



## **ESI Funds Growth Programme Board**

### **1. ERDF Programme Delivery**

#### **Purpose:**

To advise the board on progress with European Regional Development Fund (ERDF) Programme delivery to 30<sup>th</sup> September 2021.

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

That the Growth Programme Board note the position to end of September 2021.

#### **Summary:**

Currently, the overall sterling value of the Programme is valued at £3,233m (@ 0.8859) and this is subject to exchange rate movements which are being closely monitored.

**Overall Progress on Contracting; 1082** projects (inc.11 financial instruments (FIs)) with ERDF of £2,988m have been contracted, excluding PA9 balance remaining. This represents 92% of the programme budget. This is an increase of 12 contracted projects (£53m ERDF) compared to the previous quarter.

There are now only 88 pipeline applications with requesting ERDF of £116m . The decrease of 30 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 88 pipeline applications:**

- Project continuations - £49m (49)
- GFA's in development - £34m (18)
- Full Applications/invited to - £33m (21)

Adding contracted projects with those in the pipeline, represents 96% of the current programme budget.

**Overall Progress – Expenditure:** Cumulative claims paid by the Managing Authority (MA) to grant recipients total £1,682m ERDF, an increase of £76m from the previous quarter.

**2023 Performance Framework (PF) Targets - Exp /Outputs:** Steady progress is being made. All expenditure targets are *contracted* above the minimum threshold (65%). For PF outputs, all regions have contracted sufficient projects to achieve the minimum threshold.

On watch list

PA8 - All categories of region. Limited expenditure incurred and with low outputs achieved to date for the £23m budget committed

PA5 - MDR output target (businesses & properties with reduced flood risk) will not be achieved .

PA4 - LDR actual achievement is low 0.7% of contracted outputs (C34 GHG reductions). However we are being reassured that this will resolve itself as live projects are yet to claim these outputs - including 2 significant projects

**N+3 2022 Target:** Achieved well ahead of scheduled. Cumulative ECPAs to end September 2021 were valued at €2,287m against the 2022 target of €2,134m.

## 2. Programme Value and Targets

- 2.1. The value of the programme 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 funds from the EU and annual forecast exchange rates up to the end of 2023. The forecast rate is provided by MHCLG Finance. Clearly there is a level of volatility and risks that the sterling budget may reduce have to be considered.
- 2.2. The ERDF+Match Programme total eligible expenditure value is €6,572m.
- 2.3. Programme performance is also measured against N+3. This is measured against ERDF at CoR Intervention rates which has now resumed following the programme taking up the flexibility offered by the EC, in its response to Covid-19, by claim reimbursement at 100%.
- 2.4. The Operational Programme value and all returns to the European Commission are based in Euros. Internal Performance Monitoring is also done in Sterling.

## 3. Programme Budget & Contracting

- 3.1. The chart shows the amount and % of ERDF that has been contracted over time to September 2021. There has been a significant increase in commitment compared to the same time last year, increasing from 77% to 92% of the programme value.

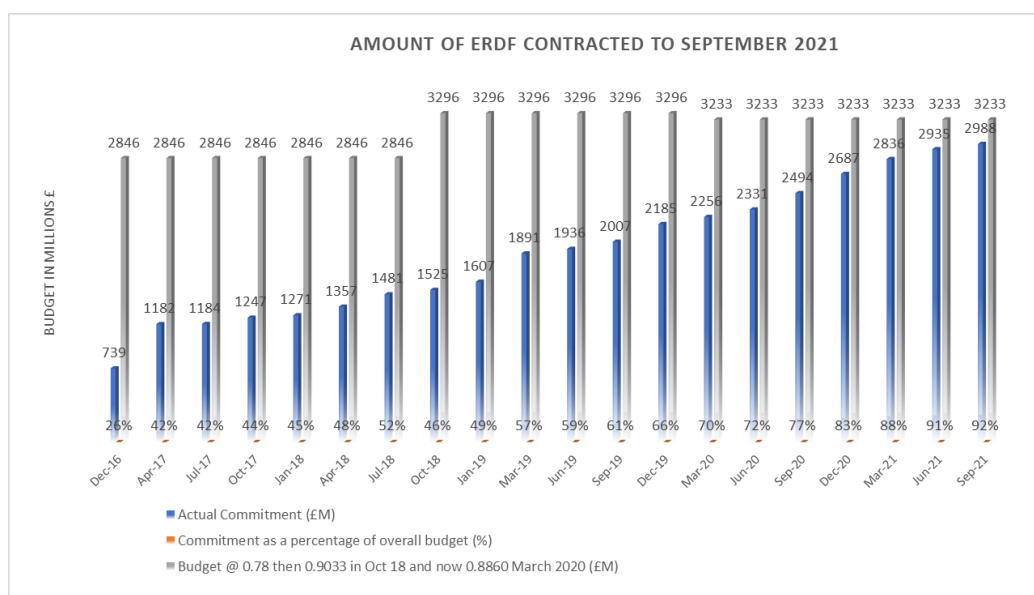


Figure 1

- 3.2. There are now 88 pipeline applications currently in the system, 49 of which are project continuations.
- 3.3. As at 30<sup>th</sup> September, 96% of the ERDF allocation (inc. Finance Instruments) has been contracted. (exc.PA9 balance remaining) . By category of region this is Less Developed 94%, Transition 89% and More Developed 94%.

Category of Region	Allocation	Commitment £M (inc. FIs)	Commitment % of Allocation	Pipeline and Commitment £M	Pipeline and Commitment % of Allocation
More Developed	£1,849	£1,733	94%	£1,811	98%
Transition	£966	£861	89%	£899	93%
Less Developed	£418	£395	94%	£395	94%
<b>Grand Total</b>	<b>£3,233</b>	<b>£2,988</b>	<b>92%</b>	<b>£3,104</b>	<b>96%</b>
No. of projects		1082		1170	

Figure 2

- 3.4. The table also shows the pipeline. Commitment and pipeline in LD is 94%, T is 93% and MD is 98% making an overall total of 96%.
- 3.5. Pipeline projects will progress through to commitment as applications are processed. Currently 88 applications which includes 49 continuations.

## 4. N+3 Target

- 4.1. The visual below shows progress against N+3 targets. The last payment application submission was in September 2021, for €146m and cumulatively N+3 2022 has been achieved 18 months ahead of scheduled. The payment applications have now resumed at CoR Intervention rates following the programme taking up the flexibility offered by the EC, in its response to Covid-19, by claim reimbursement at 100%.
- 4.2. N+3 is only officially achieved when the Certifying Authority has submitted payment applications to the EC.
- 4.3. 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

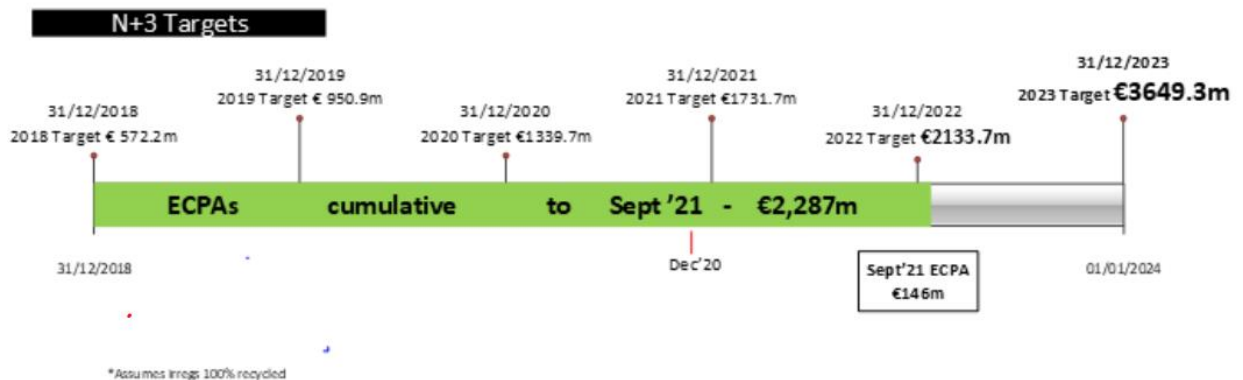


Figure 3

## 5. 2023 PF Expenditure targets including paid claims (€m) by Priority Axis across each of the Category of Regions from *contracted* projects

- 5.1. Contracting progress by Category of Region is steady on all the Priorities, and all Priorities have now contracted over 65% of their allocation. PA10 was first contracted in October 2020.

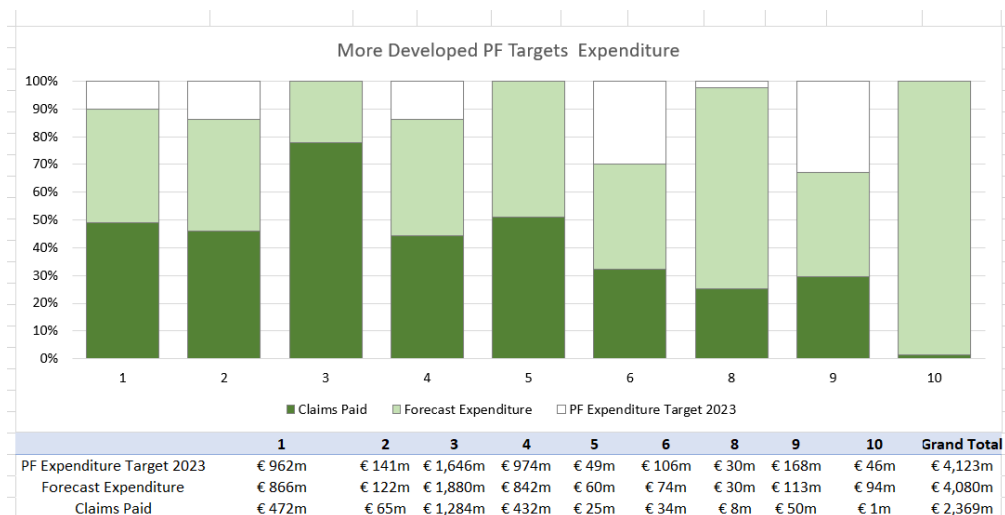


Figure 4

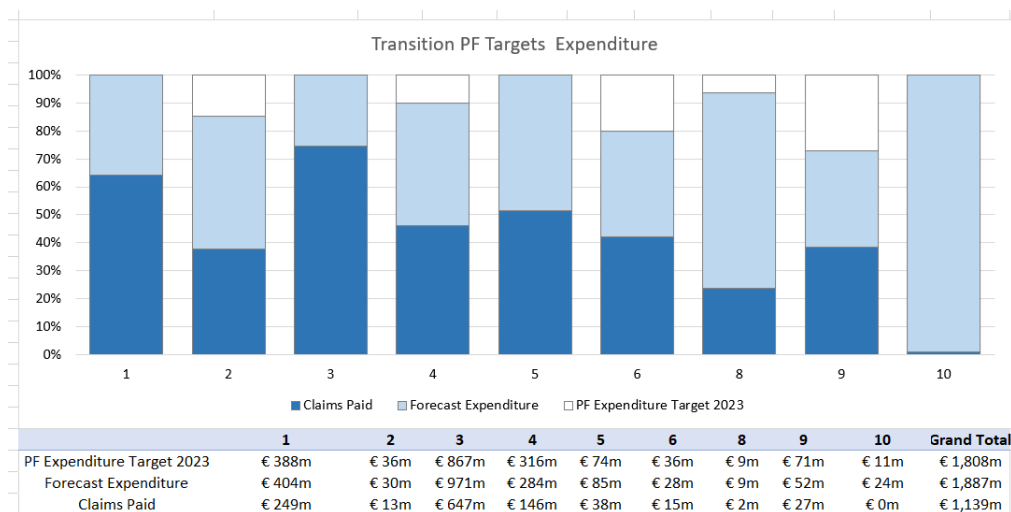


Figure 5

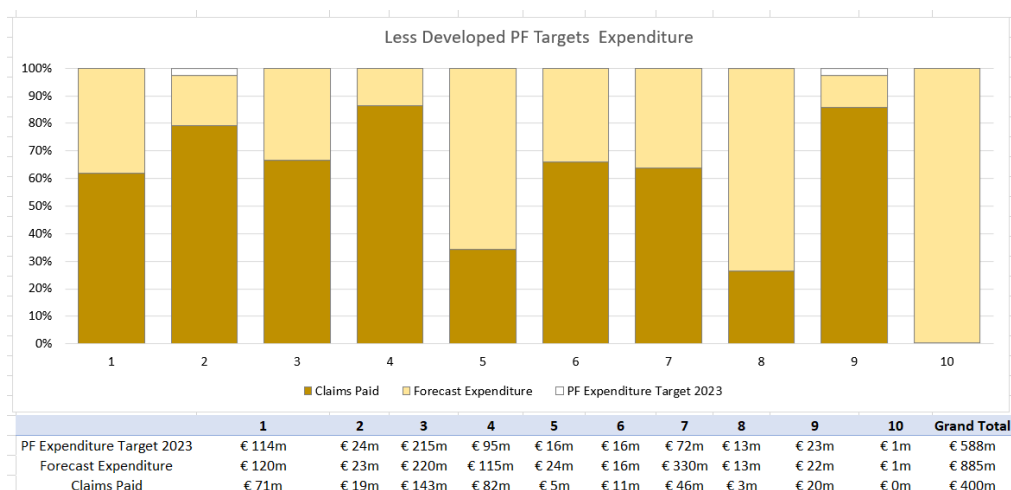


Figure 6

## PF Expenditure

Since the last report there have been improvements in PF Expenditure achievement in Less Developed and Transition regions (PA1 Tran@65%; LDR:PA3@67%;PA6@67%);

8/25 targets have *actual achievement* above 65% of the minimum threshold.

PA8 - All categories of region. Limited expenditure incurred and with low outputs achieved to date for the £23m budget committed

### PA1: Strengthening research, technological development and innovation

- 5.2. Less Developed: The PA1 Less Developed ERDF allocation has been fully committed and stands at 106%. This will need to be managed carefully to ensure payments do not exceed the allocation. On claims paid, 62% of the target has been spent so far, which is reasonable progress at this point in the Programme. Apart from managing the overcommitment, there are no areas of concern.
- 5.3. Transition: Here too excellent progress has been made with 104% of the 2023 target having been contracted. As with Less Developed this will need to be managed to ensure payments do not exceed the allocation. Transition is the strongest of the CoRs in terms of expenditure achievement, with 64% of the target reached. This is satisfactory at this stage of the programme. No other areas of concern.
- 5.4. More Developed: Progress in contracting remains slow with 90% of the target reached so far. Even if all the pipeline were to be contracted as well, full commitment would not be achieved, with little improvement on that contracted figure. MD is behind the other CoRs with 49% of the target reached in terms of paid claims, but that will improve as submitted claims are paid. 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 are focusing on becoming financially stable again rather than investing now in long term R&D programmes.

**PA2: Enhancing access to, and use and quality of, information communication and technology**

- 5.5. Less Developed: Expenditure is in a good position with 79% of target expenditure processed. Overall, however, ~£1.4 million (8%) of the £17.2 million ERDF allocated will not be utilised and discussions are underway to reallocate to PA3 activity in Less Developed region. The performance framework outputs (P3) will, however, still be achieved using the lower level of LD ERDF investment.
- 5.6. Transition and More Developed: 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 across the CoR. ERDF Projects in pipeline are almost 100% committed with only 2 projects (1T and 1MD) awaiting investment decision. The forecast therefore appears achievable with performance current at 35% (T) and 44% (MD), although it is noted there are several projects with 2020/21 start dates that are yet to submit claims for expenditure. Close monitoring and identification of corrective action is required in the next quarter to ensure risk of underspend is adequately managed.

**PA3: Enhancing the competitiveness of small and medium sized enterprises (SMEs)**

- 5.7. Less Developed: Total Eligible Expenditure (TEE) legally committed for LD COR remains at 102% of the 2023 financial PF target and incorporates an additional €0.5m of TEE which was contracted in the quarter. There is currently no further TEE to be contracted in the pipeline. At this stage of the programme, positive progress continues to be made with 67% achieved against the 2023 financial PF target based on actual claims made to date.
- 5.8. Transition: The Transition COR still continues to perform positively, with 112% of Total Eligible Expenditure legally committed against the 2023 financial PF target. As per the last GPB, there is still a strong pipeline of €64m which continues to provide confidence that commitment percentages will be further exceeded (currently forecasted to be 119%). At this stage of the programme, positive progress continues to be made with 75% achieved against the 2023 financial PF target based on actual claims made to date.
- 5.9. More Developed: Positive progress for the MD COR continues to be made against the 2023 Financial PF target with 114% of Total Eligible Expenditure legally committed. Additionally there is still a robust pipeline of applications (€90m), with a forecasted commitment target to increase to 119.7%. At this stage of the programme, positive progress continues to be made with

78% achieved against the 2023 financial PF target based on actual claims made to date.

- 5.10. Overall, for PA3, positive progress still continues post COVID-19 restrictions, with encouraging progress being made on: project activity, payment of claims, and subject to local GDT resources - appraisals and continuation project change requests (with projects taking advantage of the opportunity to reprofile expenditure and outputs).

**PA4: Supporting the shift towards a low carbon economy in all sectors**

- 5.11. Less Developed: PA4 in Cornwall has shown a strong pipeline of applications. The PA4 budget is likely to be met.
- 5.12. Transition: It is unlikely that the full budget of the programme performance target will be achieved.
- 5.13. More Developed: The last call saw a strong pipeline of projects coming through, however the full value of the PA4 budget will not be met.
- 5.14. There are a number of reasons which have affected performance: A61 revenue generation rulings have limited take up of energy generation projects seeking to sell surplus energy. Low carbon business support applications were often poor quality and focussed on business assists instead of greenhouse gas reductions. Implementing low carbon strategies under P4e were affected by low quality bids and the fact that many local authority green plans focussed on transport initiatives, but under 4e low carbon transport cannot be looked at in isolation.

**PA5: Promoting climate change adaptation, risk prevention and management**

- 5.15. Less Developed: Cornwall and the Isles of Scilly is now fully contracted at just over 100% investing in natural flood defence work in the Isles of Scilly; strengthening the natural sand dune systems to protect the island and its natural fresh water supply from intrusion by the sea.
- 5.16. Transition: c77% of the transition category of region is now contracted covering Lancashire in the North West and the Humber, North East, Cumbria , York North Yorkshire, and Sheffield City Region in the NEYH area and Stoke in the Midlands area investing in a range of flood mitigation and management scheme, some of which form part of the wider sustainable urban development strategy.
- 5.17. More Developed: c94% of ERDF is now contracted. , the majority of which is in Leeds City Region as well as Derbyshire, North East, and York North Yorkshire. investing in a range of flood mitigation and management scheme, some of which form part of the wider sustainable urban development strategy incorporating biodiversity and climate mitigation measures.



**PA6: Preserving and protecting the environment and promoting resource efficiency**

- 5.18. Less Developed: The value of projects that have been contracted exceeds the Performance Framework target and this should be met.
- 5.19. Transition: The full value of the programme budget for PA6 transition hasn't been realised and the contracted value is at 80%. Primrose Lodge in Clitheroe Lancashire has transformed an old silted up lodge into a community resource, providing access through the site and installing an Alaskan fish pass.
- 5.20. More Developed: Progress has been made in bringing forward projects however the full allocation will not be utilised in More Developed, this is partly due to the delays in bringing forward the SUD projects and linking PA6 within this.
- 5.21. The delivery of activity hasn't been able to catch up from early in the programme when the demarcation with Countryside Stewardship was a challenge for applicants in more rural LEP areas. PA6 is linked to SUD allocations and there was a delay in bringing forward calls for this area. Leeds and Birmingham LEP areas have nearly half the PA6 allocation in More Developed and the delay in bringing forward SUD calls has had a significant impact on the ability to bring projects forward. There has been challenges in demarcating between ERDF and EAFRD (Countryside Stewardship) investments, which was reflected in the 2017 operational programme modification in this PA. The time taken to resolve the issue has resulted in delays in bringing forward suitable projects.

**PA7: Promoting sustainable transport and removing bottlenecks in key network infrastructures**

- 5.22. Less Developed: The Performance Framework expenditure target against the contracted projects are on schedule to achieve the final target at the end of the operational programme. The Major project (A30 Carland Cross to Chiverton Cross (Construction Phase) project) contracted at the beginning of 2021 and is on-site on site and making good progress to deliver the spend and output required by the programme in 2023. The PA7 expenditure budget is contracted at 96.58%.

**PA8: Promoting sustainable and quality employment and supporting labour mobility**

- 5.23. Please see CLLD report below

**6. 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.

### PF Outputs

All regions have *contracted* sufficient projects to achieve the minimum output threshold. An improvement in PA5 MDR to above 65% in the quarter. There have been 1 upgrade in outputs *achieved* above 85% since the last report. (PA1 – LDR)

8/26 targets have *actual achievement* above 65% of the minimum threshold

PA8 - All categories of region. Limited expenditure incurred and with low outputs achieved to date for the £23m budget committed

PA5 - MDR output target (businesses & properties with reduced flood risk) will not be achieved .

PA4 - LDR actual achievement is low 0.7% of contracted outputs (C34 GHG reductions). However we are being reassured that this will resolve itself as live projects are yet to claim these outputs - including 2 significant projects

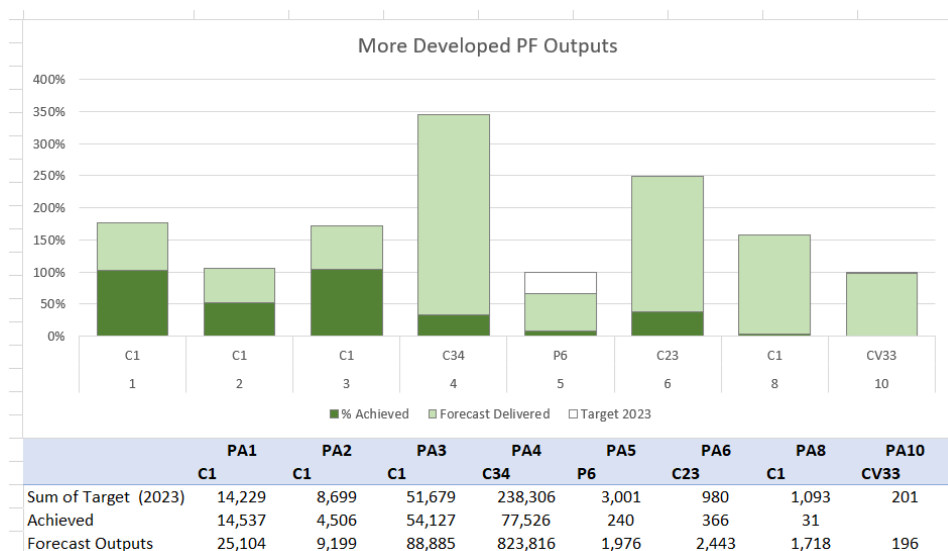


Figure 7

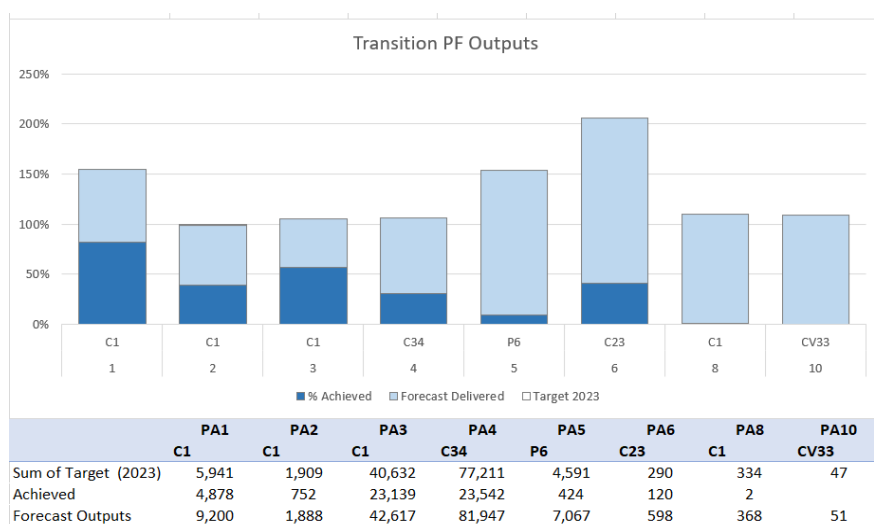


Figure 8

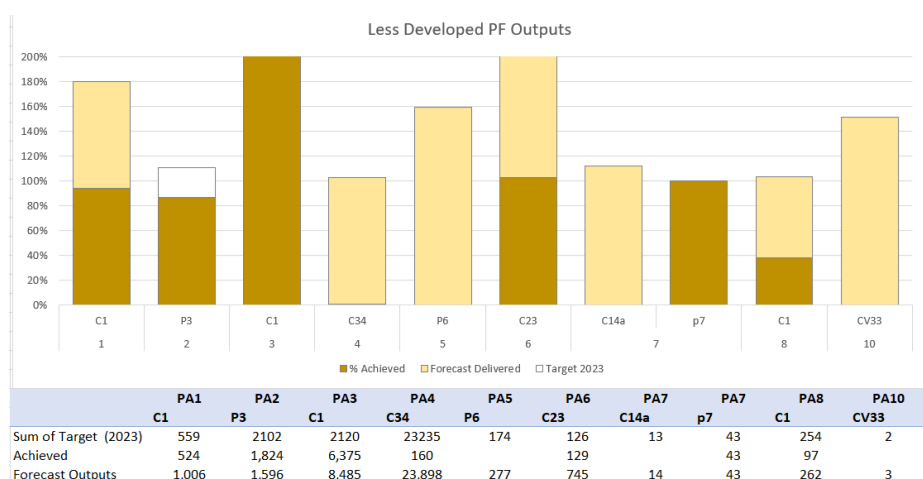


Figure 9

## PA1: Strengthening research, technological development and innovation

- 6.1. Less Developed: Contracted outputs now stand at 180% of the 2023 PF target which is excellent progress and reflects the high levels of ERDF which have been contracted. Strong delivery with 94% of the contracted outputs already achieved.
- 6.2. Transition: Solid progress has been achieved with 155% of the output target contracted. 82% of the PF target has been achieved which is satisfactory at this stage of the programme.
- 6.3. More Developed: Despite the slower rates of contracting and expenditure, the outputs position is much stronger with 176% of the target contracted, and in terms of actual outputs achieved, the PF target has now been met with 102% achieved, the strongest of the three CoRs. 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: Enhancing access to, and use and quality of, information communication and technology**

- 6.4. Less Developed: The 2023 Performance Framework target (P3) of 2,102 is on track to be exceeded. Superfast 2 has now completed and, subject to project closure and final claims checks, once processed the outputs will exceed the performance framework target. As a result the area has been able to accommodate refocussing of Superfast 3 towards P4/business connectivity output (increasing contracted from 55 to 400) and reduce their P3 infrastructure contracted outputs. In addition, the Superfast Satellite project has reduced in scale as it has struggled to find businesses willing to connect with satellite technology (businesses want to wait for fibre or similar technology). The reduced project will meet the limited demand whilst maintaining VfM.
- 6.5. Transition and More developed: The Transition and More Developed 2023 performance framework target is C1s Number of Businesses Supported. There is no significant change since last report; the C1 (number of businesses supported) target is considered deliverable given the performance achieved to date 34% T and 47% MD. The reporting of outputs and claims submission, however, continues to be behind profile. Close monitoring and identification of corrective action is required in the next quarter to ensure the forecast outputs will be achieved by 2023 in both CoRs.

**PA3: Enhancing the competitiveness of small and medium sized enterprises (SMEs)**

- 6.6. Less Developed: LD COR has already legally committed in excess of the 2023 PF output target with 400% of C1s committed to date. LD COR has already exceeded their non-financial 2023 PF target, with 301% achieved to date.
- 6.7. Transition: Transition COR has legally committed 105% of its 2023 PF output 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. As per the last GPB update, Transition COR appears to be behind compared to the other CORs, the programme has achieved 57% of the 2023 non-financial PF target which we continue to proactively monitor. At this stage of the programme, we still anticipate this will continue to progress positively.
- 6.8. More Developed: MD COR has currently committed in excess of its 2023 PF output target with 172% of C1s committed to date. It is anticipated that the current pipeline of projects will continue to contribute to this target. Within the last quarter, the MD COR has exceeded their PF output target, with 105% achieved to date.
- 6.9. Similar to the position on expenditure above, although we have seen a dip of project performance across the programme, there continues to be significant progress on outputs across all 3 CORs. As per the last GPB update,

overall Grant Recipients have supported a high volume of SMEs due to the impact of COVID-19 but not necessarily hitting the minimum requirement to be recorded as a C1. In addition, as COVID-19 restrictions have lifted some projects which offer grants have requested to increase the value of grants in response to the current demand post COVID-19 (albeit with additional output / outcome benefits e.g. increased in employment, turnover etc) and as a consequence are proposing to reduce the number of C1s and C2s (number of enterprises supported with financial support e.g. grants) which the Managing Authority will continue to review on a case by case basis.

- 6.10. At this stage of the programme, the Managing Authority continues to be optimistic that we will remain on target to achieve the 2023 PF output target across all CORs, especially as both LD and MD have been achieved.

**PA4: Supporting the shift towards a low carbon economy in all sectors**

- 6.11. Less Developed: The low level of reporting C34's is due to the majority of projects still being live and therefore the outputs are yet to be claimed. Two projects which will close in the coming months will deliver significant C34 outputs, Local Energy Market – 10,000 tonnes and United Downs Deep Geothermal – 8,000 tonnes.
- 6.12. Transition: The outputs are on track and the performance framework target should be achieved.
- 6.13. More Developed: The performance framework target is forecast to be over 100% achieved.

**PA5: Promoting climate change adaptation, risk prevention and management**

- 6.14. Less Developed: Less Developed is on track to meet its targets following the latest project approvals
- 6.15. Transition: Strong performance against PF outputs is forecast. Deliverability/achievement of the outputs is considered low risk
- 6.16. More Developed: It's unlikely that More Developed will meet the PF output target. The areas requiring flood defence intervention have a finite number of businesses within the catchment area that can be counted as direct outputs. This number cannot be increase or inflated.

**PA6: Preserving and protecting the environment and promoting resource efficiency**

- 6.17. Less Developed: This is comfortably being delivered primarily through Project Goss, which through Natural England is bringing a SSSI back into a high-quality status.
- 6.18. Transition: The output target should be delivered as what has been contracted due to the nature of the project (the land where works are being delivered won't change) will be claimed.
- 6.19. More Developed: The output target despite the reduced expenditure should be delivered.

**PA7: Promoting sustainable transport and removing bottlenecks in key network infrastructures**

- 6.20. Less Developed C14: The remaining output for the delivery of the Major project is contracted and is expected to meet the 2023 target of 14km – Total length of reconstructed or upgraded roads.
- 6.21. Less Developed P7: Target and actual 100% achieved.

**PA8: Promoting sustainable and quality employment and supporting labour mobility**

- 6.22. Please see CLLD report below

## **7. Financial Instruments**

- 7.1. To 30th September 2021, 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.
- 7.2. The table below details what has been achieved with regards to outputs and expenditure to the end of September 2021. The drawdown status for each fund is also included.

Project	Invested End September 21	Private Sector Leverage	Outputs End September 21	Drawdown Status	Next Drawdown
<b>Access to Finance Funds</b>					
Northern Powerhouse Investment Fund (NPIF)	£290,914,307	£377,472,585	Investments made - 937 Jobs Created - 4,060 New Enterprises - 85 New Product to Firm - 190 New Product to Market - 141 Non Financial Support - 467	NPIF has now drawn down all 4 tranches of funding £140,359,192 (ERDF).	All 4 Tranches have been drawn
The North East Fund	£64,558,000	£105,000,000	Investments made - 306 Jobs Created - 2381 New Enterprises - 134 New Product to Firm - 14 New Product to Market - 1 Non Financial Support - 344	The fund has drawn down three tranches Total ERDF value drawn to date is £43.875m.	The 4th and final drawdown will take place in Q1 2022
Midlands Engine Investment Fund (MEIF)	£142,103,419	£149,580,799	Investments Made - 462 Jobs Created - 1,446 New Enterprises - 73 New Product to Firm - 75 New Product to Market - 64 Non Financial Support - 175	MEIF has now drawn down all 4 tranches of funding £78.550m (ERDF).	All 4 Tranches have been drawn
Low Carbon Innovation Fund II	£1,315,681	£0	Investments Made - 7	The fund has drawn down two tranches of funding which equates to £5.642m (ERDF)	3rd drawdown will take place in Q2 2022
Cornwall & Isles of Scilly Investment Fund (CloSIF)	£8,205,770	£16,244,051	Investments Made - 35 Jobs Created - 185 New Enterprises - 5 New Product to Firm - 4 New Product to Market - 1	CloSIF has drawn down two tranches of funding. The 2nd in October 2020. Total drawdown £16m ERDF. There will be no further drawdowns this year.	3rd drawdown will take place in Q2 2022
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)	The 3rd drawdown will take place in Q2 2022
<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.	All 4 Tranches have been drawn
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 drawn down two tranches (£30m ERDF).	The 3rd drawdown will take place in Q1 2022
Liverpool City Region Urban Development Fund	£9,935,000	£5,666,791	Investment made - 2 Buildings renovated/created - 3,974sqm	First tranche was drawn down in Q1 2020 at an ERDF value of £6.25m	The 2nd drawdown will take place in Q1 2022
Cheshire & Warrington Urban Development Fund	£7,120,000	£7,850,000	Investment made - 2 Buildings renovated/created - 5,028sqm	First tranche was drawn down in Q2 2020 at an ERDF value of £5m	The 2nd drawdown will take place in Q1 2022
Lancashire Urban Development Fund	£0	£0	0	First tranche was drawn down in Q2 2021 at an ERDF value of £5m.	The 2nd drawdown will take place in Q2 2022

7.3. All funds have drawdown at least one tranche of funding. A number including NPIF, MEIF and MEEF have now drawn down all four tranches of funding.

7.4. Several audits are currently taking place including A125, A127 and the GIAA are undertaking a systems audit across the whole portfolio of FI's looking at the management and claims processes. To date no major issues have been reported on any of the FI's.

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

8.1. ERDF Priority Axis 8 (CLLD) continues to demonstrate variable progress and performance with some CLLD programmes well into implementation and others seeking to reduce the programmes given match funding and local delivery constraints exacerbated by the pandemic.

- 8.2. Further to the joint Managing Authority (ERDF and ESF) CLLD programme reviews, reprofiling of CLLD Projects continues. In some instances this will involve relinquishing ERDF underspends where programmes are not confident that the pace of delivery can increase. The Managing Authorities are carefully managing the position.
- 8.3. There is continued interest from local projects in CLLD Programmes, particularly where the programmes can assist with COVID recovery. Programmes are exploring alternative opportunities to assist with this recovery, for example, delivering and implementing small grant schemes and continuing to have open calls for projects.
- 8.4. CLLDs are now reporting delivery of performance framework outputs C1 'Number of Enterprises Receiving Support'. To date claims have been submitted for 208 C1s in the More Developed Category of Region (19% of the OP target), 77 C1s in Transition (23%) and 97 C1s in Less Developed (38%). It is unlikely however that the More Developed / Transition performance framework targets will be met despite CLLD best efforts.

## **9. Reopening High Streets Safely Fund (RHSS)/ Welcome Back Fund (WBF) - Priority Axis 10**

- 9.1. The Managing Authority (MA) is still reviewing the business case (Project Change Request or PCR) for an extension of the project in light of the Government announcement on [a series of measures to support high streets and coastal towns](#) including financial incentives towards encouraging the return of people to and improving the appearance of high streets. Whilst approved in principle, the PCR is to be formally signed off by the MA subject to the provision of additional information.
- 9.2. This would extend the project by another nine months until June 2022 and an extra £57m, which would bring the total value of the project to c.£108m ERDF. As a reminder, the extra fund will allow local authorities to put in place additional measures to create and promote a safe environment for local trade and tourism, particularly in high streets as their economies reopen. Local authorities will also be able to use the fund to develop plans for responding to these impacts, which could include considering how other funding streams could help address those challenges in the future. Part of the fund will be used to provide support for coastal resorts across England to support areas as they prepare for summer to safely welcome holiday makers in the coming months. The project title would also change to 'Welcome Back Fund' to better reflect the nature of activities. A summative assessment and project evaluation will take place at the end of the project.

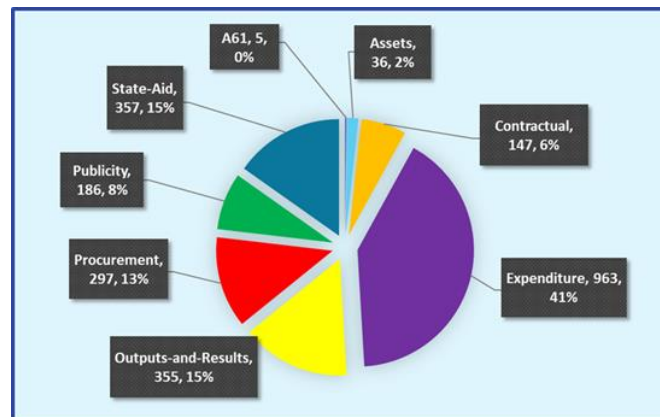


- 9.3. 306 out of the 309 (99%) local authorities in England will be participating in the refreshed initiative. The process of discussing the new 'Welcome Back Funding' contract variation with the local authorities is coming to an end and the team are working at pace to complete the contracting process for the remaining participating LAs: 8 Grants Action Plans and 7 Funding Agreements with Local Authorities are to be finalised in the coming weeks.
- 9.4. The MA has approved claims worth £611k ERDF and the project is about to submit another £3.7m ERDF. The number and value of claims are expected to rapidly ramp up in the coming months to reach c.£67m by the end of the year. A 'On the Spot Visit' (first level of audit) is due to take place in the coming weeks where systems in place and expenditure compliance will be tested.

## 10. Compliance

- 10.1. 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.
- 10.2. The Compliance Team will continue to undertake the majority of OTSV visits remotely using video links and electronic file sharing. Since the 2021 schedule commenced 89 visits have started from the 2021 schedule and a further 5 visits started from the 2020 schedule, of these 61 are closed. A number of visits have had to be delayed due to a variety of reasons i.e. the availability of project staff due to Covid 19, selected claims not being paid, lack of project activity and team capacity issues. We constantly review visit readiness and re-prioritise visits as required.
- 10.3. The first Interim Payment Application of the 2021/22 ECPA has been submitted and the overall percentage tested at OSTV for this application is 25%, which exceeds the 15% target. We continue to monitor the ECPA tested percentage and this will be calculated cumulatively over the coming ECPA year.
- 10.4. Each Financial Instrument must receive an annual OTSV visit, with the FI visit year running from January to December. This year, up to the end of September, 8 OTSVs, encompassing 31 sub funds, have been carried out. 2 procurement checks have been carried out; for a Fund Manager for the Lancashire Urban Development fund and Fund Administrator for Greater Manchester Fund of Funds.
- 10.5. Regular analysis of A125 OTSV actions is carried out, with actions broken down by category and sub-category. A report of actions and irregularities is provided to

each GDT on a quarterly basis. We are proactively working with Grant Recipients to identify eligibility issues, to then resolve them before potential penalties and address any systemic issues.



## 11. Cross cutting themes: Sustainability

- 11.1. 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.
- 11.2. 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.

## 12. Equality & Diversity

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

## 13. Audit

- 13.1. Out of the full 39 Audits covering the annual programme, 6 have been completed, 10 are at draft report stage and 23 audits remain at fieldwork stage. We are behind on the number of reports we would have liked to have received at this point, continue to engage closely with the AA and monitor progress. We have recently had an extended meeting with the AA to discuss best options at progressing this position.

- 13.2. There have been no newly completed system audits in this period, we are currently managing the Managing Authority system audit (KR2 and KR4).
- 13.3. Work is continuing on the ongoing ECA and DG Regio Audits on two audits which the MA and our AA are disputing findings. A further ECA audit covering FIs has commenced and is in the early stages, the connected GDT/OTSV representatives have managed collecting all the potential data required.

## 14. Sustainable Urban Development

- 14.1. Overall performance across the nine SUD areas, to 30<sup>th</sup> September 2021 (31<sup>st</sup> October 2021 for financial data)

<b>ERDF Contracted to live projects</b>	£263,890,000	90%
<b>Applications in the system</b>	£29,360,000	10%
<b>Balance remaining</b>	£7,500,000	2.56%
<b>Total SUD value</b>	£293,250,000	100%

- 14.2. The level of ERDF committed to live projects has increased to 90% of the SUD allocation since the last Growth Programme Board report (an increase of 1%). There is an EC regulatory requirement that at least 5% of the ERDF resources allocated at UK level are committed to SUD. (Currently 90% of the 5% target has been achieved. This increases to 100% with pipeline applications.)
- 14.3. London's full £184m ERDF allocation contributes towards SUD. 99% has been committed; all applications are in contract and no applications are in appraisal. As projects close and inevitably return underspends, the GLA will consider the use of these returns (plus the remaining unallocated balance) in line with guidance published by the MA.
- 14.4. 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, with the GFA currently with the Grant recipient for signing. These 2 projects account for the full PA3 SUD allocation. One further project to spend the PA4 part of the SUD allocation has now withdrawn leaving 0.83m that will not now be allocated.
- 14.5. The main Liverpool City Region SUD project (Green Sustainable Travel Corridors) continues to make good progress with all the 'work packages' submitted and signed off.
- 14.6. Progress on the Mersey Ferry Vessel Renewal project has been delayed due to cost issues created by Brexit 'uncertainty' during the procurement process, but a revised proposition is imminent.

- 14.7. All projects under the Nottingham SUD have now been contracted and are in delivery. There are no further projects to come forward. In total there are 6 projects totalling £8.9m delivering under the Nottingham SUD against the original allocation of £11.3m.
- 14.8. For Birmingham SUD, the main focus has been on the appraisal of 5 full applications from the June 2020 call that were submitted to MA earlier this year. Of these, 1 PA4 project has been approved and is currently being contracted, whilst a MA decision is expected on a further two in September. This leaves two applications, where issues have been identified during appraisal and discussions are underway with the IB to determine if they can still proceed.
- 14.9. The North East SUD programme has now contracted all projects with a total ERDF value of £13.73m representing 70% of the NE SUD allocation. Since the last report 2 pipeline projects with an ERDF value of c£5m have been withdrawn by the applicants due to difficulties with match funding. In total 7 projects 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. It is also expected that 80% of the estimated annual decrease of GHG reduction target will be achieved.
- 14.10. West Yorkshire CA. Six calls have been published . Seven projects are now contracted and one is at grant funding stage. Four applications have recently been withdrawn/deselected from the programme.
- 14.11. Sheffield CR. One call has been published and three applications have been contracted utilising the full allocation.
- 14.12. Greater Manchester. All projects except one have now been made live. One project remains at PCR stage. This however if approved will exceed the GM SUD allocation by £1.42 m

<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 Contract</b>
<b>Nottingham</b>	£11.35m	£8.93m	£0.00m	£0.00m	£2.42m
<b>Greater Birmingham &amp; Solihull</b>	£11.74m	£2.48m	£9.26m	£2.48m	£6.78m
<b>Greater Manchester</b>	£24.33m	£24.05m	£0.00m	£1.70m	-£1.42m
<b>Leeds City Region</b>	£18.02m	£9.35m	£2.63m	£8.54m	-£2.50m
<b>Liverpool City Region</b>	£11.23m	£10.61m	£0.00m	£0.00m	£0.63m
<b>London</b>	£184.28m	£184.01m	£0.00m	£0.00m	£0.27m
<b>North East</b>	£19.50m	£13.73m	£3.38m	£1.72m	£0.66m

<b>Sheffield City Region</b>	£9.71m	£9.87m	£0.00m	£0.00m	-£0.16m
<b>Bristol</b>	£3.09m	£0.86m	£0.00m	£1.40m	£0.83m
<b>Total</b>	<b>£293.25m</b>	<b>£263.89m</b>	<b>£6.01m</b>	<b>£15.85m</b>	<b>£7.50m</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	£86m (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

