



Growth Programme Board

1. ERDF Programme Delivery

Purpose:

To advise the GPB on progress with European Regional Development Fund (ERDF) Programme delivery to 31st March 2022.

Recommendation(s):

That the GPB note the position to end of March 2022.

Summary:

Currently, the overall sterling value of the Programme is valued at £3,163m (@. 0.8666)¹ and this is subject to exchange rate movements which are being closely monitored.

Overall Progress on Contracting; 1091 projects (inc.11 financial instruments (FIs)) with ERDF of **£3,133m** committed², excluding PA9 balance remaining. This represents 99% of the programme budget. Since the last quarter 3 projects and 18 continuations have been contracted (£40m ERDF).

There remain 19 pipeline applications requesting ERDF of £20m

Adding contracted projects with those in the pipeline, represents 100% of the current programme budget. **Overall Progress – Expenditure:** Cumulative claims paid by the Managing Authority (MA) to grant recipients total £1,832m ERDF, an increase of £68m 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 to achieve the minimum threshold: however:

On watch list:

- PA5 - MDR output contracted target (businesses & properties with reduced flood risk) will not be achieved. This has been flagged to the EC through the AIR.

¹ The revision to the operating value of the Programme at the March GPB alongside the MAs Maximising Expenditure Strategy.

² Includes £30m of Technical Assistance and £40m of further commitments to FIs (£20m each to NPIF and MEIF).

- PA8 –There are challenges in both meeting expenditure and output performance framework targets in the More Developed and Transition regions. Shortfalls in commitments in these regions will need to be considered as part of the upcoming Programme modification.

N+3 2022 Target: Achieved well ahead of scheduled. Cumulative ECPAs to end December 2021³ were valued at €2,383m 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 £3,163m. Instead of a single foreign exchange rate being used the Sterling budget is now based on funds drawn down 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 Programme's total eligible expenditure (TEE), ERDF + Match, is valued €6,572m.
- 2.3. Programme performance is measured by the EU using the following targets:
 - N+3 - Ensuring that the ERDF annual budget is drawn down from the EC within 3 years of the budget being allocated.
 - 2023 Performance Framework – These targets sit at priority axis by category of region and are broken down into 2 elements:
 - Financial – Ensure that the TEE is declared.
 - Outputs – Ensure that the performance framework outputs are met.
- 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. Figure 1 shows the amount and % of ERDF that has been contracted over time to March 2022. There has been a significant increase in commitment compared to the same time last year, increasing from 88% to 99% of the programme value.
- 3.2. In the last quarter there was an increase of 3 contracted projects and 18 continuations (£40m ERDF).

³ There was a further ECPA in April but this is not reflected in this data.

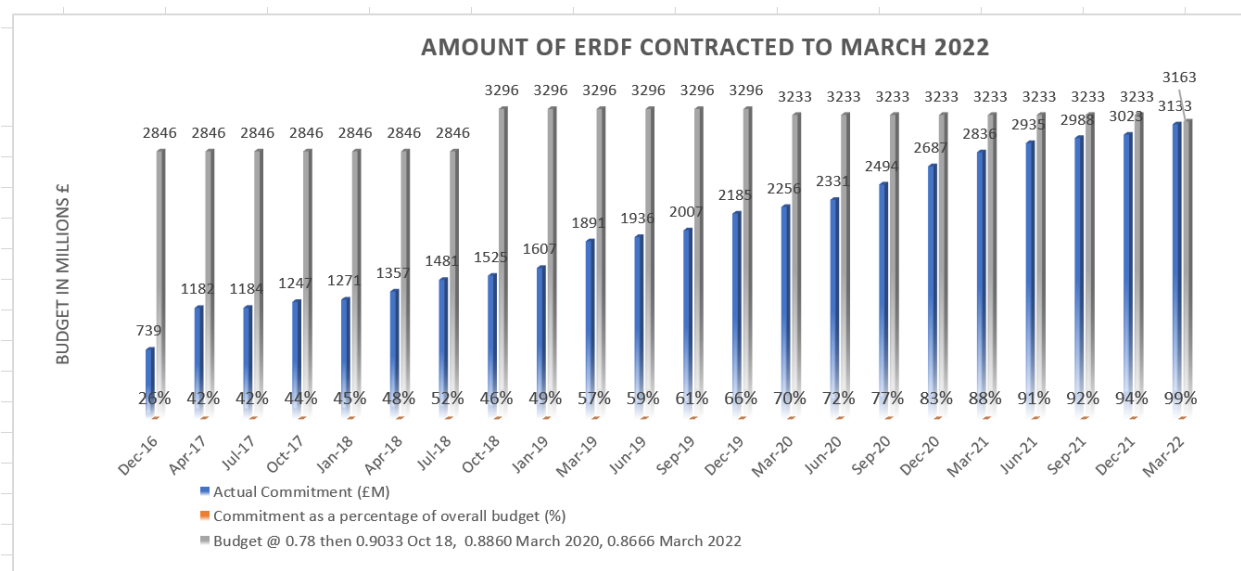


Figure 1

3.3. Figure 2 sets out ERDF programme commitment as at 31st March including the pipeline.

Category of Region	Allocation €M	Commitment €M (inc. Fis)	Commitment % of Allocation	Pipeline and Commitment €M	Pipeline and Commitment % of Allocation
More Developed	£1,809	£1,802	100%	£1,817	100%
Transition	£945	£931	99%	£936	99%
Less Developed	£409	£400	98%	£400	98%
Grand Total	£3,163	£3,133	99%	£3,153	100%
No. of projects		1091		1110	

Figure 2

3.4. The pipeline includes 19 (£20m) applications currently in the system, broken down as follows:

- Project continuations - £11m (12)
- GFA's in development - £4m (4)
- Full Applications/invited to - £4m (3)

4. N+3 Target

4.1. As set out in the figure 3 the programme has achieved its N+3 target for 2022:

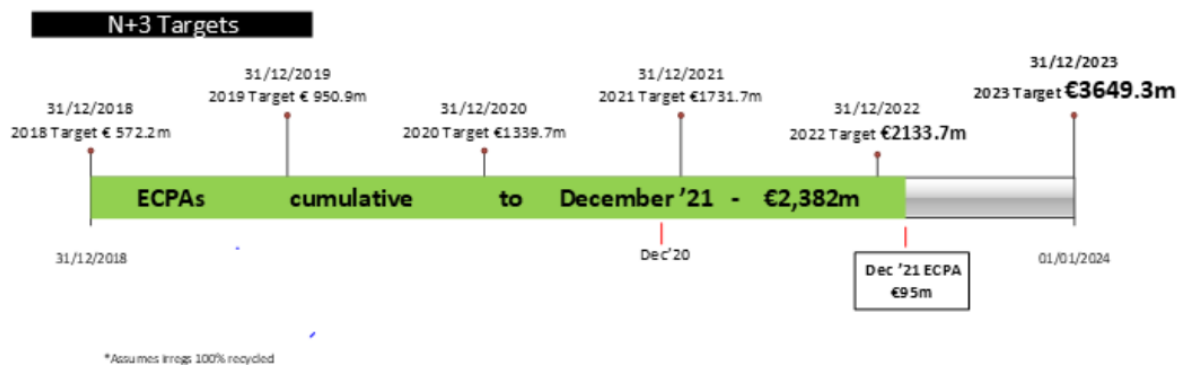


Figure 3

- 4.2. This has been achieved by making use of the ability to drawdown ERDF at a 100% intervention rate last year.
- 4.3. The consequence of this approach is that the MA has drawn more ERDF than it has paid out to beneficiaries at this point. This will be paid out in the later stages of the programme, but the MA is working with the CA to ensure that the accounts are balanced.
- 4.4. The N+3 target in 2023 is ensuring that the full value of the programme is realised, this is the same as the 2023 performance framework financial target.

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.

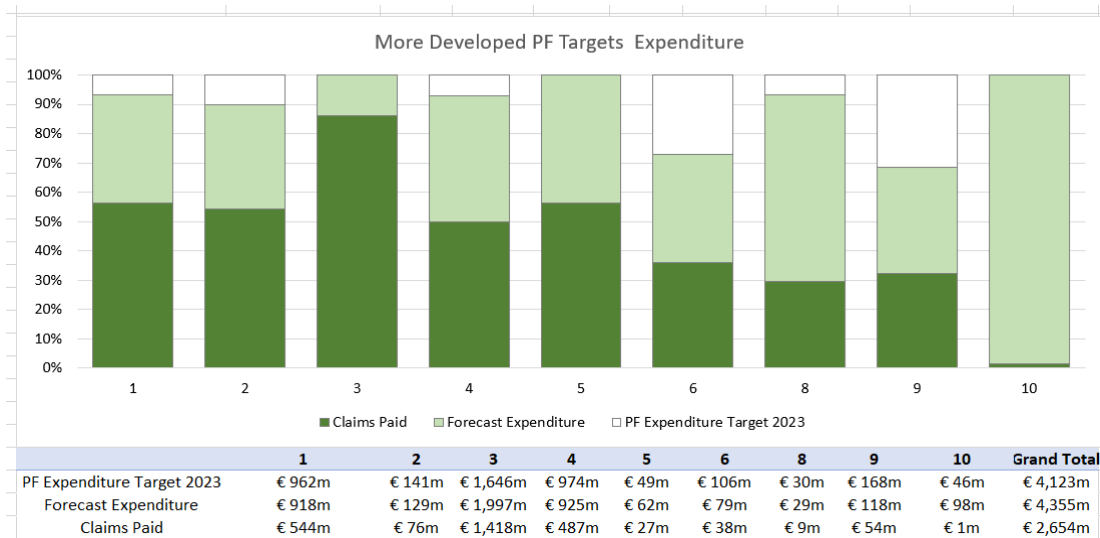


Figure 4

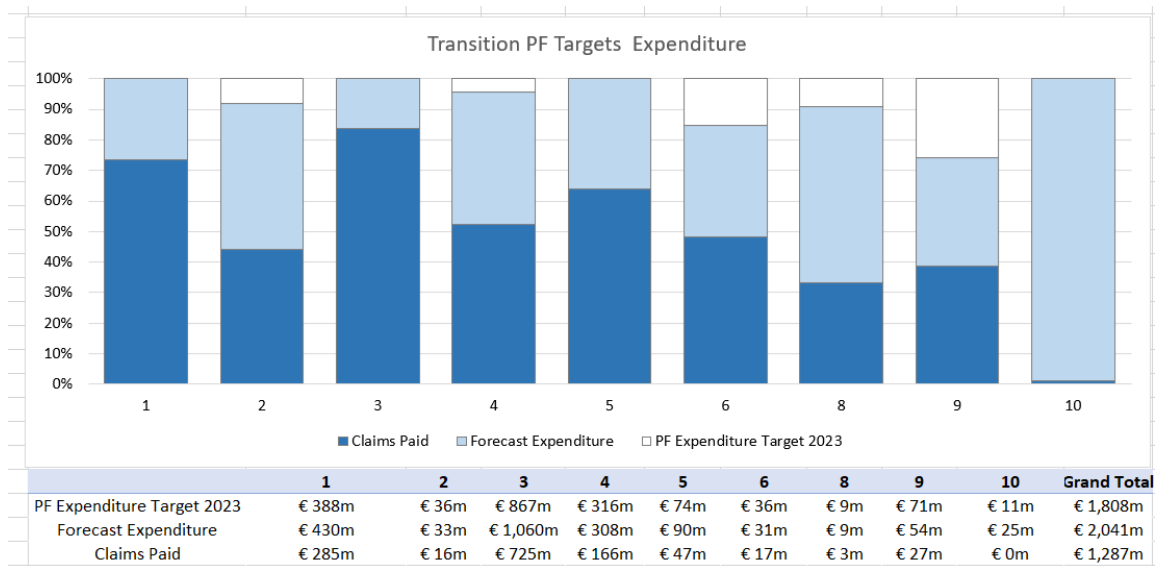
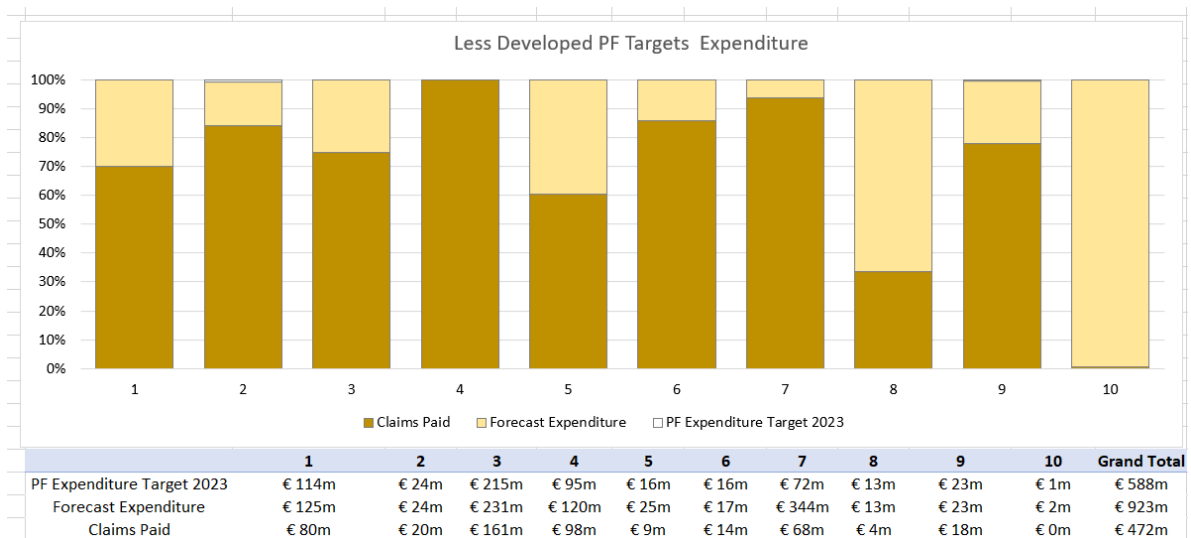


Figure 5



Performance Framework Expenditure

- 5.1. 9/25 targets have actual achievement above 65% of the minimum threshold.
- 5.2. PA8 - All categories of region. Limited expenditure incurred to date.

PA1: Strengthening research, technological development and innovation

- 5.1. Less Developed: The PA1 Less Developed CoR has contracted 109.5% of its Performance Framework target, placing it in a strong position to achieve the target at the end of the Programme, taking into account slippage. On claims paid, 70% of the target has been spent so far, which is reasonable progress at this point in the Programme. There are no areas of concern.
- 5.2. Transition: Here too excellent progress has been made with 110.8% of the 2023 target having been contracted. As with Less Developed this places the Transition CoR in a strong position to achieve the PF target at the end of the Programme. Transition is the strongest of the CoRs in terms of expenditure achievement, with 73.4% of the target reached. This is satisfactory at this stage of the programme. No areas of concern.
- 5.3. More Developed: Progress in contracting has proceeded only very slowly with 95.4% of the target reached. There is nothing left in the pipeline now so full commitment has not been achieved. MD is behind the other CoRs with 56.5% of the target reached in terms of paid claims, but that will improve as future 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 was exacerbated during the pandemic as SMEs focused on remaining in business rather than investing in long term R&D programmes. As restrictions ease, progress should pick up.

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

- 5.4. Less Developed: Expenditure is in a good position with 79% of target expenditure processed. Overall, there may be uncommitted funding reallocated to another PA via a programme modification. The performance framework outputs (P3) will, however, still be achieved using the lower level of LD ERDF investment.
- 5.5. 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. All applications in the pipeline have had investment decisions and there are no plans to commit the remaining funds within PA2 and it is anticipated that

funding will be reallocated to other PAs, respecting same category of region. Close monitoring and identification of corrective action is required to ensure risk of underspend is adequately managed.

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

- 5.6. Less Developed: Total Eligible Expenditure (TEE) legally committed for LD COR has slightly increased to 107% of the 2023 financial PF target. 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 75% achieved against the 2023 financial PF target based on actual claims made to date.
- 5.7. Transition: The Transition COR still continues to perform positively, with 122% of Total Eligible Expenditure legally committed against the 2023 financial PF target. There is a residual amount of the pipeline to be progressed (€5.96m), with a forecasted commitment target to increase to 123%. At this stage of the programme, positive progress continues to be made with 84% achieved against the 2023 financial PF target based on actual claims made to date.
- 5.8. More Developed: Positive progress for the MD COR continues to be made against the 2023 Financial PF target with 121% of Total Eligible Expenditure legally committed. As per the last GPB, there is still a residual amount within the pipeline to be progressed (€29.6m), with a forecasted commitment target to increase to 123%. Positive progress continues to be made with 86% achieved against the 2023 financial PF target based on actual claims made to date.
- 5.9. Overall, for PA3, positive progress still continues post COVID-19 restrictions, with most projects resuming back to business as usual activity and taking the opportunity to reprofile both their expenditure and output profiles.

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

- 5.10. Less Developed: PA4 in Cornwall has now committed and claimed all its available funding. The MA will pick up as part of the forthcoming operational programme (OP) modification whether additional funding will need to be moved into the PA to cover the overprogramming or we will make use of the overbooking and other programme closure flexibilities.
- 5.11. Transition: The outlook remains the same as last quarter. Although it is unlikely that the full value allocation will be committed (it sits at 97%). The MA will look to move unallocated funding to PA3 as part of an OP modification later this year to meet existing commitments in that PA.
- 5.12. More Developed: The position in this category of region is the same as in the transition region, with commitments at 95% and outputs at 348%.

- 5.13. As set out previously, there are a number of issues which have affected the ability to fully commit the funding:
- [Article 61](#) 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 IP4e 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

- 5.14. 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.
- 5.15. Transition: c86% of the transition category of region is now contracted covering Lancashire, Cumbria and Stoke-on-Trent and Staffordshire in the North West and the Humber, North East, Cumbria, York, North Yorkshire, and Sheffield City Region in the NEYH area and Greater Lincolnshire in the Midlands. Investing in a range of flood mitigation and management scheme, some of which form part of the wider sustainable urban development strategy.
- 5.16. More Developed: c99% 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

- 5.17. .Less Developed: Current commitments ensure that the performance framework targets will be met and in the case of the non-financial target heavily exceeded. Good progress is being made in terms of actuals with 124% of the outputs required for the non-financial target having already been delivered and 86% of expenditure claimed. Overprogramming in this PA needs to be reviewed as part of the operational programme modification.
- 5.18. Transition: Although it is unlikely that the full value allocation will be committed (86.5%) the non-financial performance framework targets are expected to be met (150%) through those commitments. Unallocated funding will be moved to PA3 as part of an OP modification later this year.

- 5.19. More Developed: The position in this category of region is the same as in the transition region, with commitments at 75% and outputs at 240%.
- 5.20. As set out previously, the primary reasons for shortfalls in commitments under this PA are:
- The demarcation with Countryside Stewardship was a challenge for applicants in more rural LEP areas to bring forward eligible projects.
 - PA6 is also linked to SUD allocations and there was a delay in bringing forward calls for this area and some of the planned activity has not been realised.

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

- 5.21. 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.
- 5.22. The latest contractor programme indicates that the West Bound dualling will complete by 09/08/2023 and the East Bound dualling by 09/11/2023 with road markings and then road ready for traffic by 15th November 2023. The EC desk officers visited the site in April to look at the progress of the scheme with updates on progress from the National Highways team. The PA7 expenditure budget is contracted at 100.66% ERDF.

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.

C34: Estimated GHG reductions.

C23: Surface area of habitats supported.

P7: Length of Railway with new/enhanced signalling.

P3: Additional businesses with broadband access min 30Mbps.

P6: Business & properties with reduced flood risk.

C14a: Length of track reconstructed or upgraded roads;

I6: No. of local development strategies in place.

Performance Framework Outputs

- 6.1. All regions have contracted sufficient projects to achieve the minimum output threshold.
- 6.2. 9/26 targets have actual achievement above 65% of the minimum threshold
- 6.3. PA8 - All categories of region. Limited expenditure incurred and with low outputs achieved to date.
- 6.4. PA5 - MDR output target (businesses & properties with reduced flood risk) will not be achieved .

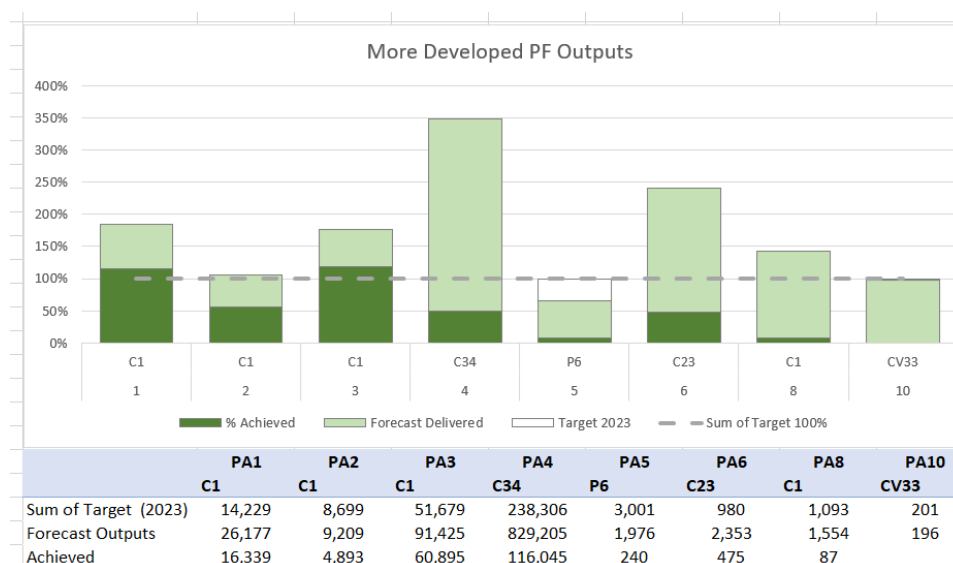


Figure 7

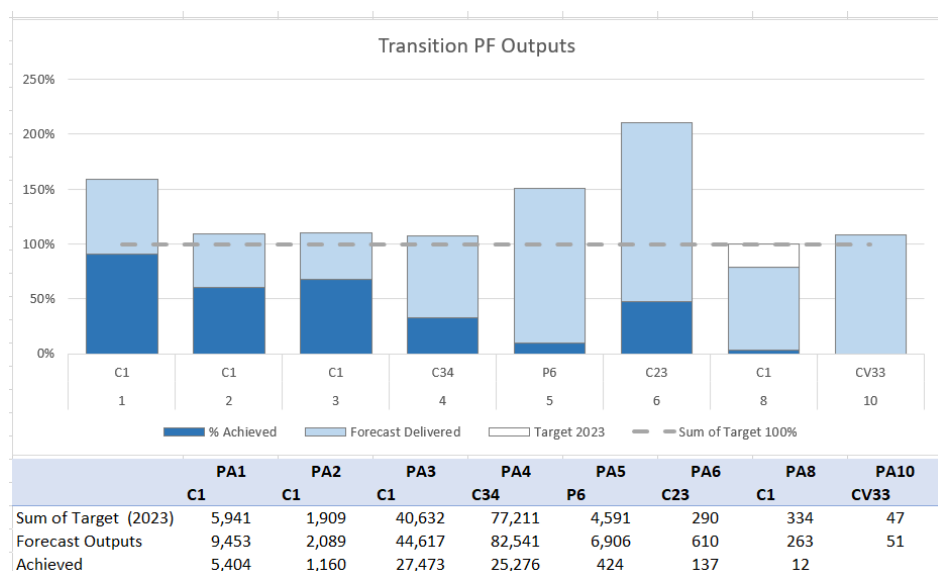


Figure 8

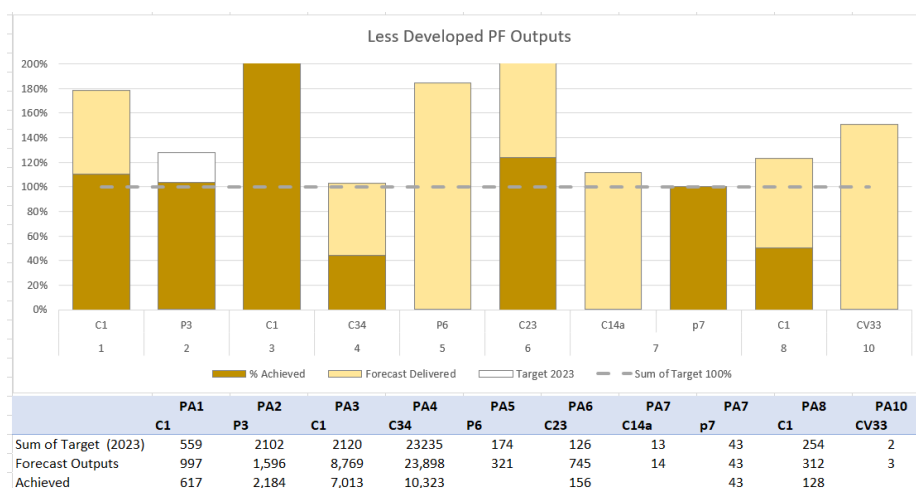


Figure 9

PA1: Strengthening research, technological development and innovation

- 6.5. Less Developed: Contracted outputs now stand at 178% of the 2023 PF target which is excellent progress and reflects the high levels of ERDF which have been contracted. Strong delivery with 110% of the contracted outputs already achieved, and the target exceeded.
- 6.6. Transition: Solid progress has been achieved with 159% of the output target contracted. 91% of the PF target has been achieved which is satisfactory at this stage of the programme.
- 6.7. More Developed: Despite the slower rates of contracting and expenditure, the outputs position is much stronger with 184% of the target contracted, and in terms of actual outputs achieved, the PF target has been met with 114.8% 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

- 6.8. 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 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.
- 6.9. 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. 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)

- 6.10. Less Developed: LD COR has already legally committed in excess of the 2023 PF output target with 414% of C1s committed to date. LD COR has already exceeded their non-financial 2023 PF target, with 331% achieved to date.
- 6.11. Transition: Transition COR has legally committed 110% of its 2023 PF output target. As per the last GPB update, although Transition COR is slightly behind in comparison to the other CORs, the programme continues to progress positively and has achieved 68% of the 2023 non-financial PF target which we continue to proactively monitor.
- 6.12. More Developed: MD COR has currently committed in excess of its 2023 PF output target with 177% of C1s committed to date. It is anticipated that the current pipeline of projects will continue to contribute to this target. The MD COR has already exceeded their non-financial PF output target, with 118% achieved to date.
- 6.13. Although we have seen a dip of project performance against profile across the programme, there continues to be significant progress on outputs across all 3

CORs. 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 already been achieved.

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

- 6.14. Less Developed: Good progress is being made in terms of realising contracted outputs which exceed those required to achieve the non-financial performance framework targets.
- 6.15. Transition: The outputs are on track and the performance framework target should be achieved. Based on contracted outputs the non-financial performance framework targets will be met (107%).
- 6.16. More Developed: The non-financial performance framework target is this category of region is expected to be significantly exceeded in this category of region.

PA5: Promoting climate change adaptation, risk prevention and management

- 6.17. Less Developed: Less Developed is on track to meet its targets following the latest project approvals.
- 6.18. Transition: Strong performance against PF outputs is forecast. Deliverability/achievement of the outputs is considered low risk.
- 6.19. 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

- 6.20. Less Developed: The non-financial performance framework target is comfortably being delivered primarily through Project Goss, through which Natural England is bringing a SSSI back into a high-quality status.
- 6.21. Transition: The non-financial performance framework target is on track to be delivered and exceeded.
- 6.22. More Developed: Despite challenges fully committing the allocation the non-financial performance framework target is on track to be delivered and exceeded.

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

6.23. 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 – Roads: Total length of reconstructed or upgraded roads.

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

PA8: Promoting sustainable and quality employment and supporting labour mobility

6.25. Please see CLLD report below

7. Financial Instruments

7.1. To 31st March 2022, 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 March 2022. The drawdown status for each fund is also included.

Project	Invested End March 22	Private Sector Leverage	Outputs End March 22	Drawdown Status	Next Drawdown
Access to Finance Funds					
Northern Powerhouse Investment Fund (NPIF)	£310,414,820	£411,305,463	Investments made - 968 Jobs Created - 6,071 New Enterprises - 85 New Product to Firm - 194 New Product to Market - 141 Non Financial Support - 486	NPIF has now drawn down all 4 tranches of funding £140,359,192 (ERDF).	All 4 Tranches have been drawn
The North East Fund	£68,700,000	£105,000,000	Investments made - 335 Jobs Created - 2381 New Enterprises - 156 New Product to Firm - 14 New Product to Market - 1 Non Financial Support - 397	The fund has drawn down three tranches Total ERDF value drawn to date is £43.875m.	All 4 Tranches have been drawn
Midlands Engine Investment Fund (MEIF)	£155,734,135	£252,150,603	Investments Made - 500 Jobs Created - 1,674 New Enterprises - 76 New Product to Firm - 78 New Product to Market - 66 Non Financial Support - 198	MEIF has now drawn down all 4 tranches of funding £78.550m (ERDF).	All 4 Tranches have been drawn
Low Carbon Innovation Fund II	£7,221,390	£12,269,852	Investments Made - 14 New Enterprises - 1 Non-financial support - 20	The fund has drawdown two tranches of funding which equates to £5.642m (ERDF)	3rd drawdown will take place in Q3 2022
Cornwall & Isles of Scilly Investment Fund (CloSIF)	£10,245,769	£22,848,081	Investments Made - 39 Jobs Created - 192 New Enterprises - 6 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.	3rd drawdown will take place in Q3 2022
London SME Fund (GLIF)	£41,950,000	£63,248,651	Investments Made - 95 Jobs Created - 983 New Enterprises - 21	The fund has drawn down two tranches at a total of £16,750,000 (ERDF)	The 3rd drawdown will take place in Q2 2022
Urban Development Funds					
Mayor of London Energy Efficiency Fund (MEEF)	£99,700,000	£161,000,000	Investment made - 8 GHG Decrease - 15,560 Decrease energy consumption - 39,282,902	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 - 10,000sqm	The fund has drawdown two tranches (£30m ERDF).	The 3rd drawdown will take place in Q2 2022
Liverpool City Region Urban Development Fund	£9,935,000	£5,666,791	Investment made - 2 Buildings renovated/created - 7,780sqm Annual decrease of GHG - 454	First tranche was drawdown in Q1 2020 at an ERDF value of £6.25m	The 2nd drawdown will take place in Q2 2022
Cheshire & Warrington Urban Development Fund	£10,420,000	£7,850,000	Investment made - 2 Buildings renovated/created - 5,028sqm	First tranche was drawdown in Q2 2020 at an ERDF value of £5m	The 2nd drawdown will take place in Q2 2022
Lancashire Urban Development Fund	£0	£0	0	First tranche was drawdown in Q2 2021 at an ERDF value of £5m.	The 2nd drawdown will take place in Q1 2023

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

funding. The funds continue to perform well with several drawdowns due to take place in Q2 2022.


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

- 8.1. ERDF Priority Axis 8 (CLLD) continues to provide delivery challenges, largely as a result of the pandemic and the significant impact this created for those hardest to reach communities.
- 8.2. There is some interest from CLLD Communities, particularly where this can assist with COVID recovery. Programmes are exploring alternative delivery methods, including providing small grant schemes with identified match funding and assisting projects in securing match funding from a wide range of sources. For example, utilising match funding from the Contain Outbreak Management Fund offered to local authorities to support communities impacted by the pandemic.
- 8.3. CLLDs are now reporting delivery of performance framework outputs C1 'Number of Enterprises Receiving Support'. To date claims have been submitted (not all claims have been authorised to date) for 309 C1s in the More Developed Category of Region (28% of the OP target), 150 C1s in Transition (45%) and 128 C1s in Less Developed (50%). It is unlikely however that the More Developed / Transition performance framework targets will be met despite CLLD best efforts.
- 8.4. Total ERDF Committed to CLLD Programmes is £26.67m against a Notional Allocation of £32.36m. It is unlikely that more ERDF will be requested from CLLD projects which will result in a potential final ERDF commitment of 82.4% of Notional Allocation. The CLLD Steering Group will consider the latest position at the next Steering Group which is being planned for May 2022.

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

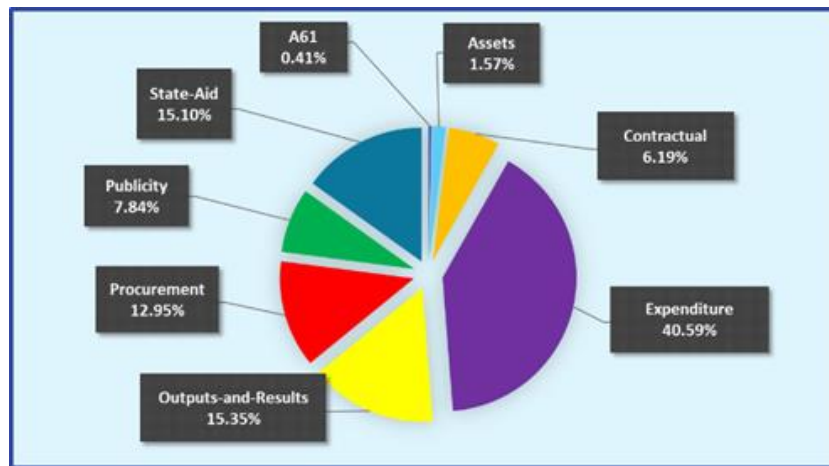
- 9.1. There is only one project running under this priority axis: a £108m ERDF 'Welcome Back Fund' project approved during Covid specifically aimed at supporting local authorities (LAs) in England to put in place additional measures to create and promote a safe environment for local trade and tourism, particularly in high streets as their economies reopen.
- 9.2. The project is still running at pace and so far, the LAs have submitted circa £50m worth of claims to the WBF team, out of which approx. £38m have been paid out and £11.8m are being processed. Based on current forecasts provided by the LAs, the WBF team is expecting another £34.5m ERDF to be claimed by local authorities by the end of April 2022. The WBF team has focused their efforts on supporting LAs to make the best use of their remaining grant by the end of

project activity end date and processing claims as thoroughly and quickly as possible. The project is due to formally end in June 2022.

- 9.3. The WBF has been used to deliver a large variety of activities across England. In order to show the impact of funding, a case study booklet has been developed and can be found here:  Welcome Back Fund Case Studies .pdf. The WBF Team will collate additional case studies and further evaluate the impact of the WBF project in the coming months.

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 Assurance team provides assurance to the EC whilst reducing the impact of irregularities on the MA error rate.
- 10.2. The Assurance Team carry out the OTSV visits by either using remote access tools i.e. video links and electronic file sharing or in person at the Grant Recipient's premises or project location. The method used is determined by the decision tree and is based on factors such as complexity and the requirement to visit project assets etc. The 2022 schedule commenced in February with 21 visits started. The target for the year is 249 which includes ongoing visits from previous years and OTSVs for Financial Instruments. Since the beginning of the year 38 visits have been fully completed. We constantly review visit readiness and re-prioritise visits as required.
- 10.3. Two Interim Payment Applications for the 2021/22 ECPA have been submitted to date, with the overall percentage tested at OSTV at 21%; which exceeds the 15% target. We continue to monitor the ECPA tested percentage and this will be calculated cumulatively to the end of the ECPA year
- 10.4. Each Financial Instrument must receive an annual OTSV visit, with the FI visit year running from January to December. So far this year 4 FI OTSVs, encompassing 14 sub funds, have been carried out, of which 11 sub fund checks are fully complete.
- 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 PDT on a quarterly basis.



11. Cross cutting themes: Sustainability

- 11.1. The Managing Authority is reviewing how best to review sustainability issues going forward including identifying how the National Evaluation can help identify good practice.

12. Equality & Diversity

- 12.1. See Annex A; an overview of how the equality and non-discrimination horizontal principle is being implemented in the ERDF Programme.

13. Audit

- 13.1. The Annual Control Report (ACR) for the 20-21 accounting year (1 July 2020 to 30 June 2021) was submitted to the EC on 15th February 2022. The ACR concluded GIAAs audit activity undertaken between 10 February 2021 to 10 February 2022. Audit coverage includes:

- Systems Audits
- Audit of operations
- Audit of Accounts and the Management Declaration and Annual Summary (MDAS)

- 13.2. The programme of system audits confirmed in the ACR reflects that 7 audits were completed with all 7 achieving unqualified opinions, 5 category 1 and 2 category 2. The audit of accounts and audit of MDAS both achieved category 1.

Category 1 – Unqualified
Works well. No or only minor improvement(s) needed.

Category 2 – Unqualified / Qualified (Limited Impact) Works, but some improvement(s) are needed.

Audited Entity	Audit details		Overall assessment
	Title	Final Report Date	
MA	SYS36: Managing Authority KR2 & KR4	26/01/22	1
	SYS40: Anti-Fraud (light touch)	25/01/22	2
	SYS42: Reliability of Performance Data AIR	26/07/21	2
	SYS44: Fls	01/02/22	1
	SYS57: Final Claims Calculator	05/01/22	1
	ACC08: Management Declaration & Summary (2020-21)	08/02/22	1
MA & CA	SYS41: Irregs recoveries withdrawals	02/09/21	1
CA	SYS37: Certifying Authority (light touch)	13/12/21	1
	ACC07: Audit of Accounts (2020-21)	10/02/22	1

- 13.3. The 20-21 audit of operations concluded with 39 audits testing 48 claims with an expenditure value of £344,570,109. Additional/extended testing, following the identification of errors, tested a further £13,022,735.
- 13.4. The value of irregularities identified through the audit of operations was £2,595,729. This rises to £2,680,494 with the inclusion of additional adjustments as a result of the application of costs in association with technical assistance. These costs are applied as a flat rate percentage, 4%, to programme eligible expenditure (TASCO).

A127 Delivery Position: 2020-21	FI	Non-FI	Total
Finalised audits	7	32	39
Unfinalised audits	0	0	0
Total audits	7	32	39

A127 Audit Results: 2020-21 (all figures in €euro, unless stated)	FI	Non-FI	Project Total	TASCO	Grand Total
Part A: Finalised audits					
<u>Statistical sample:</u>					
A1 Sampling units (units)	15	33	48	31	48
A2 Expenditure tested	316,726,011	27,844,098	344,570,109	6,249,199	350,819,307
A3 Sample errors (as per sub-sampled)	0	1,247,883	1,247,883	32,372	1,280,255
A4 % sample error	0.00%	4.48%	0.36%	0.52%	0.36%
A5 Projected errors (to level of sampling unit)	0	2,160,116	2,160,116	68,848	2,228,964
<u>Additional/extended testing:</u>					
A6 Expenditure tested	0	13,022,735	13,022,735	514,069	13,536,805
A7 Errors - 2020-21 accounting year	0	1,309,822	1,309,822	52,389	1,362,210.57
A8 Errors - other accounting years	0	38,024	38,024	5	38,029
Part B: Unfinalised audits					
<u>Statistical sample:</u>					
B1 Sampling units (units)	0	0	0	0	0
B2 Expenditure tested	0	0	0	0	0
B3 Maximum Preliminary Sample Errors	0	0	0	0	0
B4 % maximum preliminary sample error	-	-	-	-	-
B5 Maximum Projected errors (to level of sampling unit)	0	0	0	0	0
<u>Additional/extended testing:</u>					
B6 Expenditure tested	0	0	0	0	0
B7 Preliminary errors - 2020-21 accounting year	0	0	0	0	0
B8 Preliminary errors - other accounting years	0	0	0	0	0
Part C: Error summary					
Finalised errors (A3+A7+A8)	0	2,595,729	2,595,729	84,765	2,680,494
Max preliminary error: Unfinalised audits (B3+B7+B8)	0	0	0	0	0
Total errors	0	2,595,729	2,595,729	84,765	2,680,494
Finalised errors reported in Annex 8 of accounts (A3+A7)	0	2,557,705	2,557,705	84,761	2,642,466
Finalised errors not in accounts (A8, €)	0	38,024	38,024	5	38,029
Errors in calculation of TER (A5+B5)	0	2,160,116	2,160,116	68,848	2,228,964

- 13.5. 96.39% of the total value of the irregularities relate to procurement errors.
- 13.6. The largest error by type was evaluation of tenders using award criteria different from those stated in the contract notice or tender specifications or using additional award criteria not published. £1,715,180 was identified as irregular in 4 instances representing 66.07% of the total value of irregularities.
- 13.7. The most frequent error was in relation to insufficient audit trail for the award of the contract, with a total of 10 instances. This however only equates to £19,393 by value.

Errors by EC Typology (as per EGESIF_15-0002-04 - 19/12/2018)	Value of Finalised Errors (€)			Frequency	
	Statistical Sample	Additional testing	Total Sample Error	Statistical Sample	Additional testing
1.10 - Use of - criteria for exclusion, selection, award or - conditions for performance of contracts or - technical specifications that are discriminatory on the basis of unjustified national, regional or local preferences	522,004	0	522,004	1	0
1.11 - Use of - criteria for exclusion, selection, award or - conditions for performance of contracts or - technical specifications that are not discriminatory in the sense of the previous type of irregularity but still restrict access for economic operators	1,268	0	1,268	1	0
1.15 - Evaluation of tenders using award criteria that are different from the ones stated in the contract notice or tender specifications Or evaluation using additional award criteria that were not published	437,597	1,277,583	1,715,180	1	3
1.16 - Insufficient audit trail for the award of the contract	815	18,578	19,393	2	8
1.24 - Others	242,120	2,145	244,265	2	1
5.2 - Lack or incomplete audit trail	705	0	705	2	0
7.1 - Accounting and calculation errors at project level	859	0	859	4	0
8.2 - Expenditure not paid by beneficiary	20,610	0	20,610	2	0
8.3 - Expenditure not related to the project	5,911	0	5,911	1	0
8.5 - Ineligible VAT or other taxes	8	11	19	2	5
8.7 - Ineligible beneficiary	0	30,840	30,840	0	4
8.9 - Other ineligible expenditure	15,986	18,688	34,675	3	4
Total	1,247,883	1,347,846	2,595,729	21	25

13.8. The ACR concludes:

- The results of the system audit activities are satisfactory with an overall category 2 level of assurance and therefore provides reasonable assurance on the proper functioning of the management and control system (MCS).
- In assessment of the legality and regularity of expenditure conducted through the audit of operations, a total error rate of 1.54% and residual error rate of 1.077% were concluded.
- The findings identified during the audits of operations leads us to conclude that the MCS has functioned effectively. This is based on the limited number of errors identified and their financial impact, and the TER and RTER being well below the 2% materiality threshold. For the accounting year ending 30 June 2021, we provide an **unqualified opinion**.

13.9. The semester 1 audit of operations sample, commencing the audit programme for the **21-22 accounting year**, has been drawn with 29 projects being selected. To the end of March 2022 early progress has seen 2 final audit reports issued (no recommendations) and 1 draft report.

- 13.10. The semester 2 sample has been drawn following the submission of the ECPA, planned for April and a further 19 audits have been identified.
- 13.11. The systems audit schedule was issued in late February. Three scheduled audits, GLA IB, Delegate IBs and Reliability of performance data have commenced in April.

Reference	Name	Audit Period											Scope												
		Apr-22	May-22	Jun-22	Jul-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	MA KR1	MA KR2	MA KR3	MA KR4	MA KR5	MA KR6	MA KR7	MA KR8	CA KR9	CA KR10	CA KR11	CA KR12	CA KR13
AA-ERDF1420-SYS38	GLA IB (light touch)												✓	✓	✓	✓	✓	✓	✓						
AA-ERDF1420-SYS43	Closure Preparedness												✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
AA-ERDF1420-SYS50	Certifying Authority (Light Touch)																				✓	✓	✓	✓	
AA-ERDF1420-SYS49	Managing Authority													✓		✓									
AA-ERDF1420-SYS53	Anti-Fraud (light touch)																		✓						
AA-ERDF1420-SYS55	Reliability of Performance Data AIR																✓	✓							
AA-ERDF1420-SYS39	Delegate IBs (light touch)												✓	✓			✓								
AA-ERDF1420-ACC09	Audit of Accounts (2021-22)																							✓	
AA-ERDF1420-ACC10	Management Declaration & Summary (2021-22)																			✓					

14. Sustainable Urban Development

- 14.1. Overall performance across the nine SUD areas, to 31st March 2022

ERDF Contracted to live projects	£274,300,000	93.54%
Not Contracted	£18,960,000	6.45%
Balance remaining	£10,000	0.01%
Total SUD value	£293,250,000	100%

- 14.2. The level of ERDF committed to live projects has increased to 93.54% of the SUD allocation since the last Growth Programme Board report (an increase of 0.34%). There is an EC regulatory requirement that at least 5% of the ERDF resources allocated at UK level are committed to SUD. (Currently 93.54% of the 5% target has been achieved. This increases to 100% with pipeline applications.)
- 14.3. For Birmingham SUD, the main focus has been on the appraisal of 5 full applications from the June 2020 call that were submitted to the MA in 2021. Of these, 4 projects are now contracted and in delivery, and 1 is at funding agreement stage. This is a small-scale revenue project that is due to commence delivery in May.
- 14.4. Sheffield CR. One call has been published and three projects are now contracted. Project Change Requests in respect of two of the projects have been approved to provide i) additional equipment and cost increases and ii) extend the scope of the project, c £7.2m. The increase in funds have been attributed to mainstream ERDF where there is resource availability in the transition category of region.

SUD Area	ERDF Allocation	Live Projects	Outline Application	Full Application + Funding Agreement	Available to Contract
Nottingham	£11.35m	£8.93m	£0.00m	£0.00m	£2.42m
Greater Birmingham & Solihull	£11.74m	£3.63m	£0.00m	£1.13m	£8.12m
Greater Manchester	£24.33m	£25.75m	£0.00m	£0.00m	-£1.42m
Leeds City Region	£18.02m	£9.35m	£0.00m	£0.00m	£8.67m
Liverpool City Region	£11.23m	£8.65m	£0.00m	£0.00m	£2.58m
London	£184.28m	£184.01m	£0.00m	£0.00m	£0.27m
North East	£19.50m	£14.78m	£0.00m	£0.00m	£4.72m
Sheffield City Region	£9.71m	£16.94m	£0.00m	£0.00m	-£7.23m
Bristol	£3.09m	£2.26m	£0.00m	£0.00m	£0.83m
Total	£293.25m	£274.30m	£0.00m	£1.13m	£18.96m



European Structural and Investment Funds

Growth Programme for England (2014-2020)

Equality and Non-discrimination in the ERDF Programme

Purpose:

To provide the GPB with an overview of how the equality and non-discrimination horizontal principle is being implemented in the ERDF Programme.

Recommendations:

That members note how the equality horizontal principle has been implemented through its mainstreaming in the ERDF programme.

Summary:

The ERDF Managing Authority sought to mainstream the implementation of the horizontal principles by building them into all aspects of the ERDF Programme's business processes.

The Equality & Diversity National Sub-committee continue to meet to monitor the implementation of the equality and non-discrimination horizontal principle.

Projects are required to report about implementation of the horizontal principles throughout delivery and in their summative assessments, as well as collect and report equality and diversity data. There are many examples of how ERDF projects have helped to promote equality and diversity throughout the delivery of the programme.

Phase 3 of the national evaluation of the ERDF Programme will analyse to what extent the mainstreaming of the horizontal principles has helped to achieve the equality and sustainability objectives of the programme.

Background/Context

1. The horizontal principles (commonly referred to as cross-cutting themes) are general principles that cut across the Programmes, and for the 2014-2020 ERDF Programme in England include sustainable development and equality and non-discrimination.
2. The [ERDF Operational Programme, informed](#) by an ex-ante assessment, sets out the broad equality principles of the Programme. In summary, these are that no beneficiaries are excluded from participation due to their protected characteristics; that the needs of beneficiaries are considered at project design stage; that capital builds are accessible; that projects are responsive and inclusive to needs of under-represented groups; in delivery and management, and targeted at these groups where relevant. It was decided that both the sustainable development and equality and anti-discrimination horizontal principles would be embedded into the design and delivery of the programme to ensure that they would be addressed at all stages of the programme life cycle.

Mainstreaming

3. Projects are required to articulate how they will address the equality and anti-discrimination horizontal principle in their outline and full applications, and these responses are considered as a part of the application process. Once live, projects are required to provide a narrative about the implementation of the cross-cutting themes over that quarter in the progress report that accompanies claims. They also report beneficiary equality and diversity data with their outputs.
4. The summative assessment guidance indicates that project's should consider how successful they have been in delivering against the horizontal principles when considering project performance in their summative assessment, and also consider to what extent the horizontal principles were embedded in the project and shaped its delivery. Data obtained from the project level assessments feed into the evaluation of the programme.

Evaluation

5. Phase 1 of the ERDF Programme National Evaluation, the process evaluation, covered Equality and Diversity issues as a cross-cutting theme. Key points made by the evaluation were:
 - While approaches to addressing cross-cutting themes are included in the grant application form and appraisal process, some stakeholders felt that applicants had not been pushed to be more proactive in addressing these.
 - Findings from the summative assessments should help to identify the scale and nature of impacts support cross cutting theme aims.
 - Recommendation for future programmes – if these cross cutting themes are retained, it would be beneficial to review opportunities to enhance the focus on delivering impacts against these themes, for example by MHCLG providing more guidance on the types of approaches that may be suitable for different types of project; co-ordinating the sharing of good practice

around approaches and potentially incorporating core indicators to help to track impacts.

6. Phase 2 of the national evaluation was unable to draw any conclusions with regards to the horizontal principles due to a lack of available data. However, the Phase 3 Impact Evaluation will analyse the extent to which the application of the horizontal principles helped to achieve the equality and sustainability objectives of the programme.

Lessons Learned

7. The Equality and Diversity National Sub-committee (EDNSC) was instated to monitor the application and implementation of equalities principles across the ERDF and ESF programmes and to advise the Growth Programme Board and Managing Authorities on any risks and opportunities identified. The EDNSC have continued to meet on a biannual basis, including throughout the pandemic.
8. In February 2021, the EDNSC carried out a lessons learned exercise to ensure that learning from the European Structural Investment Funds (ESIF) was not lost and able to be presented to those designing and implement domestic successor funds. Key learnings from this included:
 - The importance of an equality impact assessment or equality survey to be undertaken, and equality principles embedded in the programme before new programmes are launched.
 - The value in engaging with a range of partners at all levels of a programme.
 - Ensuring that all projects have their own equality policies and implementation plans.
 - The importance of good quality, consistent data and a focus on equality and diversity in any evaluations.
 - The importance of accountability, governance and ambitious leadership to ensure that equality objectives are implemented.

Project Examples

9. The ERDF Programme requires Grant Recipients to ensure that capital build projects consider accessibility. The BRITE project in Brighton, as an example, has not only achieved a BREEAM Excellent rating, but is also the first building in the South East to be accredited [WELL Building Standard: Platinum](#). Part of the certification is about accessible design, creating an equitable building environment by ensuring accessibility. The building is fully accessible and inclusive, including lifts to all floors, hearing loops, and clear signage. In addition, Plus X has an Inclusion and Diversity Lead, who advises on ensuring inclusion across all Plus X activities.
10. The ERDF Programme includes many projects which specifically target under-represented groups and disadvantaged communities, such as RAISE in the Black Country which provides business support to new and early stage entrepreneurs.

This business support is delivered in a variety of languages reflective of the diverse communities that the project operates within. The grant recipient has said that the ERDF funding has helped them to work more closely with their local authority to bring further funding into the area, and they participate in a range of local forums enabling further impact on social inclusivity in their local area.

11. Community-Led Local Development (CLLD) has been another vehicle used for the mainstreaming of the equality principles of the programme. One example of a CLLD project is A Chance to Trade, delivered by the Millin Charity via the North of Tyne CLLD programme. A Chance to Trade supports unemployed women facing multiple barriers in Newcastle, who have an enterprise idea and aspiration in becoming self-employed. This is delivered via courses, workshops and one-to-one support.

12. Further details about the projects above can be found in Case Studies below.

Next steps

13. For the ERDF Managing Authority to continue to report to equality and diversity national sub-committee, ensuring that members remain aware of the impact that the mainstreaming of the horizontal principles are having within the ERDF Programme.

Case Study

Brighton Research Innovation Technology Exchange (BRITE)

[Brighton Research Innovation Technology Exchange \(BRITE\)](#) is a partnership project led by Plus X Brighton (PXB), delivered in partnership with the University of Brighton (UoB). The project value is £10.4 million of which up to £5 million is funding from the European Regional Development Fund as part of the 2014-2020 European Structural and Investment Funds Growth Programme.

The strategic aim of the BRITE project is to boost Coast to Capital's productivity and achieve inclusive growth by creating a high quality business environment with coordinated access to cutting edge RD&I equipment, expert knowledge and cutting edge technology to enable ambitious SMEs to develop their innovation capabilities; to collaborate; to seize market opportunities and to grow.

Under BRITE, PXB have delivered 1,461 sqm of high quality, flexibly designed innovation space. PXB is the first building in South East to be accredited WELL Building Standard: Platinum. This means that everything from the way the building is designed to the curation of community engagement has human health and wellness in mind. Part of the certification is about accessible design, creating an equitable building environment by ensuring accessibility. The building is fully accessible and inclusive, including lifts to all floors, hearing loop, clear signage. In addition, Plus X has an Inclusion and Diversity Lead, who advises on ensuring inclusion across all Plus X activities.

BRITE also delivers a support programme to support the regions scale ups and aspiring scale ups to become innovation active. This is delivered in partnership with the University of Brighton.

Currently BRITE has 84 businesses that have registered, of these:

16 are female-led (19%)

15 have are not majority-led, suggesting that they have diverse founders (18%)

8 BAME led (10%)

4 are disabled-led (5%)

However, BRITE is constantly striving to bring more diversity to the programme. For example, in March 2021, Plus X Brighton delivered a campaign to inspire and attract female-led enterprises to the innovation support programme, delivered with UoB. [Trailblazing Women](#) celebrated the women in our business community that are innovating for social, environmental and political good in Brighton. We utilised this campaign to promote BRITE, presenting 'Serious about Games', an interactive talk with two ground-breaking women on the [BRITE programme](#).

BRITE celebrated women's achievements by sharing the story of two purpose-led local businesses that are innovating for good. Sarah Ticho (Founder of Hastumi) and Hazel Reynolds (Founder of Gamely Games) delivered interactive activities, demonstrating their innovation, and told their inspiring stories, discussing how to run a kind business, why there is a lack of women in gaming tech, and what the future of the sector looks like.



Raising Aspirations, Inspiring Self-Employment (RAISE)

Supporting businesses and entrepreneurs from underrepresented groups across the Black Country areas of Wolverhampton, Sandwell, Dudley and Walsall

Access to Business (A2B), a Wolverhampton-based charity is the lead partner and accountable body on the RAISE project, working with Skills Work and Enterprise Development Agency (SWEDA), a charity based in Sandwell.

RAISE specifically targets new and early stage entrepreneurs from underrepresented groups including women, BME communities and disabled people and those with personal barriers. The project was awarded over £3m funding from January 2016 and June 2023 from ERDF as part of the ERDF Operational Programme 2014-2020 Priority Axis 3: Enhancing the Competitiveness of SMEs.

Over its lifetime RAISE will support over 1800 entrepreneurs and 650 existing businesses to develop and grow and up to 350 new businesses to set up and establish. To date RAISE supported over 1540 entrepreneurs with 60% females, 52% from BME background and 19% declaring a disability.

A2B and SWEDA have longstanding excellent track records of supporting underrepresented groups and promoting equality and diversity. Despite the challenges of the pandemic, in 2020/21 we assisted a number of small companies, many owned/ managed by members of BAME and new migrant communities to raise finance (loans and grants, including Covid grants). Total funds raised were over £400,000.

RAISE services are provided in partner premises and at outreach community/partner locations and we offer opportunities for beneficiaries to showcase their businesses and network at our regular events. RAISE is taking part in Wolverhampton's Equality & Diversity Partnership Showcase event in June 2022. Every year we celebrate International Women's Day, and since 2016 have partnered with Natwest Business Builder team to run themed events.

A2B and SWEDA staff are members of a range of boards/forums contributing to the enterprise and employability agenda, raising awareness of beneficiary needs and promoting gender equality & anti-discrimination. These include Equality & Diversity Forum, Council Social Inclusion Board and also Council, LEP and Voluntary Sector Boards. Our strong links with voluntary sector partners across the Black Country allow us to reach into diverse and under-represented communities.

Over the years being able to showcase the outstanding achievements of RAISE and receiving our ERDF funding has enabled A2B and SWEDA to work closer with our Council colleagues, other stakeholders and local voluntary sector partners and also to bring in so much more new funding into our Region to support the Skills, Enterprise and Employment agenda.

Additional RAISE partner information

Websites - www.access2business.co.uk or www.sweda.org.uk/events

RAISE Business Advisors/staff include:

2 staff African Caribbean

5 staff Asian

6 Women

2 with disabilities

Both organisations staff reflect the diversity of our communities we represent and can provide support from staff fluent in a number of languages e.g. Hindi, Punjabi, Urdu, Gujarati , Spanish, Russian.

Beneficiaries include those from BAME and New Migrant Communities including clients of Indian origin and other European countries, 15 South American countries, Somalian and other African countries. High % of clients supported whose first language is not English.



A Chance To Trade – North of Tyne CLLD

The A Chance to Trade project supports unemployed women facing multiple barriers, who have an enterprise idea and aspiration in becoming self-employed. The Millin Charity delivers courses, workshops and one-to-one support women explore self-employment, gain real-life experience without risk (e.g. opportunities to sell products and services through pop-ups and markets) and build networks so they are confident to 'go it alone'.



Lucia was setting up a fashion business making dresses and accessories using a range of African prints and textiles. She attended the "Sell Your Service" Business Course and a range of other workshops provided as part of the project. When lockdown began in March 2020, she continued to access services remotely and was supported to start selling online. She is now selling her products on her Facebook and Etsy pages and has sold a range of masks and accessories during the pandemic. Lucia's comments: " I would not have managed to make all the progress that I have made so far without the help from The Millin Charity and the "A Chance to Trade" project and the many exciting and informative workshops.