



## **ESI Funds Growth Programme Board**

### **ERDF Programme Delivery**

#### **Purpose:**

To advise the board on progress with European Regional Development Fund (ERDF) Programme delivery to 31st December 2020.

#### **Recommendation(s):**

That the Growth Programme Board note the position to end of December 2020.

#### **Summary:**

Currently, the overall sterling value of the Programme is valued at £3,233m (@. 0.8859) **Overall Progress on Contracting;** 989 projects (inc.11 financial instruments (FIs)) with ERDF of £2687m have been contracted, excluding PA9 balance remaining. This represents 83% of the programme budget. This is an increase of 75 contracted projects (£194m ERDF) compared to the previous quarter.

There are 250 pipeline applications with ERDF of £413m, excluding reserve applications (£19m). This pipeline represents a further 13% of the programme budget. The decrease of 151 pipeline applications since the previous quarter is mainly due to projects progressing to contracted, either as a new project, or an uplift to a current project (continuations).

#### **Breakdown of the 250 pipeline applications:**

- Project continuations - £82m (93)
- GFA's in development - £87m (34)
- Full Applications/invited to - £242m (122)
- Outline applications (pending ESIF decisions) - £2m (1)

Adding contracted projects with those in the pipeline, represents 97% of the programme budget.

**Overall Progress – Expenditure:** Cumulative claims paid by the Managing Authority (MA) to grant recipients total £1,288m ERDF, an increase of £110m from the previous quarter.

**2023 Performance Framework (PF) Targets - Exp /Outputs:** Steady progress is being made. Some areas are on a watch list. 21/23 expenditure targets are *contracted*

above the minimum threshold (65%). For PF outputs, all regions have contracted sufficient projects to achieve the minimum threshold, except PA5 MDR and PA7 LDR.

**N+3 2020 Target:** Achieved and exceeded. As at 31st December, cumulative ECPAs were valued at €1759m against the 2020 target of €1340m.

A programme modification has been approved by the EC to reflect new flexibilities made available as a result of Covid-19. As a result a new PA, 10 - Strategic Objective has been added to the programme : defined as, Minimise enterprise deaths through the implementation of local economic Covid-19 recovery action plans The associated output is: CV33 - Entities supported in combating COVID-19 pandemic.

## Programme Value and Targets

1. The value of the programme ERDF only is €3,649m with the Sterling value modified to £3,233m. Instead of a single foreign exchange rate being used the Sterling budget is now based on drawdown from the EU and forecast exchange rates up to the end of 2023. The forecast rate is provided by Finance using the Bank of England spot rate with additional reference to HMT's forecasts.
2. The ERDF+Match Programme total eligible expenditure value is €6,572m.
3. Programme performance is also measured against N+3. This is measured against ERDF (based usually on CoR Intervention rates). Until June '21 the programme is taking up the flexibility offered by the EC, in its response to Covid-19, by claim reimbursement at 100%. This supports the achievement of N+3 targets.
4. The Operational Programme value and all returns to the European Commission are based in Euros. Internal Performance Monitoring is also done in Sterling.

## Programme Budget & Contracting

5. The chart shows the amount and % of ERDF that has been contracted over time to December 2020. There has been a significant increase in commitment compared to the same time last year, increasing from 66% to 83% of the programme value.
6. The contracting of projects has been a priority, with 250 applications currently in the system.

### AMOUNT OF ERDF CONTRACTED TO DECEMBER 2020



7. As at 31st December, 83% of the ERDF allocation (inc. Finance Instruments) has been contracted. By category of region this is Less Developed 82%, Transition 81% and More Developed 84%.

Category of Region	Allocation	Commitment £M (inc. FIs)	Commitment % of Allocation	Pipeline and Commitment £M	Pipeline and Commitment % of Allocation
More Developed	£1,849m	£1,558m	84%	£1,805m	98%
Transition	£966m	£786m	81%	£896m	93%
Less Developed	£418m	£343m	82%	£400m	96%
<b>Total</b>	<b>£3,233m</b>	<b>£2,687m</b>	<b>83%</b>	<b>£3,100m</b>	<b>96%</b>

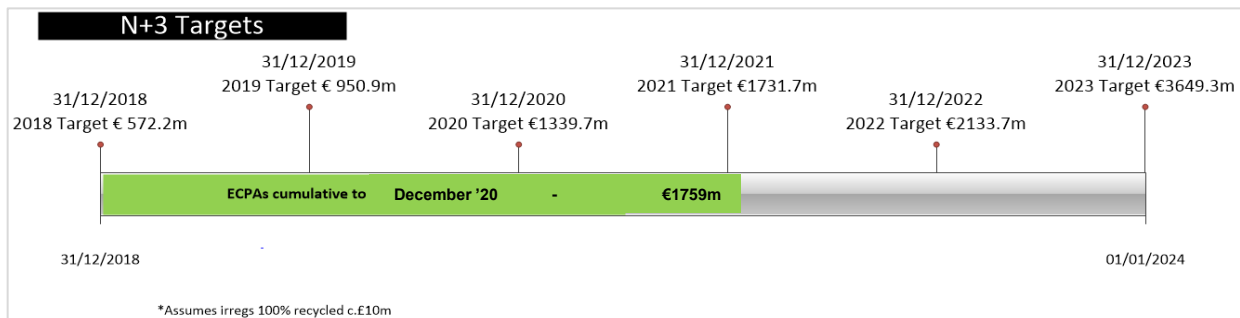
8. The table also shows the pipeline (excluding reserve projects). Commitment and pipeline in LD is 96%, T is 93% and MD is 98% making an overall total of 96%.
9. Pipeline projects will progress through to commitment as applications are processed. Currently 250 applications.

## N+3 Target

10. The visual below shows progress against N+3 targets. The December payment application submission means cumulatively N+3 2021 has been achieved a year ahead

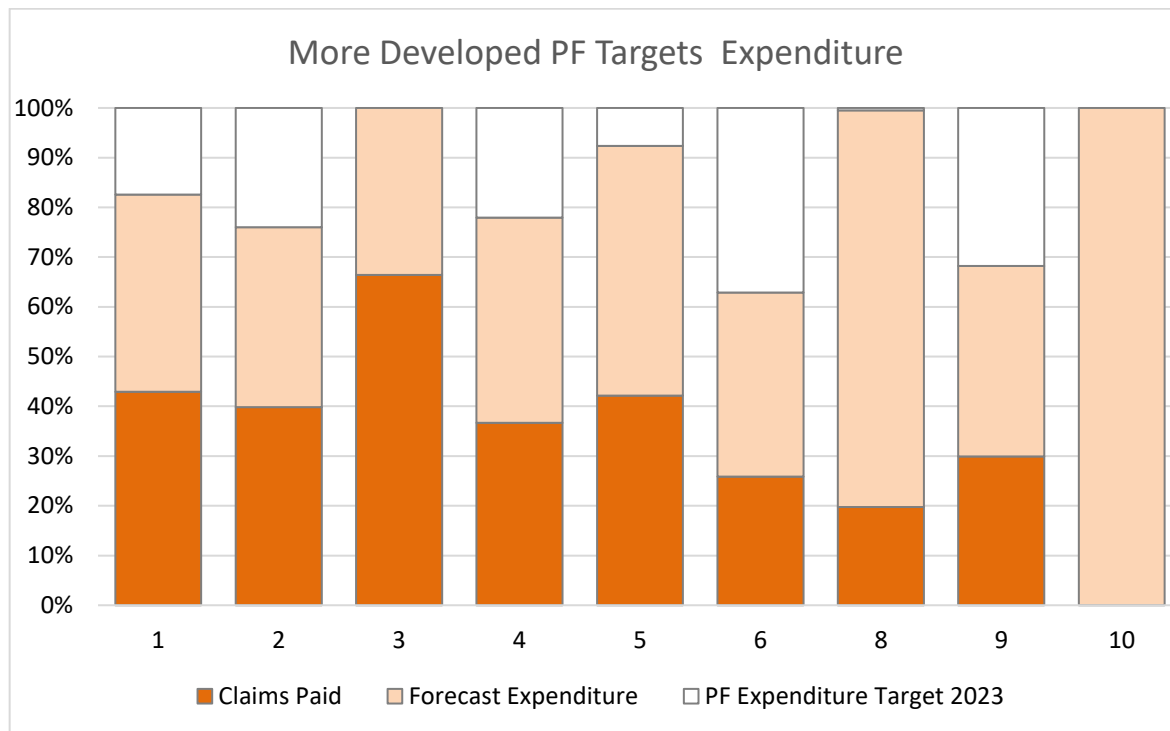
of scheduled. We are forecasting that by December 2021, we will submit ECPAs to the value of €583m; N+3 2022 being achieved by December 2021. The ability to claim at 100% is offsetting, to some extent, the impact of Covid-19 claims paid being held.

11. N+3 is only officially achieved when the Certifying Authority has submitted payment applications to the EC.
12. N+3 is based upon the ERDF contribution towards total declared expenditure at the category of region intervention rate rather than the value of actual payments at the project level intervention rates



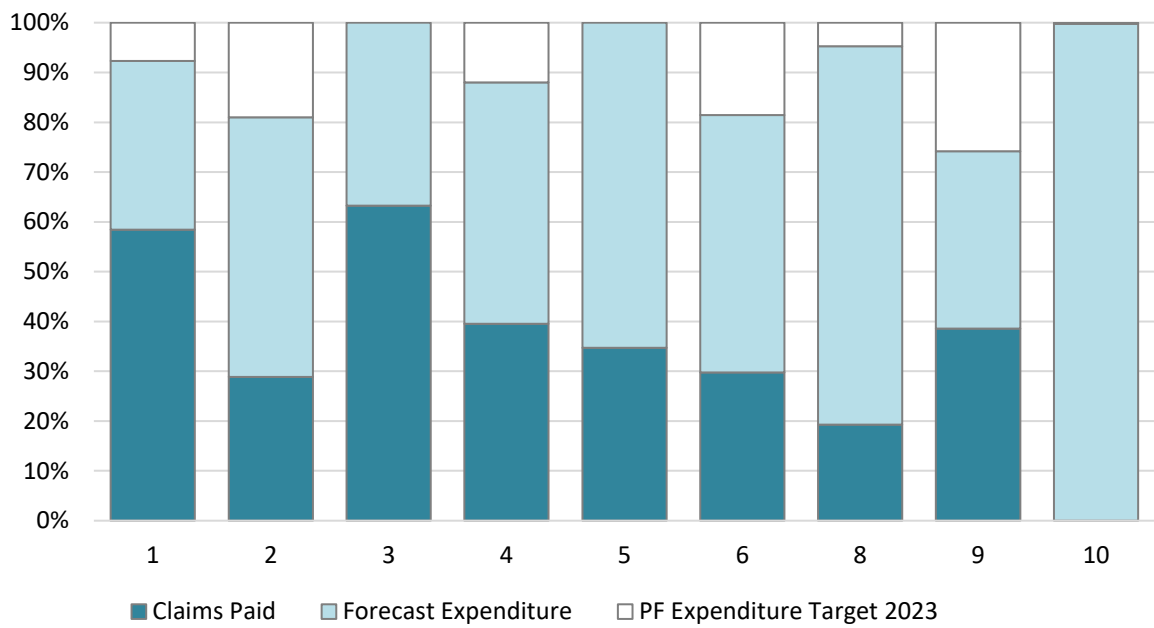
## 2023 PF Expenditure targets including paid claims (€m) by Priority Axis across each of the Category of Regions from *contracted* projects

13. Contracting progress by Category of Region is steady on all the Priorities, and with the exception of PA6 MD, all Priorities have now contracted over 65% of their allocation. PA10 was wholly contracted in October 2020.



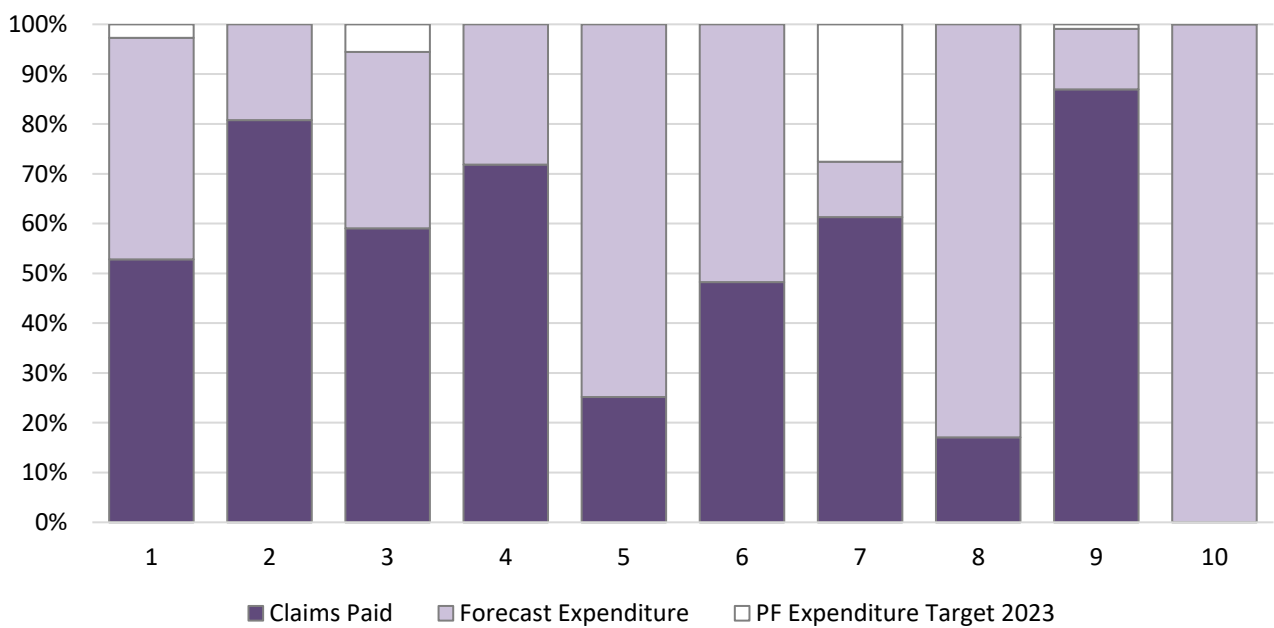
	1	2	3	4	5	6	8	9	10	Grand Total
PF Expenditure Target 2023	€ 962m	€ 141m	€ 1,646m	€ 974m	€ 49m	€ 106m	€ 30m	€ 168m	€ 46m	€ 4,123m
Forecast Expenditure	€ 780m	€ 105m	€ 1,809m	€ 745m	€ 44m	€ 65m	€ 30m	€ 113m	€ 45m	€ 3,735m
Claims Paid	€ 405m	€ 55m	€ 1,072m	€ 350m	€ 20m	€ 27m	€ 6m	€ 49m		€ 1,984m

Transition PF Targets Expenditure



	1	2	3	4	5	6	8	9	10	Grand Total
PF Expenditure Target 2023	€ 388m	€ 36m	€ 867m	€ 316m	€ 74m	€ 36m	€ 9m	€ 71m	€ 11m	€ 1,808m
Forecast Expenditure	€ 352m	€ 28m	€ 922m	€ 272m	€ 81m	€ 28m	€ 9m	€ 52m	€ 11m	€ 1,755m
Claims Paid	€ 222m	€ 10m	€ 538m	€ 122m	€ 25m	€ 10m	€ 2m	€ 27m		€ 957m

Less Developed PF Targets Expenditure



	1	2	3	4	5	6	7	8	9	10	Grand Total
PF Expenditure Target 2023	€ 114m	€ 24m	€ 215m	€ 95m	€ 16m	€ 16m	€ 72m	€ 13m	€ 23m	€ 1m	€ 588m
Forecast Expenditure	€ 109m	€ 25m	€ 200m	€ 94m	€ 20m	€ 16m	€ 51m	€ 13m	€ 22m	€ 1m	€ 551m
Claims Paid	€ 59m	€ 19m	€ 125m	€ 67m	€ 4m	€ 8m	€ 44m	€ 2m	€ 19m		€ 346m

## PA1

14. Less Developed: Excellent progress has been made in contracting the PA1 Less Developed ERDF allocation. 95% of the 2023 Performance Framework target has been reached and given the healthy pipeline of applications it is expected that the allocation will be fully contracted. On claims paid, 52% of the target has been spent so far, which is reasonable progress at this point in the Programme. There are no areas of concern.
15. Transition: Here too excellent progress has been made with 91% of the 2023 target having been contracted. The pipeline of applications in appraisal is sufficient to ensure that the target can be met. Transition is the strongest of the CoRs in terms of expenditure achievement, with 57% of the target reached. This is satisfactory at this stage of the programme. No areas of concern.
16. More Developed: Progress in contracting is gathering pace now with 81% of the target reached so far. Even if all the pipeline were to be contracted as well, full commitment would not be achieved, with 93% of the target forecast. MD is behind the other CoRs with 42% of the target reached in terms of paid claims, but there are €24m of claims currently being processed which will help improve the position. There has historically been a high degree of slippage in PA1 projects which is reflected in the slower progress in achieving expenditure targets, probably associated with delays in capital builds and difficulties in recruiting innovation experts by universities. This situation may worsen in the current climate as SMEs focus on survival rather than investing in long term R&D programmes.
17. Examples of projects recently contracted include Slough Innovation Space. Slough Borough Council has been awarded £1.65 million ERDF to fit out a new specialist R&D facility which will enable collaborative research; provide an R&D accelerator programme to help SMEs commercialise innovative products and services; and create a new knowledge base in Berkshire – the Innovation Hub – which will bring together SMEs, researchers and industry. Another example is a similar project in Teesside, the Industrial Digitalisation Technology Centre. Teesside University has been awarded £1.2 million ERDF to create the Centre which will provide a range of knowledge transfer activities to grow SME capacity and promote digitalisation; and provide a collaborative working space for SMEs, industry and the university to support SMEs to become more productive and competitive through the development of new products, processes and services.

## PA2

18. Less Developed: Progress continues to be made against the LD 2023 PF target. Superfast 3 has however been unable to procure a contractor to deliver the infrastructure initially proposed and has submitted a Change Request to refocus on business connectivity. This will reduce the project by circa £1m but ensure the project meets market demand. The Provision of Superfast Satellite terminals project has struggled to find businesses willing to connect with Satellite technology (businesses want to wait for fibre). A recovery plan is being developed which will result in a reduction in funding and outputs, but ensure the project is sized to meet demand.
19. Transition: Projects at all stages in the T CoR showed the potential for 106% commitment levels following the June 19 call, however, has been managed down as part of the appraisal process. Of the 4 remaining pre-contract projects previously reported, 3 are now live with the 4th due to complete contracting imminently. Therefore, no further attrition is anticipated. Projects are continuing to deliver broadly to expenditure profiles and so the achievement of 85-90% expenditure is considered achievable.
20. More Developed: Following the June 19 call, projects across all stages in the MD CoR showed a total of 96% against the allocation and this has remained steady with 6 projects now live with the remaining 2 awaiting completion of their funding agreements. The forecast therefore remains positive with activity now set to meet 94% of the PF targets. In the Midlands, the Coventry and Warwickshire IP2a project has submitted its final draft claim valued at £4m. With the onset of COVID, the business benefits of ICT and the ability to work flexibly and exploit areas such as e-commerce has helped maintain demand within the PA. Additional BDUK Gigabit grant availability continues to complement business support provision.

## PA3

21. Less Developed: Positive progress for the LD COR continues to be made against the 2023 financial PF target with 93% of Total Eligible Expenditure legally committed. With €35m in the pipeline there is confidence over 100% of the target, in terms of contacts in place, will be met shortly. At this stage of the programme, positive progress continues to be made with 57% achieved against the 2023 financial PF target based on actual claims made to date.
22. Transition: The Transition COR has caught up in line with the other CORs. Positive progress continues to be made against the 2023 financial PF target with 106% of Total Eligible Expenditure legally committed. A strong pipeline provides confidence that commitment percentages will be further exceeded. At this stage of the programme, positive progress continues to be made with 62% achieved against the 2023 financial PF target based on actual claims made to date.
23. More Developed: Positive progress for the MD COR continues to be made against the 2023 Financial PF target with 110% of Total Eligible Expenditure legally committed. Additionally there is a robust pipeline of applications. At this stage of the programme, positive progress continues to be made with 65% achieved against the 2023 financial PF target based on actual claims made to date.



24. Overall, for PA3, due to the impact of COVID-19 and extended lockdown restrictions, we still continue to see a dip of project performance across the board. In particular, those who are co-financed by the private sector or SME contributions (as per the last GPB update, manufacturing type projects continue to remain buoyant and projects have seen a gradual uptake on grants). The majority of revenue projects, which are supported by public resources under PA3, are still continuing to adopt a “business as usual” approach with business support activity delivered through virtual means. Despite the circumstances, positive progress is being made on: project activity, payment of claims, and subject to local GDT resources, appraisals and continuation project change requests.

#### **PA4**

25. Less Developed: PA4 in Cornwall has shown a strong pipeline of applications and the last call continued this theme with interest exceeding the available budget. Several projects are now under consideration, with the Eden deep geothermal project being the most recent to be contracted. COVID restrictions have impacted both the development of the project pipeline and delivery on some projects. This may, in turn, delay the achievement of some outputs.
26. Transition: The strong pipeline of applications has demonstrated a high demand for low carbon support. Low Carbon Lake District 2 is expanding its low carbon grant scheme from £150,000 to a million, helping support the tourism sector to deliver low carbon solutions.
27. More Developed: The last call has seen a strong pipeline of projects coming through, with the project's requests exceeding the available budget. PA4 supports a number of resource efficiency projects and a number of extensions are being processed through project change requests the appraisal process.

#### **PA5**

28. Less Developed: Cornwall and the Isles of Scilly will utilise the available budget as the remaining funding will be used to undertake natural flood defence work in the Isles of Scilly; strengthening the natural sand dune systems will protect the island and in particular its natural fresh water supply from intrusion by the sea.
29. Transition: The number of applications within transition is healthy and the North West has seen a number of significant investments in Kendal, Lancaster and Preston, with the latter unlocking the opportunity to deliver a whole River Ribble catchment approach, which without ERDF couldn't have been brought forward.
30. More Developed: Leeds City Region has brought forward a number of flood protection projects along the River Calder and Aire, putting in place defences in places such as Hebden Bridge and Mytholmroyd which have a history of flooding.

#### **PA6**

31. Less Developed: A recent Project Change Request exercise, supported by the Intermediate body, is seeking to allocate remaining Priority 6 funds across 3 contracted projects, which would allocate 99.9% of LDR PA6 funds. 1 of these has received

approval with the second and third currently under assessment.

32. Transition: There is a strong pipeline of projects at outline and full application to support delivery. The Sunrise project in Stoke on Trent has completed a milestone in creating a natural channel for the River Trent, creating a natural corridor for wildlife in the heart of the city.
33. More Developed: Progress has been made in bringing forward projects however the full allocation will not be utilised in More Developed. Urban Greening in Cheltenham, Tewksbury and Gloucester are developing area-based wildlife corridors, improving green space for people while creating habitats for wildlife to move around within the urban areas.

#### **PA7**

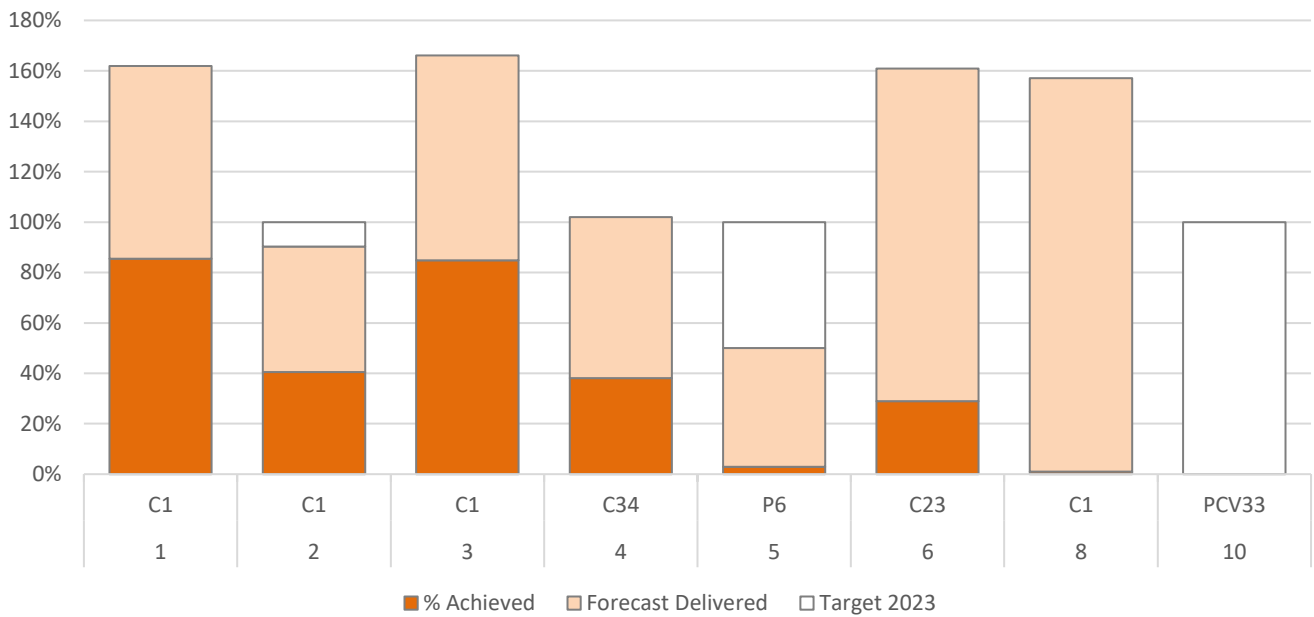
34. Less Developed: Good progress has been made against the Performance Framework target with the projects contracted and those in the pipeline are expected to achieve the PF target at the end of the programme. Three further projects have been approved, including the A30 Carland Cross to Chiverton Cross (Construction Phase) Major project that has received approval from the European Commission in December 2020. All three projects are in the process of contracting and are on schedule to deliver the spend required by the programme. Once contracted the expenditure budget will be 96.30% contracted.

### **Forecast Delivery of Performance Framework Outputs as % of 2023 target by Priority Axis across each of the Category of Regions, from *contracted* projects**

#### **Key to indicators:**

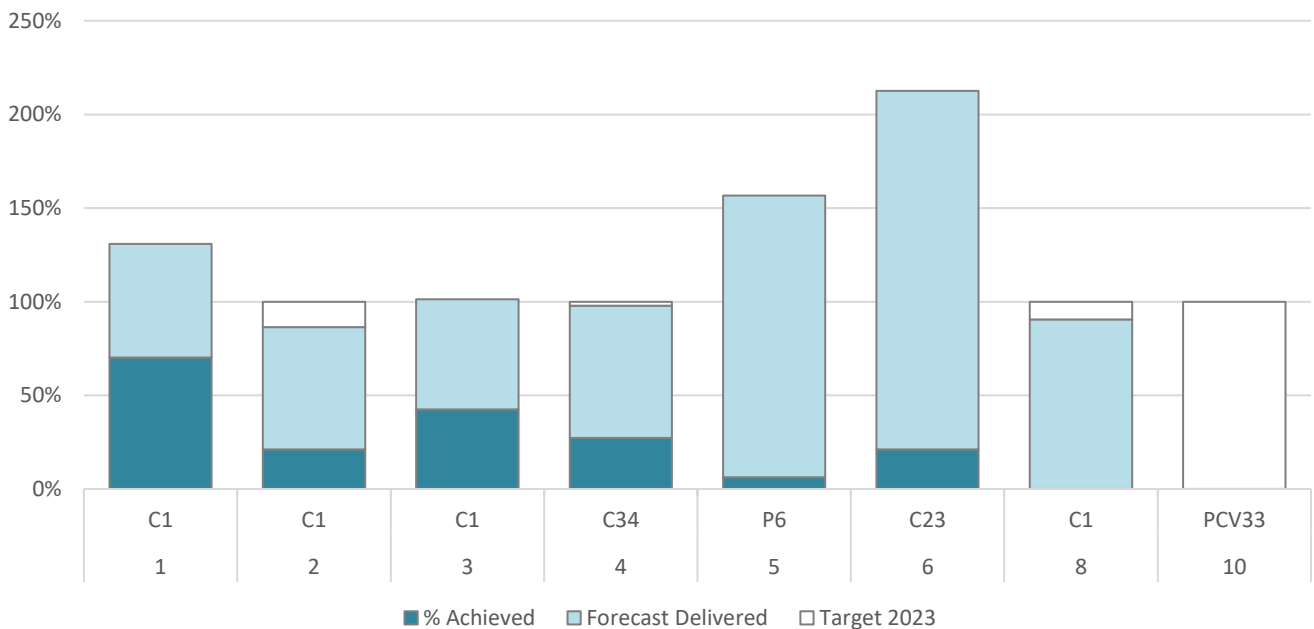
C1: No of enterprises receiving support; P3: Additional businesses with broadband access min 30Mbps; C34: Estimated GHG reductions P6: Business & properties with reduced flood risk.  
C23: Surface area of habitats supported; C14a: Length of track reconstructed or upgraded roads; P7: Length of Railway with new/enhanced signalling  
I6: No. of local development strategies in place.

### More Developed PF Outputs



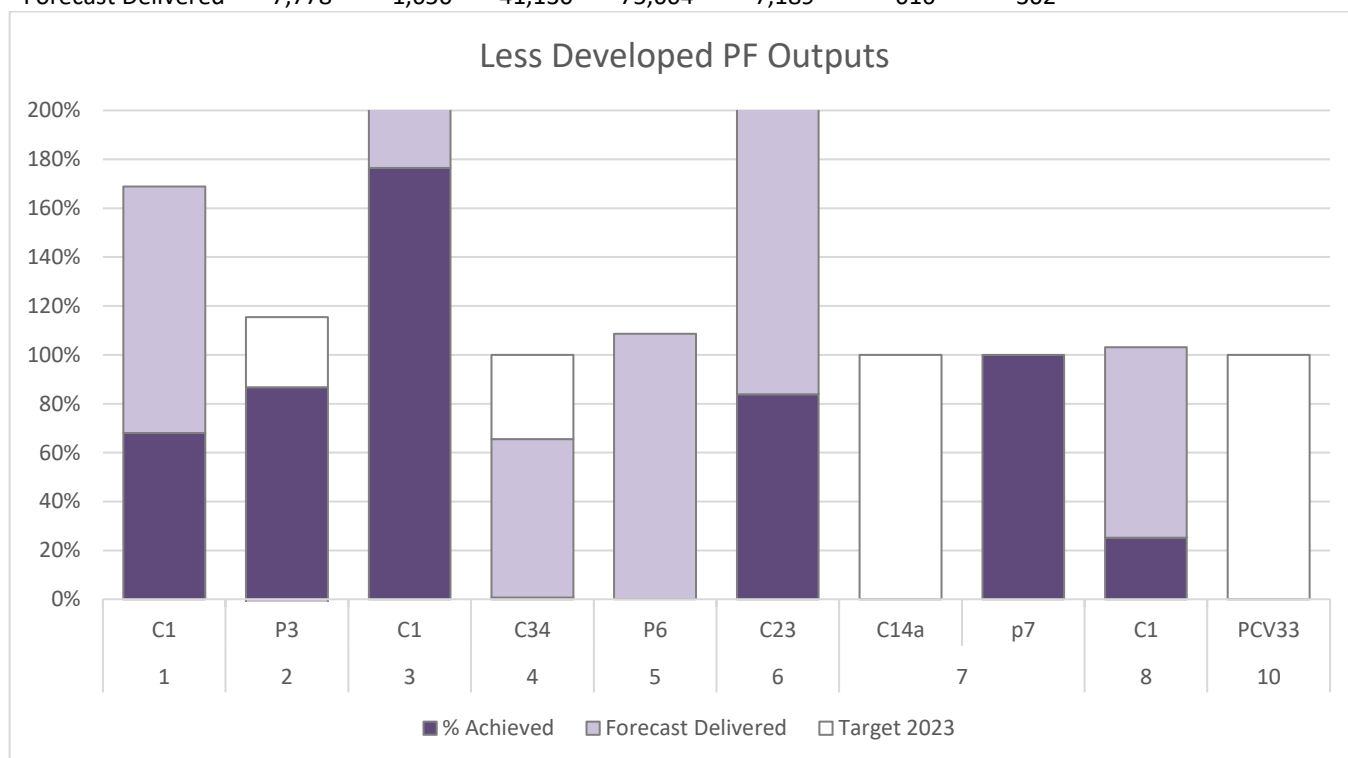
	PA1 C1	PA2 C1	PA3 C1	PA4 C34	PA5 P6	PA6 C23	PA8 C1	PA10 PCV33
Sum of Target (2023)	14,229	8,699	51,679	238,306	3,001	980	1,093	201
Achieved	12,155	3,526	43,832	90,676	88	283	11	
Forecast Delivered	23,033	7,855	85,822	242,915	1,500	1,576	1,718	

### Transition PF Outputs



PA1 C1	PA2 C1	PA3 C1	PA4 C34	PA5 P6	PA6 C23	PA8 C1	PA10 PCV33
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Sum of Target (2023)	5,941	1,909	40,632	77,211	4,591	290	334	47
Achieved	4,167	403	17,259	21,053	288	61		
Forecast Delivered	7,778	1,650	41,130	75,604	7,189	616	302	



	PA1 C1	PA2 P3	PA3 C1	PA4 C34	PA5 P6	PA6 C23	PA7 C14a	PA7 p7	PA8 C1	PA10 PCV33
Sum of Target (2023)	559	2,102	2,120	23,235	174	126	13	43	254	2
Achieved	380	1,824	3,740	160		106		43	64	
Forecast Delivered	944	1,500	8,667	15,214	189	745		43	262	

## PA1

35. Less Developed: Contracted outputs now stand at 169% of the 2023 PF target which is excellent progress and reflects the high levels of ERDF which have been contracted. Strong delivery with 68% of the contracted outputs already achieved.
36. Transition: Solid progress has been achieved with 131% of the output target contracted. 70% of the PF target has been achieved which is satisfactory at this stage of the programme.
37. More Developed: Despite the slower rates of contracting and expenditure, the outputs position is much stronger with 162% of the target contracted, and 85% achieved. This demonstrates good value for money and that once projects are up and running and innovation facilities come on stream, they are successful in attracting innovation SMEs.

## PA2

38. Less Developed: The LD COR is profiled to achieve 71% of the 2023 PF target following the contracting of Superfast 3. Claims to date are reporting 1824 achieved against P3, so although the contracted target was 71%, achievements appears to be 87%, which would be a reasonable given the difficulties. Superfast 3 has been unable to procure a contractor to deliver the infrastructure and has submitted a Change Request to refocus on business connectivity. This will likely reduce the project P3s from 546 to 276 whilst adding or increasing non PF targets. The P3 outputs (Additional Businesses with broadband access of at least 30mbps) is difficult to achieve as 30mbps is either now available and (in some cases) is being upgraded to 100mbps, or is planned by market operators making it ineligible. The focus is therefore on hard to reach areas, and encouraging better use by SMEs.
39. Transition: Noting the high level of maturity of the 1 remaining pre-contract project and the 3 new projects recently contracted, 86% of the C1 target is considered deliverable given the performance to date. However, reporting of outputs continues to be behind profile and close monitoring continues to be undertaken. The non-performance outputs C5 (new enterprises supported) and P4 (additional businesses taking up superfast broadband) for 2023 will not be achieved and this has been reported in the AIR.
40. More Developed: Following the June 19 call and the contracting of 6 additional projects, the C1s forecast is 90% of the MD CoR target. Early stage project delays and adaptation to take into account BDUK Gigabit grant availability resulted in slippage of outputs, this is now recovering but will take until the Q4 2021 to catch up to pre-Covid profiles with a landing zone anticipated to be 85-90 of the target.

### PA3

41. Less Developed: LD COR has already legally committed in excess of the 2023 non-financial PF target with 409% of C1s committed to date. LD COR has already exceeded their non-financial 2023 PF target.
42. Transition: Transition COR has legally committed 101% of its 2023 non-financial PF target and it is anticipated that it will exceed this target based on the amount estimated in the current pipeline and unallocated ERDF we have yet to commit. Transition COR does appear to be slightly behind compared to the other CORs, the programme has achieved 43% of the 2023 non-financial PF target and at this stage of the programme we anticipate will continue to progress positively.
43. More Developed: MD COR has currently committed in excess of its 2023 non-financial PF target with 166% of C1s committed to date. It is anticipated that with the current pipeline of projects will continue to contribute significantly to this target. MD COR continues to make positive progress achieving 85% of the non-financial PF target.
44. Similar to the position on expenditure above, we still continue to see a dip of project performance across the programme. Grant Recipients continue to manage and monitor their projects remotely, utilising an electronic based approach of accounting outputs in the interim (which has meant that some outputs have still not been reported in full as yet). As per the last GBP report, some Grant Recipients are still reporting an increase in supporting the volume of SMEs in response to COVID-19 but not necessarily hitting the necessary 12 minimum hours threshold in order for these to be recorded as a C1, which we will continue to monitor. At this stage of the programme, the Managing Authority

continues to be optimistic that we will remain on target to achieve the 2023 non-financial PF target across all CORs, especially as LD has been achieved and MD is at 85%.

#### **PA4**

- 45. Less Developed: The data shows that the GHG target may not be achieved. Cornwall has focused delivery of PA4 on energy projects which deliver low carbon savings in the long term, however the output definition captures only a one year snapshot.
- 46. Transition: The outputs are on track as there is still a significant number of projects at outline and full application. A similar issue with More Developed it can take time to realise the outputs.
- 47. More Developed: There is a high level of outputs contracted and through the last call there is a strong pipeline of outputs which should ensure the 2023 target is comfortable delivered.

#### **PA5**

- 48. Less Developed: Less Developed is on track to meet the targets, as once contracted, the outputs are essentially fixed. The outputs are low as they generally can only be claimed fully once the scheme or parts of the flood scheme have been completed.
- 49. Transition: This is being significantly exceeded and will be delivered. There is a lag in achieving these as detailed in MD.
- 50. More Developed: It's unlikely that More Developed will meet the output target as the schemes that have been brought forward, while vital to protect SME's and property, haven't got the intensity of SME's and property needed. This is low mainly due to the lag in being able to claim the outputs and also More Developed will not meet the Performance target hence lower numbers coming through.

#### **PA6**

- 51. Less Developed: This is comfortably being delivered mainly through one large project.
- 52. Transition: The output target should be delivered.
- 53. More Developed: The output target despite the reduced expenditure should be delivered.
- 54. In all CoR there is a delay in actuals coming through as the works need to be fully completed prior to claiming the output.

#### **PA7**

- 55. Less Developed C14: The remaining output in the process being contracted and is expected to meet the 2023 target of 14km - Major Project Application has been approved EC in December 2020 and programme target modified in the OP to meet the actual Km of the road construction.

56. Less Developed P7: Target and actual 100% achieved.

## **PA8**

57. Please see CLLD report below

## **Programme call schedule**

58. There has been 1 new call published for the ERDF Programme since the last meeting which specifically focusses on support for research and innovation in Cornwall and the Isles of Scilly.

## **Financial Instruments**

59. To 31st December 2020, the ERDF programme had contracted eleven financial instruments (FI) worth £1,293.191bn; comprising of £523.694m ERDF and £769.496m match funding. These are detailed in annex A.
60. The table below details what has been achieved with regards to outputs and expenditure to the end of December 2020. The drawdown status for each fund is also included.

Project	Invested End Dec 20	Private Sector Leverage	Outputs End Dec 20	Drawdown Status
<b>Access to Finance Funds</b>				
Northern Powerhouse Investment Fund ( NPIF)	£227,186,694	£253,117,053	Investments made - 1,029 Jobs Created - 2,942 New Enterprises - 77 New Product to Firm - 176 New Product to Market - 132 Non Financial Support - 668	NPIF has now drawn down all 4 tranches of funding £140,359,192 (ERDF).
The North East Fund	£47,111,000	£68,667,000	Investments made - 270 Jobs Created - 139 New Enterprises - 107 New Product to Firm - 14 New Product to Market - 1	The fund has drawn down two tranches Total ERDF value drawn to date is £29.250m.
Midlands Engine Investment Fund (MEIF)	£96,647,265	£88,413,276	Investments Made - 469 Jobs Created - 809 New Enterprises - 72 New Product to Firm - 70 New Product to Market - 61 Non Financial Support - 175	MEIF has drawn down three tranches. ERDF value £58.9m. The fourth tranche will be drawn in Q2 2021.
Low Carbon Innovation Fund II	£50,000	£0	Investments Made - 1	The fund has drawdown one tranche of funding which equates to £2.821m. The second drawdown will be in Q1 2021.
Cornwall & Isles of Scilly Investment Fund (CloSIF)	£6,335,548	£10,441,337	Investments Made - 28 Jobs Created - 110 New Enterprises - 3 New Product to Firm - 1 New Product to Market - 1	CloSIF has drawn down two tranches of funding. The 2nd in October 2020. Total drawdown £16m ERDF.
London SME Fund (GLIF)	£29,281,104	£63,248,651	Investments Made - 53 Jobs Created - 228 New Enterprises - 13	The fund has drawn down two tranches at a total of £16,750,000 (ERDF)
<b>Urban Development Funds</b>				
Mayor of London Energy Efficiency Fund (MEEF)	£102,015,572	£142,000,000	Investment made - 5 GHG Decrease - 12,646 Decrease energy consumption - 31,158,944	MEEF has now drawn down all 4 tranches.
Greater Manchester Fund of Funds	£48,580,000	£15,000,000	Investment made - 4 Buildings renovated/created - 19,500sqm Annual GHG Decrease - 100 tonnes	The fund has drawdown two tranches (£30m ERDF).
Liverpool City Region Urban Development Fund	£0	£0	0	First tranche was drawdown in Q1 2020 at an ERDF value of £6.25m
Cheshire & Warrington Urban Development Fund	£0	£0	0	First tranche was drawdown in Q2 2020 at an ERDF value of £5m
Lancashire Urban Development Fund	£0	£0	0	Procurement of the Fund Manager has now been completed. First drawdown will be in Q2 2021.

61. All funds apart from the Lancashire UDF have drawdown at least one tranche of funding. Total amount drawn by FI's to the end of December 2020 is £348.26m (ERDF).
62. The Lancashire UDF has now appointed the fund manager and will draw-down their first tranche in Q2 2020.
63. ERDF contract managers continue to work with CLLD projects where COVID-19 ERDF flexibilities are being explored. Most CLLDs have taken up the offer to extend their programmes to mitigate the impact of COVID-19 on CLLD delivery. Some CLLD projects report slowed engagement, others have made adaptations to the way in which they deliver activity to continue to support SMEs/localities during this difficult time.
64. Following the extension of CBIL's to the end of March 2021 both the NPIF and MEIF accredited fund managers continue to step up to the challenge of supporting businesses



during this difficult time.

65. NPIF has seen another record quarter's deployment with over £27m being deployed to SME's across the region. Of this £21.8m has been deployed as loans from the Microfinance and Debt funds, the majority of which are backed by CBILs. The debt funds in particular are seeing very high levels of demand.
66. The Future Fund has been used well by the equity Fund Managers and has been able to support many of the portfolio companies. The Future Fund programme is now closed for new applications (as at 31st January 2021).

## **Community-Led Development (CLLD) Priority Axis 8**

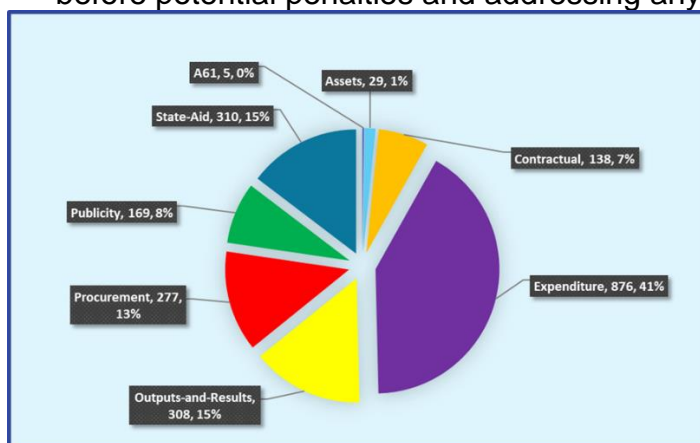
67. Cornwall CLLD hosted a virtual National CLLD Practitioners Network meeting on 11 February 2021 which provided an opportunity for CLLDs to share how they have managed delivery and supported communities during COVID-19 and how they are preparing to deliver when lockdown restrictions are eased. Of particular note is a number of CLLDs offering enterprise support for people involved with community support work during COVID-19 such as in food production/distribution and in the mental health and wellbeing economy, which have the potential to create enterprise and employment opportunities in CLLD areas.
68. CLLDs are now reporting greater achievement of the CLLD performance reserve target C1 'Number of Enterprises Receiving Support'. To date 146 have been achieved in the More Developed Category of Region (12% of the OP target), 42 in Transition (12%) and 87 in Less Developed (32).

## **Reopening High Streets Safely Fund (RHSS) Priority Axis 10**

69. As a reminder, the £51 M Re-opening High Street Fund (RHSSF) is managed by MHCLG through the Cities and Local Growth Unit. Funding is being distributed to circa 300 local authorities across England that have responsibility for managing high streets. The £50 million is being distributed on a population basis with a minimum grant at £30,000 funded at 100% intervention rate and is to allow local authorities in England to put in place additional measures to establish a safe trading environment for businesses and customers, particularly in high streets. More information on the project can be found on the [RHSSF webpage](https://www.gov.uk/government/publications/reopening-high-streets-safely-fund-guidance) (<https://www.gov.uk/government/publications/reopening-high-streets-safely-fund-guidance>).
70. The MoU for the project was approved on 15th October 2020 and a Project Inception Visit (PIV) undertaken on 12th November 2021. As of end of January 2021, 130 funding agreements with Local authorities had been executed with an additional 70 within at QA checking assurance process and the project was anticipating the remaining c.100 GFAs to be concluded by end of February. Two claims had been approved for payment with a further 63 claims received and being reviewed by the team for a total value of approx. £3m. Progress has clearly been significantly affected since the start of the year given the third lockdown. The MA has agreed an extension of the project's completion from March to June 2021 to reflect this.

## **Compliance**

71. The EC requires an annual schedule of first level compliance checks to be undertaken by the MA. The general principle of the A125 on the spot verification visit (OTSV) is to test that ERDF projects and financial instruments (FIs) are delivering their contracted requirements, in accordance with the regulations as set out in (EC) 1303/2013 and identify any potential areas requiring correction. The work undertaken by the Compliance team provides assurance to the EC whilst reducing the impact of irregularities on the MA error rate.
72. OTSV visits recommenced in September (following the pause due to Covid-19) however, as sites still cannot be visited all OTSVs continue to be carried out remotely, using video links and file sharing programmes. The difficulty for the Grant Recipient getting access to all the required information remains, however, the process is improving slightly. There are currently 94 visits in the 2020 OTSV schedule of which 63 have completed testing and 41 are closed.
73. We continue to monitor the claims tested values and work closely with the Certifying Authority to ensure that cumulatively we hit the 15% target across all Categories of Region for this ECPA year. The overall percentage tested at OSTV is currently 19.7% which is above the 15% target.
74. Each Financial Instrument must receive an annual OTSV visit. To date 6 OTSVs, encompassing 22 sub funds, have been completed; Greater Manchester Fund of Funds, Mayor of London's Energy Efficiency Fund, Cornwall and Isles of Scilly Investment Fund, The North East Fund, the Northern Powerhouse Investment fund and the Greater London Investment Fund.
75. Monthly analysis of A125 OTSV actions are reported in the monthly Performance Pack. Actions are broken down by category and sub-category. This indicates that we are proactively working with Grant Recipients to identify eligibility issues, resolving them before potential penalties and addressing any systemic issues.



## Cross cutting themes: Sustainability

76. The greater awareness of climate change and biodiversity loss has seen a significant shift in many organisations approaches to sustainability. Many local authorities have

agreed and put in place climate change emergency plans and central government is increasingly supporting a wider range of climate change activity.

77. As significant funding has been allocated to PA4, 5 & 6 the focus has been on Priority 3 to support resource efficiency as part of the business support offer. Other sustainability measures such as BREEAM and CEEQUAL have had limited application. Within PA5 the large capital works have mainly been delivered through the Environment Agency who apply their own sustainability standards to its works.

## Equality & Diversity

78. The action (1520/01) regarding lessons learnt from the current programmes was completed in December 2020.

## Audit

79. The A127 programme for 2019.20 is now complete and the MA, AA and CA successfully submitted the annual assurance package in advance of the Commission deadline on the 11<sup>th</sup> February. 5 audits are still under ongoing investigation and have been removed from the accounts. GIAA provided an unqualified opinion on the accounts, the legality and regularity of expenditure, and the functioning of the management and control system. The Total Error Rate was 0.394%, and the Residual Total Error Rate was 0.385%.
80. The MA has now received the sample for the 1<sup>st</sup> Semester of audit visits for 2020.21 which includes 23 projects spread across the programme. These visits will continue to be carried out remotely and the MA is working with GIAA to learn lessons from last year and apply them to the work this year.

## Sustainable Urban Development (SUD)

81. Overall performance across the nine SUD areas, to 31<sup>st</sup> January 2021

<b>ERDF Contracted to live projects</b>	£247,730,000	84%
<b>Applications in the system</b>	£45,500,000	16%
<b>Balance remaining</b>	£10,000	0%
<b>Total SUD value</b>	£293,250,000	100%

82. The level of ERDF committed to live projects has increased to 84% of the SUD allocation since the last Growth Programme Board report (an increase of 12%). There is an EC regulatory requirement that at least 5% of the ERDF resources allocated at UK level are committed to SUD. (Currently 84% of the 5% target has been achieved. This increases to 100% with pipeline applications.)
83. London's full £184m ERDF allocation contributes towards SUD. Almost 98% is committed with a further c.1.5% in the pipeline. About 0.5% remains unallocated. As more projects close and inevitably return underspends, the GLA will consider the use of these returns in

line with the MA's guidance. Recent new Priority Axis 1 extension awarded to Capital Enterprise's project which seeks to support SMEs' use of artificial intelligence.

84. The Bristol SUD region has an allocation of £3.09m ERDF. One project has so far been contracted, the South Bristol Enterprise support project for £ 858,015 of ERDF which provides business support to businesses in the defined Bristol SUD locality. A further project, the South Bristol light industrial workspace project for £1.4m ERDF is expected to be contracted very shortly, having now passed through the relevant approval stages. The applicant is currently clearing the pre GFA conditions. These 2 projects account for the full PA3 SUD allocation. One further project to spend the PA4 part of the SUD allocation is at outline stage.
85. The main Liverpool City Region SUD project (Green Sustainable Travel Corridors) continues to make good progress with 16 of the 19 'work packages' signed off. Progress on the Mersey Ferry Vessel Renewal project has been delayed due to cost issues created by Brexit 'uncertainty' during the procurement process.
86. Full appraisals have now been completed on all projects received through the final Nottingham SUD Call. In addition to the £2.8m which was already contracted against a project from a previous call, a further £5.3m has been approved for 4 projects. Funding agreements for all four projects are drafted and contracting is expected to be completed by end of March 21. This leaves one project, seeking £816,000, at the full stage. The appraisal has been drafted but the intended grant recipient has not passed the due diligence assessment.
87. For Birmingham SUD there was a strong response to the June 2020 call with 8 applications submitted. 5 PA4 bids and one 1 PA6 bid progressed to the Full Application stage, meaning that both PA4 and PA6 were fully committed. One of the PA4 applications has since been withdrawn. £2.8 million ERDF had been requested under this application. The remaining 4 PA4 Full Applications and 1 PA6 Full Application have been submitted to MHCLG and are currently in appraisal.
88. Following a strong response to the final SUD call which closed in June 2020, the North East SUD programme currently shows commitment levels of c98%. However, 3 applications with an ERDF value of £7.4m (c38% of the NE SUD allocation) are at pre-contract stage with final levels of commitment unlikely to be confirmed until quarter 2. Potentially 10 projects could benefit from the NE SUD investment, jointly contributing to a number of output targets with a particularly strong contribution anticipated towards additional capacity for renewable energy production and decrease of annual primary energy consumption in public buildings.

<b>SUD Area</b>	<b>ERDF Allocation</b>	<b>Live Projects</b>	<b>Outline Application</b>	<b>Full Application + Funding Agreement</b>	<b>Available to Commit</b>
<b>Nottingham</b>	£11.35m	£2.82m	£0m	£6.11m	£2.42m
<b>Greater Birmingham &amp; Solihull</b>	£11.74m	£0.72m	£3.0m	£8.63m	-£0.60m
<b>Greater Manchester</b>	£24.33m	£22.09m	£0	£1.95m	£0.28m

<b>Leeds City Region</b>	£18.02m	£8.87m	£6.62m	£5.42m	-£2.89m
<b>Liverpool City Region</b>	£11.23m	£10.61m	£0m	£0m	£0.63m
<b>London</b>	£184.28m	£180.22m	£0m	£4.54m	-£0.48m
<b>North East</b>	£19.50m	£11.68m	£4.95m	£2.29m	£0.58m
<b>Sheffield City Region</b>	£9.71m	£9.87m	£0m	£0m	-£1.6m
<b>Bristol</b>	£3.09m	£0.86m	£0.60m	£1.40m	£0.23m
<b>Total</b>	<b>£293.25m</b>	<b>£247.73m</b>	<b>£15.16m</b>	<b>£30.34m</b>	<b>£0.01m</b>



**European Union**  
European Structural  
and Investment Funds

**GPB 20191218 Item 2**  
**European Structural and Investment**  
**Funds**  
**2014 - 2020**  
**Growth Programme for England- ERDF**

Project	FI Type	Applicant	Start Date	Financial Completion Date	LEP's	Funds	Total Investment	Match
Northern Powerhouse Investment Fund (NPIF)	Access to Finance	BEIS (BBB)	1st November 2016	31st December 2023	Cheshire & Warrington, Cumbria, Lancashire, Liverpool, Greater Manchester, Humber, Tees Valley, Yorkshire, Sheffield & Leeds	Equity £50k - £2m. Debt £100k- £750k. Micro £25k- £100k	£402m (ERDF £140m)	EIB £183.65m, BBFSL £50m, BEIS £27.35m
The North East Fund	Access to Finance	North Tyneside Council (for 7 LAs in NELEP area)	1st March 2018	31st December 2023	North East	Debt, Equity & Mezzanine	£140m (ERDF £58.8m)	EIB £60m, Legacy £21.5m
Midlands Engine Investment Fund	Access to Finance	BEIS (BBB)	14th February 2017	31st December 2023	Black Country, Coventry & Warwickshire, Greater Birmingham & Solihull, The Marches, Stoke & Staffordshire, Worcestershire, D2N2, Greater Lincolnshire, Leicester & Leicestershire, SEMLEP	Equity £50k - £2m. Debt £100k- £1.5m. Small Business £25k-£150k. POC up to £750k	£266.15m (ERDF £78.55m)	EIB £122.5m, BBFSL £32.5m
Cornwall & Isles of Scilly Investment Fund	Access to Finance	BEIS (BBB)	1st March 2018	31st December 2023	Cornwall & Isles of Scilly	Equity £50k - £2m. Debt £25k- £1m.	£40m (ERDF £32m)	£3m (SME) & £5m Growing Places
London SME Fund	Access to Finance	SME Wholesale Finance London Limited	1st June 2018	31st December 2023	London	Debt & Equity	£100m (ERDF £35m)	£65m (EIB £50m)
Low Carbon Innovation Fund II	Access to Finance	Norfolk County Council	1st April 2019	31st December 2023	New Anglia, Hertfordshire & Cambridgeshire & Peterborough	Equity £50k-£2m	£22.57m	£11.28m Private Sector Match
<b>Urban Development Funds</b>								
Mayor of London Energy Efficiency Fund	Urban Development & Energy Efficiency	Amber Fund Management	1st June 2018	31st May 2023	London	Debt & Equity	£88m (ERDF £43m)	EIB £43m
Greater Manchester Fund of Funds	Urban Development	Greater Manchester Combined Authority	1st November 2016	31st December 2023	Greater Manchester	Debt	£120m (ERDF £60m)	£60m
Cheshire & Warrington UDF	Urban Development	Cheshire East Council	1st July 2019	31st December 2023	Cheshire & Warrington	Debt	£40m (ERDF £20m)	£20m co-investment
Liverpool UDF	Urban Development	Liverpool City Region Combined Authority	1st April 2019	31st December 2023	Liverpool City Region	Debt	£43.2m (ERDF £25m)	Co-investment £16.8m, LCRCA £1.4m
Lancashire UDF	Urban Development	Lancashire County Council	17th October 2019	31st December 2023	Lancashire	Debt	£33.33m (ERDF £20m)	£13.33m co-investment

