries are considered at all stages of the project development, delivery and review.

As previously reported in 2011, due to the changes in the management function of the ERDF programme and the standardisation of operational processes it is not possible to monitor the progress of the programme against environmental targets. However, the following indicators have also being integrated into the OP indicator framework to monitor the environmental impact at project level:

- Brownfield land reclaimed
- Square metres of premises upgraded to BREEM excellent or very good at current standards.

2.2 Information about compliance with Community Law

Department for Communities and Local Government (DCLG) as Final Beneficiary

EC Regulation 1828/2006 at Article 13(5) confirms that the Intermediate Body for a programme can be the beneficiary of ERDF funding. No new projects where DCLG is the applicant and Final Beneficiary were reported during 2014.

The National A16 error rate reported to the Commission is derived from all of the English Programmes. The latest concluded error rate reported in the Annual Control Report for 2014 is 2.414%, which is above the permitted 2.0% materiality threshold.

To prevent a Programme interruption DCLG has made a self-declared correction against eligible expenditure declared during 2013-14 across all of the England programmes. This in practise reduces the error rate below the 2% threshold.

The imposition of the voluntary correction reduced this Programme's declared eligible expenditure for 2014 by €396,402; reducing the amount to be reimbursed to DCLG by €158,561. Although this reduces the amount of money declared as eligible expenditure for 2014, it will not reduce the overall value of the Programme, i.e. the money can be spent again.

2.3 Significant problems encountered and measures taken to overcome them remains

In May 2013 the European Commission's Interruptions Committee decided to interrupt payments to the 10 English 2007-13 ERDF programmes.

The reason for the interruption was that in the EC's view there were "serious deficiencies identified by the English Audit Authority concerning the management verifications and concerning the audit trail."

This was based on two Audit Authority systems audits, the first on Article 13 monitoring arrangements and the second on audit trail of ERDF records transferred to BIS when RDAs were closed. Both audits had a "qualified major" opinion, meaning that there were material weaknesses that needed to be addressed but the AA had to follow very explicit guidance from the EC on systems audit reports. The EC relies on the opinion of the Member State's Audit Authority.

Following several exchanges of correspondence during 2013 and the early part of 2014, where the Managing Authority complied with requests from the Commission for more information and some assurances around Article 13 verifications, the handling of irregularities and the recording of data on the Management Control Information System, the interruption was lifted in March 2014.

2.4 Changes in the context of the Operational Programme implementation

2.4.1 Economic Context

The UK economy is estimated to have grown by 2.6 per cent in 2014.⁴ This was the fastest growth since the global financial crisis when the UK experienced one of the deepest recessions of any major economy, contracting 6 per cent in real terms between the second quarter of 2008 and the third quarter of 2009.

⁴ ONS (2015) see: <http://www.ons.gov.uk/ons/rel/gva/gross-domestic-product--preliminary-estimate/q4-2014/stb-gdp-preliminary-estimate--q4-2014.html>.

The Office of Budget Responsibility had forecast the economy would grow by 2.7 per cent at the start of the year.⁵ However some forecasters had predicted earlier on that GDP growth would be as low as half a per cent.⁶ Instead the economy is estimated to have grown by 0.6 per cent in the first quarter accelerating to 0.8 per cent in the second quarter and 0.7 and 0.5 per cent in the last two quarters.⁷ Gross Domestic Product is now estimated to be 3.4% higher than the peak it reached before the recession in 2008.

Consumer spending was a key driver to the UK economy strengthening in 2014. Growth in real earnings began to recover in 2014 after a period of stagnation. Regular pay excluding bonuses grew by 1.6 per cent from December 2013 to December 2014, well above the rate of inflation which fell to 0.5 per cent by the end of 2014 mostly due to falling global oil prices.⁸⁹

Business investment also continued to increase. Initial estimates suggest business investment grew at 6.8 per cent in 2014: its fastest rate in any year since 2007.¹⁰ Housing market indicators also picked up sharply in the year cooling in the final quarter. In the year to December 2014 house prices had increased by 9.8 per cent as measured by the Office of National Statistics.¹¹ Export performance weakened in 2014 causing the UK's net trade position to deteriorate slightly over the year.¹² This was mainly due to low demand for exports from the Eurozone countries.

The labour market – remarkably resilient during the crisis – continued to strengthen. UK employment figures saw quarter on quarter growth and falling unemployment in 2014. By the final quarter of the year employment rate had risen to 73.2 per cent and the unemployment rate had fallen to 5.7 per cent from 7.2 per cent a year earlier.¹³ However, the performance of the labour market varied across the UK, with some groups at a particular disadvantage including, young people, disabled people, people from some ethnic minorities, and older people. Underemployment, a measure of net additional hours of work desired at current wages as a percentage of the total hours of labour available, also remained high with just under 1 in 10 employed people wanting more work in 2014.¹⁴

⁵ OBR (2014) *Economic and Fiscal Outlook*, March 2014: <http://cdn.budgetresponsibility.org.uk/37839-OBR-Cm-8820-accessible-web-v2.pdf>.

⁶ OBS (2014) *Economic and Fiscal Outlook*, December 2014, Char 2.4: Forecasts for real GDP growth in 2014, <http://budgetresponsibility.org.uk/economic-fiscal-outlook-december-2014/>.

⁷ ONS (2015) see: <http://www.ons.gov.uk/ons/datasets-and-tables/data-selector.html?cid=IHYQ&dataset=pgdp&table-id=PREL>.

⁸ ONS (2015) *Average Weekly Earnings*, see: <http://ons.gov.uk/ons/taxonomy/index.html?nsl=Weekly+Earnings#tab-data-tables>.

⁹ ONS (2015) *Consumer Price Indices*, see: <http://ons.gov.uk/ons/rel/cpi/consumer-price-indices/january-2015/stb---consumer-price-indices---january-2015.html>.

¹⁰ ONS (2015) *Business Investment Q4 2014 Provisional Results*, see: <http://www.ons.gov.uk/ons/rel/bus-invest/business-investment/q4-2014-provisional-results/index.html>.

¹¹ ONS (2015) *House Price Index*, see: <http://ons.gov.uk/ons/rel/hpi/house-price-index/december-2014/stb-december-2014.html>.

¹² OBR (2014) *Economic and Fiscal Outlook*, December 2014, Chart 3.39.

¹³ ONS (2015) *Labour Market Statistics*, see: <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/february-2015/index.html>.

¹⁴ ONS (2014) see: <http://www.ons.gov.uk/ons/rel/lmac/underemployed-workers-in-the-uk/2014/rpt-underemployment-and-overemployment-2014.html>.

Productivity remains below its pre-recession peak. Among sectors there has been strong growth in manufacturing and real estate productivity for example, but this has been counterbalanced by weak growth in the financial services and the oil and gas industries relative to their pre-recession levels.¹⁵ In the third quarter of 2014 output per hour worked for the whole economy was only 0.3 per cent higher than a year before. Increases in productivity this year will be vital if the momentum the economy gained in 2014 is to continue.

2.4.2 Operational Programme Modifications

Following agreement at the 17th March 2014 LMC meeting, a submission was presented to the Commission on 26 July 2014 setting out the rationale and proposed changes to the OP to support amendments to the financial tables in the East Midlands programme. The required changes to the Operational Programme were a consequence of the programme facing implementing difficulties which resulted in a reductions by €2,605,120 ERDF of the financial tables in accordance with article 33 D of the general regulation. Other modifications were made to the financial tables. This increased the amount of funding allocated in Priority Axis 1 by 3% to €123,825,950m ERDF, reduced the allocation in Priority Axis 2 by 2% to €135,949,950 ERDF, and reduced funding by 1% in Priority Axis 3 to €6,114,963 ERDF. The Commission confirmed in writing that this modification was adopted on the 18th November 2014.

2.5 Substantial modification under Article 57 of Regulation (EC) No 1083/2006

There have been no cases where a substantial modification under Article 57 of Regulation (EC) No 1083/2006 has been detected.

2.6 Complementarity with other instruments

As previously reported, throughout the OP development process there was close collaboration between the key European funding delivery bodies within the East Midlands in order to define the scope of programmes and establish clear lines of demarcation between activity funded through the different European funding programmes in operation in the region - namely ERDF, European Social Fund (ESF) and the Rural Development Programme for England (RDPE). As a result of this work, section 7 of the Operational Programme sets out the synergies and complementarities identified between the main sources of European funding coming into the region between 2007 and 2013.

2.6.1 Complementarity/alignment with other funds

As previously reported, there are opportunities under the Programme's Priority Axis 2, particularly due to its focus on boosting local economic development, to ensure that ERDF complements and works in alignment with ESF and RDPE. To identify such opportunities and demonstrate clear demarcation,

¹⁵ ONS (2015) Economic Review January 2015, see: http://www.ons.gov.uk/ons/dcp171766_391094.pdf

each of the grouped targeted Districts were required to set out in their Local ERDF Investment Plans how their proposed ERDF activities would work with (where appropriate) the ESF and RDPE priorities and activities already taking place in their local area. By closely monitoring this as part of the initial project application assessment checks, the District partners continue to work with partners to develop projects that 'join-up' the funds to maximise their impact in the local area.

2.7 Monitoring arrangements

2.7.1 Local Management Committee (LMC)

2.7.2 The LMC is responsible for the strategic leadership of the 2007-13 East Midlands ERDF Competitiveness Programme. As set out in Article 65, the responsibilities of the LMC include:

- Consideration and approval of project selection criteria;
- Reviewing progress towards the achievement of programme targets and Priority Axes objectives through receiving and considering performance implementation data;
- Receiving and considering consistent, up-to-date management information for the programme, as required by the Managing Authority;
- Consideration and approval of Annual and Final Reports;
- Consideration and approval of programme evaluations and resulting Operational Programme amendments; and
- Strategic linkages with other Structural Funds, domestic programmes and wider UK economic policy.

The LMC membership continues to be representative of:

- Competent regional, local, urban and other public authorities;
- Business and social partners; and
- Any other appropriate body representing civil society, environmental partners, non-governmental organisations, and bodies responsible for promoting equality of opportunity between women and men.

For the duration of 2014 the Committee was deputy chaired by Rachel Quinn, Chief Executive of One East Midlands. The Committee met three times during the reporting period. Some core decisions made by the LMC during 2014 included approval of the Programme's N+2 re-profiling exercise (17.03.14); a limited call for additional project spend (31.07.14); and reviewing and agreeing the Programme's 2013 Annual Implementation Report (24.06.14). Further information on the discussion and decisions made by the LMC can be viewed in the meeting minutes available from the East Midlands Growth Delivery Team. During 2014 Iris Lightfoote joined the board to better represent and influence equalities issues and that she was jointly responsible for the research that was undertaken.

Representation / Membership on the LMC during 2014 included the following:

Sector	Role	Name and Organisation
Managing Authority	Chair	Mark Foley (DCLG) <i>deputising</i>
Local Representation & Voluntary and Community Sector	Deputy Chair	Rachel Quinn (One East Midlands)
EU Commission	Advisory	Kristina Kuzmanova / Ruth Nugent DG Regio (Desk Officer)
Local Authorities	Members	Cllr Geoff Stevens (Derbyshire Dales District Council) Cllr Jon Collins (Nottingham City Council) Cllr David Bill (Hinckley and Bosworth Borough Council)
Local Enterprise Partnerships	Members	Northamptonshire and South East Midlands – Sajeeda Rose Greater Lincolnshire – Jenny Gammon Leicester and Leicestershire – Phil Cox D2N2 – Frank Horsely Sheffield City – Eion Watts
Private Sector	Member	Maxine Aldred (Federation of Small Businesses)
TUC	Member	Alan Weaver (TUC Midlands)
HE	Member	Dan King (Nottingham University)
FE	Member	Simon Feneley (East Midlands Further Education Council)
Social Enterprise	Member	Roger Moors (SEEM)
Environment /sustainability	Member	Jon Baker (Environment Agency)
Equality & Diversity Champion	Member	Iris Lightfoote (The Race Equality Centre)
BIS	Member	Rowena Limb (BIS local representative)
DEFRA	Member	Mike Stubbs
Head of ERDF Growth Delivery Team	Member	Mark Foley
East Midlands Councils	Observer	Stuart Young

2.7.3 LMC – Investment Sub-Group (ISG)

The LMC Terms of Reference (agreed 9 December 2011) makes provision for the LMC at any time to establish such sub-committees, working groups or task and finish groups as appropriate to enable the LMC to fulfil its responsibilities and to support the efficient implementation of the OP.

At the 9 December 2011 LMC meeting Members agreed proposals, including the proposed membership and Terms of Reference, for the establishment of an LMC Investment Sub-Group (ISG) (reflecting the partnership principle set out in Article 11 of Council Regulation (EC) 1083/2006.

One meeting of the ISG took place during 2014 and two combined meetings with the LMC.

Whilst the LMC provides strategic leadership and management for the programme, the detailed approval of outline applications will be undertaken by the ISG. The Sub Group forms a key part of the LMC undertaking responsibilities nominated by the LMC, in particular around tasks and responsibilities laid down in Article 65 of 1083/2006;

Consideration and approval of project selection criteria

and 1.3 (i) of the LMC Terms of Reference;

Consider and approve criteria for selecting ERDF projects/operations and approve any revision of those criteria according to programme need.

The Sub Group is chaired by the LMC Deputy Chair (Rachel Quinn) with the Team Leader of the East Midlands GDT (Ian White) acting as the Deputy Chair. This provides an important link between the work of the LMC and the Sub Group.

The Sub Group is expected to:

- Review the development of specifications and calls for activity;
- Monitor recommendations from the GDT in respect of assessment of outline applications; and
- Endorse (or not) recommendations made in respect of full applications following completion of the formal appraisal process by the GDT.

Recommendations made by the ISG are considered by the East Midlands GDT who as the Managing Authority, will process final decisions on the award of grant and the issue of Offer Letters in line with the East Midlands OP and EC regulations.

2.7.3 Local Monitoring Activity

The programme's monitoring and data collection arrangements changed on 1st April 2013 when further national standardised ERDF process were

implemented, with the enhanced verification checks to undertake a 10% desk based verification to bank statements on all claims submitted for payment.

By December 2014, **265 Project Engagement Visits** had been carried out (14 in 2014), 361 **Article 13 Monitoring visits** were performed (72 in 2014) and 589 **Desk Based Verification Checks**. Supporting these on-going checks on projects, **54 Project Completion Visits** were also undertaken in 2014.

Project Engagement Visits have been undertaken with all projects as soon as possible after the funding agreement has been finalised. This approach has been successful in helping projects to ensure as far as possible that their future delivery activity and processes comply with ERDF rules and regulations. The Monitoring Team have completed visit reports for all visits within 5 working days of the visit taking place.

The frequency of Article 13 (A13) visits continues to be determined by the risk rating applied to each project, with all projects receiving an A13 review within their first 12 months of active operation. The visits are thorough and consistent and have enabled the ERDF monitoring team to ensure that selected sample tested activity is compliant. The Monitoring Team have completed visit reports for all visits within 10 working days of the visit taking place. There is now a national requirement for follow up actions as a result of the visit to be cleared within 3 months.

Desk based verification checks have been undertaken on all claims submitted since 1 April 2013. These verification checks have enabled the GDT to ensure that the minimum 10% sample selected of declared expenditure is compliant with defrayal requirements. These verification checks are completed prior to reimbursement with any outstanding actions followed up prior to the reimbursement of the claim.

The Project Completion Visits are used to record information about the project which needs to be captured and recorded after the project has received the final ERDF payment, for example, income generated by revenue generation projects, additional outputs/targets being measured beyond the financial and practical completion dates. Section 3 of the visit report is used to capture on-going monitoring requirements.

Article 16 visits

Audits of Operations are undertaken by the Audit Authority in accordance with its audit strategy and sampling method. They currently draw their audit sample over two periods (every six months), grouping all operational programmes together. The Audit Authority informs the Managing Authority, the delivery network, and the intermediary body of the sample selected and liaises with grant recipients directly to arrange the visit and ask for preliminary information. A draft report is issued to the ERDF delivery team, who in turn share with the grant recipient. The ERDF delivery team has 20 working days to work with the grant recipient to respond formally to each of the findings.

Once the responses have been accepted by the auditors, the final report is issued and an action plan is drafted with allotted responsibilities and timescales for completion.

Nationally, the main irregularities arising from Article 16 audits were:

- Procurement irregularities (52.4%)
- Failure to demonstrate an audit trail (18.3%)
- Ineligible activities (17.5%)
- Ineligible expenditure (3.7%)
- Non-compliance with publicity rules (0.3%)
- Other issues (7.8%)

In response to procurement issues raised in findings from Article 16 audits of operations, the ERDF delivery team has increased communication and engagement with projects on compliance with this regulatory control. This is also the case in respect of Article 13 management verifications.

The key principles of the programme monitoring strategy continued to be adhered to without dilution, as the ERDF delivery team focused on achieving the N+2 target for 2014. 16 Article 16 visits were carried out in 2014. They are listed in the table below.

Article 16 visits during 2014

AA Ref	OP	MCIS Project Ref	Project Applicant	Project Name
AA/EM10 /13	EM	020_EMX05568	University of Nottingham	Food and BioFuel Innovation Centre
AA/EM11 /13	EM	020_EMX06201	Corby Borough Council	Corby Enterprise Centre 2009
AA/EM12 /13	EM	020_EMX06751	Derby City Council	Derby Station Transport Interchange
AA/EM13 /13	EM	020_EMX06754	The Arkwright Society Ltd	Cromford Mill Creative Cluster
AA/EM14 /13	EM	020_EMX06768	University of Nottingham	Institute for Aerospace Technology
AA/EM15 /13	EM	020_EMX06885	Bishop Grosseteste University College Lincoln	Reach for the Sky Centre
AA/EM16 /13	EM	020_EMX07268	Braunstone Community Association (BCA)	Enterprise As A Life 2
AA/EM17 /13	EM	020_EMX07277	Derby City Council	Cathedral Quarter Enterprise Centre
AA/EM18 /13	EM	020_EMX07345	Lincolnshire County Council	Teal Park
AA/EM19 /13	EM	020_EMX08003	University of Loughborough	Collaborate to Innovate
AA/EM20 /13	EM	020_EMX08011	East Midlands Business	Internationalising East Midlands SMEs
AA/EM21 /13	EM	020_EMX08015	Leicester City Council	Leicester Innovation Workspace
AA/EM22 /13	EM	020_EMX08037	Nottingham Community and Voluntary Service	Charities Enterprise Project

AA/EM23 /13	EM	020_EMX08041	Nottingham City Council	Southglade Food Park Phase 2
AA/EM24 /13	EM	020_EMX08049	Lincolnshire County Council	Heritage Working For Business
AA/EM25 /13	EM	020_EMX08064	Braunstone Community Association (BCA)	Leicester for Business

A Certifying Authority Audit was undertaken in the East Midlands on the 16 July 2014. The audit focused on the period May 2013 to April 2014 (aggregate claims 76 to 87). During that period the total eligible expenditure claimed was £72,483,928 and the CA selected £5,803,461 to be evidenced back to defrayal. In terms of evidence provided in support of the expenditure claimed the majority of documentation was available during the visit or was obtained post visit. The visit identified only minor issues which were dealt with promptly and were all closed, to the CAs satisfaction, within a short timeframe.

An EC audit took place in October 2014. The overall objective of the audit was to obtain reasonable assurance on the functioning of the management and control systems by reviewing the work of the managing authority in the performance of the verifications pursuant to Article 60(b) of Regulation (EC) no. 1083/20006. The EM region continues to work closely with the EC to resolve any outstanding audit issues.

2.7.4 Evaluation Arrangements

Evaluation of the Programme is important to support implementation and inform future delivery. EC Regulation 1083/2006 represents a shift from the concept of a fixed-point, mid-term evaluation driven by regulatory imperatives towards a more flexible, demand-driven approach to evaluation during the programming period, particularly at the OP level.

The Programme's evaluation framework was developed on the basis of an on-going evaluation process and is consistent with the principles of proportionality, independence, partnership and transparency. The Programme's Monitoring and Evaluation Strategy, that guides and sets the framework for activity to be undertaken during the whole programming period, received PMC endorsement on 7 November 2008.

Further to the development of proposals and the evaluation plan in 2009, the Interim Programme Assessment was completed in 2010 (findings reported in 2011) and the Interim Performance and Impact Evaluation was carried out in 2012/early 2013.

The Interim Performance and Impact Evaluation are intended to assess the first three years of Programme delivery. Within this evaluation, questions have been addressed within the following four core categories to identify the Programme's performance and impact:

- Economic impact (e.g. what net impact has the Programme achieved to date?),

- Broader impact (e.g. how is the Programme supporting the delivery of sustainable economic development?),
- Regional impact (e.g. how effectively is the Programme/Priority Axes delivering on partner and stakeholder expectations?),
- Lessons learned (e.g. what can be learnt from the development and delivery of the Programme/Priority Axes to date?).

SQW Consulting Ltd (appointed as the Programme evaluators in 2009) carried out the Evaluation in autumn 2012 and reported their findings in early 2013.

Following the interim impact evaluation of the East Midlands programme by SQW in 2013, the Midlands Growth Delivery Team cancelled the remainder of the SQW evaluation contract in February 2014 because the Managing Authority has confirmed that there will be a formal evaluation at national rather than Programme level which will start in 2015.

3. Implementation by priority

3.1 Priority 1

Priority Axis 1 - Innovation and sustainable business practice

Priority Axis 1 is concerned with increasing productivity through innovation & sustainable business practice. Resources are thematically targeted to focus on increasing commercialisation of innovation in Small and Medium Enterprises (SMEs) in priority sectors and in businesses with high growth potential to create higher value added products and services, and will include support for SME engagement in Research and Development (R&D) for emerging and enabling technologies. It also promotes and supports innovation to improve resource efficiency. Support is targeted thematically with a particular focus on the region's four Key Sectors of:

- Transport Equipment;
- Construction;
- Food and Drink; and
- Bioscience and Health.

High growth businesses (defined by the demonstration of an annual increase in turnover of over 15%), and resource efficiency improvements for all SMEs throughout the region, is also to be targeted for support.

Financial information

Priority Axis 1 - Summary Financial Table – Euros -					
	ERDF	National Public	National Private	Total	PA Grant Rate

PA1 Innovation and Sustainable Business Practice	123,825,950	153,342,601	32,396,324	309,584,875	40%
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3.1.1 Achievement of targets and analysis of the progress

Information on the physical and financial progress of the priority

Priority Axis 1		
2008	Innovation call for activity (£25m)	€29.63m
2008	iNets (£11m)	€13m
2009	Resource efficiency call for activity (£5m)	€5.93m
2009	Second innovation call for activity (£20m)	€23.7m
2009	Economic recovery package (£5m)	€5.93m
2009	JESSICA Urban Development Fund (£10m)	€11.85m
2010	iNets (£9m)	€10.67m
2011	Third innovation call for activity (£19m)	€22.42m
2012	<i>Fourth innovation call for activity (£30m)</i>	€37.5m

Applicants were encouraged to consider aligning their project development plans alongside the following and maximise any leverage opportunities that may arise:

- Regional Growth Fund projects;
- TSB programmes supporting technology investment; and
- the technology priorities of the planned *Technology & Innovation Centres*
- Local Enterprise Partnerships (LEPs)

More generally the following areas were viewed as enhancing any proposal;

- Collaborative bids that brought together complementary expertise and strengths to maximise the potential impact and reach of a project through effective coordination and deployment of expertise and resources;
- Improvement to the physical Innovation Infrastructure in the region providing modern and fit for purpose premises for technology based SMEs, especially where there is linkage with the regional knowledge base;
- Facilitating the implementation of new technology based products by business in a global market place;

- Increasing the number of higher level skills employed within the region through the creation of new employment and student placements; and
- Support for regional businesses in all sectors that wish to participate in the EU's Research and Development Programme (FP7).

JESSICA Urban Development Fund - €11.12m ERDF

Receiving €11.12m (£10m) ERDF through Priority Axis 1, the Fund had an urban focus and is intended to support investment in innovation, research and development, and high technology operators.

In 2012 one investment opportunity for €4m (£3.2m) was being considered, however, this investment did not materialise, as the applicant decided to pursue alternative investment opportunities. Due to there being no pipeline for funding opportunities within the scheme, The LMC, on the 30th November 2012, agreed to commence steps necessary to enable the closure of the fund. The JESSICA fund manager returned to the Programme the initial capital sum of €11.12m and the interest of €0.24m (£0.2m) generated on this capital amount was repaid in October 2013. The total returned to the programme in 2013 was €11.36m (£10.2m). This was recycled and reallocated to projects within PA1. In February 2014 the final balance of £63.79 was paid to DCLG and the account was closed.

Enterprise Loans East Midlands

No new SMEs have been invested in by Enterprise Loans East Midlands over the course of 2014. Additional funding has been released to existing beneficiaries on the achievement of milestones and the leveraging of additional match funding. The project delivered 108 jobs.

Lachesis Fund

This fund had been unable to make further investments during 2013 due to low cash reserves and the lack of a suitable investment cases. The challenging economic environment of that period meant that many companies in the portfolio had found it very difficult to raise investment, which has greatly delayed their market progress and growth. Due to the funds inability to make additional investments it was agreed on 13 July 2013 that the fund would commence winding up proceedings. This was targeted for completion in 2014. In order to meet this deadline the fund operator commenced a full review of all investments with a view to providing a legal exit strategy in the 1st quarter 2014. Upon completion of the review an exit strategy was provided by the fund manager. This has been implemented and at the end of 2014 legal documentation was drafted and reviewed to ensure full regulatory compliance. It is expected that this will be executed in the 3rd quarter of 2015. Undisbursed funds of £742k will be reinvested in the programme through a competitive process reallocating funds to existing projects that are performing better than expected. To note: the fund did create 22 jobs and contributed to the placement of 19 graduates into SMEs.

Progress against outputs and results

The delivery of Priority Axis 1 outputs and results during 2014 is reported follows:

Outputs	Indicators	2007	2008	2009	2010	2011	2012	2013	2014	Totals
No of businesses assisted to improve performance	Achievement	Nil	5	1,425	1,802	1,612	1,216	889	1,345	8,294
	Target (1)	-	-	-	-	-	-	-	-	5,600
	% of target		0.09	25.45	32.18	28.79	21.71	15.88	24.01	148%
No of businesses engaged in new collaborations with the UK knowledge base	Achievement	Nil	2	174	469	463	684	341	483	2,616
	Target (1)	-	-	-	-	-	-	-	-	2,300
	% of target		0.09	7.57	20.13	29.61	29.74	14.83	21	114%
Public and private investment leveraged (€)	Achievement	Nil	Nil	3,022,802	6,442,240	7,077,159	2,486,330	5,096,710	20,790,105	44,915,346
	Target (1)	-	-	-	-	-	-	-	-	87,000,000
	% of target			3.47	7.40	8.13	2.86	5.86	23.89	52%
Sq metres of new or upgraded floor space (internal premises)	Achievement	Nil	517	2,472	737.5	4,929.41	Nil	6,120.09	4,000	18,776
	Target (1)	-	-	-	-	-	-	-	-	17,000
	% of target		3.04	14.54	4.34	29.00	Nil	41.42	23.52	110%
Results										
No of jobs created	Achievement	Nil	Nil	149.5	439	525.6	236.9	451	424	2,226
	Target (1)	-	-	-	-	-	-	-	-	2,400
	% of target			6.23	18.29	21.90	9.87	18.79	17.66	92.75%
No of businesses improving performance	Achievement	Nil	3	137	107	137	182	112	108	786
	Target (1)	-	-	-	-	-	-	-	-	3,900
	% of target		0.08	3.51	2.74	3.51	4.67	2.87	2.76	20%
GVA resulting from businesses improving performance (€)	Achievement	Nil	Nil	112,772	11,979,469	6,872,015	23,240,745	16,230,447	17,035,464	75,470,912
	Target (1)	-	-	-	-	-	-	-	-	146,000,000
	% of target			0.08	8.21	4.71	15.92	11.12	11.68	52%
No of graduates	Achievement	Nil	Nil	27	252	352	307	257	430	1,625

placed in SMEs	Target (1)	-	-	-	-	-	-	-	-	4,000
	% of target			0.68	6.30	8.80	7.68	6.43	10.75	41%
No of new businesses created and new businesses attracted to the region	Achievement	Nil	Nil	7	37	72	24	36	83	259
	Target (1)	-	-	-	-	-	-	-	-	400
	% of target			1.75	9.25	18.00	6	9	20.75	65%

3.1.2 Qualitative analysis

Outputs expected from Priority Axis 1

Outputs	Target	Contracted	Actual
No of businesses assisted to improve performance	5,600	16,592	8,294
No of businesses engaged in new collaborations with the UK knowledge base	2,300	2,897	2,616
Public and private investment leveraged (€)	87,000,000	75,032,103	44,915,346
Sq metres of new or upgraded floor space (internal premises)	17,000	1,019,146	18,776

By the end of 2013, a total of **93** funding agreements had been signed/offered under PA1, committing some **€125.13m** (100+% of the PA1 allocation). The table above details the PA1 targets set out in the OP and the outputs forecast by those 93 projects.

The LMC have discussed the comparative underachievement of the *public and private investment leveraged* indicator and considered it to be a result of the economic downturn (reflecting reduced public sector funding availability and private sector investment) and the fourth PA1 Call for Activity therefore focussed on this output target.

Results and Impacts accruing from the activity detailed above will be assessed as part of the Programme's Monitoring and Evaluation arrangements.

3.1.3 Significant problems encountered and measures taken to overcome them

As highlighted above within section 3.1.1 the JESSICA account was closed in February 2015. No other significant problems were encountered during the implementation of Priority Axis 1 during 2014.

3.2 Priority 2

Priority Axis 2 - Sustainable economic and enterprise activity in disadvantaged communities

Priority Axis 2 (PA2) spatially targets resources at areas of need (see table below) with low levels of economic and enterprise performance to help create the right conditions to generate new and sustainable forms of economic activity which will lead to a more knowledge intensive economic base. The agreed target districts originally set out in the OP are:

Spatial Category	Districts
Urban	Derby City, Leicester City, Lincoln, Nottingham City
Coastal/Peripheral	Boston, East Lindsey
Former industrial	Ashfield, Bassetlaw, Bolsover, Chesterfield, Corby, Mansfield

The Programme's ERDF allocation will be used to support four key strands of activity:

- Enterprise support;
- Access to finance;
- Access to resources and support; and
- Reviving local infrastructure and environments.

Financial information

Priority Axis 2 - Summary Financial Table – Euros					
	ERDF	National Public	National Private	Total	PA Grant Rate
PA2 Sustainable economic and enterprise activity	135,949,950	44,863,484	29,173,491	209,986,925	65%

The 2010 Interim Programme Assessment recommended that the spatial focus of the Programme under Priority Axis 2 remain, and reported agreement amongst consultees that the analysis on which the ranking of the 12 most disadvantaged areas was made was correct. Using the same indicators that were agreed for the 2008-10 allocation, but with information from 2005-08 (and 2009 where available), the original District analysis was updated. The highest district rankings from *both* periods are illustrated below:

District	Rankings on 2001-05 data	District	Rankings on 2005-08 data	Change in 05-08 ranking
Nottingham	1	Nottingham	1	-
Bolsover	2	Leicester	2	1

Leicester	3	Bolsover	3	-1
Ashfield	4	Mansfield	4	2
Corby	5	Ashfield	5	-1
Mansfield	6	Corby	6	-1
Lincoln	7	Derby	7	1
Derby	8	Lincoln	8	-1
Boston	9	Bassetlaw	9	1
Bassetlaw	10	Chesterfield	10	2
East Lindsey	11	Oadby and Wigston	11	2
Chesterfield	12	East Lindsey	12	-1
Oadby and Wigston	13	North East Derbyshire	13	5
Gedling	14	Broxtowe	14	2
Amber Valley	15	Boston	15	-6
Broxtowe	16	Kettering	16	12
West Lindsey	17	South Holland	17	2
North East Derbyshire	18	Northampton	18	3
South Holland	19	Newark and Sherwood	19	7

It was noted that Boston was no longer one of the 12 most disadvantaged Districts, having fallen six rankings to 15th, and Oadby and Wigston was now within the highest 12 having moved up two places from an original ranking of 13th.

The implications from this change in ranking were considered and discussed at the PMC meeting on 2 March 2011 and Members agreed an increased allocation of £1m for Boston to assist them through the transition. A further £48.36m was allocated split across the updated target Districts based on the previously agreed methodology:

LAD/unitary authority	Share of PA2 allocation (%)
Nottingham	16.7
Leicester	17.3
Bolsover	5
Mansfield	5.7
Ashfield	6.5
Corby	5
Derby	13.7
Lincoln	5
Bassetlaw	6.3

Chesterfield	5.6
Oadby and Wigston	5
East Lindsey	8.2
Total	100

3.2.1 Achievement of targets and analysis of the progress

- **Information on the physical and financial progress of the priority**

With 96.27% of Priority Axis 2 committed at the end of 2013; the focus for 2014 has been on committing the remaining funding and increasing spend levels.

Priority Axis 2		
2008	Regionally managed enterprise and access to finance activity (£11m)	€13m
2008	Allocations to 12 target areas (£44m)	€52.14m
2011	Allocations to revised 12 target areas (£48.6m)	€57.35m
2011	Allocation to Boston (£1m)	€1.18m
2013	Challenge Fund	€29.9m

Further investments were made in 2014 increasing the contractual commitments to 97.134%.

The target Districts allocated the following as a percentage against their original total allocations with the remainder being reallocated for reinvestment within the Priority Axis 2 Challenge Fund and Priority Axis 1:-

Corby	81%
Derby	75%
Leicester	88%
Lincolnshire	81%
North Nottinghamshire/North Derbyshire	68%
Nottingham City	100%
Oadby and Wigston	32%

Progress against outputs and results

The delivery of Priority Axis 2 outputs and results during 2014 is reported follows:

Outputs	Indicators	2007	2008	2009	2010	2011	2012	2013	2014	Totals
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No of businesses assisted to improve performance	Achievement	Nil	5	36	648	1,182	583	840	2,056	5,350
	Target (1)	-	-	-	-	-	-	-	-	3,700
	% of target		0.14	0.97	17.51	31.95	15.76	22.7	55.56	145%
Public and private investment leveraged (€)	Achievement	Nil	Nil	524,722	10,052,850	4,897,950	457,670	16,205,263	4,773,881	36,912,336
	Target (1)	-	-	-	-	-	-	-	-	129,000,000
	% of target			0.41	7.79	3.80	0.35	12.56	0.03	28.61%
Sq metres of new or upgraded floor space (internal premises)	Achievement	Nil	517	1,152	21,352	10,320	3,647	9,336	5,482	51,806
	Target (1)	-	-	-	-	-	-	-	-	19,000
	% of target		2.72	6.06	112.38	54.32	19.19	49.14	28.85	273%
No of people assisted to start a business	Achievement	Nil	Nil	118	1,308	1,662	1,287	2,404	2,229	9,008
	Target (1)	-	-	-	-	-	-	-	-	2,700
	% of target			4.37	48.44	61.56	47.67	89.03	82.55	333%
Brownfield land reclaimed or redeveloped (ha)	Achievement	Nil	Nil	Nil	1.51	3.19	5.3	13	6	29
	Target (1)	-	-	-	-	-	-	-	-	17
	% of target				17.00	35.92	31.18	76.47	35.29	170%
Results										
No of jobs created	Achievement	Nil	Nil	12.5	283.5	89.1	501.9	576	1,325	3,288
	Target (1)	-	-	-	-	-	-	-	-	6,200
	% of target			0.20	4.57	9.50	8.1	9.29	21.37	53%
No of businesses improving performance	Achievement	Nil	3	6	26	221	156	59	97	568
	Target (1)	-	-	-	-	-	-	-	-	3,300
	% of target		0.09	0.18	0.79	6.70	4.73	1.79	2.93	17%
GVA resulting from businesses improving performance (€)	Achievement	Nil	Nil	73,677	151,349	4,591,978	5,955,872	3,475,307	4,176,401	18,424,584
	Target (1)	-	-	-	-	-	-	-	-	118,000,000
	% of target			0.06	0.13	3.89	5.05	2.9	3.53	16%
No of new businesses created and new businesses attracted to the region	Achievement	Nil	Nil	1	63	61	98	153	159	535
	Target (1)	-	-	-	-	-	-	-	-	1,600
	% of target			0.6	3.94	3.81	6.13	9.56	9.93	33%

3.2.2 Qualitative analysis

Outputs expected from Priority Axis 2

Outputs	Target	Contracted	Actual
No of businesses assisted to improve performance	3,700	8,875	5,350
Public and private investment leveraged (€)	129,000,000	81,251,123	36,912,336
Sq metres of new or upgraded floor space (internal premises)	19,000	72,176	51,806
No of people assisted to start a business	2,700	12,564	9,008
Brownfield land reclaimed or redeveloped (ha)	17	38	29

By the end of 2013, a total of **160** funding agreements had been signed/offered under PA2, committing some **€136.7 / £114.21m** (96.27% of the PA2 allocation). The table above details the PA2 targets set out in the OP and the outputs currently forecast by those 160 projects.

The LMC have discussed the comparative underachievement of the *public and private investment leveraged* indicator and considered it to be a result of the economic downturn (reflecting reduced public sector funding availability and private sector investment). The Challenge Fund sought to address this and there has been a significant increase in commitment of this output during 2014 and we expect to see further improvement through 2015.

Results and Impacts accruing from the activity detailed above will be assessed as part of the Programme's Monitoring and Evaluation arrangements.

3.2.3 Significant problems encountered and measures taken to overcome them

No significant problems were encountered during the implementation of Priority Axis 2 during 2014.

3.3 Priority 3

3.3.1 Achievement of targets and analysis of the progress

- **Information on the physical and financial progress of the priority**

Technical Assistance (TA) funds are available to support the management, monitoring, evaluation, information and control activities of the East Midlands 2007-13 ERDF Competitiveness OP, together with activities to reinforce the administrative capacity for implementing the Programme.

4% (€10,739,839) of the Programme's ERDF value has been allocated to fund TA activity.

In February 2008 the PMC, through their endorsement of the Programme's TA strategy, agreed the following PA3 programmes of activity and indicative allocations:

Priority Axis 3		
2008	Core Programme Management and Implementation (£3.6m)	€4.27m
2008	Programme Facilitation (£3.7m)	€4.39m

It was agreed that TA activity falls into two main categories: those actions associated with the core management and implementation of the Programme; and those linked to the facilitation of stakeholders' effective participation in the Programme.

Financial information

Priority Axis 3 - Summary Financial Table - Euros					
	ERDF	National Public	National Private	Total	PA Grant Rate
PA3: Technical Assistance	6,114,963	6,114,963	0	12,229,926	50%
Total	6,114,963	6,114,963	0	12,229,926	50%

In accordance with Article 46, the amount allocated to Technical Assistance does not exceed 4% of the total amount allocated for the East Midlands Operational Programme.

Progress against outputs and results

There are no standard Programme outputs for Technical Assistance as it is concerned with supporting the management of the Programme and ensuring stakeholders' effective participation. This section of the report therefore includes information on the 'other' outputs that will be achieved through TA.

Targets for the delivery of 'Commissioning Group Meetings' have been removed from 2011 onwards as the Priority Axis Sub-Group was disbanded following the agreement of the 2011 District allocations. In 2012 the Investment Sub-Group was established and agreed by the Local Management Committee.

Other ERDF Outputs (TA specific)		Year									Total
Outputs	Indicators	2007	2008	2009	10	11	12	13	14	15	
Management	Achievement		1	-	-	-	-	-	-	-	1

Information System Developed	Target (1)		1	-	-	-	-	-	-	-	1
	% of target		100%	-	-	-	-	-	-	-	100%
Annual ERDF Information Events (2007-2010)	Achievement		1	1	1	-	-	-	-	-	3
	Target (1)		1	1	1	-	-	-	-	-	3
	% of target		33.33%	33.33%	33.33%	-	-	-	-	-	100%
Articles published featuring the Programme	Achievement		2	5	3	-	-	-	-	-	10
	Target (1)		2	4	4	-	-	-	-	-	10
	% of target		20%	50%	75%	-	-	-	-	-	100%
Local Investment Plan Launch Event (Nottingham)	Achievement		1	-	-	-	-	-	-	-	1
	Target (1)		1	-	-	-	-	-	-	-	1
	% of target		100%	-	-	-	-	-	-	-	100%

3.3.2 Qualitative analysis

By the end of 2013, a total of **13** funding agreements had been signed/offered under PA3, committing some €6.18m / £5.16m (51.6% of the PA3 allocation). The Operational Programme does not specify any target indicators for Priority Axis 3. The LMC has reviewed the uptake and has agreed to a modification to transfer funds to another Priority Axis.

Further information on the specific project(s) agreed during 2014 for Technical Assistance is provided at section 6.

3.3.3 Significant problems encountered and measures taken to overcome them

The demand shown for technical assistance was not as high as anticipated at the commencement of the programme. The full 4% allocation as originally requested within the operational programme was not in a position to be fully committed within the programme period. Due to this lack of demand the LMC agreed in September 2013 that any unallocated funding should be recycled into other priority axis where demand was present. The EC desk officer confirmed that any request for virement between Priority Axis should be undertaken in 2014/15 when the final N+2 position is clear. The virement exercise took place in 2014 – see section 2.4.2.

Section 4: ESF Programmes: Coherence and Concentration

Not applicable to this Programme AIR.

Section 5: ERDF/CF Programmes: Major Projects

Article 39 of the General Structural Funds Regulations for 2007-13 (1083/2006) sets out the definition of a 'major project' as 'an operation comprising a series of works, activities or services intended in itself to accomplish an indivisible task of a precise economic or technical nature, which has clearly defined goals and whose total cost exceeds €25 million in the case of the environment or €50 million in other fields.

No major projects have been identified for the East Midlands 2007-13 ERDF Competitiveness Programme.

Section 6: Technical Assistance

See section 3.3 for further information on Priority 3 – Technical Assistance.

Section 7: Information and Publicity

The Implementing Regulation (EC) NO 1083/2006 states a Communication Plan shall be drawn up by the body managing the Operational Programme for which it is responsible. The Communication Plan was approved initially by the Programme Monitoring Committee in February 2008 and endorsed thereafter by the European Commission in June 2008.

The Communication Plan is a working document which will be updated as the programme develops and reviewed annually. The Plan is re-submitted to the Local Management Committee (formerly Programme Monitoring Committee) every year for approval.

In line with these regulatory requirements, the purpose of the Communication Plan is to communicate and publicise delivery and impact against the overarching Strategic Programme Objective of the Operational Programme, *“to become a region of highly productive, innovative and sustainable businesses and support the most disadvantaged of our communities to realise their economic potential.”*

More specifically, the Plan will help to ensure that:

- Stakeholders are aware of the region's ERDF Competitiveness Programme and of the role played by the European Union;
- Potential beneficiaries are able to access clear and detailed information on the Programme and on accessing the funding;
- The Programme's achievements and the added value provided by the European dimension are recognised and publicised;
- The transparency of the operation of the Programme is evident; and

- Best practice is disseminated widely.

At the start of 2014 the ERDF Communications Plan was updated to cover activities to be delivered during the year and approved by the LMC.

The information in the remainder of this section gives examples of activities carried out during 2014 towards meeting the requirements set out in the Communications Plan.

ERDF Communications Survey and Evaluation:

The communication activities delivered during 2013 have been assessed with external partners through an annual survey. This has helped to assess the impact and effectiveness of the communication activities and channels used, and also gain feedback on needs going forward. The survey took place in early 2014 and results were fed into the Communications Plan for 2014.

In addition to the annual survey, the communication activities are evaluated on an on-going basis and after any key activity delivered. This includes but is not restricted to media monitoring of articles featuring ERDF projects, website stats, feedback forms used for events and verbal feedback from partners and through monitoring visits.

Website:

During the year the various pages of the website have been reviewed and updates as appropriate, to ensure they are accurate, informative and timely. The information on the website includes - the operational programme and detailed information relating to each of the priority axes; achievements and successes; the regulations and guidance materials and a list of beneficiaries. The total number of hits to the East Midlands pages of the website during 2014 was 101,022.

ERDF e-news:

The e-news is one of the ways the ERDF team communicate with partners on key messages, achievements and news on the ERDF Programme. Each edition also features a number of case studies of approved projects under the Programme. During 2014 two editions was completed in May and September.

Programme Updates:

Programme Update emails are sent to our ERDF partners when we need to communicate important timely information on the Programme and to provide regular updates on the status of delivery activities. During the year updates were distributed in February, April, July, August, September, November and December. Some of the areas covered through the updates include:

- Spend and performance updates
- Promotion of publications produced e.g. Case study booklet
- Local Management Committee decisions

- Updates and developments on the 2014 to 2020 ESIF Growth Programme

Promotional Documents:

Business Support Guide

During the year version 3 of the East Midlands ERDF Programme Business Support Guide was produced. The guide captures the details of all the current business support initiatives being delivered in the East Midlands and provides guidance on where individual businesses seeking assistance can go for more information. The guide has been produced as a PDF and also a searchable online database. The guide in both formats is available on the website.

Case Study Booklet

In December 2014 a case study booklet was produced which provided details of 27 projects in the East Midlands that had received ERDF funding. Based on priority areas, through text and images the case studies showcase the impact that is being delivered at a local level and the difference it is making. The booklet was produced in an electronic format, distributed to East Midlands partners and placed on the website for download. This was provided in the 2013 AIR.

List of Beneficiaries:

During the year a list of beneficiaries was updated twice and published on the website in January and May 2014.

See Annex 1

Planned Activities for 2015 and onwards from the Communications Plan to Promote the 2007-2013 ERDF Programme.

Section 8 - Annual reporting under Article 67 of Council Regulation (EC) No 1083/2006

Progress made in financing and implementing financial engineering instruments (FEI)

The amendment of Council Regulation (EC) No. 1083/2006 of 13 December 2011 introduced under Article 67(2)(j), points (i)-(iv), new provisions for reporting on financial engineering instruments in the annual and final reports on implementation of operational programmes. Under this new reporting mechanism the Member States should provide to the Commission, by 30 June each year, appropriate information on the type of instruments put in place and on the relevant actions undertaken through such instruments on the ground.
See annex 2 and 3.

Annex 1

Planned Activities for 2015 and onwards from the Communications Plan to Promote the 2007-2013 ERDF Programme

Activity	Aim	Target Audience	Timetable	Expected Results	Evaluation Criteria	Links to EC Publicity Requirements
Website	To act as a key communication tool for the ERDF Programme, providing information on Programme developments, key messages, access to documents, application guidance and a point of enquiry.	General public, ERDF projects, Media, Opinion formers at national, regional and local level Regional stakeholders and partners from all sectors, European Commission ERDF staff.	Update and refreshed as required.	Establishment of a main information source which displays all key information for all audiences regarding the Programme	<u>Targets:</u> - Average of 250 hits per month on the ERDF section - Quarterly review - Inclusion in annual questionnaire	In line with Commission Regulation (EC) No 1828/2006 Article 5.1, 5.2, 5.3 and 7.1
Direct Partner Emails (Programme Updates)	To communicate updates on Programme delivery	ERDF projects, Potential ERDF projects, Opinion formers at national, regional and local level, Regional stakeholders and partners	Programme Updates – produced March, May, July and November 2015	Target audiences are informed of Programme developments	<u>Targets:</u> - Programme Updates through year - 4 during 2015 - Inclusion in annual questionnaire	In line with Commission Regulation (EC) No 1828/2006 Article 5.2, 5.3 and 7.1

		from all sectors, European Commission				
Promotional and guidance materials	To publicise and explain the Programme and its achievements to raise awareness and knowledge.	General public, ERDF projects - potential and those awarded funding, Opinion formers at national, regional and local level Regional stakeholders and partners from all sectors, European Commission	East Midlands ERDF Programme Review Report – produced November 2015	Recipients are informed and have a greater awareness of the successes of the West Midlands ERDF Programme and the impact that the projects funded have had at a local level	<u>Targets:</u> - 1 x West Midlands ERDF Programme Review Report – November 2015 - Inclusion in annual questionnaire	In line with Commission Regulation (EC) No 1828/2006 Article 7.1, 8 and 9
List of beneficiaries	To keep all audiences informed on the projects which have been approved for ERDF funding. List to include project names, the names of the operations and the amount of	General public, ERDF projects, Media, Regional stakeholders and partners from all sectors, European Commission Growth Delivery Team	List updated twice during 2015 – January and June	List of beneficiaries produced on a regular basis and accessible on the website. Establishes an open and transparent method of communicating information on how the Programme is	<u>Targets:</u> - Updated on website every six months – January and June 2015	In line with Commission Regulation (EC) No 1828/2006 Article 6 and 7.2

	public funding. In line with Article 7.2(d) of Commission Regulation (EC) No 1828/2006.			being delivered.		
Internal Comms	To keep Growth Delivery Team staff and wider DCLG directorate staff informed on Programme news and developments. This will ensure consistency of external and internal messages and raise awareness and knowledge of the Programme with staff.	Growth Delivery Team, Wider DCLG directorate staff	Information distributed as required	Growth Delivery Team and wider DCLG Directorate staff are kept informed on the key developments, news and achievements of the Programme through this weekly tool. Ensures awareness is kept high and key information is circulated to all teams.	<u>Targets:</u> - Articles produced annually for staff newsletter - All external communication activities circulated for awareness - Verbal feedback from staff	N/A

Annex 2 - FEI

JESSICA Urban Development Fund - €11.12m ERDF

Receiving €11.12m (£10m) ERDF through Priority Axis 1, the Fund had an urban focus and is intended to support investment in innovation, research and development, and high technology operators.

The JEM Ltd Board met four times during 2012. One investment opportunity for €4m was being considered, however, this investment did not materialise, as the applicant decided to pursue alternative investment opportunities. Due to there being no pipeline for funding opportunities within the scheme, The LMC, on the 30th November 2012, agreed to commence steps necessary to enable the closure of the fund. The JESSICA fund manager returned to the programme the initial capital sum of €11.12m, and the interest of €0.24m generated on this capital amount was repaid in October 2013. The total returned to the programme in 2013 was €11.36m. This was recycled and reallocated to projects within PA1.

Lachesis Fund

This fund had been unable to make further investments during 2013 due to low cash reserves and the lack of a suitable investment cases. The challenging economic environment of that period meant that many companies in the portfolio had found it very difficult to raise investment, which has greatly delayed their market progress and growth. Due to the funds inability to make additional investments it was agreed on 13 July 2013 that the fund would commence winding up proceedings. This was targeted for completion in 2014. In order to meet this deadline the fund operator commenced a full review of all investments with a view to providing a legal exit strategy in the 1st quarter 2014. Upon completion of the review an exit strategy was provided by the fund manager. This has been implemented and at the end of 2014 legal documentation was drafted and reviewed to ensure full regulatory compliance. It is expected that this will be executed in the 3rd quarter of 2015. Undisbursed funds of £742k will be reinvested in the programme through a competitive process reallocating funds to existing projects that are performing better than expected.

Enterprise Loans East Midlands

No new SMEs have been invested in by Enterprise Loans East Midlands over the course of 2014. Additional funding has been released to existing beneficiaries on the achievement of milestones and the leveraging of additional match funding. The project delivered a total of 108 jobs.