



EUROPEAN UNION
Investing in Your Future
European Regional
Development Fund 2007-13

North East Regional Development Fund (ERDF) Competitiveness Programme 2007-2013

ERDF 2007-13 Operational Programme Investment Framework Dec 2011- Dec 2013

1. Introduction

The ERDF Competitiveness Programme Investment Framework sets out the arrangements and processes which the Partnership and the Programme Delivery Team (PDT) will employ to translate the ERDF vision, objectives and strategic priorities set out in the 2007-2013 Operational Programme (OP)¹ into practical, deliverable programmes of activity and projects during the period October 2011² to December 2013.

Its main purpose is to establish the key high level and operating principles which will underpin the delivery of the programme and to identify broad processes and arrangements for developing and implementing priority areas within the OP, so as to facilitate the development of operational details to take forward its delivery.

N.B This Investment Framework replaces the ERDF 2007-13 Operational Programme Delivery Framework 2007-2013 which was endorsed by the Programme Monitoring Committee on the 18th of June 2008. This Investment Framework reflects the agreed Operational Programme and the original Delivery Framework, however aspects of the Framework have been revised to reflect:

- The transfer of Programme management functions from the Regional Development Agency to the Department for Communities and Local Government *(the Department) on the 1st July 2011.
- Changes to the institutional architecture supporting the Programmes delivery.
- The Programme modification submitted to the European Commission in August 2011.
- Findings of the Programme Mid-term Evaluation.

This Framework presents the Local Management Committee's (LMC) agreed Investment Framework for the ERDF 2007-13 Operational Programme for the period Oct 2011 to Dec 2013. It was agreed by the LMC on 14th October 2011. It follows a preliminary PEG meeting on the 10th August 2011 and consideration of a draft by the PEG on 14th September 2011. It sets out the arrangements and processes which the Partnership and the Programme Delivery Team (PDT) will employ to translate the ERDF vision, objectives and strategic priorities set out in the 2007-2013 Operational

¹ References to the OP refer to the modified Operational Programme agreed with the European Commission in (TBC), it is available from the ERDF Website at: (TBC)

² The Open Calls under Priority One and Priority Two will remain open until December 2011 in accordance with the Delivery Framework.

Programme (OP)³ into practical, deliverable programmes of activity and projects during the period October 2011 to December 2013.

Three Commissioning routes are identified as follows:

Non-competitive selection for discrete projects which are either identified within the OP and Delivery Framework and or activities which were included within these projects but may now come forward in a different form as a consequence of changes to the institutional architecture. Non-competitive selection will only apply to:

- Certain products (e.g. Manufacturing Advisory Service (MAS) and Business Coaching for Growth) commissioned by the Department for Business Industry and Skills (DBIS) as part of the Solutions for Business product portfolio where partners agree that ERDF would add value to core provision.

The PEG will determine whether products within the portfolio may be brought forward through this route having regard to the products ability to delivery against local priorities and contribute to the Programme's financial and non financial performance targets.

These projects will proceed as and when they are ready and will be subject to ERDF gateway / selection criteria as well as to ERDF technical Appraisal. An indicative financial envelope of **£5m ERDF (9% of remaining Programme resources)** has been set aside for these activities. This will result in a total of £88m (27% of total programme resources) being allocated through this route against an initial allocation of 31% in the Delivery Framework⁴.

Time Limited Rounds Based Bidding.

This approach reflects the priorities within the second half of the Programme of developing a robust pipeline of projects and focussing remaining investments to meet both the Programme's financial and non-financial performance metrics and its strategic objectives.

This approach will initially be applied to capital related investment in both Priority 1 and Priority 2 of the Programme. A total of **£33m 60% of remaining ERDF resources** would be allocated through round based bidding of which £16.8m will be drawn from Priority 1 and £16.2m from Priority 2, representing 90% of the remaining indicative capital allocation to each Priority. A number of rounds of capital investment will be undertaken during 2012-2013. In each round a commissioning document will be issued setting out investment priorities in order to manage expectations and to maintain the programme strategic focus. The first round will open in December 2011.

This approach may also be applied to revenue related investment in Priority 1 and or Priority 2 where the Programme Executive Group feels it is appropriate and necessary to achieve the Programmes performance targets.

³ References to the OP refer to the modified Operational Programme agreed with the European Commission in (date to be confirmed), published on DCLG ERDF Website.

⁴ This includes the decision by PMC to increase the allocation to FEIs through JEREMIE to £60M

Open Call for ERDF.

The remaining balance of ERDF resources **£16.9m 31% of remaining resources** would be allocated through the open call of which £8.1m will be drawn from Priority 1 and £8.8m from Priority 2. The key rationale for this approach is to provide a degree of flexibility to enable projects which do not fit with non-competitive selection or limited bidding approach to be brought into the Programme to support the achievement of financial and non-financial targets.

The call will be facilitated through the use of two commissioning documents, one for Priority 1 and one for Priority 2. The Call will be launched in January 2012 with an indicative closure date of August 2013, allowing projects to be selected and assessed on a rolling basis during this period.

The practical implementation of the programme will be led by the themes identified in the vision and global objectives of the OP as agreed with partners, UK government and the EU Commission. These are set out below.

2. Vision for the Programme

The North East Competitiveness Programme will by 2015 have made the region a more cohesive, ambitious and attractive place in which to invest and work based on the creation of a **modern, innovation focused economy** that is **well placed to exploit the economic and social opportunities associated, in particular, with renewable energies and technologies** that contribute towards a healthy environment.

It will **strengthen the region's entrepreneurial culture and grow the region's business base** resulting in an outward facing regional economy and society that is self reliant and confident of its ability to compete in the global market place.

3. Global Objectives of the Programme

The vision outlined above will be implemented through the achievement of the global objectives of the programme i.e.:

By 2015 to increase GVA per capita in the North East towards 90% of the UK average (111% of EU average) in a sustainable manner through actions leading to:

- **Increased business density** as a result of the creation of 2,700 new businesses, of which 15% will be in disadvantaged areas;
- The **creation / safeguarding of 28,500 gross jobs** of which at least 10% will be in disadvantaged areas;
- An **increase in R&D expenditure** as a proportion of regional GVA of 0.2%;
- **Improved environmental management and energy efficiency** in 2,850 assisted businesses;
- **Increased productivity** among the region's businesses resulting in an increase of 1.1bn GVA per annum.

The high level vision and global objectives of the programme will underpin the selection criteria and focus of programme activity across the two strategic priorities identified in Chapter 4 of the ERDF Operational Programme (OP). These are:

- Priority 1 (Enhancing and Exploiting Innovation) will promote and embed 'opportunity' by advancing science, technology and innovation within the

business base and broader communities linked to the agreed strategic underpinnings of the OP.

- Priority 2 (Business Growth and Enterprise) will address 'need' by promoting measures that develop the enterprise base of the region, including in disadvantaged parts of the region, to address the relative underperformance of the North East in terms of business formation, sustainability and environmental performance.

In addition, three cross cutting themes will be mainstreamed across priorities and will influence the design and delivery of programme activity. These will be:

- Environmental sustainability;
- Equality of opportunity;
- Spatial cohesion.

4. Cross Cutting Themes

The horizontal themes of environmental sustainability and equality of opportunity are embedded in the EU Structural Fund Regulations. As such they constitute a legal obligation in terms of shaping both the development and implementation of the region's Competitiveness Programme.

For example, the cross cutting themes are reflected in programme governance structures and incorporated in programme indicator and output targets, forming an integral component of project selection criteria, monitoring activity and evaluation strategies.

A third horizontal theme focusing upon the need to address spatial disparities in economic inclusion is represented in the shape and focus of the Programmes Priorities, in particular in respect of the geographical distribution of Innovation Connectors in Priority 1 and the prioritisation of enterprise support in disadvantaged areas under Priority 2, Field of Action 1.

The environmental sustainability focus of the programme will prioritise support to businesses in order to improve environmental performance, exploiting the opportunities that this can have to significantly improve long term economic performance. For example, the programme recognises and will seek to develop the potential of the environment as an economic driver focusing upon both energy consumers (communities and industry) and the potential to exploit new sectoral opportunities and energy technologies to contribute to sustainable economic development in the region.

Equality of opportunity is embedded within the Programme through selection criteria, appraisal, monitoring and evaluation. The Programme will ensure that employment opportunities created as a result of investment in innovation and business growth and enterprise are offered in an inclusive manner, that there is engagement with under-represented and disadvantaged groups and that projects take account of barriers to participation.

5. High Level Principles

In its role as the Managing Authority for the programme the Department will, working partnership with the LMC ensure that Programme implementation is underpinned by the following High Level Principles:

- **Partnership Working:** In line with the EU regulatory context within which the development and negotiation of the OP was undertaken, partnership working will be at the heart of the Investment Framework and implementation of the OP. The strategic implementation of the OP will be overseen by a Local Management Committee (LMC) as required in Articles 63 of the EC regulation No 1083/2006. In terms of day to day implementation the LMC will agree membership of - and be supported by - a Programme Executive Group (PEG), accountable to the LMC, consisting of regional, local and economic and social partners.
- **Openness and Transparency:** As with the design and development of the OP itself, openness and transparency in the selection, appraisal, management, monitoring and evaluation of programme activity will be a key principle underpinning the implementation of the Investment Framework.
- **Alignment with, National Regional and Local Economic Development Strategy /Resources:** The OP is framed by the policy context set out in EU Structural Fund Regulations and Community Strategic Guidelines and the UK National Strategic Reference Framework. During the period of the Investment Framework implementation of the Programme will remain closely aligned to that of the agreed North East Regional Economic Strategy (RES), whilst reflecting the local priorities of partners, particularly as articulated in the economic priorities of Local Economic Partnerships (LEPs) and national programmes e.g. business support products.

6. Financial Planning

The ERDF Programme provides £322m⁵ resources in total. Of this £171m (53%) is allocated to Priority 1 and £138m is allocated to Priority 2 (43%). A further £13m (4%) is set aside for Priority 3 Technical Assistance. This is the subject of a separate Implementation Plan (see TA Strategy).

As at October 2011 there are £122.5m (38% of total resource) remaining to be formally committed (£51m 42% is allocated to Priority 1 and £66m 54% is allocated to Priority 2), of which. £77m has been indicatively allocated to selected projects.

It is anticipated that £55m, £25m Priority 1 and £30m Priority 2 will be allocated to projects through this Investment Framework. This reflects the Secretariat's judgement of the likely conversion of selected projects to approval.

⁵ As at June 2011 HMT exchange rate projection.

There are no further allocations of the funds below Priority level, however the Operational Programme sets out indicative planning figures for each field of actions. These are:

Table 1

Priority	Field of Action	ERDF Indicative Planning Figures 2007-13
Priority 1 – Enhancing and Exploiting Innovation	i) Investment in Innovation Connectors	£69-£95m 40%-55% of Priority1 resources
	ii) Support for Innovation and Technology Led Sectors	£69-£95m 40%-55% of Priority1 resources
	iii) Exploitation of Science base	£9-£17m 5%-10% of Priority1 resources
Priority 2 – Business Growth and Enterprise	i) Cultivating and sustaining enterprise (including social/community based enterprise) in disadvantaged areas	£35-56m 25%-40% of Priority 2 resource
	ii) Enhancing the competitiveness and growth of existing SMEs (including social/community based enterprises)	£77-£98m 55%-70% of Priority 2 resource)

The indicative planning figures used above will be regularly reviewed by the Programme Executive Group (PEG) on behalf of the LMC. In the light of operational and performance experience the Programme Delivery Team will, where appropriate, consider and make recommendations for amendments to planning figures within Priorities for endorsement by Programme Executive Group. Any proposed virement between Priorities will need to be approved by the LMC and the EU Commission.

7. Implementation

Regional/Local Lead

7.1 The implementation of Priority 1 (Table 1 refers) will be taken forward by the Innovation Connectors working in partnership with local and national partners including local authorities, HE and FE institutions, the Technology Strategy Board and the private sector. Reflecting the growing maturity of the Innovation Connectors, no further indicative allocations will be made against the connectors individually or collectively and applications will be managed through the Time Limited Rounds and or the Open Call.

Investment of ERDF in Field of Actions 2 and 3 will continue to be informed by the Three Pillars of the North East England Strategy for Success, building on the region's technological strengths in Energy, Process Technologies, Health Sciences and Healthcare as well as the commitment to Design and Product Innovation.

7.2 The implementation of Priority 2 (Table 1 refers) will be taken forward by a range of partners operating at a North East, LEP, and local level including local authorities, enterprise agencies HE and FE institutions, business intermediary organisations and the private sector – in respect of capital investments in sites and premises.

The PEG and LMC will take an overview of the Priority 2 investment portfolio to ensure resources are invested efficiently and that the risk of fragmentation, inconsistency and duplication are effectively managed, whilst remaining responsive to local priorities as expressed by Local Economic Partnerships. Where practical and where products align with local priorities ERDF investment will be aligned to products within the national Solutions for Business Portfolio, through a process of non-competitive selection.

8 Prioritisation of Disadvantaged Areas

The Programme Delivery Team has worked in conjunction with sub-regional partners to identify and agree the methodology for use in identifying those areas of the region which provide a priority for investment under Priority 2, Field of Action 1: cultivating and sustaining enterprise in disadvantaged areas. Partners have agreed to retain the definition of disadvantaged used in the original Delivery Framework i.e.:

- **Durham** – These areas which were designated to receive investment under the LEGI programme, consisting of coverage at the level of the former District Authority areas of Easington, Wear Valley, Sedgefield and Derwentside. In addition Durham partners will use the top 30% most deprived Super Output Areas (SOA) as identified by the [Index of Multiple Deprivation \(IMD\) 2007](#) Employment Domain.
- **Northumberland** - Northumberland partners have agreed that the employment domain of the IMD 2007 will provide the basis for defining the county's most disadvantaged areas. The use of this approach broadly corresponds to the regeneration priorities of the county as reflected in the Strategic Investment Plan, namely:
 - The South East Northumberland area, focusing on Ashington and Blyth
 - The market towns of Berwick and Amble where particular market economic failure is apparent.
- **Tees Valley** - Tees Valley disadvantaged areas will consist of the former LEGI area of Redcar and Cleveland and those wards that contain Super Output Areas (SOA) that score in the worst 30% nationally of the Employment Domain IMD 2007. The wards identified correspond to areas previously designated to receive investment from the Working Neighbourhood Fund.
- **Tyne and Wear** - Tyne and Wear partners have agreed that disadvantaged areas will be identified on the basis of those lying within the 30% of the IMD 2007 (Employment Domain) and the former LEGI area in South Tyneside.

1. Project Commissioning Process

9.1 Commissioning Routes

Within the period of this Investment Framework Partners have agreed the following three approaches to Commissioning operations into the ERDF programme i.e.

- Non-Competitive Selection
- Limited Rounds Based Bidding
- Open Call

The programme will utilise a combination of these routes. The PEG will keep under review the blend of routes, the indicative financial allocations to each route (or a round within a route) and focus of commissioning within each route (i.e. the nature and scale and scope of operations to be sought). In response to strategic and practical needs the PEG may review any aspect of the commissioning process.

Table 2 Indicative programme commissioning timetable

	2011		2012										2013									
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Non-Competitive Selection																						
Round Based Bidding																						
Open Call																						

10. Non-Competitive Selection (NCS)

10.1 Strategic Rationale

The rationale for continued the use of non-competitive selection draws upon the extensive evidence base and consultation used to inform the Regional Economic Strategy (RES) the RES Action Plan which underpins the 2007-13 ERDF Operational programme.

The use of non-competitive selection will be confined to a limited number of cases where operations / projects were heavily trailed in consultation with partners and in negotiations with the EU Commission itself during the initial development of the Programme and or operations which have previously formed part of a broader package of activity which was subject to non-competitive selection, e.g. products with the Solutions for Business Portfolio which were previously a component of the regional Business Link investment.

The use of non-competitive selection seeks to recognise and take account of the extensive degree of consultation and agreement already secured by partners and to establish a route into the programme for these activities whilst respecting the

fundamental principles enshrined within the Treaty of equality of treatment, openness and transparency.

The justification for the use of non-competitive selection is based upon:

- the alignment of the Programme with National Strategy and resources;
- the findings of the Programme's Mid-Term Evaluation which found that the strategic basis of the Programme is strong and recommended that the Programme actively engage with BIS to look for opportunities to support existing and potential new region wide project activity; and
- the strong evidence base and high degree of formal consultation undertaken during the development of the Programme.

10.2 Alignment of ERDF Programme with Agreed Regional Priorities

In contrast to previous EU financial perspectives the 2007-2013 NE Competitiveness programme was developed within the context of agreed regional priorities as represented in the Regional Economic Strategy (RES). The RES established for the region a clear hierarchy of agreed investment priorities and underpins the Operational Programme.

The investment priorities of regional partners were further clarified by the development and negotiation of the RES Action Plan, which set out key areas for investment across a breadth of funding streams including public, private and other investment. The RES Action Plan was formally agreed following a further twelve-week statutory consultation process and Strategic Environmental Assessment.

The Mid-Term Evaluation has established that the strategic underpinning of the Operational Programme remains highly relevant to the needs and opportunities facing the North East; in developing Commissioning Documents the PEG will also take account of local strategic priorities and investment opportunities.

10.3 Identified Operations

The following discrete operations may be brought into the programme using non-competitive selection:

- Business support products within the national Solutions for Business Portfolio where the PEG/LMC agrees that these reflect local priorities and there is clear additionality in the investment of ERDF resources:
 - Manufacturing Advisory Service (MAS)
 - Business Coaching for Growth
 - The innovation products managed by Technology Strategy Board.
 - Designing Demand
 - Developing International Trade (UKTI)

10.4 Scale of Non-competitive Selection

It is anticipated that in the region of 9% of the ERDF residual resources to be allocated through this Investment Framework (£5m) will be allocated through the non-competitive selection process. This would bring the total ERDF investment through this route 2007-2013 to £85m, 27% of total ERDF resources this is less than the original allocation figure of 31% of resources set out in the Delivery Framework.

10.5 Ensuring Transparency, Procurement Compliance and Value for Money.

Transparency:

On behalf of the LMC the Programme Executive Group will:

- Agree the projects/activities to be taken forward through non competitive selection
- Agree the financial envelope within which each project/activity will be expected to operate
- Agree the expected returns for ERDF investment against both Programme performance targets (e.g. outputs, results and impacts) and local priorities e.g. specific sectoral or thematic foci.
- Systematically review progress and receive evaluation reports
- Report progress periodically to LMC

Projects will be subject to compliance with ERDF gateway, core and appraisal criteria to ensure that robust options appraisal, market failure and value for money issues are appropriately and consistently considered.

10.6 Non-Competitive Selection Process

The PEG will determine whether products within the Solutions for business portfolio may be brought forward through this route having regard to the products ability to delivery against local priorities and contribute to the Programme's financial and non financial performance targets.

Following PEG approval to bring operations into the programme using the Non-Competitive Selection route the Programme Delivery Team acting on behalf of the PEG will facilitate the entry into the programme of the key strategic operations as identified at section 10.3 of this paper as and when operations are ready to come forward.

Project Applicants working in conjunction with partners as appropriate will be responsible for the preparation and submission of outline ERDF applications to the Programme Delivery Team. Support to enable applicants to understand and comply with the technicalities of ERDF investment will be offered to all applicants.

In line with the project selection criteria agreed by PMC (Section B, Annex 1 of Paper RESEC/FEB/08/6c Agenda item 6) the Programme Delivery Team will apply the ERDF gateway and core selection in order to ensure that operations meet the basic criteria to progress to the development of a full application. At this point the PEG will be asked to formally select the project for inclusion with the programme.

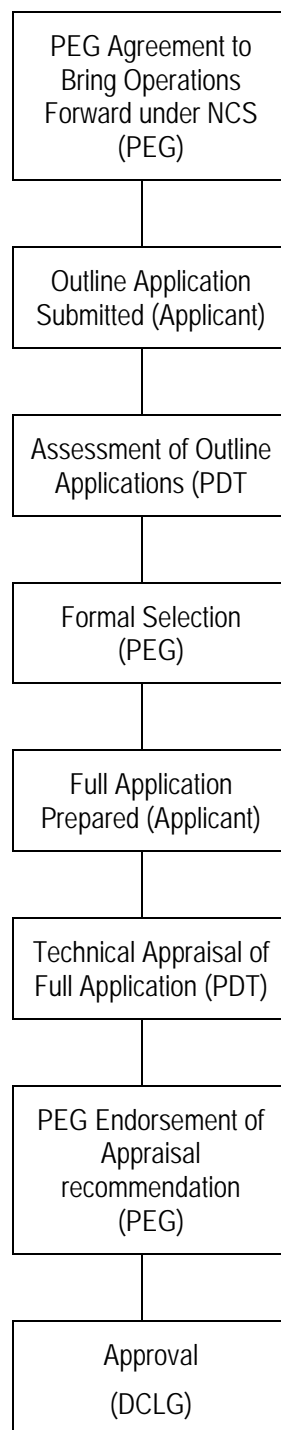
Table 3. Indicative NCS Timetable

Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Agreement to NCS of activity											
	Submission of Outline Application(s)										
		Assessment of Outline Application(s)									
			Project Selection								
				Submission of Full Applications							
						Appraisal, Endorsement and Approval of Full Applications					

Project Applicants working in conjunction with partners as appropriate will be responsible for the preparation and submission of full ERDF applications to the Programme Delivery Team. Support to enable applicants to understand and comply with the technicalities of ERDF investment will be offered to all applicants.

The Programme Delivery Team will then carry out the subsequent ERDF Technical Appraisal. At this point the PEG will be asked to endorse the recommendations of the Technical Appraisal. Projects will then be formally approved (or otherwise) by the Department in line with its scheme of delegation.

Fig 1 Process Flow Chart 1 Non-Competitive Selection



11. Round Based Bidding

11.1 Rationale

A process of time limited rounds based bidding will be used to allocate capital resources within Priority 1 and Priority 2. This approach reflects:

- The increased emphasis on capital investment during the remainder of the programme.
- The need to establish a strong pipeline of projects as the programme moves towards commitment and defrayal deadlines in 2013 and 2015 respectively.
- The increased pressure, as a result of the diminishing resources, to ensure that the remaining ERDF investment is focussed where it will have greatest impact and deliver greatest value for money.

This route has been developed on the basis of its benefits in strengthening the PEGs ability to *inter alia* establish a robust investment pipeline, ensure alignment of investment with agreed local priorities, judge the value for money and strategic impacts of competing proposals, and monitor progress towards future N+2 targets.

This route replaces the submission of capital projects on an *ad hoc* basis through the Open Call.

With the agreement of the PEG this approach may also be extended to revenue activities if appropriate e.g. to commission specific activities where local partners feel there is a gap in provision and or to commission activities that will deliver outputs/results in which the programme is deficient.

11.2 Process

The process for limited rounds based bidding will be as follows:

- The Programme Delivery Team will prepare a draft Commissioning Document for each bidding round which will set out:
 - The priorities for ERDF investment within that round based on the agreed Fields of Action set out in the OP and the local priorities expressed by LEPs.
 - The indicative funding envelope for that round.
 - The expected ERDF Outputs, Results and Impacts expected to be generated by projects within the round.
 - The timetable and arrangements for the submission of proposals
 - The criteria against which submission will be assessed
 - Any other relevant information

This draft Commissioning Document will be presented to the PEG for its consideration.

- The Commissioning Document will be published on the Department's ERDF website and details will be circulated to ERDF partners/Stakeholders.
- Project Applicants working in conjunction with partners as appropriate will be responsible for the preparation and submission of outline ERDF applications to the Programme Delivery Team. Support to enable applicants to understand

and comply with the technicalities of ERDF investment will be offered to all applicants.

- The Programme Delivery Team will undertake an initial assessment of the outline applications which will include
 - The gateway and core selection in line with the project selection criteria agreed by PMC (Section B, Annex 1 of Paper RESEC/FEB/08/6c Agenda item 6)
 - The projects fit with and contribution to the priorities and targets set out in the Commissioning Document.
- The outcome of the Programme Delivery Team's assessment will be presented to the PEG for its consideration. The PEG may then:
 - Select projects for inclusion in the Programme
 - Agree to defer projects to a future round
 - Reject projects.
- In circumstance where the total ERDF value of submitted proposals exceeds the indicative funding envelope:
 - the initial assessment of projects will incorporate a scoring/ranking of projects against the agreed selection criteria
 - The PEG may choose to increase (subject to availability of resources and taking account of performance targets) the indicative funding envelope to enable projects which would make a strong contribution to the Programmes objectives and performance to be brought forward.
- After the PEG selection stage projects will no longer be viewed in rounds i.e. full applications will be submitted, appraised and presented to PEG for Endorsement on an individual basis – this reflects the differing timescales of projects.
- Project Applicants of selected projects, working in conjunction with partners as appropriate, will be responsible for the preparation and submission of full ERDF applications to the Programme Delivery Team. Support to enable applicants to understand and comply with the technicalities of ERDF investment will be offered to all applicants.
- The Programme Delivery Team will then carry out the subsequent ERDF Technical Appraisal. At this point the PEG will be asked to endorse the recommendations of the Technical Appraisal. Projects will then be formally approved (or otherwise) by the Department in line with its scheme of delegation.

11.3 Scale of Round Based Bidding

It is anticipated that in the region of £33m 60% of remaining ERDF resources would be allocated through round based bidding of which £16.8m will be drawn from Priority 1 and £16.2m from Priority 2, representing 90% of the remaining indicative capital allocation to each Priority.

11.4 Timescales

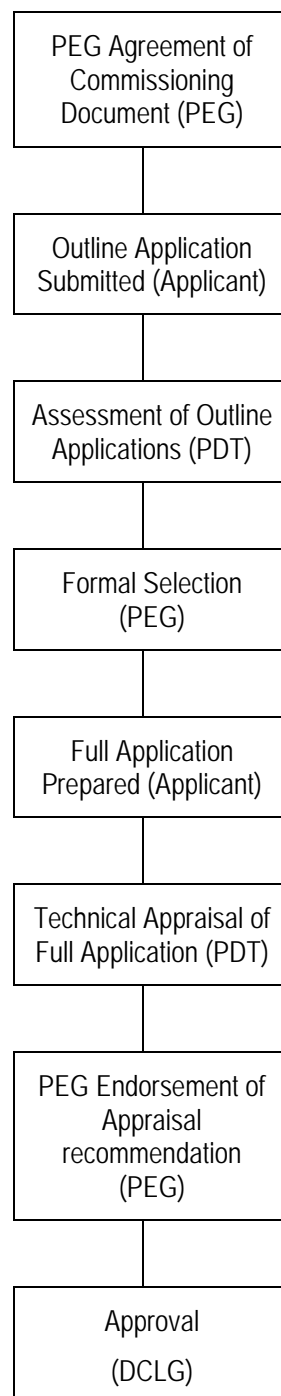
In order that projects can be brought forward in a timely manner Limited Bidding Rounds will be undertaken on a staggered basis. The timetable for these rounds will be designed so as to maximise the benefits of a rounds based system whilst also enabling projects to be submitted when they are at an appropriate stage in development.

Table 4 provides an indicative timescale for the key activities in each round

Table 4. Indicative Round Based Bidding Timetable

Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11
Round Open										
		Assessment of Outline Applications								
					Project Selection					
					Submission of Full Applications					
						Appraisal, Endorsement and Approval of Full Applications				

Fig 2. Process Flow Chart Round Based Bidding



12. Open Call Limited by Financial Envelope

12.1 Strategic rationale

Successful implementation of the proposals for non-competitive selection and the limited rounds based bidding will enable the programme to commit a significant proportion of the available resources.

The partnership however is not complacent and recognises the need to support and encourage a range of additional, strategically sound and deliverable activities to come forward to:

- Minimise risk and support the achievement of N+2
- Maximise leverage from other funding sources
- Encourage innovation
- Respond proactively to future opportunities/needs

Projects that are eligible to be brought forward through the non-competitive selection route or the limited rounds based bidding route will not be eligible for submission under the Open Call.

12.2 Scale of Open Call

It is anticipated that in the region of £16.9m 31% of remaining resources would be allocated through the open call of which £8.1m will be drawn from Priority 1 and £8.8m from Priority 2.

12.3 Open Call Process:

- The Programme Delivery Team will prepare two draft Commissioning Documents one for each Priority, which will set out:
 - The priorities for ERDF investment within that round based on the agreed Fields of Action set out in the OP and the local priorities expressed by LEPs.
 - The indicative funding envelope.
 - The expected ERDF Outputs, Results and Impacts expected to be generated by projects within the call.
 - The timetable and arrangements for the submission of proposals
 - The criteria against which submission will be assessed
 - Any other relevant information

This draft Commissioning Document will be presented to the PEG for its consideration.

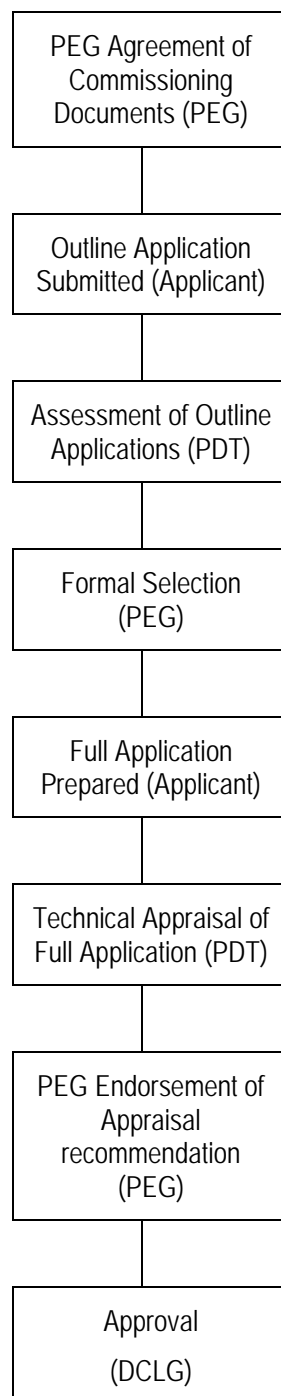
- The Commissioning Document will be published on the Department's ERDF website and details will be circulated to ERDF partners/Stakeholders.
- Project Applicants working in conjunction with partners as appropriate will be responsible for the preparation and submission of outline ERDF applications to the Programme Delivery Team. Support to enable applicants to understand and comply with the technicalities of ERDF investment will be offered to all applicants.

- Project Applicants working in conjunction with partners as appropriate will be responsible for the preparation and submission of outline ERDF applications to the Programme Delivery Team. Support to enable applicants to understand and comply with the technicalities of ERDF investment will be offered to all applicants.
- In line with the project selection criteria agreed by PMC (Section B, Annex 1 of Paper RESEC/FEB/08/6c Agenda item 6) the Programme Delivery Team will apply the ERDF gateway and core selection in order to ensure that operations meet the basic criteria to progress to the development of a full Business Case.
- The outcome of the Programme Delivery Team's assessment will be presented to the PEG for its consideration. The PEG may then:
 - Select projects for inclusion in the Programme
 - Agree to defer projects to a later meeting
 - Reject projects.
- Project Applicants working in conjunction with partners as appropriate will be responsible for the preparation and submission of full ERDF applications to the Programme Delivery Team. Support to enable applicants to understand and comply with the technicalities of ERDF investment will be offered to all applicants.
- The Programme Delivery Team will then carry out the ERDF Technical Appraisal. At this point the PEG will be asked to endorse the recommendations of the Technical Appraisal. Projects will then be formally approved (or otherwise) by the Department in line with its scheme of delegation.

12.4 Timescales

In order to facilitate the closure of the current open calls in December 2011 the Open Call will be launched in January 2012 with an indicative closure date in August 2013 – reflecting the need to commit resources by 31st December 2013.

Fig 3. Process Flow Chart Round Based Bidding



13. Financial Implications:

Table 5 – summarises the impact of the allocations to each of the three Commissioning Routes.

Table 2

	£m ERDF		
Priority 1	Total	Cap	Rev
Non Competitive Selection	0.00	0.00	0.00
Rounds Based Bidding	16.87	16.87	0.00
Open Call	8.13	1.88	6.25
Total	25.00	18.75	6.25
Remaining Balance	0	0	0
Priority 2			
Non Competitive Selection	5.00	0.00	5.00
Rounds Based Bidding	16.20	16.20	0.00
Open Call	8.80	1.80	7.00
Total	30.00	18.00	12.00
Remaining balance	0	0	0
Total P1 + P2			
Non Competitive Selection	5.00	0.00	5.00
Rounds Based Bidding	33.07	33.07	0.00
Open Call	16.93	3.68	13.25
Total	55.00	36.75	18.25
Remaining balance	0	0	0

14. Project Selection Process

The project selection and appraisal process for any project in seeking ERDF investment has two key stages:

1.1 Project Selection Stage

- **Completion and Assessment of an Outline Project Application (OA)** which provides sufficient information against which a project can be assessed.
- **Gateway Criteria Assessment** Ensuring projects meet the basic eligibility criteria for ERDF. Gateway criteria sets out the minimum eligibility requirements which must be met in order for any project to be considered for ERDF support. OAs which fail to meet any aspect of the minimum criteria will be rejected and will not be considered for ERDF support.
- **Core ERDF Selection Criteria** Projects meeting gateway criteria will progress to assessment against ERDF core selection criteria. This will determine the degree to which the project proposal contributes to meeting the performance indicators, outputs and impacts of the programme.

- **PEG Selection of projects.** The PEG taking account of the recommendations of the assessment of OAs will formally select, defer, or reject the inclusion of projects in the ERDF Programme.

This stage not only assesses the potential of the project to deliver on a wide range of ERDF outcomes and outputs but also provides an opportunity for shaping and improving project submissions in order to maximise the impact of the proposed activities and ERDF investment.

1.2 Appraisal of a Detailed Full Application

Having successfully completed stage 1, all projects seeking ERDF support must be subject to a robust, independent, technical ERDF appraisal. This will result in the issuing of a recommendation for approval and associated terms and conditions of approval.

These Recommendations will be presented to the PEG for consideration and endorsement. Following which Projects will then be formally approved (or otherwise) by the Department in line with its scheme of delegation.

14.3 Procurement

All recipients of ERDF will be required to operate a formal tendering and procurement policy that is fully compliant with public procurement regulations and any further requirements specified by the Department.

Where ERDF is provided as **grant** in aid to the applicant organisation, **any downstream commissioning** of services or purchase of equipment must demonstrate compliance with public procurement regulations and any further requirements set down by the Department.

Given the high risk to Programme performance posed by procurement irregularities, procurement will remain a major focus of the assessment and appraisal of ERDF operations at both outline and full application stage and will be central to ongoing monitoring and verification activity.

14.4 Value for Money

In accordance with the ERDF appraisal criteria a robust assessment of delivery options, market need, added value, strategic fit as well as track record will be used to underpin value for money judgements made in the selection and approval of operations.

2 Operational Principles

The delivery of the 2007-1 ERDF Programme will be underpinned by the following operational principles.

2.1 Effective Management of N+2 Risk

From 2009 until 2015 partners are required to meet annual spend targets in delivering the agreed ERDF Programme that are non-negotiable. Failure to meet these ERDF N+2 targets and the associated threat of de-commitment of Programme resources from the region is a significant risk for both the Department as the Managing Authority and the wider regional partnership as represented in the LMC.

N+2 Achievement is entirely dependent upon the timely commitment of resources and sustained levels of spend and claims paid. Streamlined programme implementation arrangements and processes, alongside effective planning and monitoring, are essential in order to pro-actively manage and minimise the risk of failing to meet the annual n+2 targets for the programme and the subsequent automatic de-commitment of funds. The PEG, on behalf of the LMC, monitor progress against N+2 as a key determinant in day to day management of the Programme.

2.2 Fewer and Higher Impact Interventions

In line with the National Strategic Reference Framework (NSRF), CLG guidance on simplification and efficiency in delivery and partner agreement on the need to encourage more strategic interventions, a key factor underpinning the selection of projects will be the principle of fewer and higher impact interventions. The **minimum ERDF request in Priority 1 and Priority 2 is £500,000 (i.e. £1,000,000 total project cost).**

The PEG may choose to reduce this threshold or to accept projects below the threshold where they make a strong contribution to the Programme and there is a sound justification for their proposed scale and scope of operation.

2.3 Business Support Simplification Programme

ERDF will be aligned with and support strategies for the simplification of Business Support, defined as any publicly funded activity that benefits a business or potential business through grant, subsidy, advice or other service. In line with UK Government guidance, ERDF will be used to extend the scope of agreed business support products used across the public sector and to improve access to priority groups to meet business needs and deliver policy aims.

2.4 Management of Delivery Framework

Overall ownership of the ERDF Investment Framework will be with the LMC. The responsibility for managing the Framework and accompanying operational delivery plans will rest with the Programme Executive Group (PEG). The PEG will report to the LMC on progress and other key implementation issues annually or at the most appropriate intervals as required.

Annex 1 - Priority 1 and Priority 2 Overview (Activities and Outputs)

1. The structure of the ERDF programme has been informed by the evidence base that underpinned the development of the RES, a series of working papers undertaken as part of the development process of the OP itself, an extensive consultation process involving regional partners and formal negotiations with the EU Commission. The priorities of the programme are as follows:
 - Priority 1: Enhancing and Exploiting Innovation (53%)
 - Priority 2: Business Growth and Enterprise (43%)
 - Priority 3: Technical Assistance (4%)
2. The focus of Priority 1 is to promote and embed 'opportunity' by advancing science, technology and innovation within the region's business base and broader communities.
3. The aim of Priority 2 is to focus upon measures that address the relative underperformance of the North East in terms of business formation and sustainability, as such the Priority will address 'need' by developing the enterprise base of the region, in particular in disadvantaged parts of the region, and to support a more dynamic, growing business base across the region as a whole.
4. Tables 1 to 4 below give details of fields of action, indicative financial allocations and examples of activity under Priorities 1 and 2. Annex 1 details the outputs, results and impacts associated with each Priority. In a significant change to previous programmes there are no fixed measure level allocations; therefore flexibility exists for the LMC to manage both financial allocations and the achievement of outputs over the lifetime of the Programme at Priority level.
5. N.B Tables 1 to 2 below are drawn from the revised (following the Programme Modification) Operational Programme and reflect the entirety of the Programme 2007-2013.

Table 1: Priority 1

Priority 1: Enhancing and Exploiting Innovation		
Fields of action	Indicative Financial Planning Figure ERDF 2007-2013	Examples of activity
1) Investment in Innovation Connectors.	£68-94m	<p>i) Reclamation and preparation of sites and associated infrastructures, including management of environmental risks</p> <p>ii) Premises and capital works associated with exploitation of innovation, science and energy.</p> <p>iii) Community awareness and engagement actions related to science, energy, technology and innovation agenda and promotion of employment opportunities linked directly to Innovation Connector projects.</p>
2) Support for innovation and technology-led sectors	£68-94m	<p>i) Innovation focused, tailored support geared towards the needs of groups of or individual SMEs with high growth potential and their supply chains.</p> <p>ii) Network facilitation to enhance cooperation between SMEs in key sectors.</p> <p>iii) Revenue actions by Centres of Excellence and Innovation Connectors in delivering technology support to key sectors, including support with the development of new products and processes.</p> <p>iv) Financial and technology support for the development of new products and processes.</p>
3) Exploitation of Science base	£8.5-17m	<p>i) Support for research into commercial feasibility of scientific and technical innovation.</p> <p>ii) Direct support to SMEs to build capacity linked to science and design base</p> <p>iii) Financial assistance with working capital and investment.</p>

Priority 1 Performance Indicators and Targets

The scheme of performance indicators proposed below draws from that developed for use in all ERDF-funded Programmes by CLG plus region specific targets.

Table 2:

Indicator	Target
Outputs	
No of new SMEs and spin-out business assisted with innovation, including integrated development of workforce skills where appropriate.	1,100*
No of SMEs assisted with innovation, including integrated development of workforce skills where appropriate.	2,700*
No of SMEs receiving financial assistance.	850*
Area of R&D premises developed (m2).	37,000
Brownfield land reclaimed &/or redeveloped (ha).	7
No of integrated packages of activity to embed the benefits of investments in innovation in disadvantaged communities	10
No. of people in the workforce of SMEs working in collaboration with Innovation Connectors and/or Centres of Excellence, or in those organisations, assisted with skills development	875
Results	
No. of gross jobs created, of which	3,605
(i) men	1,983
(ii) women	1,622
(iii) in disadvantaged areas	180
No. of gross jobs safeguarded, of which	8,411
(i) men	4,626
(ii) women	3,785
(iii) in disadvantaged areas	421
No. of businesses assisted with improved performance	2,400 *
No. of businesses assisted with improved environmental management, of which related to improved energy efficiency, micro-renewables and other management of carbon footprint	671 *
	470 *
No. of assisted businesses within the region engaged in new collaborations with the knowledge base	1,677 *
Impacts	
Net Increase in GVA as a result of the Programme	£545.0m
Net Increase in employment	9,084

** for these results and indicators each year's Annual Implementation Report will include information about the size of businesses assisted, categorised as those with 1-10 employees and those with 11-249 employees.*

Table 3: Priority 2

Priority 2 Business Growth and Enterprise		
Fields of action	Indicative Financial Planning Figure ERDF 2007-2013	Examples of ERDF activity
1) Cultivating and sustaining enterprise (including social / community based enterprise) in disadvantaged areas.	£41-55m	<p>i) Support for the development of an entrepreneurial culture in disadvantaged areas, in particular amongst young people, promoting enterprise as an alternative career path, including through the provision of packages of support, opportunities to research and test out ideas, coaching and mentoring provision.</p> <p>ii) Support to start-up business, including social enterprise, including pre-start-up guidance and advice, assistance with business planning, business systems and processes and assistance with exploitation of ICT applications including e-commerce.</p>
2) Enhancing the competitiveness and growth of existing SMEs (including social / community based enterprises)	£82-97m	<p>i) Specific initiatives to improve productivity, including support with environmental management actions such as energy efficiency and waste minimisation</p> <p>ii) Individualised advice, information and diagnostic services including account management for SMEs with identified growth potential. ERDF will extend range of business solutions available to regional SMEs.</p> <p>iii) Actions to promote sales growth, including through promoting supply chain development, actions to help SMEs take advantage of the liberalisation of public procurement, assistance with exporting and other internationalisation.</p> <p>iv) Financial assistance with working capital and investment, building on the region's experience with financial engineering in current programme.</p>

Priority 2 Performance Indicators and Targets

The scheme of performance indicators proposed below draws from that developed for use in all ERDF-funded Programmes by CLG plus region specific targets.

Table 4

Indicator	Target
Outputs	
No of new SMEs assisted, including integrated development of workforce skills where appropriate.	4,008 *
No of SMEs assisted, including integrated development of workforce skills where appropriate, and actions to include the following: <ul style="list-style-type: none"> management/leadership corporate and social responsibility e.g. awareness raising on statutory and legal responsibilities participation in new supply chains marketing process and resource efficiency e.g. in use of ICT, waste management environment management quality assurance 	6,680 *
No of SMEs receiving financial assistance.	750 *
No of integrated initiatives to develop enterprise in disadvantaged communities	14
No. of SMEs assisted that are social enterprises	267 *
Area of business premises developed (m2)	26,000
Brownfield Land reclaimed &/or redeveloped (ha)	2
Results	
No. of gross jobs created, of which	6,580
(i) men	3,619
(ii) women	2,961
(iii) in disadvantaged areas	987
No. of gross jobs safeguarded, of which	9,870
(i) men	5,429
(ii) women	4,441
(iii) in disadvantaged areas	1,480
No. of businesses assisted with improved performance, of which at least 10% to implement advanced ICT applications	6,100 *
No. of businesses assisted with improved environmental management, of which related to improved energy efficiency and micro-renewables and other management of carbon footprint	2,700 *
	1,525 *
No. of businesses created or attracted to the region	*
(i) in disadvantaged areas.	451
No. of businesses created or attracted to the region surviving 12 months	2,025 *
Impacts	
Net Increase in GVA as a result of the Programme	£538.9m
Net Increase in employment	10,778

** for these results and indicators each year's Annual Implementation Report will include information about the size of businesses assisted, categorised as those with 1-10 employees and those with 11-249 employees.*