



2014 TO 2020 ERDF PROGRAMME: 2018 ANNUAL IMPLEMENTATION REPORT - CITIZENS SUMMARY

Introduction

The 2014-2020 European Regional Development Fund (ERDF) Operational Programme¹ for England invests in economic growth throughout the country, helping businesses create better, higher-paying jobs through support to Small and medium-sized enterprises (SMEs) creating socially and economically stronger communities across England. The programme has been developed by the Ministry of Housing, Communities and Local Government who are responsible for the delivery of the ERDF in England as the Managing Authority². Some functions have been delegated to Intermediate Bodies in several regions and cities.

The ERDF Operational Programme was originally approved by the European Commission in June 2015. The current version was updated in November 2018 to take account of changes in the wider economic context and was available *on-line* from January 2019. Funding is weighted in favour of poorer regions that are classified under three geographical Categories of Region³: Less Developed (Cornwall and the Isles of Scilly is the only English region in this category), Transition, and More Developed regions. The programme is organised under nine separate policy themes, known as Priority Axes⁴, details of these and our progress towards delivering them are set out later.

Funding supports local growth activity across the country which invests in businesses and policy interventions in innovation, low carbon technology and broadband. Local projects are developed by a wide range of partners from across the public and private sectors, including Local Enterprise Partnerships, Local Authorities, universities, research institutions, business groups and stakeholders from the voluntary and community sector.

This report summarises the progress on delivery of the ERDF Operational Programme up to 31 December 2018, which is described in more detail in the 2018 Annual Implementation Report⁵.

The Annual Implementation Report will be published in full on the programme's website along with those from previous years at: [2014 to 2020 European Structural and Investment Funds](#).

2018 was a key year for England's ERDF Operational Programme. The first annual expenditure target had to be met at the end of 2018, along with a set of targets at thematic and Categories of Region level.

¹ The Operational Programme (OP) is the document setting out the priorities for how the European Structural Investment Fund will be used and how they will be administered. These documents are prepared by government and agreed with the European Commission (EC). The OPs include financial targets and targets for what needs to be achieved e.g. the Priority Axis and Performance Framework targets.

² The Managing Authority is the government department that is responsible for implementation of the OP in accordance with the European Structural Investment Fund (ESIF) regulations.

³ Regions are placed in one of three categories on the basis of their relative prosperity:

- GDP EU average >90% = More Developed Region
- GDP EU average >75% = Transition Region
- GDP EU average <75% = Less Developed Region.

⁴ The Operational Programme is made up of Priority Axes. These set out the detail of the priorities for ERDF investment, the types of activities that will be supported, the resources available, and the specific objectives, results and outputs to be achieved. Priority Axes bring together one or more investment priorities set out in European Union regulations that govern ERDF. All activity funded must contribute to delivering a priority axis.

⁵ Each year from 2016, the MA must submit to the EC an AIR for each OP covering the previous financial year. This report sets out key information on how the Programme is being implemented including: financial data, progress against results / output indicators and Performance Framework milestones / targets, a summary of evaluations undertaken, issues affecting performance and measures taken to address these.



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Sensor City – Liverpool City Region

Sensor City is a partnership between Liverpool John Moores University and the University of Liverpool. It is a £10.47m flagship project in the University Enterprise Zone supported with £5m ERDF through Priority Axis 1, Research and Innovation, attracting £5.47m match funding. This will enable industry and academic partners in a range of sectors to translate innovative sensor concepts into commercially viable solutions. The building offers existing companies and budding entrepreneurs the technical expertise, business support and international platform needed to collaborate, fund and promote to a global market. The high specification office and lab suites have the very latest laboratories, hot desking suites, meeting rooms, breakout areas and events space. Over 10 years the project aims to support 300 new businesses and create 1,700 new jobs.

The Ministry of Housing, Communities and Local Government has been in regular discussion with the European Commission during 2018 to review progress against these objectives and targets and ensure changes to the wider economic context are considered in future milestones and overall programme plans. These were reflected in the November 2018 revision to the ERDF Operational Programme.

The Ministry of Housing, Communities and Local Government has continued to work actively with stakeholders to ensure strong delivery of programme objectives and targets linked to local economic plans. As well as supporting the agreement of new projects, the department's regional Growth Delivery Teams have dedicated significant resources to individual projects, to ensure a strong focus on delivery of 2018 output, outcome and expenditure targets against agreed profiles.

To support this, the Ministry of Housing, Communities and Local Government has supported performance improvement and sharing of good practice through the regional teams and local stakeholders, to build capacity and strengthen standards of delivery in line with programme objectives and targets.

During 2018, a comprehensive package of programme and project level evaluation has also been commissioned and evaluators selected. Learning the lessons from evaluations of the 2007-2013



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programme the evaluation programme for the 2014-2020 programme draws data from individual programme evaluation, and in 2018 the guidance for the project level evaluations was published. In 2019 we expect the national evaluators to carry out a process evaluation of the programme and an interim counterfactual impact evaluation.

To further communicate and embed good practice of effective local growth design and investment across regions, cities and towns, the third annual edition of: *Supporting Local Growth 2018*, the Managing Authorities case study booklet was published on GOV.UK. This illustrates a selection of projects from the programme, by Priority Axis, which are helping to support the UK Government's growth priorities, rebalance the economy, and back key regional initiatives such as the Northern Powerhouse and the Midlands Engine.

Support for New Projects

ERDF levers local and national investment from both the public and private sectors and complements domestic growth programmes.

Projects are developed in response to published calls⁶ for funding applications. The first calls were published in March 2015 and have continued throughout the programme. A full list of projects funded can be found on the: *'Useful Resources'* page of the programme's website.

By the end of 2018, 606 projects with eligible expenditure worth almost £3.3bn, including £1.560bn ERDF, had been approved.

By region this equates to 67% in the Less Developed, 53% in the Transition, and 55% of the More Developed regions' total allocations.

At the end of the year, a further 609 applications for ERDF were undergoing appraisal. Based on the Ministry of Housing, Communities and Local Government's delivery experience of the programme, not all of applications will be contracted. Using average application approval rates, the department estimates that the current pipeline will translate into projects with an ERDF value of £564m.

Further calls for funding applications will be published during 2019.

⁶ A call is an open invitation for applicants to submit proposals against a published call specification.



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Overall Progress Towards Priority Axis and Performance Framework Milestones and Targets

The programme has a range of targets that the Ministry of Housing, Communities and Local Government has agreed with the European Commission which reflect the objectives of ERDF in England and its planned impacts. Key targets are contained within a Performance Framework, broken down into the separate Priority Axes of the programme.



Business Growth Programme - Midlands

This project is targeted at existing SMEs ready to invest, grow and create jobs across the Greater Birmingham & Solihull, Stoke-on-Trent & Staffordshire, and The Marches Local Enterprise Partnership areas. The project uses £16.27m ERDF under Priority Axis 3 - Enhancing the Competitiveness of SMEs, attracting match funding of £16.28m to create a £32.55m project offering grant support of between £10k to £167k. Over its lifetime the project will create around 1,370 new jobs and has already helped hundreds of companies to fulfil their expansion plans, including Reliance Medical (pictured), a first aid product company supported to diversify into the rail sector.

The programme is already on track to deliver most Performance Framework targets by the end of the programme in December 2023 and actions are in place to address those where progress has been slower than expected.

While progress has been positive across many of the 2018 Performance Framework milestone targets, a number of factors have slowed delivery of some. The ERDF Operational Programme did not receive European Commission approval until June 2015, which delayed the start of implementation. Specific issues have also affected the pace of delivery in some Priority Axes, which has been made more challenging across the entire programme by the declining value of sterling against a programme that is valued in euros. The value of targets has been more stretching to achieve as a result.



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The 2018 Performance Framework financial and output milestones (as set out in the Operational Programme) were met or exceeded for:

- **Priority Axis 1 – Promoting Research & Innovation;**
- **Priority Axis 3 – Enhancing the Competitiveness of SMEs; and**
- **Priority Axis 7 – Sustainable Transport in Cornwall & the Isles of Scilly.**

The following partially met their 2018 milestones:

- **Priority Axis 2 – Enhancing access to and use and quality of ICT – All** Categories of Region exceeded their non-financial milestones, and the financial expenditure milestones in the Less Developed and More Developed regions. Only the Transition region did not meet its financial milestone, achieving 93%.
- **Priority Axis 4 – Supporting the Shift towards a Low Carbon Economy in all Sectors – All** Categories of Region exceeded their non-financial milestones, and financial expenditure milestone for the Less Developed region. The Transition and More Developed regions achieved 69% and 90% of their financial milestone respectively.
- **Priority Axis 6 – Preserving & Protecting the Environment & Promoting Resource Efficiency – non-financial milestones** were exceeded for all Categories of Region. Although financial milestones fell short: the Less Developed region achieved 96%, the Transition 75%, and More Developed 33%.
- **Priority Axis 8 – Promoting Social Inclusion & Combating Poverty & any Discrimination – non-financial milestones** in the Less Developed and More Developed regions exceeded target, and in the Transition region achieved 89%. The financial milestones were not met.

Only **Priority Axis 5, Promoting Climate Change Adaptation, Risk Prevention & Management**, met none of its 2018 milestones. The Ministry of Housing, Communities and Local Government is confident that this and the other milestones which fell short can be turned around by the end of the programme to meet the 2023 Performance Framework targets.



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The Enterprise Space for Advanced Manufacturing, St Austell, Cornwall

The Enterprise Space for Advanced Manufacturing (ESAM) is a flagship development at the centre of a large-scale regeneration scheme in Carclaze, St Austell. The project used £6.24m ERDF through Priority Axis 3, Enhancing the Competitiveness of SMEs, attracting match from Cornwall Council of £2.01m to create a £8.25m project. The project has delivered 2,300m² of flexible workspace which will provide space for both start-up and growing businesses within the advanced manufacturing and engineering sectors. The building provides a combination of offices, workshops and industrial units and offers businesses a productive and modern workspace in which they will be able to increase productivity and maximise their growth potential. Businesses will also be supported to collaborate and given direct access to wider business support programmes and initiatives through other ERDF investments, such as the Cornwall & Isles of Scilly Growth Hub.

Progress for each Priority Axis is set out below:

Priority Axis 1 – Promoting Research & Innovation

This Priority Axis aims to strengthen research, technological development and innovation. As of the end of 2018 the following had been achieved:

Total Projects Supported	Eligible Spend	Percentage of Regions' Total Allocation		
		Less Developed	Transition	More Developed
219	£732.7m	65.6%	64.6%	51.8%

Calls Launched in 2018	Value of Calls	New Applications Under Appraisal	Value Under Appraisal
47	£196.9m	137	£279.5m



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Excellent progress is being made to deliver this Priority Axis, with all 2018 Performance Framework financial and non-financial milestones exceeded in all Categories of Region. No issues are anticipated in delivering the 2023 Performance Framework targets.

Output Indicator	Achievements to 31 st December 2018			
	Less Developed	Transition	More Developed	Total
Expenditure declared in claims to EU	£17.1m	£87.3m	£172.7m	£277.1m
Number of Enterprises Receiving Support	139	2,340	12,154	14,633



STEAMhouse – West Midlands Region

STEAMhouse is a unique new space offering innovation through interdisciplinary collaboration led by Birmingham City University. This £3.53m project, has attracted £1.77m match funding and incorporates £1.76m ERDF, is driving innovation and research for major long-term growth by bringing inventors, entrepreneurs, businesses, and artisans together to develop exciting new ideas and products. Additionally, it will create 28 new jobs. Based in a former car showroom on Digbeth High Street it features a range of new state-of-the-art facilities which can be accessed for free by the SMEs involved.

Historically, expenditure targets in the Less Developed region were not appropriately established to reflect socio-economic conditions and resulting timeframes for projects in the regions. The Ministry of Housing, Communities and Local Government took steps to address this in 2018 and reviewed projects' planned expenditure to ensure they remained challenging but achievable. The revised expenditure profiles, expenditure arising from a financial instrument⁷, and the 2018 Operational Programme modification ensured the Managing Authority met the Performance Framework milestones.

⁷ Financial instruments are an alternative type of project to traditional grant funding and may take the form of equity investments or loans.



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Thames Valley Science Park – South East Region

This University of Reading owned venue, opened in February 2018, it is a lively community of ambitious, knowledge-based companies close to Heathrow and London. £5m ERDF was used within the £13.38m project, attracting £8.38m match funding, to create a relaxed, campus-style environment with cutting-edge laboratories, flexible office space and the opportunity for larger companies to develop bespoke office or R&D facilities. Overall, the Science Park will create up to 5,000 new jobs.

Priority Axis 2 – Enhancing access to, and use and quality of ICT

This Priority Axis aim is to enhance access to, use of and quality of information and communication technologies. As of the end of 2018 the following had been achieved:

Total Projects Supported	Eligible Spend	Percentage of Regions' Total Allocation		
		Less Developed	Transition	More Developed
27	£106.3m	93.7%	56.2%	64.6%

Calls Launched in 2018	Value of Calls	New Applications Under Appraisal	Value Under Appraisal
17	£29.7m	11	£18.7m

Very good progress is being made to deliver this Priority Axis, all of the 2018 Performance Framework non-financial milestones have been exceeded in all Categories of Region, along with the financial expenditure milestone in the Less Developed and More Developed regions. The Transitional region achieved 93% of its financial milestone.

No issues are expected in delivering against the 2023 Performance Framework targets as the application pipeline is healthy, although a particular focus will be needed in the Transition and More Developed regions to bring them in line with annual projections.



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Output Indicators	Achievements to 31 st December 2018			
	Less Developed	Transition	More Developed	Total
Expenditure declared in claims to EU	£6.8m	£4.7m	£24.7m	£36.2m
Additional businesses with broadband access of at least 30Mbps	264	-	-	264
Number of Enterprises Receiving Support	-	432	1,776	2,208



Digital Enterprise – Leeds City Region

This £8.46m project, utilising £4.23m ERDF and £4.23m match funding, is helping SMEs gain a competitive edge by offering an innovative package of support to improve digital capabilities as they look to scale up and improve productivity and awareness. It has helped Arville Textiles (pictured) by awarding £9,000 to help the business grow and create new jobs by funding new digital systems that will streamline internal communications systems and increase efficiencies.

Alongside the 2018 Operational Programme modification, remedial actions taken in 2017 and 2018 addressed earlier delays in expenditure particularly in capital infrastructure projects. These arose due to domestic procurement and state aid approval timescales. This realignment by the Managing Authority ensured the delivery of 2018 Performance Framework milestones in all regions. The achievement of non-performance outputs, however, will require ongoing review by the Ministry of Housing, Communities and Local Government, with particular focus on meeting local demand.



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Priority Axis 3 – Enhancing the Competitiveness of SMEs

This Priority Axis aim is to enhance the competitiveness of SMEs. As of the end of 2018 the following had been achieved:

Total Projects Supported	Eligible Spend	Percentage of Regions' Total Allocation		
		Less Developed	Transition	More Developed
273	£1,677m	69.1%	59.6%	68.6%

Calls Launched in 2018	Value of Calls	New Applications Under Appraisal	Value Under Appraisal
59	£338.9m	213	£418.1m

Excellent progress is being made to deliver this Priority Axis with delivery of targets for commitment levels for both Performance Framework financial and non-financial targets being very strong. It exceeded delivery against all the 2018 Performance Framework financial and non-financial milestones in all Categories of Region, although projected delivery is not yet in line with 2023 Performance Framework targets.

Output Indicator	Achievements to 31 st December 2018			
	Less Developed	Transition	More Developed	Total
Expenditure declared in claims to EU	£66.2m	£217.9m	£454.9m	£739m
Number of Enterprises Receiving Support	3,416	10,259	25,756	39,431



Collaborate for Business Growth – East Midlands Region

Collaborate is a £7.3m project, incorporating £3.1m ERDF and £4.2m match funding, delivering a comprehensive business package combining support, grants and inward investment to grow SMEs in Leicestershire, creating around 180 new jobs, and bring new products to market. It is helping businesses like Gokul Foods (pictured) who with support from Collaborate partner, The Food and Drink Forum, have implemented a Hazard Analysis and Critical Control Point HACCP system which enabled them to expand and introduce a frozen food range.



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Approved projects include five access to finance financial instruments which provide loan and equity finance to small and medium sized enterprises in the Northern Powerhouse pan-region, the North East, the Midlands Engine pan-region, London, and Cornwall & the Isles of Scilly (see section on Financial Instruments, page 17).

As earlier funding calls supported projects for a period of three years, some contracted projects are close to completion. 2018 calls provided an opportunity for both new applicants and those who wished to apply for a continuation of funding. The response to these calls has varied across the country, with some LEP areas, notably those in the Transition Category of Region, experiencing delivery issues which include:

- Difficulties in finding match funding, which have continued to lead to an increased reliance on contributions from beneficiary companies;
- A lack of good quality, deliverable applications; and
- A limited number of accountable bodies which have the capacity and capability to deliver projects.

However, the application pipeline remains healthy, with those under appraisal expected to ensure we meet 2023 Performance Framework expenditure targets and exceed output targets.

Manufacturing Growth Programme – Multiple Regions

Delivered by Economic Growth Solutions, the £20.07m project, of which £10.46m is ERDF, has attracted £9.61m match funding. It provides access to specialist assistance to help manufacturers grow and improve through a 19-strong network of experienced Manufacturing Growth Managers, access to industry specialists and the opportunity to apply for grants of up to £3,500. The project runs in the West Midlands, Yorkshire and Humber, parts of the East Midlands, South East and East of England, and over its life will create around 3,600 new jobs. One manufacturer helped was Alex Auger (pictured) who founded The Juice Executive in 2014. Alex has doubled her sales in the last 12 months, breaking the £1m turnover mark. Based in Kent, the manufacturer of cold pressed juices and cleansing packages has taken on eight staff to support the company's expansion.





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Priority Axis 4 – Supporting the Shift towards a Low Carbon Economy in all Sectors

This Priority Axis aim is to support the shift towards a low-carbon economy across all sectors. As of the end of 2018 the following had been achieved:

Total Projects Supported	Eligible Spend	Percentage of Regions' Total Allocation		
		Less Developed	Transition	More Developed
84	£498.6m	67.8%	35.4%	38%

Calls Launched in 2018	Value of Calls	New Applications Under Appraisal	Value Under Appraisal
40	£227.7m	117	£243.5m

In the Less Developed region of Cornwall & the Isles of Scilly delivery has been strong, supported by the development of an effective programme pipeline that has been put in place by the County Council, resulting in both the financial and non-financial 2018 Performance Framework milestones being exceeded.

However, in the Transition and More Developed regions, delivery has been mixed, with fewer than expected renewable energy applications coming forward. This is due to an increasing domestic growth funding targeting at this sector, which has meant ERDF has not been needed as planned to finance some schemes. Consequently, in the Transition and More Developed regions whilst the 2018 financial milestones were not met (achieving 69% and 90% respectively) the non-financial milestones have been exceeded.

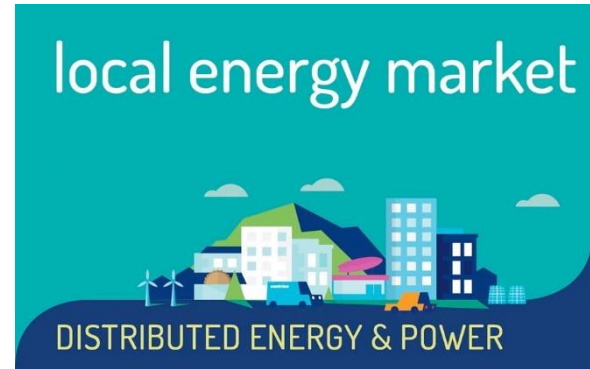
Output Indicator	Achievements to 31 st December 2018			
	Less Developed	Transition	More Developed	Total
Expenditure declared in claims to EU	£31.3m	£33m	£123.8m	£188.1m
Number of Enterprises Receiving Support	269	791	3,442	4,502



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**Cornwall and Isles of Scilly
Local Energy Market**

The electricity grid in Cornwall is heavily constrained. There is simply too much generation and not enough network to accommodate the export of energy. This £18.74m project including £13m ERDF and attracting £5.74m match funding, is led by Centrica, who will design and build a local marketplace platform for the network to request, and the market to provide flexible demand, generation and storage to help optimise capacity on the local grid.



The Ministry of Housing, Communities and Local Government has made changes to simplify guidance related to this Priority Axis guidance and the application/appraisal process. It is also running a pilot Technical Assistance project with the North West Energy Hub, a contracted project to support improved delivery and ensure that future commitments make up any shortfall. The department is confident that existing commitments and the pipeline of applications will deliver 100% of all the Categories of Region 2023 Performance Framework output targets.



The Mayor of London’s Energy Efficiency Fund

Launched in July 2018, this fund is a new £86m financial instrument project set up by the Greater London Authority containing £43m ERDF which attracts £43m in match funding. The fund will help London achieve its ambition of being a zero-carbon city by 2050 by providing support to the low-carbon, sustainable projects and infrastructure projects (under Priority Axis 4) that London needs to cut energy costs and reduce carbon emissions through the provision of flexible and competitive finance.



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Priority Axis 5 – Promoting Climate Change Adaption, Risk Prevention & Management

This Priority Axis aim is to promote climate change adaptation, risk prevention and management. As of the end of 2018 the following had been achieved:

Total Projects Supported	Eligible Spend	Percentage of Regions' Total Allocation		
		Less Developed	Transition	More Developed
9	£35.4m	25.1%	16.9%	41.7%

Calls Launched in 2018	Value of Calls	New Applications Under Appraisal	Value Under Appraisal
7	£16.7m	20	£42m

Due to the length of time it takes to bring a flood protection application from design through to delivery, no 2018 Performance Framework financial or non-financial milestones have been achieved.

At the start of the programme the Environment Agency (EA), a key match funding provider, undertook a full review of their activity following significant flooding in the UK during 2015. This led to a delay of a year before the EA's revised flood risk assessment could be applied to flood-prevention schemes and associated ERDF projects. This delay has been exacerbated by the long implementation timelines required for aligning ERDF with domestic EA funding and obtaining related consents.

Output Indicator	Achievements to 31 st December 2018			
	Less Developed	Transition	More Developed	Total
Expenditure declared in claims to EU	£0.303m	£2.9m	£2.7m	£5.903m
Percentage of planned schemes in place	8%	34%	24%	-

In response, the Ministry of Housing, Communities and Local Government has worked intensively with the Environment Agency at national and local level during 2017 and 2018 to accelerate delivery supported by national workshops, monthly strategic level steering groups and closer local working to progress individual flood-prevention schemes.

The improving pipeline indicates this is beginning to show results and the Ministry of Housing, Communities and Local Government is confident that 2023 non-financial targets can be achieved in the Less Developed and Transition Regions. Delivery of all targets in the More Developed region will be challenging and the Ministry of Housing, Communities and Local Government is undertaking further analysis to address this.



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Priority Axis 6 – Preserving & Protecting the Environment & Promoting Resource Efficiency

This Priority Axis aim is to preserve and protect the environment and promote resource efficiency. As of the end of 2018 the following had been achieved:

Total Projects Supported	Eligible Spend	Percentage of Regions' Total Allocation		
		Less Developed	Transition	More Developed
26	£61.2m	60.1%	40.5%	38.8%

Calls Launched in 2018	Value of Calls	New Applications Under Appraisal	Value Under Appraisal
12	£19.2m	37	£28.6m

The Less Developed and More Developed Categories of Region exceeded their 2018 non-financial Performance Framework milestones, and the Transition region met its milestone. However, no region achieved its 2018 financial Performance Framework milestones, although the Less Developed region achieved 96% and the Transition region achieved 75% of their milestones. This is due to early challenges in differentiating between the projects that ERDF and European Agricultural for Rural Development (EAFRD) Countryside Stewardship investment would support. The Ministry of Housing, Communities and Local Government, and the Department for Environment, Food and Rural Affairs resolved this through an Operational Programme modification in 2018. The time taken to resolve this has resulted in delays bringing forward and appraising suitable project applications, although numbers have risen during 2018.

Output Indicator	Achievements to 31 st December 2018			
	Less Developed	Transition	More Developed	Total
Expenditure declared in claims to EU	£2.2m	£3.8m	£5.2m	11.2m
Surface area of habitats supported to a better conservation status	47ha	32ha	159ha	238ha (588 acres)

Sustainable Urban Development investments which contribute to a strong local economy whilst protecting and enhancing the environment make a strong contribution to this Priority Axis. The nature of Sustainable Urban Development investment across England's Core City Regions and linked measures in other Priority Axes means that delivery is over an extended timeline. The longer timeframe for Sustainable Urban Development calls has impacted on funding applications and delivery plans.



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World Class Environment: World Class Industry - Yorkshire and Humber Region

North East Lincolnshire Council is taking ambitious steps to deliver strong economic growth in harmony with the local ecosystem, respecting and enhancing the character and distinctiveness of its habitats and landscapes (pictured). To unlock over 200ha of industrial land with the potential to create 2,236 new jobs in the South Humber Gateway regions, the council is working to ensure its plans are environmentally sensitive. A £1.92m project utilising £1.15m ERDF will enhance 122.5ha of land across eight sites to create suitable habitat for protected birds, it is also designing and maintaining protected habitat to support birdlife in order to mitigate any potential detrimental impact as a result of the development of industrial land in the South Humber Gateway area.

Despite early delays in bringing forward new projects, output delivery is now strong. In Transition and More Developed Regions the delivery of the surface area of habitats supported to reach a better conservation status output has exceeded the 2018 milestone. While in the Less Developed region the milestone has been achieved. The Ministry of Housing, Communities and Local Government is therefore confident that the 2023 Performance Framework targets will be met.

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Priority Axis 7 – Sustainable Transport in Cornwall & Isles of Scilly

This Priority Axis aim is to promote sustainable transport and removing bottlenecks in key network infrastructures. As of the end of 2018 the following had been achieved:

Total Projects Supported	Eligible Spend	Percentage of Regions' Total Allocation		
		Less Developed	Transition	More Developed
6	£42.9m	57%	-	-

Calls Launched in 2018	Value of Calls	New Applications Under Appraisal	Value Under Appraisal
0	£0	1	£2.7m

Delivery of this Priority Axis, which is only available in Cornwall and the Isles of Scilly, has been very strong. The funding supports the development of sustainable transport in the region, supporting good connectivity and sustainable forms of transport to aid economic development and growth through two main routes:



- The A30 (pictured) as part of a comprehensive road network. By the end of 2018, the Chiverton to Carland Cross section has completed its development study and consultation phase, and the Managing Authority working with the European Commission has formally appointed the Joint Assistance to Support Projects in European Regions partnership⁸ (JASPERS) to progress with the requirements of a Major Project application for the A30 road improvement between Carland and Chiverton Cross interchanges. Highways England is awaiting the final report from the planning inspectorate before sending the application to the European Commission for appraisal towards the end of 2019.

- The rail mainlines from London to Penzance provide an important strategic link to the rest of the United Kingdom and is part of the Comprehensive Trans-European Transport Rail Network. At the end of the year all the signalling installation had been completed and 43 km of railway line had been upgraded achieving the 2018 and 2023 performance framework targets.

⁸ JASPERS - https://ec.europa.eu/regional_policy/en/funding/special-support-instruments/jaspers/



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Output Indicator	Achievements to 31 st December 2018			
	Less Developed	Transition	More Developed	Total
Expenditure declared in claims to EU	£28.6m	-	-	£28.6m

The remaining allocation will be used for the A30 Carland to Chiverton Cross major project and a smaller sustainable infrastructure project linked to the A30 to provide cycle network access.

Priority Axis 8 – Promoting Social Inclusion & Combating Poverty & any Discrimination

This Priority Axis aim is to promote social inclusion, combat poverty and discrimination. As of the end of 2018 the following had been achieved:

Total Projects Supported	Eligible Spend	Percentage of Regions' Total Allocation		
		Less Developed	Transition	More Developed
45	£46m	94.1%	87.9%	91.8%

Calls Launched in 2018	Value of Calls	New Applications Under Appraisal	Value Under Appraisal
0	£0	0	£0

Delivery of this Priority Axis continues to be positive with the 2018 non-financial Performance Framework milestones in the Less Developed and More Developed Categories of Regions exceeded, and the Transition region achieving 89%. While no region has achieved its 2018 financial Performance Framework milestones this is in line with the Community-Led Local Development (CLLD) delivery model this Priority Axis relies upon, where the focus of interventions in the early years is on building community capacity and plans rather than spending on activities, which follows in later years.

Community-Led Local Developments seek to target persistent disparities in economic performance and continued concentration of relative deprivation in smaller areas in England. Their use is intended to complement mainstream provision by facilitating bottom-up, integrated investment strategies that bring ERDF and ESF together in support of community investment priorities.

2018 has seen good progress in laying the foundations for Community-Led Local Developments implementation. 21 ERDF Community-Led Local Developments projects are live, with 21 joint-funded Local Development Strategies (LDS) in place covering a population of 1,526,787 residents. In addition, 21 Local Action Groups (LAGs) have been set up and have commenced delivery. The Ministry of Housing, Communities and Local Government has also executed 18 funding agreements with 11 accountable body organisations:

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- 14 in the North East, Yorkshire and Humber Growth Delivery Team (GDT) area: North of the Tyne (Newcastle), Gateshead, Sunderland, North Durham, South Durham, Bradford, Keighley, PEAT (Wakefield), 3 in Leeds, Yorkshire Coast Communities (Scarborough and Bridlington), Hull and North Lincolnshire;
- 3 in Greater South East Growth Delivery Team area: Tilbury, CHART (Hastings), and Folkestone; and
- 1 in the South West Growth Delivery Team area: Cornwall (4 Community-Led Local Developments operating under 1 agreement).

Output Indicator	Achievements to 31 st December 2018			
	Less Developed	Transition	More Developed	Total
Expenditure declared in claims to EU	£0.401m	£0.211m	£0.572m	£1.184m



North Lincolnshire Community Led Local Development – Yorkshire and Humber Region

£441k of ERDF was provided to co-fund this £2.2m project with European Social Fund. It will deliver the North Lincolnshire Community-Led Local Development Strategy. This will support the unemployed and economically inactive to get back into work, while creating new and supporting existing businesses to enable them to be more accessible, whilst giving training and improving skills. The project will create around 30 new jobs. This picture shows staff from local partners at the launch of the North Lincolnshire Community Led Local Development Scheme Programme in June 2018.

Accountable Bodies have put in place arrangements to support the Local Action Groups to deliver their functions, including through delivery partner arrangements under SLA agreements with accountable bodies.

The Ministry of Housing, Communities and Local Government is bringing projects together to share learning and experience and is agreeing recovery plans with partners where needed to improve delivery. The department is confident the 2023 targets will be met in all Categories of Region.



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Priority Axis 9 – Technical Assistance

This Priority Axis aim is to help access to the programme ensuring that the activities that can be funded are delivered effectively and efficiently. As of the end of 2018 the following had been achieved:

Total Projects Supported	Eligible Spend	Percentage of Regions' Total Allocation		
		Less Developed	Transition	More Developed
54	£86.5m	47.5%	38.1%	34.3%

Calls Launched in 2018	Value of Calls	New Applications Under Appraisal	Value Under Appraisal
1	£30.5m	19	£3.6m

Good progress was made for this Priority Axis and, based on contracted and pipeline applications, the programme is on track to commit 35% of the Less Developed, 41% of the Transition, and 41% of the More Developed Regions' available funding. There are no 2018 Performance Framework targets for this Priority Axes.

Output Indicator	Achievements to 31 st December 2018			
	Less Developed	Transition	More Developed	Total
Expenditure declared in claims to EU	£5.6m	£13.7m	£30.3m	£49.6m

Financial Instruments

Financial instruments are a sustainable and efficient way to invest in the growth and development of both individuals and enterprises. They support a range of development objectives and benefit of a wide range of organisations. European Union funds lever in additional public and private contributions with returns reused for further investments. Major advantages of financial instruments are:

- Leverage of resources and increased impact of European Structural Investment Fund programmes;
- Efficiency and effectiveness due to the revolving nature of funds;
- Moving away from “grant dependency” culture;
- Better quality of projects as the investment must be repaid;
- Access to a wider range of financial tools for policy delivery and private sector expertise; and
- Attract private sector support and financing for public policy objectives.

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The main financial products offered by financial instruments are loans, guarantees, equity and quasi-equity.

By the end of 2018, the programme had seven financial instrument projects with commitments worth £447m ERDF following acceptance of their ex-ante assessments (which established the market case for each) by the Managing Authority.

These comprise five **access to finance** fund of funds:

- the Northern Powerhouse Investment Fund, a £402m project utilising £140.4m ERDF;



Northern Powerhouse Investment Fund – Multiple regions in the North of England

This £402m project utilising £140.4m ERDF is delivered by the British Business Bank in collaboration with ten Local Enterprise Partnerships in the North West, Yorkshire and Humber and Tees Valley. NPIF is a key part of the Government’s Northern Powerhouse vision. NPIF provides commercially focussed finance through Microfinance, Debt and Equity Finance funds (under Priority Axes: 1, 3 & 4). Over its lifetime the fund will create around 5,260 new jobs and attract £261.6m match funding. Pictured are Liverpool-based CEMOS Solutions Limited, a cloud-based digital platform

- the Midlands Engine Investment Fund, a £266.1m project utilising £78.5m ERDF;

Midlands Engine Investment Fund – Midlands Region

Delivered by the British Business Bank in collaboration with the 11 Midlands LEPs, this financial instrument project worth £266.1m, and utilising £78.5m ERDF, is boosting SME growth in the Midlands (through Priority Axes 3 & 4) by supplying commercially focussed finance in the form of Small Business Loans, Debt Finance, Proof of concept, and Equity Finance funds. Over its lifetime the fund will create around 3,800 new jobs and attract match funding of £187.6m. Birmingham based Aceleron (pictured) have achieved a world first by developing a lithium battery which can be fully serviced to give it a much longer lifetime. A loan of £150,000 will be used to help them launch the product.



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- the North East Fund, a £140m project utilising £58.5m ERDF;



North East Fund – Parts of the North East Region

This £140m financial instrument, incorporating £58.5m ERDF, opened for business in early 2018. It provides (under Priority Axes 3 & 4) finance through microfinance, debt and equity finance funds across Gateshead, Newcastle, Durham, Northumberland, North Tyneside, South Tyneside, and Sunderland. There are five funds, each with a different investment focus to suit the needs of SMEs depending on the sector in which they work and where they sit on the growth curve. Over its lifetime the fund will create around 2,500 new jobs and attract £81.5m match funding. Pictured are Steelcraft Limited, a Chester-le-Street based fabricator of architectural metalwork and specialist in mild steel bespoke design who received a £50,000 Small Loan Fund investment from the fund.

- the London SME Fund, a £100m project utilising £35m ERDF;
- the Cornwall & Isles of Scilly Fund, a £40m project utilising £32m ERDF;

and two **urban development funds**:

- the Greater Manchester Fund of Funds, a £120m project utilising £60m ERDF; and



Greater Manchester Fund of Funds – North West Region

This £120m fund uses £60m ERDF to deliver urban development and low carbon projects across Greater Manchester (under Priority Axes 1 & 4). It will attract an added £60m match funding from the private sector. The first Investment was a £12m loan awarded to Manchester Science Partnerships (pictured) to co-finance Citylabs 2.0 on the Oxford Road corridor, a 92,000sqft office and laboratory facility focussing on innovations in predictive and preventative medicine.



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- the Mayor of London's Energy Efficiency Fund, a £86m project utilising £43m ERDF.

At the end of 2018, four further financial instruments were at an advanced stage of development for £130.7m eligible expenditure, £71.2m ERDF and are expected to be approved by mid-2019.

These comprise one **access to finance** fund of funds:

- the Low Carbon Innovation Fund II, a £22.56m project utilising £11.2m ERDF scheduled for approval in Quarter 2 2019; and

three **urban development funds (UDF)**:

- the Liverpool UDF, a £43.2m project utilising £25m ERDF scheduled for approval in Quarter 1 2019;
- the Cheshire & Warrington UDF, a £40m project utilising £20m ERDF scheduled for approval in Quarter 2 2019;
- the Lancashire UDF, a £25m project utilising £15m ERDF scheduled for approval in Quarter 2 2019.

All four are expected to drawdown (Claim) ERDF from the EU during 2019.

European Claim and Information Management System (E-CLAIMS)

E-CLAIMS is the electronic management information system developed by The Ministry of Housing, Communities and Local Government to hold data on projects and to enable claims to be made and paid. It has been used internally by The Ministry of Housing, Communities and Local Government since 2017, with the build formally ending in May 2018. The roll out to external applicants has accelerated following successful pilots and the system is now being used by 200 external organisations.

The system can:

- Manage the ERDF business process from outline project application to project closure;
- Manage debt recovery, including the automatic calculation of Flat Rate Indirect Costs;
- Support the creation of claims for reimbursement from the European Commission by running reports to identify Managing Authority Grant payments to applicants for certification by the Certifying Authority⁹; and
- Pay applicants grant claims through the system; which means that they get their money faster; lessens the risk of audit issues and saves the Managing Authority, Certifying

⁹ Part of the Managing Authority and responsible for paying ERDF claims and submitting expenditure declarations (grant claims) to the European Commission.



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Authority, and the Ministry of Housing, Communities and Local Government finance team resources.

Payment Applications to the European Commission

The Department was appointed as the Managing Authority for England by the European Commission in November 2016. This enabled the submission of grant claims to the European Commission (European Union) by the Certifying Authority for the reimbursement of ERDF paid to projects, (these claims are made in Euros). The first payment application for €2.156m was made in December 2016.

The Certifying Authority has made 10 further payment applications since then, and overall the total submitted for reimbursement covering the programme to 31 December 2018 is €1,493m.