

# London ERDF Programme 2007-2013 Annual Implementation Report 2014



**MAYOR OF LONDON**



**EUROPEAN UNION**  
Investing in Your Future

European Regional  
Development Fund 2007-13

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# 1. Identification

<b>Operational Programme</b>	<b>Objective concerned:</b>	<b>Regional Competitiveness and Employment</b>
	<b>Eligible area concerned:</b>	<b>London</b>
	<b>Programming period:</b>	<b>2007-13</b>
	<b>Programme number:</b>	<b>CCI 2007 UK 162 PO 006</b>
	<b>Programme Title:</b>	<b>London Operational ERDF Programme 2007-13</b>
<b>Annual Implementation Report</b>	<b>Reporting year:</b>	<b>2014</b>
	<b>Date of approval of annual report by Local Management Committee: (TBC)</b>	

1. This is the eighth Annual Implementation Report for the 2007-13 London European Regional Development Fund (ERDF) Competitiveness and Employment Programme. It provides detail on the implementation of the programme to date and, in particular for the 12 months ending 31 December 2014.

2. The Operational Programme, which was approved by the European Commission on 7 December 2007, allocated €181,889,213 to London.

3. The European Programmes Management Unit (EPMU) manages the delivery of the programme at the Greater London Authority (GLA). A Statutory Instrument (SI No 1398), formally designated GLA as the Intermediate Body for the Programme. The Department for Communities and Local Government is the Managing Authority.

4. In 2014 programme activity focussed on:

- Completing appraisals and issuing funding agreements to Round 8 successful applicants;
- Ensuring projects were delivered in compliance with ERDF monitoring and audit requirements;
- Ensuring that funds from underperforming projects could be recycled into the programme;
- Commitment of remaining ERDF funds;
- Planning and executing project closures; and
- Drafting the 2014-20 Investment Strategies and planning management of the new programme.

5. The N+2 expenditure target for 2014 was achieved.



## **2. Overview of implementation of Operational Programme**

### **2.1. Achievement and analysis of the progress**

#### ***2.1.1. Information on the physical progress of the Operational Programme***

1. By December 2014, the programme had committed 101 %<sup>1</sup> of the funds. 51 projects were being co-financed by ERDF- 17 under Priority 1, 30 under Priority 2, 3 under Priority 3 and one under Priority 4.
2. In order to close the 2007-2013 programme in a timely manner, two decisions were taken by the Programme Review Group (PRG) and the Local Management Committee (LMC), one was the date when the last call for projects proposals should be issued, and deadline for receipt of outline applications; and the second was to inform all live projects with delivery operations, that project extensions would not be approved after March 2014.
3. Significant progress has been made in closing projects, at the end of 2014 there are 51 live projects, down from 98 live projects at the beginning of the year.
4. EPMU is dedicating significant efforts to ensure that the majority of the 51 live projects will be closed by the end of 2015.

#### ***2.1.2. Contracting/Bidding rounds***

5. In February 2013, PRG recommended that an open rolling call was launched to absorb any remaining funds that had not been committed in Round 6 (a call for existent ERDF recipients to apply for extra funding) and Round 7. In March 2013 the London ERDF LMC agreed that one last call should be launched with a deadline of 31<sup>st</sup> July 2013 for receipt of Outline Applications
6. In 2013 at the start of Call 8, there was approximately £6m ERDF available for commitment (excluding pipeline projects from round 6 and 7 that were still in appraisal process)
7. By the end of the first quarter of 2014 all projects received under Round 7 had been issued a funding agreement
8. For Round 8, EPMU received 10 Outline applications, of which 3 were invited to proceed to full application and 1 was invited to submit a project change request. The organisation that was invited to submit a change request was the University of Arts, as PRG took the view that the university's project could be extended, rather than the grant recipient starting a new project.
9. The ERDF commitment to applications that proceeded to full application was £1.5m.
10. In May 2014, following LMC approval an additional £10m (made up of uncommitted monies from Priority 1,2 and 4 and underspend by projects) ERDF was awarded to the London Green Fund.

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<sup>1</sup> These figures may vary according to the exchange rates.

### 2.1.3. Programme-level performance indicators

11. Progress has been registered for most of the ERDF performance indicators, as projects in receipt of ERDF are coming to a close and continue to report on contracted targets.
12. The table below sets out programme indicators performance, the OP targets and the cumulative achievements over the past four years. Contracted projects have also reported on gender data, which is included for appropriate indicators.
13. Output L013 'no. of SMEs referred for environmental advice' has noted a reduction of 93 outputs from the numbers reported in 2013. Following Article 13 audit visits, corrections had to be applied to 3 projects due to insufficient audit trail to enable the output to be reported.
14. A number of targets were adjusted in 2013, following the EC's approval of changes to the Operational Programme (OP) please see annex G.

**Table 1 – Programme indicators performance**

Output Indicators		2011	2012	2013	2014	2014 <sup>2</sup>			
						M	F	D	BAME
No. of businesses assisted - of which a minimum of 5% will be in the environment sector	Achievement	6097	10533	12811	16141	10047	6049	924	7454
	Target <sup>3</sup>	15409	15409	19957	19957				
	Baseline	674615	674615	674615	674615				
No. of businesses engaged in new collaborations with the knowledge base	Achievement	650	1139	1114	1287	751	536	78	483
	Target	756	756	1500	1500				
	Baseline	-	-	-	-				
No. of businesses involved in collaboration networks	Achievement	1006	1425	1585	1654	796	858	88	722
	Target	1575	1575	2500	2500				
	Baseline	-	-	-	-				
No. of SMEs referred for environmental advice	Achievement	1146	846	926	863	517	346	44	327
	Target	1000	1000	2000	2000				
	Baseline	-	-		-				
No. of SMEs supported to achieve quantifiable improvements in their environmental performance	Achievement	495	994	1317	1640	1173	460	68	566
	Target	750	750	2000	2000				
	Baseline	-	-		-				
No. of SMEs engaged in the access to finance programme	Achievement	163	457	648	746	446	294	48	369
	Target	982	982	920	920				
	Baseline	-	-		-				
No. of SMEs supported through the access to finance programme to improve their environmental management and performance	Achievement	0	0	3	3	2	1	0	1
	Target	100	100	10	10				
	Baseline	-	-		-				
No. of SMEs with sales in new markets	Achievement	266	796	861	1094	589	501	60	505
	Target	400	400	1500	1500				
	Baseline	-	-		-				
Successful International joint ventures or contracts	Achievement	25	52	57	79	12	9	0	5
	Target	80	80	80	80	n/a	n/a	n/a	n/a

<sup>2</sup> Male, female, Disabled and Black, Asian & Minority Ethnic (BAME) entrepreneurs

<sup>3</sup> Targets for this and all other indicators are programme-level and not broken down on an annual basis. This applies to other performance indicators data included in this report.

	Baseline	-	-		-	n/a	n/a	n/a	n/a
Total new or upgraded office space (metres squared)	Achievement	1235*	1235	3995	3995	n/a	n/a	n/a	n/a
	Target			5500	5500	n/a	n/a	n/a	n/a
	Baseline	-	-		-	n/a	n/a	n/a	n/a
No. of SMEs using their environmental credentials or products to access new markets or supply chains	Achievement	26	47	87	91	68	23	3	46
	Target	100	100	150	150				
	Baseline	-	-		-				
No. of demonstration projects showcasing latest co-generation or renewable energy technology systems	Achievement	0	1	1	1	n/a	n/a	n/a	n/a
	Target	5	5	1	1	n/a	n/a	n/a	n/a
	Baseline	-	-		-	n/a	n/a	n/a	n/a
No. of employment sites with environmental improvement programmes to address identified deficiencies in accessible open space and/or access to nature	Achievement	0	1	2	2	n/a	n/a	n/a	n/a
	Target	5	5	3	3	n/a	n/a	n/a	n/a
	Baseline	-	-		-	n/a	n/a	n/a	n/a
Area of workspace gaining BREEAM rating of 'Excellent' or equivalent (metres square)	Achievement	0	600	600	600	n/a	n/a	n/a	n/a
	Target	2250	2250	600	600	n/a	n/a	n/a	n/a
	Baseline	-	-	-	-	n/a	n/a	n/a	n/a
Proportion of projects incorporating sustainable drainage systems (SuDS)	Achievement	70%	70%	3	3	n/a	n/a	n/a	n/a
	Target			100%	100%	n/a	n/a	n/a	n/a
	Baseline	-	-		-	n/a	n/a	n/a	n/a
Proportion of projects installing decentralised cogeneration or renewable energy generation technology	Achievement	0%	0%	1	1	n/a	n/a	n/a	n/a
	Target	100%	100%	100%	100%	n/a	n/a	n/a	n/a
	Baseline	-	-			n/a	n/a	n/a	n/a
Area of green or brown roofs created (metres squared)	Achievement	0	1000	1483	1473	n/a	n/a	n/a	n/a
	Target	1500	1500	1500	1500	n/a	n/a	n/a	n/a
	Baseline	-	-			n/a	n/a	n/a	n/a
Volume of additional flood storage capacity created (metres cubed)	Achievement	20000	25300	34605	34605	n/a	n/a	n/a	n/a
	Target	500	500	27525	27525	n/a	n/a	n/a	n/a
	Baseline	-	-			n/a	n/a	n/a	n/a
Length of water course restored or significantly enhanced (metres)	Achievement	1980	4980	8727	8727	n/a	n/a	n/a	n/a
	Target	500	500	7400	7400	n/a	n/a	n/a	n/a
	Baseline	-	-			n/a	n/a	n/a	n/a
Brownfield land reclaimed and or redeveloped (hectares)	Achievement	0.9	2	6	5.06	n/a	n/a	n/a	n/a
	Target	5	5	5	5	n/a	n/a	n/a	n/a
	Baseline	3000 ha	3000 ha			n/a	n/a	n/a	n/a
Result Indicator		2011	2012	2013	2014	2014			
						M	F	D	BAME
No. of jobs created - of which a minimum of 5% will be in the environment sector	Achievement	998.6	998.6	1327	1718	1170.08	547.2	47.83	578.1
	Target	4016	4016	2310	2310				
	Baseline	3,915,000 employed in private sector	3,915,000 employed in private sector						
No. of jobs safeguarded	Achievement	1932	1932	2636	3056	1732.83	1319.5	201	1248.5
	Target	5260	5260	3760	3760				

	Baseline	-	-						
No. of businesses with improved performance	Achievement	3590	3590	4364	5254	3391	1688	208	2066
	Target	4500	4500	6690	6690				
	Baseline	-	-						
No. of innovation related jobs created	Achievement	57	57	72	101	68.8	33	5.5	4.5
	Target	390	390	220	220	n/a	n/a	n/a	n/a
	Baseline	-	-			n/a	n/a	n/a	n/a
No. of innovation related projects secured/undertaken, of which at least 50 will be projects secured/undertaken as a result of collaboration networks	Achievement	304	304	288	307	5	12	1	5
	Target	100	100	320	320	n/a	n/a	n/a	n/a
	Baseline	-	-			n/a	n/a	n/a	n/a
No. of businesses integrating new products, processes or services	Achievement	743	743	1018	1034	636	398	34	353
	Target	75	75	870	870				
	Baseline	-	-						
New sales generated (£ Sterling)	Achievement	£86,610,576	£86,610,576	£104,793,324	£136,781,609	n/a	n/a	n/a	n/a
	Target euro	€ 98,000,000	98,000,000	€107,000,000	€107,000,000	n/a	n/a	n/a	
	Target £	£83,040,432	£83,040,432	£83,040,432	£83,040,432	n/a	n/a	n/a	
	Baseline	-	-	-	-				
No. of SMEs assisted under Priority Axis 3	Achievement	0	0	0	0				
	Target	4286	4286	0	0				
	Baseline	674,615	674,615			n/a	n/a	n/a	n/a
Additional capacity of renewable and co-generated energy production (MWh)	Achievement	0	0	0	0	n/a	n/a	n/a	n/a
	Target	40	40	40	40	n/a	n/a	n/a	n/a
	Baseline	-	-			n/a	n/a	n/a	n/a
New or refurbished buildings with environmental specification in line with the London Plan (metres squared)	Achievement	1838	1838	4595	4595	n/a	n/a	n/a	n/a
	Target	5500	5500	5500	5500	n/a	n/a	n/a	n/a
	Baseline	-	-		-	n/a	n/a	n/a	n/a
No. of new or existing businesses locating to eco-efficient, high quality work spaces	Achievement	0	0	0	0	n/a	n/a	n/a	n/a
	Target	55	55	55	55	n/a	n/a	n/a	n/a
	Baseline	-	-			n/a	n/a	n/a	n/a
Businesses supplied with low or zero carbon energy	Achievement	0	0	0	0	n/a	n/a	n/a	n/a
	Target	100	100	0	0	n/a	n/a	n/a	n/a
	Baseline	-	-	-		n/a	n/a	n/a	n/a
Impact Indicators		2010	2011	2012	2012				
					M	F	D	BAME	
Increase in GVA	Achievement	0	0	0		n/a	n/a	n/a	n/a
	Target	€291m	€291m	€291m		n/a	n/a	n/a	n/a
	Baseline	£198.7b	£198.7b	£198.7b		n/a	n/a	n/a	n/a
Increase in London's capacity to generate de-centralised co-generated and renewable energy	Achievement	0	0	0		n/a	n/a	n/a	n/a
	Target	0.2	0.2	0.2		n/a	n/a	n/a	n/a
	Baseline	-	-	-		n/a	n/a	n/a	n/a

\*This figure is lower than the 2010 figure due to a correction in output reported following the closure of a project which carried out ineligible activities.



### 2.1.4. Core indicators

15. DCLG and the European Commission have agreed to set annual reporting requirements against nine of the Core Indicators<sup>4</sup>. London's relevant ERDF Programme cumulative achievements are presented in the table below:

**Table 2 – Core indicators**

	Core indicator	Baseline	Achieved in 2010	Achieved in 2011	Achieved in 2012	Achieved in 2013	Achieved in 2014	Overall Final Target
1	Number of jobs created	3,915,000 employed in private sector	271	453	999	1,327	1718	2,530
2	Jobs created for men	n/a	225	363	686	920	1170	1,670
3	Jobs created for women	n/a	46	90	313	407	547	860
4	Number of RTD projects This core indicator is captured through the "innovation related projects undertaken" indicator in the London OP	n/a	29	194	304	288	307	320
6	Research jobs created	n/a	15	25	57	72	101	220
7	Number of projects (direct investment aid to SMEs)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
8	Number of start-ups supported	n/a	n/a	n/a	n/a	n/a	n/a	n/a
9	Investment induced (million €)	n/a	€6,488,277	€10,458,921	€ 15,782,346	n/a	n/a	n/a

16. By the end of 2014 projects delivering the London ERDF programme reported 1718 jobs created or 74% of the programme target. Although the programme had a slow start in reporting this indicator, the figures indicate that this target will be achieved by the end of the programme if all projects deliver against their contracted numbers.

17. Of the 1718 jobs created 31.8% were positions taken up by women. This is slightly below the 34 % target established in the London Operational Programme, but the figure has shown an increase of nearly 2% compared to 2013.

18. 'No. of RTD projects/innovation projects' is performing very well, at 96% achieved by the end of 2014. Like 'jobs created' this core indicator should be achieved by the end of the programme.

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<sup>4</sup> Core Indicators as defined in EC Working Document no 7, "Indicative Guidelines on Evaluation Methods: Reporting on Core Indicators for the European Regional Development Fund and the Cohesion Fund".

19. Direct investment aid to SMEs is not currently provided in London. Similarly, there are no targets in the London OP for the number of start-ups supported, number of projects supporting information society and amount of investment induced (although this is captured through a sub-indicator as detailed in Table 2 above).
20. So far all core indicators are performing well, with the majority of them contracted to over-perform if projects deliver against their profiled outputs.

### 2.1.5. Financial information

21. As illustrated in Table 3 below, €204.7m total expenditure was incurred by beneficiaries in 2014. Claims worth nearly €153.9m ERDF had been paid to beneficiaries by the end of 2014.
22. No advance payments from EC were made in 2014.

**Table 3 - Priority Axes by source of funding (€)**

2014	Expenditure paid out by the beneficiaries included in payment claims sent to the managing authority	Corresponding public contribution	Private expenditure	Expenditure paid by the body responsible for making payments to the beneficiaries	Total payments received from the Commission ERDF
	<b>€ 30,200,604</b>				
	ERDF				
	N/A	<b>€ 21,899,352</b>	<b>€ 8,301,252</b>	<b>€ 29,456,062</b>	<b>€ 27,853,441</b>
	N/A				
	<b>€ 40,053,409</b>				
	ERDF				
	N/A	<b>€ 14,640,795</b>	<b>€ 25,412,614</b>	<b>€ 39,789,325</b>	<b>€ 32,641,326</b>
	N/A				
	<b>€ 132,189,284</b>				
	ERDF				
	N/A	<b>€ 132,356,813</b>	<b>-€ (-167,529)</b>	<b>€ 84,673,064</b>	<b>€ 95,002,356</b>
	N/A				
	<b>€ 2,281,952</b>				
	ERDF	<b>€ 2,281,952</b>	<b>€ 0</b>	<b>€ 2,281,952</b>	<b>€ 2,281,952</b>
	N/A				
<b>Grand Total</b>	<b>€ 204,725,249</b>	<b>€ 171,178,912</b>	<b>€ 33,546,337</b>	<b>€ 156,918,451</b>	<b>€ 157,779,075</b>
ESF type expenditure in the grand total where the Operational Programme is co-financed by the ERDF	N/A	N/A	N/A	N/A	N/A

ERDF type expenditure in the grand total where the Operational Programme is co-financed by the ESF	N/A	N/A	N/A	N/A	N/A
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23. Table 4 and Figure 1 below outlines the financial performance of the programme to date in pounds sterling. 87% of the total programme allocation (or £133m) had been paid by the end of 2014.

**Table 4a – ERDF programme finance by Priority Axis in sterling**

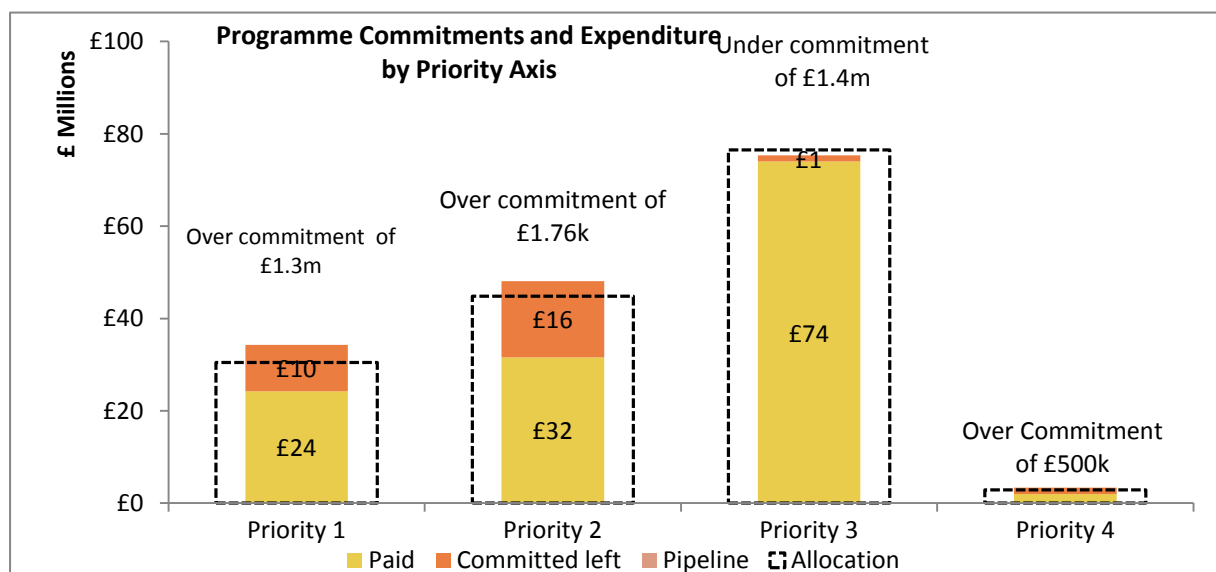
Priority Axis	ERDF Allocation	Committed		Uncommitted		Payments	
	£	£	%	£	%	£	% <sup>5</sup>
P1	£29,800,653	£32,219,573	108%	-£2,418,920	-8%	£24,709,277	83%
P2	£44,389,417	£46,051,794	104%	-£1,662,377	-4%	£32,901,931	74%
P3	£76,891,134	£74,547,721	97%	£2,343,413	3%	£73,986,592	96%
P4	£2,665,656	£3,006,123	113%	-£340,467	-13%	£1,933,673	73%
<b>Total</b>	<b>£153,746,860</b>	<b>£155,825,211</b>	<b>101%</b>	<b>-£2,078,351</b>	<b>-1%</b>	<b>£133,531,473</b>	<b>87%</b>

**Table 4b – ERDF programme finance by Priority Axis in euros**

Priority Axis	ERDF Allocation	Committed		Uncommitted		Payments	
	£	£	%	£	%	£	%
P1	€ 38,764,768	€ 41,865,949	108%	-€ 3,101,181	-8%	€ 29,456,062	76%
P2	€ 54,240,973	€ 56,410,611	104%	-€ 2,169,638	-4%	€ 39,789,325	73%
P3	€ 85,526,666	€ 82,960,866	97%	€ 2,565,800	3%	€ 84,673,064	99%
P4	€ 3,356,806	€ 3,793,190	113%	-€ 436,384	-13%	€ 2,281,952	68%
<b>Total</b>	<b>€ 181,889,213</b>	<b>€ 185,030,616</b>	<b>102%</b>	<b>-€ 3,141,403</b>	<b>-2%</b>	<b>€ 156,200,403</b>	<b>86%</b>

24. Committed expenditure has increased by £8.2m from the figures reported in the 2013 AIR. Eight additional projects were contracted in 2014, under Rounds 7 and 8. As seen in Table 4, commitment levels remained high across all Priority Axes, following 7 successive bidding rounds. The figures are indicative, as they are subject to variations in exchange rates

**Figure 1. ERDF programme finance by Priority Axis Information about the breakdown of use of Funds**



### 2.1.6. Information about the breakdown of use of funds

25. 100% of funds allocated for the projects to which funding agreements were finalised before the end of 2014 were directed towards Lisbon objectives as follows<sup>6</sup>:

**Table 5 – Code Dimensions**

Combination of codes of dimensions 1 to 5					
Code	Code	Code	Code	Code	
Dimension 1	Dimension 2	Dimension 3	Dimension 4	Dimension 5	Amount
Priority theme	Form of Finance	Territory	Economic activity	Location	
			(n/a in London)		
03	01	01	22	UKI11	6,173,603
03	01	01	22	UKI12	4,455,886
03	01	01	22	UKI21	2,582,012
03	01	01	22	UKI22	2,296,470
03	01	01	22	UKI23	4,317,474
03	02	01	22	UKI12	59,329
04	01	01	22	UKI11	3,222,437
04	01	01	22	UKI12	2,679,698
04	01	01	22	UKI21	1,057,140
04	01	01	22	UKI22	940,232
04	01	01	22	UKI23	1,767,681
04	02	01	22	UKI12	61,126
05	01	01	22	UKI11	11,961,409
05	01	01	22	UKI12	9,739,102
05	01	01	22	UKI21	5,690,322
05	01	01	22	UKI22	6,508,587
05	01	01	22	UKI23	9,514,989
06	01	01	22	UKI11	4,692,899
06	01	01	22	UKI12	3,259,464
06	01	01	22	UKI21	1,691,773
06	01	01	22	UKI22	1,504,637
06	01	01	22	UKI23	2,828,790
06	02	01	22	UKI12	59,329
08	03	01	22	UKI11	3,298,920
08	03	01	22	UKI12	2,291,272
08	03	01	22	UKI21	1,569,597
08	03	01	22	UKI22	1,396,017
08	03	01	22	UKI23	2,624,578
41	02	01	22	UKI11	1,613,201
41	02	01	22	UKI12	1,120,453
41	02	01	22	UKI21	191,887
41	02	01	22	UKI22	170,666
41	02	01	22	UKI23	320,861
43	02	01	22	UKI11	16,132,013
43	02	01	22	UKI12	11,204,527
43	02	01	22	UKI21	1,918,867

<sup>6</sup> Figures are different from previous AIRs, due to variations in exchange rates.

43	02	01	22	UKI22	1,706,662
43	02	01	22	UKI23	3,208,606
44	02	01	22	UKI11	9,679,208
44	02	01	22	UKI12	6,722,716
44	02	01	22	UKI21	1,151,320
44	02	01	22	UKI22	1,023,997
44	02	01	22	UKI23	1,925,164
49	01	01	22	UKI12	581,269
49	01	01	22	UKI21	1,788,177
49	02	01	22	UKI11	4,839,604
49	02	01	22	UKI12	3,361,358
49	02	01	22	UKI21	575,660
49	02	01	22	UKI22	511,999
49	02	01	22	UKI23	962,582
54	01	01	22	UKI21	2,375,159
61	01	01	22	UKI11	2,755,879
61	01	01	22	UKI12	1,914,102
61	01	01	22	UKI21	2,047,277
61	01	01	22	UKI22	1,341,637
61	01	01	22	UKI23	2,522,342
85	01	01	22	UKI11	1,140,568
85	01	01	22	UKI12	792,184
85	01	01	22	UKI21	542,672
85	01	01	22	UKI22	482,658
85	01	01	22	UKI23	907,421
<b>Total:</b>					<b>€185,777,469</b>

#### **Key to the above Code Dimensions:**

##### **Code dimension 1:**

- 3 - Technology transfer and improvement of cooperation networks between SMEs and research institutes
- 4 - Aid for the RTD in particular in the SMEs (including access to RTD services in the research centres)
- 5 - Advanced supporting services in companies and groups of companies
- 6 - Assistance to SMEs for the promotion of environmentally products and processes
- 8- Other investment in firms
- 41 - Renewable energy: solar
- 43 - Energy efficiency, combined heat and power, control of energy
- 44 - Domestic and industrial waste management.
- 49 - Mitigation and adaptation to climate change
- 54 - Other measures to preserve the environment and prevent risks
- 61 - Integrated projects for urban/rural rehabilitation

##### **Code dimension 2: non-refundable aid**

##### **Code dimension 3 : urban centre**

##### **Code dimension 5:**

UKI	LONDON
UKI1	Inner London
UKI11	Inner London - West
UKI12	Inner London - East
UKI2	Outer London
UKI21	Outer London - East and North East
UKI22	Outer London - South
UKI23	Outer London - West and North West

26. Projects supported by ERDF contribute to the Lisbon objectives of stimulating growth, creating jobs, making the economy greener and more innovative – the overall focus of the London ERDF programme. The ‘dimension codes’ in the table above illustrate how the funds have been committed across a broad spectrum of activity.

**2.1.7 Assistance by target groups**

27. The London ERDF programme has not targeted specific groups, sectors or areas. The programme is accessible across all sectors, within the parameters of the Operational Programme, national and European guidelines. The programme has established equalities targets, however, as detailed in section 2.1.9 paragraph 44 in this report.

**2.1.8 Assistance re-paid or re-used**

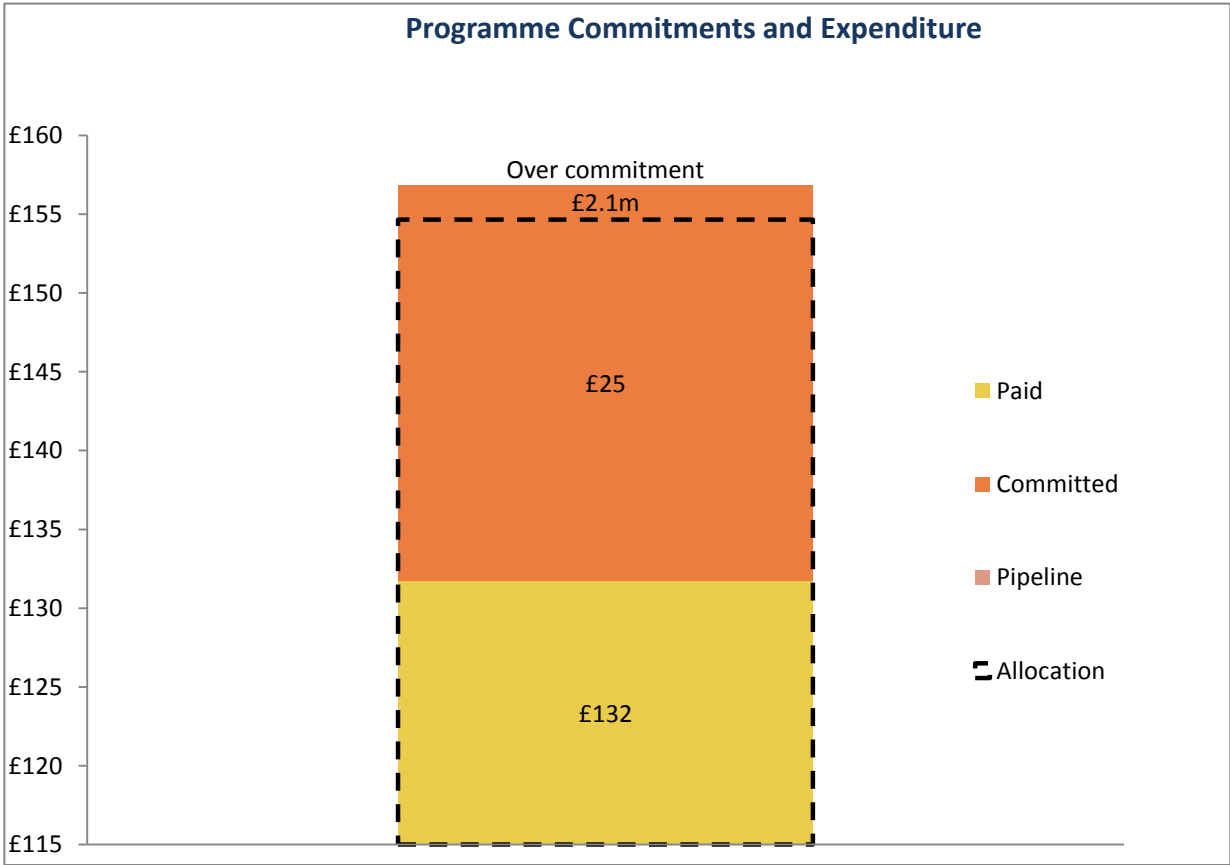
28. In line with Article 98(2) of the Regulation (EC) No 1083/2006, by the end of 2014 €8,435,269 from 75 beneficiaries had been repaid or re-used following cancellation of assistance.

**2.1.9 Qualitative Analysis**

**Financial**

29. As stated in section 2.1.5 by the end of December 2014, claims to the value of €153m or £132m (87%) had been paid to beneficiaries. As seen in Figure 2 below, a further £25m remained contractually allocated to projects.

**Figure 2 - ERDF programme Finance**





30. At the beginning of 2013 DCLG requested that all ERDF programmes achieved 100% commitment by 31<sup>st</sup> August 2013 to enable full defrayment by 31 December 2015. To this end, a call 8 was launched. The deadline for submissions of outline applications was set for 31st July 2013.
31. Taking into account pipeline commitments generated by call 8, at end of 2014 the programme had overcommitted by £2m. However, the expectation is that money will be returned to the programme as a result of project underspend, project repayments due to irregularities; and payments not made to projects failing to deliver against agreed targets. Figures are provided in sterling pounds and are indicative. Conversions to euro would be inaccurate at this stage, due to currency fluctuations for committed funds.

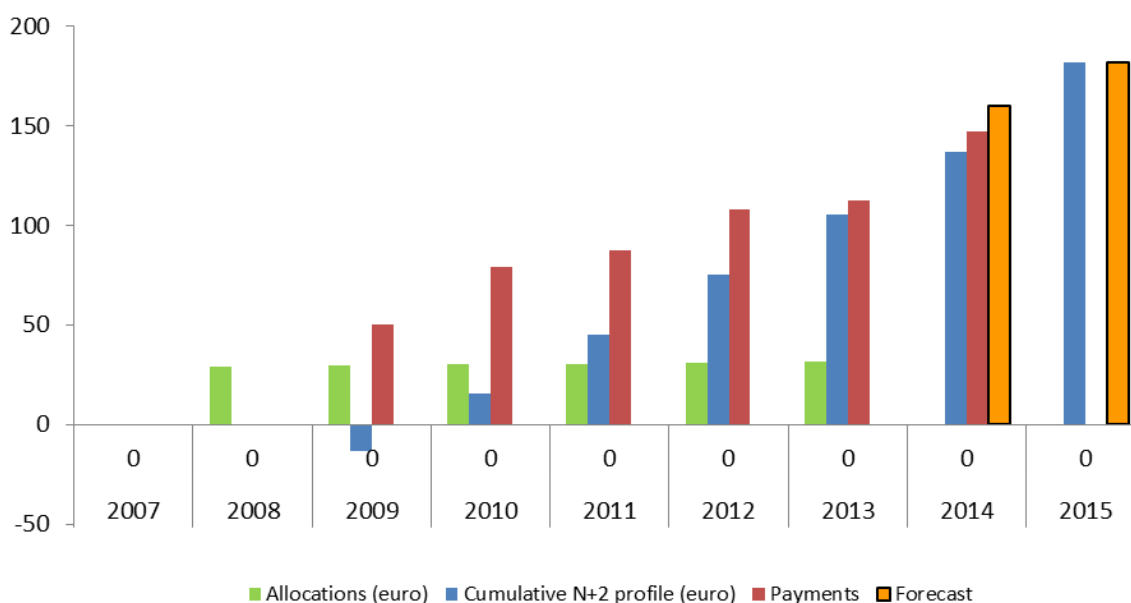
## N+2 targets

32. The “N+2” expenditure target was exceeded in 2014, as seen in Table 6 below. The programme is expected to meet its expenditure target for 2015.
33. It should be noted that the figure presented as paid to projects by EPMU, will not necessarily match the N+2 figure presented below on table 6. The reason being that the EC from 2013, does not accept declarations with expenditure considered to be “at risk” (expenditure from projects undergoing Article 13/16 have to be removed from the declaration)

**Table 6 – N+2 performance**

	2008	2009	2010	2011	2012	2013	2014	2015	Total
Allocations (euro)	€ 29.0	€ 29.5	€ 30.0	€ 30.6	€ 31.1	€ 31.6	€ 31.6		€181.9
Cumulative N+2 profile (euro)		€-13.6	€ 15.4	€ 44.9	€ 75.0	€ 105.5	€ 136.6	€ 181.9	
Payments	0.0	€ 50.2	€ 79.3	€ 87.5	€ 108.0	€ 112.6	€ 146.9		
Forecast								182.0	
Cumulative N+2 profile (Sterling)		£-11.7	£ 13.2	£ 38.5	£ 64.2	£ 90.4	£ 117.0	£ 155.8	

**Figure 3 – N+2 performance forecast  
Performance Indicators**



34. Progress was reported across a wide spectrum of indicators, as projects contracted in 2012 and 2013 are starting to complete their activities. Tables 7 and 8 below show that nine of 29 indicators had their programme targets met or overachieved. 27 indicators have been contracted to be achieved. Taking into account that the programme has one year left for implementation and 87% of expenditure has been defrayed to date. With the headroom remaining progress so far can be considered positive.

**Table 7 - ERDF Output Indicators 2014**

	Output Indicators	Target	contracted	%	achieved	%
O3c	No. businesses assisted	19557	24659	126%	16026	82%
O3b	No. businesses new collaborations	1500	1807	120%	1287	86%
LO12	No. businesses in collaborations networks	2500	2987	119%	1687	67%
LO13	No. SME referred environmental advice	2000	3499	175%	767	38%
LO14	No. SMEs supported to achieve improvements in their environmental performance	2000	2320	116%	1640	82%
LO15	No. of SMEs engaged in access to finance programme	920	1482	161%	747	81%
LO16	No. SMEs supported through access to finance improve environmental performance	10	45	450%	3	30%
LO17	No. SME sales new markets	1500	2800	187%	1102	57%
LO18	No. of successful International joint ventures/contracts	80	110	138%	79	99%
LO19	Total new/upgraded floor space	5500	5215	95%	3995	73%
LO20	SME using environ credentials	150	206	137%	91	61%
LO21	No. demonstration projects showcasing latest co-generation or renewable energy technology	1	1	100%	1	100%
LO22	No. of employment sites with environmental improvement programmes	3	3	100%	2	67%
LO23	Area of workspace gaining BREEAM rating of 'Very good' or 'Excellent'	600	600	100%	600	100%
LO26	Area of green/brown roofs created	1,500	2070	138%	1473	98%
LO27	Volume of additional flood storage capacity created	27,525	27525	100%	34,605	126%
LO28	Length of water course restored	7,400	7650	103%	8,727	118%
O4	Brownfield land reclaimed and restored	5	5	100%	6	117%
LO24	No. of projects incorporating sustainable drainage	3	3	100%	3	100%
LO25	No. of projects showcasing latest co-generation or renewable energy tech. systems	100%	3	100%	3	100%

**Table 8 - ERDF Result Indicators 2013**

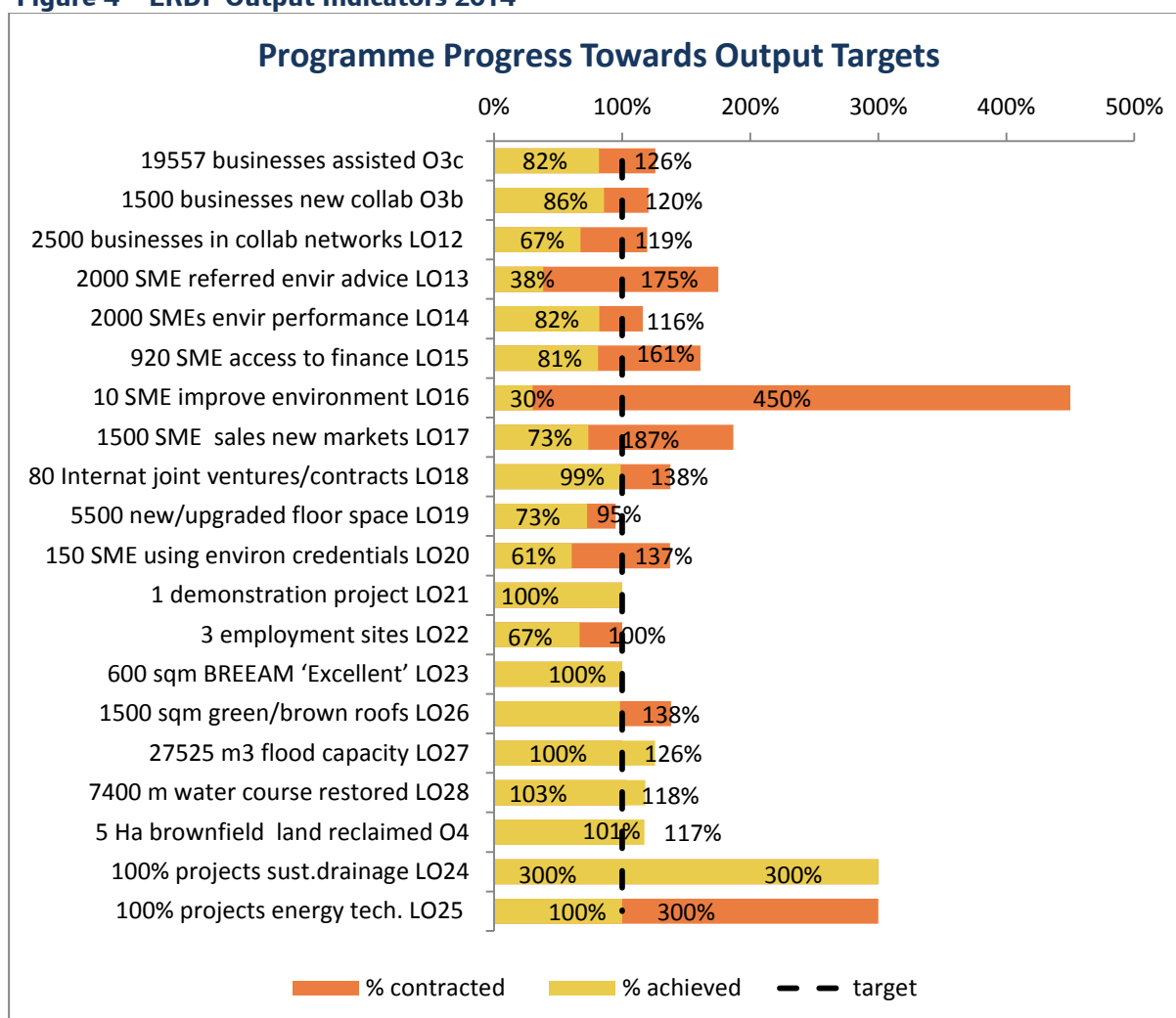
	Result Indicator	Target	contracted	%	achieved	%
R1	No. jobs created	2310	4462	193%	1706	74%
R2	No. jobs safeguarded	3760	6119	163%	3181	85%
R3	No. of businesses with improved performance	6690	9447	141%	5255	79%
LR9	No. innovation related jobs created	220	339	154%	102	46%
LR10	No. innovation projects secured through collaborations	320	339	106%	307	96%
LR11	No. businesses integrating new products/processes	870	1049	121%	1034	119%
LR12	New sales generated	£107,000,000	£156,843,221	147%	£136,781,609	128%
LR14	Additional capacity of renewable energy	40	150	375%	0	0%
LR15	New or refurbished buildings with environmental specifications in line with the London Plan	5500	5815	106%	4595	84%

35. Figures 4 and 5 below provide a visual representation of output and result indicators.

36. Output achievements were reported across all Priority Axes. As seen in the chart below, 82% of the total target for businesses assisted has been achieved to date. Contracted outputs will see 126% of the target delivered if projects deliver the number of business assists anticipated.

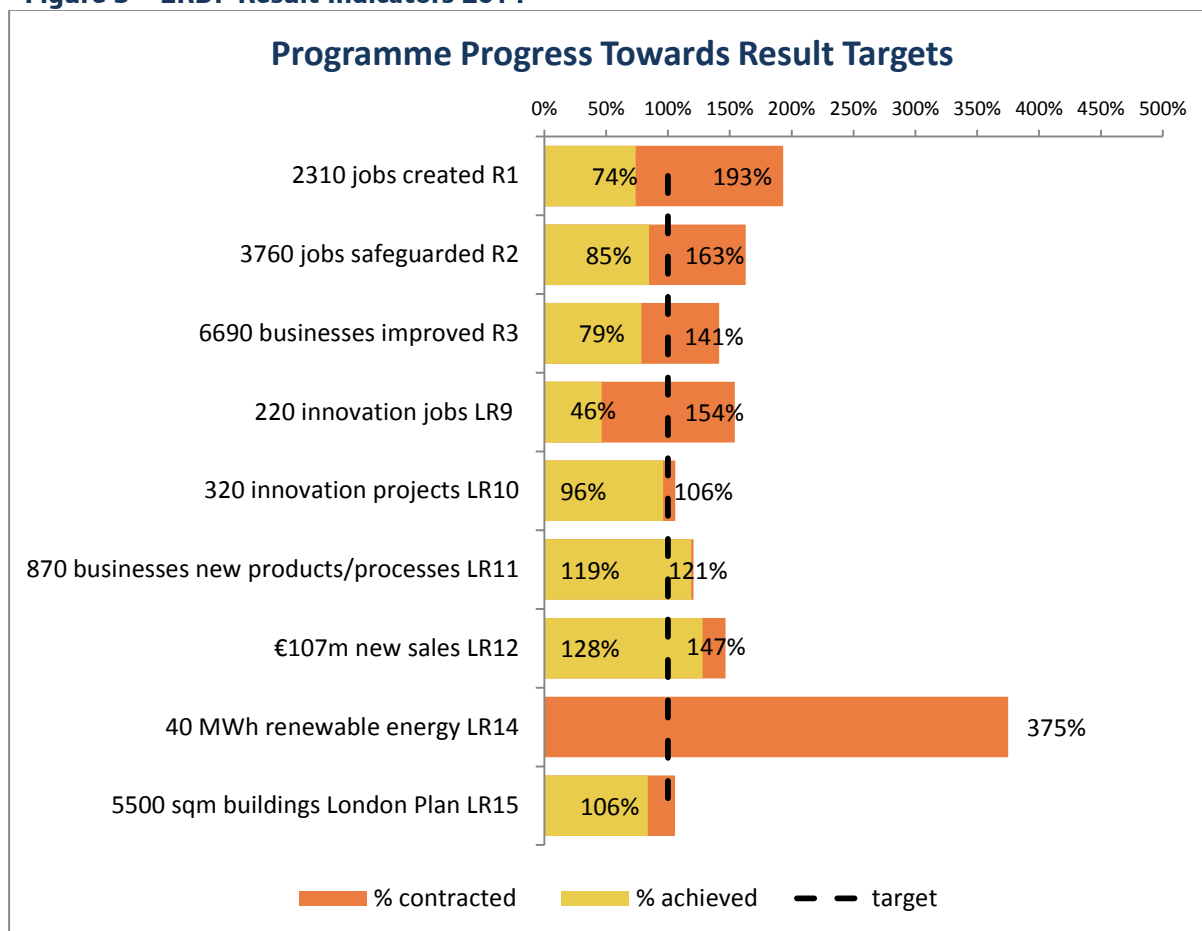
37. Overall, 8 output targets have been achieved to date, while 14 targets are contracted to be achieved.

**Figure 4 – ERDF Output Indicators 2014**



38. As seen in Figure 5 below, progress on the result targets has been steady. All of the result targets have now been contracted. All of the result indicators related to innovation projects are performing very well, apart from LR9 'innovation jobs' which is currently trailing behind at 46% achieved, however it is worth noting that this target is contracted to be achieved.
39. As we approach the end of the programme of the three priorities, Priority 3 is the one with the best performance. There are two principle reasons for this (i) most of the capital projects have concluded and as such were in a position to declare outputs, (ii) these outputs are a direct result of investment in capital infrastructure.
40. The programme is reporting a steady progress towards the jobs created and safeguarded result targets, 74% and 85% of the Programme target.

**Figure 5 – ERDF Result Indicators 2014**



41. Figure 5 shows that no results have been declared for LR14 'additional capacity for renewable and co-generated energy production'. This result target will not be achieved, as the only project contracted to deliver against this target is now closed and it did not report any results in this category.
42. There is a possibility that the programme might be able to achieve some LR14 in 2015, as JESSICA/London Green Fund starts to report. Although this is not a JESSICA/Green Fund target, some of the projects that had Green Fund investment will achieve renewable and co-generated energy production.

## Cross Cutting Themes

43. The programme has two cross-cutting themes, equalities and environmental sustainability.

### Equalities

44. The Operational Programme includes targets for assisting specific equalities groups which face barriers for developing small businesses. Article 16 of EC Regulation 1083/2006 requires that the programme monitors the promotion of ERDF support to women and men. In London, the programme also targets disabled entrepreneurs and Black, Asian & Minority Ethnic (BAME) entrepreneurs. The programme has headline equalities targets: Women 34%; BAME 35% and Disabled people 5%.

45. The table below presents achieved equalities targets to date<sup>7</sup>:

**Table 9 – Equalities targets**

ERDF Programme Indicators							
Indicators	Achieved	F	%	Disabled	%	BAME	
No. of businesses assisted	16141	6049	37%	924	5.7%	7454	46%
No. of businesses within the region engaged in new collaborations with the knowledge base	1287	536	41.6%	78	6%	483	37.5%
No. of businesses involved in collaboration networks	1654	858	51.8%	88	5%	722	43.6%
No. of SMEs referred for environmental advice	863	346	40%	44	5%	327	37.8%
No. of SMEs supported to achieve quantifiable improvements in their environmental performance	1640	460	28%	68	4%	566	34.5%
No. of SMEs engaged in the access to finance programme	746	294	39%	48	6%	369	49%
No. of SMEs supported through the access to finance programme to improve their environmental management and performance	3	1	33%	0	0%	1	33%
No. of SMEs with sales in new markets	1094	501	45.7%	60	5%	505	46%
No. of SMEs using their environmental credentials or products to access new markets or supply chains	91	23	25%	3	3%	46	50.5%
No. of jobs created	1718.89	547.2	31.8%	47.83	2.7%	578.1	33.6%
No. of jobs safeguarded	3056.11	1319	43%	201	6.5%	1248.5	40.8%
No. of businesses with improved performance	5254	1688	32%	208	3.9%	2066	39%
No. of businesses integrating new products, processes or services	1034	398	38%	34	3.3%	353	34.1%

Programme targets: Women 34%; BAME 35% and Disabled people 5%.

46. For 2014 the performance of equality targets has remained largely unchanged from the numbers reported in 2013. However, some of Operational Programme activities that traditionally have struggled to engage female, BAME and Disabled SMEs, have presented modest but encouraging increases in assisting these groups.

47. For women entrepreneurs, 5 of the 13 indicators for which equalities targets have been reported are underachieving (down from 7 reported in 2011). It should be noted however, that underperformance is not severe, ranging from 25% to 33%, only slightly under the 34% target.

48. The targets for supporting disabled entrepreneurs have been met for 7 out of 13 indicators.

49. Projects delivering 'No. of businesses engaged in new collaborations with the knowledge based' and 'No. of businesses involved in collaboration networks' have recorded a slight but encouraging increase in the numbers of Female and BAME SMEs benefiting from their projects.

50. Another interesting development during 2014 is the increase of 3.5% from 31% in 2013 to 34.5% in 2014 in the 'No. of SMES supported to achieve quantifiable improvements in their environmental

<sup>7</sup> The table includes only indicators for which achievements have been reported to date

performance' amongst the BAME group, and the direct correlation between the 2.5% increase in the same group on the 'No. of SMES using their environmental credentials or products to access new markets or supply chains'.

51. Whilst the programme data still registers some underperformance amongst equality groups, it is worthwhile noticing that a large percentage of the programme outputs are delivered against these groups and this has been achieved against difficult but improving economic conditions.
52. Similarly to previous years some projects have reported that not all SMEs are willing to complete the self-declaration form used by projects to report equality targets. This also has an adverse impact on the figures that are reported at programme level.

## **Environmental Sustainability**

53. All ERDF projects are required to embrace and embed environmental objectives within their delivery. This is assessed in the project selection process, through criteria approved by the LMC.
54. During project implementation, checks are carried out to ensure that all partners have and apply an environmental policy. Furthermore, two of the performance indicators require that 5% of the SMEs assisted and 5% of the jobs created are within the environmental sector. By the end of 2014 a total of 481 businesses were assisted and 32 jobs were created in the environment sector.

## **Geographical coverage**

55. There is no specific geographic focus for Priorities 1, 2 and 4 of the ERDF programme. Projects contracted to date support activity across London, ensuring a distribution of support across London.
56. The exception is Priority 3 which focuses on areas of regeneration, intensification and opportunity in line with the Mayor's London Plan<sup>8</sup>. Current Priority 3 projects deliver within these geographical boundaries.

## **Partnership arrangements**

57. The partnership principle is one of the key principles for the management of ERDF in London and appropriate partners are, and have been included in all stages of programme cycle (programme preparation, implementation, monitoring and evaluation).
58. The Local Management Committee or LMC (see section 4.11) oversees the programme implementation. The LMC is chaired by the Mayor of London or a delegated person, authorised by the Mayor and is composed of representatives from UK Government departments and partners representing the London boroughs, business, academic and voluntary sectors in London. Greater London Authority (GLA) officials act as the Secretariat.
59. In 2014 the LMC was consulted and informed on key programme implementation milestones and delivery issues through a meeting and written correspondence. A list of key decisions and actions taken by the LMC is provided at Annex B.
60. In 2012 an independent external evaluation of the programme was carried out. LMC representatives joined the steering group and provided valuable input in the process.
61. The Performance Review Group continues to act as an ad hoc sub-committee of the LMC. The PRG's remit is to:

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<sup>8</sup> <http://www.london.gov.uk/priorities/planning/londonplan>



- Oversee the allocation of supplementary ERDF to existing/new projects,
- Review programme performance,
- Actively promote and champion the ERDF Programme among partner organisations and local stakeholders,
- Act as the responsible body for decisions on remedial intervention in cases where projects are unable to fulfil contractual obligations in terms of performance against expenditure profiles, and delivery of outputs and results.

## **2.2 Information about compliance with Community Law**

62. No significant issues to report in 2014.

## **2.3 Significant problems encountered and measures taken to overcome them**

63. There were no significant problems encountered in implementing the Operational Programme. However, issues encountered relating to the individual Priority Axes can be found later in this Report under the 'Implementation by Priority' in section 5.

## 3 Changes in the context of the Operational Programme implementation

### 3.1 National Economic Context<sup>9</sup>

1. The UK economy is estimated to have grown by 2.6 per cent in 2014.<sup>10</sup> 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.
2. The Office of Budget Responsibility had forecast the economy would grow by 2.7 per cent at the start of the year.<sup>11</sup> However some forecasters had predicted earlier on that GDP growth would be as low as half a per cent.<sup>12</sup> 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.<sup>13</sup> Gross Domestic Product is now estimated to be 3.4% higher than the peak it reached before the recession in 2008.
3. 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.<sup>1415</sup>
4. 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.<sup>16</sup> 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.<sup>17</sup> Export performance weakened in 2014 causing the UK's net trade position to deteriorate slightly over the year.<sup>18</sup> This was mainly due to low demand for exports from the Eurozone countries.

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<sup>9</sup> The figures reported in this section are sourced from the Office for National Statistics and Office for Budget Responsibility

<sup>10</sup> 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>.

<sup>11</sup> OBR (2014) *Economic and Fiscal Outlook*, March 2014: <http://cdn.budgetresponsibility.org.uk/37839-OBR-Cm-8820-accessible-web-v2.pdf>.

<sup>12</sup> 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/>.

<sup>13</sup> ONS (2015) see: <http://www.ons.gov.uk/ons/datasets-and-tables/data-selector.html?cdid=IHYQ&dataset=pgdp&table-id=PREL>.

<sup>14</sup> ONS (2015) *Average Weekly Earnings*, see: <http://ons.gov.uk/ons/taxonomy/index.html?nscl=Weekly+Earnings#tab-data-tables>.

<sup>15</sup> 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>.

<sup>16</sup> 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>.

<sup>17</sup> ONS (2015) *House Price Index*, see: <http://ons.gov.uk/ons/rel/hpi/house-price-index/december-2014/stb-december-2014.html>.

<sup>18</sup> OBR (2014) *Economic and Fiscal Outlook*, December 2014, Chart 3.39.

5. 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.<sup>19</sup> 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.<sup>20</sup>
6. 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.<sup>21</sup> 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.

### 3.2 Local Context

7. The following section highlights the key changes in economic performance for London since the 2013 AIR, drawing on information from updated London-wide baseline figures at Annex A. It highlights some of the challenges London faces, as well as some of the opportunities. Information has been gathered from a number of sources including the Office for National Statistics and GLA Economics.
8. Major policy announcements and updates with a direct bearing on the programme implementation are summarised at the end of the section.

### 3.3 Trends in employment

9. The volume of workforce jobs in London has been steadily increasing since 2009 when the number fell to 4.75m in the recession. As of September 2014, there were 5.58m workforce jobs in London significantly exceeding the pre-recession peak of 4.97m jobs.
10. London's labour market is unusual. Demand for labour is high and employment levels were growing until the onset of the recent recession. However, over the last decade or so, the gap between London's employment rate and that of the country as a whole has not closed (see Figure 8).

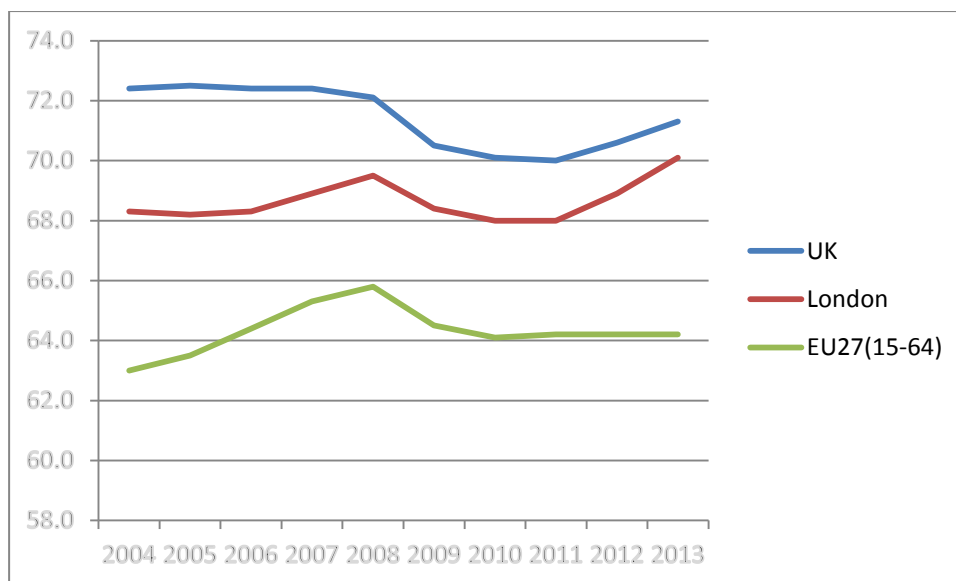
### Figure 6 Employment Rates Compared

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<sup>19</sup> ONS (2015) *Labour Market Statistics*, see: <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/february-2015/index.html>.

<sup>20</sup> ONS (2014) see: <http://www.ons.gov.uk/ons/rel/lmac/underemployed-workers-in-the-uk/2014/rpt-underemployment-and-overemployment-2014.html>.

<sup>21</sup> ONS (2015) *Economic Review* January 2015, see: [http://www.ons.gov.uk/ons/dcp171766\\_391094.pdf](http://www.ons.gov.uk/ons/dcp171766_391094.pdf)



Source: Annual Population Survey, Eurostat

11. There is also substantial under-employment in London, as illustrated below in Table 10:

**Table 10 Under-employment in London**

Workers wishing to work more hours	Thousands	Percentage
Inner London - West	40	7.3
Inner London - East	99	11
Outer London - East and North East	71	9.7
Outer London - South	58	10
Outer London - West and North West	76	8.7

Source: Office for National Statistics

12. One of the reasons for under-employment – but not the only one – is the lack of qualifications of some Londoners. 19% of workless London residents have no qualifications compared to just 5% of those employed. There is a cycle: low paid people find it hard to acquire skills and therefore move up the labour market and increase their pay.
13. However, qualifications are not the only factor impacting on worklessness. There is a greater concentration of groups who experience lower employment rates (wherever they are located) in the capital, the higher costs of living in London and the interaction with social housing tenure all play a part.

### 3.4 London's business base

14. London also has a high rate of business start-ups. When London is compared to the UK on the basis of resident population, London supports more businesses per head of population. The steady growth in London's stock of businesses suggests there are benefits to establishing a business in London. Over 800,000 private sector businesses are located within London's 33 boroughs, accounting for 14.1% of all jobs in the UK (5.1million July-August 2012). SMEs account for 99.8% of these businesses and nearly 50% (2.3 million) of people in employment.<sup>22</sup>

<sup>22</sup> Source: Business Population Estimates, BIS.

15. London has proportionally more self-employed individuals than the UK as a whole. This is significant and has grown steadily since 1996, to around 677,900 individuals in the year to March 2013. The construction sector includes by far the largest number of self-employed individuals, closely followed by professional, scientific and technical sectors.
16. Self-employment in first or second jobs accounts for around 778,000 jobs in London; this includes legal and accounting activities (40,000); activities of head offices, management consultancy (24,000); architectural and engineering, technical testing and analysis (18,000); advertising and market research (10,000) and other professional, scientific and technical activities (38,000).

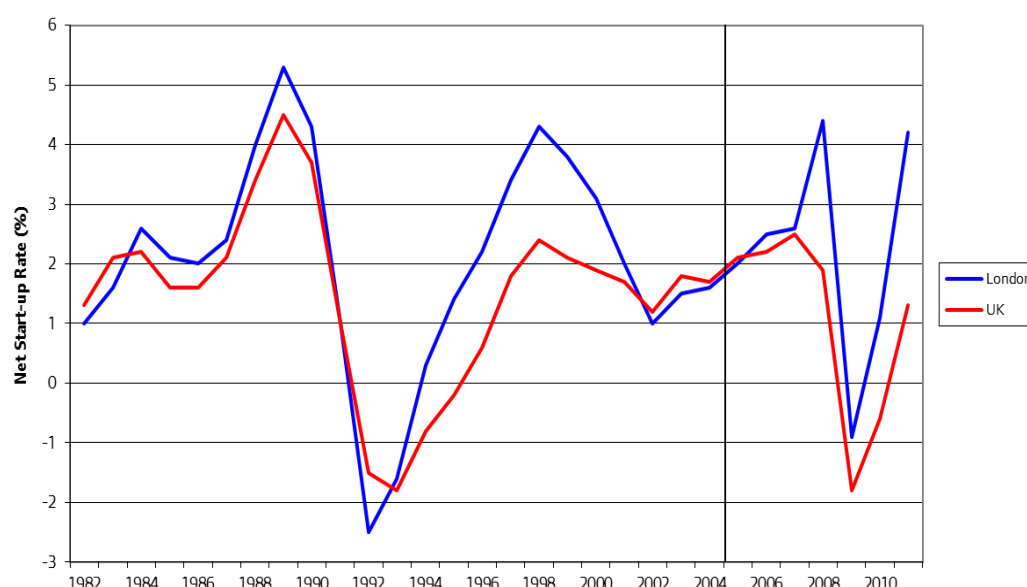
**Table 11 London's businesses by size**

	Businesses		Employment		Turnover	
	Number	Share of total %	Number (000s)	Share of total %	Number (£m)	Share of total %
No employees	615,995	76	660	15	49,516	5
Micro (1-9 employees)	156,965	19	578	13	123,925	14
Small (10-49 employees)	27,185	3	520	11	135,196	15
Medium (50-249 employees)	4,940	1	497	11	121,186	13
Large (250+ employees)	1,345	0.2	2,227	50	471,704	52
Total	806,430	100	4,482	100	901,527	100

Source: *Business Population Estimates, BIS*

17. London's business environment is also very dynamic. In 2011, there were 61,395 new businesses births and 43,730 deaths (out of an active stock of 421,185 businesses). In 2011 the net business start-up rate for London stood at 4.2% compared to -1.9% in 2010. For the UK as a whole the net business start-up rate rose from -2.7% in 2010 to +1.3% in 2011. Over the last decade, London's annual net business start-up rate has averaged 1.7% compared to 1% for the UK as a whole, as depicted in Figure 7.

**Figure 7 Net Business start-up rates, London and UK, 1982 – 2011**



Source Department for Business, Innovation and Skills (dataset up to 2003); Business Demography, ONS, 2004 data onwards. Vertical line indicating data discontinuity.

18. Table 12 shows the percentage of businesses in London that survive over a five year period based on the year of birth. It can be seen that, since 2006, a smaller proportion of new businesses in London survive past one year; only 41.8% of business born in 2006 survived to 2011.
19. London has the lowest five year business survival rate of all UK regions (41.8%). The UK average rate is 45%. London has the second lowest three year business survival rate at 52.6%, compared to a UK rate of 58%. These reflect the highly competitive business climate in the capital.

**Table 12 Survival of newly born enterprises in London, 2006-2011**

Year of birth	Number of births	1 Year Survival %	2 Year Survival %	3 Year Survival %	4 Year Survival %	5 Year Survival %
2006	47,890	95.9	78.8	63.7	49.9	41.8
2007	53,120	94.9	79.1	59.5	48.6	
2008	57,955	88.5	68.6	52.6		
2009	50,575	88.3	70.5			
2010	52,755	84.6				

Source: Business Demography, 2011

20. In 2011 London saw the most start-ups in the professional, scientific and technical sectors; followed by business administration & support; yet it had the worst survival rate. Information and communication sector had the joint best survival rates. The education and health sectors also had high survival rates.
21. London also has a wealth of High Growth Firms (HGFs), typically around 2,000 (per three year period). Defined as fast growth firms employing ten or more people in the first year of a three year growth period, since 2002/05 the UK has recorded between 10,000 and 11,000 HGFs per period, of



which London accounts for about one fifth.<sup>23</sup> HGFs are disproportionately important as job creators: they account for about 1.5% of job creating firms but contribute 25-30% of jobs created.

### 3.5 Science and Technology

22. London also has one of the strongest and most productive science and technology sectors in Europe. This brings knowledge 'spill over', drives innovation across the economy and advances the capital's competitive advantage over other global cities. What is less clear is how well this is translated into commercial application. R&D expenditure in London in 2012 was £3,388m which was 1.10% of London's GVA. London also benefits from being positioned within the wider Greater South East offer to attract greater international R&D investment.
23. London innovation actors spend significant amounts on research and development. 15% of Government expenditure on R&D is spent in London, while the capital's Higher Education Institutions account for 25% of UK R&D expenditure, as shown in Table 13.

**Table 13: Government Expenditure on R&D (GovERD), Higher Education spending on R&D (HERD), covers 2012<sup>24</sup>**

Region	GovERD	HERD
London	323	1,767
Total UK	2,173	7,211
London's % to UK	15%	25%

Source: ONS, Gross Domestic Expenditure on Research, 2012.

24. A good indicator of investment in innovation is R&D tax credits. As seen in Table 14, London firms claim approximately 30% of the amount claimed under both SMEs and large companies' schemes.

**Table 14: Claimed R&D Tax Credits (by scheme, number, and value) - covers 2011-2012<sup>25</sup>**

	SME R&D scheme		Large companies R&D scheme				All schemes	
			Large companies R&D scheme		SME sub-contractors			
Registered Office Location	N. of claims	Amount claimed £m	N. of claims	Amount claimed £m	N. of claims	Amount claimed £m	N. of claims	Amount claimed £m
London	1,650	100	420	253	60	2	2,135	355
Total UK	9,875	420	2,080	758	500	11	12,535	1,174
London's % to UK	17%	24%	20%	33%	12%	18%	17%	30%

Source: HMRC

25. London has a competitive advantage across the sciences, reflected in its world class research base which, for life sciences, is on a par with the best science cities globally (notably San Francisco and

<sup>23</sup> London Business Demography Project, Michael Anyadike-Danes, Karen Bonner & Mark Hart, Aston Business School & Enterprise Research Centre, February 2013.

<sup>24</sup> Data is in current prices, £ million; figures are estimates.

<sup>25</sup> Data is not available at NUTS 2 for London. Regional allocation is based on the postcode of Company's registered address, which might not correspond to where R&D activity takes place. Figures exclude claims where Region is unknown.

Boston), a first rate clinical training and education base, and excellent examples of partnership working. The London Molecular and Translational Imaging Centre, for example, comprises London's three AHSCs (Academic Health Science Centres: University College London, King's College London and Imperial College London<sup>26</sup>) and the Medical Research Council (MRC) which are focussing on creating new ways of diagnosing neurodegenerative diseases, cancer and other illnesses.

26. In 2015 the Francis Crick Institute will be Europe's largest centre of biomedical research bringing together a consortium of six of the UK's most successful scientific and academic organisations — the MRC, Cancer Research UK, the Wellcome Trust, UCL, Imperial and King's to drive innovation in new technologies. This will be one of the most significant developments in UK biomedical science for a generation.
27. Other cities may be vying for position, but London remains Europe's tech capital, with particular strengths in digital: 24,000 ICT and software companies are based in London, the highest of any European city.<sup>27</sup> The cluster of digital firms in Shoreditch, known as 'Tech City', has received the most attention, drawing on east London's creative and cultural vibe. London's tech strengths, however, run deeper and broader.
31. As technology fuses across other business sectors – from manufacturing (such as the emergence of 3D printing), to financial technology, med tech and clean tech – technology is transforming London's economy, driving productivity across multiple sectors, changing the way we conduct business and the way we live. London's high tech sector generates significant added value and has the potential to drive innovation and growth across the wider economy. Using data from the ONS Annual Business Survey (ABS), the GVA of London's High Technology sector was £30.1bn in 2011. This is 10.5% of workplace-based GVA in London.<sup>28</sup>
32. As a global creative hub, London has considerable overlap with the technology sector. In 2011, 'high tech' industries accounted for around 309,000 jobs in London while creative industries<sup>29</sup> employed around 237,000. However, 84,000 jobs are included in both categories.<sup>30</sup>
33. There is substantial overlap across further sectors. Of the 309,000 jobs classed as high tech, around 8,000 are in the manufacturing category (around 8% of London's manufacturing total), 275,000 are in the Information and Communication category (around 84% of the London total) and 26,000 are in the Professional, Scientific and Technical Activities category (around 5% of the total).

### 3.6 Investment

34. London remains a leading destination for inward investment with the highest number of new foreign direct investment projects during 2011. Between 2004 and 2011, London received a total of 2,281 projects with an estimated inward capital investment of £69.1 billion.<sup>31</sup> London remains significantly ahead of other European cities for inward investment.

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<sup>26</sup> AHSCs align clinical research, training and education, and healthcare delivery with the needs of the population).

<sup>27</sup> <http://www.london.gov.uk/sites/default/files/digital-economy-2012.pdf>.

<sup>28</sup> This is total GVA not just the 2/3rds of GVA ("Business Economy") which is covered by the ABS.

<sup>29</sup> Based on definition of Creative Industries used by the Department for Culture, Media and Sport.

<sup>30</sup> It is worth noting that the definitions are compiled to different levels of detail – the Eurostat High Tech definition is done at the 2-digit level and takes a binary approach (a sector either is or is not high tech). The DCMS definition, however, is done at the 4-digit level and is continuous (for example 2.3% of employment in the computer programming code is classified as creative).

<sup>31</sup> Data from FT Intelligence, includes all new projects and expansions of existing operations. Includes joint ventures which lead to a new physical operation. Mergers and Acquisitions (M&A) and other equity investments are not tracked.

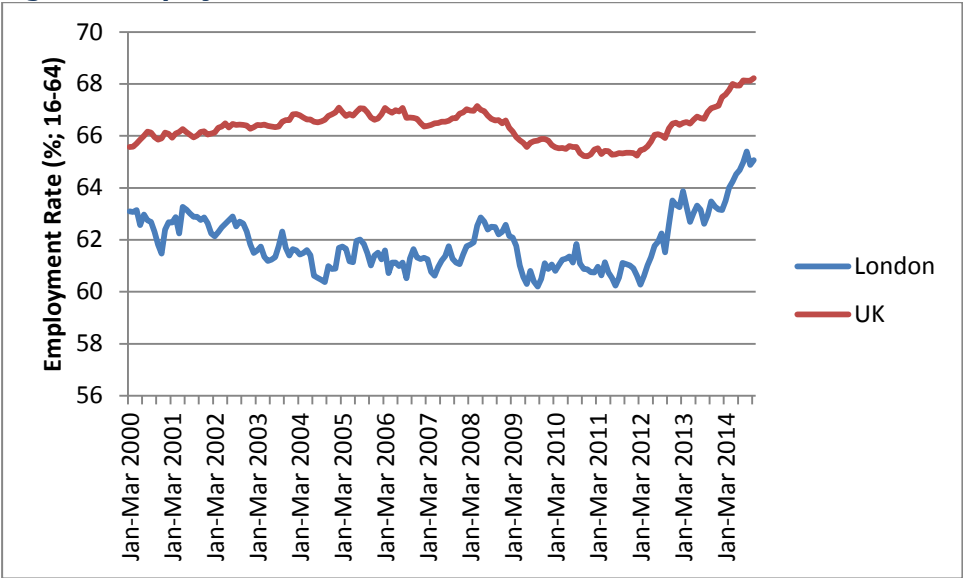
35. According to the Ernst and Young UK Attractiveness Survey 2014, London received 47.6% of the total number of inward Foreign Direct Investments projects for the UK in 2013 – an increase in the proportion of projects as compared to the UK as a whole on 2012. It is estimated that 380 inward FDI projects came to London in 2013, creating 3,919 jobs.<sup>32</sup>

### 3.7 Equalities Profiled

#### Women

36. The employment rate of women in London is well below that of men and the UK average, see Figure 8 (though as regards the comparison with the UK, the gap has closed recently). In the UK overall there is a similar “gender gap” in employment levels, but it is smaller. Research suggests that the single largest contributor to London’s employment rate gap is the difference between female employment in London and the UK.<sup>33</sup>

Figure 8: Employment of Women in London and the UK

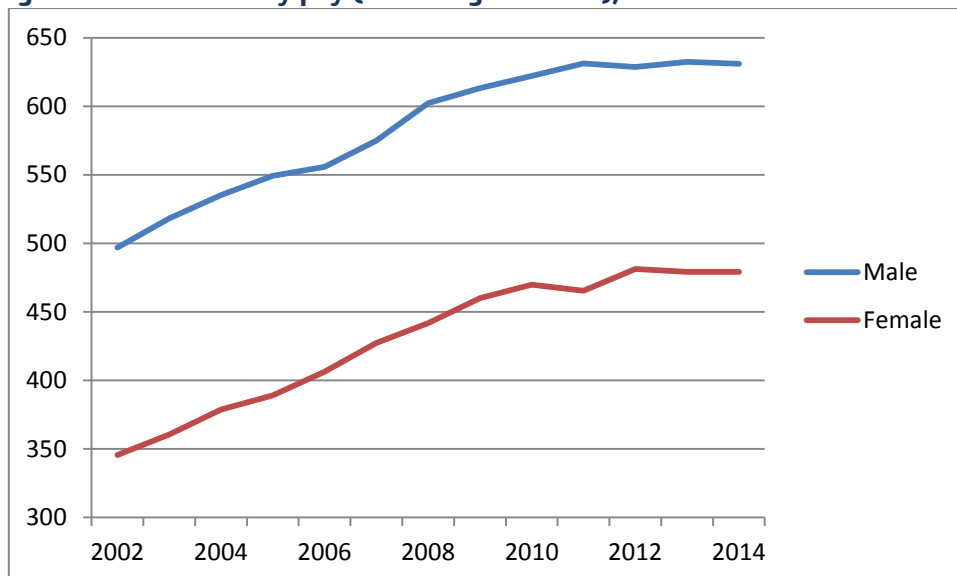


37. In addition, those women who are employed in London are paid significantly less than employed men; see Figure 9:

<sup>32</sup> Ernst and Young, “2014 UK Attractiveness Survey”

<sup>33</sup> Centre for Economic and Social Inclusion (2012), Driving up part-time employment in London

**Figure 9 Median weekly pay (excluding overtime), London**



Source: Annual Survey of Hours and Earnings

38. Being a parent makes a large difference to the employment rates of women and there is a bigger impact in London than in the rest of the UK. In 2013, the employment rate for women without dependent children was higher in London (70.5 per cent) than in the rest of the UK (67.3 per cent), while for women with children, the rate was much lower in London – 59.9 per cent, compared with 68.8 per cent in the rest of the UK. There is a similar, but far less marked, pattern for men in London as compared with the rest of the UK.

#### **Black, Asian and Minority Ethnic (BAME) people**

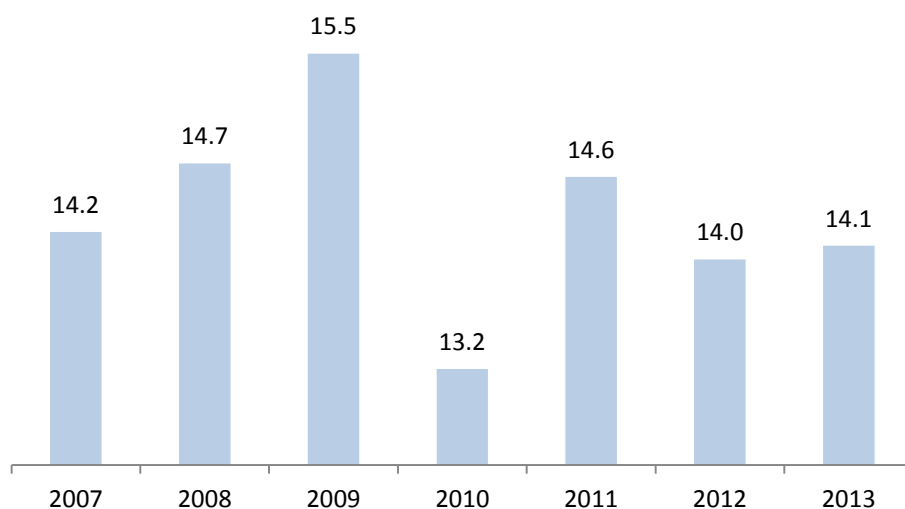
39. London is home to a large and diverse population, with around 3.3m people living in London who are from a BAME background. Furthermore, 42.5% of all people from BAME groups living in England reside in the capital.<sup>34</sup>

40. The employment rate of BAME groups in London remains below that of the white population; see Figure 10:

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<sup>34</sup> 2011 Census

**Figure 10: Gap in employment rates (%) between all white groups and all BAME groups, London, 2007 to 2013**



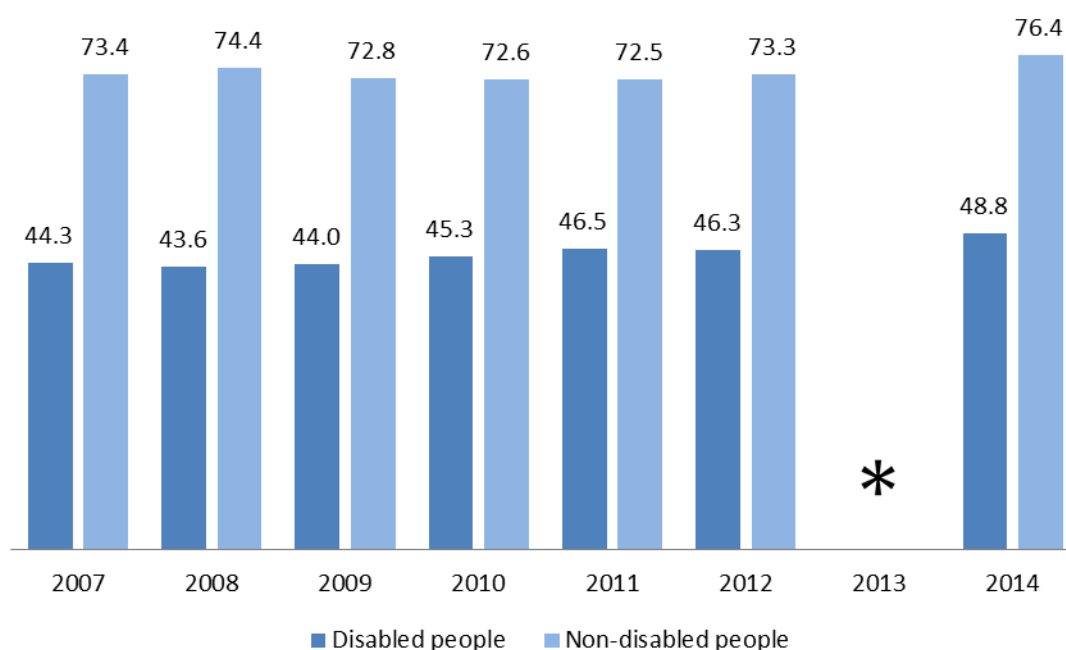
Source: Annual Population Survey

41. Data from the Annual Population Survey shows that in 2013 there was a 14.1% difference between the employment rate of all white groups and all BAME groups with 75.5% of those from all white groups in employment compared to 61.4% of all BAME groups. The confidence interval surrounding the employment rate of white groups is +/- 1.3 percentage points and that surrounding BAME groups is +/- 1.8 percentage points so it is hard to draw definitive conclusions about the trend of the gap.
42. The headline figures mask significant differences between the ethnic groups and especially between the employment rates of men and women.
43. The employment gap between men and women within certain BAME groups continues to be significant and is thus a cause for concern. The gender gap between Bangladeshi men and women is greatest with 73.0 % of men in employment but only 28.0 % of women. Arab and Pakistani women too have very low employment rates with 29.8% and 36.2% respectively. This is in stark contrast to White British women where the gap between male and female employment is 12.7 percentage points.

### **Disabled people**

44. Disabled people's employment prospects are poorer than those for non-disabled population in London though the gap has closed in recent years. But in 2014 a higher proportion of disabled people was employed in London than in the UK overall (48.8% versus 47.6%), a reversal of the gap from 2007-2012 (though note that the change in definition means that the 2014 data cannot strictly be compared with that for earlier years).

**Figure 11: Employment rates of disabled and non-disabled people in London, 2007 to 2014 (%)**

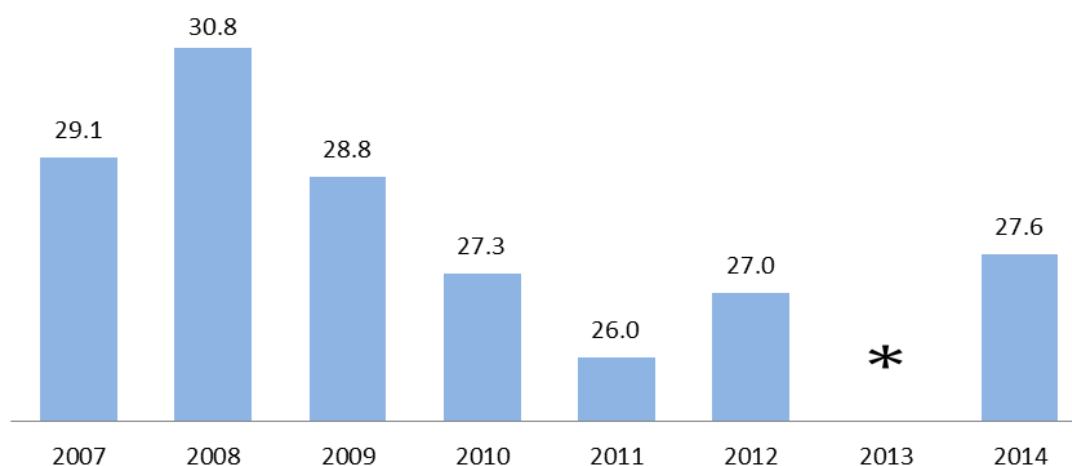


Source: Annual Population Survey

\*Data for 2013 unavailable due to change in definition explained here <http://www.nomisweb.co.uk/articles/783.aspx>; 2014 not strictly comparable with earlier years

45. The employment rate of disabled people in London was 48.8 per cent in the year to September 2014, compared with 76.4 per cent for non-disabled people (see figure 12). The gap has closed to 27.6 percentage points, compared with 30.8 in 2008 (though again the change in definition means that 2014 data cannot strictly be compared to that for previous years).

**Figure 12: Gap between employment rates of disabled and non-disabled people in London aged 16 to 64, 2007 to 2014**



Source: Annual Population Survey

\*Data for 2013 unavailable due to change in definition explained here <http://www.nomisweb.co.uk/articles/783.aspx>; 2014 not strictly comparable with earlier years

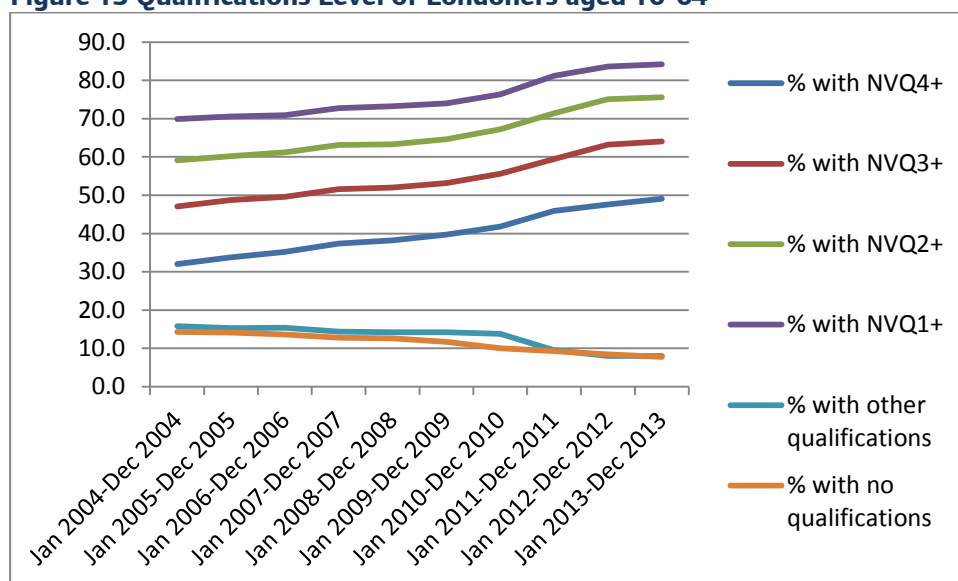


46. The wide gap in labour productivity between non-disabled and disabled people will have a substantial negative impact on a country's GDP<sup>35</sup>. It has been estimated that resolving this gap would boost GDP by £13 billion<sup>36</sup>.

### 3.8 Skills

47. London's economy is based on relatively high skill requirements. More than half of jobs in the capital require level 4 qualifications as a minimum, compared to below 40% across the United Kingdom as a whole. GLA Economics' employment projections show an increase of 800,000 jobs requiring at least an ordinary degree over the projection period (2011 to 2036). Figure 13 demonstrates that around 49.1% of London's working age residents are qualified at NVQ Level 4 and above, however it is estimated that at present 55% of jobs require high level skills.<sup>37</sup>
48. Skills levels have improved with more people having NVQ level 3 and above at the end of 2013 (3.5m individuals) compared with 2008 (2.7m). However around 421,700 working age Londoners have no qualifications and, although this has improved since 2008 (664,600), it represents 7.8% of the population. Around 250,000 of those with no qualifications are workless people (60.3%).<sup>38</sup>
49. Data from the UKCES Employer Skills Survey 2013 reveals that the greatest skills gaps are found in skilled trades (39%), professionals (30%), caring, leisure et al (27%), associate professionals (26%) followed by machine operators (25%). The greatest impact of these skills shortages is increased workload for other staff, difficulties meeting customer service objectives and delay in developing new products or services.

**Figure 13 Qualifications Level of Londoners aged 16-64**



Source: Annual Population Survey

50. The CBI/Pearson education and skills survey for 2014 reports that more than half of employers are aware of weaknesses in the core competencies of at least some of their employees in literacy (54%), numeracy (53%) and IT skills (61%). Almost as many employers expect to reduce the number of low-skilled employees in the next few years as to increase the number, meaning there will be tough competition for jobs among those with lower skill levels. Among those businesses that recruit

<sup>35</sup> "The Price of Exclusion: the economic consequences of excluding people with disabilities from the world of work" 2009 ILO.

<sup>36</sup> Disability Skills and Work London: Social Market Foundation 2007

<sup>37</sup> compared with a UK average of 35.0% in 2013.

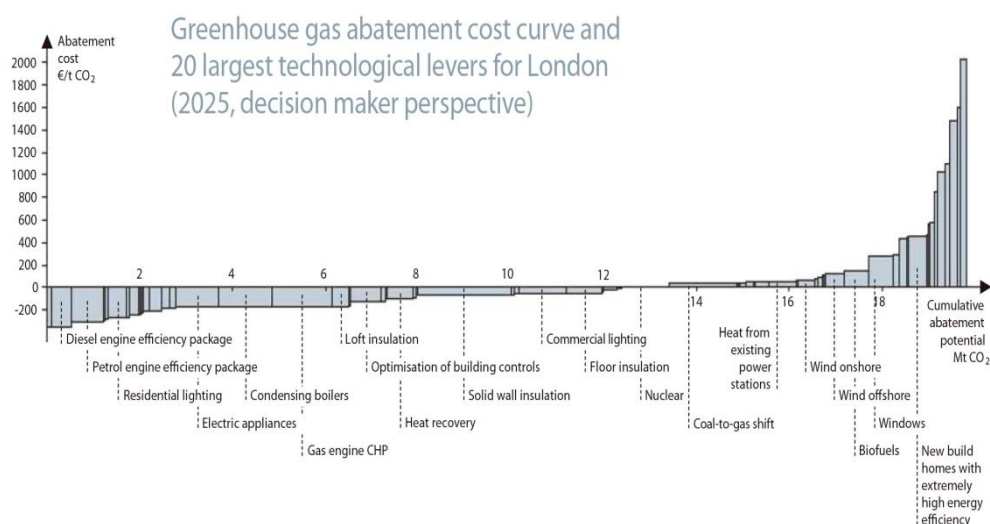
<sup>38</sup> Annual Population Survey Oct 2013 – Sept 2014

employees with STEM skills and knowledge, well over a third (39%) report current difficulties recruiting STEM-skilled staff at some level. 92% of businesses intend to maintain or increase their spending on training in the coming year, which highlights the importance of employees having the right skills for the right job

### 3.9 Air Quality

51. London faces a number of challenges if it is to maintain its position as a leading global centre over the next 20 years. One such challenge is climate change. Climate change represents a significant market failure – greenhouse gas emissions have been higher than would have been socially optimal. Although some degree of climate change is now inevitable, unless greenhouse gas emissions are reduced significantly, more dramatic changes to our climate may become unavoidable – with significant economic and social costs.
52. The fact that carbon emissions have been higher than socially optimal is a result of the price of carbon (and greenhouse gases in general) being either too low or not included in production. Establishing a price for carbon that reflects the full social cost of the production and consumption of carbon is important. The most pressing issue is for the international community to set a firm, binding target to limit the global average temperature rise resulting from climate change.
53. It is now widely anticipated that carbon and energy prices will be higher in the future. As a consequence, goods and services – particularly those involving high energy inputs – have already started to become more expensive, other things being equal. Economic activity needs to become more carbon efficient and there are likely to be economic opportunities in this transition.
54. London's Climate Change Action Plan sets a challenging target of reducing the capital's emissions of greenhouse gases by 60% on 1990 levels by 2025. In reducing the carbon intensity of economic activity, it makes both economic and environmental sense to concentrate on levers that deliver large reductions in carbon emissions at least cost (or even better with savings). Using all the technological levers identified, a report by the consultants EIU and McKinsey & Company finds that by 2025, London could deliver a 43.7% cut in carbon emissions (around 21 Mt CO<sub>2</sub>); see Figure 14.

**Figure 14: Greenhouse gases abatement cost curve for London – 2025 decision-maker perspective on 20 largest technological levers**



Source: EIU/McKinsey & Co. (2008) <sup>39</sup>

55. Opportunities stemming from efforts to tackle climate change in London extend to potentially positive impacts on output and jobs. Unlocking the low carbon economy in London could drive growth in the market worth £3.8 billion per annum. In this perspective, the Mayor's own carbon mitigation programme around retrofitting, converting waste to energy and decentralised energy is relatively small but could act as a stepping stone in London's journey towards the greater economic prize and its mitigation of climate change.
56. Given that some degree of climate change is now inevitable, London also needs to adapt to increased risks from flooding, drought and overheating.

### **3.10 2014-20 European Structural and Investment Funds (ESIF) programme**

57. The Government has introduced a new way of managing the programmes for 2014-20. It made notional ESIF allocations to each of the 39 Local Enterprise Partnerships (LEP) areas. London received the largest notional allocation of €791m, reflecting both its size relative to other LEPs and London's relative deprivation, particularly its unemployment rate.
58. The Government will be ultimately responsible for the delivery of single ESF and ERDF programmes in England: the Department for Work & Pensions (DWP) for ESF; the Department for Communities & Local Government (DCLG) for ERDF. DCLG and DWP are known as the 'Managing Authorities'.
59. The Managing Authorities have agreed to delegate a similar set of responsibilities to the GLA as 2007-13 for the London programme as an 'Intermediate Body'. The GLA's European Programmes Management Unit (EPMU) will undertake this role.
60. A new national Programme Monitoring Committee (also known as the Growth Programme Board) will strategically oversee the ESIF programme, and the GLA has a place on this Board. Each LEP area will also have a local committee which will act as an advisory body to support and scrutinise the implementation of the programmes. In London this is the 'London ESIF Committee (LEC)', and the GLA as Intermediate Body will be its Vice-Chair.

### **3.11 Substantial modification under Article 57 of Regulation 1083/2006**

61. No modifications were made in 2014.

### **3.12 Complementarity with other instruments**

62. As stated in the Operational Programme, in order to maximise the impact of structural funds London should ensure an integrated approach to the ERDF and ESF programmes. The ERDF programme is centred on developing economic opportunities associated with improving the environmental performance of business activity, as well as realising the increasing opportunities associated with the expanding environment sector. The ESF programme provides the opportunity to develop capacity to meet the increasing demand for skills at all levels in the environment sector, for example in energy efficiency, building technologies, renewable energy and waste. In London both programmes are managed by the European Management Unit, and joint team meetings are held at operation level. Programme monitoring meetings are also held concurrently to ensure that both programmes complement each other at strategic level.

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<sup>39</sup> Sustainable Urban Infrastructure: London edition – a view to 2025

<https://www.cee.siemens.com/web/at/de/corporate/portal/Nachhaltigkeit/Documents/SustainableUrbanInfrastructure-StudyLondon.pdf>.

## **4. Monitoring and evaluation arrangements**

### **4.1 The Local Management Committee (LMC)**

1. The LMC met on 2 April 2014. Key decisions taken at that meeting and underwritten procedures in 2014 are outlined at **Annex B**.

### **4.2 Monitoring of projects**

2. The monitoring of projects is undertaken in line with standardised guidance issued by DCLG. Updates on monitoring performance are provided for each LMC meeting. A programme level evaluation was not carried out during the 2014.

### **4.3 Project Engagement Visits (PEVs)**

2. Article 13 of the EU Regulation 1828/2006 requires on-the-spot verifications on projects and this is done through the Project Engagement Visit (PEV) and Progress and Verification Visit (PAV).
3. Projects receive a PEV shortly after a funding agreement has been signed and before the first claim is submitted. This is to ensure the grant recipients have been given the necessary advice and guidance in good time to have a bearing on how their projects are delivered. Additionally, it helps to determine if they have satisfactory systems in place for managing their project. 5 PEVs were undertaken in 2014.

### **4.4 Project Progress and Verification Visits (PAVs)**

4. Notwithstanding the various changes to the PAV processes and forms made during 2014, EPMU's Article 13 team carried out 22 PAVs, including follow up visits..
5. The total value of expenditure tested during the 22 PAVs was £15.7m, which is 24% of the total value of the eligible expenditure of the projects. The amount deems to be eligible at end of the PAV itself was £14.5m; this figure could change once the reports of all 22 PAVs are closed.
6. The key issues arising from PAVs included:
  - procurement – mainly as result of insufficient evidence or failure to follow agreed procedure;
  - ineligible costs – particularly linked to apportionment costs;
  - incorrect allocation of staff time to project – incorrect allocation of time from timesheets, lack of timesheets; and
  - missing invoices and evidence of payments made.

### **4.5 Audit of Operations (Article 16)**

7. Audits of Operations are undertaken by the Audit Authority in accordance with its audit strategy and sampling method. They normally draw their audit sample over two six monthly periods, grouping all operational programmes together. The Audit Authority informs the Managing Authority, the delivery network, and the intermediate 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 EPMU, who in turn share with the grant recipient. EPMU 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.

8. During 2014 the Audit Authority undertook Article 16 visits to 10 projects in London as part of its 2013/14 audit programme – see table below. No visits were carried out on its 2014/15 programme, pending a sample being drawn.<sup>40</sup>

**Table 15**

AA Ref	MCIS Project Ref	Project Applicant	Project Name
AA/LON10/13	ERDF/11/502	Greater London Authority	Technical Assistance 2
AA/LON06/13	ERDF/08/096	Greater London Enterprise	Mentoring for Success
AA/LON12/13	ERDF/08/160	Greater London Enterprise	E-Innovate
AA/LON08/13	ERDF/09/227	LB Croydon	Built to Compete
AA/LON13/13	ERDF/09/217	LB Croydon	Finance for Change
AA/LON09/13	ERDF/11/501	Transport for London	Cable Car
AA/LON15/13	ERDF/09/245	Global Action Plan	Environment Savings through ICT
AA/LON14/13	ERDF/09/238	Newham College	Showcasing Innovation
AA/LON11/13	ERDF/11/506	British Film Council	Growing British Designers' International Sales
AA/LON07/13	ERDF/09/218	Leonard Cheshire Disability	Enabled for Growth

9. Issues arising from the audits included:

- adequacy of procurement processes;
- quality of evidence in support of outputs and results;
- availability of evidence in support of expenditure itemised on transaction lists; and
- eligibility of SMEs supported in terms of ownership by larger organisations.

10. The AA's Annual Control Report submitted to the European Commission in December 2014 gave a national programme error rate in England for 2013/14 Article 16 audits of 2.414%. The error rate is based on a national random sampling methodology and therefore the national error rate applies to all English ERDF programmes. There is no statistically valid programme-level error rate.

11. The Managing Authority proposed a self-correction to the EC to bring the error rate below the material threshold of 2%. A self-correction involves removing a percentage of expenditure from the 2013 declaration: in other words not reclaiming from the EC a proportion of unchecked expenditure to reflect the error rate found in checked expenditure. This removes the irregular amount and brings the error rate for the 2014 ACR below the material threshold.

#### **4.6 Thematic audits by Audit Authority**

12. No thematic audits were carried out by the Audit Authority on the London programme in 2014.
13. No audits were carried out by the Audit Authority's Internal Audit Team or the GLA Internal Audit Team during 2014.

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<sup>40</sup>The Article 16 sampling year runs from 1 July to 30 June.

## **4.7 Interruption to payments**

13. In May 2013 the European Commission's Interruptions Committee decided to interrupt payments to the 10 English 2007-13 ERDF programmes.
14. The reason for the interruption given by the EC were "serious deficiencies identified by the English Audit Authority concerning the management verifications and concerning the audit trail."
15. 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 Government when Regional Development Agencies' were closed. Both audits had a "qualified major" opinion, meaning that there were material weaknesses that need 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.
16. During 2013-14, the Managing Authority complied with requests from the EC for more information, assurances around Article 13 verifications, the handling of irregularities and the recording of data on the Management Control Information System. This resulted in the interruption being lifted in March 2014.

## **4.8 Standardisation of ERDF**

17. EPMU has continued to follow the standardised guidance, templates and work instructions introduced by DCLG for ERDF in England from 1 April 2012, adapting for Intermediate Body purposes as necessary. The documents were subject to some revisions during 2014. EPMU was a party to this process.
18. The ERDF project management pages on GLA's website have been updated as necessary to reflect the new standardised guidance, forms and work instructions. They contain a suite of documents - including links to the DCLG website - covering management and delivery of ERDF supported projects.

## **4.9 Claims**

19. During 2014 EPMU introduced a new process whereby overall progress is measured in relation to the total number of claims due until the end of the Programme.
20. Steady progress continued to be made to reduce the numbers of overdue claims. There were 40 overdue at the end of 2014, plus a number which could not be paid pending resolution of outstanding Article 13, Article 16 or other audit-related issues, and liquidations.
21. Reasons for delays included:
  - capacity of lead partners for compiling claims and supporting evidence;
  - insufficient or inadequate evidence provided to EPMU leading to claims being rejected;
  - time taken for delivery partners in providing supporting evidence for lead partners; and
  - delays in receiving evidence to enable Article 13 and/or Article 16 issues to be concluded on occasion.

#### **4.10 Outputs and Results Review Policy**

22. EPMU continued to refer cases to the Programme Review Group (PRG), a sub-committee of the LMC, to consider the extent to which projects had fallen seriously short in providing evidence of outputs and results achieved, and to make decisions on whether the ERDF awarded should be reduced.
23. The PRG met twice during 2014 – on 4 March and 22 October. Issues discussed included:
- reviews of under-performance of projects' outputs and results;
  - policy for agreeing extended delivery time for projects;
  - risk register;
  - update on the interruption of payments by the EC; and
  - update on 2014-20 programme development and management.
24. The PRG was consulted on the performance of four projects through written procedure in July 2014, with agreement to reductions to the final amounts of ERDF paid on each project confirmed at the meeting on 22 October.

#### **4.11 Project closure**

25. As at 31 December 2014, a total of 53 projects had been signed off for completion, 12 of those during 2014.
26. Overall progress in closing projects was good, with significant attention paid towards ensuring that projects with difficult, long outstanding, issues were brought to a satisfactory conclusion. Reasons for delays included:
- slippage in delivery;
  - projects late with submission of satisfactory claims and supporting evidence;
  - time taken to resolve outstanding matters arising from Article 13 monitoring visits, Article 16 audit visits, and other issues including liquidations;
  - problems with the MCIS IT system delaying final payments, requiring resolution by the MCIS Help Desk in DCLG.

#### **4.12 EPMU delivery meetings**

27. Delivery meetings and meetings focusing on issues arising from Article 13 visits were held periodically during 2014, normally on an alternating basis, to enable staff to be updated on Programme progress and implementation issues arising. These meetings provided the opportunity for informative discussion. A representative of the MA attended most meetings.
28. There were also regular meetings between each Delivery Manager/ Officer, the Compliance and Irregularities Manager and the Senior ERDF Delivery Manager to review the position on each project on spend and delivery of outputs and results, as reported through the claims process, taking account of any issues raised during monitoring and audit visits. These meetings helped provide better focus on reasons for slippages and delays, and have assisted in making decisions on priorities for action, including on issues which needed to be referred to the new Programme Review Group.

#### **4.13 MCIS (web-based system for ERDF)**

29. MCIS has generally worked efficiently and effectively for submission and processing of claims from project providers. However, there have been some problems on MCIS in making final payments to projects, for example where adjustments needed to be made in order to ensure that the appropriate retention would be paid, and also where adjustments needed to be made to the final amount of ERDF paid following concerns over delivery of outputs and results. Such cases were referred to the MCIS Helpdesk in DCLG to resolve.

#### **4.14 National Performance Reserve**

30. Not applicable to the London 2007-13 programme.



## 5 Implementation by Priority

### 5.1 Priority 1: Business innovation & research and promoting eco-efficiency. Achievement of targets and analysis of the progress

#### 5.1.1 Information on the physical and financial progress of the Priority (qualitative analysis)

1. By the close of 2014 there were 17 live ERDF projects in Priority 1, with a combined value of £16.3m (€20.7m<sup>41</sup>) ERDF. Cumulative payments to Priority 1 projects amounted to £24.2m (€30.7m), or 79 % of the financial allocation for this Priority Axis. 9 projects are supported under Theme 1 (Developing a culture of innovation) and 8 projects are supported under Theme 2 (Leveraging London's knowledge base). The table below shows the cumulative progress in Priority 1 working towards indicator targets specified in the Operational Programme.

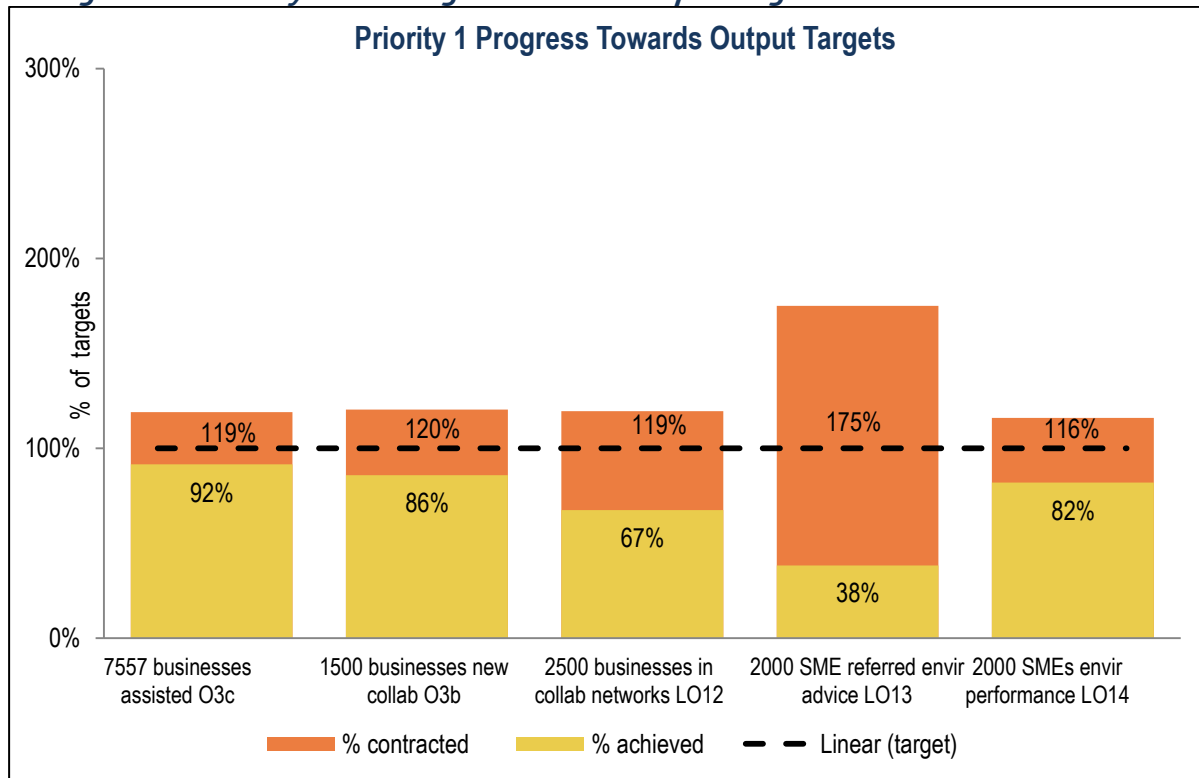
**Table 16– Priority Axis 1 Performance Indicators**

Indicators – Priority Axis 1					
Output Indicators	Target	Contracted	% contracted	Achieved	% achieved
03c- No. of business assisted	7557	8995	119%	6915	92%
03b- No. businesses involved in new collaboration with the knowledge connect	1500	1807	120%	1287	86%
L012- No. Of businesses involved in collaboration with knowledge based	2500	2987	119%	1687	67%
L013- No. Of SMEs referred for environmental advice	2000	3499	175%	767	38%
L014- No. of SMEs supported to achieve improvements in their environmental performance	2000	2320	116%	1640	82%
Result indicators	Target	Contracted	% contracted	Achieved	% achieved
R1- No. of jobs created-of which a minimum of 5% will be in the environment sector	850	1193	140%	543	64%
R2- No. of jobs safeguarded	1550	2022	130%	790	51%
LR9- No. of innovation related jobs created	220	339	154%	102	46%
R3- No. of businesses with improved performance	4000	4545	114%	2360	59%
LR10- No. of innovation related projects undertaken/secured	320	339	106%	307	96%
LR11- No. of business integrating new products , processes or services	870	1049	121%	1034	119%

2. Table 10 shows progress made towards the programme targets for Priority 1. In general there has been good progress, with the exception of one output indicator L013 ' No. of SMEs referred for environmental advice'. There was a good progress towards the business assisted target (03c) an increase of 23% from previous year, and the contracted figure indicates that the target will be overachieved by 19%. This is illustrated in figure 15.

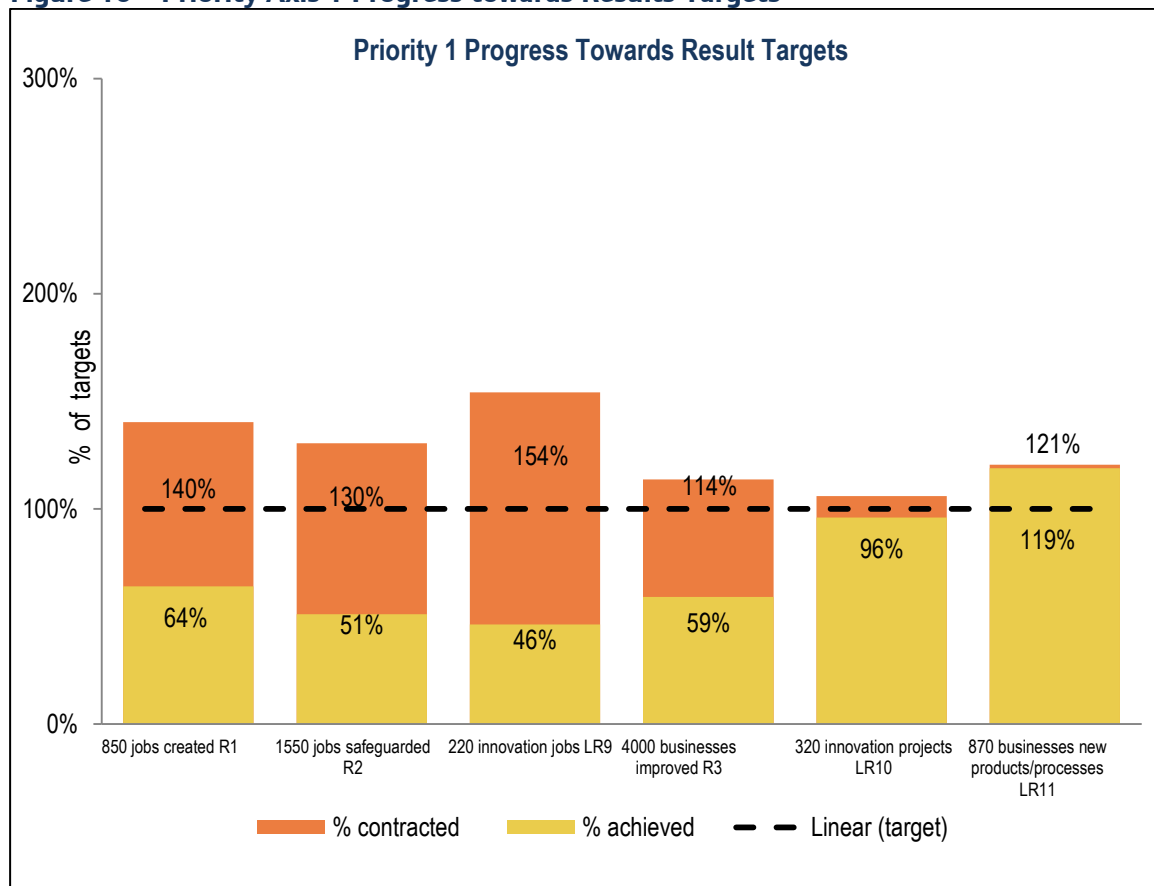
<sup>41</sup> Figures in Euro are indicative due to variations in exchange rates.

**Figure 15 – Priority Axis 1 Progress towards Output Targets**



3. Figure 16 below, shows progress towards result targets, in 2014 three targets have performed relatively well in comparison to the others; LR11 'No. of businesses integrating new products and processes or services has overachieved by 19% and it has an extra 16% contracted. R1' 'No. of jobs created' has shown an increase of nearly 20% on comparison to figures reported in 2013; and LR10 'No. of innovation related projects undertaken/secured' is at 96% achieved. The remaining results have also performed well, with achievements above the 50% target with the exception of LR9 'No. of innovations jobs created'. It is worth noting that although this result indicator is only reporting 46% of its target, that there was an increase of 13% in comparison to last year's figures.
4. Most of the result targets will be overachieved by the end of the programme, if projects deliver against their contracted figures.

**Figure 16 – Priority Axis 1 Progress towards Results Targets**



5. No allocation from Priority 1 was used in accordance with Article 34(2) of Regulation (EC) No 1083/2006.

### **5.1.2 Significant problems encountered and measures taken to overcome them**

6. The main problems encountered with the implementation in 2014 of Priority 1 reflect those reported in 2012 & 2013:

- Many contracted outputs and result indicators have shown a slight reduction in comparison to values presented in 2013. Most of these changes have occurred following mid-term evaluations carried out by grant recipients and the realisation that some of their objectives had been too high, in comparison to how SMEs were reacting to the adverse economic climate.
- Project slippage in terms of financial and output/results performance continued to be registered. The complex ERDF compliance rules and the heavy administrative workload that ERDF entails are persistent challenges that many beneficiaries have encountered.

## **5.2 Priority 2: Access to new markets and access to finance. Achievement of targets and analysis of the progress**

### **5.2.1 Information on the physical and financial progress of the Priority (qualitative analysis)**

7. In 2014 three new projects were contracted under this Priority. By the close of 2014 there were 30 live ERDF projects in Priority 2, with a combined value of £37.2 m (€47.2m) ERDF. 10 projects are supported under Theme 1 (Access to finance), which relate to Action 1 (Financial Awareness and

Investment Readiness). 20 projects are supported under Theme 2, (Access to new market opportunities).

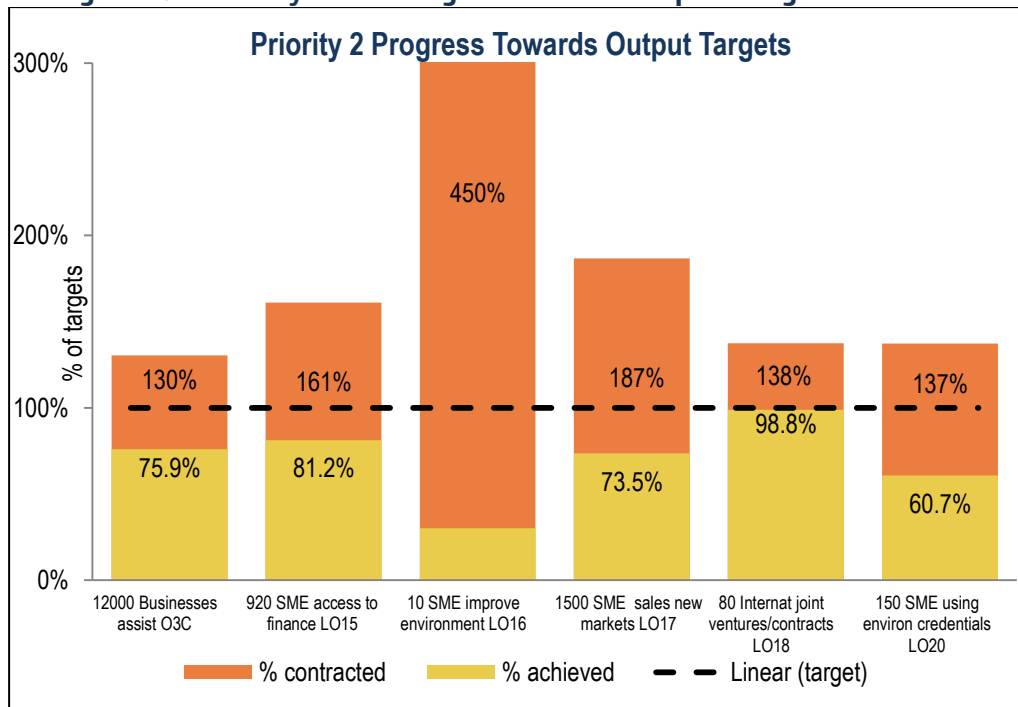
8. £31.5m (€40m) has been paid to beneficiaries or roughly 70% of the total allocation for this Priority Axis. This represents an increase of 20 % from last year.
9. As in 2013 Priority 2 is generally performing well against its outputs and results, with the exception of L016 (No. of SMEs supported through Access to Finance to improve environmental management), however if projects deliver against their contracted number this output will deliver over and above its target (at the end of 2013 this output was contracted at 450%). It is worth noting that this output was withdraw in 2012 following negotiations with the European Commission as part of changes to the Operational Programme.

**Table 17 – Priority Axis 2 Performance Indicators**

Indicators - Priority Axis 2					
Output Indicators	Target	Contracted	% contracted	Achieved	% achieved
O3c- No. of businesses assisted	12000	15634	130%	9111	75.9%
L015- No. of SMEs engaged in the access to finance programme	920	1482	161%	747	81.2%
L016- No. of SMEs supported through the access of finance programme to improve their environmental management and performance	10	45	450%	3	30.0%
L017- No. of SMEs with sales in new markets	1500	2800	187%	1102	73.5%
L018- Successful international joint ventures or contracts	80	110	138%	79	98.8%
L020- No. of SMEs using their environmental credentials or products to access new markets or supply chains	150	206	137%	91	60.7%
Result Indicators	Target	Contracted	% contracted	Achieved	% achieved
R1- No of jobs create of which a minimum of 5% will be in the environmental sector	1060	2853	269%	1094	103.2%
R2- No. of jobs safeguarded	2210	4097	185%	2390	108.2%
R3- No. of businesses with improved performance	2690	4902	182%	2895	107.6%
LR12- New sales generated £	£107,000,000	£156,843,221	147%	£136,781,609	127.8%

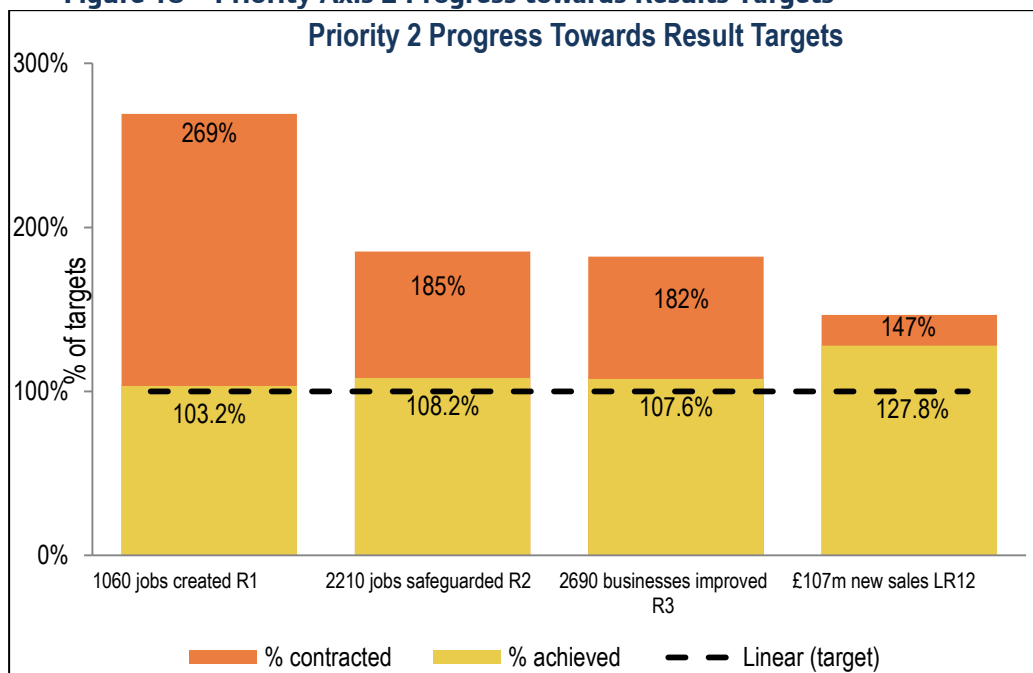
10. L018 has registered an improvement in performance of 27% in against the 71% achieved reported last year, as it can be noted on table 17.

**Figure 17 – Priority Axis 2 Progress towards Outputs Targets**



11. Priority 2, result indicators are performing extremely well. By the end of 2014 all result indicators for this Priority had been achieved. If all Priority 2 projects deliver against their contracted outputs this priority will deliver almost double of the original targeted results, as illustrated in the figure below.

**Figure 18 – Priority Axis 2 Progress towards Results Targets**



12. No allocation from Priority 2 was used in accordance with Article 34(2) of Regulation (EC) No 1083/2006.

## **Venture Capital Loan Fund Progress Update**

13. The London SME Fund has made good progress during 2014 in meeting its investment targets. The fund provided equity finance totally £4.8m for investment 8 new companies and follow-on investments in 7 of its existing portfolio companies. To date, the fund has invested £8.2m and has leverage just over £40m from private investors.
14. Currently, the fund's investment has result in the creation of 227 jobs and safeguarding a further 182.

### ***5.2.2 Significant problems encountered and measures taken to overcome them***

15. Most of the issues encountered were similar to the ones applicable for Priority 1, and these relate to adverse economic environment.
16. The willingness of SMEs to make the necessary investment to address their environmental performance has been weaker than expected. Although this output was removed from the programme, there are some live projects contracted to deliver LO16 'No. of SMEs supported through access to finance to improve their performance'. EPMU will continue to monitor the performance of these projects.

## **5.3 Priority 3: Sustainable places for business. Achievement of targets and analysis of the progress**

### ***5.3.1 Information on the physical and financial progress of the Priority (qualitative analysis)***

17. By the close of 2014 there were 3 live ERDF Priority 3 capital projects, with a combined value of £67.8 m (€86.1m) ERDF, including JESSICA. Of these 3 projects, one has completed its delivery activities. At this stage of the programme, there is no expectation that other proposals for infrastructure projects will be submitted to EPMU.
18. Following a request at beginning of 2013 by DCLG that all programmes achieve 100% commitment by 31<sup>st</sup> August 2013, the LMC agreed that any uncommitted funds in the programme would be utilised by the London Green Fund (JESSICA).

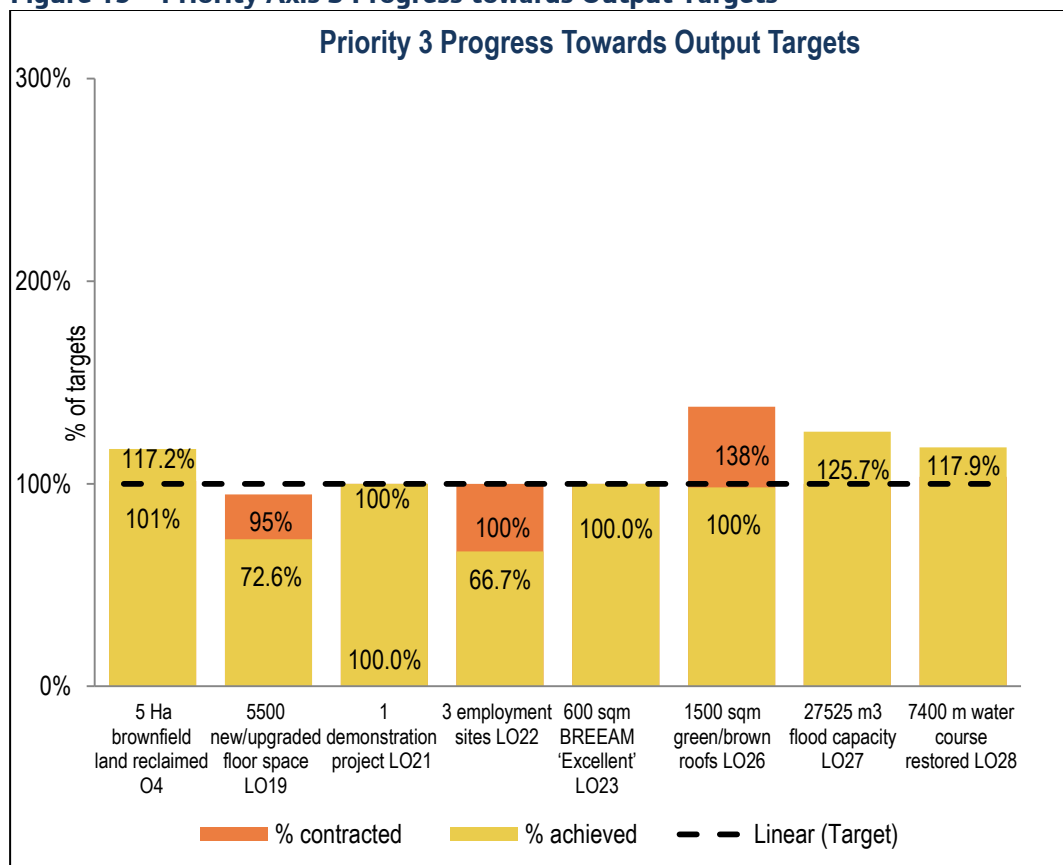
**Table 18 – Priority Axis 3 Performance Indicators**

Indicators - Priority Axis 3					
Output Indicators	Target	Contracted	% contracted	Achieved	% achieved
04- Ha brownfield land reclaimed O4	5	5.07	101%	6	117.2%
L019-5500 new/upgraded floor space	5500	5215	95%	3995	72.6%
L021- 1 demonstration project	1	1	100%	1	100.0%
L022- employment sites	3	3	100%	2	66.7%
L023- BREEAM 'Excellent'	600	600	100%	600	100.0%
L026- green/brown roofs	1500	2070	138%	1473	98.2%

L027- m3 flood capacity	27525	27525	100%	34,605	125.7%
L028- m water course restored	7400	7650	103%	8,727	117.9%
L024-100% projects sust.drainage	100%	300%	300%	3	100.0%
L025-100% projects energy tech.	100%	300%	300%	1	33.3%
<b>Result Indicators</b>	<b>Target</b>	<b>Contracted</b>	<b>% contracted</b>	<b>Achieved</b>	<b>% achieved</b>
R1- No. jobs created R1	400	416	104%	69	17.3%
R2- No. jobs safeguarded R2	175	175	100%	0	0.0%
74,667 Jessica: Reduction in CO2	74,667	74,667	100%	0	0.0%
245,000 Jessica: Waste diverted from Landfill	245,000	245,000	100%	0	0.0%
20 Jessica: Energy Savings	20	20	100%	0	0.0%
LR 14- MWh renewable energy	40	150	375%	0	0.0%
LR15- sqm buildings London Plan	5500	5815	106%	4595	83.5%

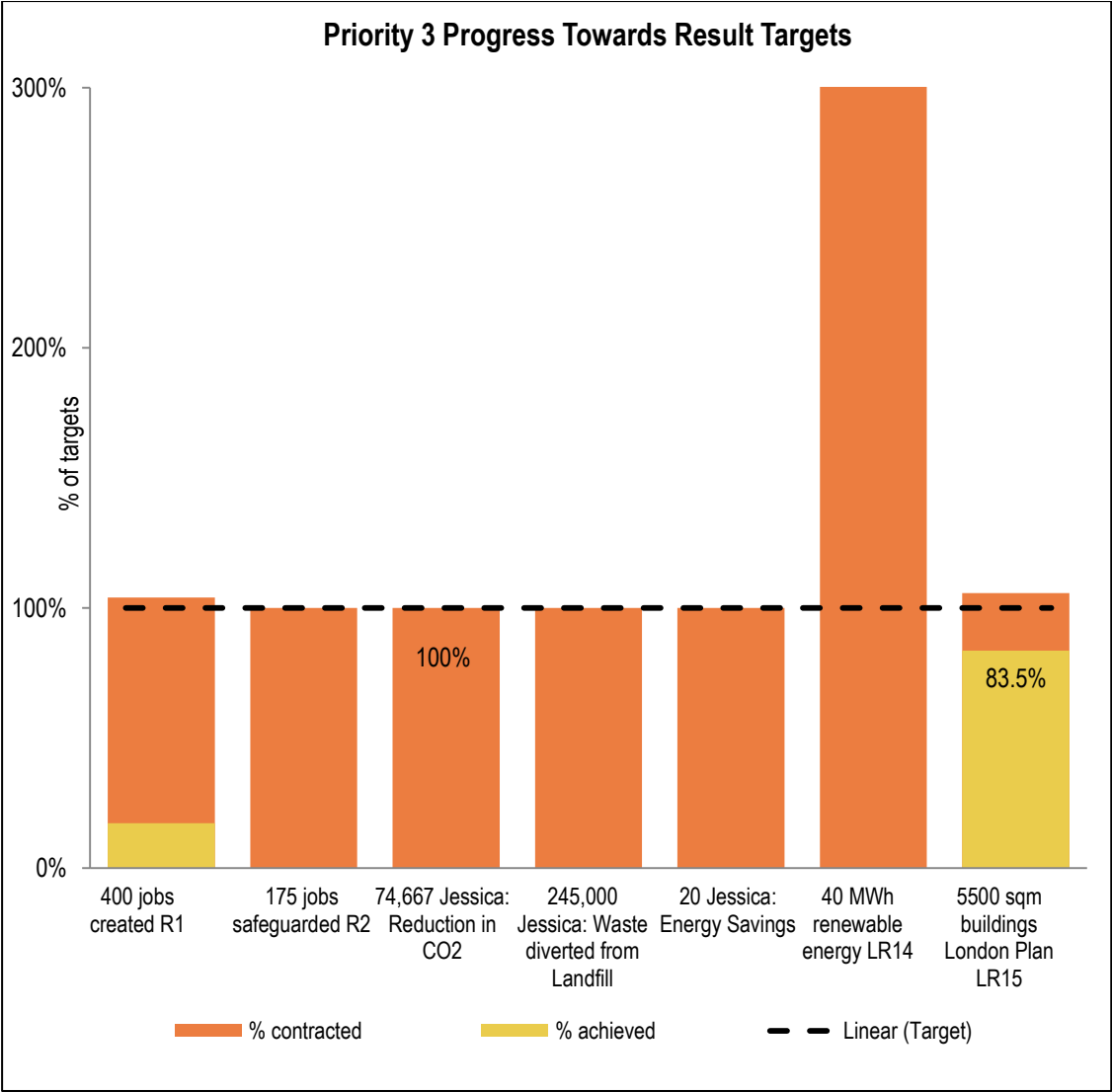
19. There have been no changes on Priority 3 outputs from what was reported in 2013. With the exception of 'new /upgraded floor space' most of the outputs are contracted to be achieved. Performance of Priority 3 outputs will be reported in the 2015 report, when JESSICA starts reporting outputs & targets.

**Figure 19 – Priority Axis 3 Progress towards Output Targets**



20. Most of the result indicators for priority 3 have been achieved; the remaining result indicators will be reported as part of JESSICA achievements.
21. Similarly to output indicators, the result targets have not changed since 2013. As investments made by JESSICA start to yield results, there is an expectation that most of the result indicators for Priority 3 will be achieved.

**Figure 20 – Priority Axis 3 Progress towards Results Targets**



22. No allocation from Priority 3 was used in accordance with Article 34(2) of Regulation (EC) No 1083/2006.



### **5.3.2 JESSICA – London Green Fund (LGF)**

23. The LGF continued to make good progress during 2014 and at the end of the year had a cumulative spend of £105m (88% of committed capital). Its three UDFs have invested in a diverse mix of projects that are forecasted to reduce CO<sub>2</sub> emission by 214,963 tonnes per year and divert 330,980 tonnes of waste from landfill each year.
24. During 2014, three of the waste facilities receiving investments commenced operation, including London's first anaerobic digestion plant and the UK's first plastic bag and plastic film recycling facility.

### **Waste UDF – Foresight Environmental Fund (FEF)**

25. The LGF committed £35m (£17.5m ERDF) to FEF and during this reporting period £6.7m was invested in two new projects and two existing projects. This took the cumulative investment in projects to £28.3m.
26. FEF has so far invested in seven projects with different technologies including anaerobic digestion (AD); in-vessel composting (IVC); HDPE/LDPE<sup>42</sup> recycling and combine heat and power. The waste stream includes food, garden waste, plastic bottles and plastic film.
27. In February 2014, the TEG Dagenham organic waste facility located in Dagenham, East London became operational – see photo below.



28. The facility comprises a 30,000 tonnes per annum AD plant and a 19,000 tonnes per annum IVC plant. The AD plant will generate approximately 1.4MW of electricity annually, sufficient to power approximately 2,000 homes. The facility produces over 36,000 tonnes p.a. of AD digestate and 14,000 tonnes p.a. of compost for agricultural use.
29. Plasrecycle became fully operational in 2014. The plant can reprocess 20,000 tonnes per annum of used shopping bags and plastic films, equivalent to one third of all of the 8 billion so-called "single-use" carrier bags handed out by supermarkets every year in the UK. This pioneering facility provided

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<sup>42</sup> High-density polyethylene/low-density polyethylene.

by Plasrecycle means that local authorities and businesses no longer have to export landfill or incinerate their waste plastic bags.



#### **Efficiency Fund (LEEF)**

#### **Energy Efficiency UDF – London Energy**

30. During 2014, LEEF provided a loan of £12m to finance energy efficiency (EE) measures and the installation of a CHP<sup>43</sup> unit at the St George's hospital in Tooting. These measures will reduce the hospital's energy cost spend by 25% and cut over 6,000 tonnes of carbon emissions per annum, which is equivalent to removing over 3,000 cars from the road.
31. Good progress is being made on the other projects. Once construction works are completed, it is estimated that the annual CO<sub>2</sub> and energy saving across the portfolio of projects will be 16,000 tonnes and 34% respectively.

#### **Green Social Housing UDF**

32. The £12m allocated to the Green Social Housing Fund was loaned to three registered social housing providers to fund energy efficiency measures in over two thousand properties across London. Some of the works carried out during 2014 included external and internal wall insulation; boiler replacement; and windows and door replacement. These measures not only lead to reduce CO<sub>2</sub> emission and energy saving but also help to tackle fuel poverty.
33. Further details on the UDFs are set out in Annex E.

### **5.4 Significant problems encountered and measures taken to overcome them**

34. No significant issues were identified under this priority in 2014.

### **5.5 ESF programmes: coherence and concentration**

35. Not applicable

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<sup>43</sup> Combined Heat and Power

## 5.6 ERDF Cohesion Fund Programmes: Major Projects

36. The Cable Car was opened in June 2012. £8m (€9,040,000) ERDF was awarded to Transport for London to trigger and support the regeneration of the area. This is a long-term objective for which ERDF is contributing to enhancements to the local environment, supporting the creation and safeguarding of jobs and increasing the economic performance of businesses in the area.
37. The project has, to date, reported 316 jobs created, 2,06 ha of brown field land reclaimed or redeveloped and a total of 2760m<sup>2</sup> of new or upgraded floor space.



## 5.7 Priority 4 - Technical Assistance. Achievement of targets and analysis of the progress

### 5.7.1 Information on the physical and financial progress of the Priority

38. 'Technical Assistance' (TA) is used to finance activities that underpin the management and administration for implementing ERDF funds in London. The funds are used to enable EPMU to manage the delivery of the ERDF programme. There has been little interest from external providers for accessing TA funding.
39. £2.8m (€3.5m) ERDF is allocated to finance (TA) activities under Priority 4 of the Programme and £1.9m (68%) has been spent.
40. In July 2011 the LMC approved a new TA project which requested £1,630,784 ERDF to support the eligible costs of EPMU to manage the programme from 1 July 2011 (the date EPMU transferred to the GLA) for four years until 30 June 2015. The full project cost is £3,261,568. The Department for Communities and Local Government (DCLG) is providing the match funding of 50% for four years. In 2012 the project was subject to an Article 16 audit, which it successfully passed with no actions or recommendations.

### 5.7.2 Significant problems encountered and measures taken to overcome them

41. There were no significant problems encountered during 2014.

## 6 Information and publicity

1. In 2014 most of the information and publicity were centred in engaging and informing stakeholders about development of the 2014-20 European Structural Fund programme.

### 6.1 European Structural Investment Fund (ESIF) 2014-20

2. To ensure that ESIF stakeholders were kept informed of the development of the programme, the EPMU ramped up the social media engagement and invited stakeholders to register to the EPMU's newsletter.
3. As part of this commitment we have also updated our contact database. An email was sent to all contacts, asking them to update their contact details, and whether they wanted to remain in the contact list. This will be an ongoing exercise as we expect the database to grow as the programme goes live. By the end of 2014 the database had over 500 contacts.
4. EPMU presented the ESIF priorities at the London Enterprise Panel Engagement events in :

Central London on 6 June 2014

North London on 17 June 2014

West London on 19 June 2014

South London on 11 July 2014

5. In November EPMU delivered two workshops aimed at potential applicants, the event focused on:

Providing an outline of the draft priorities of the ESIF strategy

Explain new governance arrangements

Sharing best practice in running successful ERDF projects

6. On the 8<sup>th</sup> December the EPMU organised a drinks reception to celebrate achievements of the 07-13 programme and 'soft launch' the 14-20 programme.

7. The event was attended by 140 partners, including DG Regio colleagues. The event was hosted by the London Enterprise Panel Chair of the Skills and Employment Working Group and the guests also heard presentations from ESF and ERDF beneficiaries.

8. The reception provided the opportunity for EPMU to engage with the 2014-20 European Structural Investment Funds stakeholders, and to informally keep them informed about the programme development



Noel Farrell from the European Commission (L) and Garry White from Department for Communities and Local Government (R)

9. All of the events hosted by the EPMU during 2014 were publicised on the webpages, twitter and blog.



10. EPMU continued to escalate the unit's presence online, by posting news on the 2007-13 Blog and uploading case studies.
11. As part of our media engagement the EPMU produced and infographics<sup>44</sup>, highlighting the achievements of the 2007-2013 Programme (image on the right).
12. In May the team celebrated Europe day by handing out ERDF branded marketing material to GLA staff and visitors.
13. A post explaining how Structural Funds benefited London was posted on the Greater London Authority website.
14. Innovation for Growth an ERDF co –financed project, delivered by the British Library was a finalist of this year DG Regio Regiostars “Smart growth: SME innovation” category.
15. EPMU also submitted five project videos to be showcased at the as part of DG Regio Open Days ‘Cinema’.
16. In September 2014 the European Programmes Director attended the 6<sup>th</sup> Cohesion Forum as part of the UK's delegation
17. Members of the EPMU team were invited to present at various events for EU funding practitioners by the European Academy for Taxes, Economics and Law in Berlin.
18. The ‘Food save’ project co-financed by ERDF, won the 2014 LARAC (Local Authority Recycling Advisory Committee) celebration award for the ‘best waste minimisation or prevention project’. Food save supports businesses to prevent food waste, puts surplus

<sup>44</sup>Please note that the image on the right had to be compressed to fit. Infographics is best viewed online



food to good use and reduces the amount of food sent to landfill.

19. In 2014 the London Green Fund featured in the European Investment bank (EIB) newsletter as an example of good practice for a JESSICA Financial Instrument (FI). The London Green Fund was lauded for attracting £75m of private investment and for financing two innovative projects: A biogas plant that can process up to 50,000 tonnes of food and green waste, while producing energy to power 2000 homes; and the first food grade Polyethylene terephthalate (PET) and High Density Polyethylene (HDPE) plastic bottle recycling plant

## 6.2 Project Visits

20. In February 2014, EU Commissioner for Regional Policy Johannes Hahn met the Mayor of London, Boris Johnson, and visited the cable car, an ERDF co-financed project that promotes regeneration in the Greenwich peninsula.



## 6.3 Projects' publicity

21. EPMU continued to monitor ERDF projects' compliance with publicity rules by ensuring that beneficiaries display the ERDF logo and make reference to EU assistance in their communication activities.
22. Case studies feature on the [www.london.gov.uk](http://www.london.gov.uk) website.
23. A list of all 2007-2013 ERDF funded projects can be found on the [www.london.gov.uk](http://www.london.gov.uk) website

## Annex A - London-wide Baseline Figures

Indicator	London baseline	Source
Number of SMEs	805,085	Business Population Estimates for the UK and the Regions (2012), BIS
Number of businesses with no employees <sup>45</sup>	615,995	
Number of businesses employing between 1-249 workers	189,090	
No of unemployed (16+), seasonally adjusted, October – December 2012)	362,000	Office for National Statistics (ONS), Regional Labour Market Statistics, February 2013
Workforce Jobs <sup>46</sup> (September 2012)	5,056,000	
Area of brownfield or previously developed land	3,730 Hectares	National Land Use Database of Previously Developed Land, HCA, (2009)
Estimated Carbon Dioxide emissions 2010 (Kilotonnes of CO <sub>2</sub> )	44,672	Local Authority CO2 emissions estimates 2010: Statistical Summary and UK Maps
Decentralised energy installed capacity	2,097 MW	Decentralised Energy Capacity Study; Phase 1: Technical Assessment (October 2011), GLA.
Annual GVA (£) (reported at current basic prices)	£282.9 billion	ONS Regional Gross Value Added, (2011 data).
Total employment in private sector (headcount)	4,364,000	Business Population Estimates for the UK and the Regions (2011), BIS.
Employment in SMEs <sup>47</sup> (headcount)	2,162,000	
Stock of VAT and/or PAYE registered businesses as of March 2012	419,735	UK Business (2012), snapshot of the Inter Departmental Business Register on March 2012
Number of business registrations in 2011	61,395	Office of National Statistics, Business Demography, (2011 data)

<sup>45</sup> These constitute sole proprietorships, partnerships based on the self-employed owner-manager and companies comprising a sole employee director.

<sup>46</sup> This is the measure of the total number of jobs in London, whether or not they are taken by London residents.

<sup>47</sup> This includes both those businesses comprising sole owners and all businesses hiring up to 249 employees.

Number of business de-registrations in 2011	43,730	
Net change during 2011	+17,665	
1 year survival rates of businesses registering in 2010	84.6%	Office for National Statistics, Business Demography (2011 data)
3 year survival rates of businesses registering in 2008	52.6%	
<p>Equality profile of private business owners by majority ownership:</p> <p>Ethnicity of owners</p> <p>Disabled owners</p>	<p><b>White – 71%</b>  White British – 58%  White other – 11%  White Irish – 2%</p> <p><b>Black/Black British – 7%</b>  Black/Black British African – 4%  Black/Black British Caribbean – 3%</p> <p><b>Mixed and other: 3%</b>  Mixed – other 2%  Other ethnic group – 1%</p> <p><b>Asian/ Asian British – 12%</b>  Asian/ Asian British Pakistani – 2%  Asian/ Asian British Indian – 7%  Chinese – 1%  Asian/ Asian British - Other 2%</p> <p><b>Prefer not to say - 5%</b>  Disabled – 8%  Not disabled - 88%  Prefer not to say - 4%</p> <p>Male – 67%  Female – 33%  Transgender – 0.24%</p>	<p>Wave 3 Business Confidence Index (February 2010)</p> <p>Based on a sample of 3076 pre starts and SMEs</p> <p>Question based on respondent</p>



Gender of owners	Prefer not to say – 0%	
Equality profile of business owners in the environmental sector		London Annual Business Survey, 2007. Based on a sample of 4527 private businesses
Ethnicity of owners	80.7% majority white	
	0% majority black	*Note: new definition of Environment sector used. Comparisons therefore should not be made to previous editions.
	3.4% majority Asian	
Gender of owners	79.5% majority male	
	12.2% 50:50 male/female	
	5.9% majority female	
	2.3% don't know/refused to answer	
Percentage of business owners reporting problems in accessing external finance by ethnicity:		Wave 3 Business Confidence Index (February 2010)
Majority white	6%	Based on a sample of 3076 pre starts and SMEs
Majority black	13%	Question:
Majority Asian	8%	<i>Q16. From the list below, please indicate which one issue is the major problem you face in running your business at the moment?</i>
		List includes:
		Access to financing/credit from banks

## **Annex B - Key decisions & actions of ERDF Local Management Committee in 2014**

### **02 April 2014**

Paper 128- Programme Performance  
Paper 129- London Green Fund and SME Fund update  
Paper 130- Delivery Update  
Paper 131- ERDF AIR 2013  
Paper 132- Development Update  
Paper 133- Call 8: Full Application Approval- LB Enfield

### **Papers approved via written procedure:**

<b>Paper</b>	<b>Title</b>	<b>Issued to LMC</b>
126	Call 7: Full Applications approval- Prince's Trust; Capital Enterprise	20/01/14
127	Call 8: Full Application approval- Harrow College	13/12/14
134	ERDF AIR 2013- Final	25/04/14
136	Programme Performance & Update	24/10/14
137	Programme Performance	22/12/14

## Annex C – Publicity and Communication Action Plan

Objective	Actions	Results	Indicators	Milestones	2014 update
<b>Raise awareness</b>	Publish calls for proposals on website	Call published	Call published	Ad hoc- depending on calls timing	Last call of the programme was published in 2013
	E-mail sent to potential beneficiaries & stakeholders	Emails sent	No of emails	Regular from Sept 2014	Stakeholders informed about the development of the 2014-20 programme.
	Use partner networks to raise awareness on ERDF funding opportunities	Stakeholders aware of opportunities	No of meetings	Ad hoc- depending on calls timing	Throughout 2014 EPMU presented at various stakeholders & partners meetings
<b>Maximise the visibility of the ERDF achievements</b>	Manage website content in a transparent and clear manner;	20% increase in no of page views by 2015	No of page views on website	Q4 2015	22,343 unique views
	Upload case studies on website	5 case studies uploaded	No of case studies	Q2 2011	Target met.
	Send regular news mailshots to stakeholders with content published on news blog	2 mailshots annually sent	No of e-newsletters	Bi-annually	N/A (as blog was established in July 2012)
	Produce brochures to include case studies (including JESSICA)	Brochures produced	No of brochures	Q4 2011	N/A – done via website
	Upload e-brochures on website	Brochures uploaded	No of brochures	Q4 2011	N/A - blog now established
	Investigate use of social media tools (Facebook, Twitter) to promote the ERDF achievements (subject to GLA policy)	ERDF Twitter account created, 1000 followers	No of fans	Q4 2014	1422 followers by the end of 2014 (up333 from 2013).
	Purchase promotional merchandise (including JESSICA)	Promotional items purchased	No of items	Q4 2011	No update
	Promote ERDF London case studies to REGIOSTARS awards in Brussels	1 case study sent	No of case studies	Q2 2010 - 2015	Submission in 2014.

Objective	Actions	Results	Indicators	Milestones	2014 update
	Distribute regular press releases, to local and regional media about ERDF success project stories and/or ERDF programme progress at each year end or at significant milestones, including funding totals and number of projects supported.	12 press releases	No of press releases	Biannually until 2015	Blog and Twitter used in place of press releases
	Cleanse and revise the contact database in preparation for the 2014-20 programme	Updated database	No of contacts	Q4 2015	Database reached 500 plus contacts
	Include London MPs and MEPs in distribution of ERDF newsletter and publicity material showcasing constituency project successes	MPs and MEPs included on list	No of MPs and MEPs	Q2 2011	8 MEPs and 73 MPs included in the ERDF distribution list
	Organise closing event	1 event	No of events	Q4 2015	N/a
	ERDF awards ceremony (co-organised with ESF)	1 event	No of events	Q3 2011	No update in 2014
<b>Ensure transparency</b>	Upload and update list of beneficiaries on website	List uploaded	Current list available on LDA website	Q1 2010 onwards	List regularly uploaded and updated.
	Produce and upload on website the Annual Implementation Reports and Final Report	8 reports uploaded	No of reports	June 2010 - 2015	AI Rs uploaded on website.
	Provide an update on communication activities to the PMC each year	5 reports	No of reports	Each year until 2014	Reports provided.
	Produce visual quarterly programme performance reports	19 reports	No of reports	Each quarter until 2014	Reports produced regularly throughout 2014 for internal use.
	Evaluation of communication activities	1 report	No of reports	Q4 2015	Last undertaken in 2011.
<b>Provide clear and detailed information to beneficiaries</b>	2014-20 workshops for beneficiaries	2 workshops	Feedback forms Presence lists	Nov 2014	2 stakeholder engagement workshops
	Produce and upload on website clear information about the application and selection process as well as key ERDF implementation guidance documents (procurement, evaluation, communication etc). Ensure that beneficiaries are aware of guidance and any updates/modifications	Current guidance available on website	No of web hits and downloads	Q1 2010 onwards	1719 pageviews on project management website section.

## Annex D – ERDF case studies

### Fit For Legacy (FFL) - Newham College of Further Education

Chisholm & Winch are specialist building and fit-out construction providers with 40 years of experience working in close partnership with the industry's leading architects, engineers, quantity surveyors and project management companies. As a result of their commitment to delivering the highest quality on-site service and positive attitude towards safety in industry-standard, most of their business has been repeat customers.

With an already strong client base, Chisholm and Winch wanted to grow the business further and access new markets. They wanted to be in a more competitive position when bidding for contracts, and the team at FFL worked with Chisholm and Winch to ensure that they were able to access new buyers and contracts and better understand the needs of buyers.

FFL first focused on providing support and training on the procurement process and Chisholm and Winch attended a training workshop to ensure they were in a competitive position when entering the bidding process. In addition to this, the FFL team facilitated various meet the buyer events and positioned Chisholm and Winch in front of major sub-contractors. As a consequence Chisholm and Winch were able to bid for work and subsequently won a contract valued at £350k for building works on a residential new build development of flats. This resulted in the safeguarding of a number of jobs across the business in order to deliver on the project.

**"Chisholm & Winch have attended a number of Fit for Legacy Seminars and Meet the Buyers events and we have found these to be a useful addition to our marketing portfolio. This was particularly demonstrated when earlier in the year (2014) we attended a 'Meet the Buyers' event at Rooff in Barking. We quickly established a synergy between our two Companies and this resulted in us tendering and securing a project in Canonbury, thus securing work for a number of our team for that year."**

**Simon Castle – Director of  
Chisholm & Winch**



**Fit for  
Legacy**





# A FoodSave Case Study



## The Breakfast Club

### About the business

**The Breakfast Club** is a high volume, fast turnover operation. The management team signed up to **FoodSave** because they suspected their restaurants were wasting too much food. The BC is serious about sustainability. Reducing food waste is one of its top sustainability priorities. Hoxton, one of The BC's six sites in London, was chosen to take part in the GLA's FoodSave programme.



“

Taking part in FoodSave has had a hugely significant impact on our business, making us think about everything from how we order and store our food to the size of our portions. It's been a very positive experience and one that will have a lasting effect on all the restaurants.

**Matt Goussaert,**  
Executive Chef,  
The Breakfast Club

”



Reduction in  
food waste  
per year

2.5 tonnes

Savings per year

£5,600



### The Food Waste Audit

The FoodSave team monitored kitchen waste using the **Winnow Waste Monitor system** for four weeks, with an additional unit installed for two weeks, to measure plate waste. Staff found the process straightforward and informative. "FoodSave helped me identify training opportunities with staff and keep an eye on our production," said Matt Goussaert, BC Executive Chef. The system required minimal time to use, a critical factor for a high turnover establishment like The BC. The FoodSave team met weekly with The BC team during the programme to problem solve ways to reduce waste and check on progress.



### Reaping the Benefits

The BC reduced its kitchen food waste by 55%, preventing 2.5 tonnes of waste going to landfill and providing a £5,600 saving on food costs annually. Information on plate waste informed a menu re-design, taking into account factors such as portion size and customer preferences. The BC identified its hot holdings, or pre-prepared foods, area as a waste hotspot, achieving an 80% reduction in waste in just four weeks. Communication between staff improved and the team's awareness of food waste was heightened. As testament to the impact of the programme, The BC is taking what it learned to other sites.



### Top Tips for Reducing Food Waste

#### Kitchen waste

- ✓ Weigh menu items to regulate portion size
- ✓ Build food waste awareness into staff training
- ✓ Hold daily chefs meetings to review what's being thrown away each day. Focus on high value items prepared in batches and identify where volumes can be reduced
- ✓ Check suppliers of perishables such as bread - see if you can find one that is more flexible about order sizes
- ✓ Make the most of seasonality- use fruit that's in season (it costs less and it keeps for longer) and use fruit compotes in the winter

#### Plate waste

- ✓ Review portioning of high category waste items - bread rolls, coleslaw

[www.foodsave.com](http://www.foodsave.com)

## **Annex E – Financial Instruments Monitoring Spreadsheets**

See separate Excel document attached containing information regarding the London Green Fund and the SME Investment Fund.

## Annex F – Accepted revisions to programme indicators

Following consultation and approval of the LMC, EPMU submitted the following revised output and results targets to the European Commission. The revisions were formally agreed on 26<sup>th</sup> April 2013.

### Priority Axis 1

#### Indicators - Priority Axis 1

<b>Output Indicators</b>	<b>2007 Target</b>	<b>2013 Target</b>
No. of businesses assisted Of which a minimum of 5% will be in the environment sector	7557	7557
No. of businesses within the region engaged in new collaborations with the knowledge base	756	1500
No. of businesses involved in collaboration networks	1575	2500
No. of SMEs referred for environmental advice	1000	2000
No of SMEs supported to achieve quantifiable improvements in their environmental performance	750	2000
<b>Result indicators</b>		
No. of jobs created Of which a minimum of 5% will be in the environment sector	1390	850
No. of jobs safeguarded	2580	1550
No. of innovation related jobs created	390	220
No. of businesses with improved performance	2000	4000
No. of innovation related projects secured/undertaken -Of which at least 50 will be projects secured/undertaken as a result of collaboration networks	100	320
No. of businesses integrating new products processes or services	75	870
<b>Impacts expected from Priority Axis 1</b>		
Increase in GVA	€45m	€45m

### Priority Axis 2

#### Indicators - Priority Axis 2

<b>Output Indicators</b>	<b>2007 Target</b>	<b>2013 Target</b>
No. of businesses assisted Of which a minimum of 5% will be in the environment sector	7852	12000
No. of SMEs engaged in the access to finance programme	982	920
No. of SMEs supported through the access to finance programme to improve their environmental management and performance <i>(this indicator was taken out of use for new ERDF projects from October 2012)</i>	100	10
No. of SMEs with sales in new markets	400	1500
Successful international joint ventures or contracts <i>(note: for new projects contracted after October 2012, this indicator is relevant only export projects).</i>	80	80
No. of SMEs using their environmental credentials or products to	100	150



access new markets or supply chains (this indicator was taken out of use for new ERDF projects from October 2012)		
<b>Result Indicators</b>		
No. of jobs created Of which a minimum of 5% will be in the environment sector	1444	1060
No. of jobs safeguarded	2680	2210
New sales generated	€98m	€107
No. of businesses with improved performance	2500	2690
<b>Impacts expected from Priority Axis 2</b>		
Increase in GVA	€82m	€82m

### Priority Axis 3

Due to the nature of the activities supported under this Priority, some of the benefits and impacts will be realised after the activities undertaken have been completed and can be captured through an evaluation process

#### Indicators - Priority Axis 3

<b>Output</b>	<b>2007 Target</b>	<b>2013 Target</b>
Brownfield land reclaimed and or redeveloped (hectares) <sup>48</sup>	5	5
Total new or upgraded floor space (metres squared) <sup>49</sup>	5500	5500
No. of demonstration projects show-casing latest co-generation or renewable energy technology systems	5	1
No of employment sites with environmental improvement programmes to address identified deficiencies in accessible open space and/or access to nature in employment areas	5	3
Area of workspace gaining BREEAM rating of 'Very Good' or 'Excellent' or equivalent (in meter square)	2250	600
No of projects incorporating sustainable drainage systems	100%	3
No of projects installing de-centralised co-generation or renewable energy generation technology	100%	1
Area of Green and Brown roofs created (in metres squared)	200	1500
Volume of additional flood storage capacity created (in metres cubed)	500	27525
Length of water course restored or significantly enhanced (in metres)	500	7400
<b>Result Indicators</b>		
No. of jobs created <sup>50</sup>	1182	400
No of jobs safeguarded <sup>51</sup>	0	175

<sup>48</sup> This will be undertaken where it is deemed essential as part of the regeneration or environmental efficiency processes in the areas prioritised under Priority Axis 3.

<sup>49</sup> Upgraded floor space - This value has been calculated as the cumulative square metres directly attributable to the ERDF contribution to projects and is not the cumulative value of the total project outputs which would be higher.

<sup>50</sup> Due to the nature of the interventions under Priority Axis 3, most of the outcomes will be realised after the activities undertaken have been completed. However, this target represents the jobs that may be created as a result of the activities supported, for example by the London Cable Car.

No. of SME assisted <sup>52</sup>	4286	0
Additional capacity of renewable and co-generated energy production (MW)	40	40
New or refurbished buildings with environmental specification in line with the London Plan (metres squared)	5500	5500
Number of new or existing businesses locating to eco-efficient, high quality work spaces	55	0
No. of businesses supplied with low or zero carbon energy	100 <sup>53</sup>	0
Reduction in CO2 (tonnes per annum)	n/a	74667
Waste diverted from Landfill (tonnes per annum)	n/a	245000
Energy Savings (%)	n/a	20
<b>Impact Indicators</b>		
Increase in GVA	€ 164 m	0
Increase in London's capacity to generate de-centralised co-generated and renewable energy	20%	20%

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<sup>51</sup> This target represents the jobs that may be safeguarded as a result of the activities supported such as the London Cable Car

<sup>52</sup> This relates to the number of SMEs that will benefit from environmental and urban enhancement activities under Priority Axis 3.

<sup>53</sup> This target will be review after the JESSICA Evaluation Study.

