



Ministry of Housing,
Communities &
Local Government



European Union

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National Evaluation of English ERDF Programme 2014–20

Phase 3 Evaluation Report

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Wavehill
Ministry of Housing, Communities and Local Government

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List of Abbreviations

Abbreviation	Meaning
BDUK	Building Digital UK
BEIS	Department for Business, Energy and Industrial Strategy
BREEAM	Building Research Establishment Environmental Assessment Method
CDI	Creative and Digital Industries
CEEQUAL	Civil Engineering Environmental Quality Assessment & Award Scheme
CloS	Cornwall and the Isles of Scilly
CLLD	Community-Led Local Development
CO2EQ	Carbon Dioxide Equivalent
CPIH	Consumer Prices Index Including Owner Occupiers' Housing Costs
DCMS	Department for Digital, Culture, Media and Sport
DEFRA	Department for Environment, Food and Rural Affairs
DfT	Department for Transport
DIT	Department for International Trade
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
ERDF	European Regional Development Fund
ESF	European Structural Fund
ESIF	European Structural and Investment Funds
EU	European Union
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GVA	Gross Value Added
HEI	Higher Education Institution
HM	His Majesty
HMRC	His Majesty's Revenue and Customs
ICT	Information and Communications Technology
IMD	Indices of Multiple Deprivation
IP	Investment Priority
LEP	Local Enterprise Partnership
Mbps	Megabytes Per Second
MHCLG	Ministry for Housing, Communities and Local Government
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
OP	Operational Programme
PA	Priority Axis
PV	Photovoltaics
R&D	Research and Development
RD&I	Research, Development and Innovation
R&I	Research and Innovation
SBRR	Small Business Rates Relief

SFBB	Superfast Broadband
SME	Small and Medium-Sized Enterprise
SO	Specific Objective
TCA	Trade and Cooperation Agreement
TEN-T	Trans-European Transport Network
TRL	Technology Readiness Level
UFBB	Ultra-Fast Broadband

Introduction.



1. Introduction

- 1.1 The 2014–20 European Regional Development Fund (ERDF) programme for England has an allocation of £3.2bn of ERDF funding, matched by domestic funds, and to date has invested in more than 1,000 projects supporting local growth interventions across the country. The majority of funding has gone towards three Priority Axes (PA), namely supporting research and innovation, small and medium-sized enterprise (SME) competitiveness, and transition to a low-carbon economy. The programme’s managing authority is the Ministry of Housing, Communities and Local Government (MHCLG).
- 1.2 This report presents the findings from the third and final phase of the programme evaluation. The study was undertaken over the second half of 2022, (with all funding required to be defrayed by the end of 2023).

Overview of the Programme

- 1.3 The ERDF 2014–20 Operational Programme¹ sets out that the main aim of the programme is to ‘contribute to the Union strategy for smart, sustainable and inclusive growth and the achievement of economic, social and territorial cohesion’, with an aim to ‘reduce intra and inter-regional economic disparities within the European Union (EU)’.
- 1.4 It explains that for England the strategy is focused firmly on growth, building on England’s competitive advantages and addressing key bottlenecks in specific sectors and geographies, and aligns EU funding with England’s aspirations for locally driven growth. In particular, the Operational Programme notes that the strategy is built around functional economic areas (in the form of Local Enterprise Partnerships (LEP)) and reflects the main priorities for development across these.
- 1.5 The Operational Programme further sets out details of the programme under 10 Priority Axes, each of which comprises one or more investment priorities and specific objectives and includes financial allocations, result indicators, indicative activities, and output indicators and targets. The 10 Priority Axes are:
- PA1: Promoting Research & Innovation
 - PA2: Enhancing Access to, and Use and Quality of, ICT
 - PA3: Enhancing the Competitiveness of SMEs
 - PA4: Supporting the Shift towards a Low-Carbon Economy in All Sectors
 - PA5: Promoting Climate Change Adaptation, Risk Prevention and Management

¹ MHCLG, European Regional Development Fund – English Operational Programme 2014-20, December 2020.

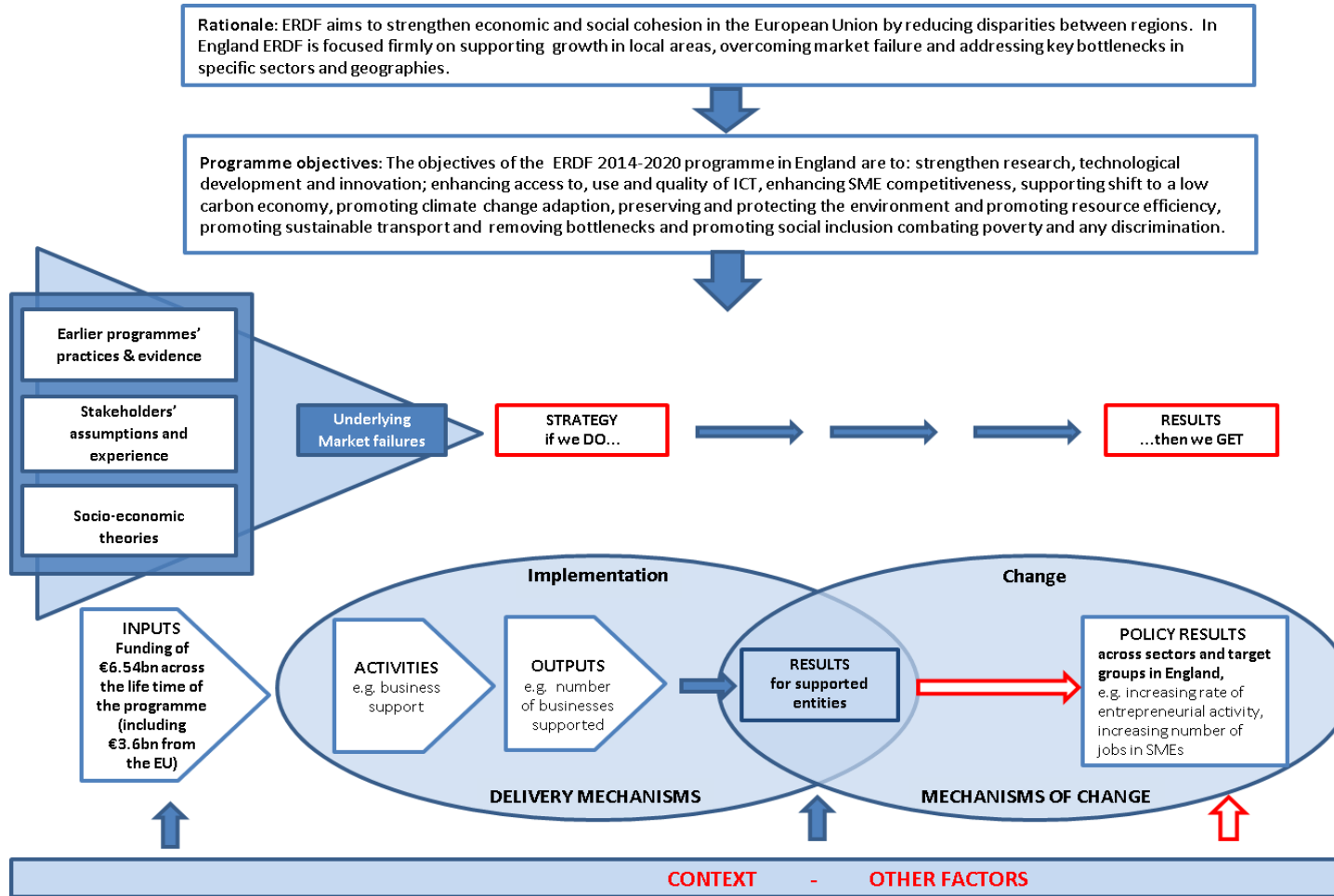
- PA6: Preserving and Protecting the Environment and Promoting Resource Efficiency
- PA7: Sustainable Transport in Cornwall and the Isles of Scilly
- PA8: Promoting Social Inclusion and Combatting Poverty and Any Discrimination
- PA9: Technical Assistance
- PA10: Supporting the Implementation of Local Economic CV-19 Recovery Action Plans

Scope of the Evaluation

- 1.6 The purpose of the evaluation was to ‘test and understand a) the process of implementation and delivery of the projects funded through the ERDF programme and b) if and how this has directly resulted in the intended outcomes and impact². The evaluation plan specifically noted the need to analyse:
- impacts for each Priority Axis and the territorial impact across categories of region and Local Enterprise Partnership area (though noting that the statistical power to analyse would not always be sufficient in this regard).
 - the extent to which the application of the horizontal principles helped to achieve equality and sustainability at the project level and contribute to mainstreaming.
- 1.7 The evaluation plan also set out the theory of change diagram (Figure 1-1) which helped to shape the design of the evaluation methodology, particularly taking into account the need for analysis of change in specific objective result indicators and the extent to which these could be attributed to the results of activities implemented under the programme.
- 1.8 The evaluation questions to be explored through the programme evaluation are set out below under five main headings. The analysis in Phase 3 of the evaluation provided evidence with which to respond to the majority of these, although in some cases these questions were addressed in earlier phases of the evaluation (particularly relating to delivery and process questions). In the report conclusions, however, the summary in relation to these questions also draws on findings from earlier phases of the evaluation.

² MHCLG, England ERDF Operating Programme 2014-2020: Evaluation Plan, 2016.

Figure 1-1: ERDF Programme High-Level Theory of Change



Source: England ERDF Operational Programme 2014-2020: Evaluation Plan.

Evaluation Questions

Programme Relevance, Appropriateness and Consistency

- 1.1 In what context was the programme delivered?
- 1.2 Have the programme objectives remained relevant and appropriate, given the changes in economic and policy context which have occurred at an EU, UK or sub-national level?
- 1.3 In response to changes, has the programme been adaptive in relation to strategy and resourcing?
- 1.4 What are the lessons learnt and recommendations for the design and delivery of follow-on domestic funding programmes?

Programme Financial and Output Performance

- 2.1 What progress did the programme make towards the achievement of its financial and output targets? Did the programme meet its targets for inputs and outputs?
- 2.2 What factors explain variations including under- or over-performance?

Programme Delivery and Processes

- 3.1 How was the programme delivered?
 - a) Was the policy implemented “on the ground” in the way in which it had been planned? (For example, what were the “take-up”, compliance, and unintended consequences?)
 - b) Was the programme logic model linking policy and outcomes supported in the delivery?
 - c) What did participants and staff feel worked well in delivering the programme, why and how? What did they feel worked less well in delivering the programme, and why?
 - d) How effective were risk management strategies in anticipating and mitigating risks?
 - e) Did delivery meet budgetary expectations when rolled out, or were there unforeseen issues and hidden costs?
- 3.2 What bearing did a national programme developed to support local growth have on processes?
- 3.3 Do the business processes strike an effective balance between responsive investments according to local needs and ensuring regulation-compliant expenditure?
- 3.4 How effectively have the delivery processes helped to reduce the administrative burden on beneficiaries to date?
- 3.5 How effectively has the programme sought to achieve synergies with other EU funds to date?
- 3.6 To what extent have the horizontal principles helped to achieve equality and sustainability objectives?
- 3.7 How might the programme be refined or improved?

- a) Are the current business processes the most efficient means of achieving this objective?
- b) What can be done to further reduce the burden within regulatory and resource constraints?
- c) Within regulatory and resource constraints, is there scope to achieve further synergies in the future?

Programme Impacts³

- 4.1 To what extent did the interventions delivered to beneficiary groups make a difference to their outcomes?
 - a) What were their experiences in receiving this support?
 - b) Is there a correlation between the beneficiaries' outcomes and those intended by the interventions?
- 4.2 Did the Operational Programme achieve its stated specific objectives? Is there a difference in outcomes for each of the Priority Axes pre- and post-implementation of the ERDF programme?
- 4.3 What outcomes has the programme secured?
 - a) Is there a difference in outcomes for the Priority Axes between the Operational Programme group and the control group?
 - b) Where sufficient levels of data are available, did any changes in outcomes vary across different individuals, stakeholders, sections of society (sub-groups), and categories of region (including at the LEP area level), and if so, how did they compare with what was anticipated?
 - c) Did any outcomes occur which were not originally intended, and if so, what and how significant were they?
- 4.4 Can the difference in any of our outcomes be reliably attributed to the ERDF Operational Programme? What additional factors have influenced the impact?
 - a) Which aspects of the programme (from the process evaluation) seem to have led to an observed outcome?
 - b) What bearing did a national programme developed to support local growth have on impacts?
 - c) Has the impact of ERDF interventions increased where investments have been strategically aligned with other domestic and EU funding streams?
- 4.5 To what extent did the application of the horizontal principles help to achieve equality and sustainability at the project level and contribute to achievement of impacts and mainstreaming?

³ Note: a counterfactual impact evaluation workstream was commissioned as part of this evaluation, however the findings from this had not been finalised at the stage of publication. As such, this evaluation report sets out limited findings in relation to specific evaluation questions regarding attributable impacts and value for money.

Programme Value for Money

- 5.1 To what extent did the programme provide value for money to the government and other funders, both overall and within each Priority Axis?
- 5.2 How did value for money differ by type of intervention?

Phase 3 Evaluation Approach

1.9 The Phase 3 evaluation included the following main workstreams. Further details of the methodology for each of the workstreams are presented in the respective appendices that accompany this main report.

- **Programme Data Analysis** – analysis of data on programme spend, output and result indicators, and beneficiaries, drawing on data collected by the programme team within the MHCLG.
- **Priority Axis Analysis** – analysis across Priority Axes 1–8 (as well as drawing on findings from the summative assessment of the Welcome Back Fund, which constituted the only project funded under PA10). The analysis included a review of a sample of project-level summative assessments, with 261 reviewed in total, alongside a desk-based review of contextual changes relating to each Priority Axis and investment priority, as well as consultations with a series of delivery stakeholders, with 49 consultations undertaken in total.
- **Beneficiary Surveys** – sample surveys of business beneficiaries (3,684 interviews in total) receiving business startup, SME competitiveness, research and innovation, and low-carbon or resource efficiency support over the last three years, as well as longitudinal surveys (with 1,079 interviews in total) capturing longer-term impacts for beneficiaries supported over the period 2018–20.

Limitations of the Analysis

1.10 Across the workstream outlined above, there were a number of limitations affecting the overall analysis undertaken as part of the evaluation. These included the following:

- **Data analysis** – the complexity of programme monitoring of spend and outputs collected from projects, aligned across different geographies and intervention types and quality-checked, meant that the evaluation team was not easily able to capture spend and output data at any given point in time. Instead, fixed points in time were agreed for the evaluation analysis to ensure that the detailed analysis undertaken could be fully quality-assured by the MHCLG to ensure alignment with its own data and submissions to the European Commission (EC). As for spend, this was taken at the end of July 2022. With regard to outputs, the full quality assurance and breakdowns are only undertaken annually; thus, to gain a fully accurate view of outputs,

broken down in the various ways required by the evaluation, these data were taken from December 2021, at the last point at which this analysis was undertaken. While ensuring accuracy of the analysis, this does mean that further progress will have been made against those targets in the time that has elapsed, which is not fully captured in the data presented in this report.

- **Summative assessments** – the number of summative assessments submitted to the MHCLG was sufficient to meet the target number planned for review by the evaluators; however, this was only just so. As such, there was little opportunity for the evaluators to select a sample and ensure a full representation of different project types within the set of summative assessments reviewed. This has meant limited evidence available from the summative assessment review for certain intervention types (as highlighted in relevant sections of the report).
- **Beneficiary contact details** – large gaps in the data provided by project leads in relation to beneficiary contact details meant that a much smaller sample of business beneficiaries was available for the survey workstream than had originally been anticipated. Overall, beneficiary data were made available from 41 per cent of all contracted projects, broken down by survey analysis categories as follows: 35 per cent of business startup/entrepreneur projects, 39 per cent of SME competitiveness projects, 45 per cent of research and innovation projects, and 57 per cent of low-carbon and resource efficiency projects. In part, this was due to the late introduction of the summative assessment process, which meant that the collection of data required for evaluation was provided through a separate form from other monitoring data, was less strongly embedded in the quarterly claims process, and received less quality assurance by the programme management. While the numbers were still sufficient for this workstream to proceed, this limited the ability to break down the analysis for certain intervention types and geographies. There is coverage of at least one third of projects in each survey category, indicating a reasonable spread, although the broad range of intervention types funded makes it difficult to conduct a detailed assessment of how representative the sample is for each survey category.
- **Timing of evaluation** – across all workstreams, undertaking the evaluation at a point 12–18 months before completion of the programme does mean that the full delivery of activities and the full effects for beneficiaries are not all completed, particularly given the disruption to delivery following the outbreak of COVID-19. This means that in some parts of the programme it is too early to effectively answer some of the evaluation questions regarding the effectiveness and impacts of interventions.



Programme Performance Summary

2. Programme Performance Summary

- 2.1 This section of the report provides an overview of programme performance across the 10 Priority Axes and the three categories of region, with a particular focus on the performance framework targets for the programme. The subsequent Priority Axis chapters provide more detailed findings regarding the driving factors affecting performance at an individual Priority Axis level.
- 2.2 All of the data in this section of the report draws on spend data up to July 2022, which was the cut-off point for data analysis for this evaluation. Output data, however, was taken up to the end of December 2021 on the basis that MHCLG comprehensively cleans all data at this stage for reporting back to the Commission through its Annual Implementation Reports; thus, this approach would ensure consistency of the data reported.

Summary of Key Messages

- Over the course of the programme period, adjustments were made to funding allocations by Priority Axis, including increased funding for Priority Axes 1, 3 and 5, the addition of Priority Axis 10, and reduced funding for Priority Axes 2, 4, 6 and 8.
- By July 2022, across all three categories of region, 94–99 per cent of each area's ERDF allocations had been contracted, and over 60 per cent had been claimed.
- Across the 10 Priority Axes there was more variation, with the strongest progress against spend targets in Priority Axes 1, 3 and 4. Those showing less progress often comprised larger-capital projects in which spend was backloaded.
- Projects overall will need to make £200m of claims in each quarter for the remaining 18-month delivery period to ensure full deployment of funds. The highest quarterly claim in the delivery period to date was £149m, reflecting the challenge that this represents.
- With regard to almost all performance framework indicators, in each category of region, the programme has successfully contracted over 100 per cent of the targets. Progress in achieving targets is more variable, with many having achieved less than 50 per cent to date.
- Performance in contracting and achieving outputs by LEP level is varied, with analysis of the C1 indicator regarding enterprises supported showing some areas substantially over-contracting against targets, as well as a small number under-contracting. Many of the stronger-performing areas are those which have received significant ERDF funding in the past.

Spend Allocations and Operational Programme (OP) Modifications

2.3 Table 2-1 sets out a summary of the overall programme allocations as set out in the latest (2020) Operational Programme, as well as setting out changes in allocations since the originally published Operational Programme (2014). The changes represent adjustments following formal programme modifications as well as an uplift in allocations for the less developed and transition regions following the mid-programme review by the EC.

Table 2-1: Summary of Modifications in Spend Allocations from Original to Latest OP

Priority Axis	2014 Operational Programme (€m)	2020 Operational Programme (€m)	Difference (€m)
PA1: Research & Innovation	€782	€805	€23
PA2: ICT	€138	€111	-€27
PA3: SME Competitiveness	€1,464	€1,515	€51
PA4: Low-Carbon Economy	€810	€753	-€57
PA5: Climate Change Adaptation	€70	€81	€12
PA6: Protecting the Environment	€109	€87	-€22
PA7: Sustainable Transport	€58	€58	€0
PA8: Social Inclusion	€51	€36	-€15
PA9: Technical Assistance	€145	€145	€0
PA10: COVID-19 Plans	€0	€58	€58
Total	€3,628	€3,649	€21

Source: ERDF Operational Programme – 2014 version and 2020 version. Note: all figures are rounded, which may mean that difference calculations appear to be slightly different from the stated difference figure.

2.4 In particular, the table shows increased funding under Priority Axes 1, 3 and 5, as well as the addition of Priority Axis 10, while showing reductions in funding allocations for Priority Axes 2, 4, 6 and 8. The rationale behind these changes is explored in greater detail in the respective Priority Axis sections.

Performance against Spend Targets

2.5 By July 2022 across all three categories of region, the large majority (from 94-99 per cent) of the respective ERDF allocations had been contracted, and over 60 per cent had been defrayed and claimed (as shown in Table 2-2).

Table 2-2: ERDF Programme Financial Performance by Category of Region to July 2022

Category of Region	ERDF Allocation (£m)	% Contracted	% Claimed
Less Developed	£409	96%	70%
More Developed	£1,809	99%	62%
Transition	£945	94%	61%
Total	£3,163	97%	63%

Source: MHCLG ERDF Programme Monitoring Data, July 2022.

2.6 Across the 10 Priority Axes (Table 2-3) there was more variation in performance. Priority Axis 3 was performing most strongly, with spend fully contracted and 74 per cent of that already defrayed and claimed. The next largest, namely Priority Axes 1 and 4, were also performing well with 94 per cent and 91 per cent contracted respectively, and over half of that defrayed and claimed in each case.

Table 2-3: ERDF Programme Financial Performance by Priority Axis to July 2022

	ERDF Allocation (£m)	% Contracted	% Claimed
PA1: Research & Innovation	£698	94%	62%
PA2: ICT	£96	89%	58%
PA3: SME Competitiveness	£1,313	101%	74%
PA4: Low-Carbon Economy	£652	91%	54%
PA5: Climate Change Adaptation	£71	77%	46%
PA6: Protecting the Environment	£75	79%	47%
PA7: Sustainable Transport	£50	101%	61%
PA8: Social Inclusion	£31	85%	33%
PA9: Technical Assistance	£126	79%	39%
PA10: COVID-19 Plans	£50	216%	34%
Total	£3,163	97%	63%

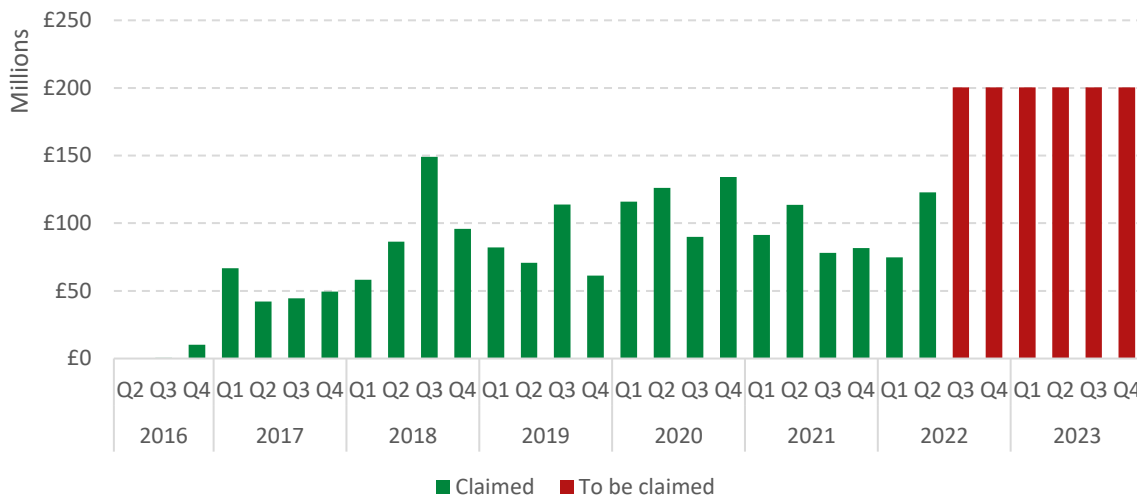
Source: MHCLG ERDF Programme Monitoring Data, July 2022. Note: where the contracted figure is above 100%, this represents that the value contracted with projects was above the original allocation to that Priority Axis. A level of over-contracting was used in some cases in recognition that projects commonly underspend against their contracted spend targets. For PA10, however, the funding allocation to this Priority Axis is expected to increase through an OP modification.

2.7 Some of the Priority Axes with smaller allocations, including Priority Axes 5, 6 and 8, had made less progress by this stage, each of which had contracted 85 per cent or less of the allocation, and had defrayed and claimed less than half of the funding allocation as of July 2022, leaving a large amount still to be

claimed. This partly reflects larger-capital projects under Priority Axes 5 and 6, however, where completion and defrayal of spend are more often backloaded.

2.8 With only 18 months left of delivery at the point of this analysis, however, it leaves a substantial sum still to be claimed, as shown in Figure 2-1. This compares the total claims per quarter to date, and then shows the remaining sum still to be claimed broken down over the remaining six quarters of programme delivery. This indicates that projects will need to make £200m of claims in each quarter for the remaining delivery period. The highest quarterly claim in the delivery period to date was £149m, in Q3 2018, and reflects that this will be a significant challenge.

Figure 2-1: Summary of Value Claimed by Quarter and Remaining Claim Rate Required to End of Programme



Source: MHCLG ERDF Programme Monitoring Data, July 2022.

Performance against Performance Framework Outputs

2.9 Table 2-4 sets out progress against the performance framework targets agreed for the programme, across each Priority Axis, and for each category of region.

2.10 Across the Priority Axes, almost all indicators in each category of region have successfully contracted over 100 per cent of the targets (or in one case under-contracted but already delivered in excess of the target). The only exceptions were observed in the more developed region for PA5 and PA8.

2.11 With respect to outputs achieved to date, performance levels vary considerably by indicator and category of region, but particular areas in which the data currently indicate a low proportion of the target achieved and a high overall value remaining to be achieved at this stage include:

- PA2 – number of enterprises receiving support in the more developed region – while the contracted value is over 100 per cent of the target, only 54 per cent of the target value has been achieved to date. This reflects the relatively low level of spend in this area.
- PA3 – number of enterprises receiving support in the transition region – while 74 per cent of spend in PA3 has been claimed, only 59 per cent of the indicator target in this category of region has been achieved.
- PA4 – estimated annual decrease of greenhouse gases – across all three categories of region, less than half of the target for this indicator had been achieved as of December 2021 (ranging from 32–44 per cent).
- PA5 – businesses and properties with reduced flood risk – across all three categories of region, less than 10 per cent of the target for this indicator had been achieved as of December 2021, although the contracted target for less developed and transition regions indicates that when capital schemes are completed, these targets are more likely to be met. For the more developed region the contracted figure is only 63 per cent of the target, suggesting that this target is unlikely to be met.
- PA6 – surface area of habitats supported in attaining a better conservation status – in the more developed and transition regions, less than 50 per cent of the targets have been achieved to date. This reflects the relatively low level of spend in this area; however, the high level of over-commitment in the contracted targets indicates that when capital schemes are completed, these targets are more likely to be met.
- PA7 – the total length of reconstructed or upgraded roads in the less developed region is overcommitted, with 112 per cent of the target contracted, but none achieved as of December 2021; however, the delivery of these targets is backloaded until capital schemes are completed.
- PA8 – number of enterprises receiving support in all three categories of region – there are low levels of achieved indicators to date and under-commitment in contracting in the more developed region.

2.12 Table 2-4 does not show the targets for PA10, which reflects the timing of the additional Priority Axis being added. The Welcome Back Fund, which represented the only project under this Priority Axis, has been completed, however, and the targets across all categories of region are expected to be met.

Table 2-4: ERDF Programme Performance Framework Output Performance by Priority Axis and Category of Region to December 2021

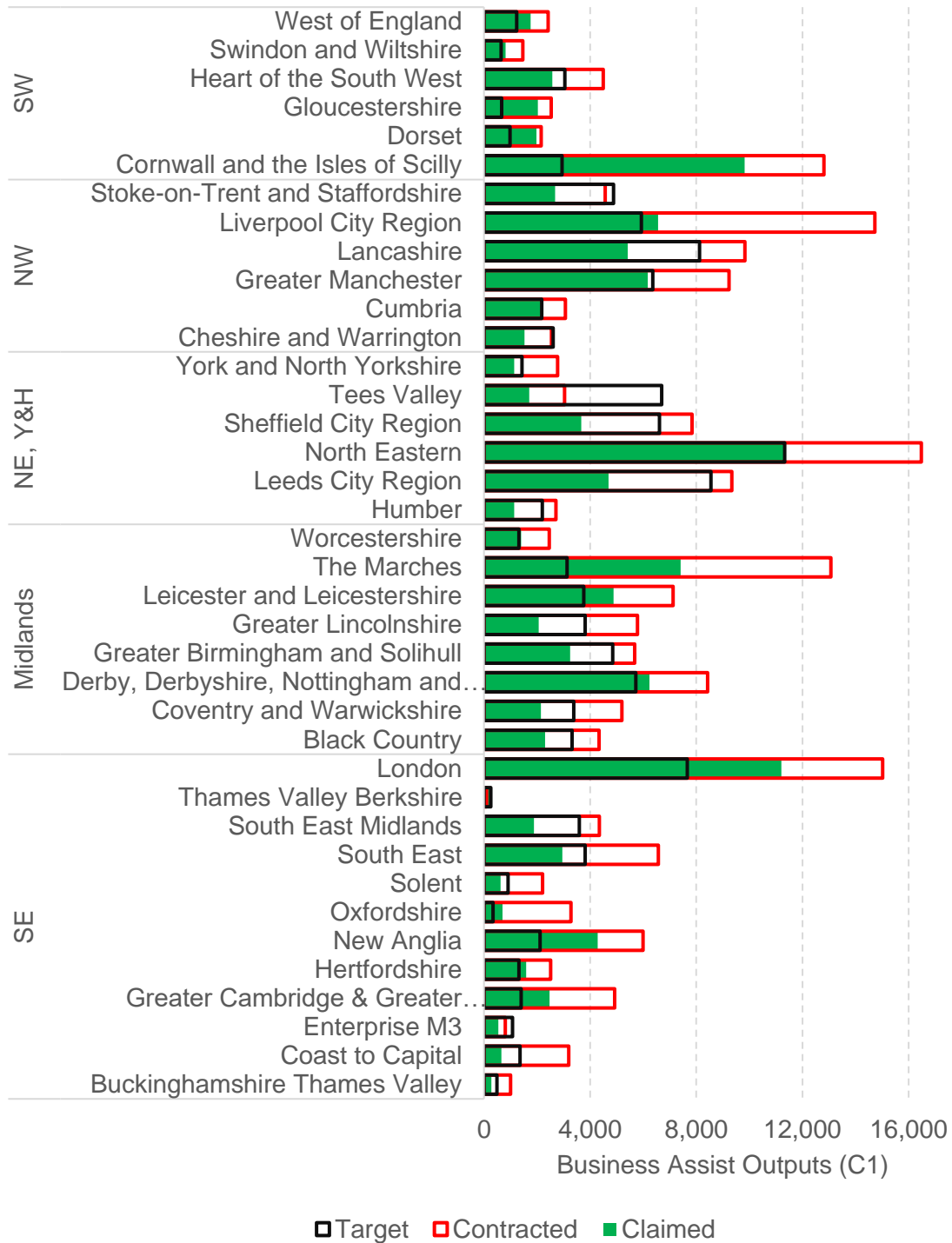
Priority Axis	Performance Framework Output	CoR	Target (2023)	% Contracted	% Achieved
PA1: Research & Innovation	Number of enterprises receiving support	LD	559	178%	104%
		T	5,941	249%	77%
		MD	14,229	135%	104%
PA2: ICT	Additional businesses with broadband access of at least 30mbps	LD	2,102	76%	182%
	Number of enterprises receiving support	T	1,909	116%	245%
		MD	8,699	104%	54%
PA3: SME Competitiveness	Number of enterprises receiving support	LD	2,120	387%	311%
		T	40,632	163%	59%
		MD	51,679	133%	111%
PA4: Low-Carbon Economy	Estimated annual decrease of GHG (tonnes of CO ₂ EQ)	LD	23,235	103%	42%
		T	77,211	117%	32%
		MD	238,306	343%	44%
PA5: Climate Change Adaptation	Businesses and properties with reduced flood risk	LD	174	159%	0%
		T	4,591	155%	9%
		MD	3,001	63%	5%
PA6: Protecting the Environment	Surface area of habitats supported in order to attain a better conservation status (ha)	LD	126	591%	120%
		T	290	242%	47%
		MD	980	227%	46%
PA7: Sustainable Transport	Total length of reconstructed or upgraded roads of which: TEN-T (km)	LD	13	112%	0%
	Length of railway with new or enhanced signalling installation (km)	LD	43	100%	100%
PA8: Social Inclusion	Number of enterprises receiving support	LD	254	103%	43%
		T	334	415%	1%
		MD	1,093	44%	7%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

LEP-Level Performance by C1 Enterprises Supported Target

- 2.13 Output targets were agreed with each of the 38 LEP areas as part of local European Structural and Investment Funds (ESIF) strategies, and enable analysis of the relative performance of different areas against these targets. Figure 2-2 shows a breakdown of the total enterprises supported (C1) target by LEP area.
- 2.14 This shows that across all LEPs, 165 per cent of the collective C1 targets have been contracted, with some areas substantially over-contracting, including Cornwall and the Isles of Scilly, the Marches, and Liverpool City Region, and only a small number under-contracting, including Tees Valley, Stoke-on-Trent & Staffordshire, and Enterprise M3 LEPs. There are few strong trends in terms of which areas are overperforming or underperforming, although it is notable that many of those overperforming are areas which have received significant ERDF funding in the past and may have individuals and organisations with greater knowledge and experience in deploying this type of funding effectively.
- 2.15 Across all LEPs, 96 per cent of the collective target for enterprises supported had been claimed by December 2021, with some areas again substantially overperforming against those targets, including London, New Anglia, and Cornwall and the Isles of Scilly. Some of the areas less well advanced in claimed targets included Leeds City Region, Stoke-on-Trent and Staffordshire, and Tees Valley LEPs.
- 2.16 A more detailed analysis of performance and outcomes achieved at individual LEP levels will be produced alongside the main evaluation report and shared with the MHCLG and individual LEP areas.

Figure 2-2: Enterprises Supported (C1) Output Target and Value Contracted and Claimed, by LEP Area, to December 2021



Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

Programme Delivery Context



3. Programme Delivery Context

- 3.1 This section of the report provides an overview of key changes in the delivery context for the programme over 2014–22 that may have affected delivery and impacts across all 10 Priority Axes. The subsequent Priority Axis chapters provide more detailed findings regarding the implications of contextual changes for performance at an individual Priority Axis level.

Summary of Key Messages

- The 2016 referendum vote in favour of the UK's exit from the EU led to a period of uncertainty while the agreement and terms for departure were being negotiated, reduced immigration from the EU, and new processes and cost implications for some businesses trading within the EU.
- The outbreak of COVID-19 in 2020 and the subsequent restrictions affected economic activity, with supply chain disruptions, some businesses being required to close during certain periods, and most businesses and workspaces having to reconfigure their operations. The governmental response to COVID-19 included a large-scale job retention scheme, business rates relief for certain businesses, and a number of grant and loan schemes for businesses.
- Macroeconomic indicators including GDP and unemployment levels show improving trends over the programme period, with both being affected by the impact of COVID-19 over 2020 and 2021 but returning to pre-COVID-19 levels by 2022.
- Business confidence has fluctuated over the course of the programme period, with few periods of stability, reflecting political changes, uncertainty surrounding EU trading relationships, and the impacts of COVID-19.
- The longer-term effects of COVID-19 on the economy, alongside the Russian invasion of Ukraine in early 2022, contributed to a large rise in UK inflation.
- UK local growth policy has evolved over the programme period, although it has continued to support key investment areas under the ERDF programme.
- Variance in unemployment and productivity data across the 38 LEP areas demonstrated the continued economic disparities that remain.

Delivery Context Changes

UK Exit from the EU

- 3.2 In June 2016 the majority of voters in a UK referendum voted to leave the European Union. Following a period of political and economic uncertainty whilst the agreement and terms for departure were being negotiated, the UK officially left the EU in January 2020, entering a transitional period until December 2020, when the UK left the single market and customs union.

- 3.3 In December 2020 the UK and the EU agreed a new Trade and Cooperation Agreement (TCA) to govern future trading relationships between the UK and the EU. The Agreement outlined a different basis for market access. A number of new processes and costs were introduced that businesses must now take into account when trading between the UK and the EU. In some cases, this has required exporting and importing businesses to recalibrate their operations, involving additional paperwork and costs.
- 3.4 The implications of leaving the EU have also meant changes to migration from the EU since December 2020, substantially reducing migration from the EU. In the intervening period from 2016 to 2020 following the referendum, although net migration from the EU to the UK continued to be positive, the numbers reduced substantially, decreasing by 58 per cent from a peak in 2016 to the year ending April 2020⁴.

COVID-19 Outbreak

- 3.5 In January 2020, the first two cases of COVID-19 were confirmed in the UK, with the first death due to COVID-19 being confirmed in early March. On 23 March 2020, in a televised address by the Prime Minister, the British public were instructed to stay at home except for a limited set of specific purposes. Over the subsequent 15-month period, lockdowns and social distancing requirements were implemented, although the regulations differed in different periods, particularly:
- The first lockdown period ran from 23 March 2020 to the end of May 2020. From early June and through to August 2020 there was a phased reopening of schools, shops, and other venues, albeit with social distancing regulations remaining in place and local lockdowns being introduced in some areas.
 - From October 2020 a tiered lockdown system came into force, followed by a second full national lockdown from early November to early December 2020.
 - From early January 2021 a third national lockdown was announced, which began to be eased from March 2021, with different venues reopening or activities being permitted in a phased approach through to July 2021.
- 3.6 Despite the differing regulations, the 15-month period from March 2020 to July 2021 witnessed substantial disruption to daily life and economic activity. The direct implications of this, across a large period of 2020 and 2021, included:
- Large numbers of businesses and organisations reconfiguring their operations to enable home working, and/or adapting workspaces to enable social distancing of employees and customers.
 - Businesses in some sectors, including retail, hospitality and leisure, having to close entirely during certain periods.

⁴ University of Oxford Migration Observatory (<https://migrationobservatory.ox.ac.uk/resources/briefings/eu-migration-to-and-from-the-uk/>).

- Reluctance of consumers to return to stores and leisure facilities when these did reopen.
- An inability to access many workplace venues, disrupting activities, such as research and development (R&D), in which access to specialist equipment or facilities was integral to the work.
- Disruption to supply chains, both nationally and internationally, as the pandemic disrupted economic activity worldwide.

3.7 In response to the impacts of COVID-19 on the UK economy, the government implemented a series of policies to support businesses and employees, including:

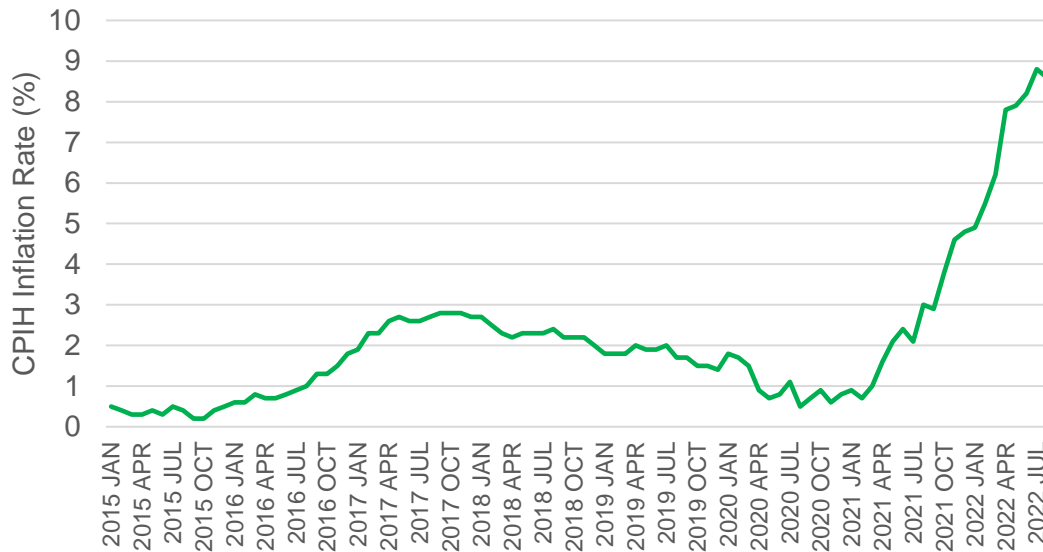
- The Coronavirus Job Retention Scheme, which saw His Majesty's Revenue and Customs (HMRC) pay 80 per cent of furloughed workers' wages up to a £2,500 per month cap, running from March 2020 to September 2021.
- A number of business loan schemes, including the Coronavirus Business Interruption Loan Scheme and Bounce Back Loans.
- Business Rates Relief for all businesses in the retail, hospitality or leisure sector in England from 2020–21.
- Cash grants to certain business types, including small businesses in the retail, hospitality or leisure sector and those in receipt of Small Business Rates Relief (SBRR) and Rural Rates Relief.

Inflationary Pressures

3.8 The Russian invasion of Ukraine in February 2022 and the effects of this on global energy prices as well as disruption to supply chains were primary driving forces, alongside the ongoing economic impacts of COVID-19, in the rise in inflation in the UK and global economies during 2022 (Figure 3-1).

3.9 The effects of these are expected to last through to the end of the ERDF programme period. The pace of inflation has in turn led many central banks, including the Bank of England, to raise interest rates fairly substantially, rising from 0.5 per cent at the start of 2015 to 1.75 per cent in July 2022 (as shown in Figure 3-2), increasing the cost of borrowing.

Figure 3-1: Monthly Consumer Prices Index Including Owner Occupiers' Housing Costs (CPIH) Inflation Rate (January 2015 – August 2022)



Source: Office for National Statistics, 2022: CPIH Annual Rate: All Items.

Figure 3-2: Bank of England Interest Rates (January 2015 – July 2022)



Source: Bank of England, 2022, Official Bank Rate.

UK Policy for Local Growth

3.10 Since the outset of the ERDF programme in 2014, there has been a high rate of political change, alongside major external shocks leading to shifting economic challenges, particularly those outlined above. These factors have contributed to a rapidly evolving agenda regarding local growth. This has included the following:

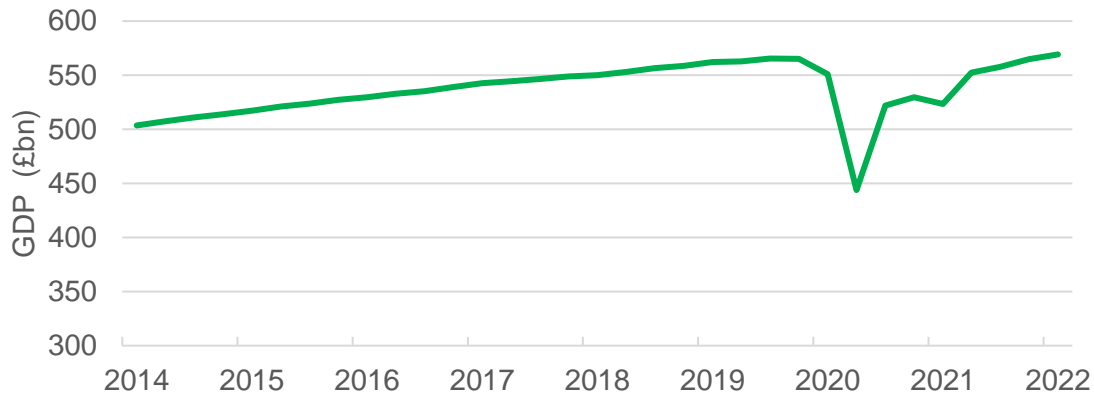
- **Industrial Strategy** – launched in 2017 under the Theresa May government, outlining a national strategic focus on growth that emphasised five priorities: ideas, people, infrastructure, business environment, and places.
- **Sector Deals** – launched from 2018–20 and aligning with the Industrial Strategy, these sector deals constituted a sector-led approach agreed between government and industry in key sectors to enhance productivity, employment, innovation and skills.
- **Local Industrial Strategies** – led by LEPs or combined authorities and with the first strategies published in 2019, these strategies provided a local strategic focus, building on or complementing previously published Strategic Economic Plans in each LEP area but aligning with the national Industrial Strategy.
- **Build Back Better: Our Plan for Growth** – launched in March 2021 with a focus on recovery from the impacts of COVID-19 as well as addressing key growth foundations, including infrastructure, skills and innovation, and an increased focus on “levelling up”.
- **Levelling Up White Paper** – published in February 2022 and setting out a detailed approach to closing gaps between areas including around pay, employment and productivity, investment in R&D, public transport coverage, 5G connectivity, skills, life expectancy, and pride in place.
- **Changes in Sub-National Structures for Economic Development and Devolution Deals** – since the first Combined Authority Mayors were voted in during 2017, policy for local growth has shifted increasingly towards these bodies, particularly through city and county devolution deals. Local Enterprise Partnerships which had led the development of local European Structural and Investment Funds strategies have, as a consequence, had less of a lead role in local growth policy over this period. A review of LEPs in 2021, which reported back in 2022, set out a plan that LEPs going forward will be integrated into local democratic institutions.
- **UK Shared Prosperity Fund** – the fund, which has been set out as a domestic funding successor to European Structural Funds, was launched in 2022, with funding available over three financial years, beginning in 2022/23 and, therefore, partly overlapping with the final delivery period for the ERDF programme. The fund covers a broad range of investment types, many of which mirror those from ERDF and ESF funding, and they are broken down across three main themes: community & place, supporting local business, and people & skills.

Effects of Contextual Changes on Economic Indicators

- 3.11 Changes in quarterly gross domestic product (GDP) since the beginning of the ERDF programme (Figure 3-3) show that GDP was gradually increasing up to the beginning of 2020, before decreasing substantially following the outbreak of COVID-19 and only exceeding pre-COVID-19 levels again in 2022.
- 3.12 In August 2022, the Bank of England forecast that the economy would shrink by 0.75 per cent in the second half of 2022 and continue to decrease through

2023 and the first half of 2024⁵, meaning challenging economic conditions for the remainder of the ERDF programme delivery period.

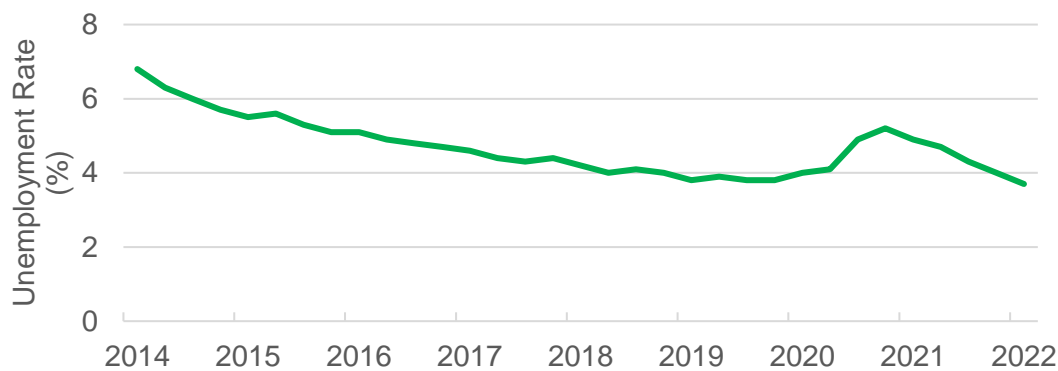
Figure 3-3: UK Actual Quarterly GDP (2014 (Q1) to 2022 (Q1))



Source: ONS, 2022, Gross Domestic Product: chained volume measures: seasonally adjusted £m.

3.13 To a large extent, the UK unemployment rate (Figure 3-3) mirrors the trends observed in GDP over the programme period, with a positive picture of unemployment gradually decreasing in the delivery period up to 2020, and then increasing through 2020, before witnessing a reduction again in 2021. The limited rise in unemployment in 2020, despite the challenges for businesses as a result of COVID-19, was due to the Coronavirus Job Retention Scheme helping businesses to retain employees.

Figure 3-4: UK Unemployment Rate (%) for People Aged 16 or Over, Seasonally Adjusted



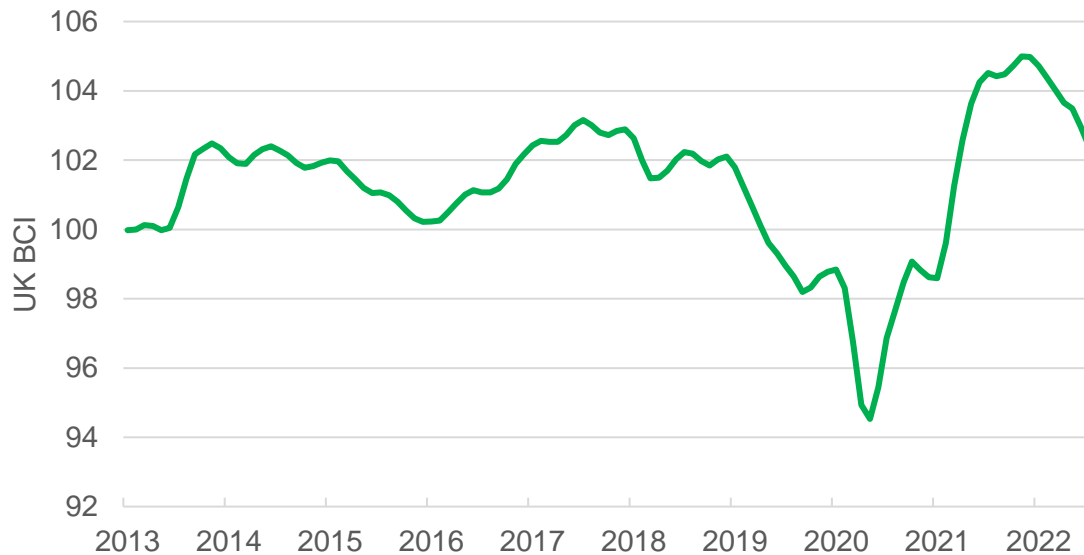
Source: ONS, Employment in the UK: August 2022.

3.14 The Organisation for Economic Co-operation and Development (OECD) Business Confidence Index (Figure 3-5) tracks the confidence of UK business over time based on findings of business opinion surveys. Data show a fluctuating view of business confidence over the course of the programme

⁵ Bank of England Monetary Policy Report – August 2022.

period, with few periods of stability in business confidence, which may reflect the political changes and the uncertainty surrounding future international trading relationships following the EU exit, and in later stages the impacts of COVID-19 and the substantial uncertainty relating to that.

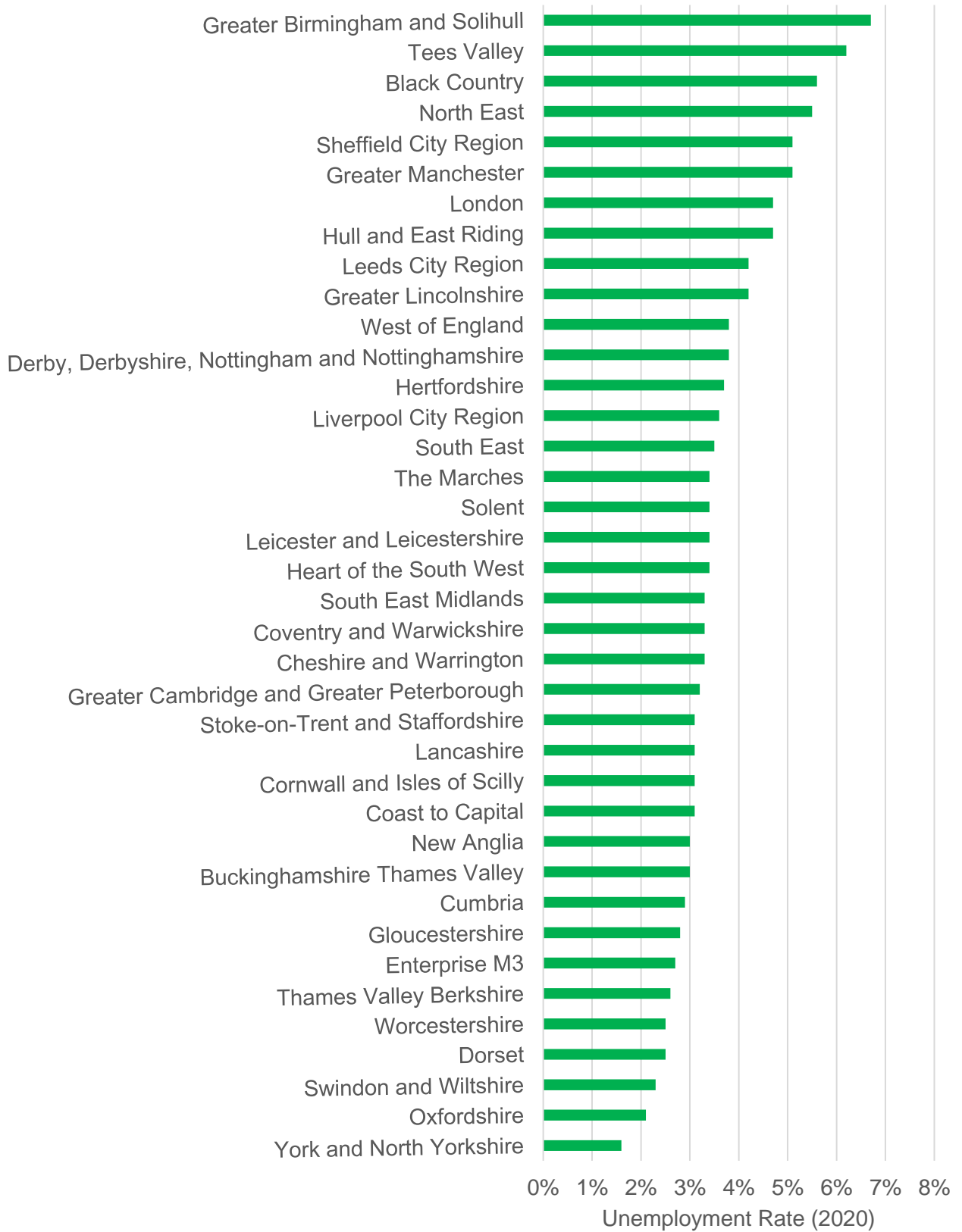
Figure 3-5: Business Confidence Index (UK), Monthly, July 2012 – July 2022



Source: OECD data, Business Confidence Index, 2022.

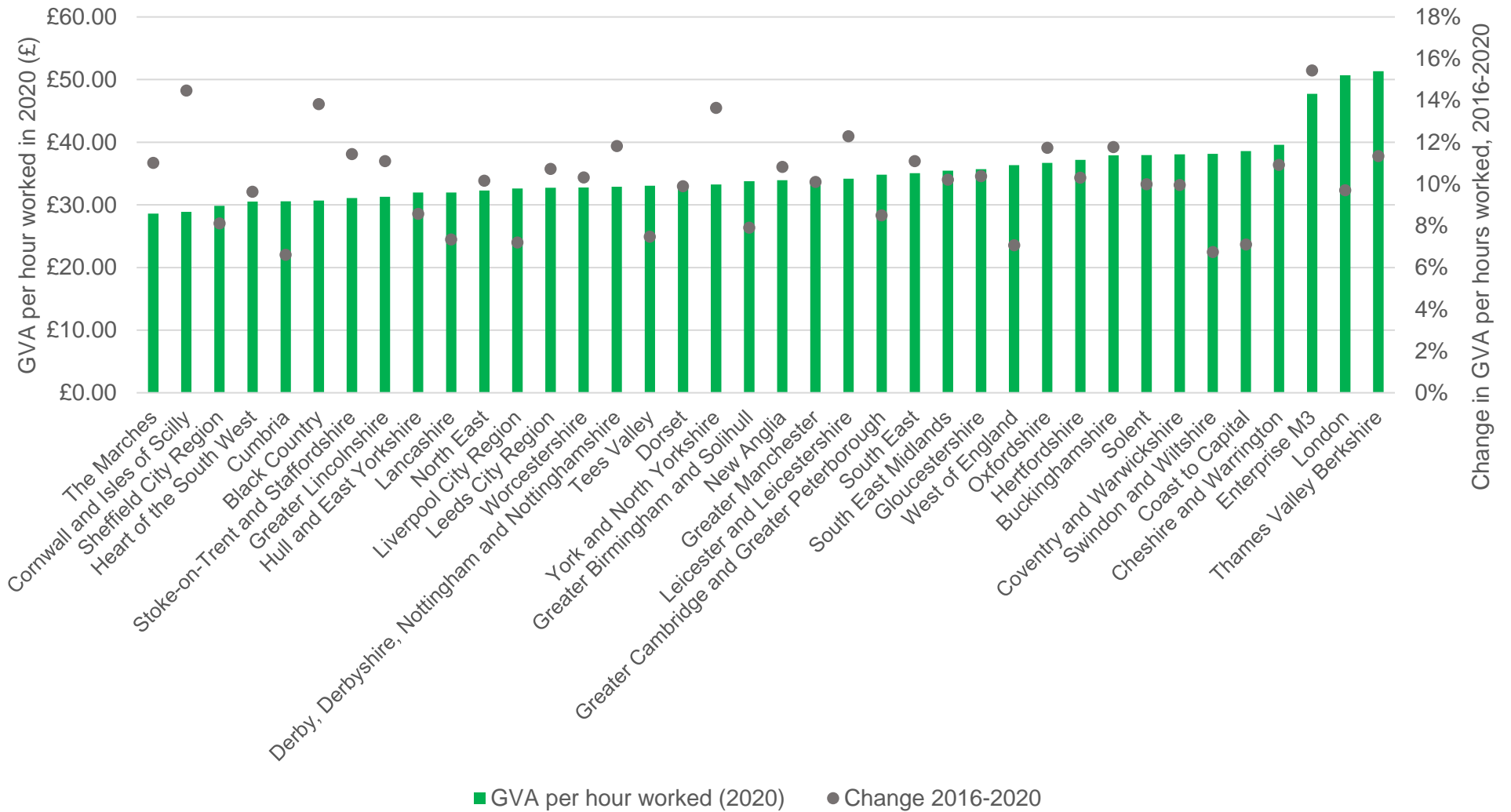
- 3.15 Given the growing UK policy focus on levelling up and closing the gap with regard to a range of key economic and social indicators, the focus of the ERDF programme on local strategies for growth became increasingly relevant and aligned with national policy over the programme period. The charts below, however, show the substantial economic disparities that remain, including UK unemployment (Figure 3-6) during 2020, which was over six per cent in the Greater Birmingham and Solihull and Tees Valley LEP areas, but only around one third of that in the York & North Yorkshire and Oxfordshire LEP areas.
- 3.16 Data on productivity, as measured by gross value added (GVA) per hour worked (Figure 3-7), show that areas around London and the South East remain amongst the most productive, and areas such as Cornwall and the Isles of Scilly, designated as a less developed region in the programme, remain one of the least productive. However, there are also signs of positive change, with many less productive areas, including Cornwall and the Isles of Scilly and the Black Country (both observing a 14 per cent increase in GVA per hour over 2016–20), witnessing faster rates of improvement in productivity levels than in many of the more productive areas, such as the Swindon & Wiltshire and Coast to Capital LEP areas (both observing a seven per cent increase in GVA per hour over 2016–20).

Figure 3-6: Unemployment by LEP (2020)



Source: Annual Population Survey 2020.

Figure 3-7: GVA Per Hour Worked by LEP (2020) and Change in GVA Per Hour Worked (2016–2020)



Source: ONS, Employment in the UK: August 2022.


Priority Axis 1




4. Priority Axis 1: Promoting Research and Innovation


Summary of Key Messages

Investment in R&I infrastructure





Capital build output target: **fully achieved.**






No. of researchers working in improved research facilities **unlikely to be met.**
May have been an over-ambitious target.






Interventions have enabled increased research activity and collaboration between SMEs and the research community.





Promoting Business Investment in R&I



Number of enterprises supported almost fully achieved target by December 2021 and most indicators are on track to hit targets.


Fewer enterprises received grant or non-grant finance support than originally anticipated.






Supported enterprises are **unlikely to hit employment increase targets.** This reflects reduced business confidence to create jobs, due to economic conditions.

Most enterprises supported were looking for support to **introduce new goods or services.** Their main barriers were:



availability of finance



gaps in knowledge or expertise

The ERDF support helped some businesses overcome both barriers, but was more effective for the latter.

Of surveyed enterprises

75% indicated they were satisfied with the support received.

66% felt their organisation was more innovative following support.

51% had introduced new or improved products, services or processes as a result of the support.

Overview of the Priority Axis

4.1 A total of 292 projects had been funded under PA1 by July 2022, with an overall project value of £1.27bn, of which £659m was from the ERDF. Interventions under PA1 were split into two investment priorities (IPs) and three specific objectives (SOs), as summarised in Table 4-1.

Table 4-1: Summary of Investment Priorities and Specific Objectives under PA1

Investment Priority	Specific Objective
1a: Enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest	1.1: Increase investment in research and innovation infrastructure that catalyses collaboration with the research community, especially in sectors identified through smart specialisation
1b: Promoting business investment in R&I; developing links and synergies between enterprises, research and development centres, and the higher education sector; promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters, and open innovation through smart specialisation; and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities, and first production, particularly in key enabling technologies and the diffusion of general-purpose technologies	1.2: Increase investment in research and innovation by small and medium-sized enterprises in sectors and technologies identified through smart specialisation
	1.3: Increase the number of small and medium-sized enterprises engaged in knowledge exchange, collaborative and contract research and innovation with research institutions, public institutions or large enterprises in order to help them to bring new products and processes to market

Source: MHCLG, ERDF Operational Programme, 2020.

4.2 To support the analysis of findings and evidence regarding what works, for the purposes of this evaluation, the PA1 projects were broken down further into four main intervention types, against which the evaluators allocated projects, based on project descriptions:

- **Research and innovation infrastructure**, largely aligning with SO1.1, which comprised 44 funded projects and covered all projects in which capital expenditure was the main focus (either equipment or buildings).
- **Innovation support for business**, closely aligning with SO1.2, which comprised 180 projects and covered support activities focused on improving innovation through the use of structured knowledge sharing and learning.
- **Research collaborations**, closely aligning with SO1.3, which comprised 63 projects in which support activities involved collaboration and partnership between a research support provider and a business beneficiary.
- **Grants/finance for R&I**, aligning with SO1.2 and SO1.3, which comprised five projects in which a grant or financial support programme was the main focus of the activity.

Continued Relevance, Appropriateness and Consistency

4.3 The Operational Programme outlined a clear set of challenges facing the economy with regard to research and innovation, particularly low levels of

public and private investment in R&D, geographical disparities within this, and research and innovation investment being limited to certain sectors. Investment in innovation was identified as being important in boosting economic productivity levels as well as an important way in which to build on local industrial and research strengths across the country through the smart specialisation approach.

- 4.4 As outlined in Table 4-1, the programme responded to these challenges through three specific objectives focused on: investment in R&I infrastructure, SME innovation support, and support for SME engagement with knowledge exchange.
- 4.5 In order to track the results of programme-level investment in these areas, a series of six result indicators were agreed (Table 4-2). Changes in these are examined in the next section; however, it is important to reflect on the relevance and appropriateness of these indicators:
- Indicators 1.1, 1.2, 1.5 and 1.6 all align with what the respective specific objectives are seeking to achieve and could be expected to improve in response to programme investments.
 - Indicators 1.3 and 1.4 appear to be related but less directly. Although the general increase in SME innovation activity could lead to greater R&D tax credit claims, the funded interventions rarely had a focus on seeking to increase this, while a wide range of other factors, including national marketing of these incentives, might be expected to play a larger role.

Table 4-2: Summary of Specific Objectives and Result Indicators for PA1

Specific Objective	Result Indicator
1.1	1.1: Proportion of enterprises having cooperation agreements with research institutes
1.2	1.2: Proportion of small and medium-sized enterprises that are innovation-active
	1.3: Research and development tax credit by number of claims under the SME scheme
	1.4: Research and development tax credit by value of claims under the SME scheme
1.3	1.5: Value of services provided to small and medium-sized enterprises by higher education institutions
	1.6: Number of contracts or interactions with small and medium-sized enterprises

Source: MHCLG, ERDF Operational Programme, 2020.

- 4.6 With regard to the evolution of policy over the programme period, as outlined in Section 3, local growth policy has developed through the Industrial Strategy (2017), Build Back Better (2021), and the Levelling Up White Paper (2022); however, there has been a sustained focus on the need for investment in

innovation and local growth activities, meaning continued relevance and alignment with the priorities and objectives of PA1. Regarding the focus on smart specialisation at the local level, this remained well aligned with the national Industrial Strategy and LEP-level Local Industrial Strategies launched over 2019–20, but has become less of a focus in more recent policy.

- 4.7 The very limited modifications made to funding for PA1 in the Operational Programme (as shown in Table 2-1) reflect the continued relevance, appropriateness and consistency of the programme.
- 4.8 The two main contextual changes that affected the delivery and impacts of PA1 were in relation to the EU exit and the outbreak of COVID-19. For PA1 projects, these affected:
- **Programme delivery**, particularly the following: the hiatus in ERDF project approvals following the EU referendum in 2016 stalled the progress of some PA1 projects; the effects of the UK leaving the EU in 2020 and the uncertainty surrounding future arrangements over the 2016–20 period were reported by many HEIs to have affected their ability to recruit and retain staff from the EU, which affected the delivery of projects; following the outbreak of COVID-19, the disruption to working conditions within and between periods of lockdown during 2020–21 created practical challenges for PA1 projects in which access to R&I facilities and equipment was critical to the project.
 - **Demand for project support and appetite to invest in R&I**. The chart in Figure 3-5 shows the fluctuations in business confidence over the programme delivery period, with the most notable reduction being aligned with the early period following the outbreak of COVID-19. Summative assessment findings indicate that economic uncertainties, both following the pandemic outbreak and associated with future trading arrangements after the EU exit, contributed to greater-than-expected challenges in engaging businesses with PA1 support, and subsequently achieving outcome measures such as new job creation, because there was a reduced appetite for SMEs to engage with or invest in research and innovation.

Progress against Targets

- 4.9 Data on project spend are only available at the overall Priority Axis level, and as set out in Table 2-3, they show that by July 2022, of the £698m allocated to PA1, £659m (94 per cent of the allocation) had been contracted and £435m (62 per cent of the allocation) had been defrayed and claimed. Over the final six quarters of the programme, projects under PA1 will need to claim close to £45m in each quarter in order to achieve full claims — a higher rate than has been achieved in any quarter of the programme to date.
- 4.10 The result and output indicators are all reported upon by investment priority, and are set out below.

IP1a: Enhancing R&I Infrastructure

4.11 Under IP1a, as shown in Table 4-3, the single result indicator — the proportion of enterprises having cooperation arrangements with research institutes — increased from a baseline of 22.9 per cent in 2013 to 28.3 per cent in the latest available data (2019), reflecting positive progress, despite challenging economic conditions.

Table 4-3: Result Targets under IP1a

Indicator No.	Indicator	Measurement Unit	OP Baseline	Latest Available Data	Change
Specific Objective 1.1					
1.1	Proportion of enterprises having cooperation agreements with research institutes	Percentage	22.9	28.3	+ 5.4 percentage points
			(2013)	(2019)	

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

4.12 The Operational Programme set out types of activities to be invested in under IP1a, which included investment in specialist infrastructure, facilities & centres linked to smart specialisation, as well as innovation space, incubation space for RD&I, research laboratories, and enterprise, innovation & technology hubs.

4.13 In practice, the analysis of supported projects suggests strong alignment with these investment types. Project examples include:

- **Thames Valley Science Park** (Thames Valley Berkshire LEP) – delivering the first phase of the Science Park, including laboratory and test facilities as well as business units, to provide the infrastructure for future opportunities.
- **Northern Centre for Emerging Technologies** (North East LEP) – acquiring an existing building to be converted into a specialist R&D testing facility, complemented by workspace for accelerated incubation of North East SMEs to exploit the market potential of emerging technologies.
- **Sensor City Liverpool** – a centre to support and establish viable high-tech businesses with in-house research posts.

4.14 Output data relating to IP1a (Table 4-4) indicate that the target regarding public or commercial buildings has already been exceeded and that high levels of over-contracting indicate that this target will be exceeded by a substantial margin. The target with regard to the number of researchers, however, is under-contracted, with only 42 per cent of the target being claimed as of December 2021. Stakeholder consultations indicate that this may have been due to overambitious targets set at the outset (contributing to contracting at only 80 per cent); however, with a large number of IP1a projects still underway, this figure is expected to continue to increase over the remainder of the programme period.

Table 4-4: Output Target Performance under IP1a to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C25	Number of researchers working in improved research facilities	876	80%	42%
P2	Public or commercial buildings built or renovated (m ²)	31,514	649%	105%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

IP1b: Promoting Business Investment in R&I

- 4.15 Under IP1b, there are five result indicators across the two specific objectives, as summarised in Table 4-5.
- 4.16 Under SO1.2, the indicators relating to R&D tax credits (1.3 and 1.4) have increased substantially over the programme period, which might be expected to have been indirectly influenced by increased innovation activity in SMEs. The proportion of SMEs that are innovation-active is a more directly appropriate measure, and while this increased from the 2013 baseline of 48.1 per cent over the early years of the programme, it decreased to 37.2 per cent in 2021. This change is expected to have been heavily influenced by external factors, particularly the impacts of COVID-19 reducing business confidence and appetite with regard to investing in research and innovation. It is also useful to note that up to 32,000 SMEs in total are expected to be supported under PA1 (combining the C1 and C26 targets), out of an English SME business base of 2.4 million⁶. Therefore, in total, the programme was only able to influence outcomes for around one per cent of the overall SME population.
- 4.17 Under SO1.3, both indicators show substantial progress, with Indicators 1.5 and 1.6 increasing by 68 per cent and 41 per cent respectively over the programme period based on the latest figures (although for 1.6, this figure is from 2019 and, therefore, would not capture any negative impacts on this indicator following the outbreak of COVID-19).

⁶ ONS, UK Business Counts, 2021.

Table 4-5: Result Targets under IP1b

Indicator No.	Indicator	Measurement Unit	OP Baseline	Latest Available Data	Change
Specific Objective 1.2					
1.2	Proportion of small and medium-sized enterprises that are innovation-active	Percentage	48.1	37.2	- 10.9 percentage points
			(2013)	(2019)	
1.3	Research and development tax credit by number of claims under the SME scheme	Enterprises	13,140	76,225	+ 63,085 enterprises
			(2012/13)	(2019/20)	
1.4	Research and development tax credit by value of claims under the SME scheme	GBP	615m	4,370m	+ £3,755m
			(2012/13)	(2019/20)	
Specific Objective 1.3					
1.5	Value of services provided to small and medium-sized enterprises by higher education institutions	GBP	139,761,000	234,340,000	+ £94.6m
			(2012/13)	(2019/20)	
1.6	Number of contracts or interactions with small and medium-sized enterprises	Number	50,728	71,758	+21,030 contracts
			(2012/13)	(2018/19)	

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

- 4.18 The Operational Programme set out the types of activities to be invested in under IP1b, which included support for: collaborative & contract R&D, the commercialisation of new products & processes, applied research, innovation vouchers, innovation support programmes, innovation processes in graduate startups & spin-outs, demonstrator projects, knowledge transfer programmes, and grants, loans & equity stakes to support tech startups and early-stage development.
- 4.19 In practice, the analysis of projects undertaken as part of this evaluation suggests that the majority of funding under IP1b focused on innovation support to business interventions (more closely aligned with SO1.2), supporting 180 projects in which this was the main focus. Project examples include:
- **Lancashire Cyber Foundry** – which provided specialist cybersecurity guidance and innovation advice, as well as an assessment and business strategy for applying cybersecurity research to business products and services.

- **Innovation Programme for Greater Lincolnshire** – SMEs were provided with a range of support options by the University of Lincoln, including access to equipment and specialist support, sources of technical expertise, and workforce skills development to bring new products and services to market.
- **KEEP+** (Greater Cambridge & Greater Peterborough LEP) – which provided innovation support for SMEs through academic support and student placements, as well as strengthening local innovation networks.

4.20 Activities supported also included research collaborations (63 projects in which these were the main focus), with examples including:

- **Formulated Materials for Infectious Disease Prevention** – led by the Liverpool School of Tropical Medicine, the project established partnerships between local SMEs, research institutions, donors, and large-scale industry to co-develop and validate new infectious disease prevention tools developed by SMEs.
- **Manchester Fuel Cell Innovation Centre** – which used academic experts to accelerate and exploit research into renewable energy and advanced materials by creating research partnerships with SMEs to work within the centre, receiving technical support and collaboration on the prototyping and development of products.
- **Staffordshire Digital Innovation Partnerships** – which provided 24-week academic innovation partnerships with SMEs in which faculty staff were embedded in an organisation for the period and delivered innovative change in three strands: digital innovation, business intelligence innovation, and social challenge.

4.21 The other main category of intervention under IP1b was that of grants and finance for R&I investment, comprising only five interventions in which these were the main focus, but with several of these being substantial investments. These included PA1 funding within the wider Northern Powerhouse and Midlands Engine Investment Funds.

4.22 Output data relating to IP1b (Table 4-6) highlight the following:

- The C1 target for enterprises supported was close to being met (97 per cent claimed) by the end of December 2021 and is likely to be substantially exceeded by the close of the programme. Indicators C2–C4, which are subsets of C1, show that more of the balance of the enterprises supported has been through non-financial support, with those receiving grants or other financial support expected to be much lower than originally envisaged under this investment priority.
- Lower-than-expected support through grants and financial support in IP1b has had a further effect on indicators C6 and C7, which relate to private investment matched with those funds, and their achievements are likely to be constrained by the achievements under C2 and C3.

- Indicator C26 records enterprises cooperating with research entities and has been 100 per cent contracted, but with less than half completed as of December 2021, although (with many projects still live) this is expected to increase significantly over the remaining delivery period. The weaker performance of the C26 indicator in comparison with C1s reflects the greater focus of projects on innovation support for business and less of a focus on research collaborations, as outlined above.
- Indicator P2 is strongly over-contracted, and by December 2021 had claimed around half of the target amount overall. This is expected to meet and exceed this target by the end of the programme.
- Targets regarding new-to-firm and new-to-market products (C28 and C29) had been both substantially exceeded by December 2021, and these numbers are expected to increase further, despite the challenging economic climate for investment in research and innovation. This may suggest that the targets set with regard to these indicators could have been more ambitious at the outset.
- The C8 employment increase indicator was particularly affected by economic uncertainties relating to COVID-19 and in some cases as a result of unknown future EU trading relationships following the EU referendum. Businesses had a much greater focus on safeguarding existing jobs than on creating new ones, particularly over the latter half of the programme delivery period. As there is typically a time lag between the delivery of support and job creation (particularly where it relates to innovation and new product development), the timing of the pandemic outbreak had a particularly disruptive effect on this indicator. The 70 per cent contracted figure reflects many projects making project change requests to reduce this after March 2020. Given the difficult economic climate forecast over the next 12–18 months, it is likely that there will be a substantial shortfall in achievement against this indicator.

Table 4-6: Output Target Performance under IP1b to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C1	Number of enterprises receiving support	20,729	169%	97%
C2	Number of enterprises receiving grants	13,819	48%	27%
C3	Number of enterprises receiving financial support other than grants	706	31%	4%
C4	Number of enterprises receiving non-financial support	6,204	465%	279%
C5	Number of new enterprises supported	1,766	248%	160%
C6	Private investment matching public support to enterprises (grants, £)	£174,878,894	59%	28%
C7	Private investment matching public support to enterprises (non-grants, £)	£28,650,820	240%	40%
C8	Employment increase in supported enterprises	12,313	70%	27%
C26	Number of enterprises cooperating with research entities	11,258	100%	46%
C28	Number of enterprises supported to introduce new-to-market products	1,243	438%	279%
C29	Number of enterprises supported to introduce new-to-firm products	3,140	298%	171%
P2	Public or commercial buildings built or renovated (m ²)	8,917	649%	48%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

Delivery and What Worked

4.23 The findings regarding delivery and what worked draw primarily from a detailed review of 86 PA1 summative assessments.

4.24 **Smart specialisation** was an underpinning focus across all investment in PA1. All LEPs were required to identify their areas of competitive advantage in relation to sectors and technologies within their ESIF strategies, and projects selected for investment under PA1 had to be aligned with local smart specialisation priorities. Project summative assessments commonly highlighted that this was built into the project design and that the alignment with local priority areas was generally good. A main weakness of this approach is that there has been little analysis of the impacts of this concentration of investment in smart specialisation priority areas at a local

level to understand the extent to which it has led to the growth of priority sectors or valuable technological advances.

- 4.25 Activities delivered under IP1a typically focused on the development of new physical space for innovation or incubation, and in some cases the purchase of new equipment. Summative assessments highlighted the importance of a well-considered project design and market testing regarding the demand for new premises. The limited number of summative assessments reviewed for this investment priority, however, meant that the focus of findings in the remainder of this section relates to IP1b.
- 4.26 **Client engagement** for research and innovation support under IP1b was found to be most successful where projects had dedicated individuals (or in some cases external marketing consultants) supporting client engagement activities. Where there was a strong business support ecosystem in the area, cross-referrals between projects were often an important recruitment tool, and building a strong reputation for quality often created a large number of word-of-mouth referrals. For research collaboration interventions in particular, engaging with existing networks of project leads (which were usually higher education institutions (HEI)), or strategic business networks, allowed more targeted engagement with specific types of businesses, which was seen to be beneficial. Engagement was often found to be more challenging where there was a crowded business support landscape and a project was offering more generalised innovation support, thus struggling to stand out.
- 4.27 The **use of selection criteria** by projects varied in the summative assessments reviewed, with key messages arising from this that projects which were too selective in the businesses that they onboarded often struggled to meet their targets, but that projects that were not selective enough often failed to achieve the scale of SME benefits that might have been expected, as they had not selected businesses most likely to benefit from the support. Obtaining the right balance of these factors was identified as being important to project success and pointed to the importance of clear market engagement and testing prior to the design of the project.
- 4.28 One of the key delivery challenges facing projects under PA1, particularly IP1b, was **consistency of the staff team**. Projects with experienced and stable teams were typically more successful and led to higher-quality delivery. Challenges, however, commonly included: delays with initial staff recruitment for the project, project delivery being led by different people from those who wrote the bid, high levels of staff turnover due to the short-term nature of contracts (which caused disruption to delivery), and difficulties surrounding the engagement of academic staff (who were typically juggling multiple roles).
- 4.29 With respect to **activities supported**, the innovation support for business interventions typically involved workshops, online webinars, and one-to-one support, which could be either generalised or bespoke to individual business

needs. Research collaboration support typically involved knowledge exchange activities between SMEs and a knowledge-based institution. These were usually aimed at solving a particular business challenge and involved access to facilities and equipment, academic expertise, and often moving product development up the technology readiness level (TRL) scale.

- 4.30 The survey of R&I beneficiaries that was undertaken as part of this evaluation provides more detailed insights into the business goals of those seeking support under PA1⁷, the obstacles that they faced, and the support that they sought from PA1 projects⁸.
- 4.31 **Introducing new goods or services was by far the most common goal** that participating businesses were seeking to achieve through the support (44 per cent of all participants). This was more than double that of any other response. The next most common response was concerned with improving existing goods and services (a goal for 19 per cent of respondents). This emphasises that the main focus for participants was on developing and improving goods and services.
- 4.32 The **availability of finance** was by far the most common obstacle to growth that was identified by participants (39 per cent identified this), with 12 per cent also identifying 'direct innovation costs being too high' as a main obstacle. This obstacle is also reflected in the support that beneficiaries stated that they had sought, with grant finance identified as the most common (44 per cent of respondents sought this type of support). Much fewer were seeking loan finance (six per cent) or equity finance (14 per cent). Around 75 per cent of those seeking grant finance reported that this need had been fully or partly met through the support; however, in Figure 4-1, it is notable that following support, half of those highlighting finance availability as an obstacle stated that it was still an obstacle to the same extent, and only 10 per cent indicated that it was no longer an obstacle. The under-contracting of output targets regarding grant and finance support for SMEs (C2 and C3) may suggest that insufficient programme resources under PA1 were put into meeting these needs.
- 4.33 The next most common obstacles to growth included a number of responses centred on **gaps in knowledge or expertise**. These included a lack of qualified personnel (16 per cent of respondents identified this as an obstacle), uncertain demand for innovative goods and services (12 per cent), a lack of information on markets (12 per cent), and a lack of information on technology (nine per cent). Again, these obstacles are reflected in many of the most common types of support that beneficiaries sought, including developing relationships with collaborators (sought by 35 per cent of respondents), developing partnerships (31 per cent), attending workshops (31 per cent), and

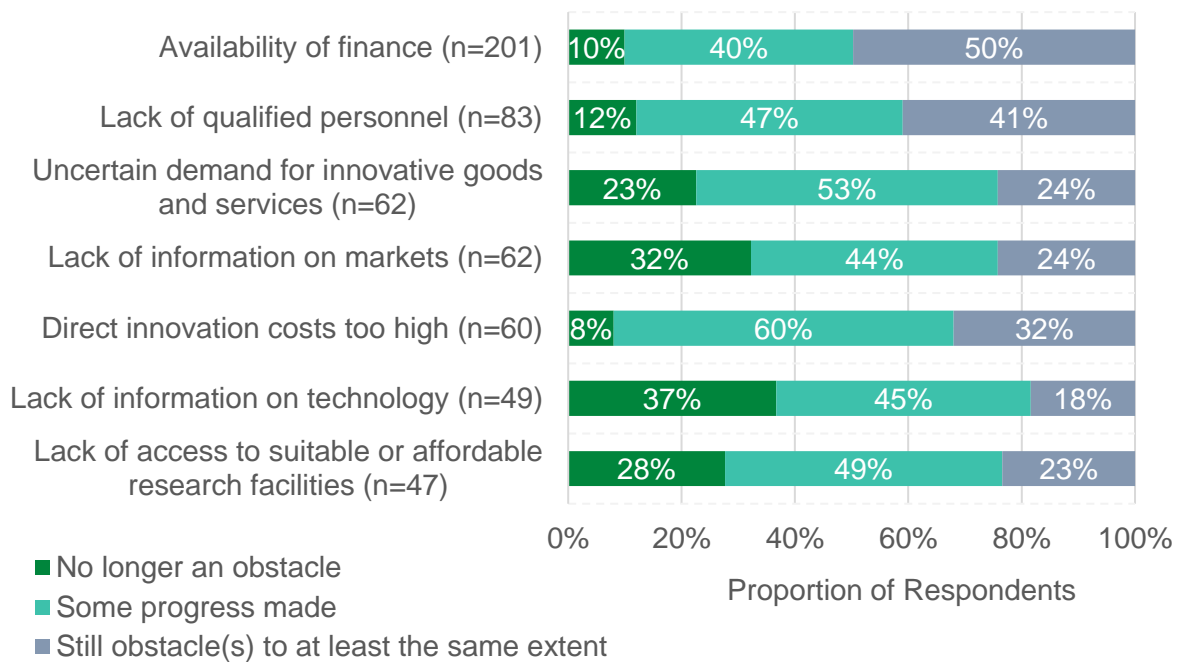
⁷ Note: this analysis covers R&I beneficiaries under both IP1b and IP4f, as the response rate from those supported under IP4f was insufficient for a separate analysis to be undertaken for those beneficiaries.

⁸ Note: all survey analysis presented in this report is based on the removal of responses stating 'Don't know', 'Not sure', or 'Not applicable'. These responses did not exceed 10 per cent for any question unless indicated.

signposting to advice and support (33 per cent) — all with a focus on knowledge transfer and collaboration. Over 70 per cent of supported businesses had those support needs met by the projects with which they engaged, and as the findings in Figure 4-1 show, those obstacles relating to knowledge or expertise were reduced or overcome for over three quarters of respondents (with the only exception being related to a lack of qualified personnel, where 59 per cent indicated that the obstacle was reduced or overcome).

4.34 The other main obstacle identified, albeit by a smaller proportion of businesses, was **lacking access to suitable or affordable research facilities** (nine per cent identified this as an obstacle). Correspondingly, this was a common support type sought by beneficiaries, and of those seeking that support, 79 per cent indicated that this need had been fully or partly met through that project support. Figure 4-1 shows that following support, this obstacle was removed or reduced for 77 per cent of participants.

Figure 4-1: Extent to Which PA1 Beneficiaries Overcame Obstacles to Growth Following Support



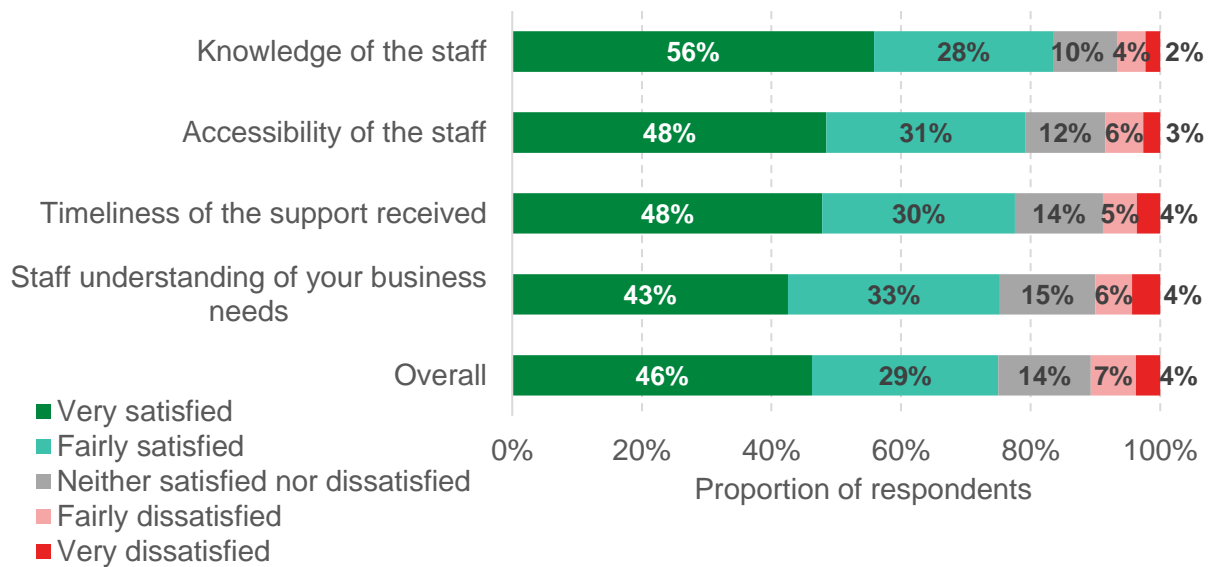
Source: Beneficiary Survey, n = as stated for each response. Note: proportions exclude those answering ‘Don’t know’, ‘Prefer not to say’, or ‘Not applicable’. These responses constituted 10 per cent or less of responses other than for ‘Direct innovation costs too high’ (which accounted for 14 per cent).

4.35 In order to understand the extent to which reducing or removing those obstacles can be attributed to project support, beneficiaries were asked about what would have happened without the support. Across all obstacles set out for businesses receiving R&I support, 21 per cent indicated that the obstacles would not have been addressed at all without support, and 65 per cent indicated that they would have been overcome but that it would have taken

longer, or that they would have been mitigated to a lesser extent without support.

- 4.36 A **longitudinal survey** was conducted, resurveying respondents from the Phase 2 evaluation (undertaken in 2020), to explore the longer-term effects of the support received for these businesses. The findings indicate that across obstacles faced, as well as progress against business goals, there was limited evidence of substantial further progress being made when compared with the responses from the Phase 2 survey undertaken in 2020. In each case the largest proportion of businesses indicated the same progress against obstacles as reported in 2020, with the remaining respondents being split fairly equally between those indicating greater progress or lesser progress against overcoming obstacles or progressing towards goals than in the answers that they had given in 2020. A more fine-grained analysis examining certain individual business respondents completing the Phase 2 and Phase 3 evaluation surveys does, however, provide examples of businesses that continued to grow from 2020–22 and continued to attribute some or all of this progress to the support that they received through the programme. Overall, the findings indicate that there are longer-term persistence effects from some of the support; however, the survey evidence does not suggest that this has occurred in the majority of cases.
- 4.37 Satisfaction data drawn from the survey findings (Figure 4-2) show that 75 per cent of beneficiaries of research and innovation support reported being very or fairly satisfied overall with the support received, with only 11 per cent indicating that they were fairly or very dissatisfied. It is notable that the knowledge of support staff was rated most highly, with slightly lower levels of satisfaction with the staff understanding of individual business needs. This reflects that for some projects, more time might have needed to be invested in undertaking a high-quality diagnostic to ensure a clear understanding of the support that beneficiaries needed.
- 4.38 Evidence from the summative assessments highlights that the **quality of support** was commonly assessed to be higher where support was more intensive and more targeted at the SME's specific needs. Effective diagnostic support (particularly for innovation support projects) was identified as being important in ensuring that those SME support needs were clearly understood and addressed. For research collaboration support, access to academics was identified as being highly valuable, but the pace of operations did not always align well with that of businesses; therefore, where HEIs had non-academic teams helping to run the project and coordinate between the SME and academics, this was often found to help this process.

Figure 4-2: Satisfaction with Support Received under PA1

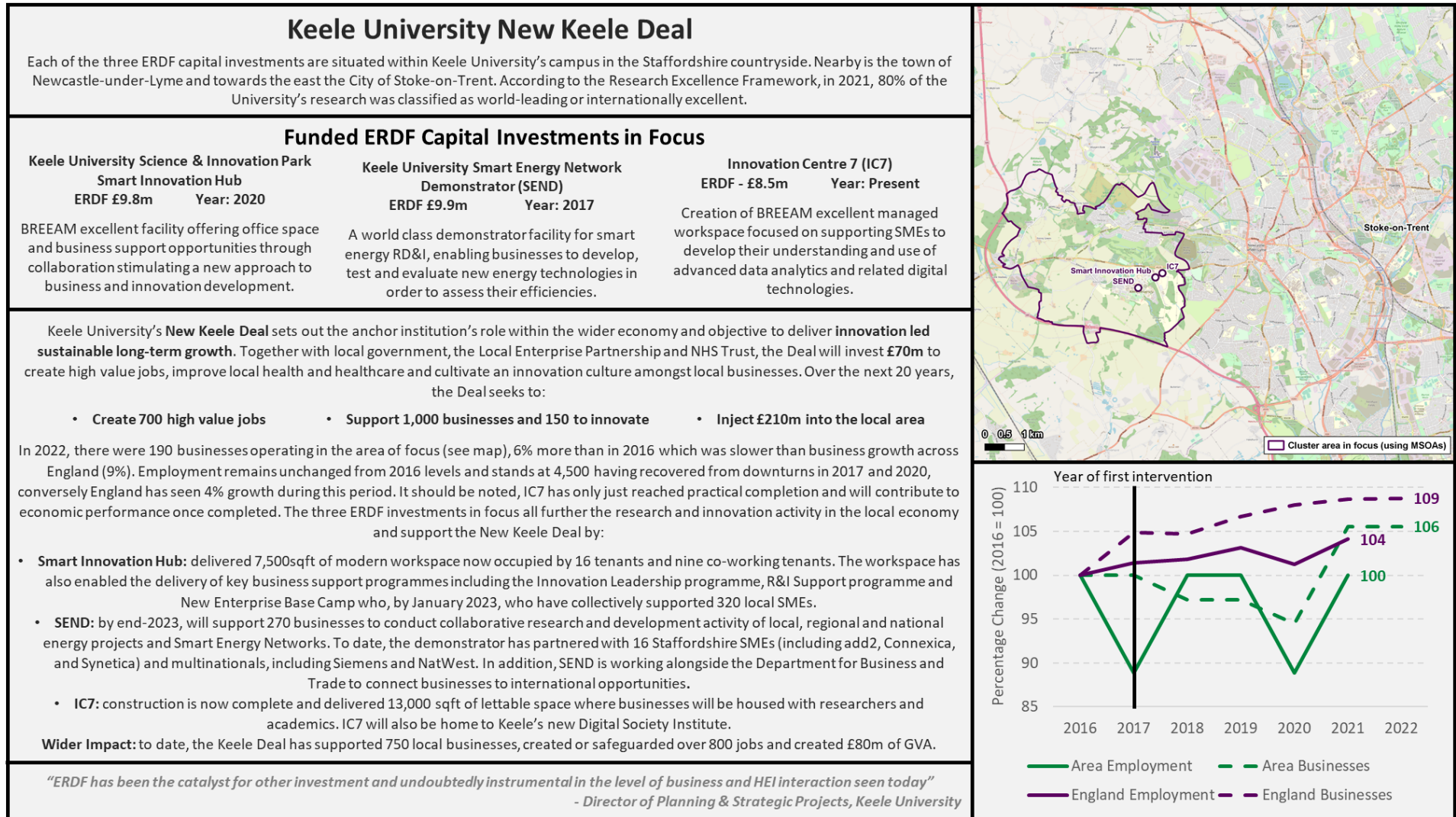


Source: Beneficiary Survey, n = 539. Note: proportions exclude those answering ‘Don’t know’ or ‘Prefer not to say’.

Impact and Value for Money of Investments

- 4.39 Under IP1a, the creation of new spaces for innovation and innovative businesses would be expected to lead to increased research activity and increased collaboration between SMEs and the research community. The summative assessment evidence for projects under IP1a was limited and often completed shortly after completion of capital works; thus, evidence is limited regarding the utilisation of new spaces and the extent to which they have enabled growth in SME collaboration.
- 4.40 In-depth case studies were undertaken to analyse the impacts associated with small clusters of ERDF-backed place-based investments to explore the nature of the impacts and their relationship with other local place-based investments. One example of ERDF-backed investments primarily supported under PA1 is set out in Figure 4-3, and highlights the contribution of ERDF capital investments at Keele University. These investments provided a core contribution to delivering the university’s “New Keele Deal”, a plan produced alongside the Local Enterprise Partnership and other partners to support the strategic contribution of the university to local economic growth. Although it is still too early to see the full contribution, it is clear that these investments enhanced the research and innovation asset base in the area to support longer-term local growth in alignment with local priority growth sectors.

Figure 4-3: Area-Based Impacts – Case Study of R&I Capital Investments



4.41 Under IP1b, the primary outcomes that would be expected relate to increased innovation activity in SMEs, the development of new products and services, and increasing turnover and employment in supported SMEs.

4.42 Insights from the survey of R&I beneficiaries highlight the following:

- The support helped to encourage higher levels of innovation activity within supported SMEs, with 66 per cent indicating that their organisation was more innovative following support from the programme.
- Sixty-four per cent of respondents indicated that as part of the support, they had been advancing a technology towards market readiness. Of those respondents, 91 per cent indicated that the technology had moved to a higher technology readiness level following support in comparison with pre-support (although this was not necessarily attributable to the support).
- Fifty-one per cent of supported businesses stated that in the last 12 months, they had introduced new or significantly improved products, services or processes as a direct result of the support.
- Given the more challenging economic climate, particularly following the outbreak of COVID-19, the survey explored the contribution of projects to supporting business survival. Fifty-five per cent of respondents felt that the support received had improved the likelihood of their business surviving in the short term.
- For those businesses that were trading before the support and had at least one employee, 72 per cent of respondents indicated that their turnover had increased post-support in comparison to pre-support (with 15 per cent indicating that it had decreased), while 46 per cent of respondents indicated that the number of employees had increased in comparison to pre-support (13 per cent indicated that it had decreased).

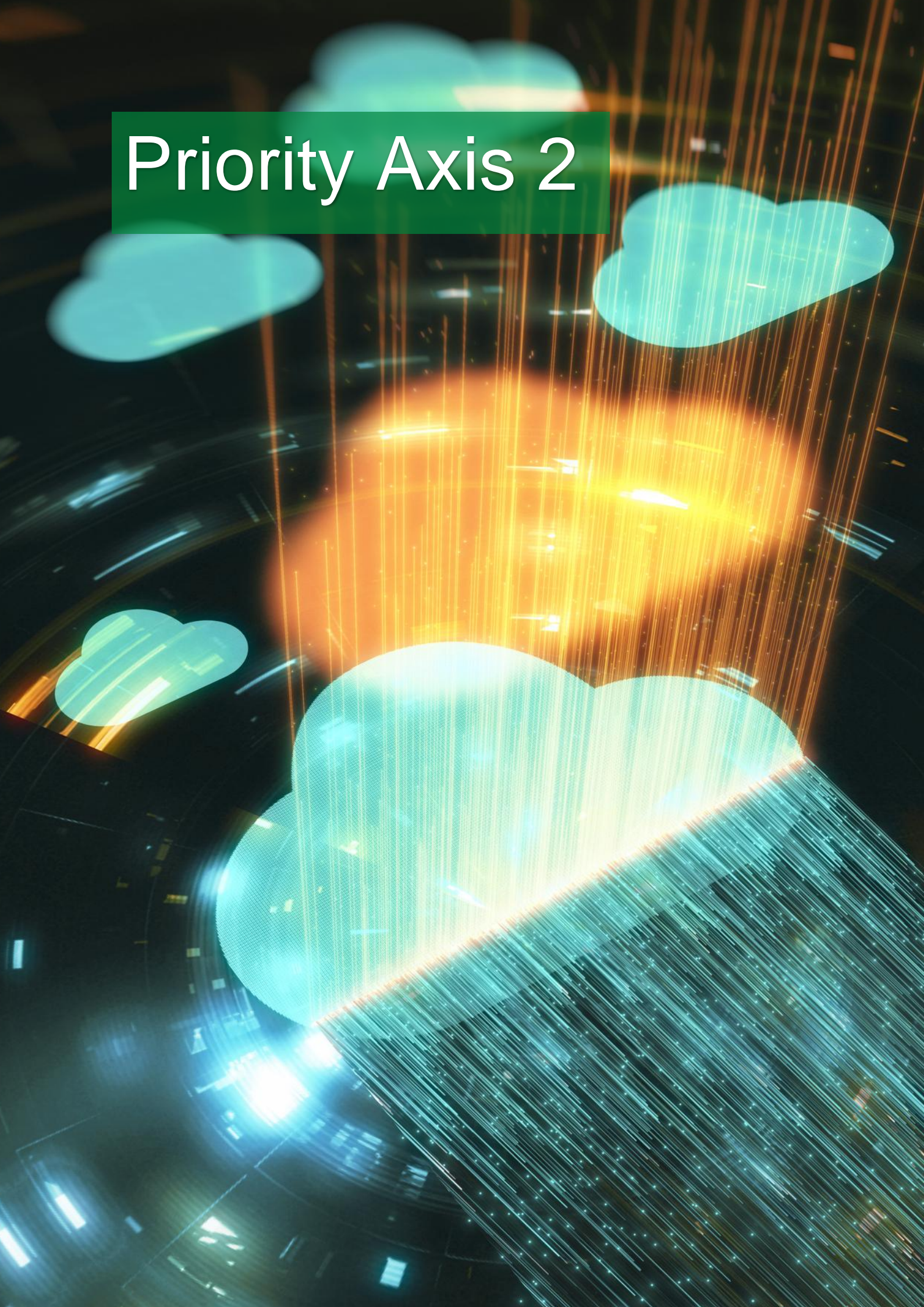
4.43 In conclusion, against the result indicators for PA1:

- The activities under IP1a are likely to have made a positive but minor contribution to the increase in enterprises having cooperation agreements with research institutes (Indicator 1.1). Project-level evidence of this to date is limited, and this indicator is also likely to have been influenced by research collaboration work supported under IP1b, as well as the wider business engagement and marketing activities of research institutes nationally.
- While the proportion of SMEs that are innovation-active (Indicator 1.2) has decreased, the programme activities have contributed positively to this indicator. The trajectory of this indicator across the programme period indicates that it was improving but then significantly affected following the outbreak of COVID-19, which limited business confidence in investing in innovation activity. Survey evidence, however, suggests that around two thirds of supported businesses described themselves as more innovation-active following support.
- R&D tax credits have increased by number and value (Indicators 1.3 and 1.4) over the programme period; however, the influence of programme

investments on these is more indirect and expected to be limited. Other factors such as the terms for the tax credits and the marketing of these nationally are expected to have had a larger influence on these changes.

- The value of services provided to SMEs by HEIs (Indicator 1.5) and the number of contracts or interactions with SMEs (Indicator 1.6) have both increased, with programme interventions likely to have played a significant contributory role. In particular, the scale of the increase in Indicator 1.6 (around 21,000) indicates that the c.5,000 SMEs supported per year on average under PA1 to date would have made a significant contribution to this increase.


Priority Axis 2




5. Priority Axis 2: Enhancing Access to, and Use and Quality of, ICT

Summary of Key Messages

Extending Broadband Deployment




More than **50%** of the target number of businesses had secured access to superfast broadband by December 2021. This might fall short of full delivery target by end of programme.



Technological advances and rapid take-up of the market roll-out of superfast broadband **reduced the need for investment in capital infrastructure** from PA2.

Developing ICT Products and Services



Number of enterprises supported output is under-contracted, although this corresponds to the proportion of PA2 funding contracted.

Overview of the Priority Axis

5.1 A total of 42 projects had been funded under PA2 by July 2022, with an overall project value of £162m, of which £86m was from the ERDF. Interventions under PA2 were split into two investment priorities and two specific objectives, as summarised in Table 5-1.

Table 5-1: Summary of Investment Priorities and Specific Objectives under PA2

Investment Priority	Specific Objective
2a: Extending broadband deployment and the rollout of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy	2.1: Increase the coverage of superfast broadband in areas where the market is failing, particularly where this is creating a barrier to SME growth, in line with state aid rules
2b: Developing ICT products and services, ecommerce, and enhancing the demand for ICT	2.2: Increase the number of small and medium-sized enterprises making productive use of digital technologies

Source: MHCLG, ERDF Operational Programme, 2020.

Continued Relevance, Appropriateness and Consistency

- 5.2 The Operational Programme clearly set out key challenges and opportunities in relation to ICT. The first was that access to slow and unreliable broadband was a barrier to growth for SMEs and that there were parts of the country for which it was not commercially viable for the market alone to extend superfast broadband (SFBB) coverage. The second was that at the time that the Operational Programme was being developed, SME uptake of SFBB was low, with many lacking awareness of the benefits that it offered and having a perception that the costs were prohibitively high, indicating a need for support to help businesses to overcome those barriers.
- 5.3 As outlined in Table 5-1, programme investment responded to these challenges through two specific objectives focused on: investment in SFBB infrastructure and enhancing the use of ICT in SMEs.
- 5.4 In order to track the results of programme-level investment in these areas, a series of three result indicators were agreed (Table 5-2). Changes in these are examined in the next section; however, it is important to reflect on the relevance and appropriateness of these indicators:
- Indicators 2.1 and 2.2 are relevant result indicators, given the nature and objectives of investments. For Indicator 2.2, the target number of SMEs supported in accessing broadband under IP2a is 11,326, which represents around 0.5 per cent of the English SME business base of 2.4m, reflecting that this funding could only make a limited contribution to the national-level target.
 - Indicator 2.3 was relevant but only partially covered the intentions of SO2.2, with project support having helped businesses to make a wide range of changes to their business, not merely selling online. The indicator is also heavily influenced by activity in other EU countries, thus being out of the control of programme activity in that respect.

Table 5-2: Summary of Specific Objectives and Result Indicators for PA2

Specific Objective	Result Indicator
2.1	2.1: Coverage of superfast (>30 megabytes per second (mbps)) broadband across England
	2.2: Percentage of businesses which have taken up broadband with speeds of at least 30mbps
2.2	2.3: Ranking for selling online by SMEs in EU Digital Scoreboard

Source: MHCLG, ERDF Operational Programme, 2020.

- 5.5 With respect to SFBB infrastructure investment, the main contextual change was technological. At the time that the Operational Programme was published, 78 per cent of premises in England could access SFBB services. By the time

the call for projects had been issued in 2016, this had increased to 90 per cent and had reached 95 per cent by 2018⁹. The large increase in coverage between 2014 and 2016 was due in part to the continued market rollout of SFBB, but also the fact that earlier gap-funded SFBB programmes had reached many more premises than originally anticipated. As a result, under the “gainshare” mechanism that had been included within contracts, telecommunications providers returned a share of revenues to the public sector, with this revenue being used to further invest in the fibre network and extend coverage even further.

- 5.6 At the same time that the coverage of ultra-fast broadband (UFBB) was much lower, however, the state aid scheme that was agreed only permitted public investment in areas that could not access superfast speeds (30mbps), meaning that large numbers of premises interested in access to UFBB were not eligible to be supported.
- 5.7 The combined result of this was that in the programme modifications in 2017, some of the funding from IP2a was shifted to IP2b, and some was moved out of PA2 — with the only exception being for the less developed region, wherein the allocation to IP2a increased slightly.
- 5.8 The technological advancement regarding ICT also affected some aspects of the business support under IP2b, with Building Digital UK (BDUK) increasingly focused on gigabit-capable broadband. In some cases, the availability of vouchers for accessing gigabit broadband through BDUK meant a significantly reduced demand for SFBB vouchers that could be offered under PA2 projects, leading to some projects having to redesign their offer to remove the voucher element.
- 5.9 The policy environment relating to PA2 activities continued to be supportive throughout the programme period, with ‘enhanced digital connectivity’ representing Mission 4 in the Levelling Up White Paper, and the UK Digital Strategy (2022) setting out an aim ‘to ensure that everyone, wherever they live or work in the UK, can access the connectivity and services they need’.

Progress against Targets

- 5.10 Data on project spend are only available at the overall Priority Axis level, and as set out in Table 2-3, they show that by July 2022, of the £96m allocated to PA2, £86m (89 per cent of the allocation) had been contracted and £56m (58 per cent of the allocation) had been defrayed and claimed. Over the final six quarters of the programme, projects under PA2 will need to claim close to £7m in each quarter in order to achieve full claims — a higher rate than has been achieved in any quarter of the programme to date.

⁹ Ofcom Connected Nations Reports.

5.11 The result and output indicators are all reported upon by investment priority and are set out below. To support the analysis of findings and evidence regarding what works, the evaluators assigned all PA2 projects to the main investment priority with which they aligned based on project descriptions. These breakdowns were used for the subsequent analysis in this section.

IP2a: Extending Broadband Deployment

5.12 Under IP2a, there are two result indicators, as summarised in Table 5-3. These indicators are closely related to the interventions invested in and both show substantial improvement. Indicator 2.1 is still slightly below the 100 per cent target suggested in the Operational Programme, while Indicator 2.2 has far exceeded the 50 per cent target indicated.

Table 5-3: Result Targets under IP2a

Indicator No.	Indicator	Measurement Unit	OP Baseline	Latest Available Data	Change
2.1	Coverage of superfast (>30mbps) broadband across England	Percentage	90 (2016)	96 (2021)	+ 6 percentage points
2.2	Percentage of businesses with access to at least superfast (>30mbps) broadband	Percentage	15.9 (2012)	64.1 (2019)	+ 48.2 percentage points

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

5.13 The Operational Programme set out a single type of activity to be invested in under IP2a: providing financial support for projects to extend the availability of superfast broadband networks. There were 11 projects funded under this investment priority, with project examples including:

- **Superfast 2** (Cornwall and the Isles of Scilly LEP) – an investment scheme aimed at upgrading broadband for 7,600 premises in Cornwall that were unable to connect to superfast broadband.
- **Superfast Extension Programme** (Heart of South West LEP) – a broadband infrastructure project aimed at supporting around 2,230 rural SMEs in overcoming connectivity issues.

5.14 Output data relating to IP2a (Table 5-4) indicate that only 86 per cent of the C1 target had been contracted by December 2021, and much fewer of these were new enterprises (C5 indicator) than anticipated, meaning that only 17 per cent of this indicator had been contracted. The under-contracting on C1s primarily reflects the lower-than-anticipated investment in projects under IP2a. The proportion of the target claimed to date is extremely low, with only six per cent of the C1 target claimed to date. Project deliverers have highlighted that this is mainly due to them having been reliant on a third party (the broadband

supplier) to collect this evidence from businesses, which those suppliers have often been reluctant to do.

5.15 The P3 indicator is over-contracted, and as of December 2021, just over half of the target had been claimed. Some projects are ongoing, so this will increase; however, it is anticipated that the programme may fall short of fully delivering this target. Key factors affecting this include the following:

- Several projects have found that by the time that they start delivery, many of the premises that they have intended to upgrade have already received access, meaning that they are unable to claim for as many outputs as expected.
- Skills shortages of civil/telecommunications engineers have delayed delivery.
- Some projects experienced challenges in working with small or independent broadband suppliers that could not meet contractual obligations due to poor planning and optimistic assumptions, leading to contracts being terminated.

Table 5-4: Output Target Performance under IP2a to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C1	Number of enterprises receiving support	2,798	86%	6%
C5	Number of new enterprises supported	604	17%	8%
P3	Additional businesses with broadband access of at least 30mbps	11,326	104%	54%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

IP2b: Developing ICT Products and Services

5.16 Under IP2b, as shown in Table 5-5, there is a single result indicator — ranking for selling online by SMEs in EU Digital Scoreboard, where the UK baseline ranking from 2015 was 8th and in the latest data available (2020) continued to be 8th, meaning that it is currently falling short of the target for this to increase by one place. This figure has fluctuated each year, however, ranging from 6th to 10th over the programme delivery period.

Table 5-5: Result Targets under IP2b

Indicator No.	Indicator	Measurement Unit	OP Baseline	Latest Available Data	Change
Specific Objective 2.2					
2.3	Ranking for selling online by SMEs in EU Digital Scoreboard	Number	8th	8th	No change
			(2015)	(2020)	

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

- 5.17 The Operational Programme set out the types of activities to be invested in under IP2b, which included support to: introduce new ICT business models, access new markets through ICT connections, develop ICT skill strategies, access broadband through voucher schemes, and demonstrate and pilot innovation through the smart use of ICT.
- 5.18 In practice, 31 projects were funded under IP2b, with the analysis of projects suggesting that they reflected this indicative range of activities but with the main focus being on advice and guidance to SMEs to improve business performance, access new markets, develop ICT skills, and improve productivity. Project examples include:
- **Digital Enterprise 2.0** (Leeds City LEP) – which provided innovation support to growth-focused SMEs looking to access, invest in and deploy digital technologies to stimulate digital transformation and growth.
 - **Digital Business Growth Programme** (Leicester and Leicestershire LEP) – which supported SMEs in exploiting ICT and ecommerce opportunities.
- 5.19 Output data relating to IP2b indicate that only 86 per cent of the C1 target had been contracted to date, and much fewer of these were new enterprises (C5 indicator) than anticipated, meaning that only 17 per cent of this indicator had been contracted. For the C1 indicators, the level of under-contracting was closely aligned with contracted spend (89 per cent contracted by July 2022), suggesting that the contracted unit rates were close to what were expected. Fifty-three per cent of the C1 targets had been claimed by December 2021, and with many of these projects still live, as well as evidence from completed projects suggesting that most projects did meet targets, it is expected that most of the contracted target should be achieved.
- 5.20 The evaluation found that the limited progress against the C5 indicator reflects that the type of support provided through IP2b was less suited to new businesses, with most of the demand coming from businesses that were mature enough to be thinking about their next step in digital technology, rather than from new enterprises. The assumption in the targets was that around 70 per cent of supported businesses under IP2b would be new businesses;

however, claimed data as of December 2021 indicate that the actual proportion was around nine per cent.

- 5.21 The C29 target regarding new-to-firm products was strongly over-contracted, and although only 41 per cent of the target had been achieved by December 2021, this indicator would typically have a lag time after completion of the support, and with many live projects still capturing data, this figure is expected to reach the target.
- 5.22 Only 67 per cent of the P4 indicator was contracted by December 2021, and with only 27 per cent of the target claimed. The evaluation found that this indicator may have been set at too high a level, as this assumes that 51 per cent of those supported as C1s would go on to take up SFBB. The interventions funded under IP2b, however, often supported SMEs that already had access to SFBB but wanted to enhance the way in which they were using this. A second factor, as outlined above, was that many projects had to remove vouchers from their support offer due to better terms being offered for UFBB vouchers from BDUK, and for many projects this had been a key route to achievement against this indicator.

Table 5-6: Output Target Performance under IP2b to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C1	Number of enterprises receiving support	11,123	86%	53%
C5	Number of new enterprises supported	7,794	17%	7%
C29	Number of enterprises supported to introduce new-to-firm products	1,780	132%	41%
P4	Additional businesses taking up broadband with speeds of at least 30mbps	5,663	67%	27%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

Delivery and What Worked

- 5.23 The findings regarding delivery and what worked draw primarily from a detailed review of seven PA2 summative assessments.
- 5.24 Activities delivered under IP2a were focused on the procurement of a broadband infrastructure supplier and then contract management; therefore, the summative assessments typically had a more limited focus on the analysis of delivery and what worked. One lesson that arose was where projects had procured smaller broadband suppliers and found that they lacked the planning and management skills of larger suppliers, leading to capacity issues, delays, and, in some cases, the termination of contracts. It was noted that future interventions using smaller broadband suppliers might require the provision of

additional support to these companies. The limited number of summative assessments reviewed for this investment priority meant that the focus of findings in the remainder of this section relates to IP2b.

- 5.25 **Client engagement** for business support projects under IP2b commonly noted the important role played by referrals from growth hubs, business bodies such as the Chamber of Commerce, and local business networks. The analysis of project summative assessments found that a broad range of methods had been used to promote projects locally, including leaflets, local advertising, and the use of social media, but with little clear insight into which had been most effective.
- 5.26 In terms of **project management**, a common issue arising from project summative assessments was in relation to experience and consistency within the delivery team, with summative assessments particularly noting that projects were typically most effective where there was a team in place that was experienced in managing similar projects, particularly ones under the ERDF programme. Similarly, other project summative assessments identified that there was often relatively high staff turnover and that the quality of delivery and management suffered when those experienced staff members left a project, causing disruption to delivery.
- 5.27 Feedback on the **quality of activities** delivered was typically strong across the project summative assessments reviewed, with a range of different delivery methods having the potential to be effective in delivering support. For projects issuing grants, quick decision making regarding this by projects was highly valued. Where workshops were used, having high-quality facilitators and working in small groups to enable more bespoke content that could be targeted to meet the specific needs of participants were felt to be very effective. Where there were dedicated business advisors, these were commonly felt to be very effective in delivering support, particularly where there was sufficient time dedicated to fully understanding the needs of the business, developing a bespoke support offer, and building a strong relationship with the SME participant.

Impact and Value for Money of Investments

- 5.28 Under IP2a, the main outcome was that of enabling new businesses to access SFBB, with a view to enabling them to use this access to improve productivity, access new markets, and reduce costs, improving business turnover and profitability. Although this was not one of the areas included for impact evaluation approaches in this evaluation, the Department for Digital, Culture, Media and Sport (DCMS) previously commissioned an impact evaluation of its SFBB infrastructure investments.

- 5.29 DCMS's 2018 evaluation of investment in superfast broadband¹⁰ highlighted that making SFBB speeds available improved local economic performance, with estimates that postcodes benefitting from subsidised coverage witnessed an employment increase by 0.8 per cent and that turnover increased by 1.2 per cent in response to improved infrastructure. There was evidence, however, that over 80 per cent of these impacts was driven by the relocation of firms to postcodes receiving subsidised coverage. An indicative analysis of the costs and benefits of the scheme suggested that it had delivered acceptable payback by June 2016, with an estimated benefit-to-cost ratio of £1.96 per £1 of public sector spending to date. This evidence indicates that broadband infrastructure investments under the ERDF programme which contributed to this programme are expected to have delivered acceptable value for money.
- 5.30 Under IP2b, findings from project summative assessments highlight that key outcomes were typically generated by enhancing the understanding and confidence of SMEs with regard to investing in digital technologies and applications, and that this commonly translated to improvements in productivity, as well as increasing turnover and new job creation. The number of PA2 respondents to the surveys undertaken as part of this evaluation was too low for robust findings to be drawn at the individual priority level; however, these were analysed alongside broader SME competitiveness business support respondents under PA3, with these survey findings set out in Section 6.
- 5.31 In conclusion, against the result indicators for PA2:
- The activities under IP2a positively contributed to increases in the coverage of SFBB (Indicator 2.1) and the percentage of businesses with access to SFBB (Indicator 2.2), although the scale of the contribution to those national indicators was relatively limited, given that the P3 target (11,326 additional businesses with access to SFBB) represents around 0.5 per cent of the English SME business base of 2.4m. Changes in these indicators were heavily influenced by external factors such as the wider commercial market rollout, technological development, and higher-than-anticipated uptake rates.
 - There was no change in the result indicator for IP2b — the ranking for selling online by SMEs in the EU Digital Scoreboard; however, the activities under IP2b are expected to have made a minor positive contribution to this indicator. The C1 target regarding enterprises supported (11,123) again represents only around 0.5 per cent of the English SME business base of 2.4m, and the contribution of project support to enhancing the use of ICT for online sales was only one of a range of ways in which projects contributed to improved business performance. Both of these factors limited the overall influence that activity under IP2b could have in influencing this indicator.

¹⁰ DCMS (2018) Evaluation of the Economic Impact and Public Value of the Superfast Broadband Programme.

Priority Axis 3



6. Priority Axis 3: Enhancing the Competitiveness of SMEs

Summary of Key Messages

Promoting Entrepreneurship



Number of potential entrepreneurs assisted is fully contracted and expected to achieve target.



Number of enterprises supported and increased employment targets have been fully achieved.



Fewer enterprises received grant or non-grant finance support than originally anticipated.



For **start-up businesses**, the most common goal was to **grow their business**.



For **entrepreneurs**, the most common goal was to develop a **profitable business model**.

In both case of start-up businesses and entrepreneurs the main barriers were:



lack of experience or expertise in running a business



lack of finance

ERDF support helped some businesses and entrepreneurs overcome both, but was more effective for the former.

Of surveyed entrepreneurs

79% were satisfied with the support received.

55% went on to start a business and a further **35%** said they still intended to do so.

88% reported that they were still trading at the point of completing the survey.

Of surveyed start-up businesses

78% were satisfied with the support received.

Supporting SME Capacity for Growth and for Product and Service Development



Number of enterprises supported is over-contracted and on course to be fully delivered.



Increased employment target almost fully achieved target by December 2021.



Capital build output target has been fully achieved.



Fewer enterprises received grant or non-grant finance support than originally anticipated.

Most enterprises were looking to **grow their business**. Their main barriers were:



lack of internal business expertise



lack of finance

ERDF support helped some businesses overcome both, but was more effective for the latter.

Of surveyed enterprises

81% were satisfied with the support received.

57% had introduced new or improved products, services or processes as a result of the programme support.



Capital workspace investments have supported **growth in businesses and employment** in targeted areas.

Overview of the Priority Axis

- 6.1 A total of 427 projects had been funded under PA3 by July 2022, with an overall project value of £2.88bn, of which £1.33bn was from the ERDF. Interventions under PA3 were split into three investment priorities and three specific objectives as summarised in Table 6-1. For the purposes of this analysis, however, Investment Priorities 3c and 3d have been analysed together, given the substantial overlap between the two.

Table 6-1: Summary of Investment Priorities and Specific Objectives under PA3

Investment Priority	Specific Objective
3a: Promoting entrepreneurship, particularly by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators	3.1: Increase entrepreneurship, particularly in areas with low levels of enterprise activity and amongst underrepresented groups
3c: Supporting the creation and extension of advanced capacities for product and service development	3.2: Increase the growth capacity of SMEs
3d: Supporting the capacity of SMEs to grow in regional, national and international markets and to engage in innovation processes	3.3: Increase the growth capability of SMEs

Source: MHCLG, ERDF Operational Programme, 2020.

6.2 To support the analysis of findings and evidence regarding what works, for the purposes of this evaluation, the PA3 projects were broken down a little further into six main intervention types, against which the evaluators allocated projects, based on project descriptions:

- **Advice, support and grants to support business startups**, largely aligning with SO3.1, which comprised 56 projects under PA3 and covered supporting entrepreneurship, helping to start a business, and supporting early-stage entrepreneurs.
- **General business advice and support**, aligning with both SO3.2 and SO3.3, which comprised 218 projects under PA3 and covered a broad range of support in relation to: developing growth plans, leadership, investment readiness, grants for growth, and peer-to-peer learning.
- **Sector-focused business advice and support**, aligning with both SO3.2 and SO3.3, which comprised 55 projects under PA3 and covered similar topics to those of general business advice and support but as part of projects that were targeted at specific local sectors.
- **International trade support**, aligning most closely with SO3.3, which comprised 20 projects under PA3 and covered projects supporting increased export activity.
- **New workspace – incubator, managed and grow-on space**, aligning with both SO3.2 and SO3.3, which comprised 71 projects under PA3 in which the main focus was on new capital builds of workspace.
- **Business growth finance (non-grant)**, aligning with both SO3.2 and SO3.3, which comprised seven projects under PA3 in which a financial support programme was the main focus of the activity.

Continued Relevance, Appropriateness and Consistency

6.3 The Operational Programme sets out a series of challenges, primarily relating to low levels of entrepreneurship and productivity of small and medium-sized

firms lagging behind larger firms. The challenges underpinning weaker productivity are stated to include: a lack of capacity to plan and deliver growth strategies, access to finance, firms not exporting, few firms accessing external business support expertise, and weaker levels of innovation. It notes that many SMEs have the appetite to grow but have not been able to do so, and that higher-growth SMEs tend to be concentrated in a small number of areas of England.

- 6.4 As outlined in Table 6-1, programme investment responded to these challenges through three specific objectives focused on increasing entrepreneurship as well as the capacity and capability of SMEs.
- 6.5 In order to track the results of programme-level investment in these areas, a series of five result indicators were agreed (Table 6-2). Changes in these are examined in the next section; however, it is important to reflect on the relevance and appropriateness of these indicators:
- Indicator 3.1 is very relevant to IP3a, although it is useful to note that the target of around 80,000 beneficiaries, including both entrepreneurs (P11) and those managing existing businesses (C1), out of an English working-age population of around 35.9 million¹¹ means that even if the targets were fully met and all of those supported contributed to raising this result indicator, this would only shift this by 0.2 percentage points.
 - Indicators 3.2 and 3.4 relate to job growth in SMEs, which is very relevant to investments under IP3c and 3d. The total target of an employment increase of 39,260 in supported businesses under PA3 would represent an uplift of around 0.2 per cent in current SME employment of around 16.4 million¹². The target for Indicator 3.4 was to witness an increase of 2 million over the programme period; therefore, the direct contribution of the programme to that target could have only been partial.
 - Indicators 3.3 and 3.5 relate to closing the productivity gap between SMEs and larger companies, which seem well aligned with the nature of interventions under PA3. With a target of supporting 94,431 SMEs under PA3, this represents around four per cent of the English SME business base of 2.4 million, indicating that the interventions were of a sufficient scale to have been able to have an impact on these result indicators.

¹¹ ONS, Mid Year Population Estimates, 2020.

¹² ONS, Business Population Estimates, 2022.

Table 6-2: Summary of Specific Objectives and Result Indicators for PA3

Specific Objective	Result Indicator
3.1	3.1: Total early-stage entrepreneurial activity, represented by the proportion of adults of working age (18–64) in the process of starting a business or running a business less than 42 months old
3.2	3.2: Number of jobs in small and medium-sized enterprises
	3.3: Gap in productivity between SMEs' and large companies' productivity, measured in terms of the gross value added per employee (%)
3.3	3.4: Number of small and medium-sized enterprise jobs created
	3.5: Gap in productivity between SMEs' and large companies' productivity, measured in terms of the gross value added per employee (£)

Source: MHCLG, ERDF Operational Programme, 2020.

- 6.6 As outlined in Section 3, there has been a continued shift over the delivery period towards locally led investment and growth, with these forming key parts of the Plan for Growth and the Levelling Up White Paper and reinforcing the policy emphasis on locally delivered business support activity.
- 6.7 Data in Section 3 show falling unemployment for much of the programme period up to 2020, which reduced the potential audience for some activities under IP3a; at the same time, the business birth rate decreased from 14.4 per cent in 2016 to 12.4 per cent in 2020¹³, reflecting not only a more challenging environment for the delivery of IP3a activity, but also a continuing need.
- 6.8 The continued need for and relevance of PA3 investments (particularly relating to IP3c and 3d) are reflected in the overall increase in funding allocations to PA3 as part of the programme modifications, as reflected in Table 2-1.
- 6.9 The outbreak of COVID-19 in 2020 led to a programme response of moving £51m out of PA3 to form a new Priority Axis (PA10) in order to provide funding for COVID-19 response recovery planning focused on high streets. Alongside other funding modifications, however, this still meant a greater level of funding in PA3 than in the original Operational Programme.
- 6.10 The main contextual factors affecting the delivery and impacts of PA3 were in relation to COVID-19, the EU exit, and, more recently, inflationary pressures. For PA3 projects, these affected:
- **Programme delivery.** With most PA3 projects having delivered face-to-face support, the vast majority switched to online delivery following the outbreak of COVID-19, and mostly only returned to face-to-face delivery late in 2021 or into 2022. While this was commonly undertaken quickly and effectively, it did cause a hiatus in activity and a loss of momentum for a period.

¹³ ONS, Business Demography, 2021.

- **Competition for support.** With governmental interventions including grant and loan schemes in response to COVID-19 often offering better terms than could be provided through ERDF-backed projects, in some cases this dampened the demand for certain projects.
- **Reduced business confidence to grow and invest.** Although many projects were still taking up business support, many summative assessments highlighted that the fluctuating levels of business confidence related to the EU exit, COVID-19, and inflationary pressures meant that supported businesses were often more likely to focus on business survival and safeguarding jobs than on growth and creating jobs, affecting their ability to deliver against outcome indicators.
- **Delays to business startups.** The survey of potential entrepreneurs supported by the programme that was undertaken as part of this evaluation revealed that 39 per cent of those thinking about starting a business delayed doing so as a result of COVID-19.
- **Reduced confidence to export.** Some summative assessments highlighted that uncertainty surrounding future EU trade relations following the vote on the EU exit led to a reduced appetite for businesses to access support for exporting.

Progress against Targets

- 6.11 Data on project spend are only available at the overall Priority Axis level, and as set out in Table 2-3, they show that by July 2022, of the £1.31bn allocated to PA3, £1.33bn (101 per cent of the allocation) had been contracted and £972m (74 per cent of the allocation) had been defrayed and claimed. Over the final six quarters of the programme, projects under PA3 will need to claim around £58m in each quarter in order to achieve full claims, which appears to be challenging but achievable on the basis of claims in previous quarters.
- 6.12 The result and output indicators are all reported upon by investment priority and are set out below.

IP3a: Promoting Entrepreneurship

- 6.13 Under IP3a, as shown in Table 6-3, the single result indicator — total early-stage entrepreneurial activity — increased from a baseline of 7.1 per cent of working-age people in 2013 to 7.8 per cent in the latest available figures (2020).

Table 6-3: Result Targets under IP3a

Indicator No.	Indicator	Measurement Unit	OP Baseline	Latest Available Data	Change
Specific Objective 3.1					
3.1	Total early-stage entrepreneurial activity, represented by the proportion of adults of working age (18–64) in the process of starting a business or running a business less than 42 months old	Percentage	7.1 (2013)	7.8 (2020)	+ 0.7 percentage points

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

- 6.14 The Operational Programme set out the types of activities to be invested in under IP3a, which included strengthening entrepreneurial and enterprise culture, advice and support for entrepreneurship and self-employment in particular amongst underrepresented groups, advice and support for new business startups to survive and grow, the provision of grants and non-grant finance, and the provision of land and premises for employment sites (including incubator space, managed workspace, or grow-on space).
- 6.15 In practice, the analysis of projects suggested that the profile of funded projects aligned well with these investment types. Project examples include:
- **U Start** (Lancashire LEP) – with support from local HEIs, the project aimed to deliver more resilient graduate startup businesses in Lancashire, particularly in the manufacturing, low-carbon energy, health, social enterprise, and creative and digital sectors.
 - **The Enterprise Hub** (Liverpool City Region LEP) – a comprehensive entrepreneurship promotion and business support programme that fostered the creation of new enterprises (from pre-start to early-stage businesses).
- 6.16 Output data relating to IP3a (Table 6-4) indicate that the target for potential entrepreneurs assisted (P11) is fully contracted and 68 per cent achieved, with many projects still live and delivering against this. The target regarding enterprises supported (C1) has already been fully met, although with more businesses receiving non-financial support (C4) and fewer receiving grants/finance (C2/C3), which also helps to explain the weaker achievement against private investment match indicators (C6 and C7). Moreover, fewer-than-expected SMEs supported are new (C5), which may reflect that some projects supported slightly more established businesses than had been intended under this investment priority.

6.17 The data also show that the capital build target (P2) has already been fully met and that outcome indicator targets are progressing well, including the employment increase (C8), which has already been fully met and exceeded, and new-to-market products (C28), which is over-contracted and has 63 per cent of the target claimed.

Table 6-4: Output Target Performance under IP3a to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C1	Number of enterprises receiving support	18,886	152%	113%
C2	Number of enterprises receiving grants	12,591	79%	29%
C3	Number of enterprises receiving financial support other than grants	1,390	50%	8%
C4	Number of enterprises receiving non-financial support	4,906	371%	338%
C5	Number of new enterprises supported	15,109	71%	72%
C6	Private investment matching public support to enterprises (grants, £)	£54,260,475	202%	54%
C7	Private investment matching public support to enterprises (non-grants, £)	£55,624,111	154%	0%
C8	Employment increase in supported enterprises	7,852	230%	110%
C28	Number of enterprises supported to introduce new-to-market products	1,511	123%	63%
P2	Public or commercial buildings built or renovated (m ²)	2,336	2,047%	152%
P11	Number of potential entrepreneurs assisted to be enterprise-ready	60,436	103%	68%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

IP3c and IP3d: Supporting SME Capacity for Growth and for Product and Service Development

6.18 Under IP3c and 3d, there are four result indicators across the two specific objectives, as summarised in Table 6-5.

6.19 These indicators are closely related to the interventions invested in but show differing performance. Indicator 3.2 shows that the number of jobs in SMEs increased by more than 1 million from 2014–21, although Indicator 3.4 shows that for the latest year, there has been a year-on-year reduction. Indicators 3.3

and 3.5 both show a widening of the productivity gap between SMEs and large companies.

Table 6-5: Result Targets under IP3c and 3d

Indicator No.	Indicator	Measurement Unit	OP Baseline	Latest Available Data	Change
Specific Objective 3.2					
3.2	Number of jobs in SMEs	Full-time equivalents	13,088,000	14,163,000	+ 1.08m FTE jobs
			(2014)	(2021)	
3.3	Gap in productivity between SMEs and large companies, measured in terms of the gross value added per employee	Percentage	8.1	19	+ 11 percentage points
			(2014)	(2018)	
Specific Objective 3.3					
3.4	Number of small and medium-sized jobs created	Persons	665,000	-437,000	Annual change worsened by - 1,102,000
			(2014)	(2021)	
3.5	Gap in productivity between SMEs' and large companies' productivity, measured in terms of the gross value added per employee	GBP	4,945	13,200	+ £8,255
			(2014)	(2018)	

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

- 6.20 The Operational Programme set out the types of activities to be invested in under IP3c and 3d, which included advice and support for: new business models, growth strategies, enhanced leadership, improved products, processes or services, exporting, productivity improvements, and supply chain development. They also included attracting foreign direct investment, enhancing SME access to finance, and the provision of land and premises for employment sites, including incubation space, managed workspace, or grow-on space.
- 6.21 In practice, the analysis undertaken as part of this evaluation identified five main intervention types funded under these investment priorities, as outlined below.

6.22 The first covers general business advice and support in relation to growth, leadership, productivity and innovation, which 218 projects have supported. Project examples include:

- **Business Growth Programme** (Birmingham and Solihull) – which provided revenue and capital grants to SMEs to strengthen supply chains and stimulate growth and innovation.
- **County Durham Growth Fund** – which supported businesses in acquiring or extending new premises or purchasing machinery and equipment to support sustainable growth.
- **Ad:Venture** (Leeds City Region) – which targeted young SMEs and startups with tailored support and incubator space. The support was aimed specifically at those who were currently underrepresented in the city region.

6.23 The second provided similar business advice and support but with a specific focus on businesses in targeted local sectors, which 55 projects have supported. Project examples include:

- **Manufacturing Growth Programme** (Black Country LEP) – which supported SME manufacturers in co-investing in growth and business improvement.
- **Creative and Digital Industries (CDI) D2N2 Consortium** – which aimed to provide coordinated sector-specific support for SMEs in the CDI sector. The approach aimed to create a robust support cluster to boost job and productivity growth.
- **Commercialising Creative Fashion Businesses** (London LEP) – which supported design businesses in growing by offering specialist fashion industry support. Opportunities were also provided to promote designers and showcase collections to international buyers.

6.24 The third had a primary focus on supporting businesses in engaging more with international trade opportunities, which 20 projects have supported. Project examples include:

- **Midlands Internationalisation Fund** – which provided a range of export-related professional support to address SMEs' barriers to exporting.
- **Get Exporting 2** (Greater Cambridge and Greater Peterborough LEP) – which aimed to boost the number of local SMEs trading successfully in new markets.
- **South Internationalisation Fund** – which provided co-investment support for SMEs in the South with high export growth potential.

6.25 The fourth provided new workspace, including incubator, managed, and grow-on space, as the primary element of the activity delivered, which 71 projects have supported. Project examples include:

- **Innovation Central** (Tees Valley LEP) – involving the construction of a high-growth small-scale incubator space to enable innovative startups to make the most of their new ideas, products and processes.
- **Kent Medical Campus Innovation Centre** – developed in the Kent Medical Campus Enterprise Zone and providing office space for SMEs in the life science, healthcare, and medical technology sectors.
- **Penzance Creative Cluster** – which designed and constructed fully accessible and high-quality office space for SMEs in the creative industries.

6.26 Finally, there were seven projects in which a non-grant financial support programme was the main focus of the activity. Project examples include:

- **Northern Powerhouse Investment Fund** – which provided commercially focused finance to businesses through microfinance, debt and equity funds.
- **Greater London Investment Fund** – which supported SMEs in London, providing loans and equity finance to help address funding gaps.

6.27 Output data relating to IP3c and 3d (Table 6-6) highlight that across both:

- Enterprises supported (C1) is over-contracted under both investment priorities, and claims have already exceeded the target in one.
- Many more of these have been businesses receiving non-financial support (C4), however, and fewer than expected were supported via grants/finance (C2/C3), which may partly reflect the changing contextual factors leading to a more uncertain business environment that affected the business confidence and appetite with regard to investing (and, thus, the reduced demand for funding to support this).
- Nevertheless, the programme has exceeded the target for private investment matching to grants (C6) when combined across the two investment priorities, and good progress has been made against private investment matching to non-grant finance (C7).
- Fewer-than-expected enterprises supported were new businesses (C5), which may partly reflect lower business birth rates, meaning that there would have been fewer businesses than anticipated in their first 12 months of operation.
- The target regarding enterprises receiving information, diagnostic and brokerage support (P13) as well as the capital build target (P2) have both already far exceeded targets, reflecting effective investment in these areas of the programme. As for the latter, this over-performance may partly be explained by the finding from summative assessments that this was more commonly focused on renovation than on new builds; thus, a greater amount of space may have been achievable with the resources available.
- There has also been positive performance against key outcome indicators: employment increase (C8) will meet or exceed targets, and new-to-firm products (C29) is slightly under-contracted but delivering relatively well against targets.

Table 6-6: Output Target Performance under IP3c and 3d to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
IP3c targets				
C1	Number of enterprises receiving support	47,216	152%	71%
C2	Number of enterprises receiving grants	31,477	79%	40%
C3	Number of enterprises receiving financial support other than grants	3,475	50%	28%
C4	Number of enterprises receiving non-financial support	12,264	371%	171%
C5	Number of new enterprises supported	15,011	71%	19%
C6	Private investment matching public support to enterprises (grants, £)	£135,651,188	202%	69%
C7	Private investment matching public support to enterprises (non-grants, £)	£465,677,153	154%	36%
C8	Employment increase in supported enterprises	19,631	230%	95%
C29	Number of enterprises supported to introduce new-to-firm products	7,554	93%	66%
P2	Public or commercial buildings built or renovated (m ²)	5,840	2,047%	1,010%
P13	Number of enterprises receiving information, diagnostic and brokerage support	4,693	779%	389%
IP3d targets				
C1	Number of enterprises receiving support	28,329	152%	119%
C2	Number of enterprises receiving grants	18,886	79%	66%
C3	Number of enterprises receiving financial support other than grants	2,084	50%	6%
C4	Number of enterprises receiving non-financial support	7,359	371%	286%
C5	Number of new enterprises supported	9,007	71%	30%
C6	Private investment matching public support to enterprises (grants, £)	£81,390,713	202%	339%
C7	Private investment matching public support to enterprises (non-grants, £)	£83,436,167	154%	127%

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C8	Employment increase in supported enterprises	11,777	230%	144%
C29	Number of enterprises supported to introduce new-to-firm products	4,533	93%	38%
P2	Public or commercial buildings built or renovated (m ²)	3,504	2,047%	661%
P13	Number of enterprises receiving information, diagnostic and brokerage support	2,816	779%	715%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

Delivery and What Worked

6.28 The findings regarding delivery and what worked draw primarily from a detailed review of 127 PA3 summative assessments.

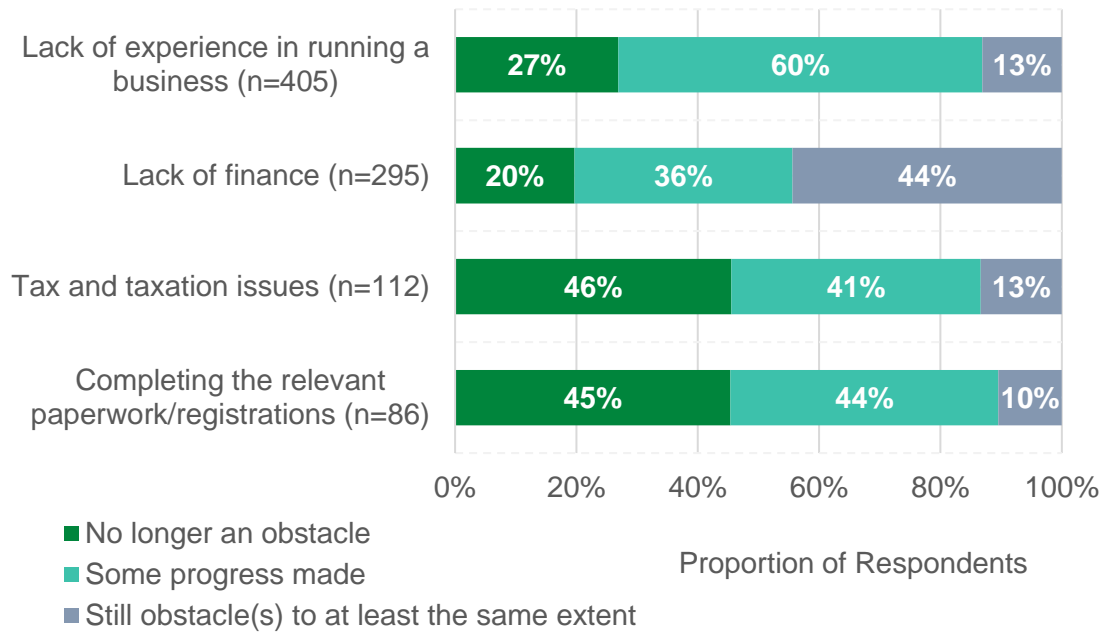
IP3a: Promoting Entrepreneurship

- 6.29 **Client engagement** under IP3a was commonly driven by word of mouth or personal referrals through trusted intermediaries or project partners. These worked particularly well when the project team included high-profile, locally respected organisations, including third sector organisations, as well as for university-based projects aimed at supporting graduates in starting their own businesses. Relatively few project summative assessments mentioned significant online marketing efforts under this investment priority.
- 6.30 **Activities funded** under IP3a were typically delivered through one-to-one advisor support or via webinars (with the latter particularly following the move to deliver much of the support online). Support under this investment priority was delivered to entrepreneurs thinking about or in the process of setting up a business, as well as to newly started businesses to help them to navigate the early stages of a business startup.
- 6.31 Surveys with each of these beneficiary types were undertaken as part of the evaluation.
- 6.32 **For entrepreneurs, the most common goal was to develop a profitable business model** (as stated by 95 per cent of beneficiaries), closely followed by developing a marketing strategy (93 per cent of respondents) and other milestones linked to these, including reaching a stage at which they are able to draw a salary, achieving a first repeat or long-term client, and achieving sales targets. **For startup beneficiaries the most common goal stated was by far that of growing the business** (66 per cent of all beneficiaries

indicated this), with raising the profile of the organisation and increasing profits being the next most common goals stated.

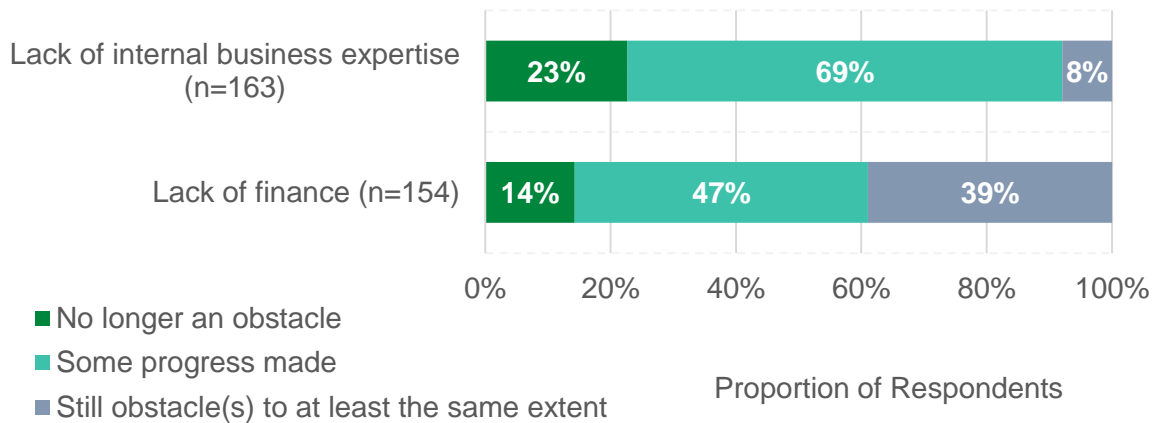
- 6.33 **The biggest barrier facing both entrepreneurs and startups was a lack of experience or expertise in running a business** (as identified by 53 per cent of entrepreneurs and 38 per cent of startup respondents). For entrepreneurs, two of the other main obstacles identified were in relation to tax and taxation issues as well as completing paperwork and registrations, as reflected in the support sought. Support with regard to legal and practical aspects of setting up a business was identified as being one of the main types of support sought by entrepreneurs. Ninety-one per cent of those seeking this support reported that this need had been met fully or partly through the support.
- 6.34 Figure 6-1 shows that following this support, these obstacles were reduced or overcome for almost 90 per cent of respondents. Two of the most common support types sought by both groups were general business advice and support (61 per cent for entrepreneurs and 57 per cent for startups) and support with business plans (53 per cent for entrepreneurs and 37 per cent for startups). For both groups, these needs were met for 88–95 per cent of those seeking these types of support, again reflected in Figure 6-1 and Figure 6-2, with 87 per cent of entrepreneurs and 92 per cent of startups indicating that the obstacle regarding a lack of experience or expertise in running a business had been reduced or overcome following support.
- 6.35 **The other main obstacle identified by both groups was a lack of finance** (as identified by 41 per cent of entrepreneurs and 36 per cent of startup respondents). This is reflected in two main support types sought by both groups: grant finance (sought by 39 per cent of entrepreneurs and 48 per cent of startup respondents) and support with understanding of finance to start up/grow the business (sought by 50 per cent of entrepreneurs and 25 per cent of startup respondents). The need in relation to the understanding of finance was met for 92 per cent of entrepreneurs and 78 per cent of startups, while the need for grant finance was met for 66 per cent of entrepreneurs and 73 per cent of startups.
- 6.36 Despite this, as shown in Figure 6-1 and Figure 6-2, the obstacles relating to finance remained to at least the same extent for 44 per cent of entrepreneurs and 39 per cent of startup beneficiary respondents. The under-contracting of output targets in relation to grant and financial support for SMEs (C2 and C3) may suggest that insufficient programme resources under IP3a were put into meeting these needs.

Figure 6-1: Extent to Which Entrepreneur Beneficiaries Overcame Obstacles Following Support



Source: Beneficiary Survey, n = as stated for each response. Note: proportions exclude those answering ‘Don’t know’, ‘Prefer not to say’, or ‘Not applicable’.

Figure 6-2: Extent to Which Startup Beneficiaries Overcame Obstacles Following Support



Source: Beneficiary Survey, n = as stated for each response. Note: proportions exclude those answering ‘Don’t know’, ‘Prefer not to say’, or ‘Not applicable’.

6.37 In order to understand the extent to which reducing or removing those obstacles can be attributed to project support, beneficiaries were asked about what would have happened without the support. Across all obstacles set out for each group, 18 per cent of entrepreneurs and 15 per cent of startups stated that the obstacles would not have been addressed at all without support. A further 70 per cent of entrepreneurs and 64 per cent of startups

indicated that they would have been overcome but would have taken longer, or would have been mitigated to a lesser extent without support.

- 6.38 A **longitudinal survey** was conducted with a cross section of respondents from the Phase 2 evaluation (undertaken in 2020) to explore the longer-term effects of the support received for entrepreneurs and startups. The findings indicate that across all obstacles faced, there was a statistically significant increase in entrepreneurs reporting that their stated obstacles were 'no longer an obstacle', increasing from 27 per cent in 2020 to 41 per cent in 2022. There was not an equivalent increase, however, for startup respondents.
- 6.39 The survey findings on longer-term progress against business goals witnessed a statistically significant improvement in those making progress against stated business goals, with the proportion of startups stating that limited progress had been made against business goals decreasing from 42 per cent in 2020 to 31 per cent in 2022. For entrepreneurs, similarly, there was a statistically significant increase in those stating that their stated objectives had been met in full, increasing from 22 per cent in 2020 to 37 per cent in 2022. In both cases the large majority of respondents indicated that this progress was at least partly attributable to the support received. These findings indicate the persistence effects of the support received, with entrepreneurs and startups continuing to draw benefits from the support received a number of years after first receiving support.
- 6.40 **Satisfaction data** drawn from the surveys show that 79 per cent of entrepreneurs and 78 per cent of startup respondents reported being very or fairly satisfied overall with the support received, with only nine per cent of entrepreneurs and 10 per cent of startup respondents indicating that they were fairly or very dissatisfied. It is notable that the knowledge of support staff was rated most highly, with slightly lower levels of satisfaction with the staff understanding of individual business or entrepreneur needs. This may reflect that more time could be built into projects to build a detailed understanding of needs and ensure that the support provision responds to these in a bespoke way.

IP3c and IP3d: Supporting SME Capacity for Growth and for Product and Service Development

- 6.41 **Client engagement** approaches varied considerably across different types of projects. A common message from project summative assessments was that of highlighting the importance of understanding the demand at the project design stage and planning marketing routes from the outset. Projects which were less successful at attracting their target beneficiaries were often those that had not planned marketing approaches in advance, had been slow to start, and had relied on existing networks to generate demand. In many cases the weak early uptake led to relaxing the selection criteria for businesses to

engage, which could often mean less suitable businesses engaging with the support, typically leading to weaker-than-anticipated outcomes.

- 6.42 For some projects, such as those targeted at specific sectors, or at demographic groups (including businesses led by females or ethnic minorities), having a clear targeted marketing approach was even more important, given the more restricted target audience. The findings suggest that projects with this focus typically had better-planned marketing approaches that were designed to engage those groups. For those projects focused on international trade support, this typically drew on existing Department for Business and Trade (DBT) marketing channels, enabling a strong pipeline of clients, although summative assessments in some cases noted that many of those businesses supported were already clients of the DBT; thus, those investments may not have reached many firms that were new to exporting.
- 6.43 With respect to **management and governance**, the evidence found broadly similar types of structures and challenges faced across different support types. A split of functions between delivery performance management undertaken by an operational team as well as a strategic oversight group was a common structure. In a number of cases, the importance of having that strategic group well engaged, meeting sufficiently frequently, and able to change course on a project if things were not working was seen to be highly important. This may have particularly been the case when considering the delivery challenges faced by projects over the latter half of the programme delivery period. Most commonly highlighted, however, was the importance of retaining experienced staff who understood the project and the funding mechanisms of the ERDF in order to ensure the continuity of high-quality delivery. The disruption of losing staff and having to recruit in order to replace within time-limited projects was often significant.
- 6.44 The **activities funded in relation to new workspace** typically supported the repurposing of buildings to create workspace, and often in more rural areas or smaller towns (wherein the commercial market may be weaker). Project-level summative assessments highlighted that the work was typically let as design–build contracts, but often highlighted little more insight than this regarding what works. Summative assessments often occurred shortly after a capital build was completed, at which point there may have been less known about the uptake of the new space.
- 6.45 **Activities funded in relation to business support** most commonly incorporated the following based on survey feedback collected as part of this evaluation: one-to-one advice from a business advisor (46 per cent of respondents), financial support (grant or non-grant) (41 per cent), online webinars (28 per cent), and workshops or focus groups (16 per cent).
- 6.46 Support focused on international trade aligned with this, primarily involving support from an international trade advisor, alongside grants for export action

plans; access to finance support usually only focused on financial support, while general and sector-focused advice and guidance were more varied with a mix of all these support types.

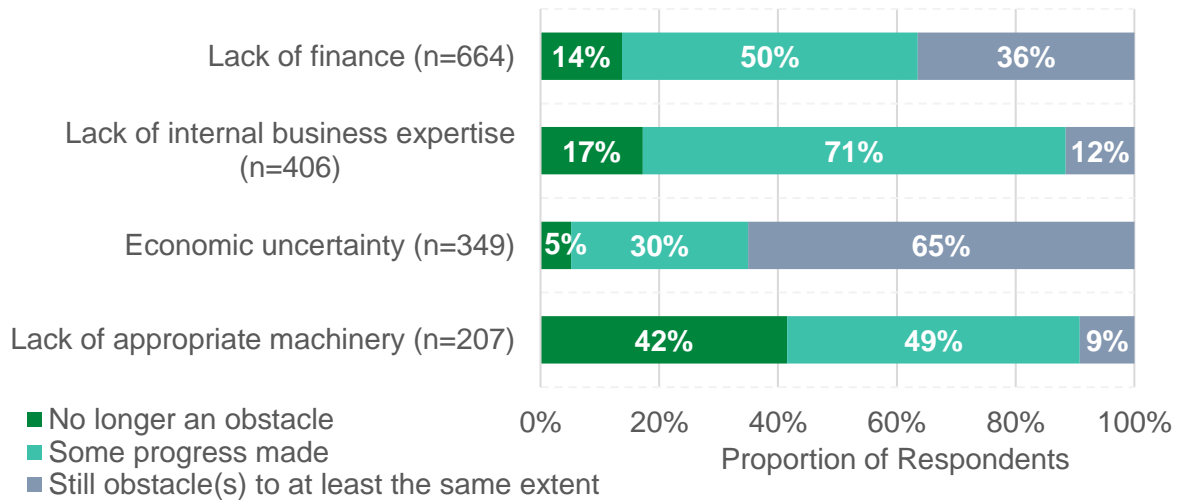
- 6.47 Findings regarding which support types were most effective commonly identified the importance of a high-quality diagnostic at the outset to understand the business needs and plan a targeted set of business support activities that would help to address those needs. The ability of a project to offer a range of support types to meet the needs of different sizes, locations, and stages of development of beneficiary businesses was identified as being highly valuable. Where the support offered was more generic and less targeted at specific business needs, businesses supported were typically less satisfied.
- 6.48 The survey of beneficiaries undertaken as part of this evaluation provides more detailed insights into the business goals of those seeking support under PA3¹⁴, the obstacles that they faced, and the support that they sought from SME competitiveness support projects.
- 6.49 **Growing the business was by far the most common goal** that participating businesses were seeking to achieve through the support (64 per cent of all participants). This was more than double that of any other response. The other most common goals highlighted (all by 20–30 per cent of respondents) included increasing profits as well as a range of more specific goals that would underpin the growth and profit goals, including developing new and improving existing products and services, raising the profile of the organisation, and improving process efficiency.
- 6.50 A **lack of finance** was by far the most common obstacle to growth that was identified by participants (38 per cent identified this), with 12 per cent also identifying a 'lack of appropriate machinery', which could be considered an obstacle linked to finance for purchasing required machinery. The obstacle regarding a lack of finance is reflected in the support that beneficiaries stated to have sought, with grant finance identified as being the most common (53 per cent of respondents sought this type of support). Much fewer were seeking loan finance (four per cent) or equity finance (three per cent), although a better understanding of finance to grow the business was also sought by 12 per cent of respondents. Around 85 per cent of those seeking grant finance reported that this need had been fully or partly met through the support; in Figure 6-3, however, it is notable that following support, 36 per cent of those highlighting a lack of finance as an obstacle stated that it was still an obstacle to the same extent, and only 14 per cent indicated that it was no longer an obstacle. The under-contracting of output targets related to grant and financial support for

¹⁴ Note: this analysis covers beneficiaries receiving business support under IP3c and 3d as well as IP2b (ICT-focused business support), as the response rate from those supported under IP2b was insufficient for a separate analysis to be undertaken for those beneficiaries.

SMEs (C2 and C3) may suggest that insufficient programme resources under PA3 were put into meeting these needs.

- 6.51 The second most common obstacle to growth that was identified was a **lack of internal business expertise**. Again, this is reflected in the types of support sought by businesses, including general business advice and support (sought by 41 per cent of respondents), mentoring for growth (33 per cent), and help with business planning (23 per cent). It is notable that the more general support was more commonly sought than the specific support types under PA3, such as support in accessing new international markets (only sought by five per cent of respondents) as well as sector-focused business support (only sought by three per cent of respondents).
- 6.52 Over 85 per cent of respondents indicated that the need for general business advice, mentoring, and business planning support had been fully or partly met by projects; in turn, Figure 6-3 shows that the obstacle regarding a lack of internal business expertise was reduced or overcome for 88 per cent of respondents following support.

Figure 6-3: Extent to Which SME Competitiveness Beneficiaries Overcame Obstacles to Growth Following Support



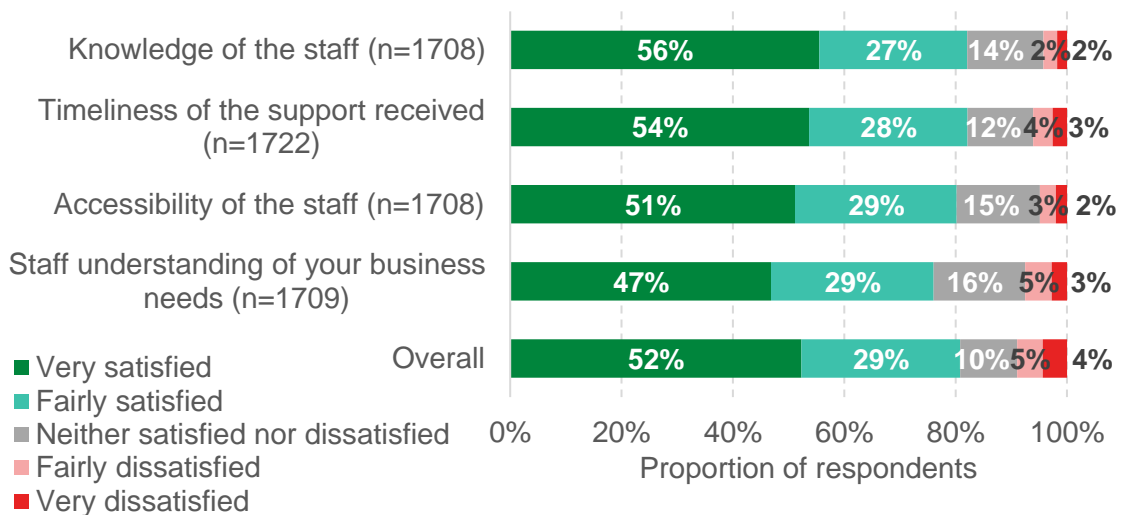
Source: Beneficiary Survey, n = as stated for each response. Note: proportions exclude those answering ‘Don’t know’, ‘Prefer not to say’, or ‘Not applicable’.

- 6.53 In order to understand the extent to which reducing or removing those obstacles can be attributed to project support, beneficiaries were asked about what would have happened without the support. Across all obstacles set out for businesses receiving SME competitiveness support, 25 per cent indicated that the obstacles would not have been addressed at all without support, and 63 per cent indicated that they would have been overcome but would have taken longer or that they would have been mitigated to a lesser extent without support.

6.54 A **longitudinal survey** was conducted, resurveying respondents from the Phase 2 evaluation (undertaken in 2020), to explore the longer-term effects of the support received for these businesses. As with the findings under IP1b, the findings indicate that across obstacles faced, as well as progress against business goals, there was limited evidence of substantial further progress being made when compared with the responses from the Phase 2 survey undertaken in 2020. In each case the largest proportion of businesses indicated the same progress against obstacles as reported in 2020, with the remaining respondents being split fairly equally between those indicating greater progress and those indicating lesser progress against overcoming obstacles or progressing towards goals than in the answers that they had given in 2020. A more fine-grained analysis examining individual business respondents completing the Phase 2 and Phase 3 evaluation surveys provides examples of businesses that continued to grow from 2020–22 and continued to attribute some or all of this progress to the support that they received through the programme. Overall, though, the findings indicate that there are longer-term persistence effects from some of the support; however, the survey evidence does not suggest that this has occurred in the majority of cases.

6.55 **Satisfaction data** drawn from survey findings (Figure 6-4) show that 81 per cent of beneficiaries of SME competitiveness support reported being very or fairly satisfied overall with the support received, with only nine per cent indicating that they were fairly or very dissatisfied. It is notable that the knowledge of support staff was rated most highly, with slightly lower levels of satisfaction with the staff understanding of individual business needs, reflecting again the importance of the diagnostic stage of the support process and ensuring a detailed understanding of specific business needs.

Figure 6-4: Satisfaction with Support Received under PA3



Source: Beneficiary Survey, n = as stated for each response. Note: proportions exclude those answering 'Don't know' or 'Prefer not to say'.

- 6.56 It is important to note that one of the key investment approaches used in PA3 (and also in PA1 and PA4) was the use of financial instruments, including investment funds, to support debt and equity finance for SMEs, as well as urban development funds supporting infrastructure investment. These funds typically enabled the recycling of funds, with repaid values enabling continued future investment beyond the timescales of the current programme. The longer-term nature of these investments means that there was limited project-level evaluation evidence available on these funds to feed into the evidence on delivery and what worked for this programme evaluation, but learning from these funds will be captured through project-level evaluations when these are completed.

Impact and Value for Money of Investments

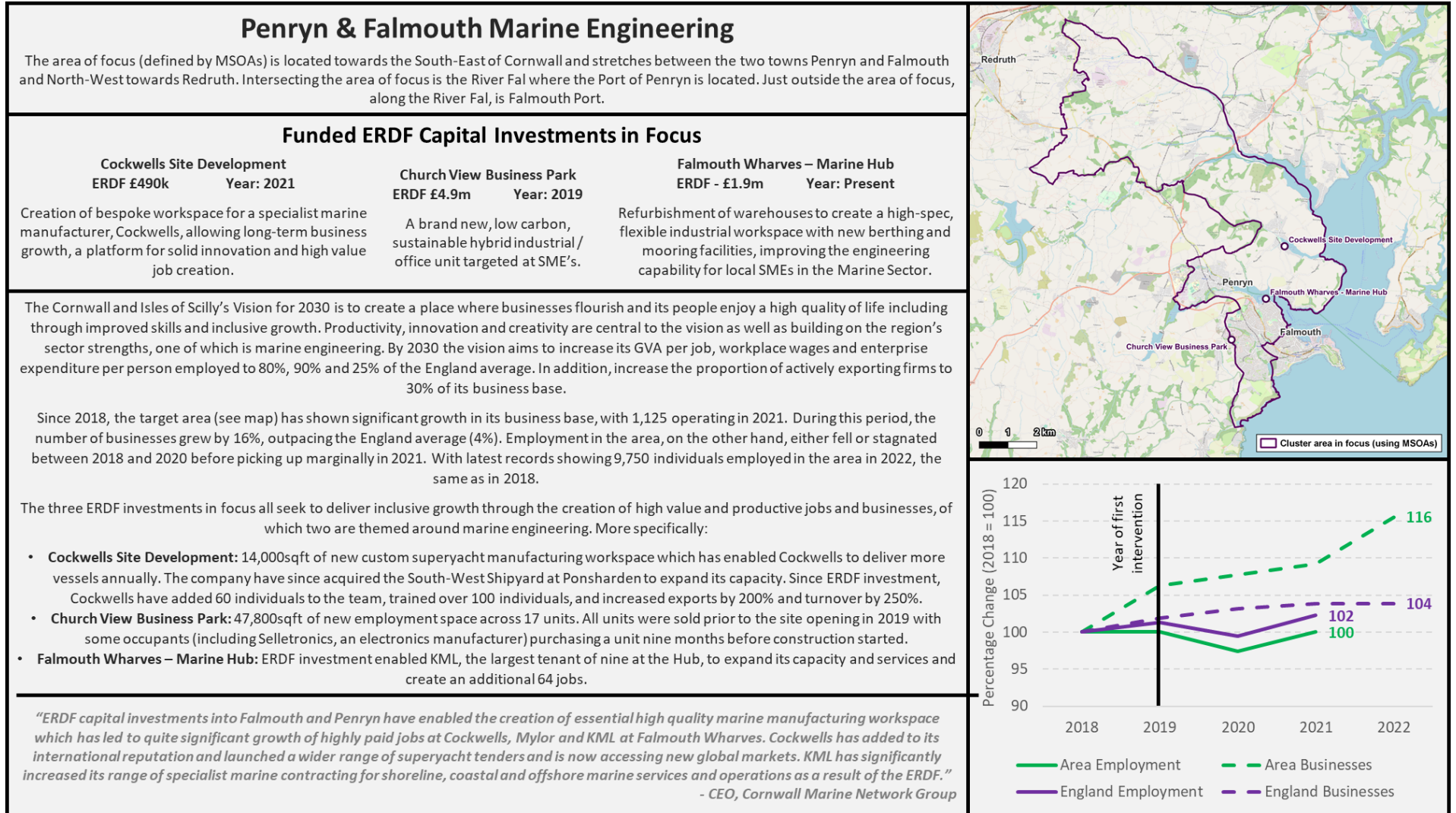
IP3a: Promoting Entrepreneurship

- 6.57 Under IP3a, the main impacts that would be expected relate to new business creation, business survival in the first year, and increasing turnover and employment in the businesses supported and in those created by supported entrepreneurs.
- 6.58 Insights from the surveys of entrepreneurs and startups highlight the following:
- Fifty-five per cent of the supported entrepreneurs reported that they proceeded to start a business. A further 35 per cent of the supported entrepreneurs reported that they still intended to start a business but had not yet done so.
 - Out of all of those that started a business following support, 88 per cent reported that they were still trading at the point of completing the survey, and 12 per cent reported that they were no longer trading.
 - Respondents were not asked to comment directly on the extent to which the business creation was attributable to the support received. However, the aforementioned findings, showing that the ERDF project support helped entrepreneurs to overcome key obstacles, indicate that this support made an important contribution.
 - Across both the entrepreneurs which started a business (where this is still trading) as well as respondents to the startup survey, the majority of both groups indicated that the support received had improved the likelihood of their business surviving in the short term (69 per cent for entrepreneurs and 60 per cent for startups).
 - For those startups that were trading before support and had at least one employee, 62 per cent of respondents indicated that their turnover had increased post-support in comparison to pre-support (19 per cent indicated that it had decreased), while 27 per cent of respondents indicated that the number of employees had increased in comparison to pre-support (11 per cent indicated that it had decreased).

IP3c and IP3d: Supporting SME Capacity for Growth and for Product and Service Development

- 6.59 Under IP3c and 3d, the main impacts that would be expected relate to increasing turnover and employment in the businesses supported, as well as intermediate impacts such as new or improved products and services launched, finance secured, and business survival.
- 6.60 Insights from the surveys of businesses supported highlight the following:
- Fifty-seven per cent of supported businesses stated that in the last 12 months, they had introduced new or significantly improved products, services or processes as a direct result of the support.
 - For those businesses that were trading before support and had at least one employee, 66 per cent of respondents indicated that their turnover had increased post-support in comparison to pre-support (17 per cent indicated that it had decreased), while 36 per cent of respondents indicated that the number of employees had increased in comparison to pre-support (13 per cent indicated that it had decreased).
 - Given the more challenging economic climate, particularly following the outbreak of COVID-19, the survey explored the contribution of project support in supporting business survival. The findings highlight that 63 per cent of respondents felt that the support received had improved the likelihood of their business surviving in the short term.
- 6.61 In-depth case studies were undertaken to analyse the impacts associated with small clusters of ERDF-backed place-based investments to explore the nature of impacts and their relationship with other local place-based investments. One example of primarily PA3 investments is set out in Figure 6-5 and highlights the contribution of ERDF capital investments in the Penryn and Falmouth marine engineering cluster. These investments provided a core contribution to supporting job growth in a priority growth sector in this area in alignment with the local strategic economic plan. Evidence from the investments shows their contribution to local growth in jobs and businesses.

Figure 6-5: Area-Based Impacts – Case Study of Workspace Infrastructure Capital Investments



6.62 In conclusion, against the result indicators for PA3:

- The activities under IP3a are likely to have made a positive but minor contribution to total early-stage entrepreneurial activity (Indicator 3.1). The programme is on track to meet or exceed its targets of supporting more than 80,000 beneficiaries, including both entrepreneurs (P11) and those managing existing businesses (C1), with beneficiaries highlighting that the support has helped them to overcome obstacles to setting up or growing their business. The increase in this indicator from 7.1 per cent to 7.8 per cent of the English working-age population (c.35.9m) represents an increase of around 250,000 people. While many of the expected 80,000 beneficiaries might have become or remained entrepreneurs without support, the evidence indicates that the support under IP3a is very likely to have made a positive but minor contribution to the change witnessed in this indicator.
- The SME competitiveness interventions have demonstrably added to the number of jobs in SMEs, contributing to Indicators 3.2 and 3.4. While the number of jobs created in SMEs reduced in the most recent years' data (Indicator 3.4), the number increased by 1.1 million jobs in total over the programme period from 2014 to 2021 (Indicator 3.2). With around 67,000 businesses supported at the time of this evaluation (based on C1 outputs) under IP3c and 3d, this indicates that the programme may have contributed in the region of four per cent of the growth in SME jobs over the programme period.
- The SME competitiveness interventions appear to have made a limited contribution to reducing the productivity gap between SMEs and large companies, with Indicators 3.3 and 3.5 showing that the gap has widened.

Priority Axis 4



7. Priority Axis 4: Supporting the Shift towards a Low-Carbon Economy in All Sectors

Summary of Key Messages

Renewable Energy Production and Distribution



Additional capacity of renewable energy production indicator is fully contracted



It is expected that this target will be achieved.



Completion of schemes are backloaded towards end of the programme so achievement to December 2021 was low.

Energy Efficiency & Renewable Energy Use in Enterprises



Number of enterprises supported output is under-contracted, although this corresponds to the proportion of PA4 funding contracted.

81% of surveyed enterprises supported said they were satisfied with the support received.

Most enterprises were looking to



improve energy or resource efficiency.



reduce business costs.



reduce greenhouse gas emissions.

> **90%**

identified some progress had been made against all three goals following support.

< **20%**

felt that any of these goals had been met in full.

Building in greater follow-up to project support would be useful in future design of projects, as **low carbon transition is often an ongoing process** for businesses.



Energy Efficiency and Smart Energy Management in Public Infrastructure

Outputs that are fully contracted and expected to be fully achieved include:



- improved household energy consumption classification.
- decreased public building energy consumption.



Completion of schemes are backloaded towards end of the programme so achievement to December 2021 against some indicators was low.

Low Carbon Strategies



Up to December 2021, very little progress had been made against the targets of enterprises supported and reduced greenhouse gas emissions.



This investment priority is one of the higher risk areas of the programme.

Research and Innovation in Low Carbon Technologies



Number of enterprises supported output is under-contracted, although this corresponds to the proportion of PA4 funding contracted.



Targets for number of enterprises co-operating with research entities and those supported to introduce new to the firm products have been fully achieved.

The core outcome was projected greenhouse gas emission savings. However



- indicators only captured a single year of savings.
- the projected savings were not verified as part of the indicators.
- this constrained more detailed analysis of outcomes.

Overview of the Priority Axis

7.1 A total of 167 projects had been funded under PA4 by July 2022, with an overall project value of £1.17bn, of which £591m was from the ERDF. Interventions under PA4 were split into five investment priorities and five specific objectives, as summarised in Table 7-1.

Table 7-1: Summary of Investment Priorities and Specific Objectives under PA4

Investment Priority	Specific Objective
4a: Promoting the production and distribution of energy derived from renewable sources	4.1: Increase the number of small-scale renewable energy schemes in England
4b: Promoting energy efficiency and renewable energy use in enterprises	4.2: Increase energy efficiency in particular in SMEs, including through the implementation of low-carbon technologies
4c: Supporting energy efficiency, smart energy management, and renewable energy use in public infrastructure, including in public buildings, and in the housing sector	4.3: Increase energy efficiency in homes and public buildings, including through the implementation of low-carbon technologies
4e: Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures	4.4: Increase the implementation of whole-place low-carbon solutions and decentralised energy measures
4f: Promoting research and innovation in, and the adoption of, low-carbon technologies	4.5: Increase innovation in, and the adoption of, low-carbon technologies

Source: MHCLG, ERDF Operational Programme, 2020.

Continued Relevance, Appropriateness and Consistency

- 7.2 The Operational Programme highlighted the key challenges relating to PA4 as: the imperative to transition to a low-carbon economy, requiring increases in renewable energy generation, improving the energy efficiency of homes, businesses and transport, and reducing greenhouse gas emissions. Moreover, it identified that low-carbon solutions are often most effective when delivered in holistic ways within a place, and that there are growth opportunities relating to R&D investment in low-carbon and environmental technology goods and services, with SMEs facing similar barriers to those set out under PA1, in exploiting these.
- 7.3 As outlined in Table 7-1, programme investment responded to these challenges through five specific objectives focused on: increasing small-scale renewable energy schemes, improving energy efficiency in SMEs, increasing energy efficiency in homes and public buildings, the implementation of whole-place low-carbon solutions, and increasing the use of low-carbon technologies.
- 7.4 In order to track the results of programme-level investment in these areas, a series of five result indicators were agreed (Table 7-2). Changes in these are examined in the next section; however, it is important to reflect on the relevance and appropriateness of these indicators as part of this review:
- Indicators 4.1 and 4.4 are well aligned with the nature of interventions and could be expected to improve as a result of supported interventions.
 - Indicator 4.2 is partially aligned with the types of interventions supported under SO4.2, although many supported SMEs might already have methods with which to measure energy efficiency but perhaps still want to improve their approaches to doing so, and therefore would not contribute to this indicator. The result aim was to reduce this from 23 per cent to 0 per cent, which would mean addressing a gap for around 550,000 SMEs (based on the English SME population of around 2.4 million). As the support under SO4.2 only aimed to support 11,248 businesses, the contribution to the result target could only have been very limited.
 - Indicator 4.3 is partially aligned with the types of interventions supported under SO4.3, although focuses only on household energy consumption and not that for public buildings. Furthermore, it is useful to note that the target of making improvements to 5,340 households represents around 0.02 per cent of the 23.5 million households in England¹⁵; thus, any contribution to this result indicator would be limited.

¹⁵ ONS, Labour Force Survey, 2021.

- Indicator 4.5 is an appropriate indicator and mirrors Indicator 1.2 under PA1, which covers innovation-active SMEs. In a similar way, though, the scale of SMEs supported under IP4f means that this would be expected to have a limited impact on the overall number of low-carbon SMEs across England.

Table 7-2: Summary of Specific Objectives and Result Indicators for PA4

Specific Objective	Result Indicator
4.1	4.1: Number of sites generating electricity from renewable sources (excluding PV)
4.2	4.2: SMEs that have no methods to measure energy efficiency
4.3	4.3: Index of domestic energy consumption per household (1990 = 100)
4.4	4.4: Reduction in carbon emissions in areas with low-carbon strategies
4.5	4.5: Increase the percentage of firms in low-carbon sectors who are innovation-active

Source: MHCLG, ERDF Operational Programme, 2020.

- 7.5 Over the programme period, the importance of the transition to a low-carbon economy has increased from a policy and public perception perspective. This is reflected in a range of major governmental publications including the Clean Growth Strategy (BEIS, 2018), the 10-point plan for a Green Industrial Revolution (Department for Business, Energy and Industrial Strategy (BEIS), 2020), Net Zero Strategy: Build Back Greener (HM Government, October 2021), and the Industrial Decarbonisation Strategy (BEIS, 2021). At the local level, this heightened policy focus has also been reflected, with most local authorities across the UK having declared a climate emergency, with many producing Climate Emergency Action Plans.
- 7.6 In the early period of programme delivery, there was slow progress in bringing forward projects under PA4, and modifications were made in order to increase eligible activities under this Priority Axis, as well as to move some funding out in response to lower-than-expected uptake. As highlighted in Table 2-1, the latest allocation to PA4 is therefore slightly lower than the original funding allocation.
- 7.7 The main contextual changes affecting the delivery and impacts of PA4 were in relation to the outbreak of COVID-19, and, in later stages, increasing energy prices. For PA4 projects, this affected the following:
- Programme delivery** was particularly affected following the outbreak of COVID-19, with face-to-face business support activity needing to shift to online delivery, as well as capital build projects commonly affected by supply chain disruptions and having to adjust site working conditions to enable social distancing, creating delays in both cases.
 - Changing SME demand for PA4 support.** In particular, this decreased following the outbreak of COVID-19, with many businesses needing to focus

energies on more urgent priorities, although more recently with rising energy prices, SME interest in PA4 support has reportedly increased.

- **Reduced SME confidence to invest.** With the changing levels of business confidence outlined in Figure 3-5, in many cases the challenging economic conditions have meant that businesses delayed green investment plans with which they otherwise might have gone ahead. This may have reduced the overall impacts that PA4 activity could achieve.

Progress against Targets

7.8 Data on project spend are only available at the overall Priority Axis level, and as set out in Table 2-3, they show that by July 2022, of the £652m allocated to PA4, £591m (91 per cent of the allocation) had been contracted and £351m (54 per cent of the allocation) had been defrayed and claimed. Over the final six quarters of the programme, projects under PA4 will need to claim around £51m in each quarter in order to achieve full claims — a higher rate than has been achieved in any quarter of the programme to date.

7.9 The result and output indicators are all reported upon by investment priority and are set out below.

IP4a: Renewable Energy Production and Distribution

7.10 Under IP4a, as shown in Table 7-3, the single result indicator — the number of sites generating electricity from renewable sources — increased from 4,095 to 5,736 (+ 40 per cent) over 2013–21, exceeding the target of 20–40 additional sites.

Table 7-3: Result Targets under IP4a

Indicator No.	Indicator	Measurement Unit	OP Baseline	Latest Available Data	Change
Specific Objective 4.1					
4.1	Number of sites generating electricity from renewable sources (excluding photovoltaics (PV))	Number	4,095	5,736	+ 1,641 sites
			(2013)	(2021)	

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

7.11 The Operational Programme set out the types of activities to be invested in under IP4a, which included investment in increased production of renewable fuels and energy, the demonstration and deployment of renewable energy technologies, and measures with which to support the wider deployment of renewable heat.

7.12 In practice, the programme supported 36 projects under IP4a, and the analysis of projects suggested that these aligned well with the suggested investment types. Project examples include:

- **Viking Energy Network Jarrow** (North East LEP) – the project implements a number of cutting-edge renewable technologies including a river source heat pump, a 1MW solar farm, and a private wire electrical network with a storage battery.
- **Eden Geothermal** (Cornwall and the Isles of Scilly LEP) – the project involves the testing of a 4,500m-deep geothermal well to demonstrate greenhouse gas savings. The project acts as a pilot for a potential two-well system.

7.13 Output data relating to IP4a (Table 7-4) indicate that contracting against the target for SMEs supported (C1), at 87 per cent, largely aligns with the under-contracting of spend for PA4 (91 per cent overall). Of this, 57 per cent of the target is claimed and many projects are still live and adding to this. Of these, the number which are new enterprises (C5) has so far been lower than originally anticipated, with only 19 per cent of those claimed to date being new enterprises.

7.14 Additional capacity of renewable energy (C30) and annual decrease in greenhouse gases (GHG) (C34) are both substantially over-contracted and although the amount claimed to date is relatively low, the achievements of these targets are backloaded until capital schemes are completed; therefore, they are expected to increase substantially over the remaining programme period.

Table 7-4: Output Target Performance under IP4a to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C1	Number of enterprises receiving support	939	87%	57%
C5	Number of new enterprises supported	188	152%	19%
C30	Additional capacity of renewable energy production (MW)	121	354%	16%
C34	Estimated annual decrease in GHG (tonnes of CO ₂ EQ)	74,525	275%	16%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

IP4b: Energy Efficiency and Renewable Energy Use in Enterprises

7.15 At the time of the evaluation, no latest data were available for the single result indicator under IP4b — SMEs that have no methods with which to measure energy efficiency; thus, no assessment can be made against this.

- 7.16 The Operational Programme set out the types of activities to be invested in under IP4b, which included advice and support to SMEs regarding innovation in energy efficiency and energy cost reduction, audits of energy efficiency and the potential for renewable generation, support to improve resource efficiency, and investing in energy efficiency measures, processes, and renewable generation capacity.
- 7.17 In practice, the programme supported 43 projects under IP4b, and the analysis of projects suggested that these aligned well with the suggested investment types. Project examples include:
- **Dorset Low Carbon Economy Programme** (Dorset LEP) – the programme provided technical support and grants to SMEs, communities, and public sector organisations to de-risk and accelerate the deployment of low-carbon projects.
 - **LoCASE** (South East LEP) – the programme provided business support for SMEs in the LEP area that were seeking to optimise the use of their resources and adopt eco-innovative and low-carbon solutions in order to improve their resilience, profitability and competitiveness.
- 7.18 Output data relating to IP4b (Table 7-5) indicate that contracting against the target for SMEs supported (C1), at 87 per cent, largely align with the under-contracting of spend for PA4 (91 per cent overall). Of this, 51 per cent of the target is claimed and many projects are still live and adding to this. The target regarding an annual decrease in GHG (C34) is over-contracted, and strong progress has been made against this, with 76 per cent of the target already claimed.

Table 7-5: Output Target Performance under IP4b to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C1	Number of enterprises receiving support	11,248	87%	51%
C34	Estimated annual decrease in GHG (tonnes of carbon dioxide equivalent (CO ₂ EQ))	60,975	275%	76%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

IP4c: Energy Efficiency and Smart Energy Management in Public Infrastructure

7.19 Under IP4c, as shown in

7.20 Table 7-6, the single result indicator — the index of domestic energy consumption per household — reduced from 87.0 to 73.6 over 2012–20, reflecting a substantial improvement in this indicator.

Table 7-6: Result Targets under IP4c

Indicator No.	Indicator	Measurement Unit	OP Baseline	Latest Available Data	Change
Specific Objective 4.3					
4.3	Index of domestic energy consumption per household (1990 = 100)	Number	87.0	73.6	- 13.4 reduction in index
			(2012)	(2020)	

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

7.21 The Operational Programme set out the types of activities to be invested in under IP4c, which included the provision of advice, support and investment to increase the use of low-carbon technologies as well as energy efficiency, renewable energy, and smart energy systems in the housing stock and public buildings.

7.22 In practice, the programme supported 27 projects under IP4c, and the analysis of projects suggested that these aligned well with the suggested investment types. Project examples include:

- **Renew2** (South East Midlands LEP) – the project aimed to improve the thermal efficiency of 560 flats across five tower blocks, leading to a reduced carbon footprint and improved thermal comfort for residents.
- **HEIGHTS** (High-rise Energy Infrastructure for Gateshead Housing Tenants) (North East LEP) – the project installed new district heating and power networks in high-rise social housing and nearby public buildings.
- **Homes as Energy Systems** (Greater Manchester LEP) – the project aimed to supply more than 700 houses in Manchester with small-scale energy generation and storage capabilities, allowing them to contribute to a more dynamic energy system.

7.23 Output data relating to IP4c (Table 7-7) highlight that all of these targets are over-contracted, and that one has already been exceeded (the scale of over-achievement against this suggests that the original target may have been too conservative). The other two targets are further behind on claims, however,

and are indicators that will only be counted on completion of capital schemes, many of which are still live; therefore, these figures are expected to increase substantially over the remainder of the programme period.

Table 7-7: Output Target Performance under IP4c to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C31	Number of households with improved energy consumption classification	5,340	186%	34%
C32	Decrease of annual primary energy consumption of public buildings (KWh/year)	5,153,972	3,327%	1,109%
C34	Estimated annual decrease in GHG (tonnes of CO ₂ EQ)	84,688	275%	39%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

IP4e: Low-Carbon Strategies

7.24 At the time of the evaluation, no latest data were available for the single result indicator under IP4e — a reduction in carbon emissions in areas with low-carbon strategies; therefore, no assessment can be made against this.

7.25 The Operational Programme set out the types of activities to be invested in under IP4e, which included investments in smart grid demonstration, sustainable energy action plans for urban areas, combined heat and power, implementing sustainable transport strategies, and encouraging the adoption of renewable technologies.

7.26 In practice, the programme supported 21 projects under IP4e, and the analysis of projects suggested that these aligned well with the suggested investment types. Project examples include:

- **Low Carbon Lake District 2** (Cumbria LEP) – the project aimed to develop Keswick as a sustainable transport hub for the North Lakes, enabling visitors based in the town to travel to surrounding attractions by bike, by bus, on foot or by boat.
- **Science Central Low Carbon Energy Centre** (North East LEP) – the project funded the construction of a new plant facility designed to provide heat, cooling and power to the Science Central site in Newcastle.

7.27 Output data relating to IP4e (Table 7-8) indicate that the 87 per cent contracted against the target for SMEs supported (C1) largely aligns with the under-contracting of spend for PA4 (91 per cent overall). The contracting for

an annual decrease in GHG (C34) appears to be in a strong position, with substantial over-contracting of this target (275 per cent). By December 2021, however, there had been a negligible level of claims against both targets, leaving a large amount to deliver over the final period of programme delivery.

Table 7-8: Output Target Performance under IP4e to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C1	Number of enterprises receiving support	9,219	87%	0%
C34	Estimated annual decrease in GHG (tonnes of CO ₂ EQ)	84,688	275%	0%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

IP4f: Research and Innovation in Low-Carbon Technologies

7.28 Under IP4f, as shown in Table 7-9, the single result indicator — the percentage of firms in low-carbon sectors who are innovation-active — decreased from the 2013 baseline of 41.5 per cent to 31.7 per cent in 2019, although it showed an increase in the data between 2015 and 2017.

Table 7-9: Result Targets under IP4f

Indicator No.	Indicator	Measurement Unit	OP Baseline	Latest Available Data	Change
Specific Objective 4.5					
4.5	Increase the percentage of firms in low-carbon sectors who are innovation-active	Percentage	41.5	31.7	- 9.8 percentage points
			(2013)	(2019)	

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

7.29 The Operational Programme set out the types of activities to be invested in under IP4f, which included R&D, innovation, and supply chain work for low-carbon technologies and materials, research underpinning carbon capture and storage, knowledge transfer, demonstration activities, developing financing methods, and supporting low-carbon tech startups as well as greater commercialisation of low-carbon products and processes.

7.30 In practice, the programme supported 40 projects under IP4f, and the analysis of projects suggested that these aligned well with the suggested investment types. Project examples include:

- **LoCASE** (Low Carbon Across the South East) (Coast to Capital LEP) – the project provided business support and aimed at optimising the resources of SMEs that offer green or low-carbon goods and services.
- **Keele University Smart Energy Network Demonstrator** (Stoke-on-Trent and Staffordshire LEP) – this project involved the construction of a world-class facility for smart energy research, allowing businesses to develop, test and evaluate new energy technologies and allied services.

7.31 Output data relating to IP4f (Table 7-10) indicate that the target for SMEs supported (C1) has already been exceeded, with the number of new enterprises (C5) over-contracted and progressing well (74 per cent of target claimed). All other targets, including enterprises cooperating with research entities (C26), new-to-firm products (C29), and annual decrease in GHG (C34), have all been fully met.

Table 7-10: Output Target Performance under IP4f to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C1	Number of enterprises receiving support	2,261	87%	122%
C5	Number of new enterprises supported	452	152%	74%
C26	Number of enterprises cooperating with research entities	219	958%	413%
C29	Number of enterprises supported to introduce new-to-firm products	361	437%	119%
C34	Estimated annual decrease in GHG (tonnes of CO ₂ EQ)	33,875	275%	143%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

Delivery and What Worked

- 7.32 The findings regarding delivery and what worked draw primarily from a detailed review of 23 PA4 summative assessments.
- 7.33 **Client engagement** with SMEs was a key part of most of the PA4 investment priorities, with project summative assessment evidence highlighting the importance of project leads undertaking an analysis of their target market as part of the design process and developing a clear marketing route through which to engage businesses. Support was typically seeking to support reductions in SME carbon emissions and increase renewable energy installed

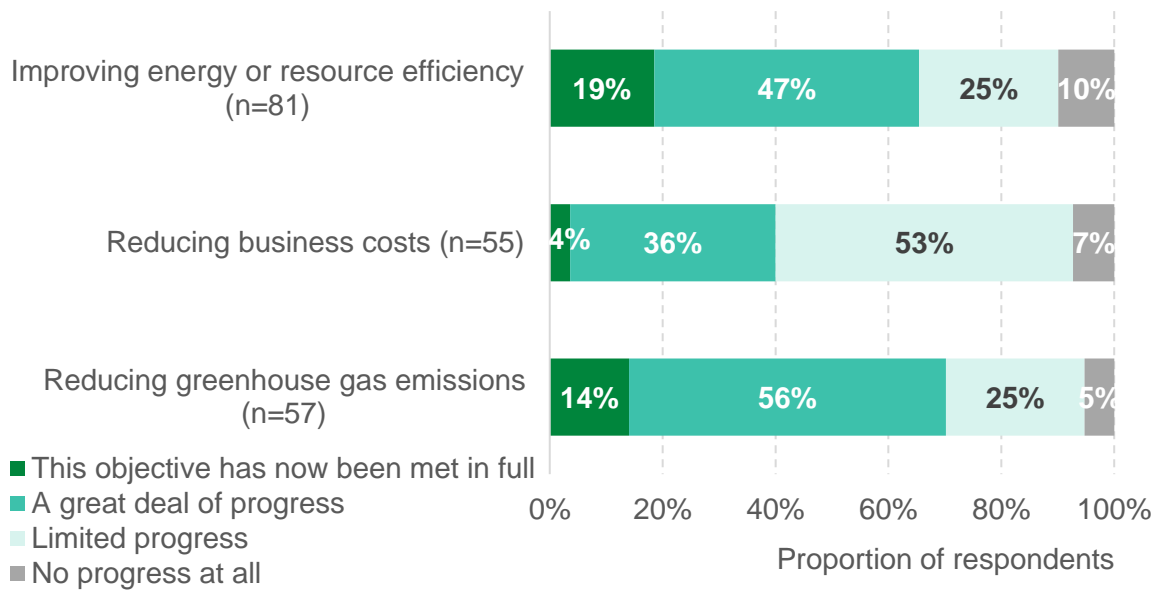
capacity, which was not typically a top priority for businesses, even where there was a genuine commitment to reducing their carbon footprint.

- 7.34 Compared with business support under PA1 and PA3 (where support was more often linked to primary growth goals of businesses), for PA4 projects the process of engaging businesses in some cases required a stronger sell. Some projects identified that support needed to be easy to engage with and efficient in its delivery in order to minimise the time burden on businesses. Others highlighted that projects needed to be effective in demonstrating the business benefits of support, especially financial benefits, e.g. using case studies of previously supported businesses.
- 7.35 With respect to **management and governance**, as well as echoing messages identified under previous Priority Axis sections with regard to the importance of retaining experienced project team members, one of the factors more specific to PA4 projects was the importance of strong continued professional development on an ongoing basis, given the often rapid developments in technologies and approaches to carbon reduction and renewable energy generation.
- 7.36 **Activities delivered under IP4a and 4c** primarily involved capital investments, respectively relating to the installation of renewable energy generation technologies and the retrofitting of energy efficiency measures in homes and public buildings. Many of the lessons arising from project summative assessments related to logistical aspects of projects.
- 7.37 For large-scale renewables, a key challenge was that of managing timescales, with often extended processes for seeking planning approval, before then moving on to technical design input, which could be challenging to manage within fixed-timescale projects. For certain construction activities, such as offshore wave installations, there were additional considerations regarding seasonality and greater potential unknowns that could add to costs and timescales and which needed to be carefully planned for, with mitigation measures in place. For domestic energy efficiency retrofits, detailed planning and understanding of the nature and needs of buildings, as well as pre-engagement and ongoing communication with individual residents, were identified as being logistically challenging, but when done well could lead to highly effective approaches benefitting from good economies of scale in delivery. In each case, working with expert delivery partners and drawing on experience from previous projects were key to ensuring high-quality delivery.
- 7.38 For **activities delivered under IP4b and 4c**, respectively relating to SME and resident energy efficiency installations, it was commonly highlighted that a communications and educational element to the support provided was important, alongside the installation of energy efficiency measures. This could help to maximise the benefits and support behavioural change to fully realise the energy, cost, and carbon emission savings.

- 7.39 Very limited project summative assessment evidence was available in relation to activity and what worked under IP4e — in relation to whole-place low-carbon solutions. More detailed insights drawn from the survey of those receiving research and innovation support under IP4f were incorporated as part of the R&I beneficiary survey, for which the findings are set out under PA1 (Section 4).
- 7.40 The survey of beneficiaries seeking support in relation to energy and resource efficiency and renewable energy generation, undertaken as part of this evaluation, provides more detailed insights into the business goals of those seeking support¹⁶, the obstacles that they faced, and the support that they sought from PA4 projects.
- 7.41 **The three most common goals sought by beneficiaries were in relation to improving energy or resource efficiency (59 per cent of respondents), reducing business costs (43 per cent), and reducing greenhouse gas emissions (42 per cent).** These goals are reflected in the three most common types of support sought, which included business support to improve energy and resource efficiency (sought by 53 per cent of respondents), grant finance (sought by 44 per cent), and direct installation of resource or energy efficiency measures (sought by 40 per cent).
- 7.42 The SME respondents indicated that the business support need had been fully or partly met for 90 per cent of respondents, grant finance for 80 per cent of respondents, and direct installation of measures for 69 per cent of respondents. The greater level of unmet demand regarding direct installation may reflect the point arising from summative assessment evidence that businesses were keen for interventions that minimised the time burden for themselves, and is a useful insight for future project delivery.
- 7.43 As shown in Figure 7-1, over 90 per cent identified that some progress had been made against all three goals, although less than 20 per cent felt that any of those objectives had been met in full following the interventions. Greater progress was felt to have been made in improving energy or resource efficiency and reducing greenhouse gas emissions than in this translating to reduced business costs. These responses may have been influenced by more recent rises in energy costs, however, meaning that overall business costs have increased, despite the measures taken.

¹⁶ Note: this analysis covers beneficiaries seeking support regarding renewable energy generation as well as energy and resource efficiency, primarily from PA4 but also including a small number of respondents from IP6f. Those receiving R&I support under IP4f, however, are covered under the R&I survey, as detailed under PA1.

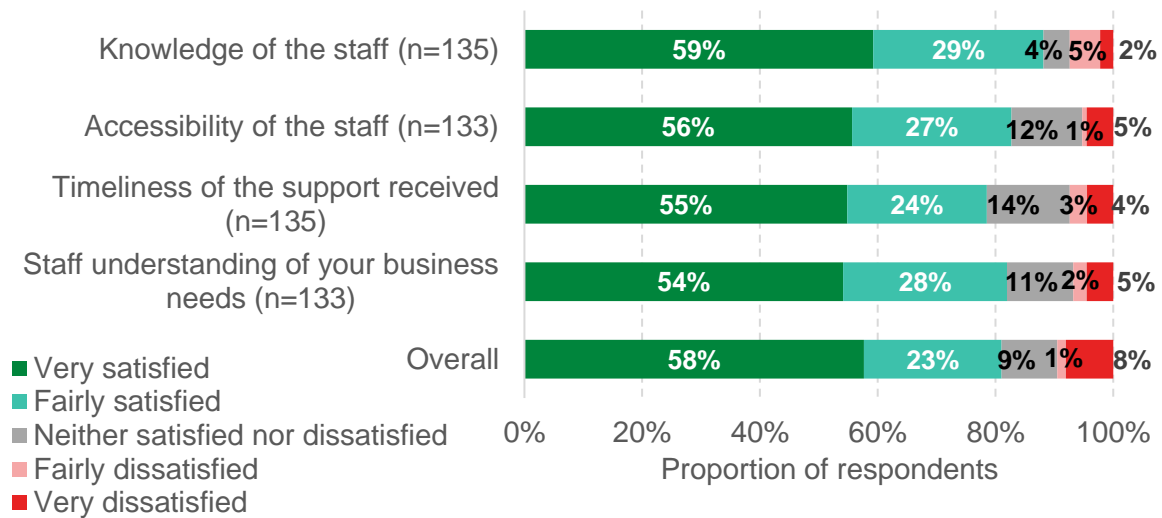
Figure 7-1: Extent to Which PA4 Beneficiaries Achieved Goals Following Support



Source: Beneficiary Survey, n = as stated for each response. Note: proportions exclude those answering 'Don't know', 'Prefer not to say', or 'Not applicable'.

- 7.44 In order to understand the extent to which progress against these goals can be attributed to project support, beneficiaries were asked about what would have happened without the support. Across all goals set out for businesses receiving support, 20 per cent indicated that progress against the goals would not have advanced at all without support, and 69 per cent indicated that they would have been overcome but would have taken longer or they would have been mitigated to a lesser extent or to a lower quality without support.
- 7.45 One notable area arising from project summative assessment evidence as an opportunity to enhance project quality was the potential for projects to include greater follow-up to project support in this area. The survey findings highlight that the support helped with progress towards energy and carbon reduction goals, but rarely led to full achievement of those goals, which indicates that this type of support to businesses is likely to be an ongoing requirement for businesses, and reinforces the point that follow-up and ongoing engagement and support could be highly beneficial to consider in the design of future projects.
- 7.46 Satisfaction data drawn from survey findings (Figure 7-2) show that 81 per cent of PA4 beneficiaries reported being very or fairly satisfied overall with the support received, with only nine per cent indicating that they were fairly or very dissatisfied. The findings regarding the knowledge of staff, the accessibility of staff, the timeliness of support, and staff understanding of needs are all relatively consistent with the overall figures.

Figure 7-2: Satisfaction with Support Received under PA4



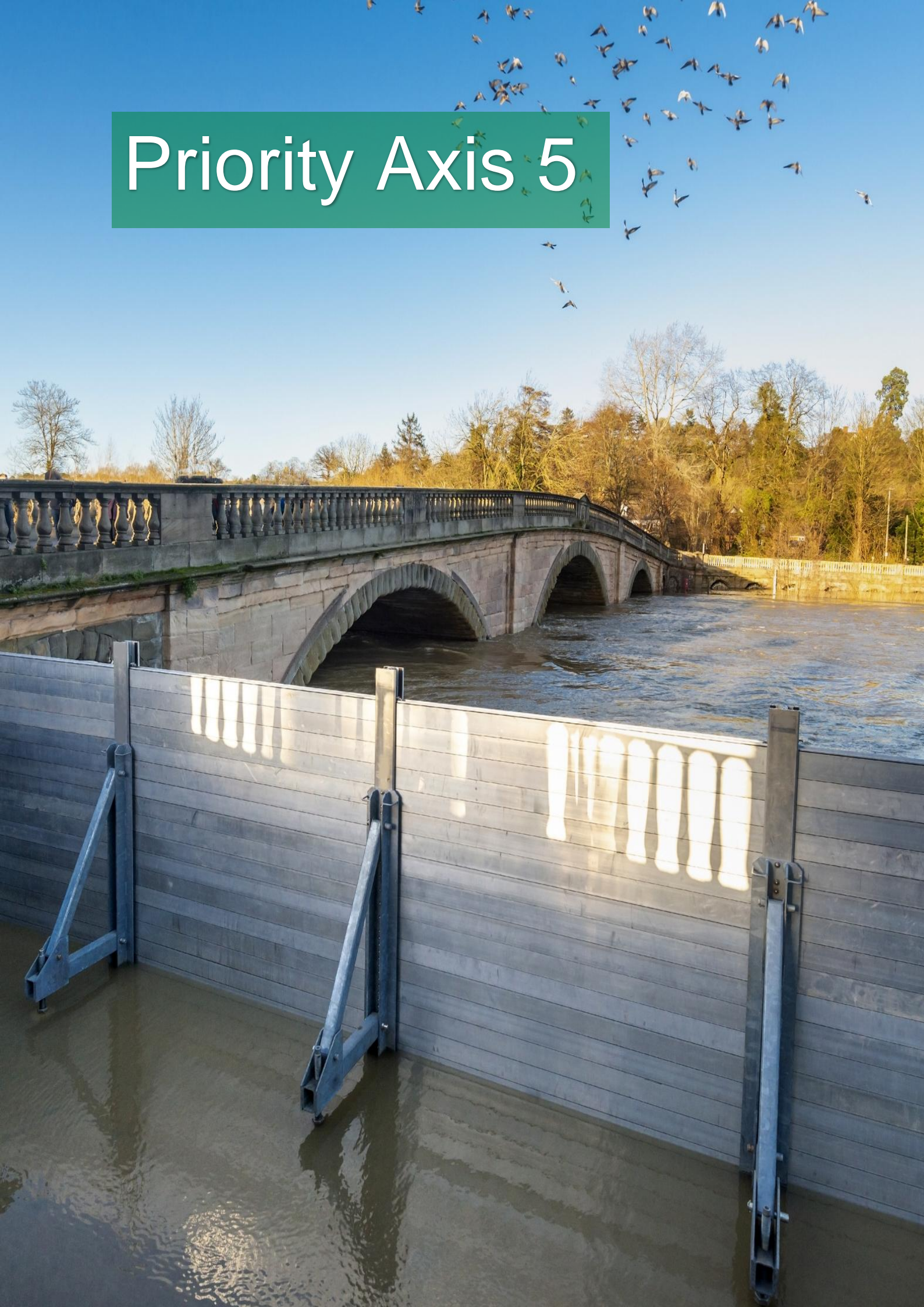
Source: Beneficiary Survey, n = as stated for each response. Note: proportions exclude those answering 'Don't know' or 'Prefer not to say'.

Impact and Value for Money of Investments

- 7.47 The key outcomes being pursued across all investment priorities under PA4 relate to reducing energy consumption and greenhouse gas emissions (as well as the associated cost savings) and increasing renewable energy generation.
- 7.48 The core outcome consistently measured across all interventions was that of the projected greenhouse gas emission savings (Output Indicator C34). While beneficial, the focus of this indicator being solely on an annual figure meant that this did not capture insights into the persistence of those savings over future years and, critically, did not involve revisiting in order to test whether those projected savings occurred in practice. At a project level, the analysis of summative assessment evidence indicates that these questions were rarely explored in detail, and where they were, the methodologies used varied substantially, making any combined analysis of impacts extremely difficult.
- 7.49 The lack of actual evidence of energy and greenhouse gas emission savings collected through monitoring data, as well as the limited project summative assessment evidence, means that a detailed impact evaluation or value-for-money assessment has not been possible as part of this evaluation. A key lesson to derive from this is the importance for future schemes to have more clearly defined guidance regarding how projects should undertake evaluations of this support type and to ensure that the data collected through monitoring information are sufficient to enable robust impact evaluation approaches to be undertaken.
- 7.50 In conclusion, against the result indicators for PA4:

- The activity under IP4a is expected to have made a positive but minor contribution to the increase in sites generating electricity from renewable sources (Indicator 4.1). The aim of the investment priority was to contribute to up to 40 additional sites, which would represent only two per cent of the increase of 1,641 additional sites since the baseline.
- The activity under IP4b is likely to have made a negligible contribution to the proportion of SMEs that have no methods with which to measure energy efficiency (Indicator 4.2). Evaluation evidence suggests that methods for measuring energy efficiency were not one of the most prominent intervention types supported under IP4b investments, and, as outlined above, the scale of enterprises supported represents an extremely small proportion of the c.550,000 SMEs that this result indicator was targeting.
- Activities supported under IP4c are expected to have made a positive but minor contribution to the reduction in domestic energy consumption per household (Indicator 4.3). Although the investment in public buildings would not have contributed to this indicator, all of the housing investments would have contributed to this. However, as outlined above, the target number of households supported represents only 0.02 per cent of all households in England, reflecting that the contribution made to the national indicator would be very limited.
- With no data on the latest performance against the result indicator, negligible levels of claims against output indicators, and very limited project summative assessment evidence, there is insufficient information at this stage to assess progress against the IP4e result indicator of reduced carbon emissions in areas with low-carbon strategies (Indicator 4.4).
- While the proportion of firms in low-carbon sectors that are innovation-active (Indicator 4.5) has decreased, the programme activities have contributed positively to this. The trajectory of this indicator across the programme period indicates that it was improving but then significantly affected following the outbreak of COVID-19, which limited business confidence to invest in innovation activity. Survey evidence, however, suggests that around two thirds of supported businesses described themselves as more innovation-active following support.

Priority Axis 5



8. Priority Axis 5: Promoting Climate Change Adaptation, Risk Prevention & Management

Summary of Key Messages

Climate Change Adaptation



Targets for businesses and properties with reduced flood risk and surface area of habitats supported are both fully contracted and expected to be achieved.



Completion of schemes are backloaded towards end of the programme so achievement to December 2021 was low.



Projects under PA5 were typically large and complex in nature meaning that appointment of experienced contractors and close working with the Environment Agency were critical to successful delivery.

Overview of the Priority Axis

8.1 A total of 25 projects had been funded under PA5 by July 2022, with an overall project value of £128m, of which £54m was from the ERDF. Interventions under PA5 sat under a single investment priority and specific objective, as summarised in Table 8-1.

Table 8-1: Summary of Investment Priorities and Specific Objectives under PA5

Investment Priority	Specific Objective
5b: Promoting investment to address specific risks, ensuring disaster resilience, and developing disaster management systems	5.1: Enabling and protecting economic development potential through investment in flood and coastal flooding management where there is a demonstrable market failure

Source: MHCLG, ERDF Operational Programme, 2020.

Continued Relevance, Appropriateness and Consistency

- 8.2 The Operational Programme identified the key risks posed by flooding, with incidences increasing over recent years and being expected to continue to increase in the future. Where these affect major employment areas, this can have significant local economic impacts. Conversely, it highlighted that flood protection can aid economic resilience and improve confidence to invest in areas better protected from flood risk.
- 8.3 As outlined in Table 8-1, programme investment responded to these challenges through a specific objective focused on investment in flood and coastal flooding management to support economic development.
- 8.4 In order to track the results of programme-level investment, there is a single result indicator for PA5: the number of non-residential properties better protected from flood and coastal risks. This is well aligned with the activity delivered under PA5, albeit very similar to Output Indicator P6; therefore, it offers little wider perspective on the value of investments.
- 8.5 Over the course of the programme period, there have been no substantial changes in policy relating to PA5 activities, with flood and coastal risk management remaining high priorities, alongside increasing awareness of climate change, as outlined under PA4 (Section 7).
- 8.6 Key contextual changes affecting the delivery of activities under PA5 included the outbreak of COVID-19, affecting capital build projects through supply chain disruptions as well as the need to change onsite working arrangements, and the Russian invasion of Ukraine, which was highlighted as a key factor that led to increased prices of concrete and steel (which affected delivery costs for some PA5 projects).

Progress against Targets

- 8.7 Data on project spend, as set out in Table 2-3, show that by July 2022, of the £71m allocated to PA5, £54m (77 per cent of the allocation) had been contracted and £33m (46 per cent of the allocation) had been defrayed and claimed. Over the final six quarters of the programme, projects under PA5 will need to claim close to £6.5m in each quarter in order to achieve full claims — a higher rate than has been achieved in any quarter of the programme to date.
- 8.8 At the time of the evaluation, no latest data were available for the single result indicator under IP5b — the number of non-residential properties better protected from flood and coastal risks; thus, no assessment can be made against this (although this indicator is similar to Output Indicator P6).

8.9 The Operational Programme set out the types of activities to be invested in under PA5, which included coastal resilience, fluvial risk management, and surface water runoff and drainage systems. In practice, the analysis of projects suggested that the profile of projects funded aligned well with these investment types. Project examples include:

- **North Kendal Industrial Area Flood Management Scheme** (Cumbria LEP) – which witnessed the construction of linear defences, a pumping station, and improvement to drainage and culverts. Once complete, flooding in Kendal is forecast to become a one-in-100-year event (as opposed to the current one-in-5-year event).
- **Project MUNIO** (Derby, Derbyshire, Nottingham and Nottinghamshire LEP) – which witnessed the construction of flood mitigation systems in the Lower Derwent corridor, as well as creating jobs for the flood prevention sector locally.

8.10 Output data (Table 8-2) show that both business premises with reduced flood risk (P6) and surface area of habitats supported (C23) are over-contracted. Claim rates for both were below 50 per cent as of December 2021; however, this reflects that many projects are still live, and outputs will not be counted until works are complete; thus, these are expected to increase substantially over the remaining programme period.

Table 8-2: Output Target Performance under IP5b to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C23	Surface area of habitats supported in order to attain a better conservation status (ha)	23	759%	49%
P6	Business and properties with reduced flood risk	7,766	119%	7%

Source: MHCLG, ERDF Operational Programme, 2020.

Delivery and What Worked

8.11 The findings regarding delivery and what worked draw primarily from a detailed review of six PA5 summative assessments.

8.12 The interventions under PA5 were an area of the programme for which there was a very well-established expert lead body (the Environment Agency) which had clear and well-developed approaches in place for the planning and delivery of flood and coastal management schemes. While Local Enterprise Partnerships typically lacked specialist expertise in this area, they were able to work with the Environment Agency and draw on key guidance and approaches

such as the Flood and Coastal Erosion Risk Management Appraisal technical guidance to ensure that robust approaches were followed.

- 8.13 Although a limited number of project summative assessments were available for review under PA5, one of the common findings was that the funded schemes were often large and highly complex capital projects, thus strongly pointing to the importance of having experienced consultants and contractors in place to deliver the work, as well as working closely with the Environment Agency.
- 8.14 More widely, strong communication with local businesses and residents to share information and seek to minimise disruption due to works was identified as being highly important, as was ensuring strong risk management and flexibility regarding timescales and budgets, given the complexity of schemes and the unexpected issues that can arise in delivery.

Impact and Value for Money of Investments

- 8.15 The investments funded under PA5 would be expected to lead to economic impacts relating to increased property values, increased business confidence, and increased investment in the area by new and existing companies.
- 8.16 The nature of the funded investments in flood and coastal management schemes means that impacts may not fully transpire until some time after works are completed, and with many projects still underway, it is too early to comment on the impacts or value for money of many funded interventions.
- 8.17 Evidence from project summative assessments where schemes have been completed gives indications that these outcomes are being realised, with planning applications for new manufacturing units, storage facilities, and offices, as well as existing units being brought back into use in supported areas.
- 8.18 In conclusion, against the result indicator for the Priority Axis:
- At this stage, while no latest result indicator data are available, the output target data indicate that there will be positive change in the number of non-residential properties better protected from flood and coastal risks (Indicator 5.1), which is primarily attributable to the support under the programme.

Priority Axis 6



9. Priority Axis 6: Preserving and Protecting the Environment & Promoting Resource Efficiency

Summary of Key Messages

Protecting and Restoring Biodiversity



Surface area of rehabilitated land target has been achieved.



Surface area of habitats supported target is fully contracted and expected to be achieved.

Investments are expected to lead to impacts relating to



improved biodiversity.



increased site users securing health and wellbeing benefits.



attracting new development or business activity linked to area enhancement.

Innovative Technologies to Improve Environmental Protection and Resource Efficiency



Number of enterprises supported and those supported to introduce new-to-firm products are under-contracted and unlikely to hit targets.

This reflects low numbers of projects contracted under this investment priority.

Overview of the Priority Axis

- 9.1 A total of 50 projects had been funded under PA6 by July 2022, with an overall project value of £109m, of which £60m was from the ERDF. Interventions under PA6 were split into two investment priorities and two specific objectives, as summarised in Table 9-1.

Table 9-1: Summary of Investment Priorities and Specific Objectives under PA6

Investment Priority	Specific Objective
6d: Protecting and restoring biodiversity and soil and promoting ecosystems, including through Natura 2000 and green infrastructure	6.1: Investments in green and blue infrastructure and actions that support the provision of ecosystem services on which businesses and communities depend to increase local natural capital and support sustainable economic growth
6f: Promoting innovative technologies to improve environmental protection and resource efficiency in the waste sector, water sector, and with regard to soil, or to reduce air pollution	6.2: Investment to promote the development and uptake of innovative technologies, particularly in resource efficiency, in order to increase the resilience and environmental and economic performance of businesses and communities

Source: MHCLG, ERDF Operational Programme, 2020.

Continued Relevance, Appropriateness and Consistency

- 9.2 The Operational Programme highlighted the substantial value of UK natural capital in relation to its roles in managing flooding, supporting the visitor economy, and providing major carbon sinks to reduce carbon emissions. It identified that investment in environmental enhancement can support a range of outcomes including inward investment, visitor spend, environmental cost-saving, mental and physical health improvement, market sales, and employment generation.
- 9.3 As outlined in Table 9-1, programme investment responded to these challenges through two specific objectives focused on: increased green and blue infrastructure and improving the resource efficiency of enterprises.
- 9.4 In order to track the results of programme-level investment in these areas, two result indicators were agreed (Table 9-2). Changes in these are examined in the next section; however, it is important to reflect on the relevance and appropriateness of these indicators:
- Indicator 6.1 is well aligned with the activity delivered under PA6, although it is very similar to Output Indicator C23, thus offering little wider perspective on the value of investments.
 - Indicator 6.2 is very relevant as a measure of resource efficiency in enterprises; however, the output target of supporting 1,548 enterprises over the programme period represents only 0.06 per cent of the 2.4 million SMEs in England; therefore, any contribution by PA6 investments to this national-level indicator would be expected to be limited.

Table 9-2: Summary of Specific Objectives and Result Indicators for PA6

Specific Objective	Result Indicator
6.1	6.1: Increase of the area of green and blue infrastructure
6.2	6.2: Natural resource productivity of enterprises supported based on raw material consumption of construction and non-construction materials, using a GDP index

Source: MHCLG, ERDF Operational Programme, 2020.

- 9.5 Over the course of the programme period, policy has continued to reinforce the value and importance of environmental protection, particularly the Environment Act (Department for Environment, Food and Rural Affairs (DEFRA), 2021), which enshrined new powers for air quality, water, biodiversity, and waste reduction. Moreover, there has been an increased emphasis on the value of biodiversity at local levels, e.g. through increased use of biodiversity targets in local planning documents.
- 9.6 In earlier stages of the programme, there were some challenges relating to demarcation between some PA6 activities and those under the European Agricultural Fund for Rural Development (EAFRD) programme, leading to modifications that removed some funding out of PA6. As shown in Table 2-1, there is currently a slightly lower allocation under PA6 than there was in the original Operational Programme.
- 9.7 The main contextual factor affecting the delivery of PA6 projects came following the outbreak of COVID-19. This had a disruptive effect on capital build projects, slowing these down in many cases; however, evaluation findings suggest that it also increased the appetite for investment in enhanced local environments because the effects of lockdowns amidst COVID-19 led to deepened connections between residents and the areas in which they live.

Progress against Targets

- 9.8 Data on project spend are only available at the overall Priority Axis level, and as set out in Table 2-3, they show that by July 2022, of the £75m allocated to PA6, £60m (79 per cent of the allocation) had been contracted and £35m (47 per cent of the allocation) had been defrayed and claimed. Over the final six quarters of the programme, projects under PA6 will need to claim close to £7m in each quarter in order to achieve full claims — a higher rate than has been achieved in any quarter of the programme to date.
- 9.9 The result and output indicators are all reported upon by investment priority and are set out below. To support the analysis of findings and evidence regarding what works, the evaluators assigned all PA6 projects to the main investment priority with which they each aligned based on project descriptions, with these breakdowns being used for the subsequent analysis in this section. Of the projects funded under IP6f, none of the project summative

assessments were available for review; thus, there was insufficient evidence for an analysis of what worked in delivery or impacts for this investment priority.

IP6d: Protecting and Restoring Biodiversity

- 9.10 At the time of the evaluation, no latest data were available for the single result indicator under IP6d — an increase of the area of green and blue infrastructure; therefore, no assessment can be made against this (although this indicator is very similar to Output Indicator C23).
- 9.11 The Operational Programme set out the types of activities to be invested in under IP6d, which included investment in infrastructure such as green corridors in urban areas as well as waterways, and sustainable drainage to improve water quality and local air quality.
- 9.12 In practice, 47 projects were funded under IP6d, with the analysis of projects suggesting that the profile of projects funded aligned well with these investment types. Project examples include:
- **Fix the Fells** (Cumbria LEP) – which supported the restoration of footpaths in the Lake District that had been damaged by erosion and severe weather.
 - **Greening the Grey** (Greater Birmingham and Solihull LEP) – which aimed to increase community and business accessibility to green space by developing green corridors in urban areas.
 - **Black Country Blue Network** – which supported biodiversity improvements and conservation in over 114 hectares of green space as well as over four hectares of blue space near the river and canal networks.
- 9.13 Output data relating to IP6d (Table 9-3) show that both indicators are strongly over-contracted, with one already being exceeded and the other being at 53 per cent of the target claimed as of December 2021. With many projects still live and these outputs only being counted on completion of projects, it is expected that these figures will increase substantially over the remaining programme period.

Table 9-3: Output Target Performance under IP6d to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C22	Total surface area of rehabilitated land (ha)	24	396%	128%
C23	Surface area of habitats supported in order to attain a better conservation status (ha)	1,396	263%	53%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

IP6f: Innovative Technologies to Improve Environmental Protection and Resource Efficiency

9.14 Under IP6f, as shown in Table 9-4, the single result indicator — natural resource productivity of enterprises (an index based on GDP / raw material consumption) — increased from 162 to 189 over 2011–2019, demonstrating a positive improvement relating to the resource efficiency of enterprises.

Table 9-4: Result Targets under IP6f

Indicator No.	Indicator	Measurement Unit	OP Baseline	Latest Available Data	Change
Specific Objective 6.2					
6.2	Natural resource productivity of enterprises supported based on raw material consumption of construction and non-construction materials, using a GDP index	Number	162 (2011)	189 (2019)	+ 27 increase in index

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

9.15 The Operational Programme set out the types of activities to be invested in under IP6f, which included business support and advice in relation to innovative technologies and processes for the management and reuse of energy, materials, water and waste, as well as the piloting and demonstration of innovative technologies with which to promote resource efficiency.

9.16 In practice, only three projects were funded under IP6f; however, these did align closely with the suggested investment types. One example of the funded projects is Environmental Growth for Business (Cornwall and the Isles of Scilly LEP), which supported SMEs in enhancing environmental mapping and data sources, providing advice and support to more than 190 SMEs and incorporating a graduate placement and business grant scheme.

9.17 Output data relating to IP6f (Table 9-5) show the low levels of contracting for enterprises supported, including new enterprises (C1/C5), reflecting the few projects funded under IP6f, as well as the under-contracting of PA6 spend overall (79 per cent of spend contracted). The better performance against the target regarding new-to-firm products (C29) suggests that although fewer firms were supported, the support may have been more intensive, helping to support product development outcomes.

Table 9-5: Output Target Performance under IP6f to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C1	Number of enterprises receiving support	1,548	62%	36%
C5	Number of new enterprises supported	310	30%	25%
C29	Number of enterprises supported to introduce new-to-firm products	248	83%	51%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

Delivery and What Worked

9.18 The findings regarding delivery and what worked draw primarily from a detailed review of five PA6 summative assessments.

9.19 The main funding under PA6 was invested in IP6d, with evaluation evidence drawing out a number of lessons for the delivery of green and blue infrastructure projects:

- One of the common points highlighted was that from the outset, Local Enterprise Partnerships were not necessarily ideally placed or well equipped for steering investment relating to green and blue infrastructure. A lack of a national strategy or framework for these types of investment meant that local stakeholders often lacked guidance regarding how this funding might best be targeted, good practice with respect to delivery, and a clear idea as to the types of outcomes that might be expected from schemes, including the monitoring and evaluation of these. This led to a suite of investments under IP6d which perhaps lacked some of the coherence of the range of projects funded under other investment priorities, and meant that there was less consistency in capturing the outcomes and impacts of investments. This worked slightly better, for example, under PA5, wherein there was a similar limitation in local partner expertise, but the Environment Agency was able to play a greater role in providing expertise and ensuring the quality of schemes developed.

- In delivering schemes, one of the common challenges that arose was that of delays to the delivery of works due to the need for seasonal planning of certain works — with extended wet spells or dry spells causing delays that had not always been built into planning. This reflects the importance of green and blue infrastructure investments in the future being planned by experienced individuals and building in sufficient flexibility to accommodate such seasonal factors.
- Another common challenge arising was in relation to planning for longer-term maintenance of funded spaces, with there being a clear need for this to be built into planning and resourcing at the design stage.
- Linked to this, a key success factor highlighted was the importance of clear communication and engagement with local residents and businesses. This helps both to minimise disruption to them through development works as well as to seek their buy-in and build a sense of community ownership of the space, which could play an important role in supporting the ongoing use and maintenance of the space.

Impact and Value for Money of Investments

- 9.20 The investments funded under PA6 would be expected to lead to impacts relating to improved biodiversity, increased users on site securing health and wellbeing benefits, and potentially attracting new development or business activity linked to enhancement of the area.
- 9.21 The nature of the funded investments in green and blue infrastructure means that impacts will not fully transpire until some time after works are completed, and with many projects still underway, it is too early to comment on the impacts or value for money of the funded interventions.
- 9.22 In conclusion, against the result indicators for the Priority Axis:
- At this stage, while no latest result indicator data are available, the output target data indicate that there will be positive change in the area of green and blue infrastructure (Indicator 6.1) which is primarily attributable to the support under the programme.
 - The latest data show that there has been improvement in natural resource productivity of enterprises (Indicator 6.2) over the programme period; however, the limited SME reach of support under IP6f means that the contribution of the programme to these changes is expected to have been positive but limited.

Priority Axis 7



10. Priority Axis 7: Sustainable Transport in Cornwall and the Isles of Scilly (CloS)

Summary of Key Messages

Sustainable Transport



Length of railway with new or enhanced signalling installation target has been fully achieved.



Length of reconstructed or upgraded roads target is fully contracted and expected to be fully achieved.



Targets for fuel charging points is fully contracted and expected to be fully achieved.



Number of multi-model transport hubs target may be under-achieved, but improved multi-modal connection points expected to over-achieve.

The investments are expected to



reduce congestion and improve travel times.



improve access to employment and services.



reduce carbon emissions associated with modal shift.



grow tourism through enhanced accessibility.

The locally led strategic approach to investments in Cornwall and the Isles of Scilly have



considered linkages and sequencing between projects.



helped to maximise the synergy and increase overall benefits of each individual project.

Overview of the Priority Axis

10.1 A total of 10 projects had been funded under PA7 by July 2022, with an overall project value of £298m, of which £51m was from the ERDF. Interventions under PA7 were split into three investment priorities and three specific objectives, as summarised in Table 10-1.

Table 10-1: Summary of Investment Priorities and Specific Objectives under PA7

Investment Priority	Specific Objective
7a: Supporting a multimodal Single European Transport Area by investing in the Trans-European Transport Network (TEN-T)	7.1: Improve the accessibility of Cornwall and the Isles of Scilly by enhancing integration with the TEN-T rail network
7b: Enhancing regional mobility by connecting secondary and tertiary nodes to TEN-T infrastructure, including multimodal nodes	7.3: Improve the accessibility of Cornwall and the Isles of Scilly by enhancing integration with connection to the TEN-T network
7c: Developing and improving environmentally friendly (including low-noise) and low-carbon transport systems, including inland waterways and maritime transport, ports, multimodal links, and airport infrastructure, in order to promote sustainable regional and local mobility	7.2: Improve accessibility and connectivity within Cornwall and the Isles of Scilly through developing sustainable means of transport

Source: MHCLG, ERDF Operational Programme, 2020.

Continued Relevance, Appropriateness and Consistency

- 10.2 The Operational Programme identified that Cornwall suffers from poor accessibility with a lack of capacity in the rail network as well as bottlenecks in the road network, which affect the economic performance of the area. Moreover, it highlighted the need for improved accessibility alongside the transition to a more environmentally friendly low-carbon transport system.
- 10.3 As outlined in Table 10-1, programme investment responded to these challenges through three specific objectives focused on improved rail network integration, improved road network integration, and developing more sustainable means of transport.
- 10.4 In order to track the results of programme-level investment in these areas, a series of four result indicators were agreed (Table 10-2). Changes in these are examined in the next section; however, it is important to reflect on the relevance and appropriateness of these indicators:
- Indicators 7.1, 7.2 and 7.3 align very well with the activities being invested in, as well as effectively capturing the results that the investments are seeking to influence.
 - Indicator 7.4 partially aligns with activity invested in under IP7c, with this result indicator capturing the effects of investments in infrastructure for electric vehicle charging. It does not, however, capture effects relating to other intervention types, including multimodal hubs and walking and cycling infrastructure.

Table 10-2: Summary of Specific Objectives and Result Indicators for PA7

Specific Objective	Result Indicator
7.3	7.1: All-year average vehicle journey time (eastbound)
	7.2: All-year average vehicle journey time (westbound)
7.1	7.3: Improved service frequency
7.2	7.4: Number of low-carbon vehicles registered in CloS

Source: MHCLG, ERDF Operational Programme, 2020.

- 10.5 Over the course of the programme period, a wider range of strategy documents reinforced the need for investments under PA7, including: Decarbonising Transport: A Better, Greener Britain (Department for Transport (DfT), 2021), Taking Charge: The Electric Vehicle Infrastructure Strategy (DfT, 2021), and Gear Change: A Bold Vision for Cycling and Walking (DfT, 2020). Reflecting the continued relevance and appropriateness of investment activities under PA7, there were no changes to overall funding allocations as part of modifications between the original and latest Operational Programmes (as shown in Table 2-1).
- 10.6 The main contextual factor affecting PA7 was the impact of the outbreak of COVID-19 on the use of transport infrastructure. While there were substantial reductions following the outbreak and during periods of lockdown, these started to recover in 2022. It is too early at this stage to understand the longer-term effects of changes to transportation use as a result of these, however.

Progress against Targets

- 10.7 Data on project spend are only available at the overall Priority Axis level, and as set out in Table 2-3, they show that by July 2022, of the £50m allocated to PA7, £51m (101 per cent of the allocation) had been contracted and £30m (61 per cent of the allocation) had been defrayed and claimed. Over the final six quarters of the programme, projects under PA7 will need to claim around £3m in each quarter in order to achieve full claims, which, based on claims in previous quarters, appears to be achievable. The result and output indicators are all reported upon by investment priority and are set out below.

IP7a: Investing in the Trans-European Transport Network

- 10.8 Under IP7a, as shown in Table 10-3, the single result indicator — improved service frequency — has been met, increasing from 23 services eastbound and westbound each day in 2014 to 32 in 2021.

Table 10-3: Result Targets under IP7a

Indicator No.	Indicator	Measurement Unit	OP Baseline	Latest Available Data	Change
Specific Objective 7.1					
7.3	Improved service frequency	Number of services each day	23 services eastbound and westbound	32 services eastbound and westbound	+ 9 daily services in each direction
			(2014)	(2021)	

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

10.9 The Operational Programme set out the Cornwall Rail Mainline Signal Enhancement project as the sole project under this investment priority, which aims to provide enhanced signalling capacity on the rail mainline in Cornwall, improving the frequency and connectivity of the train service in the area. Output data relating to IP7a (

10.10 Table 10-4) show that the single output target has already been met in full.

Table 10-4: Output Target Performance under IP7a to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
P7	Length of railway with new or enhanced signalling installation (km)	43	100%	100%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

IP7b: Enhancing Regional Mobility

10.11 Under IP7b, there are two result indicators — all-year average vehicle journey time eastbound and westbound; as the projects under IP7b have not yet been completed, however, there is no change that could be attributable to the investments at this stage.

10.12 The Operational Programme set out the A30 investment as the sole investment type under this investment priority, which aims to develop an 8.7-mile stretch of a 70mph dual carriageway, connecting to the existing dual carriageway at Chiverton and Carland Cross.

10.13 Output data relating to IP7b (Table 10 5) show that the single output target is fully contracted. The A30 works are expected to be completed in 2023, at which point the full output target is expected to be claimed.

Table 10-5: Output Target Performance under IP7b to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C14a	Total length of reconstructed or upgraded roads of which: TEN-T (km)	14	100%	0%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

IP7c: Environmentally Friendly and Low-Carbon Transport Systems

10.14 Under IP7c, as shown in Table 10-6, the single result indicator — the number of low-carbon vehicles registered in Cornwall and the Isles of Scilly — increased from 226 in 2016 to 2,917 in 2021, with a target of 3,000 being set by the end of the programme period. This is highly likely to exceed that target by that point, although it is notable that DfT vehicle licensing statistics indicate that the growth rate in Cornwall and the Isles of Scilly is very similar to the UK average over this period.

Table 10-6: Result Targets under IP7c

Indicator No.	Indicator	Measurement Unit	OP Baseline	Latest Available Data	Change
Specific Objective 7.2					
7.4	Number of low-carbon vehicles registered in CloS	Vehicles	226 (2016)	2,917 (2021)	+ 2,691 low-carbon vehicles registered

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021

10.15 The Operational Programme set out the types of activities to be invested in under IP7c, which included investment in multimodal hubs and integrated mobility services, as well as alternative fuel infrastructure. In practice, seven projects were supported under IP7c, which aligned well with these investment types. Project examples include:

- **St Erth Multi Modal Hub** – which aimed to improve connectivity in the St Erth area by increasing parking capacity in the area and improving connectivity with public transport services.
- **St Agnes to Threemilestone Saints Trail** – which aimed to improve the Saints Trails, a 30km off-road cycling network between Newquay, Perranporth, St Agnes, and Truro.
- **Isles of Scilly GO EV SMART** – which funded the creation of new electric vehicle charging points and battery storage technology on the Isles of Scilly.

10.16 Output data relating to IP7c (Table 10-7) indicate that alternative fuel charging/refuelling points (P8) and improved multimodal connection points

(P9) are both over-contracted and that those targets are expected to be met once infrastructure investments are completed. In relation to the number of multimodal transport hubs (P10), only two out of a target of three are contracted, but these two are expected to be achieved by the end of the programme.

Table 10-7: Output Target Performance under IP7c to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
P8	Alternative fuel charging/refuelling points	66	298%	18%
P9	Improved multimodal connection points	2	300%	0%
P10	Number of multimodal transport hubs	3	67%	33%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

Delivery and What Worked

- 10.17 The findings regarding delivery and what worked draw primarily from a detailed review of three PA7 summative assessments.
- 10.18 Evaluation evidence indicates that the major rail and road capital works that comprise much of the investment under PA7 have been delivered effectively against time and budgetary constraints, despite the challenges associated with the outbreak of COVID-19. A key part of this relates to utilising well-developed national mechanisms for the delivery of such projects, such as the Governance for Railway Investment Projects for the Cornwall Rail Mainline Signal Enhancement project. Beyond this, early planning as well as stakeholder engagement and strong ongoing communication with stakeholders throughout were identified as being important contributory factors helping to address any issues that arose quickly and effectively.
- 10.19 More broadly, across the range of interventions funded, local partners had identified strategic linkages between funded projects and considered the sequencing of these (particularly the rail upgrades, multimodal hubs, and walking and cycling routes), meaning that impacts associated with each project were greater than if any one of these had been undertaken in isolation. This reflected the benefits of a locally led strategic approach to these investments.

Impact and Value for Money of Investments

- 10.20 The investments funded under PA7 would be expected to lead to impacts relating to reduced congestion and improved travel times, better access to

employment and services, reduced carbon emissions associated with a modal shift, and tourism growth as a result of enhanced accessibility.

10.21 The nature of transport infrastructure investments, however, means that impacts often do not fully transpire until some time after completion. With rail travel still recovering from reduced usage during 2020–21, as well as the A30 and several other PA7 projects not yet completed, it is largely too early to comment on the impacts or value for money of the funded interventions.

10.22 In conclusion, against the result indicators for the Priority Axis:

- The improvements in service frequency (Indicator 7.3) can be primarily attributed to the support under the programme.
- With the A30 scheme not yet completed, no attributable change will yet be detectable for average vehicle journey times relating to Result Indicators 7.1 and 7.2; however, it would be strongly expected that these result indicators would be positively affected by the investment on completion.
- The investments are expected to have made a positive but limited contribution to Indicator 7.4 — the number of low-carbon vehicles registered. Other factors such as developing technology and reducing the costs of electric vehicles, increasing awareness of and shifting attitudes towards electric vehicles, and the wider rollout of charging points nationwide would also be expected to have significantly influenced the change in this indicator.

Priority Axis 8



11. Priority Axis 8: Promoting Social Inclusion & Combatting Poverty & Any Discrimination

Summary of Key Messages

Social Inclusion



The capital build indicator is fully contracted and is expected to be achieved.



Number of enterprises and entrepreneurs receiving support was low up to December 2021, reflecting low levels of spend in supported projects at this stage.

The community led local development approach required



time and commitment from a range of organisations.



support to develop partnerships and joint plans to initiate bespoke projects.



The time taken to achieve this and then the delays following the outbreak of COVID-19 has limited what has been delivered under PA8 by the time of the evaluation.

Overview of the Priority Axis

11.1 A total of 43 projects had been funded under PA8 by July 2022, with an overall project value of £42m, of which £27m was from the ERDF. Interventions under PA8 sat under a single investment priority and specific objective, as summarised in Table 11-1.

Table 11-1: Summary of Investment Priorities and Specific Objectives under PA8

Investment Priority	Specific Objective
9d: Undertaking investment in the context of community-led local development strategies	8.1: To build capacity within communities as a foundation for economic growth in deprived areas

Source: MHCLG, ERDF Operational Programme, 2020.

11.2 All projects under PA8 were delivered as part of a community-led local development (CLLD) approach built on local partnerships and understanding

local needs, with investments being focused on local economic growth in these targeted areas.

Continued Relevance, Appropriateness and Consistency

- 11.3 The Operational Programme identified that spatial disparities between areas in England have persisted and are increasing. It identified a need to build community capacity at a very localised level to enable more deprived places, as well as the SMEs and people residing there, to achieve social inclusion and a reduction in poverty. As outlined in Table 11-1, programme investment responded to these challenges through one specific objective focused on building capacity in communities as a foundation for economic growth in deprived areas.
- 11.4 In order to track the results of programme-level investment, two result indicators were agreed (Table 11-2). Both indicators are highly relevant to the activity invested in under PA8, and effectively capture the types of results that these interventions were seeking to influence.

Table 11-2: Summary of Specific Objectives and Result Indicators for PA8

Specific Objective	Result Indicator
8.1	9.1: Number of new enterprises within targeted areas
	9.2: Employment increase

Source: MHCLG, ERDF Operational Programme, 2020.

- 11.5 As outlined in Section 3, the growth of the local growth agenda and the continued focus on seeking to devolve funding to a more local level, most recently through Build Back Better (2021) and the Levelling Up White Paper (2022), have reinforced the strategic priorities of PA8. Since the identification of focus investment areas for PA8, there have been two further updates of the Indices of Multiple Deprivation (IMD) (in 2015 and 2019); however, the focus areas for investment remain those identified at the outset (using the 2010 IMD data), reflecting a design weakness in the responsiveness of the programme to changing needs.
- 11.6 Under PA8, there was a slow early uptake of funding, and then time taken in establishing and bedding in new local partnerships, in line with the community-led local development (CLLD) approach. With limited progress in activity development in the early years of the programme, some of the funding was moved out of PA8 in response, which is reflected in a lower overall allocation than was planned in the original Operational Programme (see Table 2-1).
- 11.7 The most significant factor affecting the delivery of PA8 was the outbreak of COVID-19, which created further delays in the development of partnership

plans, as staff from many of the partner agencies were drawn into other pandemic response activities. Furthermore, the switch from face-to-face delivery to online delivery of support was found to be less effective in PA8 than in PA3, with delivery partners finding that the loss of trusted connection that is more easily developed in person meant that the delivery of support to individuals and businesses was more challenging and resulted in a lower uptake of support.

Progress against Targets

- 11.8 Data on project spend, as set out in Table 2-3, show that by July 2022, of the £31m allocated to PA8, £27m (85 per cent of the allocation) had been contracted and £10m (33 per cent of the allocation) had been defrayed and claimed. Over the final six quarters of the programme, projects under PA8 will need to claim around £3.5m in each quarter in order to achieve full claims — a higher rate than has been achieved in any quarter of the programme to date.
- 11.9 At the time of the evaluation, no latest data were available for the two result indicators under PA8 — the number of new enterprises and an employment increase in targeted areas; thus, no assessment can be made against these.
- 11.10 The Operational Programme set out the types of activities to be invested in under PA8, which included investments in support relating to: entrepreneurship, startups, business support, small grants, and enhancing local facilities.
- 11.11 In practice, the analysis of projects suggested that the profile of projects funded aligned well with these investment types. Project examples include:
- **CHART** (Connecting Hastings and Rother Together) (South East LEP) – which provided training facilities and educational and business support in order to foster local entrepreneurs and employment opportunities for local people.
 - **Hull Local Action Group** (Humber LEP) – which supported business creation and growth in the local area and supported residents in achieving the goal of equal opportunities and employment.
- 11.12 Output data relating to PA8 (Table 11-3) indicate positive progress with regard to the capital build/renovation target (P12), which is substantially over-contracted and has 44 per cent claimed to date. Support targets for enterprises (C1/C5) and potential entrepreneurs (P11) are fully contracted or close to being fully contracted; however, very little has been claimed to date, reflecting the delays outlined above. As a consequence, the employment increase target (C8) has also claimed very little to date; however, it is also fully contracted. This has left a large proportion of outputs to deliver over the final programme delivery period.

Table 11-3: Output Target Performance under PA8 to December 2021

Output		Target (2023)	% of Target Contracted	% of Target Claimed
C1	Number of enterprises receiving support	1,681	126%	11%
C5	Number of new enterprises supported	1,177	99%	3%
C8	Employment increase in supported enterprises	1,261	101%	2%
P11	Number of potential entrepreneurs assisted in being enterprise-ready	3,530	91%	6%
P12	Public or commercial buildings built or renovated in targeted areas (m ²)	1,513	447%	44%

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

Delivery and What Worked

- 11.13 The findings regarding delivery and what worked draw primarily from a detailed review of four PA8 summative assessments.
- 11.14 Activities delivered under PA8 were organised at a hyperlocal level and built on partnership approaches to identifying needs, developing responses, and delivering against these. Critical to the success of this approach was the development of effective partnerships between local organisations, including local authorities, business bodies, and community organisations.
- 11.15 Lessons arising from the project summative assessments to date indicate that most partnerships were led by the local authority; however, where this role was taken up by a voluntary and community sector body (such as in the Hull Local Action Group), it could be more effective in galvanising a broader range of partners and could help in taking a more entrepreneurial approach to developing responses to local challenges.
- 11.16 The findings highlight the significant resources that are needed to forge and maintain local partnership groups, with ongoing training and induction needed as staff change roles and become involved with the partnership, as well as high levels of communication between partners and leadership to ensure that partners remain focused on the common goals of the partnership and avoid becoming too focused on their own individual aspirations. The early stage of forging these partnerships was a key factor in the early delays in the progression of investment in PA8.
- 11.17 The audience of potential business and individual beneficiaries targeted by activity under PA8 often had a broad range of specific challenges, reflecting that they are living and/or working in some of the most deprived areas of the country. This led to particular lessons:

- Regarding client engagement, it was commonly highlighted that working through existing trusted networks was the best way in which to engage potential beneficiaries, and that an individualised approach that focused on bespoke support and with a lack of judgement was highly important.
- The flexibility of supported activity to help beneficiaries to address a broad range of key barriers was also highlighted as being important and ensuring that the design of the support package was built on a strong understanding of what those challenges might be.
- The numbers of forms to be completed as part of the initial engagement with an ERDF project was felt to put off some potential applicants, indicating that minimising or supporting potential beneficiaries with this as much as possible was important to effective recruitment.

11.18 The Local Action Groups delivering activity funded under PA8 were also the delivery channel for equivalent support under the ESF programme, with the intention that this could enhance joined-up delivery across the two complementary funding streams. While sensible in design, this created a number of practical delivery challenges, as the differing managing authorities (with the Department for Work and Pensions acting as the managing authority for the ESF) led to misalignments in ways of working, such as in relation to funding for management and administration as well as approaches to responding to project under-performance. This was identified by delivery partners as being another contributory factor to delivery delays.

Impact and Value for Money of Investments

11.19 The very limited scale of delivery under PA8 at this stage of the evaluation means that there is insufficient evidence to assess the scale and nature of impacts delivered or the value for money of investments. Having invested substantial time and resources into building Local Action Group partnerships, and with more substantial delivery expected over the remaining programme period, it could be worthwhile to commission a more detailed evaluation of the community-led local development approach and impacts following the completion of investments at the end of 2023.

Priority Axis 10

Keep your
distance



COVID-19

12. Priority Axis 10: Supporting the Implementation of Local Economic CV-19 Recovery Action Plans

Summary of Key Messages

COVID-19 Plans



PA10 was established part way through the programme delivery period, in response to the outbreak of COVID-19 and its effect on local economies.



The number of entities supported in combating or counteracting the effects of the COVID-19 pandemic target has been fully achieved.



The interventions increased confidence in returning to high streets and town centres.

80%

of local authorities felt this would not have been achieved without the scheme.

Overview of the Priority Axis

12.1 One project had been funded under PA10 by July 2022, with a project value of £108m, which is entirely funded by the ERDF. Interventions under PA10 sit under a single investment priority and specific objective, as summarised in Table 12-1.

Table 12-1: Summary of Investment Priorities and Specific Objectives under PA10

Investment Priority	Specific Objective
8b: Supporting employment-friendly growth through the development of endogenous potential as part of a territorial strategy for specific areas, including the conversion of declining industrial regions and the enhancement of accessibility to, and development of, specific natural and cultural resources	10.1: Minimise enterprise deaths through the implementation of local economic COVID-19 recovery action plans

Source: MHCLG, ERDF Operational Programme, 2020.

12.2 The single supported project under PA10, i.e. the Welcome Back Fund, supported local authorities with developing and delivering action plans for

safely reopening local economies following the effects of the COVID-19 outbreak.

Continued Relevance, Appropriateness and Consistency

- 12.3 The Operational Programme highlighted that following the outbreak of COVID-19, regions experienced adverse effects on local economies, creating an increased risk of business deaths without interventions with which to help improve business confidence and adapt local infrastructure in order to better enable economic recovery.
- 12.4 As outlined in Table 12-1, programme investment responded to these challenges through a specific objective focused on the implementation of local economic COVID-19 recovery action plans.
- 12.5 In order to track the results of programme-level investment, a single result indicator was agreed: the number of enterprise deaths per year. This is highly relevant to the activity invested in under PA10, and effectively captures the type of result that these interventions were seeking to influence. Although activities focused only on high streets and mainly benefitted consumer-facing SMEs (hence only a subset of the 2.4 million SMEs in England), the activity was delivered nationwide and, therefore, is expected to be of sufficient scale to have had a notable influence on this result indicator.
- 12.6 Given that this Priority Axis was added part way through the programme delivery period and in response to a very specific challenge, there were no further significant contextual changes that affected the continued relevance and appropriateness of activity under this Priority Axis.

Progress against Targets

- 12.7 Data on project spend, as set out in Table 2-3, show that by July 2022, although £50m had been allocated to PA10, £108m (216 per cent of the allocation) had been contracted and £17m (34 per cent of the allocation) had been defrayed and claimed. The allocation to this Priority Axis will be revised in a programme modification.
- 12.8 Under PA10, the single result indicator — the number of enterprise deaths per year — increased slightly from the 2018 baseline of 27,765 to 28,720 in 2020 (+ three per cent). The data for 2021, following the delivery of the main interventions under PA10, however, are not yet available and would give a better insight into the results arising from PA10 interventions.

Table 12-2: Result Targets under IP8b

Indicator No.	Indicator	Measurement Unit	OP Baseline	Latest Available Data	Change
Specific Objective 10.1					
11.1	Number of enterprise deaths per year	Enterprises	27,765	28,720	+ 955 enterprise deaths
			(2018)	(2020)	

Source: MHCLG ERDF Programme Monitoring Data prepared for Annual Implementation Report, December 2021.

- 12.9 The Operational Programme set out the types of activities to be invested in under PA10, which included developing action plans for safely reopening local economies, communications and public information campaigns, business-facing awareness raising with regard to reopening, and temporary public realm changes to enable safe reopening. Having been specifically designed for this purpose, the Welcome Back Fund project aligned very closely with these intended activities.
- 12.10 The single output target under PA10 was the number of entities supported in combatting or counteracting the effects of the COVID-19 pandemic, against which the target of 250 was over-contracted — with 309 local authorities supported. Based on the output data used in this evaluation up to December 2021, none of the targets had been claimed at this stage; however, the project summative assessment highlights that this target has been met and exceeded.

Delivery and What Worked

- 12.11 Summative assessment evidence from the Welcome Back Fund showed that the investments had primarily contributed to increasing resident and consumer confidence in returning to high streets and town centres and enabling the safe opening of commercial public spaces as well as safe trading for SMEs, which was strongly in line with the aspirations of the investment. Overall, the evidence shows that 80 per cent of local authorities felt that they would not have been able to achieve the same benefits without the funding from this scheme.
- 12.12 Overall, 53 per cent of beneficiaries reported being satisfied with the grant and process received through the scheme, with 11 per cent reporting that they were dissatisfied and 36 per cent being neither satisfied nor dissatisfied.
- 12.13 Key aspects that were felt to have worked well included: funding being announced in good time, giving allocations rather than requiring competitive bids, allocating sufficient funding to make a difference, encouraging engagement with local stakeholders, and allowing a sufficiently broad scope of activities that could be funded.

12.14 The main areas in which improvements could have been made were felt to be in relation to: the amount of bureaucracy (which was felt to be burdensome and disproportionate to the scale of funding), changes being made to guidance part way through (which affected delivery), and a tight limit on management costs (which was felt to be unrealistic for a labour-intensive programme).

Impact and Value for Money of Investments

12.15 The summative assessment findings highlight that the scheme was effective in improving the feeling of safety on high streets and in commercial public spaces and that this led to increased footfall. The vast majority of beneficiary local authorities indicated that they believed that footfall had increased by more than it would have done without the support from the scheme.

12.16 Although too early to see the full impacts of the scheme investments, the evidence indicates that interventions under PA10 are highly likely to have had a positive impact on the survival of high street and town centre businesses and, thus, made a positive contribution to the result indicator for PA10.

12.17 Due to the nature of the Welcome Back Fund, it was not possible to undertake quantitative impact modelling to estimate the additionality of the programme as a whole in terms of jobs and GVA created, or in turn to quantify the value for money of these interventions.

Horizontal Principles



13. Horizontal Principles

13.1 The Operational Programme sets out that principles relating to sustainable development as well as equal opportunities and non-discrimination are embedded across the programme:

- For sustainable development, these can relate to environmental protection, resource efficiency, climate change mitigation and adaptation, biodiversity, disaster resilience, and risk prevention and management.
- For equal opportunities and non-discrimination, the framework for these, as provided by the 2010 Equality Act, protects nine characteristics: age, disability, gender reassignment, marital or civil partnership status, pregnancy & maternity, race, religion & belief, sex, and sexual orientation.

13.2 This section of the report provides a summary of the way in which these horizontal principles were embedded across the programme, as well as good practice approaches that emerged. This evidence is primarily drawn from a meta-analysis of a sample of 342 project-level summative assessments as well as interviews with delivery partners involved with the programme.

Summary of Key Messages

Horizontal Principles



Sustainable development was embedded in overall programme design, being core to priority axes 4-7.



Good practice approaches were built into the design of projects, eg adherence to:

- Building Research Establishment Environmental Assessment Method (BREEAM)
- Civil Engineering Environmental Quality Assessment & Award Scheme (CEEQUAL)



Approaches to **equal opportunities and non-discrimination** commonly leant on the equal opportunities policy of the lead organisation.



Many capital schemes highlighted a focus on **accessibility requirements**



Many business support projects highlighted inclusive marketing approaches to reach **diverse audiences**.



Under each priority axes are projects that take an innovative approach to addressing both horizontal principles. This represent **good practice** that can **inform and inspire future project design**.

38% of project **summative assessments** reviewed did not contain reference to approaches to the horizontal principles, however, leaving a **gap in evidence** in the case of these projects.

- 13.3 While the summative assessments provide a wealth of information on project delivery, only 62 per cent made reference to project approaches relating to the horizontal principles. Furthermore, the available evidence on the impacts of approaches across all summative assessments was extremely limited. Nevertheless, the findings help to draw out key approaches taken, as well as examples of good practice in which specific projects were more proactive and innovative in their approaches and may provide lessons from which future projects can draw.

Sustainable Development

- 13.4 As outlined in the Operational Programme, sustainable development was particularly core to four of the Priority Axes under the programme (PA4–7), but in practice, many projects in other Priority Axes also highlighted that sustainable development was designed in as a core part of their projects, including the benefits arising from reduced travel as a result of enhanced ICT use (PA2) as well as investments in low-carbon innovations such as the Manchester Fuel Cell Innovation Centre, funded under PA1.
- 13.5 Projects involving capital build commonly cited that works had been completed to high BREEAM or CEEQUAL levels in line with the guidance outlined in the Operational Programme, although it was unclear in the summative assessment evidence as to whether the decisions regarding these were influenced by the ERDF programme horizontal principle, or whether these would have gone ahead anyway. In some cases, such as the Superfast West Yorkshire & York Broadband project in PA2, contractors were specifically assessed as part of the procurement process with regard to how their approach would contribute to sustainability aims and help to minimise waste.
- 13.6 Many project summative assessments noted that changes enforced following the outbreak of COVID-19 had meant a shift to telephone and video call communication, instead of travelling for in-person meetings, which had helped to reduce travel associated with projects and contributed to reducing the projects' carbon footprints.
- 13.7 Beyond these approaches, a range of projects across different Priority Axes implemented more proactive or innovative approaches to ensure an enhanced contribution to sustainable development aims, including the following:
- Under PA4, the Low Carbon Devon project required applicants to have an environmental policy for their business in place before receiving support from the programme.
 - Under PA2, the Superfast Business Cornwall project required applicants to have a measurable environmental objective built into the support that they received, which would lead to a reduction in their carbon footprint.
 - Under PA4, the Utilise Plus project focused on encouraging the use of public transport and carpooling to events undertaken as part of the project.

- Under PA1, the Innovate 2 Succeed project in the Liverpool City Region planned to assess the lifecycle impacts of new products and technologies being developed using project funding in order to improve the understanding of these impacts and promote efforts to minimise these.
- Under PA6, the Cornwall Green Infrastructure for Growth project ensured that sustainable development was embedded in every part of the project, with this forming an agenda item at every monthly project meeting. This included the selection of vehicles with which to minimise damage to soil, reusing materials on site (e.g. turf stripping and relaying), the use of local materials, and using FSC-certified furniture wherever possible.

Equal Opportunities and Non-Discrimination

- 13.8 The Operational Programme identified a range of opportunities for projects to contribute to this horizontal principle, including ensuring that accessibility requirements were met for capital developments, promoting equality to applicants, ensuring that no beneficiaries were excluded from support based on their protected characteristics, and ensuring that, where appropriate, proactive efforts were made to attract underrepresented groups, and that progress against equality targets should be monitored by projects.
- 13.9 In many cases, the findings within summative assessments indicated simply that projects had followed the equal opportunities policy of the lead organisation, which in turn aligned with UK policy; however, they did not provide any further details of any specific considerations that had been responded to in project design or delivery.
- 13.10 Projects involving capital build commonly highlighted that buildings had been completed with minimum accessibility requirements built in, although it was unclear in the summative assessment evidence as to whether the decisions regarding these were influenced by the ERDF programme horizontal principle, or whether these would have gone ahead anyway.
- 13.11 A number of projects noted changes to the delivery of business support that were enforced by the outbreak of COVID-19, with much support activity shifting from in-person to online delivery. It was commonly highlighted that this had helped to reduce the barriers to participation for some, with remote attendance reducing the time commitment (by reducing travel to venues) and improving the flexibility around joining training and workshop sessions. This was noted as being one way in which changes to the scheme design had been beneficial in improving equal opportunities.
- 13.12 With respect to ensuring that no individuals or groups were excluded, many project summative assessments highlighted that the support provided was inclusive to all; however, they did not identify particular consideration of any groups which might be underrepresented or have different support needs that would require differing approaches to marketing or delivery of the project.

However, some projects did go further in setting out more proactive approaches to ensure a more targeted approach to ensuring equal opportunities and non-discrimination, including the following:

- Under PA3, a number of projects, including Made in North Tyneside and Collaborate for Business Growth in the Leicester and Leicestershire LEP, ensured carefully curated marketing materials and the targeting of marketing to ensure that the messaging was inclusive and appealed to the range of potential applicants.
- Under PA1, the North East Innovation Super Network conducted research in partnership with the North Star Foundation to better understand the challenges facing female entrepreneurs and, in response, hosted a Finance Camp to promote equality, including creating an exhibition of female innovators and entrepreneurs in Newcastle.
- Under PA2, the Leicester and Leicestershire LEP Digital Business Growth Programme ran a number of workshops that specifically catered to women-led enterprises that were tailored to specific issues raised by women who had previously participated in the programme. Moreover, it targeted engagement with businesses run by people from ethnic minority communities through networking with business leaders and local community groups. The approach was found to be highly effective, with demand spiralling once links had been built, as well as recommendations being passed on via word of mouth and resulting in the Chamber running many more of the targeted workshops than originally planned.
- A number of projects, including the D2N2 Digital Business Growth Programme under PA2 and the Leeds City Region Growth Service under PA3, reported that equality data were routinely collected throughout project delivery and were used to report to the project steering group or board, as well as helping with targeting future activities.
- Under PA7, the St Erth Multi Modal Hub included a number of design features with which to promote equal opportunities and non-discrimination with respect to enhancing accessibility. These included pedestrian ramps, accessible parking provision, and a shuttle bus between one of the car parks and the station entrance to meet the needs of disabled users.

Conclusions



14. Conclusions

- 14.1 This section draws together the overall conclusions arising from the study in response to the evaluation questions set out under the five themes below. The findings primarily draw on evidence gathered through the Phase 3 evaluation work, but also draw on insights from Phases 1 and 2 (particularly with respect to process evaluation questions under Programme Delivery and Processes).
- 14.2 Key lessons that can be applied to the design and delivery of future national programmes to support local growth are highlighted throughout in response to the findings.

Programme Relevance, Appropriateness and Consistency

- 14.3 The period of the programme up to early 2020 was delivered in a socioeconomic context with consistent trends of gradually increasing GDP, decreasing unemployment, and low inflation. Continued regional differences in unemployment and productivity (as measured by GVA per head) continued to demonstrate the relevance of programme interventions. The impacts of the referendum vote to leave the EU as well as the subsequent uncertainty whilst the agreement and terms for departure were being negotiated are likely to have played a role in volatile levels of business confidence over this period (as witnessed in OECD Business Confidence Data, set out in Section 3).
- 14.4 The outbreak of COVID-19 in early 2020 and the subsequent period including lockdowns and social distancing requirements, particularly over the 15 months from March 2020, had a substantial impact on the delivery conditions for the programme. In 2020 and 2021, GDP decreased, unemployment increased, and there was a reduction in business confidence. These measures began to return to pre-COVID-19 levels in 2022; however, inflation had been rising over 2021 and 2022, partly triggered by the effects of COVID-19 on the global economy, as well as the Russian invasion of Ukraine.
- 14.5 Despite the changing context, the programme objectives have remained relevant and appropriate. The programme period has witnessed significant political change; however, the policy agenda for local growth has continued to focus on key investment areas under the programme. In some areas the development of UK Government policy has increased over this period, notably in relation to increasing the focus on devolved delivery of local growth, as well as investment in shifting to a low-carbon economy (in line with PA4).
- 14.6 There have been some contextual developments that have reshaped aspects of the way in which the programme has been delivered, notably:

- The speed of technological development meant that programme investment in superfast broadband infrastructure was more limited than originally expected due to stronger market uptake of existing SFBB infrastructure and the development of ultrafast broadband (which was not eligible to be supported under the programme).
- The effects of reduced business confidence and aspirations (particularly following the outbreak of COVID-19) meant a reduced demand for certain support types, including the appetite for new research and innovation (linked to PA1 support), and often a refocus more towards business survival and safeguarding jobs than towards growth and job creation.
- The effects of lockdowns and social distancing requirements from 2020–21 meant changes to the way in which activity was delivered, with business support activities typically switching to online delivery as well as infrastructure projects often being delayed and/or needing to alter onsite delivery to accommodate social distancing.

14.7 In response to the contextual changes, the programme has been very effective, by means of its strategy and resourcing approach, in adapting so as to meet the changing needs and challenges that have arisen:

- At a programme level, the use of Operational Programme modifications, in agreement with the EC, has enabled the reallocation of resources away from investment areas in which demand has been weaker and into areas in which demand has been stronger based on strategic need. Furthermore, it has allowed for the expansion of eligible activities in investment areas in which uptake was weaker in the early stages (notably PA4). Following the outbreak of COVID-19 and the impacts on high street and town centre businesses, OP modifications were also used to introduce a new Priority Axis (PA10) which directly responded to those new critical economic challenges.
- At a project level, programme management was also very effective in managing and responding to change. Budget and output progress were regularly monitored for each funded project, and where projects were underperforming and unable to meet targets, these were renegotiated on an ongoing basis in a way that ensured continued value for money in terms of outputs delivered for the allocated funding. Following the outbreak of COVID-19, project delivery leads were given additional flexibilities such as reduced frequency of reporting to reduce the burden as they sought to manage the additional challenges associated with the pandemic response.

14.8 Key to ensuring continued relevance, appropriateness and consistency of the programme has been strong programme management within the MHCLG¹⁷. This has included a clear project application process and a robust appraisal of applications, ensuring the strategic alignment of projects. Across all Priority Axes, the evaluation found that the funded projects aligned well with the

¹⁷ More detailed descriptions of the programme management structures and processes are set out in the Phase 1 ERDF Programme Evaluation report.

activity types intended in the OP, reflecting the effectiveness of this process. Furthermore, through clear contracting and active monitoring and auditing of project spend and output indicator performance, this approach helped to ensure that projects delivered what had been contracted and, thus, continued alignment with programme objectives.

Programme Financial and Output Performance

- 14.9 At the time of the evaluation, 97 per cent of the total ERDF financial allocation had been contracted with projects (96 per cent in the less developed region, 94 per cent in the transition region, and 99 per cent in the more developed region), and 63 per cent claimed (70 per cent in the less developed region, 61 per cent in the transition region, and 62 per cent in the more developed region).
- 14.10 Breakdowns by Priority Axis are more varied, with the strongest performance observed in the largest Priority Axis, PA3 (101 per cent contracted and 74 per cent claimed), but weaker performance observed in others (including less than 80 per cent contracted in Priority Axes 5, 6 and 9), and only 33 per cent claimed in PA8. A further programme modification is expected which will help the programme to rebalance the final figures across Priority Axes and address some of the areas in which progress has been weaker.
- 14.11 Analysis of the rate of claims received per quarter (up to July 2022) indicates that the remaining amount to be claimed in the final six quarters is highly challenging, requiring a higher claim rate in each quarter than has been observed in any individual quarter of the programme to date. With 18 months of claims still to be made, however, it is too early to give a clear view as to any expected underspend across the programme.
- 14.12 Key factors explaining aspects of under-performance against Priority Axis financial targets primarily relate to the effects of COVID-19 and the associated lockdowns and social distancing requirements. The effects of these include the following:
- A number of projects witnessed a reduced demand for support following the outbreak of COVID-19, with potential beneficiaries needing to prioritise other aspects of the response to the pandemic, or no longer feeling confident about pursuing business growth opportunities. In response, many projects negotiated down their financial allocations (reducing the overall programme contracted spend); however, others responded by extending their delivery timescales.
 - Organisational responses and adjustments to delivery, including moving to remote working where possible and adjusting workplaces and construction sites to meet social distancing requirements, caused a hiatus in activity in the months following the outbreak of the pandemic, creating delivery delays.

- 14.13 The substantial increases in inflation over 2021–22 could affect the remaining delivery period, with the risk that capital investments in particular could face greater budgetary challenges, leading to the need for an increased funding allocation, or threatening project viability. Despite a relatively small proportion of the overall programme value, much of the spend on these projects has been and will be incurred in later years of the programme.
- 14.14 Overall, the programme management approach employed has been effective in testing the realism of budgets at the appraisal stage, monitoring budgetary progress throughout delivery and working with projects to renegotiate financial and output targets as necessary to ensure that these are achievable. Although the value of funding to be defrayed and claimed over the remaining delivery period is challenging, the management approach has ensured that the programme is still in a position in which these can be achieved, despite the challenges arising from the pandemic.
- 14.15 With respect to achievement against output targets, the managing authority has focused primarily on delivery against the performance framework targets. Against PA1-8 there are 10 performance framework indicators, with targets for each of the three categories of region. Across the 30 indicators by category of region, only three have less than 100 per cent contracted (one of which has, nevertheless, exceeded the contracted target and met the performance framework target). The other two that are under-contracted (targets for PA5: businesses and properties with reduced flood risk, and PA8: the number of enterprises receiving support, both in the more developed region) are unlikely to be met, although they might be renegotiated as part of the final Operational Programme modification.
- 14.16 The data analysis in this evaluation is taken from the fully analysed data as of December 2021, a point at which there were two years of output claims still to be made. As such, it is too early to give a clear view as to expected over- or under-performance by the end of the programme. At this stage, however, performance in terms of claimed outputs is mixed:
- Some outputs have already been fully achieved, including the number of enterprises receiving support in PA1 and PA3 for both more and less developed regions.
 - Many of the indicators relating to capital investments have claimed a relatively low proportion of their targets; however, achievement of these indicators is typically backloaded until schemes are finished, with many of these delayed by factors relating to COVID-19 and due to be completed in 2022 or 2023.
 - Those under PA8 remain very low at this stage, partly relating to the nature of the community-led local development approach, which was slow-starting and delayed following the outbreak of COVID-19. Although challenging to deliver these in the time remaining, the numbers overall are relatively low in comparison to other Priority Axes, indicating that this could still be achievable.

14.17 The focus on the performance framework targets means that some other targets received a lesser focus from programme management. In some cases the programme, nevertheless, exceeded the targets for some indicators, including the following:

- In PA1, the numbers of enterprises supported in introducing new-to-market and new-to-firm products have both already far exceeded targets. Noting that new product development was the most common reason for firms to seek support from PA1 projects, this may suggest that the targets set for these indicators were too conservative and could have been more stretching.
- In PA3, the target regarding the floorspace of public or commercial buildings built or renovated has also already been far exceeded. Evidence from summative assessments indicates that interventions more commonly focused on renovations than on new builds, which are typically lower-cost per square metre against this indicator, which may partly explain the over-performance.

14.18 For other indicators, however, performance has been weaker than anticipated:

- Across PA1 and PA3, there has been relatively strong performance against the indicator regarding the number of SMEs receiving support; in analysing the sub-indicators, however, it is clear in both Priority Axes that far more of those have been supported through non-financial support and far fewer through grants or other financial support than expected.
- In the same Priority Axes, the achievement to date against targets for private investment to match public grants or non-grant financial support is relatively low, which may have been constrained by the fewer-than-expected projects offering these types of support to SMEs.
- Across the same Priority Axes, there has been relatively weak performance to date against the indicator regarding an employment increase in supported enterprises, which evaluation evidence has indicated relates to the effects of COVID-19 on reducing business confidence to invest in new job creation, and commonly a pivot towards survival and safeguarding, rather than growth.

14.19 Data on achievements by LEP area (focusing on achievement against C1 indicator targets, as the most prevalent indicator across the programme and which is relevant to all areas) indicate that those most strongly overperforming are areas which have received significant ERDF funding in the past and may have individuals and organisations with greater knowledge and experience in deploying this type of funding effectively.

14.20 Overall, achievement across a broad range of indicators is very strong and reflects well on programme management approaches to appraising, contracting, monitoring, and working with projects throughout the contract to enable successful delivery against targets, as well as the effectiveness of projects delivering at a local level.

14.21 Particular strengths of the output monitoring approach employed by the programme have included the following:

- Detailed and specific indicator definitions which provide clarity to project delivery leads and clearly enable the auditing of reported outputs.
- Core evidence requirements that are clear and well built into the data capture process and templates, with all necessary information having to be provided in order to register outputs, with this being submitted alongside quarterly financial claims.

14.22 One of the areas of weakness with regard to indicator monitoring was that the collection of data required for evaluation was provided through a separate form, was less strongly embedded in the quarterly claims process, and received less quality assurance from programme management. In part, this was due to the late introduction of the summative assessment process. The result of this was that the evaluators received less usable beneficiary data than would ideally have been available, which was a constraint for the survey workflow.

Lesson 1: Data Collection & Monitoring

A strong approach to defining, collecting and monitoring performance and beneficiary data is a critical foundation for effective management and evaluation of the programme. This should include clear indicator definitions and evidence requirements, regular reporting of progress and quality assurance of output data, and capturing all required data (including data needed for evaluation) through a single process that is mandatory for all projects. The evidence requirements for claimed outputs could be particularly burdensome; thus, the simplification of these in future programmes to limit that additional burden on grant recipients and beneficiaries would be more efficient.

14.23 Across the programme, the indicators selected and the targets set were based on the rationale and intended activities set out in the OP. Monitoring the full suite of these indicators is important in ensuring effective delivery of the outcomes and impacts that the programme sought to achieve. While the greater focus on performance framework targets made sense, to ensure compliance with funding requirements, a lesser focus on some of the other indicators means that outcomes with respect to some of these may not have been as great as they could have been.

14.24 One example of this is in relation to financial support to SMEs. The evaluation survey revealed that accessing finance was one of the main obstacles to growth for SMEs, as well as being a key area for which SMEs were seeking support through the programme. However, the programme has so far delivered grant and non-grant financial support to much fewer SMEs than

expected and, correspondingly, secured less private investment to match against this.

Lesson 2: Selecting Performance Indicators

Performance indicators for a programme need to be selected to reflect the outputs and outcomes that are most important to monitor with respect to delivering against the programme objectives and intended delivery activities. These indicators all need to be monitored and responded to for effective programme management.

The number of indicators should reflect the range of objectives and activities, but they need to avoid becoming so numerous that they become unmanageable at the project and programme level. Many of the indicators used in the ERDF programme were well defined and appropriate; therefore, they would provide a useful starting point for indicator definitions in future national programmes supporting local growth. A slightly more streamlined set of indicators, however, might have better allowed more proactive management of the full set of indicators.

Programme Delivery and Processes

14.25 Delivery of the ERDF programme on the ground closely aligned with the broad logic model components linking policy and outcomes, as set out in the OP. Across all Priority Axes the evaluation found that the projects funded closely aligned with the indicative activities set out in the OP, which in turn were designed to deliver against the objectives set out, in response to the policy rationale. Project-level output targets were contracted at a rate that was on the whole in line with what was expected in the OP.

14.26 The structures and processes put in place to manage the programme were effective in ensuring that projects met their financial and output targets, and this has been broadly successful, despite the challenging delivery context following the outbreak of COVID-19. This overall programme management approach has included the following:

- A clear project application process and a robust appraisal of applications, ensuring the strategic alignment, quality of project design, and expected value for money of projects. Given the broad range of thematic investment types, this process drew on thematic leads within the team to build up more specialist expertise in certain parts of the programme.
- Clear contracting and active monitoring and auditing of project spend and output indicator performance, which helped to ensure that projects delivered what had been contracted.
- Establishing growth delivery teams at the regional level, with dedicated appraisers and contract managers, to ensure strong communication between project delivery leads and the programme management team, as well as

enabling renegotiation of spend and output targets where projects were underperforming.

- Use of a continuous improvement approach to programme management, ensuring that delivery issues were addressed and processes improved on an ongoing basis.
- Retention of experienced team members from the previous ERDF programme and throughout the current programme, which was identified as being critical for effective programme management. This was important in relation to not only experience regarding navigating requirements specific to ERDF funding, but also the experience of managing a longer-term investment programme for local growth.

Lesson 3: Programme Management Capacity and Expertise

Programme management expertise is a critical component in ensuring high-quality project delivery that strategically delivers positive impacts. Putting in place a programme management approach with the equivalent capacity and expertise will be highly important for ensuring the effectiveness and impacts of future programmes.

The application, appraisal, contracting, monitoring and auditing processes used were very effective in ensuring the delivery of high-quality local growth interventions, strategic management of the programme was effective in enabling clear and timely responses to changing contextual factors. The processes and templates used in the ERDF programme would provide a useful foundation for the design of future programme management approaches, although some simplification of these could help to reduce the burden on project applicants and grant recipients.

14.27 The programme approach to risk management has been very proactive, with project-level monitoring and auditing being a strong focus, and contributing to low error rates (with respect to ineligible expenditure) at only 1.35 per cent by December 2021, as well as ongoing work to renegotiate financial and output targets with projects in which there was under-performance. At a more strategic level, the management team and governance structures have been effective in responding to challenges and changing conditions through OP modifications where there has been a risk of under-performance at a Priority Axis level, as well as introducing a new Priority Axis in response to new economic challenges.

14.28 The administrative burden on beneficiaries on the whole was assessed in the Phase 1 evaluation as being at an acceptable level. Overall, it was felt that programme management had simplified the forms and processes as much as was feasible, and by allocating named appraisers and contract managers, there was a clear communication route for project applicants and grant recipients. Although grant application and project management processes were more intensive than under many other programmes, the majority of applicants and grant recipients surveyed as part of the Phase 1 evaluation felt

that the amount of information requirements at outline and full application was about right and that ongoing communication regarding compliance and auditing was clear and satisfactory.

- 14.29 The commitment to three-year funding for projects was a key benefit of the ERDF programme, with many projects experiencing that time was needed to properly set up a project at the outset, involving recruitment and the establishment of systems and processes. Furthermore, many projects highlighted the retention of experienced staff as a major success factor in project delivery, which became more difficult as post-holders approached the end of their contract period; thus, longer-term funding enhanced staff retention.
- 14.30 One of the weaknesses identified in programme delivery was that there were some programme investment areas in which local areas lacked individuals with the expertise to design and deliver high-quality projects. In these cases, national organisations might have been better placed to have a greater delegated role from the MHCLG to design and deliver projects in consultation with local partners. Examples of this highlighted through the evaluation included PA5 flood defence investment (where the Environment Agency provides national expertise and could have been given a greater delegated role) and PA6 green and blue infrastructure investment.

Lesson 4: Engaging Specialist Expertise

Where specialist activities are eligible in future national programmes supporting local growth (particularly for investment types in which there is limited local expertise), consideration should be given to how local partners can engage the expertise required for the design, development and delivery of high-quality local schemes. This may require considering a) the feasibility of local stakeholders building that expertise internally, b) whether activity should be coordinated pan-regionally with expert resources built up at that level, or c) how relevant national organisations can be engaged and make themselves available to support and advise local partners throughout project design and delivery.

- 14.31 One of the key design aspects of the 2014–20 ERDF programme was the design of a national programme established to enable the delivery of local growth through 38 LEP areas and local strategic plans. The evaluation questions set out to explore the effect of this approach on overall delivery and the extent to which this was able to manage the balance between investing in a way that was responsive to local needs as well as ensuring regulation-compliant expenditure.
- 14.32 Overall, the approach worked to a degree. The national programme ensured strong management and compliance with programme regulations, whilst allowing local areas a degree of control over what was invested in. The

establishment of local Growth Delivery Teams by the MHCLG helped to ensure that programme management was closer to local areas across England to help ensure that local stakeholders were able to influence investments in their areas. To be more effective in ensuring investments that were responsive to local needs, however, the approach was missing a number of aspects that were identified through evaluation consultations, particularly with local area partners. These may not have been possible in the case of the ERDF programme (given the structure and regulations within which the programme was operating), but could be important for future national programmes supporting local growth, and include the following:

- Local areas need to be able to invest in the best responses to local needs. In this ERDF programme, local areas were limited in what they could fund by programme eligibility and the constraint of having to respond to a national programme rationale, objectives and indicators. If local needs differed from the priorities in the national programme, it was more difficult to make the case to secure funding for them.
- Local areas need to have objectives and result indicators established at the local level to help assess the local impact of investment. One possible opportunity for this in the ERDF programme was in relation to smart specialisation. All areas had been required to identify sectors/research areas in which they would focus investment, and while the evaluation has highlighted good alignment between these and what was invested in, there has been no monitoring of changes in those target sectors at the local level to review whether the investments have had an impact.
- Local governance mechanisms need to have more ownership of investment decision making. Although local ESIF committees had a role in advising on the alignment of project proposals with local strategies, they did not have full ownership from a policy and strategic perspective over what should be invested in (as the policy rationale and indicative interventions had been developed by national policy makers, and appraisal was undertaken at a national level).

Lesson 5: Setting Local Objectives & Result Indicators

For local areas to be able to steer investment in a way that responds to local needs and opportunities, it would be beneficial for future national programmes to enable local areas to specify objectives and result indicators (i.e. the socioeconomic indicators on which the local investments intend to have an effect) for their local area, under a national framework, and have the authority to develop strategies and make investment decisions that will help to deliver those objectives.

14.33 One area in which the programme approach was less successful was in seeking to develop synergies with other European funds. Findings from the Phase 1 evaluation identified that the programme design and regulatory environment, established by the EC for each fund, had made it difficult to join

ERDF funding with the ESF or other economic development funds. The key issues highlighted include the rigidity of programme processes and the additional compliance risks that a project would incur if taking on funding from two separate European-funded programmes. While local ESIF sub-committees provided a forum for a more joined-up discussion on this, members felt that too few projects had come forward in which ERDF- and ESF-funded activities were well integrated, despite the potential benefits that could be generated by more joined-up delivery. Findings from PA8 in this phase of the evaluation similarly identified that the differing regulations of the ERDF and ESF funds, compounded by each fund being led by different UK Government departments, made this difficult for local delivery partners to navigate and manage.

- 14.34 More broadly, there were several examples identified in the evaluation in which there had been poor alignment of local growth interventions supported under the ERDF programme with national-level interventions led by related governmental departments. One example under PA2 was the provision of ultrafast broadband connectivity vouchers offered by BDUK, which were provided on better terms than were superfast broadband connectivity vouchers offered by some ERDF projects, leading to a much reduced demand for support through the ERDF projects. Similarly, there were examples under PA4 in which national interventions led by BEIS were not complementing ERDF-supported activity, while COVID-19 response business loans were typically offered on much more attractive terms than was debt finance offered through ERDF-backed projects. Although not ultimately having a substantial effect on delivery, the disconnection between nationally planned interventions and local growth activity funded through the ERDF programme did lead to a degree of duplication and inefficiency, where, ideally, activity at both levels should be complementary.

Lesson 6: Alignment of National and Local Projects

The investment types of most local growth programmes will include activities led and delivered locally but that contribute to the same aims as those of national programmes. For future national programmes supporting local growth, it will be important to set up structures that ensure that national governmental departments and agencies leading on policy relating to local growth activities are closely engaged with the programme and what is being delivered. There should be strong communication and knowledge sharing regarding what is being delivered (in both directions) on an ongoing basis throughout programme delivery, with mechanisms in place to address any issues of duplication/conflict in activities being supported, as well as to maximise opportunities for national- and local-level interventions to complement one another.

- 14.35 The inclusion of the horizontal principles in the programme has had some effect in contributing to enhanced equality and sustainability; however, this

effect could have been greater. Their inclusion in the programme has meant that every project needed to consider and respond to both principles. At a basic level, this has led to new buildings being completed to high standards of sustainability (using the BREEAM or CEEQUAL standards) as well as to business support projects ensuring the application of their organisations' equality and diversity policies. For some grant recipients, it has provided a trigger for the development of more proactive responses to these principles, with examples of good practice arising and documented in this evaluation. However, as identified in the Phase 1 Process Evaluation, responses to the horizontal principles were given a lower priority than were other parts of the programme in appraising, approving and monitoring projects. Moreover, there were no clearly stated objectives or performance indicators monitored in relation to the horizontal principles, and there was limited guidance or sharing of good practice to encourage more proactive responses from grant recipients.

Lesson 7: Support to Embed Horizontal Principles

If the inclusion of horizontal principles is a high priority for future national programmes supporting local growth, then efforts to better embed these could be considered in the programme design. In particular, this could include setting specific objectives and performance indicators for the principles; further guidance, training, and sharing of good practice regarding opportunities for different types of investment to contribute to the principles; stronger challenging of proposed approaches as part of the project appraisal process; and a requirement for projects to report on actions and effects as part of the project monitoring process.

- 14.36 The delivery of project-level summative assessments within the programme has had mixed success. The coverage of summative assessments has been strong, with every project required to complete a summative assessment; however, the programme evaluation has found weaknesses in the robustness of project evaluation methodologies. These largely reflected limited budgets (even where meeting the indicative value of one per cent of the project value set out in the summative assessment guidance, these were often insufficient to enable the inclusion of more robust counterfactual impact evaluation methodologies) and often a lack of experience in those commissioning the evaluation. A lack of evaluation expertise amongst commissioners could mean insufficient expertise to distinguish between the quality and the appropriateness of different methodological approaches set out by evaluation tenderers, and, as a result, commissioners leaning more towards lower-priced tenders.
- 14.37 While the summative assessments have typically provided useful summaries of what has been delivered and helped to ensure accountability of the use of public funds, they have been less effective in helping to build robust policy insights into what has worked well in local growth interventions in particular contexts. Furthermore, there have been limited approaches throughout the

programme period with regard to the sharing of summative assessment learning. (Some of the summative assessment reports are now shared on gov.uk and via practitioner bulletins; however, these have been relatively limited and the number of unique individuals downloading from the folder containing all reports at the time of the evaluation was around only 360 over an 18-month period.) Overall, this has been a missed opportunity for supporting future policymaking and indicates a need for future national programmes supporting local growth to reconsider the most effective way in which to capture robust learning through the evaluation approach of interventions of this nature.

Lesson 8: Designing Evaluation Strategy to Support Robust Insights into What Works

To build a stronger bank of robust evaluation evidence regarding what works for different types of local growth investment in different contexts, further consideration is needed in future national programmes supporting local growth as to how this work should be scoped, commissioned, delivered and shared in order to enhance the benefit for policymaking in relation to local growth. It is important that this approach be balanced with the continued need for evaluation to provide a means of ensuring the accountability of all projects receiving public spending, testing that projects have been delivered in line with proposals and have delivered the types and scale of outputs and outcomes expected.

Lesson 9: Improving Dissemination of Evaluation Evidence

To support policymakers involved in the delivery of future national programmes supporting local growth, it would be valuable to set up a mechanism that enables the marshalling and easy accessibility of current robust evaluation evidence regarding what works for different interventions in different contexts.

Making this available to makers of local growth policy who are involved in designing, appraising and approving projects in relation to investment areas supported by the programme could help to enhance the quality of interventions going forward, as well as continuing to grow a more robust evidence base.

Programme Impacts

14.38 The programme's achievements against its specific objective result indicators, comparing the latest data to baselines, are mixed. Across 31 result indicators, 15 were showing positive progress or achievement bettering targets, two were

showing negative change against the baseline, one showed no change, and for 13, information was not available at the time of this evaluation.

- 14.39 The attribution of changes in result indicators to the interventions supported is challenging in many cases. The spread of programme investment across a large number of investment types as well as the nature of result indicators, almost all of which are at the national level, mean that there are few indicators where there is a sufficient critical mass of activity for the investment to have had a substantial effect on an indicator.
- 14.40 Even where this is the case, such as the effect of PA1 investments influencing the proportion of SMEs which are innovation-active, the evaluation evidence indicates that the programme has had a positive influence on this indicator; however, other factors, notably those relating to impacts on the business appetite to invest in innovation following the outbreak of COVID-19, have had a larger negative influence, meaning that this indicator has shown negative change in comparison to the baseline (accounting for indicators in both PA1 and PA4 that showed negative change).

Lesson 10: Defining Appropriate Result Indicators

The establishment of result indicators for different intervention types under the ERDF programme was useful in helping to focus the delivery of activities on ensuring their contribution to the specific objective.

For future national programmes supporting local growth, it is useful to establish result indicators; however, these need to be carefully defined to reflect the outcomes that the programme is seeking to achieve, and supported activity related to them needs to be of a sufficient scale to be able to have a notable impact on those indicators. These could be established at the local level as well as the national level.

- 14.41 Evidence on the effect of interventions on beneficiary outcomes provides greater insight into the programme impacts. Surveys were conducted with business beneficiaries of research and innovation support (PA1 and PA4), SME competitiveness support (PA2 and PA3), and energy and resource efficiency support (PA4), as well as with entrepreneurs and startups supported under PA3. Across all groups, respondents indicated high levels of satisfaction, with between 75 and 81 per cent of respondents in each group indicating that they were very or fairly satisfied, reflecting positively on the quality of support provided. It was notable in each case that beneficiaries typically indicated slightly higher satisfaction with the specific knowledge of those delivering support, and slightly lower satisfaction with the project deliverer's understanding of the beneficiary SMEs, which may indicate that support providers need to consider investing greater resources at the outset in understanding the specific beneficiaries and their bespoke needs.

14.42 The survey findings helped to provide detailed insights into the types of obstacles that beneficiaries were seeking support to help overcome, as well as the extent to which the support helped them to achieve this:

- For established businesses in PA1 and PA3, the availability of finance was one of the most common obstacles cited by beneficiaries. Following support, 50 per cent of PA1 beneficiaries and 64 per cent of PA3 beneficiaries stated either that this was no longer an obstacle or that some progress had been made against the obstacle. In both Priority Axes, however, over one third responded that this was still an obstacle to at least the same extent following support. Note: the figures related to all businesses receiving support, not focused specifically on those that accessed finance through the programme.
- In PA1, other key obstacles included gaps in knowledge or expertise as well as access to suitable or affordable research facilities. Following project support, over 75 per cent of respondents indicated that each of these obstacles had either been overcome or seen progress made against it.
- For established businesses supported under PA3, the other most common obstacle to growth identified was a lack of internal business expertise. Following project support, 88 per cent of respondents indicated that this obstacle had either been overcome or seen progress made against it.
- For entrepreneurs and startups supported under PA3, the key obstacles highlighted were in relation to experience and expertise with which to start up or run a business. Following project support, 87 per cent of entrepreneurs and 92 per cent of startup respondents indicated that these obstacles had either been overcome or seen progress made against them.

14.43 Survey findings and other evaluation evidence also help to draw out the most common outcomes secured by the investment under each Priority Axis, which align strongly with the expected outcomes set out in the OP. While in some cases it is too early to see full outcomes at this stage, the findings provide useful insights into intermediate outcomes in many cases:

- Under PA1, the most common outcomes sought by beneficiaries were in relation to the development of new products and services. Of those surveyed, 51 per cent of supported businesses stated that in the last 12 months, they had introduced new or significantly improved products, services or processes as a direct result of the support. In addition, 64 per cent indicated that as part of the support, they had been advancing a technology towards market readiness, and more than nine out of 10 of these indicated that the technology had moved to a higher technology readiness level following support. In addition, 66 per cent responded that their organisation was more innovative following support from the programme.
- The SME competitiveness interventions (including established businesses in PA3 and PA2) were primarily seeking to grow their businesses. The survey data show that for those businesses that were trading before support and had at least one employee, 66 per cent of respondents indicated that their turnover

had increased and 36 per cent of respondents indicated that the number of employees had increased post-support in comparison to pre-support.

- For entrepreneurs and startups supported under PA3, the main outcomes sought were in relation to the startup, survival and growth of their businesses. The entrepreneur survey showed that following support, 55 per cent of those surveyed proceeded to start a business, with a further 35 per cent that had not done so yet but still intended to do so. Of those that started a business following support, 88 per cent reported that they were still trading. The majority of both the entrepreneur and startup groups of respondents indicated that the support received had improved the likelihood of their business surviving in the short term (69 per cent for entrepreneurs and 60 per cent for startups).
- Under PA4, the main outcomes sought by beneficiaries were in relation to improving energy and resource efficiency, reducing business costs, and reducing greenhouse gas emissions. Over 90 per cent identified that some progress had been made against all three goals, although less than 20 per cent felt that any of those objectives had been met in full following the interventions.
- The investments in PA5 were expected to lead to economic impacts relating to increased property values, business confidence, and investment in the area by new and existing companies. While detailed findings are not yet available, there is anecdotal evidence from project-level summative assessments of these areas securing new investment following the completion of schemes, indicating the types of outcomes expected.
- For PA6, 7, 8 and 10, and for capital interventions under other Priority Axes, it was typically too early for summative assessment evidence to be available, or where these had been completed, they commonly lacked detailed insights into outcomes and impacts realised.

14.44 The findings regarding the application of horizontal principles indicate that while these did contribute to enhanced equality and sustainability in the delivery of projects to varying degrees, there is no quantifiable evidence captured by the programme in relation to this, and there is very little qualitative evidence on impacts captured in project-level summative assessments or at the programme level. There is little evidence that the approach to the application of horizontal principles employed in this programme has led to the mainstreaming of any substantial improvements in project delivery approaches in relation to equality and sustainability outcomes.

14.45 The alignment of domestic funds with ERDF investments to secure match funding has primarily happened at a project level, rather than strategically, but has played a key role in increasing the scale and impact of investments. However, the evaluation has found little evidence that alignment with other EU funds has had any substantial effect on the overall impacts achieved by ERDF investment.

14.46 At a project level, findings from summative assessments in relation to factors that have led to greater impacts include the following:

- Projects should be clear as to the types of beneficiaries that their interventions are most suited to supporting and where the greatest impacts can be achieved. These should be used to establish selection criteria for businesses, and those selection criteria should be robustly applied. Several summative assessments described a gradual loosening of the selection criteria if the uptake was slower than anticipated, leading to less suitable businesses being supported and the likelihood of weaker overall impacts.
- The support provided to businesses should be targeted at the specific nature of their needs and the obstacles that they are seeking support to overcome. Summative assessment evidence indicated higher satisfaction and stronger outcomes where business support was tailored to specific needs, rather than being provided in a standardised way to all businesses.
- Given the substantial socioeconomic changes experienced within this ERDF programme period, the flexibility of projects to adapt delivery approaches, and in some cases the nature of exactly what is being delivered, has been highly important to ensuring that positive impacts are achieved.
- The consistency of delivery teams (or a lack thereof) was one of the most common factors identified in summative assessments to explain strong delivery performance. The continuity and quality of activity delivered were directly related to the quality of the main delivery team, and therefore constituted a key factor underpinning the achievement of outcomes and impacts for beneficiaries.

Programme Value for Money

14.47 The very varied nature of programme investments and the challenges in robustly capturing impacts for many investment types, particularly capital investments, mean that it has not been possible to provide a full assessment of value for money across the programme as part of this evaluation

14.48 A later period of evaluation work would be needed in order for more of the medium to longer-term impacts of interventions to be fully captured so as to enable a comprehensive value-for-money assessment.