

East Midlands 2007-13 ERDF Programme – Update

Purpose of the Paper

This paper seeks to update the Local Management Committee (LMC) on progress to date in the delivery of the East Midlands 2007-13 ERDF Programme.

Recommendation

Members of the LMC are invited to:

- Note the progress of the Programme since the LMC meeting in February 2012.

1. Programme Update

1.1 Summary

Programme implementation continues to progress well and, by the end of April 2012, some **158** projects (worth approx. **£124m** ERDF) had formally accepted or been offered funding agreements. Negotiations are well advanced with a further **84** projects (requesting **£63.6m** ERDF)¹. The projects considered by the LMC Investment Sub Group at their meetings of 28 February and 26 April 2012 and their recommendations are provided separately (Paper 03 – Agenda item 7 refers). Detailed performance data is provided at **Annex C**.

1.2 Programme Value

The East Midlands 2007-13 ERDF allocation is **€268.5m**. At the beginning of May 2012 this equated to approximately **£229m** having fallen back from a high of £261.5m in January 2009 (the lowest Sterling value to date was £177.3m in February 2007).

Programme Value:	€268,495,983
Euro Rate:	1.17
Current Programme Value:	£228,762,014
PA1 Value:	£99,163,318
PA2 Value:	£120,547,335
PA3 Value:	£9,051,362

1.3 Commitments

Funding agreements signed/offered		ERDF Funding (£)	ERDF Funding (€)	% allocation
PA1	62	70,421,034	80,767,260	69.96
PA2	86	51,436,943	59,696,162	41.95

¹ For a complete list of approved beneficiaries please visit: [Key Programme Documents - Regeneration and economic growth - Department for Communities and Local Government](#)

PA3	8	2,147,323	2,456,980	22.88
Total	158	124,005,300	142,920,402	53.23

1.4 N+2 Spend Target

The 2011 N+2 target was achieved in June and by the end of the year sufficient claims had been submitted by project applicants to allow the programme to exceed the target by approximately **£14.6m**. This overachievement counts towards the 2012 target.

The 2012 N+2 target is approximately **£112m** (this is total spend since the start of the programme as N+2 targets are cumulative) but, as we are allowed to remove the programme advance provided by the European Commission at the beginning of the programme from the overall spend required to achieve the target, the programme will be required submit project claims totalling **£95.8m**. Together with the overachievement from 2011 and claims approved for payment by at the end of April a further **£15.22m** of ERDF expenditure is required to achieve the 2012 target.

1.5 Exchange rate risk and transition

As the Programme funds are allocated in Euros but committed in GBP exchange rate movements carry significant financial risk and DCLG are currently considering how this is to be managed. Until guidance is to hand, the LMC have agreed no Priority Axis will be more than 90% allocated (we understand the issue is to be discussed at the ERDF Programmes Board in May).

2. Priority Axis 1 (PA1)

2.1 Priority Axis 1 is concerned with increasing productivity through innovation & sustainable business practice. Resources are thematically targeted to focus on increasing commercialisation of innovation in Small and Medium Enterprises (SMEs) in priority sectors and in businesses with high growth potential to create higher value added products and services, and will include support for SME engagement in Research and Development (R&D) for emerging and enabling technologies. It also promotes and supports innovation to improve resource efficiency. Support is targeted thematically with a particular focus on the region's four key sectors of:

- Transport Equipment;
- Construction;
- Food and Drink; and
- Bioscience and Health.

High growth businesses (defined by the demonstration of an annual increase in turnover of over 15%), and resource efficiency improvements for all SMEs throughout the region, are also to be targeted for support.

2.2 Third Innovation Call for Activity

We received 56 EOIs worth **£74.8m** ERDF in May 2011. Of these, 27 were invited to full application. Two were rejected at application stage and a further nine have since withdrawn. So, of the 16 remaining, five have now been offered funding agreements, committing approximately **£4.7m** ERDF, four, worth approximately £3.4m ERDF are in contract negotiations or with legal services prior to being offered. A further 7 projects worth £14.9m are still in appraisal or have eligibility issues being explored

In summary, some 16 applications worth approximately £23m are approved or progressing towards approval. Accordingly, if all these come forward we would need to allocate a further £4m to this call, over the original £19m agreed in 2011. We will of course return to the LMC for a decision on this if necessary.

2.3 JESSICA

The JEM Ltd Board met on 4 May 2012 (verbal update).

3. Priority Axis 2 (PA2)

3.1 Priority Axis 2 (PA2) is concerned with increasing sustainable economic and enterprise activity in disadvantaged communities and is spatially targeted to focus resources on the most disadvantaged areas whilst exploiting the potential linkages to adjacent areas of economic growth. The aim is to create new indigenous economic opportunities by building local capacity, resources and support; reviving local infrastructure and environments and stimulating and supporting enterprise and new market opportunities.

3.2 Following PMC endorsement of the 2011-2013 allocations, Districts refreshed their Local Investment Plans outlining priorities for investment in their areas. All Districts launched 'Calls for Activity' in summer 2011.

Annex B provides a detailed breakdown of commitment and pipeline applications by PA2 District and in summary. It shows a total of **£41.5m** has already been committed to projects (42% of District allocations), with a further **£17.4m** (17.84%) endorsed and in contract negotiations. Once contracted, this will bring the PA2 commitment level to almost 60% (excluding the regionally managed allocations).

Annex B also details:

- £1.62m (1.67%) applications are pending endorsement;
- £7.47 (7.65%) applications are in appraisal;
- £2.89m (2.96%) applications have been held back from appraisal by the Contract Management team with queries pending.
- £8.77m (8.97%) applications have been endorsed at District Level but not yet received by the East Midlands PDT.

Many of the projects currently in appraisal will be taken to the May and July LMC Sub Investment Groups for endorsement and we hope the PA2 commitment levels ('contracted' and 'endorsed, but not contracted') will be nearing 70% by the end of July.

It should be noted that the reserve project list is not definitive. Many Districts have a number of pipeline projects which could be brought forward at a later stage but which haven't yet been confirmed as 'reserve' projects.

Oadby and Wigston currently have the lowest District commitment levels; however they only received funding from the second phase of the Programme. With the projects already endorsed and those which are coming forward, this potentially secures about 65% of their Programme. Oadby and Wigston also have a number of identified projects that are in development and would secure the remainder of the funding.

4. Evaluation

Nothing to report.

5. Publicity

Nothing to report.

6. Management and Control

6.1 The Audit Authority are currently conducting a review of the *Description of Management and Control System* (according to ANNEX XII of Commission Regulation (EC) 1828/2006) submitted following the transfer of responsibility for delivering the ERDF Programmes from the Regional Development Agencies to the Department for Communities and Local Government (DCLG) on the 1 July 2011. Revised *Implementing Provisions* reflecting the changes to the East Midlands OP have been submitted and are attached at **Annex C** for information.

7. Standardisation

7.1 As part of the process of rationalising the delivery of the ERDF Programmes, following the transfer from the Regional Development Agencies to DCLG, from the 1st April a new standardised way of working using standard processes and documentation has been adopted across the English Programmes. The e- bulletin attached at **Annex A** has been sent to projects In the East Midlands programme outlining what this is and how it will effect existing local delivery processes and procedures. We intend to follow up with further bulletins as required.

8. Recommendation

Members of the LMC are invited to:

- Note the progress of the Programme since the LMC meeting in February 2012.



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EAST MIDLANDS EUROPEAN REGIONAL DEVELOPMENT FUND PROGRAMME 2007-13

e-bulletin May 2012

Important Changes to ERDF Process

On 2nd April the Department for Communities and Local Government, as managing authority for the English ERDF programmes, implemented a new standardised way of working across all its programmes. The aim being to ensure that there is greater consistency in how ERDF is managed and delivered across all the English Programmes.

This bulletin sets out the arrangements for moving from the existing arrangements to the new standardised process and outlines the key changes. These will affect how you apply for ERDF funding, the forms you use, and how projects make claims to DCLG.

New documentation including application forms and guidance is available on the DCLG website from 2nd April:

<http://www.communities.gov.uk/regeneration/regenerationfunding/europeanregionalevelopment/nationalguidance/>

Key changes to the ERDF Process

Calls for projects:

There will be **no change** to the way that the Programme issues calls for projects. The need for and scope of future calls will be considered and approved by the East Midlands Local Management Committee and launched through the issue of an ERDF Prospectus document and specific calls for proposals where appropriate. The Prospectus and any future calls will reflect Programme performance to date and place emphasis and weighting on securing activities, outputs and results where the Programme is deficient.

Application Process:

There is a two stage application process as previously

- Outline Application
- Full Application

New application forms have been developed and **must be used** for all new project submissions from 2nd April. Application forms are available on the DCLG website.

Outline Applications:

From 2nd April all outline applications must be submitted on the new forms. If your outline application has already been submitted, it will be processed and there is no need to resubmit.

In developing your outline application you should be factual and concise. Applications should very clearly state **what exactly** the project will deliver, **to whom**, the **outputs, results and impact** to be delivered and the project costs detailing what the funding will be spent on. Articulating these elements clearly will make the assessment quicker, easier and improves the chances of the project being selected to submit a full application.

Please note that all private and voluntary and community organisations will be required to provide audited and management accounts at Outline Applications stage.

We will continue the process that:

- All outline applications will be assessed against core criteria by the PDT and projects informed in writing of the outcome.
- Projects selected will have three months to complete and submit a full application. After this date if a complete and admissible application has not been received, projects will be automatically de-selected from the Programme.

It is important to note that acceptance of an outline application by DCLG does not imply or constitute an offer of ERDF grant. Selection enables the project to enter into the full application and assessment process.

Full Applications:

From 2nd April any project receiving confirmation that it has been accepted into the Programme must complete and submit the new full application form.

If your outline has already been accepted but you have not yet, or only just started to develop the full application, please complete and submit using the **new application form**. This will assist the appraisal process.

If you are in any doubt about which forms to complete, please contact the East Midlands PDT.

Appraisal:

Projects will continue to be subject to a robust ERDF technical appraisal. Appraisal timescales are dependent on the clarity and quality of information provided.

Please plan the submission of your outline and full applications to allow sufficient time for the full process.

Approval:

Once the appraisal process has been completed all projects will be considered and endorsed by the LMC Investment Sub Group. Projects will be taken to the next available sub group. In exceptional circumstances the process may be undertaken by written procedures.

Once a project has been endorsed, approval rests with DCLG as the accountable body for delivery of the ERDF programmes.

You will be informed in writing of the outcome of the appraisal and approval process and advised of any pre or post contractual conditions that will apply.

Funding Agreements:

An updated funding agreement will be in operation from 1 April.

Existing funding agreements continue to apply for the duration of the agreement period.

Contract Variations:

Whilst the forms an applicant completes to request a variation have been updated in line with standardisation, the process for contract variations remains broadly the same.

Claims and payments:

This is the area where you will see the most changes particularly in the way that ERDF claims are submitted to DCLG East Midlands PDT.

From 2nd April there will be a phased introduction of the requirement **for grant recipients to enter claims directly onto the MCIS Programme management System.**

The first phase of this will be cover projects issued with a funding agreement from 2nd April who will be required from the outset to **enter claims directly onto MCIS.**

Existing projects are expected to move to use MCIS commencing with the end of June claim period.

Exceptionally, projects that are nearing completion and have one further claim due after 2nd April, may continue to submit in the current way - although if the organisation runs a number of ERDF projects we may request that MCIS is used.

There will be no exceptions for small projects or where low value claims are made.

All claims submitted will still be required to submit supporting documentation as part of the claim such as a transaction list. There will no longer be a requirement to submit copy invoices and supporting documentation as part of the claim. Projects will still need to collect this information as part of the claim and as part of the claim checking process will required to provide a specified sample.

Further information will follow and we are in the process of setting up training sessions for all projects outlining what the process will be and how to access and use MCIS.

Projects will receive:

- Copies of updated documentation
- MCIS access codes/passwords
- A comprehensive guide to claims submission on MCIS
- Training on the use of MCIS

A13 Progress and Verification Visits

The monitoring forms for A13 visits have changed. Copies of the templates together with accompanying guidance are available on the DCLG website should you wish to review the new requirements in advance of future visits. Projects are advised to allow a maximum of 2 days for these visits, although the ERDF monitoring staff can be left to review core documents without the need for project staff to be with them throughout the entire visit. Future monitoring visit arrangements will be made directly with projects and so this process will be explained and clarified further on a project by project basis.

Publicity and ERDF Logo

All projects contracted after 2nd April 2012 will be **obliged to use the new National ERDF logo and follow the revised publicity guidance**.

All projects contracted before 2nd April 2012 may continue to use the current logos and local publicity guidance for the project's lifetime.

The existing logo remains compliant for projects contracted before 1st April 2012 and stocks of materials branded with it can continue to be used. However, projects are **encouraged to use the new logo and guidance for new uses**. It is not envisaged that existing projects will undertake a wholesale re-branding but introduce the new logo when new materials or a reprint is required or where it can be introduced without incurring significant cost, such as on websites or other electronic media.

Portrait and landscape versions of the new national logo in both colour and black forms are available as both JPEG and Postscript format files. Logos are available to downloaded from the website at:

<http://www.communities.gov.uk/regeneration/regenerationfunding/europeanregionalevelopment/nationalguidance/erdfguidance/>

or by request from the East Midlands Programme Delivery Team.

If you have any questions about ERDF branding requirements or other publicity issues contact Judith Dibley (judith.dibley@communities.gsi.gov.uk)

Help and Advice:

Copies of all the new documentation and guidance can be found on the DCLG ERDF website.

<http://www.communities.gov.uk/regeneration/regenerationfunding/europeanregionalevelopment/nationalguidance/>

The East Midlands ERDF Programme Delivery Team are on hand to support you with information and technical advice on the process and ERDF eligibility.

Please note that it is not the role of the ERDF Programme Delivery Team to be actively involved in the development of your project or application.

A range of information and training sessions will be arranged to introduce you to the new process. E-Bulletins will be issued with further information.

Contacts:

For further information on standardisation and the Programme please contact the East Midlands ERDF Programme Delivery Team:

Telephone: 0303 444 6427
Email: em.erdfenquiries@communities.gsi.gov.uk
WWW: www.communities.gov.uk/erdf

Committed Projects

Location	Total ERDF Allocation	ERDF Value	% Of Total Allocation
	£	£	
Corby	4,837,863.00	2,310,362.00	47.76%
Derby	13,268,428.00	3,664,778.00	27.62%
North Notts/North Derbys	28,535,613.00	15,327,720.76	53.71%
Leicester	16,456,856.00	6,816,199.21	41.42%
Lincolnshire	16,161,899.00	6,233,342.39	38.57%
Nottingham City	16,078,256.00	7,213,848.41	44.87%
Oadby	2,418,355.00	0.00	0.00%
Committed Total	97,757,270.00	41,566,250.78	42.52%

Endorsed and in funding agreement negotiations

Location	Total ERDF Allocation	ERDF Value	% Of Total Allocation
	£	£	
Corby	4,837,863.00	943,103.00	19.49%
Derby	13,268,428.00	4,241,532.00	31.97%
North Notts/North Derbys	28,535,613.00	2,828,598.00	9.91%
Leicester	16,456,856.00	2,222,517.00	13.51%
Lincolnshire	16,161,899.00	5,351,911.00	33.11%
Nottingham City	16,078,256.00	1,640,551.00	10.20%
Oadby	2,418,355.00	212,488.00	8.79%
Endorsed and in funding agreement negotiations Total	97,757,270.00	17,440,700.00	17.84%

Appraisal complete, endorsement pending

Location	Total ERDF Allocation	ERDF Value	% Of Total Allocation
	£	£	
Corby	4,837,863.00	55,551.00	1.15%
Derby	13,268,428.00	42,136.00	0.32%
North Notts/North Derbys	28,535,613.00	1,272,185.00	4.46%
Leicester	16,456,856.00	0.00	0.00%
Lincolnshire	16,161,899.00	53,105.00	0.33%
Nottingham City	16,078,256.00	44,222.00	0.28%
Oadby	2,418,355.00	160,731.00	6.65%
Appraisal Complete, endorsement pending Total	97,757,270.00	1,627,930.00	1.67%

In appraisal

Location	Total ERDF Allocation	ERDF Value	% Of Total Allocation
	£	£	
Corby	4,837,863.00	234,520.00	4.85%
Derby	13,268,428.00	42,136.00	0.32%
North Notts/North Derbys	28,535,613.00	2,832,879.00	9.93%
Leicester	16,456,856.00	2,421,958.00	14.72%
Lincolnshire	16,161,899.00	1,193,315.00	7.38%
Nottingham City	16,078,256.00	44,222.00	0.28%

Oadby	2,418,355.00	708,533.00	29.30%
In Appraisal Total	97,757,270.00	7,477,563.00	7.65%

With Contracting Team (Queries pending or initial assessment pending)

Location	Total ERDF Allocation	ERDF Value	% Of Total Allocation
	£	£	
Corby	4,837,863.00	0.00	0.00%
Derby	13,268,428.00	0.00	0.00%
North Notts/North Derbys	28,535,613.00	0.00	0.00%
Leicester	16,456,856.00	2,890,923.00	17.57%
Lincolnshire	16,161,899.00	0.00	0.00%
Nottingham City	16,078,256.00	0.00	0.00%
Oadby	2,418,355.00	0.00	0.00%
With Contracting Team (Queries pending or initial assessment pending)	97,757,270.00	2,890,923.00	2.96%

Applications endorsed at District Level, not yet received by DCLG

Location	Total ERDF Allocation	ERDF Value	% Of Total Allocation
	£	£	
Corby	4,837,863.00	0.00	0.00%
Derby	13,268,428.00	2,870,000.00	21.63%
North Notts/North Derbys	28,535,613.00	5,194,052.00	18.20%
Leicester	16,456,856.00	0.00	0.00%
Lincolnshire	16,161,899.00	0.00	0.00%
Nottingham City	16,078,256.00	0.00	0.00%
Oadby	2,418,355.00	708,533.00	29.30%
Applications endorsed at District Level, not yet received by DCLG	97,757,270.00	8,772,585.00	8.97%

District Pipeline/Reserve Projects

Location	Total ERDF Allocation	ERDF Value	% Of Total Allocation
	£	£	
Corby	4,837,863.00	0.00	0.00%
Derby	13,268,428.00	0.00	0.00%
North Notts/North Derbys	28,535,613.00	0.00	0.00%
Leicester	16,456,856.00	0.00	0.00%
Lincolnshire	16,161,899.00	0.00	0.00%
Nottingham City	16,078,256.00	6,973,474.00	43.37%
Oadby	2,418,355.00	0.00	0.00%
Reserve Projects	97,757,270.00	6,973,474.00	7.13%

IMPLEMENTING PROVISIONS

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IMPLEMENTING PROVISIONS

1. REGULATORY CONTEXT

In accordance with the requirements of Article 37(1)(g) of Council Regulation (EC) No 1083/06 of 11 July 2006, this chapter sets out the implementation provisions for the East Midlands European Regional Development Fund Regional Competitiveness and Employment Operational Programme ("the OP").

These have been developed taking into account the requirements of Council Regulation (EC) No 1083/06, which lays down general provisions about the Structural Funds; Council Regulation (EC) No 1080/06, which lays down specific provisions about the types of activity that may be financed by the European Regional Development Fund; and Commission Regulation (EC) No 1828/2006, which sets out rules for the implementation of the Council Regulations.

The implementing provisions will be subject to revision where necessary to reflect any subsequent regulations adopted by the Council or the Commission concerning the ERDF. All articles quoted in the text are those of Council Regulation (EC) No. 1083/06, except where otherwise stated. In the event that the implementing provisions are found on any point to be inconsistent with any provision of the Structural Funds Regulations, the meaning or effect of the Regulations shall prevail.

2. MANAGING AUTHORITY, CERTIFYING AUTHORITY AND AUDIT AUTHORITY

Managing Authority: Role and Functions

A system of management and control of the implementation of the OP will be set up in accordance with Article 58.

The Managing Authority (MA), whose functions are set out in Article 60, is responsible for managing and implementing the OP in accordance with the principle of sound financial management and the requirements of the Structural Funds Regulations.

The MA for the OP is the Secretary of State for Communities and Local Government (SSCLG). The address is Eland House, Bressenden Place, London SW1E 5DU, England, United Kingdom. The functions of the MA will be carried out by officials of the Department of State headed by SSCLG (the Department for Communities and Local Government) within the ERDF Programme Strategy and Coordination (PSC) Division located in Eland House and within the ERDF Programme Delivery Team (PDT) based within the OP area. The MA is functionally independent from the Certifying Authority and the Audit Authority..

The specific tasks of the MA to be carried out by the PDT are as follows:

- (a) ensuring that operations are selected for funding in accordance with the criteria applicable to the OP and that they comply with applicable Community and national rules for the whole of their implementation period;
- (b) verifying that the co-financed products and services are delivered and that the expenditure declared by the beneficiaries for operations has actually been incurred and complies with Community and national rules; verifications on-the-spot of individual operations may be carried out on a sample basis in accordance with the detailed rules to be adopted by the Commission in accordance with the procedure referred to in Article 103(3);
- (c) ensuring that there is a system for recording and storing in computerised form accounting records for each operation under the OP and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;
- (d) ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- (e) ensuring that the evaluations of OPs referred to in Article 48(3) are carried out in accordance with Article 47;
- (f) setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate

audit trail are held in accordance with the requirements of Article 90;

- (g) ensuring that the certifying authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- (h) guiding the work of the Programme Monitoring Committee, now known as Local Management Committee (LMC) and providing it with the documents required to permit the quality of the implementation of the OP to be monitored in the light of its specific goals;
- (i) drawing up and, after approval by the monitoring committee, submitting to the Commission the annual and final reports on implementation;
- (j) ensuring compliance with the information and publicity requirements laid down in Article 69; and
- (k) providing the Commission with information to allow it to appraise major projects.

The specific tasks to be carried out by the PSC include:-

- i. providing guidance and instruction, as appropriate, on the interpretation of the rules and criteria contained in the Structural Funds Regulations and in documents issued by the Commission over the programming period in relation to the ERDF;
- ii. providing the contractual terms on which ERDF support is to be given, including, where relevant, state aid and procurement advice;
- iii. determining and issuing national eligibility rules;
- iv. providing guidance and instruction, as appropriate, on the management and control framework, accountancy rules to be followed by grant beneficiaries and others involved in with the implementation of operations, systems to be used for the maintenance of accounts and the other records, information and publicity requirements, including monitoring, and any other matters relating to the management and of the OP as necessary;
- v. establishing written standards and procedures for verifications undertaken by the PDT in compliance with Article 13.2 of Commission Regulation 1828/2006, and ensuring that the PDT keeps records for each verification, stating the work performed, the date and the results of the verification, and the measures taken in respect of the irregularities detected thereby, and obtaining assurance that the monitoring and verification activities are adequately carried out in accordance with that Regulation;
- vi. prescribing the information to be provided to the Certifying Authority in relation to expenditure verification and verification procedures, the form in which this information is to be provided and how frequently it is to be provided;

- vii. appointing the Chair of the Local Management Committee (LMC);
- viii. receiving evaluations, annual and final implementation reports and submitting them to the Commission;
- ix. assisting as necessary with policy and technical support for the appraisal of major projects and the notification required for appraisal by the Commission; and
- x. laying down and operating a mechanism for the payment of ERDF resources;

Certifying Authority: Role and Functions

The Certifying Authority (CA) for the OP is the Secretary of State for Communities and Local Government. The address is Eland House, Bressenden Place, London SW1E 5DU, England, United Kingdom. The functions of the CA will be carried out by officials of the Department of State headed by SSCLG (the Department for Communities and Local Government), who work in the Department's Finance Directorate. These administrative arrangements for the performance of the CA tasks will ensure that the principle of separation of functions is adhered to in accordance with Article 58(b).

The CA is responsible for certifying the accuracy of statements of expenditure and applications for payment presented to the Commission in accordance with the procedures set out in Article 78. The specific tasks of the CA are as follows:

- a) drawing up and submitting to the Commission certified statements of expenditure and applications for payment;
- b) certifying that:
 - i) the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
 - ii) the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the OP and complying with Community and National rules;
- c) ensuring for the purposes of certification that it has received adequate information from the MA on the procedures and verifications carried in relation to expenditure included in statements of expenditure;
- d) taking account for certification purposes of the results of all audits carried out by or under the responsibility of the Audit Authority;
- e) maintaining accounting records in computerised form of expenditure declared to the Commission;
- f) keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered will be repaid to the general budget of the EU, prior to closure of the OP by deducting them from the next statement of expenditure.

Audit Authority: Roles and Functions

The Audit Authority (AA) for the OP is the Secretary of State for Communities and Local Government. The address is Eland House, Bressenden Place, London SW1E 5DU, England, United Kingdom. The functions of the AA will be carried out by officials of the Department of State headed by SSCLG (the Department for Communities and Local Government) who audit the public expenditure of the Department under the responsibility of SSCLG and who work in a separate unit within the Department's finance directorate from those performing CA tasks. The functional independence of the audit services will ensure that the principle of separation of functions is adhered to in accordance with Article 58(b).

The AA is responsible for verifying the effective functioning of the management and control system. The specific tasks of the AA are as follows:

- a) ensuring that audits are carried out to verify the effective functioning of the management and control system of the OP;
- b) ensuring audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
- c) presenting to the Commission within 9 months of the approval of the OP an audit strategy covering the bodies who will perform the audits referred to under points a) and b), the method to be used, the sampling method for audits on operations and the indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period; [note: where a common system applies to several OPs, a single audit strategy may be submitted];
- d) by 31 December each year from 2008 to 2015:
 - i) submitting to the Commission an annual control report setting out the findings of audits carried out during the previous 12 month period ending on 30 June of the year concerned in accordance with the audit strategy of the OP and reporting any shortcomings found in the systems for management and control of the programme. The first report to be submitted by 31 December 2008 will cover the period from 1 January 2007 to 30 June 2008. The information concerning the audits carried out after 1 July 2015 will be included in the final control report supporting the closure declaration referred to in point (e);
 - ii) issuing an opinion, on the basis of the controls and audits that have been carried out under its responsibility, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence reasonable assurances that the underlying transactions are legal and regular.
 - iii) submitting, where applicable under Article 88, a declaration for partial closure assessing the legality and regularity of the expenditure concerned;

[Note: when a common system applies to several OPs, the information referred to in point (i) may be grouped in a single report, and the opinion

and declaration issued under points (ii) and (iii) may cover all the OPs concerned];

- e) submitting to the Commission at the latest by 31 March 2017 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which will be supported by a final control report.

Where audits and controls are carried out by a body other than the AA, the AA will ensure that such bodies have the necessary functional independence from the Managing Authority. The AA may choose to employ private sector auditors to carry out system and operation audits under its responsibility.

Management and Control: description of systems

The AA will be responsible for drawing up the report and the opinion referred to in Article 71(2), describing and assessing the management and control systems and giving an opinion on their compliance with Article 58 to 62.

3. PARTNERSHIP AND COMMITTEE STRUCTURE

General

The OP has been developed and will be implemented in accordance with the principles of partnership set out in Article 11 and national rules and practice. The partnership principle will be operated throughout the lifetime of the OP.

The Secretary of State, for the UK Government, has organised a partnership to cover the preparation of the OP with a wide variety of national, regional and local authorities and bodies, which are competent to contribute towards the aims, objectives and contents of the OP. Competent authorities and bodies include:

- (a) local, urban and other public authorities;
- (b) economic and social partners;
- (c) any other suitable bodies representing civil society, environmental partners, non-governmental organisations;
- (d) bodies responsible for promoting equality between men and women.

Local Management Committee (LMC)

In accordance with Article 63, the Member State will set up a Programme Monitoring Committee, known at OP level as the Local Management Committee (LMC) within three months from the date of the notification to the Member State of the Commission decision approving the OP. The membership and role of the LMC will reflect the strategic nature of the prescribed tasks of the LMC set out in Article 65.

Reflecting the principle of partnership, the membership of the LMC will be drawn from representatives of the bodies of the partnership organised under Article 11. It will, therefore, reflect national, local and sectoral interests in the OP, and will aim to be balanced in terms of gender. On its own initiative, or at the request of the LMC, the Commission may participate in an advisory capacity. Where the European Investment Bank or the European Investment Fund are contributing to the OP, they may be represented in an advisory capacity.

The chairperson of the LMC will be the Director of DCLG with responsibility for East Midlands ERDF Regional Competitiveness and Employment OP area, representing the MA. The Deputy Chair of the LMC will be a local partner and will be appointed by the LMC partnership.

The Chair will approve all LMC minutes and papers before they are distributed to the LMC members for agreement.

Duties of the Local Management Committee

The LMC will draw up and agree its own Rules of Procedure. These procedures will be publicised and made available on the programme website. The MA representative, as a member of the LMC, will have a role in ensuring that the rules of procedure are robust, are designed to ensure delivery and contain all appropriate checks and balances.

At its first meeting the LMC will approve detailed provision for the proper and efficient discharge of the duties assigned to it, including, the frequency of its meetings and procedures to deal with conflicts of interest. This will be contained within the LMC's Rules of Procedure. The LMC will satisfy itself as to the effectiveness and the quality of the implementation of the OP. To this end the LMC will carry out the tasks set out in Article 65.

The MA will approve the rules of procedure in accordance with Article 63(2).

Sub-committees and working groups of the LMC

Reflecting its agreed terms of reference and rules of procedure, the LMC may at any time set up such sub-committees or working groups or other groups as it thinks appropriate to enable it to fulfil its responsibilities (e.g. geographically, sectorally or thematically based). The LMC may be supported by a sub-committee or working group. The membership of sub-committees and groups will be agreed by the LMC, reflecting the partnership principle set out in Article 11. The terms of reference and rules of regional sub-committees and groups will be approved by the LMC in accordance with Article 63(2). The use of sub-committees or working groups does not absolve the LMC from its responsibility for the proper performance of its tasks as set out in Article 65.

4. MANAGEMENT AND CONTROL SYSTEM

The Secretary of State, for the UK Government, will establish management and control arrangements for the OP in accordance with Article 58.

This will ensure that Community funds are used efficiently and correctly and that assistance is managed in accordance with all applicable Community rules and in accordance with the principles of sound financial management. The detailed requirements set out in the Structural Funds Regulations will be observed throughout the period of the OP. The AA will assess the system and give an opinion on compliance with Articles 58, 59 and 60 prior to its submission to the Commission in accordance with Article 71.

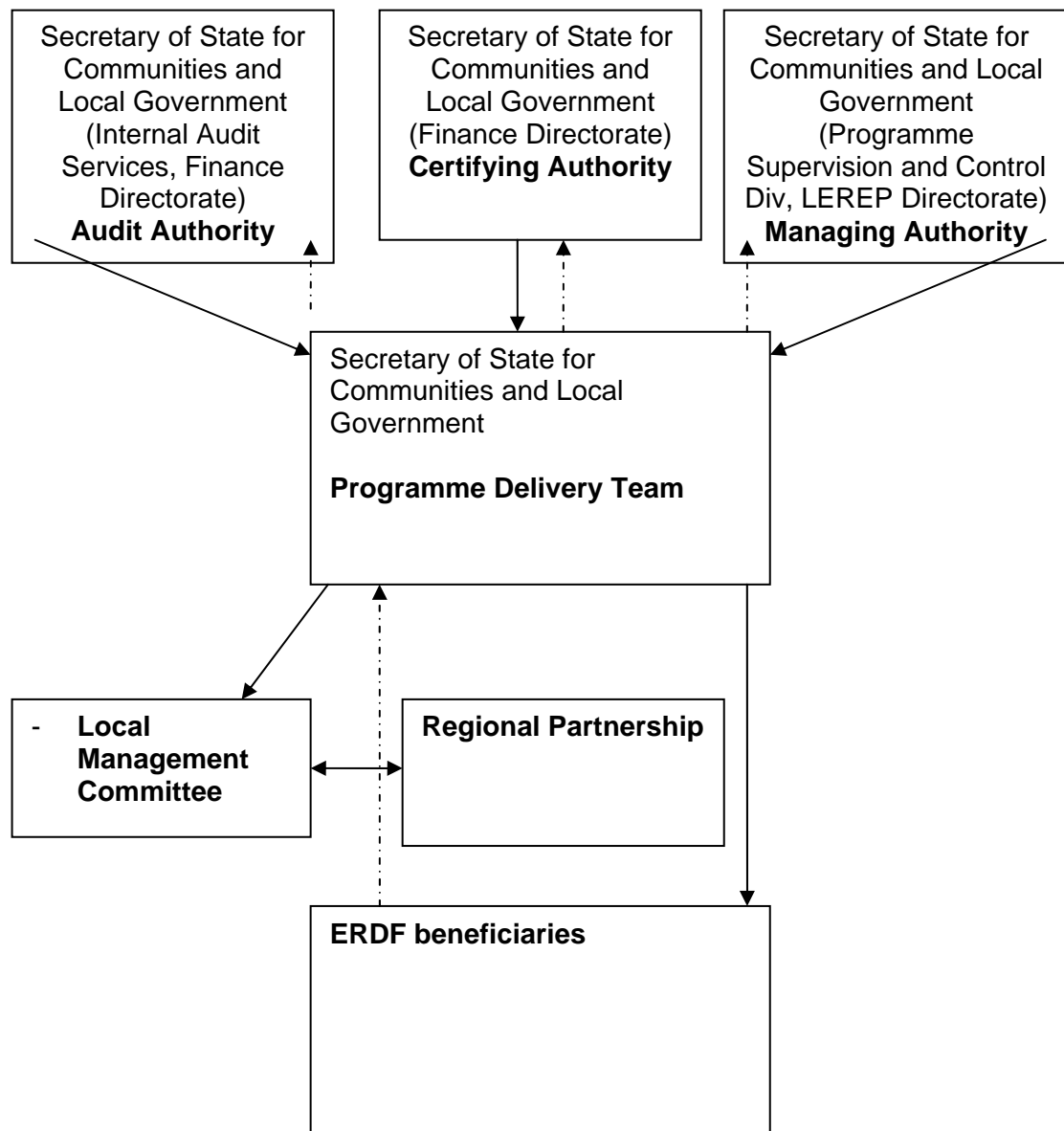
The organisation structures for ensuring sound management and control are set out below.

Diagram 1 illustrates the structure at a global level.

Diagram 2 illustrates the separation of functions with the Department for Communities and Local Government.

Diagram 3 illustrates the separation of functions within the Programme Delivery Team.

Diagram 1 - Global Management and Control System for ERDF Convergence and Regional Competitiveness Programmes in England.



The direction of the solid arrow denotes the direction of management and control. The dotted arrows denote the direction of accountability.

Diagram 2 - Separation of functions with the Department for Communities and Local Government

(The direction of the arrows denotes reporting lines)

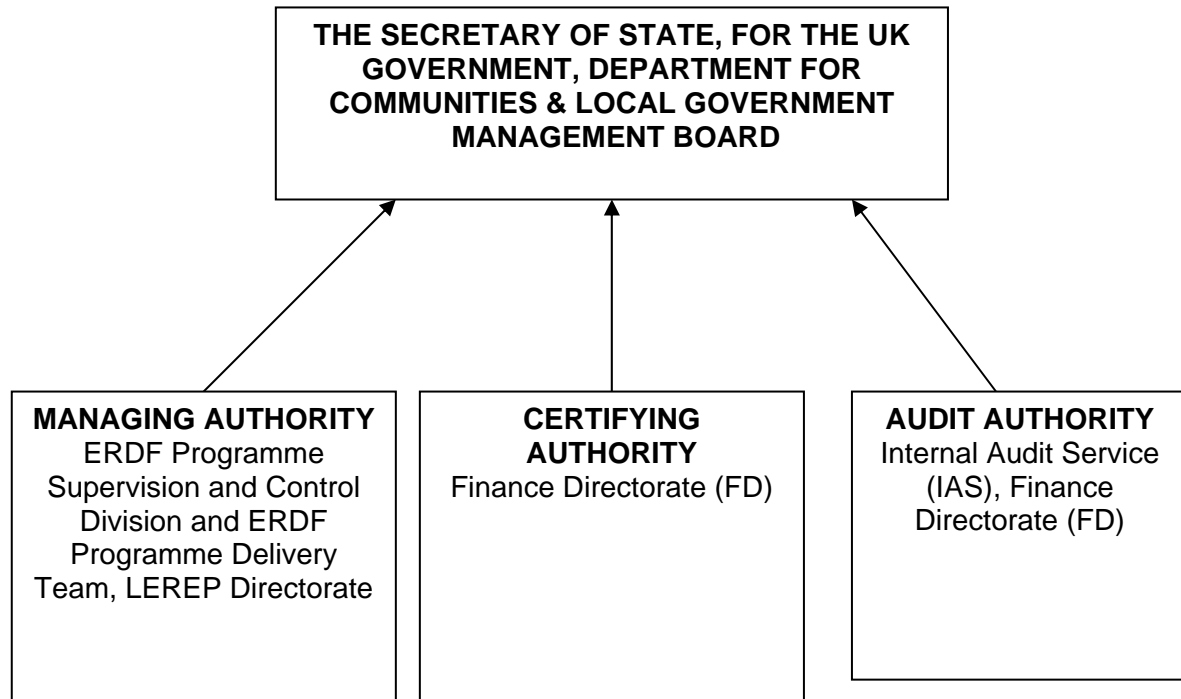
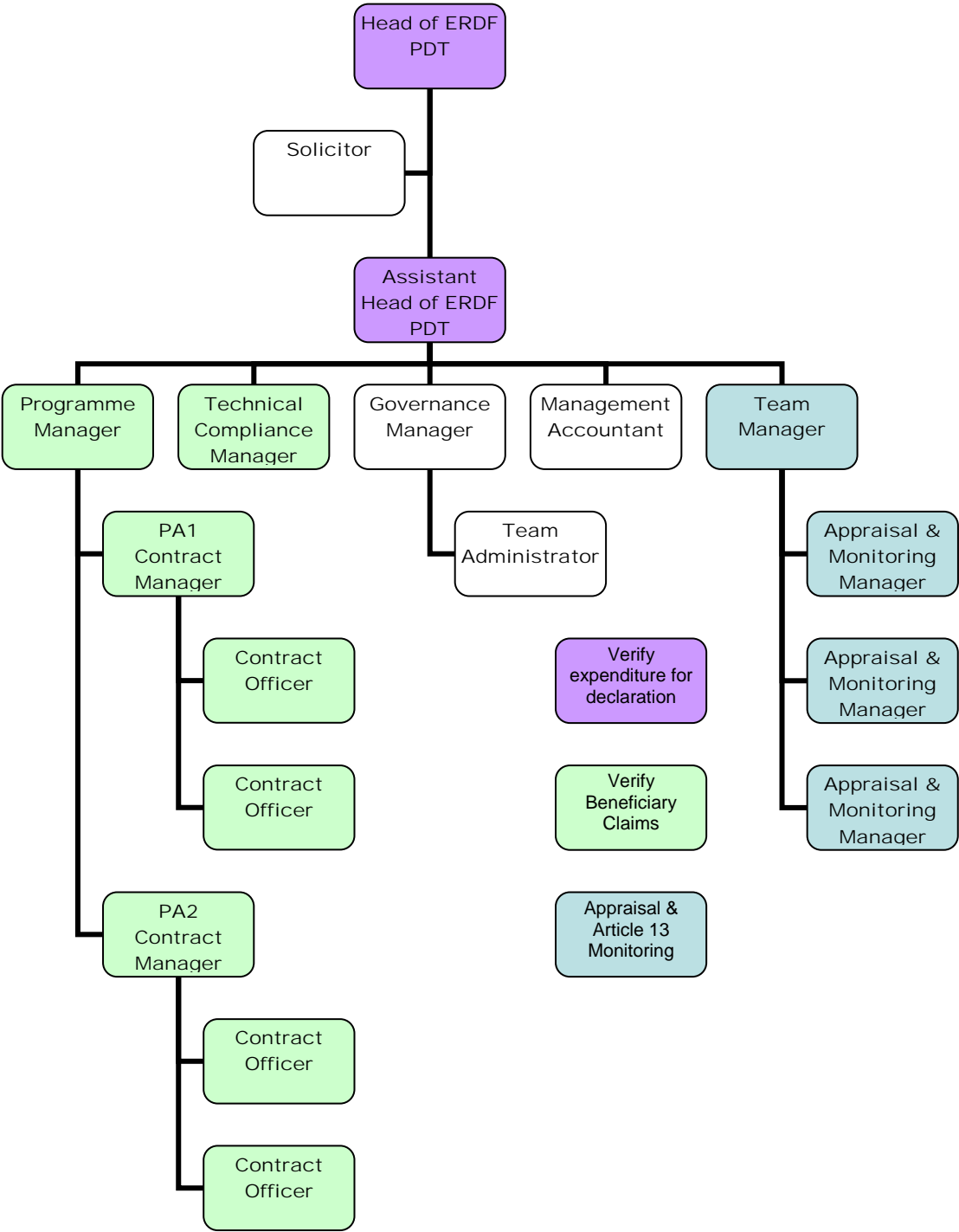


Diagram 3 - Separation of functions within the East Midlands MA Programme Delivery Team.



Proportionality

The proportional control arrangements set down in Article 74 will not apply to the OP.

Global Grants

The Member State or the MA may entrust the management and implementation of a part of an OP to one or more intermediate bodies (A 42 bodies), designated by the Member State or the MA, including local authorities, regional development bodies or non-governmental organisations, in accordance with the provisions of an agreement concluded between the Member State or the MA and that body.

The Secretary of State, for the UK Government, does not have any intention to designate any A 42 body for the OP.

Selection of operations for ERDF support

The LMC is responsible for considering and approving the criteria for selecting the operations financed under the OP. The MA will be responsible for putting forward proposals to the LMC for selection criteria. The role of the LMC is outlined in section 3 of these Implementing Provisions.

On behalf of the LMC, the MA may establish an Investment Framework which sets out the activities and operations that the LMC have agreed they wish to see delivered under the OP. The Investment Framework must be approved by the LMC. It may identify bodies or organisations that it believes are competent to deliver operations in line with the framework. Any framework will comply with Public Procurement Regulations (which implement EC public procurement directives), so far as they are applicable.

The procedure for selecting operations may take a variety of forms. For example:

- Open bidding: where an open invitation is published for applications for the support of operations that meet a specified priority or objective of the OP;
- Limited bidding: where a limited number of project sponsors is identified and invited to bid for the support of operations or sets of targets or outputs that meet a specified priority or objective of the OP;
- Non-competitive selection: where a single project sponsor (or perhaps two or more) is either selected as appearing to be the only suitable and capable vehicle for delivering a specific operation or set of programme targets or outputs and invited to submit an application for financial assistance; or applies for financial assistance on its own initiative for the support of an operation or a set of targets or outputs that appears to meet a priority or objective of the OP.

The MA, in deciding in broad terms the nature and scope of the criteria and processes for the selection and appraisal of projects, and in putting forward

proposals to the LMC for such criteria, will ensure that all processes and criteria take full account of the need to secure compliance with the requirements of the Public Procurement Regulations (which implement EC Public Procurement Directives) or the need for suitable competitive tendering where the Regulations do not apply.

Once the criteria and investment strategy have been adopted by the LMC, the MA will be responsible for managing the processes of developing operations, appraising proposals for operations, and making recommendations to the LMC or its appropriate sub-committees or groups.

5. COMPUTERISED EXCHANGE OF DATA

The MA will develop and maintain appropriate data exchange systems to support the provision of information to the Commission and the efficient and effective management of the OP. The MA will ensure that the system allows data to be exchanged electronically with the system used by the Commission. The system will be accessible for use by the MA, the CA and the AA. The system will record and monitor operation outputs and the results of monitoring, verifications and audits undertaken in relation to programme operations. Such systems will be in place for the OP before the MA makes the first interim application for payment.

6. MONITORING ARRANGEMENTS AND SYSTEMS

General

The Secretary of State, for the UK Government, will ensure that the management and control system for the OP sets up an efficient system for monitoring the programme and individual operations supported by the programme, and requires the MA and the LMC to ensure the quality of the implementation of the programme.

Monitoring tasks of the MA both in relation to the OP as a whole and to individual operations will be carried out through the PDT arm of the MA, which will work with the LMC. In order to assist the LMC to discharge the tasks set out in Article 65, the MA will provide updates on the progress of the OP in meeting its targets

Monitoring by the MA under Article 60(b) will be carried out in accordance with Article 13 of Commission Regulation 1828/2006. Monitoring will be conducted by reference to the financial indicators and the indicators referred to in Article 37(1)(c) which are specified for the OP and set out in the Indicators section of the programme.

Monitoring will also cover the effectiveness of financial controls and compliance with the Structural Funds Regulations and national rules that regulate matters of finance or propriety. Monitoring will be conducted in line with any guidance or instructions issued by the Commission and any national guidance concerning monitoring and the performance of verification function set out in Article 60(b).

Annual reports and final reports

In accordance with Article 67(1), by 30 June 2008 and by 30 June in each subsequent year the MA will send the Commission an annual report. The MA will send the Commission a final report on the implementation of the OP by 31 March 2017.

Each report will be examined and approved in plenary by the LMC before it is sent to the Commission. The Managing Authority will review the report before it is sent to the Commission.

The reports will contain the information set out in Article 67(2).

In accordance with Article 68, every year, when the annual report on implementation referred to in Article 67 is submitted, the Commission and the MA will examine the progress in implementing the OP, the principal results achieved over the previous year, the financial implementation and other factors with a view to improving implementation.

The operation of the management and control system raised in the last annual control report, referred to in Article 62(1)(d)(i), may also be examined.

7. EVALUATION ARRANGEMENTS AND SYSTEMS

The Secretary of State, for the UK Government, will carry out evaluations in relation to the OP in accordance with Articles 47 and 48, and the MA will have a role under Article 60(e) in ensuring that evaluations are carried out.

An *ex ante* evaluation for the OP has been carried out in accordance with Article 48(2) by an independent consultant. Alongside the *ex ante* evaluation, a Strategic Environmental Assessment was carried out in accordance with the requirements of Directive 2001/42/EC, also by an independent consultant. Both documents are annexed to the OP.

In accordance with Article 48(3), during the programme period, the Secretary of State, for the UK Government, will carry out evaluations linked to the monitoring of the OP, in particular where that monitoring reveals a significant departure from the goals initially set or where proposals are made for the revision of OPs, as referred to in Article 33. The results will be sent to the LMC and to the Commission.

The Commission may carry out strategic evaluations. Under Article 49(2) the Commission may carry out, on its own initiative and in partnership with the UK Government evaluations linked to the monitoring of the OP where monitoring has revealed a significant departure from the goals initially set. The results will be sent to the LMC.

In accordance with Article 49(3), the Commission will carry out an *ex post* evaluation for each objective in close co-operation with the Secretary of State, for the UK Government, and the MA. The *ex post* evaluation will cover the elements required by Article 49(3). It will be carried out by independent assessors and will be completed not later than three years after the end of the programming period.

8. FINANCIAL IMPLEMENTATION

Financial contributions by the Funds

Article 34 provides that operational programmes shall receive financing from only one Fund, save as otherwise provided in paragraph 3 (which is not relevant for the UK). Accordingly, the OP will receive funding only from the European Regional Development Fund.

This programme will not be seeking to use the derogation set out in Article 34(2), whereby the ERDF and the ESF may finance, in a complementary manner and

subject to a limit of 10% of community funding for each priority axis of an operational programme, actions falling within the scope of assistance from the other fund, provided that they are necessary for the satisfactory implementation of the operation and are directly linked to it.

The MA will carry out an ongoing assessment of risk that the OP will fail to meet its financial and other targets, in particular the N+2 spend targets.

The MA will regularly monitor, increasing in frequency towards the end of the year, on the progress of the OP in meeting its N+2 targets. It will take the necessary course of action where the achievement of these targets is under threat.

At project level, risk will be assessed on the track record of the applicant, the nature of the project, the amount of the ERDF intervention and the total cost of the operation.

Differentiation of rates of contribution

In accordance with Article 53(1), the contribution from the Fund at the level of the OP will be calculated with reference to:

- (a) total eligible expenditure including public and private expenditure; or
- (b) public eligible expenditure

and will be subject to the ceilings set out in Annex III to Council Regulation 1083/2006.

The ERDF contribution for the OP will be subject to a maximum of 50% of the total eligible cost of the OP. Co-financing of support given by the ERDF will come from both a variety of public and private sources and both will be reflected within the OP Financial Table.

It will be a requirement of the OP that the source of co-financing for operations is identified prior to the issue of the formal approval of the operation.

Technical Assistance

Under Article 46 the Fund may, at the initiative of the Secretary of State, for the UK Government, finance the preparatory, management, monitoring, evaluation, information and control activities of the OP, together with activities to reinforce the administrative capacity for implementing the Fund within the limit of 4% of the total amount allocated for the OP (the limit for the Convergence and Regional competitiveness and employment objectives). As a matter of best practice, co-financing of Technical Assistance operations will be secured prior to formal approval of the individual operation.

The LMC will be invited to approve a plan for the use of Technical Assistance during the lifetime of the OP. This will be sent to the Commission for information. The Technical Assistance plan will be kept under review and may be changed, subject to the agreement of the LMC. However, the amount allocated will not exceed the 4% limit set down in Article 46.

Community budget commitments

Article 75 provides that the Community budget commitments in respect of operational programmes shall be effected annually for each Fund and objective during the period between 1 January 2007 and 31 December 2013. The first budget commitment shall be made before the adoption by the Commission of the decision approving the OP. Each subsequent commitment shall be made, as a general rule, by 30 April each year.

De-commitments

Provisions and procedures relating to de-commitment are laid down in Articles 93, 94, 95 and 96.

9. FINANCIAL FLOWS AND PAYMENTS

General

In setting up the system for managing and controlling the payment and expenditure of the ERDF contribution, the Secretary of State, as Member State, will: (a) observe all relevant requirements of the Structural Funds Regulations and these Implementing Provisions; (b) apply the standards of management and control generally applicable to the handling and expenditure of UK public funds; and (c) follow such general guidance and instructions as the UK Government and the Commission may provide from time to time on the management of European Community funds. The MA and the CA will operate the system according to the same requirements and standards.

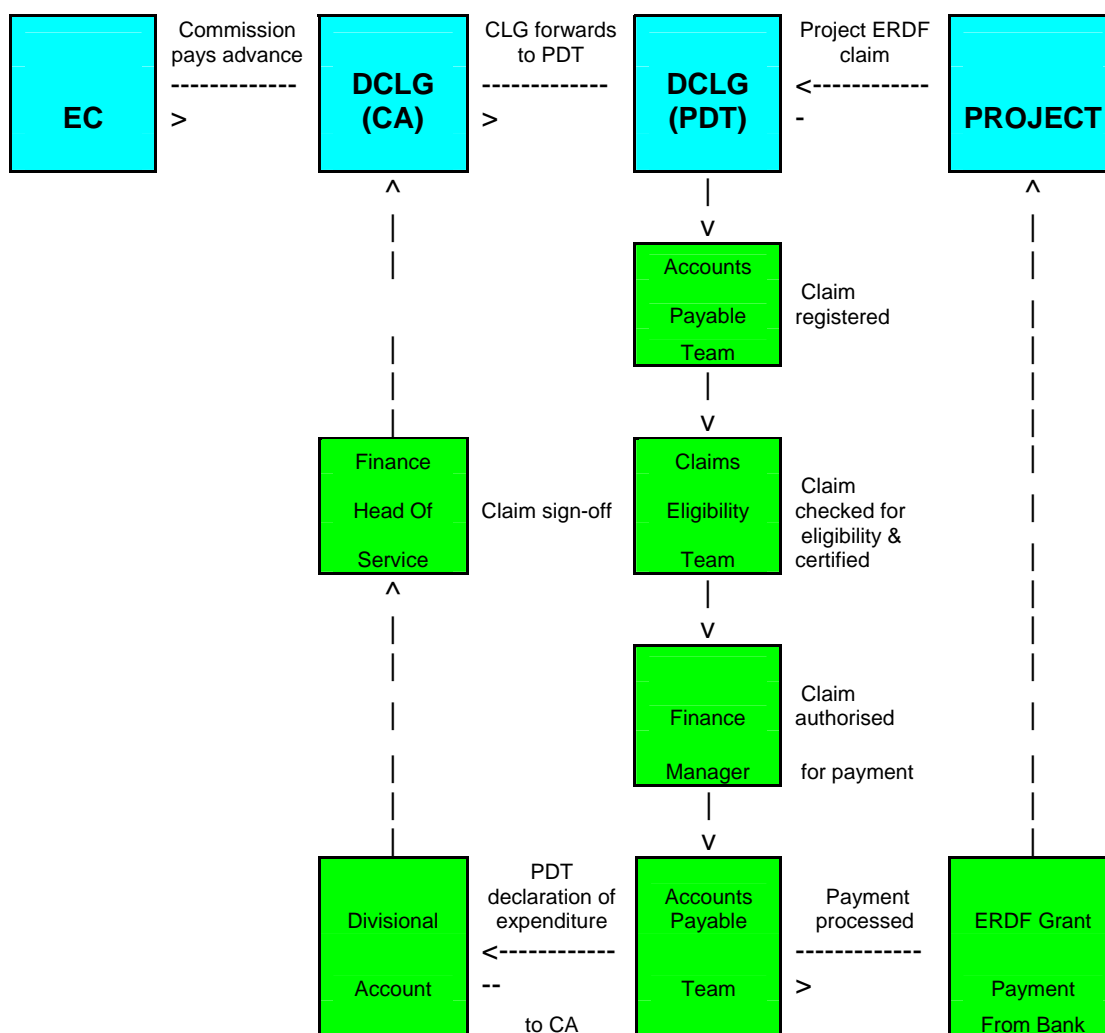
Financial Flows

Financial flows will operate in accordance with the Structural Funds Regulations and the following procedures:

The MA will be responsible for making offers of ERDF grant to persons responsible for selected operations. Offers of ERDF support will require grant recipients to comply with EC and national rules on eligibility of expenditure and with the requirements of the Public Procurement Regulations (which implement EC Directives on public procurement) or the need for suitable open selection procedure where the Directives do not apply. This also applies to applications for Technical Assistance support where the MA is the applicant. Operations will make declarations of interim claims expenditure to the MA. The MA will be responsible for verifying the validity of declared expenditure against the offer of grant and the eligibility conditions and other conditions set out in the grant offer.

The MA will make payments for operations subject to verifying declarations of eligible expenditure. No amount will be deducted or withheld; no charges will be levied.

Financial flows overview for 2007-13 ERDF OPs



The MA through the PDT will submit to the CA declarations of interim expenditure. These declarations will cover the aggregate of eligible payments claimed by operations, including global grant applications. Submissions will be accompanied by all the necessary supporting information required to demonstrate the eligibility of expenditure under the Structural Funds Regulations, national eligibility rules, UK financial management requirements and any additional requirements of the CA. The submission will be signed by the Head of the PDT.

The CA will draw up and submit to the Commission certificates of expenditure and applications for payment, in accordance with Article 78 and in the form prescribed in Annex X to Commission Regulation 1828/2006. The CA will review all information received from the MA under Article 61(c) (concerning procedures and verifications carried out in relation to expenditure) and from the AA under Article 61(d) (results of audits, including the annual control report). It will carry out such checks as it thinks are necessary and appropriate to satisfy itself as to the eligibility of expenditure claimed.

Payments

Payments from the Commission will take the form of: pre-financing; interim payments; and payments of the final balance. Payments will be made to the UK Government and received in a Treasury Account at the Bank of England. The MA will be authorised to draw down amounts from the account for the financing of the OP.

The UK Government will make appropriate arrangements to ensure that sufficient funds are available to meet the MA's declarations of eligible expenditure in advance of receiving interim payments from the Commission. Such arrangements will comply with UK Government Accounting and Budgeting requirements.

Use of Euro and conversion rates

In accordance with Article 81, all Statements of Expenditure and applications to the Commission for payment will be made in euros. Annual and final implementation reports will use the euro to report on expenditure. Amounts of expenditure incurred in sterling, in delivering operations, will be converted into euros using the monthly accounting exchange rate of the EC in the month during which the expenditure was registered in the accounts of the CA. This rate will be published electronically by the Commission each month.

10. FINANCIAL MANAGEMENT AND CONTROL ARRANGEMENTS

General provisions

Responsibility for providing an effective system of management and control of the OP lies with the Member State. The management and control system will comply with the requirements of Article 58 and will be subject to the reporting requirements laid down in Article 71.

Organisation

The MA will ensure that there is an appropriate separation of functions within its organisation between the units which are responsible for the functions of the MA falling within the following broad categories:

- appraising operations and issuing and varying offers of ERDF grant;
- verification of payment claims and monitoring operations; and
- financial matters, including making payments for operations and submitting declarations of expenditure to the CA.

The MA and CA will ensure that this separation of functions is maintained throughout the lifetime of the OP.

Accounting Systems

In order to facilitate the verification of expenditure by Community and national authorities, the MA, in exercising the function in Article 60(c), will ensure that all bodies involved in the management and implementation of the OP maintain either a separate accounting system or an adequate accounting codification capable of providing detailed and complete summaries of all transactions involving Community assistance.

Documentation

The MA will ensure that the requirements of Article 90 regarding the keeping of available documents are complied with.

Audit

Besides being subject to the activities of the AA, audit by the Commission and audit by the European Court of Auditors, the financial control and management system will be subject to audit by the UK domestic audit authorities (the National Audit Office)

Irregularities and financial corrections

The management and control system of the OP and steps taken by the MA to ensure that it is properly adhered to by all bodies concerned in the management and control of the programme will guard against irregularities while securing that any that do occur are detected, investigated and corrected. The MA will have a primary role in the detection, investigation and correction of irregularities (particularly by virtue of its responsibility for monitoring and verification), and will be responsible for recovering grant in appropriate cases.

The Secretary of State, as Member State, will be responsible under Article 98 for investigating irregularities and making financial corrections.. The MA will notify irregularities to the Department for Business, Innovation and Skills (BIS), which is the central co-ordinating Department for the Member State with respect to the Structural Funds programmes.

BIS, acting for the Member State, will communicate with the Commission about irregularities and corrections.

The MA will report to the AA any cases involving fraud. BIS will report them to the Commission's OLAF service.

The MA will fulfil its responsibilities for the prevention, detection and investigation of irregularities and that it acts on reports prepared by the AA on any suspicion of irregularity.

11. INFORMATION AND PUBLICITY

The MA will ensure that information and publicity measures conform to the provisions of Article 69 of Council Regulation 1083/2006 and Articles 2 to 10 of Commission Regulation 1828/2006, to ensure the full visibility of the funds throughout the programming area.

Publicity forms an integral part of the programme strategy and the MA will ensure that the benefits of the ERDF is communicated to the wider public.

Innovative publicity activities and campaigns using print, broadcast and creative media will help the Managing Authority to clearly promote and position the ERDF brand. These activities will be developed proactively and implemented in collaboration with the European Commission in Brussels, the Representation Office in London and Information relays and networks in the UK, which will ensure the visibility and transparency of the funds at a local, regional and national level.

Potential project sponsors and final beneficiaries/fund recipients will be informed of funding opportunities and also the publicity requirements linked to receiving ERDF funding during the programming period.

To this end, the MA will draw up a budgeted communication plan, which must be agreed by the LMC and submitted to the Commission within four months of the adoption of the OP.

The Communication plan will set out:

- the objectives of the plan and the target groups;
- activities in support of publicity and information including events, seminars and project launches, for potential applicants, partners and the wider public
- bodies or persons responsible for the implementation of the plan;
- the budget for implementing the plan; and
- evaluation frameworks for the plan.

The MA will report on progress in implementing the plan (including examples of publicity activities) to the LMC and also in the annual implementation report. The communication plan will be easily accessible and will be published on the OP website.

Information will be provided by the MA to potential beneficiaries in accordance with Article 5 of Commission Regulation 1828/2006, including the publicity and information measures that they are required to undertake to comply with Articles 8 and 9 of that Regulation.

Project sponsors will be required to observe the publicity elements of Commission Regulation 1828/2006, especially with regard to signage, including billboards, plaques and promotional material.

Funding for publicity and communications will be provided through the Technical Assistance budget for the OP. The financial table for the OP will specify the amounts dedicated to the Technical Assistance Priority Axis.

12. SUPPLEMENTARY OBJECTIVES

Sustainable Development

The OP will promote the objectives of sustainable development as required by Article 17.

These objectives have been reflected in the programme strategy and objectives. The programme has been subject of a Strategic Environmental Assessment as required under Directive 2001/42/EC.

The Managing Authority will, in accordance with Article 10 of (EC) Directive 2001/42/EC, monitor the significant environmental effects of the OP in order, inter alia, to identify unforeseen adverse effects and be in a position to undertake appropriate remedial action. This monitoring will be undertaken at three levels:-

First, the Environmental Report has suggested a selection of tracking indicators that can be used to monitor the environmental performance of the area. The Managing Authority will monitor against these indicators, where appropriate, to determine

changes that occur and potential relationships with programme activities. As stated in the SEA, data for the majority of these indicators can be obtained from readily available sources. Performance against these indicators will be reported in the Annual Implementation Reports.

Secondly, the effectiveness of mainstreaming Environmental Sustainability as a Cross Cutting Theme will be assessed through the relevant Priority level indicators. Progress against the Priority level indicators will be reported in the Annual Implementation Reports and discussed at meetings of the LMC.

Thirdly, the Environmental Report proposes checking criteria to appraise the appropriateness of individual supported activities where they would result in a physical development. These criteria will be used, where appropriate, at project development stage so that potential adverse effects of supported activities are appropriately managed. Projects that have significant negative effects that can not be mitigated and outweigh positive benefits will not be supported by the OP.

Procedures will be in place to detect any project with a potentially negative effect on Natura 2000 sites and other sites designated for nature conservation. These will be scrutinized by the MA in consultation with the Competent Environmental Authorities to ensure that no activities will be supported that will cause damage to designated sites. The appraisal process will also cover opportunities to strengthen the environmental aspects of projects and the guidance that is being developed will advise on how this is to be done and how it will be monitored.

The MA and the LMC will be required to implement the OP having regard to the objectives of sustainable development. In particular, the selection criteria for operations, outputs and indicators will take account of the need to protect and promote environmental sustainability. This will also involve assessing the impact of operations on these objectives, on appraisal and during the course of project monitoring and evaluation.

Gender equality and equal opportunities

The OP will promote the objectives of equal opportunities and non-discrimination on the basis of race, ethnic origin, religion or belief, disability age or sexual orientation, as required by Article 16.

These objectives have been reflected in the programme strategy and priorities. The programme has been subject to an Equality Impact Screening as required by UK legislation, which are in Annex - to the OP. **[If relevant]** – This programme has also carried out a full Equality Impact Assessment, which is in Annex - to the OP.

The MA, and the LMC will be required to implement the OP having regard to the objectives of equal opportunities and non-discrimination. This will involve assessing the impact of operations on these objectives, on appraisal and during the course of project monitoring and evaluation.

Major projects

Financial assistance may be given under the OP for the support of major projects. A major project is defined in Article 39 as an operation:

- which comprises an series of works, activities or services intended in itself to accomplish an indivisible task of a precise economic or technical nature;

- which has clearly identified goals; and
- whose total cost exceeds €50 million.

When the MA appraises a major project, it will inform the Commission before deciding to approve support under the OP and provide the information necessary for appraisal of the project by the Commission as set out in Article 40 using Annex XXI to Commission Regulation 1828/2006).

Complementarity with the European Social Fund

The MA will work with the MA for the national ESF programme (the Department for Work and Pensions) to ensure effective co-ordination of decisions taken in the implementation of the OP and the national ESF programme.

The MA will be responsible for advising the LMC on what co-ordination with the ESF programme is necessary for meeting the objectives of the OP. The MA will put in place appropriate communication and liaison arrangements with the MA for the ESF programme. The MA and local partners will consider whether a joint ERDF and ESF monitoring committee to aid co-ordination would benefit the OP.

The LMC may at any time meet jointly with any committee or group set up by the MA of the national ESF programme to discuss matters of mutual interest and to ensure effective co-ordination.

Complementarity with the European Agricultural Fund for Rural Development and the European Fisheries Fund

The MA will work with the MA for the EAFRD and EFF programmes (the Department for Environment, Food and Rural Affairs) to ensure effective co-ordination of decisions taken in the implementation of the OP and the national EAFRD and EFF programmes.

The MA will be responsible for advising the LMC what co-ordination with the EAFRD and EFF programmes is necessary for meeting the objectives of the OP. The MA will put in place appropriate communication and liaison arrangements with the MA for the EAFRD and EFF programmes.

The LMC may at any time meet jointly with any committee or group set up by the MA of the EAFRD and EFF programmes to discuss matters of mutual interest and to ensure effective co-ordination.

13. USE OF RESERVES

National Performance Reserve

A Member State may establish a National Performance Reserve for each of the Convergence or Regional Competitiveness objectives, consisting 3% of its total allocation for each objective. The UK Government has decided not to operate a national performance reserve for the OP.

National Contingency Reserve

A Member State may reserve an amount of 1% of the annual Convergence allocation and 3% of the annual Regional Competitiveness allocation to cover

unforeseen local or sectoral crises linked to economic and social restructuring. The UK Government has decided not to operate a National Contingency Reserve for the OP.

14. FINANCIAL ENGINEERING

In accordance with Article 44 of 1083/06, the ERDF may be used to co-finance financial engineering schemes for enterprises, primarily small and medium enterprises. The MA will ensure that financial engineering operations supported by the ERDF are set up and implemented in compliance with Articles 43, 44 and 45 of Commission Regulation 1828/06.

Any proposal to set up financial engineering instruments will have to be agreed by the MA.

15. STATE AID

Any public support under this programme must comply with the procedural and material rules applicable at the point in time when the public support is granted. The Member State, and in particular the MA of each OP, is fully responsible for compliance of the Structural Funds operations within the programme with the EC state aid rules.

The Member State, and the MA are responsible for ensuring that operations and activities supported under the OP are compatible with the common market.

EAST MIDLANDS COMPETITIVENESS OPERATION PROGRAMME - PERFORMANCE

Annex D

Chart A: BUDGET VS EXPENDITURE £M

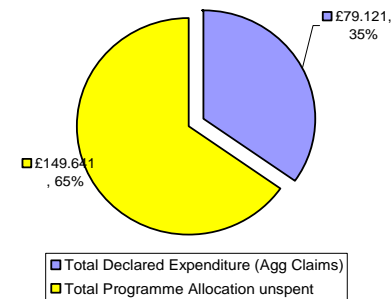


Chart B: COMMITTED FUNDS £M

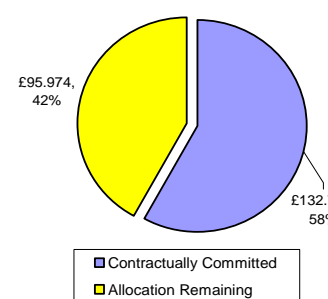


Chart C: COMMITMENT BY PRIORITY £M

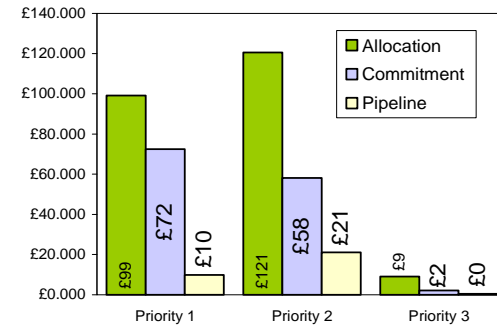


Chart D: N+2 PERFORMANCE

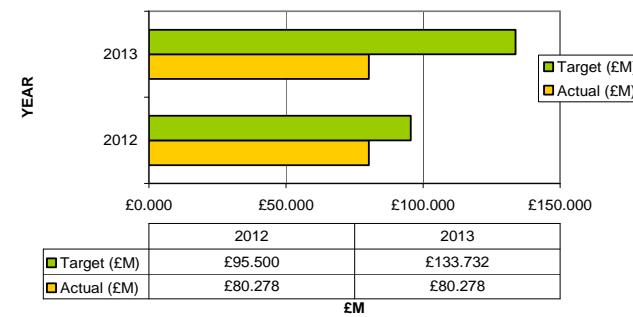


Chart E: PROJECT ENGAGEMENT VISITS

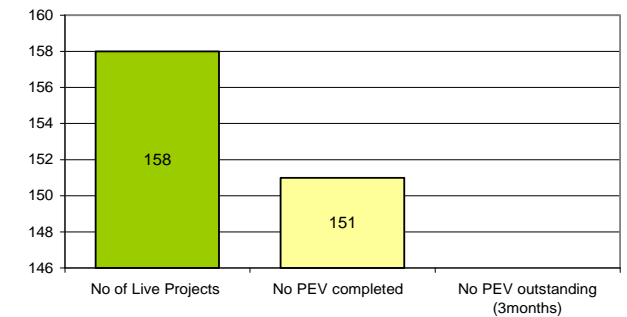


Chart F: ARTICLE 16 REPORTS 2011/12

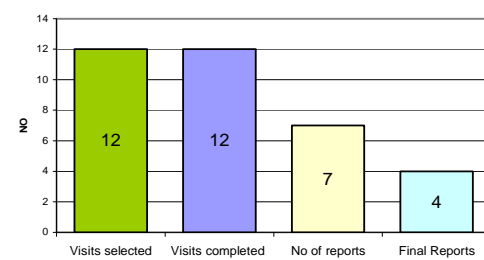


Chart G: ARTICLE 16 EXPENDITURE 2011/12

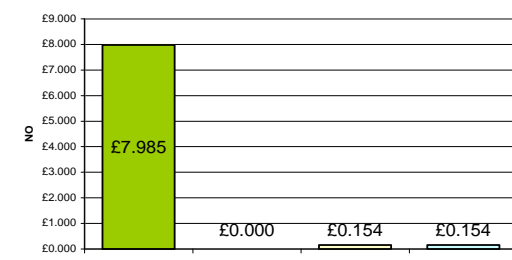


Chart H: NO IRREGULARITIES

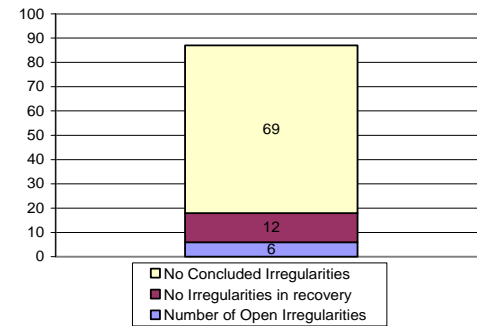


Chart I: IRREGULARITIES £M

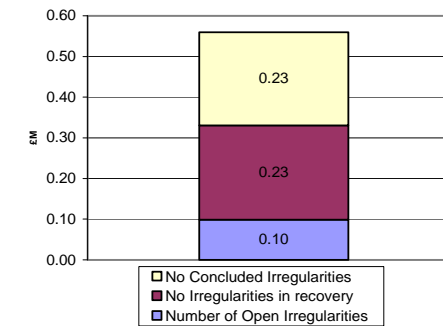
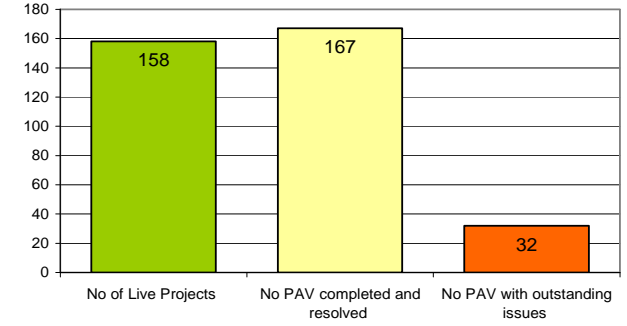
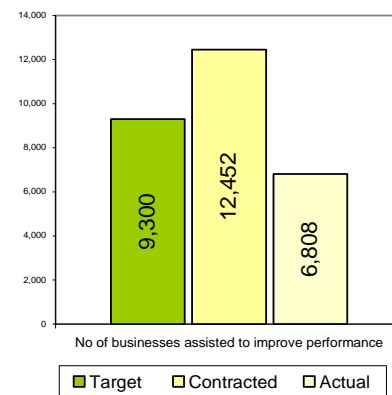


Chart J: PAV VISITS

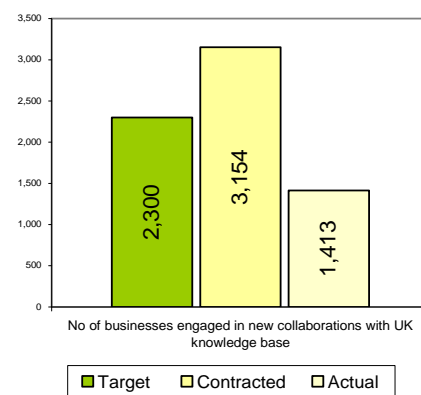


INDICATORS

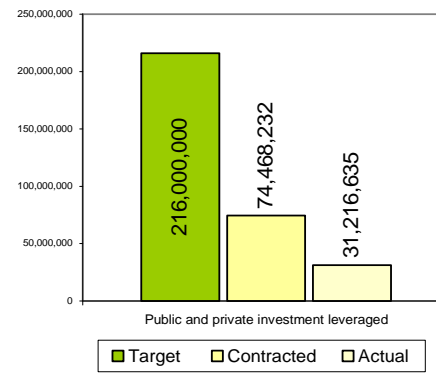
Output: Businesses assisted to improve performance



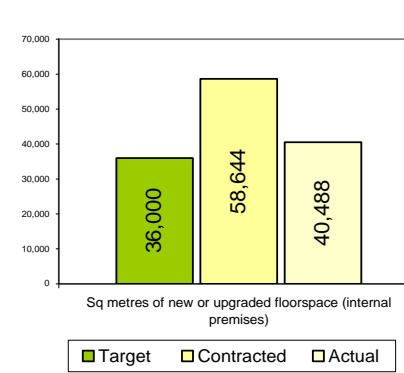
Output: Businesses engaged in new collaborations



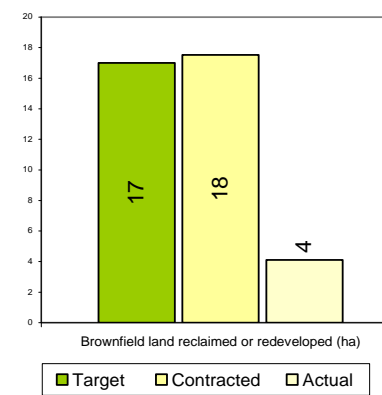
Output: Private and Public investment leveraged



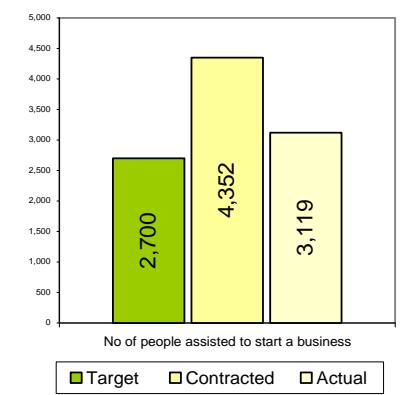
Output: New or upgraded Floorspace



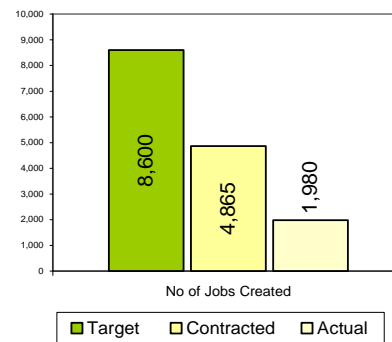
Output: Brownfield land reclaimed or redeveloped



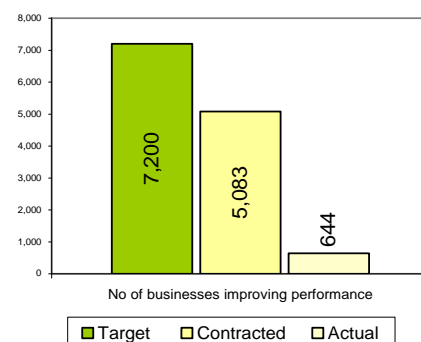
Output: People assisted to start a business



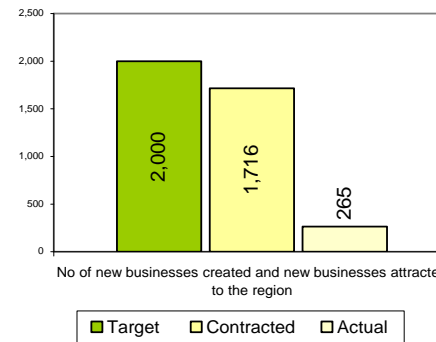
Result: Jobs Created



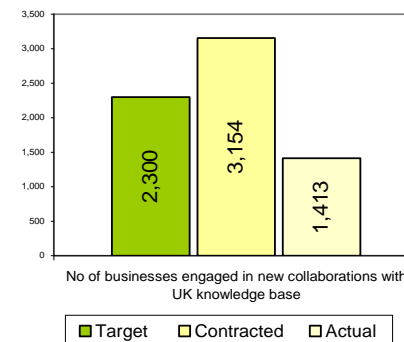
Result: Businesses improving performance



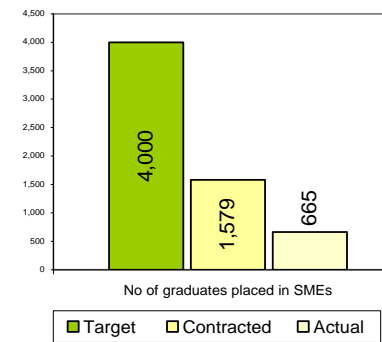
Result: New businesses created and new businesses attracted to the region



Output: New Collaboration



Result: Graduates placed in SMEs



Result: GVA resulting from business improving performance

