



EUROPEAN UNION  
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European Regional  
Development Fund 2007-13



**NORTH EAST ENGLAND**  
**EUROPEAN REGIONAL DEVELOPMENT FUND**  
**COMPETITIVENESS PROGRAMME 2007-13**  
**ANNUAL IMPLEMENTATION REPORT 2011**



## Contents

<b>INTRODUCTION</b>	<b>3</b>
<b>OVERVIEW OF THE NORTH EAST COMPETITIVENESS OPERATIONAL PROGRAMME 2007-13</b>	<b>7</b>
<b>1. IDENTIFICATION DATA</b>	<b>9</b>
<b>2. OVERVIEW AT OPERATIONAL PROGRAMME LEVEL</b>	<b>9</b>
2.1. Achievement and Analysis at Operational Programme Level	9
2.2. Compliance with Community Law	54
2.3. Significant Problems Encountered and Measures Taken to Overcome Them	55
2.4. Changes in the Context of the Operational Programme Implementation	57
2.5. Substantial Modification under Article 55 of EC No 1083/2006	59
2.6. Complementarity with Other Instruments	63
2.7. Monitoring Arrangements	63
<b>3. IMPLEMENTATION PROGRESS BY PRIORITY</b>	<b>70</b>
3.1. Priority 1 Exploiting and Enhancing Innovation	71
3.2. Priority 2 Business Growth and Enterprise	78
<b>4. COHERENCE AND CONCENTRATION (ESF PROGRAMMES)/MAJOR PROJECTS</b>	<b>82</b>
<b>5. TECHNICAL ASSISTANCE</b>	<b>82</b>
<b>6. PUBLICITY AND INFORMATION</b>	<b>84</b>

## **ANNUAL IMPLEMENTATION REPORT 2011**

### **INTRODUCTION**

In line with the obligations set out under Article 67 of EC Regulation (No 1083/2006) this report is submitted by the Department for Communities and Local Government (DCLG) ERDF Delivery Team for the calendar year ending 31 December 2011.

The report has been prepared by the DCLG ERDF Delivery Team following the abolition of the Regional Development Agency (One North East) and the rescinding of the Statutory Instrument establishing One North East as the Article 59 Intermediate Body. As such, from 1st July 2011, all of the functions previously delegated to One North East returned to the DCLG in its capacity as the Managing Authority for ERDF in England. It is important to note that the RDA ERDF programme based teams also transferred to DCLG from July, thus maintaining a local source of continuity and expertise through which to support Partners in delivery of the Programme.

The Report has been reviewed and endorsed for submission to the European Commission by the Local Management Committee<sup>1</sup> (LMC) at its meeting held on 22<sup>nd</sup> June 2012.

The 2011 Report builds on previous Annual Implementation Reports submitted and describes the achievements and challenges faced by Partners in relation to the wholesale restructuring of the strategic, delivery and socio-economic context under which the Programme is currently being implemented.

The Report explains that the impact of economic crisis experienced since 2008 and associated Government policy and strategy responses, coupled with radical overhaul of administrative and delivery structures following the outcome of the General Election in 2010, has continued to inform the landscape in which delivery of the Programme occurs and that partners at local, sub-national and national level have continued to work closely to mitigate associated risks and maintain a robust focus upon implementation, compliance and spend over the course of 2011.

The Coalition Government's key strategic focus remains the need to tackle the budget deficit, to rebalance the sectoral make up of the economy and to strengthen the role of the private sector and localities in driving job creation and wider economic growth.

The current policy context is demonstrably impacting on the implementation of the programme, partner capacity and available sources of match funding

The Government remains committed to maximising the draw down of ERDF across all programme areas and has sought to respond pro-actively and transparently to ensure that delivery momentum is maintained through an increasingly devolved and strengthened role for local public and private sector partners in implementation and management going forward. In this respect ERDF is increasingly recognised as an important incentive and instrument through which to engage localities in delivery of the Government's Growth Agenda.

Despite the significant ongoing delivery challenges faced by partners the outcome of the Mid Term Evaluation, formally reported to partners in the first quarter of 2011, confirmed that the strategy set out in the Operational Programme - which aimed to promote long term transformational and structural economic change through investment in support of innovation, productivity, business

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<sup>1</sup> From July 2011 the Programme Monitoring Committee was reconstituted as the 'Local Management Committee'.

growth and enterprise promotion - remained relevant and appropriate to the needs of local partners, the two Local Enterprise Partnerships<sup>2</sup> (LEPs) established in 2011 and to the wider North East Programme area's economic agenda.

The evaluation reported positively on the strength and transparency of the partnership underpinning the North East Programme and Partners have continued over the course of 2011 to work collaboratively to ensure that all investments made through the Programme remain:

- Relevant to the long term strategic aims and objectives of the Operational Programme;
- Tailored to the prevailing economic circumstances and needs of the North East partners;
- Aligned where possible to the emerging architecture of sub-national support for economic development;
- Fully compliant with EC and national eligibility and audit rules;
- Realistic and focused upon actual spend and deliverables to be achieved in line with Operational Programme financial and non-financial targets.

Key achievements and ongoing challenges over the course of 2011 include:

- Significant overachievement against the 2011 n+2 target of c£81m (€92.8m) with declared expenditure<sup>3</sup> of £49.7m (€57.0m) in 2011, resulting in £132.9m (€150.3m) total cumulative declared spend by end of December 2011.
- This represents overachievement against the 2011 n+2 target of some £52m and reflects the continued efforts made by regional and local partners to prioritise ERDF appraisal, delivery and claims activity over the course of the year. The performance reported for 2011 also places the Programme in a relatively strong position with regards to the achievement of the n+2 target for 2012 £136m (€159m).
- A total of 88 projects had been contracted at 31 December 2011 with £203.7m (€233.3m) ERDF contractually committed. This represented c62% of the programme value of c£322m (€376m) at December 2011.
- Continued strong performance of the Finance for Business! North East (JEREMIE project) which over the year remained on track against forecast spend and outputs and the successful completion at December 2011 of the Creative Content Co-Investment Pilot Fund.
- The strengthening of sub-national and local partner engagement through the reconstitution of the Programme Monitoring Committee as the Local Management Committee (LMC), Chaired by a senior DCLG (MA) representative but with enhanced membership from Local Authority, Local Enterprise Partnerships and the private sector partners in the governance and strategic direction of programme implementation.
- A significant innovation in revising governance structures with the establishment of a new 'Deputy Chair of the LMC' role to be drawn from local partners, which in the North East Programme area was been taken on by Cllr Neil Forster, Cabinet Member for

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<sup>2</sup> NB that the North Eastern and Tees Valley LEP areas are consistent with the Programme area.

<sup>3</sup> Aggregate Claims at Approved or higher status

Regeneration, Durham County Council. The Deputy Chair post was also established as the Chair of the LMC technical sub-group, known as the Programme Executive Group (PEG).

- Significant Partner engagement through the revised governance structures enhanced through the increased frequency of both LMC and PEG meetings. Over the course of 2011 the PMC/LMC met four times and the PEG twelve times.
- Agreement in Principle on the innovative use of Technical Assistance (TA) to support devolved local Partner responsibilities embodied in the new Deputy Chair role e.g. agreement secured from DCLG for the use of bank interest generated by ERDF to match TA.
- A successful 'ERDF Month' annual event held in summer 2011 involving a series of information, publicity and networking events to promote the achievements of the programme and awareness of ongoing delivery and compliance issues. In 2011 the key focus of the 'ERDF Month' events was to disseminate the outcome of the Mid Term Evaluation of the Programme and assess implications for delivery going forward.
- Following on from the Mid Term Evaluation, Partners agreed to the development, negotiation and submission of a modification proposal to the EU Commission intended to better align the Programme to new economic realities following the recession and a vastly different administrative and institutional context going forward.
- Ongoing investment into high value added economic sectors and North East Programme area assets identified in the Operational Programme as critical to the future exploitation of North East competitive advantage in low carbon, offshore renewable, life sciences and process industries, in particular, which are closely aligned to EUROPE 2020 and Smart Specialisation Strategies.
- It is important to note however, that robust total cumulative spend at the end of 2011 is significantly influenced by the front loading of ERDF investment into the two Financial Engineering Instruments established through the Programme in 2009/2010 (the North East JEREMIE funds in particular and the Creative Content Co-investment Fund). Performance over 2011 and beyond must therefore continue to take account of ongoing challenges such as a weakening project pipeline, concerns amongst Partners over future sources of match funding and the risk of the 'flatlining' of contractual commitments over 2011 (which averaged at c62% over the course of the year)<sup>4</sup>. Partners remain focused upon the challenges that need to be overcome to meet spend targets from 2012 onwards.
- Over the course of 2011 DCLG ERDF Delivery Team and Partners were tasked with addressing the emergence of high error rates in 2009/10 and the decision of the EU Commission to suspend payments to a number of English Programmes including the North East. The ERDF Delivery Team responded with enhanced scrutiny and monitoring of compliance issues at both 'pre' and 'post' contract stages and enhanced guidance to partners through revised guidance, targeted use of electronic stakeholder forums / bulletins and Practitioner Network activity.

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<sup>4</sup> The 'flatlining' of the level of contracted commitments has also been influenced by project resources returning to the programme as a result of project withdrawals, reductions and variations but also variations in the exchange rate which have increased to overall size of the Programme itself.

- In practical programme management terms continued progress has also to be seen in the context of issues raised by the Mid Term Evaluation, for example, the need to respond to the abolition of the Regional Development Agency One North East and loss of its associated capacity in terms of management systems and wider economic development and regeneration expertise, the rescinding of their role as Intermediate Bodies and the transfer of those previously delegated management responsibilities back to DCLG as the Managing Authority.
- The transfer of responsibilities has over the course of 2011 involved significant staff transfers, the physical relocation of staff, administrative electronic and non-electronic systems and records, and the ongoing development and embedding of Programme Delivery Teams (ERDF Delivery Teams) into new Departmental structures, systems and management processes.
- In parallel, the Evaluation also noted that sub-national and local partners have also been required to operate within the context of the wider austerity measures needed to address the public sector deficit and the Coalition Government's restructuring of the institutions and mechanisms through which sub-national economic development is pursued. The Evaluation noted that Partners reported over the course of 2010/11 that this had impacted upon the availability of sources of match funding eligible for use against ERDF, as had the loss of wider ERDF related economic development capacity and expertise at the local level.
- In 2011, in response to these challenges, Programme strategy and governance structures have pro-actively sought to mitigate the issues identified above and respond in a constructive fashion wherever possible to align programme activity with new and emerging instruments such as Regional Growth Fund, Growing Places Fund, Enterprise Zones and the establishment of two Local Enterprise Partnerships (LEPs) in the programme area.
- The North Eastern LEP and the Tees Valley LEP became operational in 2011 with responsibility for driving forward economic growth and the identification of their respective strategic economic development priorities. Partners have therefore worked to ensure that the ERDF Operational Programme remains fully consistent and responsive to local partner and LEP investment priorities through the modification proposal, the revision of the Programme Investment Framework and ongoing influence over the strategic focus of commissioning documents underpinning calls for projects and associated appraisal activity.

Where possible the quantitative and financial information required under Article 67 is provided, as is a qualitative assessment of progress related to the issues and challenges highlighted above.

## OVERVIEW OF THE NORTH EAST COMPETITIVENESS OPERATIONAL PROGRAMME 2007-2013

The North East England ERDF Competitiveness Operational Programme was approved by the European Commission in December 2007 and was formally launched in February 2008. The vision for the Programme is set out below:

***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 a global market place.***

The total Community allocation at €376m remains constant, however, due to depreciation in the exchange rate between sterling and the euro the sterling value of programme has increased from £255m to £322m based on the Treasury forecast exchange rates at the end of December 2011.

This is allocated against the three Operational Programme Priorities as set out in Table 1 below:

**Table 1 North East England ERDF Competitiveness Operational Programme, Priorities and Fields of Action, 2007-2013.**

Priority Axis	Field of Action	ERDF Allocation £m*	ERDF Allocation €m
1. Enhancing and exploiting innovation	<ul style="list-style-type: none"><li>Investment in Innovation Connectors</li><li>Support for Technology-led sectors</li><li>Exploitation of the Science Base</li></ul>	170.5	199.3
2. Business Growth and Enterprise	<ul style="list-style-type: none"><li>Cultivating and sustaining enterprise (including social/community based enterprise) in disadvantaged areas</li><li>Enhancing the competitiveness and growth of existing SMEs</li></ul>	138.4	161.7
3. Technical Assistance		13.9	15
<b>Total</b>		<b>321.8</b>	<b>376</b>

\*£ value at 31 December 2011

## Cross Cutting Themes

In addition to the Priorities and Fields of Action listed in Table 1 above, Partners agreed three cross cutting themes to underpin implementation of the Operational Programme, the objectives and associated priorities and targets underpinning the cross cutting themes are set out in detail in Chapter 5 of the Operational Programme document available at [www.communities.gov.uk/erdf](http://www.communities.gov.uk/erdf)

The cross cutting themes are as follows:

- Environmental sustainability;
- Equality and diversity;
- Spatial Cohesion.

## Programme Baselines

The global programme baselines established in the Operational Programme (Chapter 4 of the OP document refers) are set out for information in Table 2 below:

**Table 2 Global Operational Programme baselines, North East England Operational programme area.**

Number of businesses (2004)	67,800
Business density (business units per 10,000 population (2004)	266
Number of VAT registrations (2004)	4,290
Number of employees (2004)	1,005,700
North East GDP per capita (2004) <ul style="list-style-type: none"><li>• Relative to UK average</li><li>• Relative to EU average</li></ul>	79.6% 97.2%
Business enterprise R&D as a proportion of regional GVA (2004) <ul style="list-style-type: none"><li>• North East</li><li>• UK</li></ul>	0.4% 1.2%
North East GVA (2004)	£34.4bn



## ANNUAL IMPLEMENTATION REPORT 2011

### 1. IDENTIFICATION DATA

<b>Operational Programme</b>	
<b>Objective concerned</b>	<b>Regional Competitiveness and Employment</b>
<b>Eligible Area concerned</b>	<b>North East England NUTS 1</b>
<b>Programme period</b>	<b>2007-2013</b>
<b>Programme number</b>	<b>(CCI No – 2007UK162PO005)</b>
<b>Programme title</b>	<b>North East England ERDF Competitiveness Operational Programme</b>
<b>Reporting year</b>	<b>2011</b>

### 2. OVERVIEW AT OPERATIONAL PROGRAMME LEVEL

#### 2.1. ACHIEVEMENT AND ANALYSIS AT OPERATIONAL PROGRAMME LEVEL

##### Programme Overview

Over the course of 2011 partners have continued to work collectively to respond to the ongoing impact of the economic downturn triggered by the economic crisis of 2008/09 and previously described in the 2010 AIR.

The year has seen positive achievements, strong collaborative working and continued progress in delivery, but the undoubted progress made has also to be viewed in the context of the ongoing implementation challenges that continue to impact on Partners.

These challenges have combined to exacerbate the uncertainties experienced by Partners arising from the adverse socio-economic circumstances affecting the programme area and the significant changes to the delivery and administrative framework now underpinning implementation.

The findings of the Mid Term Evaluation<sup>5</sup> (MTE) described the following key delivery risks that partners have acted to mitigate over the course of 2011:

- The difficulties in pursuing the medium to long term strategy of the programme given the adverse impact of slow economic recovery upon the wider business environment, company and individual readiness to make investment commitments and widening socio-economic disparities resulting from pro-longed periods of sluggish economic performance, rising levels of unemployment and higher economic inactivity.
- The risk that the significant resources needed to prepare for and then embed the radical overhaul of administrative delivery arrangements and systems, resulting from the rescinding of the Regional Development Agency's (One North East) status as an

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<sup>5</sup> The North East MTE was undertaken by Regeneris Consultants Ltd and agreed by Partners at the PMC held in April 2011, it is available through the North East ERDF website located at [www.communities.gov.uk/erdf](http://www.communities.gov.uk/erdf)

Intermediate Body from July 2011, detracts from implementation at a critical time for delivery of the programme.

- The establishment of (and time needed to 'bed down') new delivery arrangements for business support following the closure of the Business Link regional delivery structures from November 2011 and the move to nationally led delivery of the Manufacturing Advisory Service (MAS) and UK Trade and Investment (UKTI) from previously regionally focused delivery structures, which has impacted upon delivery in Priority 2 in particular.
- The ongoing impact of the wider austerity climate across all sectors but in particular the impact of associated cuts to public spending that began to take demonstrable effect over 2011 resulting in the need for the ERDF Delivery Team to manage increasing numbers of project withdrawals, variations and re-profiling over the course of the year.
- The loss of capacity and expertise in ERDF project development and delivery amongst public sector and other delivery partners and the associated risk to programme delivery arising from the difficulties experienced by partners in securing match funding for the programme.

Partners are, however able to report limited disruption, continued momentum and progress in delivery of the programme and identifiable success in mitigating a number of the challenges faced.

Partners are not complacent and recognise that many of the conditions that have informed the context for delivery in 2011 are set to continue, underlining and reinforcing the importance of the robust, open and transparent Partnership working that has developed since the launch of the programme and which was recognised in the Mid Term Evaluation.

Some of the key achievements secured by partners over 2011, as well the challenges which arose over the course of the year and which continue to face programme implementation, are summarised as follows:

- Despite the difficulties faced by partners, by December 2011 the N+2 spend target was met in full and a significant contribution made to the achievement of 2012 target.
- At the end of December 2011 there were 88 projects live / approved with total ERDF contractually committed at £203.7m (€233.3m), representing some 62% of the programme value. This represents an increase of £11.7m and therefore an increase in both absolute and percentage commitment levels when compared to 2010 AIR figures (i.e. £192m and c59% respectively), NB taking into account fluctuations in the exchange rate and the associated sterling value of the programme, which stood at £322m at the end of December 2011 (£324m at end December 2010). This is considered reasonable progress at this stage of the programme.
- At PMC /LMC and PEG meetings held in 2011 Partners emphasised the need to maintain momentum in terms of the pipeline, rate of spend and contractual commitments entered into by the ERDF Delivery Team if the programme was to ensure progress against N+2 targets beyond 2012. Partners noted their own obligations in this regard, but also noted that whilst the level of contractual commitments remained relatively constant at c62%, this masks variations when new projects have come into the programme and raised the notional rate to closer to 67% but others have either withdrawn, closed early or reduced expenditure as a result of the loss of match funding or the abolition of applicant organisations.

- The net effect has been to offset new commitment with the loss or reduced scope of existing projects. The combined impact noted by Partners has been the importance of avoiding the risk that the programme is effectively 'flatlining' in terms of contractual commitments, with the programme 'running harder to stand still', and therefore mitigating this risk will be critical to the achievement of financial and non-financial targets from 2011 onwards.
- Over the course of 2011 the ERDF Delivery Team has been able to report satisfactory progress against financial and non-financial **contracted** outputs and indicator targets. However, partners at both LMC and PEG remain focused upon the need to generate a more robust project pipeline from 2012 onwards and the translation of contracted targets into actual delivery against targets. With this in mind Partners agreed to maintain open calls under Priority 1 and Priority 2 capital and revenue calls across up to December 2011 to ensure maximum flexibility and responsiveness to investment opportunities as and when they arose.
- In converting contracted spend and targets into actuals over 2011, Partners also identified the need for an increased rate of new commitments and project spend, and the timely and accurate submission of claims, as critical to the delivery of spend and non-financial targets. A series of practical action plans and workshops supporting partners were launched in 2011 to support and facilitate these objectives; including a review of output definitions and evidence requirements, additional claims training and targeted e-bulletins and workshops as part of the Practitioners' Network.
- At the PMC in April 2011 partners were advised that, following an Audit Authority (AA) 'End to End' Audit of all North East programme implementation systems and governance structures, the North East received an 'Unqualified' finding.
- Following the Mid Term Evaluation partners worked collaboratively to develop comprehensive modification proposals to refocus elements of the Operational Programme to take account of new priorities resulting from the changed delivery and economic context and to ensure the strategic direction of investment remained flexible and relevant to the needs of partners and the new socio-economic realities underpinning implementation. The modification submitted by partners in July 2011 sought to maintain a balance between the short term actions required to respond to the ongoing economic difficulties and the longer term strategic aims of the Operational Programme.
- The modification also formed the basis for a review of the Operational Programme Delivery Framework in 2011, resulting in agreement with Partners on a new 'Investment Framework' in October and subsequent launch of new Commissioning Documents underpinning new capital and revenue calls under Priority 1 and 2 from December 2011.
- Despite the administrative and delivery risks associated with transfer of the ERDF Secretariat to DCLG from July, Partners experienced minimum disruption to programme functions and activity and were also integrally involved in the agreement of revised partnership governance arrangements aimed strengthening their role in selection and direction of investment.
- In advance of transfer and in consultation with Partners, the programme governance structures (e.g. the role and membership of the PMC and PEG) were revised and new membership and Terms of Reference for those groups were agreed by Partners. The effect

has been to strengthen devolved responsibilities and local strategic influence and direction of programme delivery.

- Following the establishment of the Local Management Committee (from July) and with the agreement of partners, Cllr Neil Forster (Durham County Council) was confirmed in the new post of Deputy Chair of the LMC. In addition, membership of LMC and PEG was broadened to strengthen local and private sector representation and the role of PEG was also widened to incorporate an enhanced role in selection and endorsement of projects and commissioning activity.
- Over the course of 2011 the North East Programme was required to address the interruption initiated by the EU Commission as a result of a previous annual error rate that was above the Commission's 2% toleration threshold, i.e. in December 2010 the Audit Authority reported an error rate of 5.72% for the period 2009/2010. The Secretariat / ERDF Delivery Team worked in conjunction with national DCLG, Audit Authority and local delivery partners over 2011 to put in place a wide ranging action plan designed to address the causes of the high error rate (primarily due to two individual project issues around incorrect SME definition and ineligible procurement practices) and to ensure that risk was managed down and any errors minimised so that going forward the programme could operate within acceptable EU Commission tolerance levels.

In terms of key indicators achieved by the end of December 2011, Chart 1 below demonstrates overall progress against key targets across all priorities. It is important to note that these targets have been achieved despite unprecedented delivery circumstances and in the very difficult socio-economic conditions that continues to face Partners in implementing the programme.

Achievements against key indicators at the end of December 2011 are as follows:

- 4,940 Gross jobs created
- 2,331 Gross businesses created
- 4,783 SMEs Assisted
- 2,519 new SMEs assisted
- 5,037 Gross jobs safeguarded

**Chart 1 Progress against key Programme Indicators**

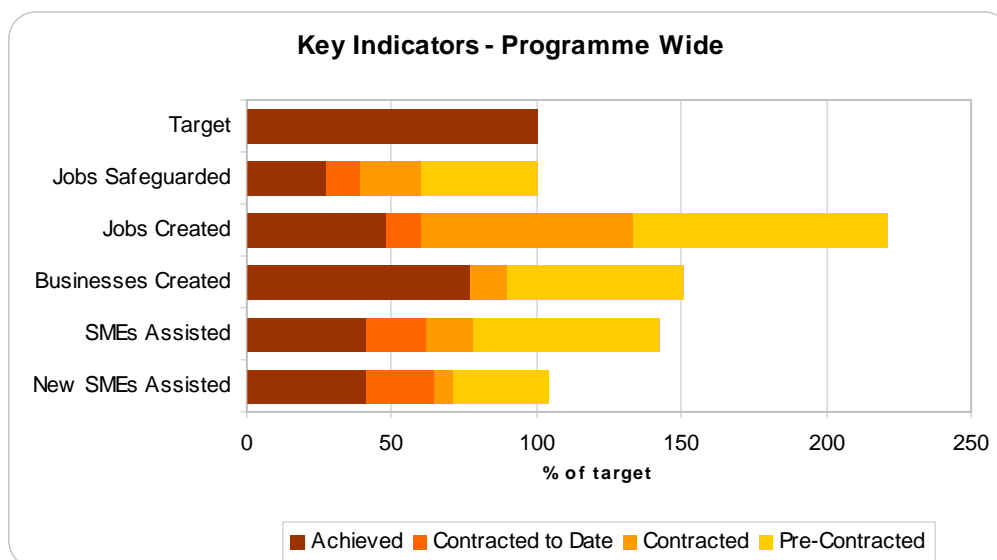


Chart 1 indicates progress in performance in terms of the proportion of targets that have been actually delivered, or which are contracted to be delivered, as well as the forecast amounts included in the project pipeline at pre-contract stages.

In terms of actual performance the Chart illustrates the ongoing need to maintain momentum in terms of translating contracted and forecast outputs into actuals, the need to strengthen performance in relation to the numbers of jobs safeguarded, the number of SMEs assisted (and new SMEs assisted in particular), but also the relatively good performance in terms of both jobs and businesses created in terms of actual and contracted amounts.

The Table 3 overleaf details programme performance as against the nine EC Core Indicators where programme data allows:

**Table 3 EC Core Indicators Summary**

Core Indicator		Baseline	Cumulative Achievement up to 30/12/11	Overall Final Target	% of target achieved
01	Jobs created	0	4,940	10,185	49
02	Jobs created for men	0	3,057	5,602	55
03	Jobs created for women	0	1,883	4,583	41
04	Number of RTD projects	0	0	0	0
06	Research jobs created	0	0	0	0
07	Number of direct investment aid projects to SME	0	159	402	40
08	Number of start-ups supported	0	2,519	6,080	41
10	Investment induced (million €)	0	0.98	527	0.2
11	Number of information society projects	0	0	0	0

The Table demonstrates satisfactory performance at this stage of implementation against the core indicators where data is available, in particular, in terms of jobs created (49%), jobs created for men which is at 55% of programme target achieved at the end of 2011, SMEs in receipt of direct investment aid (i.e. SMEs receiving financial assistance through programme FEIs) and number of start-ups supported.

The Tables overleaf correspond to EU Commission Regulation (EC) No 1828 (Annex XVIII Annual and Final Reporting) and provide information on the physical progress of the Operational Programme and forecast outputs and indicators using data from projects approved up to the end of December 2011.

Information is provided by Priority against each of the quantifiable indicators set out in the OP, together with core indicators relating to the expected results for the year 2011, for previous reporting years and cumulatively. NB that any variance between figures reported for previous AIRs in the Tables presented and those reported in the AIR 2010 may reflect agreed re-profiling resulting from project variations or cuts, or delays in the commencement of project activity, agreed with the ERDF Delivery Team.

NB also that the targets presented overleaf reflect the original programme targets agreed rather than the proposed modification targets which are still subject to final confirmation from the EU Commission.

## PRIORITY 1 – Outputs

Regional Indicator	Progress	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Programme Totals	% Achieved of Contracted	% Programme Target Contracted	% Programme Target Achieved
No of new SMEs and spin-out business assisted with innovation, including integrated development of workforce skills where appropriate.	Programme Target Indicator	2,072													2,072	24%	72%	18%
	Contracted Indicator	0	0	111	212	304	194	328	130	222	0	0	0	0	1,501			
	Achieved Indicator	0	0	75	206	83	0	0	0	0	0	0	0	0	364			
No of SMEs assisted with innovation, including integrated development of workforce skills where appropriate.	Programme Target Indicator	4,434													4,434	20%	98%	20%
	Contracted Indicator	0	0	261	591	726	559	550	414	1,223	0	0	0	0	4,324			
	Achieved Indicator	0	0	215	511	152	0	0	0	0	0	0	0	0	878			
No of SMEs receiving financial assistance.	Programme Target Indicator	202													202	19%	421%	79%
	Contracted Indicator	0	0	0	70	230	190	170	190	0	0	0	0	0	850			
	Achieved Indicator	0	0	0	70	89	0	0	0	0	0	0	0	0	159			
Area of R&D premises developed (m2).	Programme Target Indicator	51,238													51,238	21%	71%	15%
	Contracted Indicator	0	0	20	6,977	15,849	8,952	4,188	294	0	0	0	0	0	36,280			
	Achieved Indicator	0	0	20	6,166	1,422	0	0	0	0	0	0	0	0	7,608			

Regional Indicator	Progress	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Programme Totals	% Achieved of Contracted	% Programme Target Contracted	% Programme Target Achieved
Brownfield land reclaimed &/or redeveloped (ha).	Programme Target Indicator	21.4													21.4	39%	36%	14%
	Contracted Indicator	0.0	0.0	0.0	2.0	1.6	3.0	0.7	0.0	0.4	0.0	0.0	0.0	0.0	7.7			
	Achieved Indicator	0.0	0.0	1.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0			
No of integrated packages of activity to embed the benefits of investments in innovation in disadvantaged communities	Programme Target Indicator	10													10	25%	40%	10%
	Contracted Indicator	0	0	1	0	2	1	0	0	0	0	0	0	0	4			
	Achieved Indicator	0	0	1	0	0	0	0	0	0	0	0	0	0	1			
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	Programme Target Indicator	2,233													2,233	38%	70%	27%
	Contracted Indicator	0	0	33	137	330	434	317	254	50	0	0	0	0	1,555			
	Achieved Indicator	0	0	245	309	44	0	0	0	0	0	0	0	0	598			



## PRIORITY 1 – Results

Regional Indicator	Progress	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Programme Totals	% Achieved of Contracted	% Programme Target Contracted	% Programme Target Achieved
No. of gross jobs created	Programme Target Indicator	3,605													3,605	6%	261%	17%
	Contracted Indicator	0	0	154	245	682	1,131	1,008	951	2,210	502	502	609	1,428	9,422			
	Achieved Indicator	0	0	142	305	155	0	0	0	0	0	0	0	0	601			
No. of gross jobs created - men	Programme Target Indicator	1,983													1,983	9%	276%	24%
	Contracted Indicator	0	0	90	182	428	674	593	572	1,269	276	276	335	786	5,481			
	Achieved Indicator	0	0	112	245	116	0	0	0	0	0	0	0	0	473			
No. of gross jobs created - women	Programme Target Indicator	1,622													1,622	3%	243%	8%
	Contracted Indicator	0	0	64	63	254	457	415	379	941	226	226	274	642	3,941			
	Achieved Indicator	0	0	30	60	38	0	0	0	0	0	0	0	0	128			
No. of gross jobs created in disadvantaged areas	Programme Target Indicator	180													180	12%	773%	91%
	Contracted Indicator	0	0	23	58	191	230	199	290	250	25	25	30	70	1,391			
	Achieved Indicator	0	0	40	90	35	0	0	0	0	0	0	0	0	164			
No. of gross jobs safeguarded	Programme Target Indicator	8,411													8,411	15%	75%	11%

Regional Indicator	Progress	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Programme Totals	% Achieved of Contracted	% Programme Target Contracted	% Programme Target Achieved
	Contracted Indicator	0	0	93	434	1,213	1,105	939	906	1,645	0	0	0	0	6,335			
	Achieved Indicator	0	0	69	381	486	0	0	0	0	0	0	0	0	935			
No. of gross jobs safeguarded - men	Programme Target Indicator	4,626													4,626			
	Contracted Indicator	0	0	45	263	744	667	546	512	933	0	0	0	0	3,710	18%	80%	14%
	Achieved Indicator	0	0	45	260	365	0	0	0	0	0	0	0	0	669			
No. of gross jobs safeguarded - women	Programme Target Indicator	3,785													3,785			
	Contracted Indicator	0	0	22	167	479	439	396	397	712	0	0	0	0	2,612	9%	69%	6%
	Achieved Indicator	0	0	16	67	148	0	0	0	0	0	0	0	0	231			
No. of gross jobs safeguarded in disadvantaged areas	Programme Target Indicator	421													421			
	Contracted Indicator	0	0	13	54	139	167	113	74	29	0	0	0	0	589	10%	140%	14%
	Achieved Indicator	0	0	23	24	12	0	0	0	0	0	0	0	0	59			
No. of businesses assisted with improved performance	Programme Target Indicator	6,037													6,037			
	Contracted Indicator	0	0	121	154	722	740	686	566	211	0	0	0	0	3,200	11%	53%	6%
	Achieved Indicator	0	0	3	186	150	0	0	0	0	0	0	0	0	339			

Regional Indicator	Progress	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Programme Totals	% Achieved of Contracted	% Programme Target Contracted	% Programme Target Achieved
No. of businesses assisted with improved environmental management.	Programme Target Indicator	671													671	24%	45%	11%
	Contracted Indicator	0	0	5	79	36	82	80	21	0	0	0	0	0	303			
	Achieved Indicator	0	0	5	62	7	0	0	0	0	0	0	0	0	74			
No. of businesses assisted with improved environmental management, of which related to improved energy efficiency, micro-renewables and other management of carbon footprint	Programme Target Indicator	470													470	15%	121%	18%
	Contracted Indicator	0	0	45	111	53	98	54	210	0	0	0	0	0	571			
	Achieved Indicator	0	0	6	71	7	0	0	0	0	0	0	0	0	84			
No. of assisted businesses within the region engaged in new collaborations with the knowledge base	Programme Target Indicator	1,677													1,677	35%	108%	38%
	Contracted Indicator	0	0	153	351	436	250	220	257	150	0	0	0	0	1,817			
	Achieved Indicator	0	0	129	414	99	0	0	0	0	0	0	0	0	642			
Private sector expenditure on R&D levered	Programme Target Indicator	450													450	3%	6%	0%
	Contracted Indicator	0.0	0.0	0.2	1.0	6.0	6.4	2.5	2.4	4.5	4.0	0.0	0.0	0.0	27.0			
	Achieved Indicator	0.0	0.0	0.0	0.3	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8			

# **PRIORITY 1 – Impacts**

Regional Indicator	Progress	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Programme Totals	% Achieved of Contracted	% Programme Target Contracted	% Programme Target Achieved
Net Increase in GVA as a result of the Programme	Programme Target Indicator	545													545	1%	15%	0%
	Contracted Indicator	0	0	4	1	3	7	5	19	5	40	0	0	0	83			
	Achieved Indicator	0	0	1	0	0	0	0	0	0	0	0	0	0	1			
Net Increase in employment	Programme Target Indicator	9,084													9,084	0%	12%	0%
	Contracted Indicator	0	0	29	27	124	130	68	244	94	350	0	0	0	1,066			
	Achieved Indicator	0	0	0	2	0	0	0	0	0	0	0	0	0	2			

## PRIORITY 2 – Outputs

Regional Indicator	Progress	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Programme Totals	% Achieved of Contracted	% Programme Target Contracted	% Programme Target Achieved
No of new SMEs assisted, including integrated development of workforce skills where appropriate.	Programme Target Indicator	4,008													4,008	45%	121%	54%
	Contracted Indicator	0	0	940	1,257	1,221	513	463	306	131	0	0	0	0	4,831			
	Achieved Indicator	0	0	516	455	1,184	0	0	0	0	0	0	0	0	2,155			
No of SMEs assisted, including integrated development of workforce skills where appropriate, and actions to include the following: • management/leadership • corporate and social responsibility e.g. awareness raising on statutory and legal...	Programme Target Indicator	6,680													6,680	34%	158%	53%
	Contracted Indicator	0	0	1,084	1,500	2,932	2,354	1,627	790	299	0	0	0	0	10,586			
	Achieved Indicator	0	0	1,162	1,279	1,114	0	0	0	0	0	0	0	0	3,555			
No of SMEs receiving financial assistance.	Programme Target Indicator	200													200	36%	791%	283%
	Contracted Indicator	0	0	108	313	585	256	196	79	45	0	0	0	0	1,582			
	Achieved Indicator	0	0	100	257	208	0	0	0	0	0	0	0	0	565			
No of integrated initiatives to develop enterprise in disadvantaged communities	Programme Target Indicator	14													14	23%	188%	44%
	Contracted Indicator	0	0	4	2	3	0	15	0	2	0	0	0	0	26			
	Achieved Indicator	0	0	6	0	0	0	0	0	0	0	0	0	0	6			

Regional Indicator	Progress	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Programme Totals	% Achieved of Contracted	% Programme Target Contracted	% Programme Target Achieved
No. of SMEs assisted that are social enterprises	Programme Target Indicator	267													267	27%	262%	72%
	Contracted Indicator	0	0	52	114	181	212	96	21	24	0	0	0	0	700			
	Achieved Indicator	0	0	81	58	52	0	0	0	0	0	0	0	0	191			
Area of business premises developed (m2)	Programme Target Indicator	26,000													26,000	2%	194%	3%
	Contracted Indicator	0	0	191	0	3,814	4,836	29,505	8,195	4,000	0	0	0	0	50,541			
	Achieved Indicator	0	0	191	0	644	0	0	0	0	0	0	0	0	835			
Potential entrepreneurs assisted to be enterprise ready	Programme Target Indicator	16,000													16,000	34%	123%	42%
	Contracted Indicator	0	0	250	3,965	8,598	3,265	2,661	712	175	0	0	0	0	19,626			
	Achieved Indicator	0	0	40	3,500	3,215	0	0	0	0	0	0	0	0	6,755			
Potential entrepreneurs assisted to be enterprise ready - men	Programme Target Indicator	8,800													8,800	33%	128%	42%
	Contracted Indicator	0	0	170	2,287	5,068	1,846	1,479	363	90	0	0	0	0	11,303			
	Achieved Indicator	0	0	33	1,973	1,699	0	0	0	0	0	0	0	0	3,705			
Potential entrepreneurs assisted to be enterprise ready - women	Programme Target	7,200													7,200	37%	116%	42%

Regional Indicator	Progress	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Programme Totals	% Achieved of Contracted	% Programme Target Contracted	% Programme Target Achieved
	Indicator																	
	Contracted Indicator	0	0	80	1,678	3,530	1,419	1,182	349	85	0	0	0	0	8,323			
	Achieved Indicator	0	0	7	1,527	1,516	0	0	0	0	0	0	0	0	3,050			
Potential entrepreneurs assisted to be enterprise ready in disadvantaged areas	Programme Target Indicator	9,600													9,600	31%	92%	29%
	Contracted Indicator	0	0	213	2,388	2,818	1,663	1,320	356	85	0	0	0	0	8,843			
	Achieved Indicator	0	0	12	1,294	1,435	0	0	0	0	0	0	0	0	2,741			
Brownfield Land reclaimed &/or redeveloped (ha)	Programme Target Indicator	10.3													10.3	3%	66%	2%
	Contracted Indicator	0.0	0.0	0.2	0.0	0.6	1.5	2.3	2.1	0.0	0.0	0.0	0.0	0.0	6.7			
	Achieved Indicator	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2			

## PRIORITY 2 – Results

Regional Indicator	Progress	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Programme Totals	% Achieved of Contracted	% Programme Target Contracted	% Programme Target Achieved
No. of gross jobs created	Programme Target Indicator	6,580													6,580	33%	199%	66%
	Contracted Indicator	0	0	1,789	1,965	1,465	1,529	2,552	1,653	2,055	80	0	0	0	13,087			
	Achieved Indicator	0	0	1,406	1,724	1,209	0	0	0	0	0	0	0	0	4,338			
No. of gross jobs created - men	Programme Target Indicator	3,619													3,619	35%	206%	71%
	Contracted Indicator	0	0	1,095	1,159	846	872	1,443	872	1,137	44	0	0	0	7,468			
	Achieved Indicator	0	0	870	1,057	657	0	0	0	0	0	0	0	0	2,584			
No. of gross jobs created - women	Programme Target Indicator	2,961													2,961	31%	190%	59%
	Contracted Indicator	0	0	694	805	619	656	1,109	781	918	36	0	0	0	5,619			
	Achieved Indicator	0	0	536	666	552	0	0	0	0	0	0	0	0	1,754			
No. of gross jobs created in disadvantaged areas	Programme Target Indicator	987													987	55%	338%	185%
	Contracted Indicator	0	0	685	899	582	297	497	220	143	12	0	0	0	3,335			
	Achieved Indicator	0	0	647	155	1,026	0	0	0	0	0	0	0	0	1,828			
No. of gross jobs safeguarded	Programme Target Indicator	9,870													9,870	34%	121%	42%



Regional Indicator	Progress	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Programme Totals	% Achieved of Contracted	% Programme Target Contracted	% Programme Target Achieved
	Contracted Indicator	0	0	641	2,488	2,207	1,544	1,402	814	2,739	88	0	0	0	11,923			
	Achieved Indicator	0	0	512	2,181	1,408	0	0	0	0	0	0	0	0	4,102			
No. of gross jobs safeguarded - men	Programme Target Indicator	5,429													5,429			
	Contracted Indicator	0	0	410	1,584	1,220	923	884	441	1,407	48	0	0	0	6,916	38%	127%	48%
	Achieved Indicator	0	0	306	1,538	773	0	0	0	0	0	0	0	0	2,617			
No. of gross jobs safeguarded - women	Programme Target Indicator	4,441													4,441			
	Contracted Indicator	0	0	231	904	987	621	518	373	1,332	40	0	0	0	5,007	30%	113%	33%
	Achieved Indicator	0	0	206	643	635	0	0	0	0	0	0	0	0	1,485			
No. of gross jobs safeguarded in disadvantaged areas	Programme Target Indicator	1,480													1,480			
	Contracted Indicator	0	0	19	841	312	245	235	109	74	13	0	0	0	1,847	87%	125%	108%
	Achieved Indicator	0	0	0	127	1,474	0	0	0	0	0	0	0	0	1,601			
No. of businesses assisted with improved performance, of which at least 10% to implement advanced ICT applications	Programme Target Indicator	9,799													9,799			
	Contracted Indicator	0	0	546	672	1,901	2,014	1,744	1,912	945	80	0	0	0	9,814	15%	100%	15%
	Achieved Indicator	0	0	14	116	1,305	0	0	0	0	0	0	0	0	1,435			

Regional Indicator	Progress	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Programme Totals	% Achieved of Contracted	% Programme Target Contracted	% Programme Target Achieved
No. of businesses assisted with improved environmental management.	Programme Target Indicator	2,178													2,178	0%	41%	0%
	Contracted Indicator	0	0	64	61	243	50	150	254	69	0	0	0	0	891			
	Achieved Indicator	0	0	0	3	0	0	0	0	0	0	0	0	0	3			
No. of businesses assisted with improved environmental management, of which related to improved energy efficiency and micro-renewables and other management of carbon footprint	Programme Target Indicator	1,525													1,525	0%	37%	0%
	Contracted Indicator	0	0	0	32	113	47	133	223	22	0	0	0	0	570			
	Achieved Indicator	0	0	0	2	0	0	0	0	0	0	0	0	0	2			
No. of businesses created or attracted to the region	Programme Target Indicator	3,006													3,006	52%	150%	78%
	Contracted Indicator	0	0	934	951	398	546	584	358	751	0	0	0	0	4,522			
	Achieved Indicator	0	0	1,206	706	419	0	0	0	0	0	0	0	0	2,331			
No. of businesses created or attracted to the region in disadvantaged areas.	Programme Target Indicator	451													451	74%	558%	414%
	Contracted Indicator	0	0	633	443	430	149	215	132	515	0	0	0	0	2,517			
	Achieved Indicator	0	0	728	916	222	0	0	0	0	0	0	0	0	1,866			
No. of businesses created or attracted to the region surviving 12 months	Programme Target Indicator	2,705													2,705	34%	106%	37%
	Contracted Indicator	0	0	156	645	713	406	257	298	383	22	0	0	0	2,880			

Regional Indicator	Progress	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Programme Totals	% Achieved of Contracted	% Programme Target Contracted	% Programme Target Achieved
	Achieved Indicator	0	0	186	515	290	0	0	0	0	0	0	0	0	991			
Potential entrepreneurs going on to access business support services	Programme Target Indicator	4,480													4,480	15%	99%	15%
	Contracted Indicator	0	0	20	1,091	1,983	642	393	195	124	0	0	0	0	4,448			
	Achieved Indicator	0	0	0	100	550	0	0	0	0	0	0	0	0	650			
Potential entrepreneurs going on to access business support services - men	Programme Target Indicator	2,464													2,464	18%	98%	18%
	Contracted Indicator	0	0	14	631	1,136	341	188	73	42	0	0	0	0	2,425			
	Achieved Indicator	0	0	0	63	375	0	0	0	0	0	0	0	0	437			
Potential entrepreneurs going on to access business support services - women	Programme Target Indicator	2,016													2,016	11%	100%	11%
	Contracted Indicator	0	0	6	460	847	301	205	122	82	0	0	0	0	2,023			
	Achieved Indicator	0	0	0	37	175	0	0	0	0	0	0	0	0	213			
Potential entrepreneurs going on to access business support services in disadvantaged areas	Programme Target Indicator	1,920													1,920	15%	143%	22%
	Contracted Indicator	0	0	20	659	1,192	488	247	111	27	0	0	0	0	2,744			
	Achieved Indicator	0	0	0	43	372	0	0	0	0	0	0	0	0	415			

### PRIORITY 2 – Impacts

Regional Indicator	Progress	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Programme Totals	% Achieved of Contracted	% Programme Target Contracted	% Programme Target Achieved
Net Increase in GVA as a result of the Programme	Programme Target Indicator	539													539	14%	14%	2%
	Contracted Indicator	0	0	2	2	4	21	2	13	30	0	0	0	0	74			
	Achieved Indicator	0	0	2	9	0	0	0	0	0	0	0	0	0	11			
Net Increase in employment	Programme Target Indicator	10,778													10,778	0%	17%	0%
	Contracted Indicator	0	0	8	20	110	360	384	557	340	0	0	0	0	1,779			
	Achieved Indicator	0	0	0	0	0	0	0	0	0	0	0	0	0	0			

### PRIORITY 3 – Outputs

Regional Indicator	Progress	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Programme Totals	% Achieved of Contracted	% Programme Target Contracted	% Programme Target Achieved
Technical Assistance Programme	Programme Target Indicator	1													1	133%	610%	810%
	Contracted Indicator	0	0	5	0	0	1	0	0	0	0	0	0	0	6			
	Achieved Indicator	0	0	8	0	0	0	0	0	0	0	0	0	0	8			

Financial information (All financial data should be expressed in euro)

FINANCIAL TABLE – CALANDAR YEAR 2011 Priority axes by source of funding (€)

	Expenditure paid out by the beneficiaries included in payment claims sent to the managing authority (a)	Corresponding public contribution	Private expenditure	Expenditure paid by the body responsible for making payments to the beneficiaries (b)	Total payments received from the Commission (c)
<b>Priority Axis 1</b>					
Specify the Fund	ERDF				
Of which ESF type expenditure	€566,380.26	€519,024.51	€47,620.50	€290,596.61	€65,480.00
Of which ERDF type expenditure	€28,563,990.22	€37,924,670.74	€3,257,939.54	€28,193,562.66	€36,743,947.56
Priority Axis Total	€29,130,370.48	€38,443,695.25	€3,305,560.04	€28,484,159.27	€36,809,427.56
<b>Priority Axis 2</b>					
Specify the Fund	ERDF				
Of which ESF type expenditure	€0.00	€0.00	€0.00	€0.00	€0.00
Of which ERDF type expenditure	€28,271,244.51	€26,393,056.26	€3,057,359.74	€23,445,080.08	€32,773,249.65
Priority Axis Total	€28,271,244.51	€26,393,056.26	€3,057,359.74	€23,445,080.08	€32,773,249.65
<b>Priority Axis 3</b>					
Specify the Fund	ERDF				
Of which ESF type expenditure	€0.00	€0.00	€0.00	€0.00	€0.00
Of which ERDF type expenditure	€537,345.11	€549,713.80	€0.00	€599,603.05	€1,122,118.21
Priority Axis Total	€537,345.11	€549,713.80	€0.00	€599,603.05	€1,122,118.21
<b>Grand Total</b>	<b>€57,938,960.10</b>	<b>€65,386,465.31</b>	<b>€6,362,919.78</b>	<b>€52,528,842.40</b>	<b>€70,704,795.42</b>
Total in transitional regions in the grand total					
Total in non-transitional regions in the grand total	€57,938,960.10	€65,386,465.31	€6,362,919.78	€52,528,842.40	€70,704,795.42
ESF type expenditure in the grand total where the Operational Programme is co-financed by the ERDF	€0.00	€0.00	€0.00	€0.00	€0.00
ERDF type expenditure in the grand total where the Operational Programme is co-financed by the ESF					

FINANCIAL TABLE –Cumulative Priority axes by source of funding (€)

	Expenditure paid out by the beneficiaries included in payment claims sent to the managing authority (a)	Corresponding public contribution	Private expenditure	Expenditure paid by the body responsible for making payments to the beneficiaries (b)	Total payments received from the Commission (c)
<b>Priority Axis 1</b>					
Specify the Fund	ERDF				
Of which ESF type expenditure	€635,375.09	€588,019.95	€47,620.50	€359,591.44	€134,474.83
Of which ERDF type expenditure	€96,224,604.48	€109,828,789.20	€6,129,247.63	€89,960,298.74	€93,697,037.64
Priority Axis Total	€96,859,979.57	€110,416,809.15	€6,176,868.13	€90,319,890.18	€93,831,512.47
<b>Priority Axis 2</b>					
Specify the Fund	ERDF				
Of which ESF type expenditure	€0.00	€0.00	€0.00	€0.00	€0.00
Of which ERDF type expenditure	€61,736,410.51	€58,966,672.61	€5,340,399.47	€55,339,447.71	€53,772,733.91
Priority Axis Total	€61,736,410.51	€58,966,672.61	€5,340,399.47	€55,339,447.71	€53,772,733.91
<b>Priority Axis 3</b>					
Specify the Fund	ERDF				
Of which ESF type expenditure	€0.00	€0.00	€0.00	€0.00	€0.00
Of which ERDF type expenditure	€2,476,074.68	€2,488,453.79	€0.00	€2,450,230.25	€2,345,567.44
Priority Axis Total	€2,476,074.68	€2,488,453.79	€0.00	€2,450,230.25	€2,345,567.44
<b>Grand Total</b>	<b>€161,072,464.76</b>	<b>€171,871,935.55</b>	<b>€11,517,267.60</b>	<b>€148,109,568.14</b>	<b>€149,949,813.82</b>
Total in transitional regions in the grand total					
Total in non-transitional regions in the grand total	€161,072,464.76	€171,871,935.55	€11,517,267.60	€148,109,568.14	€149,949,813.82
ESF type expenditure in the grand total where the Operational Programme is co-financed by the ERDF	€0.00	€0.00	€0.00	€0.00	€0.00
ERDF type expenditure in the grand total where the Operational Programme is co-financed by the ESF					

**BREAKDOWN OF THE USE OF FUNDS** - The information presented in tables i below, and tables ii and iii overleaf present an indicative breakdown of ERDF investment against the Lisbon categorisation codes and codes of dimension identified in Annex II of EC Regulation (1828/2006). The information uses data drawn from those projects *where an offer of grant was made by One North East and latterly DCLG ERDF Delivery Team NE* between January and December 2011, as set out immediately below in Table i.

Cat. Code	Priority	Field of Action	Project Reference Number	Applicant	Project Name	Offer Letter Issued Date	£	€	Intervention Rate
09	P1	1	NE004222A	One NorthEast (Final Beneficiary)	Design Centre for the North East - Premium Lease	Sep 19, 2011	£311,876	€348,990	50.0%
03	P1	2	NE004296A	RTC North Limited	NHS Innovations North	Nov 10, 2011	£796,602	€922,246	47.3%
04	P1	2	NE004306A	One NorthEast (Final Beneficiary)	Design Network North (former working title Design Knowledge Transfer Network)	Jul 22, 2011	£856,304	€983,221	50.0%
09	P1	1	NE004495A	Durham County Council	NETpark Connector - Servicing Land	Mar 31, 2011	£240,000	€268,903	49.6%
03	P1	2	NE004516A	University of Teesside	Institute of Digital Innovation (DigitalCity)	Nov 4, 2011	£1,939,686	€2,204,972	41.4%
09	P1	1	NE004715	Centre for Process Innovation (CPI)	PeTec Equipment (LACE)	Dec 2, 2011	£2,036,398	€2,336,073	49.5%
74	P1	2	NE004802	University of Sunderland	Sunderland Software City - Education & Innovation Activity	Jun 2, 2011	£630,263	€733,258	28.0%
08	P1	2	NE004863	North East Finance (Holdco)	North East JEREMIE Programme	Jul 14, 2011	£44,250,000	€49,303,616	35.4%
08	P1	2	NE004863C	North East Finance (Holdco)	Jeremie Product Fund Management	Sep 20, 2011	£11,000,000	€12,783,356	50.0%
08	P1	1	NE004911A	New and Renewable Energy Centre	Incubation & Inward Investment	Sep 27, 2011	£500,876	€564,789	50.0%
09	P1	2	NE005056	University of Teesside	Science to Business Hub	May 12, 2011	£942,860	€1,092,029	48.0%
09	P1	2	NE005074	Business & Enterprise North East	Innovation Vouchers	Dec 2, 2011	£1,054,552	€1,229,075	50.0%
71	P1	2	NE005092	Durham County Council	NETPark Connector NETPark Net	Oct 11, 2011	£243,397	€280,443	50.0%
02	P1	1	NE005093A	Centre for Process Innovation (CPI)	Wilton Connector - Process Business Incubator	May 11, 2011	£1,453,505	€1,683,554	39.7%
08	P1	1	NE005099	Newcastle University	Translational Research Building	Nov 3, 2011	£2,133,989	€2,445,867	50.0%
05	P1	2	NE005100	Newcastle Science City Company Ltd(NSC)	Newcastle Innovation Machine (NIM)	Oct 24, 2011	£2,327,313	€2,691,307	50.0%
71	P1	1	NE005104	Newcastle City Council	Community Engagement	Apr 11, 2011	£885,000	€1,024,614	50.0%
08	P1	1	NE005110	Redcar & Cleveland Borough Council	Redcar & Cleveland Creative Industries	Sep 27, 2011	£4,334,463	€5,052,797	50.0%
09	P1	1	NE005120	Durham County Council	NETPark Connector - Large Grown On Space	Aug 26, 2011	£4,703,070	€5,439,845	49.0%
71	P1	1	NE005185	Durham University	NETPark Connector - Embedding The Benefits in Disadvantaged Communities	May 10, 2011	£504,373	€586,918	49.9%
06	P1	1	NE005233A	Centre for Process Innovation (CPI)	PETEC Displays & Photonics Technologies Facility (PDPTF)	Aug 4, 2011	£8,500,000	€9,842,472	48.6%
14	P1	2	NE005281	Codeworks	Agile Software Innovation Programme	May 9, 2011	£648,062	€746,578	43.8%

Cat. Code	Priority	Field of Action	Project Reference Number	Applicant	Project Name	Offer Letter Issued Date	£	€	Intervention Rate
01	P1	1	NE005311	Middlesbrough Council	DigitalCity Business 2010-12 Revenue	Jun 6, 2011	£816,280	€950,462	49.0%
61	P1	1	NE005320	Gateshead Council	NDC Gateshead Creative Business Centre	Apr 11, 2011	£4,945,654	€5,761,847	50.0%
42	P1	1	NE005387	New and Renewable Energy Centre	NaREC Marine Testing Facility	Nov 14, 2011	£6,406,578	€7,281,240	50.0%
42	P1	1	NE005427	New and Renewable Energy Centre	National Blade Test Facility	Nov 7, 2011	£4,718,282	€5,496,166	49.1%
43	P1	1	NE005543	New and Renewable Energy Centre	Narec Social Housing Energy Management	Jun 13, 2011	£1,918,690	€2,235,017	50.0%
09	P1	2	NE005632	North East Business and Innovation Centre	North East SME Innovation Programme	Nov 10, 2011	£724,102	€843,482	50.0%
64	P2	2	NE003922a	Entrust	Graduates for Business/Shell Step	Mar 31, 2011	£653,423	€731,091	39.3%
64	P2	2	NE003928B	Business & Enterprise North East	ERDF IDB 2010-2012	Sep 29, 2011	£11,833,737	€13,740,392	50.0%
01	P2	2	NE003928C	Business & Enterprise North East	Tees Valley Investment Fund	Oct 31, 2011	£908,750	€1,065,586	50.0%
64	P2	2	NE004084	One NorthEast (Final Beneficiary)	MAS/NEPA Service	Oct 31, 2011	£3,588,629	€4,087,305	50.0%
64	P2	1	NE004809	Northumberland County Council	Berwick Incubator Development - Revenue	May 5, 2011	£134,500	€151,862	50.0%
64	P2	2	NE005024	Business & Enterprise North East	Enhancing International Trade	Oct 13, 2011	£4,454,077	€5,156,907	50.0%
71	P2	1	NE005034	Newcastle City Council	Newcastle Enterprise Package	Oct 7, 2011	£1,560,788	€1,783,290	50.0%
71	P2	1	NE005042	Durham County Council	Be Enterprising	May 3, 2011	£4,123,269	€4,740,921	48.9%
71	P2	1	NE005043	Tees Valley Unlimited	TV Integrated Business Support Activity	Sep 21, 2011	£3,283,677	€3,819,622	47.1%
71	P2	1	NE005045	Gateshead Council	Inspire Gateshead	Apr 18, 2011	£500,675	€580,694	50.0%
64	P2	2	NE005058A	Entrust	Company Recovery Continuation	May 12, 2011	£216,960	€252,729	50.0%
64	P2	2	NE005067	One NorthEast (Final Beneficiary)	Growth Project Logistics 2	Sep 30, 2011	£475,877	€548,268	50.0%
71	P2	1	NE005072	SES	Social and Traditional Enterprise	Oct 31, 2011	£905,913	€1,042,121	48.2%
04	P2	2	NE005083B	RTC North Limited	R & D Globalisation Programme - Technical fix	Apr 12, 2011	£5,840	€6,645	50.0%
71	P2	1	NE005094	Northumberland Business Service Limited (NBSL)	Enterprise Bridge Programme - Northumberland	Oct 14, 2011	£715,213	€808,668	50.0%
71	P2	1	NE005128	Tarka	TARKA	Sep 5, 2011	£280,000	€324,169	50.0%
64	P2	2	NE005139	Business & Enterprise North East	Supporting Business Resilience	Oct 26, 2011	£1,102,025	€1,290,310	50.0%
08	P2	2	NE005190	One NorthEast (Final Beneficiary)	Providing Access to Finance for SMEs	Oct 11, 2011	£634,218	€740,237	50.0%
08	P2	2	NE005194	One NorthEast (Final Beneficiary)	Horizons	Sep 21, 2011	£432,136	€496,853	49.7%
50	P2	2	NE005264	Newcastle City Council	Toffee Factory Refurbishment	Oct 3, 2011	£3,000,000	€3,494,598	50.0%
71	P2	1	NE005286	South Tyneside Metropolitan Borough Council	Enterprise Coaching in South Tyneside	May 20, 2011	£742,750	€863,687	50.0%
64	P2	2	NE005295	One NorthEast (Final Beneficiary)	MAS NE Resource Efficiency	Sep 21, 2011	£352,417	€399,941	50.0%
08	P2	2	NE005322	Northern Film and Media (Holdco) Limited	Creative Content Co-Investment fund	Jul 14, 2011	£2,400,000	€2,674,094	50.0%



Cat. Code	Priority	Field of Action	Project Reference Number	Applicant	Project Name	Offer Letter Issued Date	£	€	Intervention Rate
09	P2	2	NE005407	South Tyneside Metropolitan Borough Council	Green Incubator	Mar 31, 2011	£2,466,500	€2,863,519	46.2%
09	P2	2	NE005453	Mushroom Works C.I.C	Brighton Road Studios	Jun 30, 2011	£300,000	€347,050	50.0%
71	P2	1	NE005458	Princes Trust	Enterprise Coaching - Princes Trust	Nov 3, 2011	£698,576	€813,747	50.0%
71	P2	1	NE005459	Redcar & Cleveland Borough Council	Redcar & Darlington Enterprise Coaching	Oct 27, 2011	£1,250,528	€1,457,435	50.0%
09	P2	2	NE005464	Rivergreen Developments Plc	The Rivergreen Centre, Stannington	Jun 29, 2011	£2,350,680	€2,738,227	38.2%
71	P2	1	NE005466	Northern Pinetree Trust	Enterprise Coaching for people with a disability	Mar 18, 2011	£457,926	€529,937	50.0%
04	P2	2	NE005589	RTC North Limited	R&D Globalisation continuation	May 17, 2011	£393,556	€450,668	50.0%
64	P2	2	NE005613	University of Teesside	Graduate Recruitment and Placements for SMEs	Sep 2, 2011	£2,306,683	€2,686,977	50.0%
64	P2	2	RG402P07A	Codeworks	Codeworks Connect / Codeworks GameHorizon	Jun 17, 2011	£976,103	€1,095,946	33.3%
02	P2	2	RG415P03A	University of Sunderland	Digital Factory Project	Sep 27, 2011	£520,821	€602,388	46.6%
85	P3	0	NE004558A	One NorthEast (Final Beneficiary)	Project Verification Service	Jun 30, 2011	£162,720	€186,907	48.5%
85	P3	0	NE005068	One NorthEast (Final Beneficiary)	ERDF Technical Assistance	Mar 23, 2011	£4,396,842	€5,088,583	50.0%
85	P3	0	NE005245	Northumberland County Council	Northumberland SRP Capacity 2009-11	Sep 26, 2011	£239,237	€276,843	49.1%
85	P3	0	NE005246	Tees Valley Unlimited	Tees Valley SRP Capacity 2009-11	Nov 17, 2011	£115,402	€132,847	50.0%
85	P3	0	NE005389	Newcastle City Council	Newcastle City Council - Technical Assistance	Sep 6, 2011	£105,833	€122,337	50.0%
<b>TOTALS</b>							<b>£168,868,455</b>	<b>€193,326,539</b>	

The information uses data drawn from those projects where an offer of grant was issued by One North East and latterly DCLG ERDF Delivery Team NE up to 31 December 2011

## BREAKDOWN OF THE USE OF FUNDS – CUMULATIVE

Cat. Code	Priority	Field of Action	Project Reference Number	Applicant	Project Name	Offer Letter Issued Date	£	€	Intervention Rate
09	P1	2	NE002395A	TWI	REMTEC Continuation	Oct 8, 2009	£685,622	€794,667	50.0%
64	P1	2	NE003910B	Codeworks	Digital Placement & Knowledge Transfer	Nov 23, 2010	£726,019	€835,124	27.5%
09	P1	1	NE004222A	One NorthEast (Final Beneficiary)	Design Centre for the North East - Premium Lease	Sep 19, 2011	£311,876	€348,990	50.0%
03	P1	2	NE004296A	RTC North Limited	NHS Innovations North	Nov 10, 2011	£796,602	€922,246	47.3%
04	P1	2	NE004306A	One NorthEast (Final Beneficiary)	Design Network North (former working title Design Knowledge Transfer Network)	Jul 22, 2011	£856,304	€983,221	50.0%
06	P1	2	NE004444A	Centre for Process Innovation (CPI)	Energy & Environmental Technology Sector Support	Sep 13, 2010	£979,262	€1,127,873	50.0%
09	P1	1	NE004495A	Durham County Council	NETpark Connector - Servicing Land	Mar 31, 2011	£240,000	€268,903	49.6%
03	P1	2	NE004516A	University of Teesside	Institute of Digital Innovation (DigitalCity)	Nov 4, 2011	£1,939,686	€2,204,972	41.4%
09	P1	1	NE004715	Centre for Process Innovation (CPI)	PeTec Equipment (LACE)	Dec 2, 2011	£2,036,398	€2,336,073	49.5%
14	P1	1	NE004801	North East Business and Innovation Centre	Sunderland Software City - Enterprise	Dec 17, 2010	£769,019	€885,624	47.1%
74	P1	2	NE004802	University of Sunderland	Sunderland Software City - Education & Innovation Activity	Jun 2, 2011	£630,263	€733,258	28.0%
08	P1	2	NE004863	North East Finance (Holdco)	North East JEREMIE Programme	Jul 14, 2011	£44,250,000	€49,303,616	35.4%
08	P1	2	NE004863B	North East Finance (Holdco)	JEREMIE - Holding Fund	May 7, 2010	£4,000,000	€4,638,807	50.0%
08	P1	2	NE004863C	North East Finance (Holdco)	Jeremie Product Fund Management	Sep 20, 2011	£11,000,000	€12,783,356	50.0%
08	P1	1	NE004911A	New and Renewable Energy Centre	Incubation & Inward Investment	Sep 27, 2011	£500,876	€564,789	50.0%
01	P1	2	NE005021	University of Teesside	North East Industrial Symbiosis Network	Apr 28, 2010	£620,904	€715,898	50.0%
09	P1	2	NE005056	University of Teesside	Science to Business Hub	May 12, 2011	£942,860	€1,092,029	48.0%
09	P1	2	NE005074	Business & Enterprise North East	Innovation Vouchers	Dec 2, 2011	£1,054,552	€1,229,075	50.0%
71	P1	2	NE005092	Durham County Council	NETPark Connector NETPark Net	Oct 11, 2011	£243,397	€280,443	50.0%
02	P1	1	NE005093A	Centre for Process Innovation (CPI)	Wilton Connector - Process Business Incubator	May 11, 2011	£1,453,505	€1,683,554	39.7%
08	P1	1	NE005099	Newcastle University	Translational Research Building	Nov 3, 2011	£2,133,989	€2,445,867	50.0%
05	P1	2	NE005100	Newcastle Science City Company Ltd(NSC)	Newcastle Innovation Machine (NIM)	Oct 24, 2011	£2,327,313	€2,691,307	50.0%

Cat. Code	Priority	Field of Action	Project Reference Number	Applicant	Project Name	Offer Letter Issued Date	£	€	Intervention Rate
71	P1	1	NE005104	Newcastle City Council	Community Engagement	Apr 11, 2011	£885,000	€1,024,614	50.0%
08	P1	1	NE005110	Redcar & Cleveland Borough Council	Redcar & Cleveland Creative Industries	Sep 27, 2011	£4,334,463	€5,052,797	50.0%
09	P1	1	NE005120	Durham County Council	NETPark Connector - Large Grown On Space	Aug 26, 2011	£4,703,070	€5,439,845	49.0%
02	P1	2	NE005165	Newcastle University	CHP, Trigeneration and Energy Storage Centre for Innovation and Business Development	Aug 19, 2010	£811,822	€945,783	50.0%
15	P1	1	NE005178	Sunderland City Council	Sunderland Software Centre	Apr 12, 2010	£4,750,622	€5,533,838	50.0%
71	P1	2	NE005181	University of Teesside	Mass Participation Project	Oct 12, 2009	£514,981	€603,527	47.7%
71	P1	1	NE005185	Durham University	NETPark Connector - Embedding The Benefits in Disadvantaged Communities	May 10, 2011	£504,373	€586,918	49.9%
06	P1	1	NE005233A	Centre for Process Innovation (CPI)	PETEC Displays & Photonics Technologies Facility (PDPTF)	Aug 4, 2011	£8,500,000	€9,842,472	48.6%
09	P1	1	NE005255A	University of Sunderland	Health Sciences Complex - Continuation	Nov 4, 2010	£981,535	€1,116,493	50.0%
14	P1	2	NE005281	Codeworks	Agile Software Innovation Programme	May 9, 2011	£648,062	€746,578	43.8%
01	P1	1	NE005311	Middlesbrough Council	DigitalCity Business 2010-12 Revenue	Jun 6, 2011	£816,280	€950,462	49.0%
61	P1	1	NE005320	Gateshead Council	NDC Gateshead Creative Business Centre	Apr 11, 2011	£4,945,654	€5,761,847	50.0%
42	P1	1	NE005387	New and Renewable Energy Centre	NaREC Marine Testing Facility	Nov 14, 2011	£6,406,578	€7,281,240	50.0%
42	P1	1	NE005427	New and Renewable Energy Centre	National Blade Test Facility	Nov 7, 2011	£4,718,282	€5,496,166	49.1%
43	P1	1	NE005543	New and Renewable Energy Centre	Narec Social Housing Energy Management	Jun 13, 2011	£1,918,690	€2,235,017	50.0%
09	P1	2	NE005632	North East Business and Innovation Centre	North East SME Innovation Programme	Nov 10, 2011	£724,102	€843,482	50.0%
64	P2	2	NE003922a	Entrust	Graduates for Business/Shell Step	Mar 31, 2011	£653,423	€731,091	39.3%
64	P2	2	NE003928A	Business & Enterprise North East	Business Link Branded IDB & Solutions Funding	Mar 24, 2010	£10,479,766	€11,811,352	50.0%
64	P2	2	NE003928B	Business & Enterprise North East	ERDF IDB 2010-2012	Sep 29, 2011	£11,833,737	€13,740,392	50.0%
01	P2	2	NE003928C	Business & Enterprise North East	Tees Valley Investment Fund	Oct 31, 2011	£908,750	€1,065,586	50.0%
64	P2	2	NE004084	One NorthEast (Final Beneficiary)	MAS/NEPA Service	Oct 31, 2011	£3,588,629	€4,087,305	50.0%
71	P2	1	NE004180b	Princes Trust	Business Growth & Support for Enterprising Young People	May 22, 2009	£368,013	€409,248	50.0%
71	P2	1	NE004718	One NorthEast (Final Beneficiary)	Flexible Families	Jul 5, 2010	£500,000	€576,183	50.0%
64	P2	1	NE004809	Northumberland County Council	Berwick Incubator Development - Revenue	May 5, 2011	£134,500	€151,862	50.0%
64	P2	2	NE005024	Business & Enterprise North East	Enhancing International Trade	Oct 13, 2011	£4,454,077	€5,156,907	50.0%
71	P2	1	NE005034	Newcastle City Council	Newcastle Enterprise Package	Oct 7, 2011	£1,560,788	€1,783,290	50.0%

Cat. Code	Priority	Field of Action	Project Reference Number	Applicant	Project Name	Offer Letter Issued Date	£	€	Intervention Rate
71	P2	1	NE005036	North Tyneside Council	Raising Enterprise North Tyneside	Oct 8, 2010	£748,887	€868,196	50.0%
71	P2	1	NE005042	Durham County Council	Be Enterprising	May 3, 2011	£4,123,269	€4,740,921	48.9%
71	P2	1	NE005043	Tees Valley Unlimited	TV Integrated Business Support Activity	Sep 21, 2011	£3,283,677	€3,819,622	47.1%
71	P2	1	NE005045	Gateshead Council	Inspire Gateshead	Apr 18, 2011	£500,675	€580,694	50.0%
64	P2	2	NE005058A	Entrust	Company Recovery Continuation	May 12, 2011	£216,960	€252,729	50.0%
64	P2	2	NE005067	One NorthEast (Final Beneficiary)	Growth Project Logistics 2	Sep 30, 2011	£475,877	€548,268	50.0%
71	P2	1	NE005072	SES	Social and Traditional Enterprise	Oct 31, 2011	£905,913	€1,042,121	48.2%
04	P2	2	NE005083	RTC North Limited	R & D Globalisation Programme	Jul 9, 2010	£493,170	€561,121	50.0%
04	P2	2	NE005083B	RTC North Limited	R & D Globalisation Programme - Technical fix	Apr 12, 2011	£5,840	€6,645	50.0%
71	P2	1	NE005094	Northumberland Business Service Limited (NBSL)	Enterprise Bridge Programme - Northumberland	Oct 14, 2011	£715,213	€808,668	50.0%
71	P2	1	NE005128	Tarka	TARKA	Sep 5, 2011	£280,000	€324,169	50.0%
64	P2	2	NE005139	Business & Enterprise North East	Supporting Business Resilience	Oct 26, 2011	£1,102,025	€1,290,310	50.0%
08	P2	2	NE005190	One NorthEast (Final Beneficiary)	Providing Access to Finance for SMEs	Oct 11, 2011	£634,218	€740,237	50.0%
08	P2	2	NE005194	One NorthEast (Final Beneficiary)	Horizons	Sep 21, 2011	£432,136	€496,853	49.7%
50	P2	2	NE005264	Newcastle City Council	Toffee Factory Refurbishment	Oct 3, 2011	£3,000,000	€3,494,598	50.0%
71	P2	1	NE005286	South Tyneside Metropolitan Borough Council	Enterprise Coaching in South Tyneside	May 20, 2011	£742,750	€863,687	50.0%
71	P2	1	NE005294	Sunderland City Council	Enterprise Coaching in Sunderland	Mar 9, 2010	£890,395	€1,047,083	50.0%
64	P2	2	NE005295	One NorthEast (Final Beneficiary)	MAS NE Resource Efficiency	Sep 21, 2011	£352,417	€399,941	50.0%
08	P2	2	NE005322	Northern Film and Media (Holdco) Limited	Creative Content Co-Investment fund	Jul 14, 2011	£2,400,000	€2,674,094	50.0%
64	P2	2	NE005378	Generator	Building the Business of Music	Mar 3, 2010	£822,347	€955,715	50.0%
71	P2	1	NE005379	Northumberland County Council	Putting Enterprise into Place (Northumberland)	Jul 1, 2010	£1,927,303	€2,216,051	50.0%
09	P2	1	NE005403	Centre West Partnership	The Beacon	Jun 23, 2010	£2,418,178	€2,770,274	48.2%
09	P2	2	NE005407	South Tyneside Metropolitan Borough Council	Green Incubator	Mar 31, 2011	£2,466,500	€2,863,519	46.2%
09	P2	2	NE005453	Mushroom Works C.I.C	Brighton Road Studios	Jun 30, 2011	£300,000	€347,050	50.0%
71	P2	1	NE005458	Princes Trust	Enterprise Coaching - Princes Trust	Nov 3, 2011	£698,576	€813,747	50.0%
71	P2	1	NE005459	Redcar & Cleveland Borough Council	Redcar & Darlington Enterprise Coaching	Oct 27, 2011	£1,250,528	€1,457,435	50.0%
09	P2	2	NE005464	Rivergreen Developments Plc	The Rivergreen Centre, Stannington	Jun 29, 2011	£2,350,680	€2,738,227	38.2%
71	P2	1	NE005466	Northern Pinetree Trust	Enterprise Coaching for people with a disability	Mar 18, 2011	£457,926	€529,937	50.0%
04	P2	2	NE005589	RTC North Limited	R&D Globalisation continuation	May 17,	£393,556	€450,668	50.0%

Cat. Code	Priority	Field of Action	Project Reference Number	Applicant	Project Name	Offer Letter Issued Date	£	€	Intervention Rate
						2011			
64	P2	2	NE005613	University of Teesside	Graduate Recruitment and Placements for SMEs	Sep 2, 2011	£2,306,683	€2,686,977	50.0%
64	P2	2	RG109P01B	Northern Film and Media	Northern Film & Media continuation - ERDF	Feb 4, 2010	£1,222,396	€1,422,912	37.8%
64	P2	2	RG402P07A	Codeworks	Codeworks Connect / Codeworks GameHorizon	Jun 17, 2011	£976,103	€1,095,946	33.3%
02	P2	2	RG415P03A	University of Sunderland	Digital Factory Project	Sep 27, 2011	£520,821	€602,388	46.6%
85	P3	0	NE004554	Durham County Council	Durham SRP Capacity	Jun 23, 2009	£18,332	€20,308	50.0%
85	P3	0	NE004558A	One NorthEast (Final Beneficiary)	Project Verification Service	Jun 30, 2011	£162,720	€186,907	48.5%
85	P3	0	NE005068	One NorthEast (Final Beneficiary)	ERDF Technical Assistance	Mar 23, 2011	£4,396,842	€5,088,583	50.0%
85	P3	0	NE005245	Northumberland County Council	Northumberland SRP Capacity 2009-11	Sep 26, 2011	£239,237	€276,843	49.1%
85	P3	0	NE005246	Tees Valley Unlimited	Tees Valley SRP Capacity 2009-11	Nov 17, 2011	£115,402	€132,847	50.0%
85	P3	0	NE005247	Durham County Council	Durham SRP Capacity 2009-11	Jun 23, 2009	£78,568	€89,916	50.0%
85	P3	0	NE005389	Newcastle City Council	Newcastle City Council - Technical Assistance	Sep 6, 2011	£105,833	€122,337	50.0%
<b>TOTALS</b>							<b>£203,675,596</b>	<b>£233,272,530</b>	

Aggregate figures relating to projects approved in 2011 are categorised below – from left to right the information details the Priority and Field of Action under which a project was submitted, its ERDF allocation in Sterling and Euros, the Lisbon code and theme against which it is categorised and finally the total indicative allocation against this category for the programme as a whole taken from the OP.

Priority 1 Enhancing and Exploiting innovation			Priority 2 Business Growth and Enterprise		ERDF Total £	ERDF Total €	Code	Priority Themes (from OP	Total ERDF Support €
FOA 1 Investment in Innovation Connectors	FOA 2 Support for Innovation and Technology led sectors	FOA 3 Exploitation of the Science base	FOA 1 Cultivating and Sustaining Enterprise	FOA 2 Enhancing the Growth and Competitiveness of Existing SMEs					
Research and Technological Development (RTD									
£816,280	£620,904	£0	£0	£908,750	£2,345,934	€2,731,946	01	RTD activities in research centres	€39,824,086
€950,462	€715,898	€0	€0	€1,065,586					
£1,453,505	£811,822	£0	£0	£520,821	£2,786,148	€3,231,724	02	RTD infrastructures (including equipment, instrumentation and high speed computer networks between research institutes) and specific technology competence centres	€39,824,086
€1,683,554	€945,783	€0	€0	€602,388					
£0	£2,736,288	£0	£0	£0	£2,736,288	€3,127,218	03	Technology transfer and improvement of cooperation networks between SMEs and research institutes	€9,956,021
€0	€3,127,218	€0	€0	€0					
£0	£856,304	£0	£0	£892,566	£1,748,870	€2,001,655	04	Aid for the RTD in particular in the SMEs (including access to RTD services in the research centres)	€19,912,043
€0	€983,221	€0	€0	€1,018,434					
£0	£2,327,313	£0	£0	£0	£2,327,313	€2,691,307	05	Advanced supporting services in companies and groups of companies	€42,266,119
€0	€2,691,307	€0	€0	€0					
£8,500,000	£979,262	£0	£0	£0	£9,479,262	€10,970,345	06	Assistance to SMEs for the promotion of environmentally products and processes	€26,111,075
€9,842,472	€1,127,873	€0	€0	€0					

Priority 1 Enhancing and Exploiting innovation			Priority 2 Business Growth and Enterprise		ERDF Total £	ERDF Total €	Code	Priority Themes (from OP	Total ERDF Support €
FOA 1 Investment in Innovation Connectors	FOA 2 Support for Innovation and Technology led sectors	FOA 3 Exploitation of the Science base	FOA 1 Cultivating and Sustaining Enterprise	FOA 2 Enhancing the Growth and Competitiveness of Existing SMEs					
£0	£0	£0	£0	£0	£0	€0	07	Investment in firms directly linked to research and innovation (innovative technologies, establishment of new firms by universities, existing R&TD centres and firms, etc.)	€9,956,021
€0	€0	€0	€0	€0					
£6,969,328	£59,250,000	£0	£0	£3,466,354	£69,685,682	€78,700,416	08	Other investments in firms	€27,726,581
€8,063,453	€66,725,778	€0	€0	€3,911,184					
£8,272,879	£3,407,136	£0	£2,418,178	£5,117,180	£19,215,373	€22,188,628	09	Other actions aiming at stimulation of research and innovation and entrepreneurship in SMEs	€22,617,075
€9,510,304	€3,959,253	€0	€2,770,274	€5,948,797					
<b>Information Society</b>									
£769,019	£648,062	£0	£0	£0	£1,417,081	€1,632,202	14	Services and applications for the SMEs (electronic trade, education/training, networking . . .)	€16,155,054
€885,624	€746,578	€0	€0	€0					
£4,750,622	£0	£0	£0	£0	£4,750,622	€5,533,838	15	Other actions aiming at access to the TIC by the SMEs and their effective use	€8,077,527
€5,533,838	€0	€0	€0	€0					
<b>Energy</b>									
£11,124,860	£0	£0	£0	£0	£11,124,860	€12,777,407	42	Renewable energy: hydroelectric, geothermic, and others	€9,956,021
€12,777,407	€0	€0	€0	€0					
£1,918,690	£0	£0	£0	£0	£1,918,690	€2,235,017	43	Energy efficiency, co-generation, energy management	€16,155,054
€2,235,017	€0	€0	€0	€0					
<b>Environment and risks prevention</b>									
£0	£0	£0	£0	£3,000,000	£3,000,000	€3,494,598	50	Rehabilitation of factory sites and contaminated land	€18,033,548

Priority 1 Enhancing and Exploiting innovation			Priority 2 Business Growth and Enterprise						
FOA 1 Investment in Innovation Connectors	FOA 2 Support for Innovation and Technology led sectors	FOA 3 Exploitation of the Science base	FOA 1 Cultivating and Sustaining Enterprise	FOA 2 Enhancing the Growth and Competitiveness of Existing SMEs	ERDF Total £	ERDF Total €	Code	Priority Themes (from OP	Total ERDF Support €
€0	€0	€0	€0	€3,494,598					
<b>Urban and Rural Regeneration</b>									
£4,945,654	£0	£0	£0	£0	£4,945,654	€5,761,847	61	Integrated projects for urban and rural regeneration	€18,033,548
€5,761,847	€0	€0	€0	€0					
<b>Increasing Adaptability of Workers and Enterprises</b>									
£0	£726,019	£0	£134,500	£38,484,440	£39,344,959	€45,166,831	64	Development of specific employment, training and support services for company and sector restructuring, and the development of systems to anticipate economic change and future occupational and skills requirements	€10,077,532
£0	€835,124	€0	€151,862	€44,179,845					
<b>Reinforcing Social Inclusion of People at a Disadvantage</b>									
£1,389,373	£758,378	£0	£18,953,912	£0	£21,101,663	€24,376,553	71	Pathways to integration in employment for disadvantaged people including in the social economy; combating discrimination in accessing the labour market and promoting diversity in the workplace	€11,033,552
€1,611,532	€883,970	€0	€21,881,052	€0					
<b>Enhancing Human Capital</b>									
£0	£630,263	£0	£0	£0	£630,263	€733,258	74	Raising potential human capital in research and innovation, notably through post-graduate studies and training of researchers and related networking activities between universities, research centres and enterprises	€14,956,021
£0	€733,258	€0	€0	€0					
<b>Technical Assistance</b>									
£0	£0	£0	£0	£0	£5,116,934	€5,917,740	85	Preparation, implementation, follow up and control	€13,525,160



Priority 1 Enhancing and Exploiting innovation			Priority 2 Business Growth and Enterprise						
FOA 1 Investment in Innovation Connectors	FOA 2 Support for Innovation and Technology led sectors	FOA 3 Exploitation of the Science base	FOA 1 Cultivating and Sustaining Enterprise	FOA 2 Enhancing the Growth and Competitiveness of Existing SMEs	ERDF Total £	ERDF Total €	Code	Priority Themes (from OP	Total ERDF Support €
£0	£0	£0	£0	£0	£0				
£0	£0	£0	£0	£0	£0	€0	86	Preparation, implementation, follow up and control	€1,502,796
£0	€0	€0	€0	€0					
<b>TOTALS</b>					<b>£203,675,596</b>	<b>€233,272,530</b>			

Table 4 Codes of dimension 2011

Code Dimension 1 Priority Theme	Code Dimension 2 Form of Finance	Code Dimension 3 Territory	Code Dimension 4 Economic Activity	Code Dimension 5 Location	Amount €
01	1	0	0	NUTS 1 Level	€2,731,946
02	1	0	0	NUTS 1 Level	€3,231,724
03	1	0	0	NUTS 1 Level	€3,127,218
04	1	0	0	NUTS 1 Level	€2,001,655
05	1	0	0	NUTS 1 Level	€2,691,307
06	1	0	0	NUTS 1 Level	€10,970,345
07	1	0	0	NUTS 1 Level	€0
08	1	0	0	NUTS 1 Level	€11,974,637
	3	0	0	NUTS 1 Level	€66,725,778
09	1	0	0	NUTS 1 Level	€22,188,628
14	1	0	0	NUTS 1 Level	€1,632,202
15	1	0	0	NUTS 1 Level	€5,533,838
42	1	0	0	NUTS 1 Level	€12,777,407
43	1	0	0	NUTS 1 Level	€2,235,017
50	1	0	0	NUTS 1 Level	€3,494,598
61	1	0	0	NUTS1 Level	€5,761,847
64	1	0	0	NUTS1 Level	€45,166,831
71	1	0	0	NUTS 1 Level	€24,376,553
74	1	0	0	NUTS 1 Level	€733,258
85	1	0	0	NUTS 1 Level	€5,917,740
86	1	0	0	NUTS 1 Level	€0
TOTAL					€233,272,530

## ASSISTANCE BY TARGET GROUPS

**Table 5 Investment in Innovation Connectors**

DGC - Digital City					
<i>Project ID</i>	<i>Title</i>	<i>Proposer</i>	<i>Status</i>	<i>ERDF Grant Total - £</i>	<i>Claims Paid to Applicant - £</i>
NE004516A	University of Teesside	Institute of Digital Innovation (DigitalCity)	Live	1,939,686	1,709,717
NE005110	Redcar & Cleveland Borough Council	Redcar & Cleveland Creative Industries	Live	4,334,463	567,130
NE005311	Middlesbrough Council	DigitalCity Business 2010-12 Revenue	Live	816,280	30,914
NE005641	University of Teesside	DigitalCity Innovation and Growth Programme	Draft	1,865,706	
NE005665	Stockton on Tees Borough Council	Digital City Stockton	Draft	634,915	
NE007004	DigitalCity Business	DigitalCity: Garages to Global	Draft	2,899,000	
NE007020	Middlesbrough Council	Digital City - Driving Growth	Draft	1,339,845	
			<b>DGC Total</b>	<b>13,829,895</b>	<b>2,307,761</b>

NAR – Regional Energy Centres NAREC					
<i>Project ID</i>	<i>Title</i>	<i>Proposer</i>	<i>Status</i>	<i>ERDF Grant Total - £</i>	<i>Claims Paid to Applicant - £</i>
NE004911A	New and Renewable Energy Centre	Incubation & Inward Investment	Live	502,933	385,233
NE005323	New and Renewable Energy Centre	Business Support in Microrenewables	Offer Issued	495,623	391,583
NE005387	New and Renewable Energy Centre	NaREC Marine Testing Facility	Live	6,406,578	4,265,270
NE005427	New and Renewable Energy Centre	National Blade Test Facility	Live	4,718,282	
NE005543	New and Renewable Energy Centre	Narec Social Housing Energy Management	Live	1,918,690	
NE005661	New and Renewable Energy Centre	National Wind Development Centre Facility	Draft	4,330,000	
			<b>NAR Total</b>	<b>18,372,106</b>	<b>5,042,086</b>

<b>NDC – Northern Design Centre</b>					
<i>Project ID</i>	<i>Title</i>	<i>Proposer</i>	<i>Status</i>	<i>ERDF Grant Total - £</i>	<i>Claims Paid to Applicant - £</i>
NE004222A	One NorthEast (Final Beneficiary)	Design Centre for the North East – Premium Lease	Live	311,876	280,778
NE004306A	One NorthEast (Final Beneficiary)	Design Network North (former working title Design Knowledge Transfer Network)	Financially Complete	857,396	855,178
NE005181	University of Teesside	Mass Participation Project	Live	514,981	247,664
NE005320	Gateshead Council	NDC Gateshead Creative Business Centre	Live	4,945,654	2,803,782
			<b>NDC Total</b>	6,629,907	4,187,402

<b>NSC - Newcastle Science City</b>					
<i>Project ID</i>	<i>Title</i>	<i>Proposer</i>	<i>Status</i>	<i>ERDF Grant Total - £</i>	<i>Claims Paid to Applicant - £</i>
NE005099	Newcastle University	Translational Research Building	Live	2,133,989	1,275,542
NE005100	Newcastle Science City Company Ltd(NSC)	Newcastle Innovation Machine (NIM)	Live	2,328,072	1,317,786
NE005104	Newcastle City Council	Community Engagement	Live	885,000	292,128
NE005577	Newcastle City Council	Science Central Gateway Building	Draft	5,650,000	
NE005626	Newcastle University	NSC Business Support Partnerships	Draft	1,200,969	
NE007008	Newcastle Science City Company Ltd(NSC)	NSC - Enterprise to Business Hub (E2B)	Draft	750,000	
			<b>NSC Total</b>	12,948,030	2,885,456

NTP - NETPark					
<i>Project ID</i>	<i>Title</i>	<i>Proposer</i>	<i>Status</i>	<i>ERDF Grant Total - £</i>	<i>Claims Paid to Applicant - £</i>
NE004495A	Durham County Council	NETpark Connector - Servicing Land	Live	240,000	216,000
NE004715	Centre for Process Innovation (CPI)	PeTec Equipment (LACE)	Live	2,037,587	1,832,758
NE005092	Durham County Council	NETPark Connector NETPark Net	Live	243,397	100,352
NE005120	Durham County Council	NETPark Connector - Large Grown On Space	Live	5,000,000	1,508,426
NE005185	Durham University	NETPark Connector - Embedding The Benefits in Disadvantaged Communities	Live	504,373	22,495
NE005233A	Centre for Process Innovation (CPI)	PETEC Displays & Photonics Technologies Facility (PDPTF)	Live	8,500,000	6,527,763
			<b>NTP Total</b>	<b>16,525,357</b>	<b>10,207,796</b>

SSC – Sunderland Software City					
<i>Project ID</i>	<i>Title</i>	<i>Proposer</i>	<i>Status</i>	<i>ERDF Grant Total - £</i>	<i>Claims Paid to Applicant - £</i>
NE004801	North East Business and Innovation Centre	Sunderland Software City – Enterprise	Live	854,676	728,296
NE004802	University of Sunderland	Sunderland Software City – Education & Innovation Activity	Live	630,263	487,463
NE005178	Sunderland City Council	Sunderland Software Centre	Live	4,750,622	
NE005633	Sunderland City Council	Sunderland Software City Phase 2	Offer Issued	1,865,864	
			<b>SSC Total</b>	<b>8,101,425</b>	<b>1,215,760</b>

<b>WIL - Wilton</b>					
<b>Project ID</b>	<b>Title</b>	<b>Proposer</b>	<b>Status</b>	<b>ERDF Grant Total - £</b>	<b>Claims Paid to Applicant - £</b>
NE005093A	Centre for Process Innovation (CPI)	Wilton Connector - Process Business Incubator	Live	1,453,505	272,031
<b>WIL Total</b>				1,453,505	272,031

	<b>ERDF Grant Total - £</b>	<b>Claims Paid to Applicant - £</b>
<b>Grand Total</b>	77,860,225	26,118,290

**Table 6 Cultivating Enterprise in Disadvantaged Areas**

Previous annual reports have commented on the agreement reached with Partners regarding the methodology to be used in identifying those disadvantaged areas of the region where Operational Programme resources would be focused under Priority 2, FOA 2.1. The table below provides further detail of projects supported, where a regional project is identified, this reflects a regional delivery but continued prioritisation of disadvantaged areas as agreed with PMC/LMC.

Project Reference Number	Applicant	Project Name	ERDF Grant Capital	ERDF Grant Revenue	ERDF Grant Total	Public Match	Private Match	Total Eligible Project Costs	Area
NE004180b	Princes Trust	Business Growth & Support for Enterprising Young People	£0	£368,013	£368,013	£368,013	£0	£736,026	North East Region
NE004718	One NorthEast (Final Beneficiary)	Flexible Families	£0	£500,000	£500,000	£500,000	£0	£1,000,000	North East Region
NE004809	Northumberland County Council	Berwick Incubator Development - Revenue	£0	£134,500	£134,500	£134,500	£0	£269,000	Northumberland
NE005034	Newcastle City Council	Newcastle Enterprise Package	£0	£1,560,788	£1,560,788	£1,560,788	£0	£3,121,576	Tyne & Wear
NE005036	North Tyneside Council	Raising Enterprise North Tyneside	£0	£748,887	£748,887	£748,887	£0	£1,497,774	Northumberland and Tyne & Wear
NE005042	Durham County Council	Be Enterprising	£0	£4,123,269	£4,123,269	£4,300,849	£0	£8,424,118	Durham
NE005043	Tees Valley Unlimited	TV Integrated Business Support Activity	£0	£3,283,677	£3,283,677	£3,690,104	£0	£6,973,781	Tees Valley
NE005045	Gateshead Council	Inspire Gateshead	£0	£500,675	£500,675	£500,675	£0	£1,001,350	Tyne & Wear
NE005072	SES	Social and Traditional Enterprise	£641,046	£264,866	£905,913	£181,699	£790,334	£1,877,946	Tyne & Wear
NE005094	Northumberland Business Service Limited (NBSL)	Enterprise Bridge Programme - Northumberland	£0	£715,213	£715,213	£715,215	£0	£1,430,428	Northumberland
NE005128	Tarka	TARKA	£0	£280,000	£280,000	£0	£280,000	£560,000	Durham
NE005286	South Tyneside Metropolitan Borough Council	Enterprise Coaching in South Tyneside	£0	£742,750	£742,750	£742,750	£0	£1,485,500	Tyne & Wear
NE005294	Sunderland City Council	Enterprise Coaching in Sunderland	£0	£890,395	£890,395	£890,397	£0	£1,780,792	Tyne & Wear
NE005379	Northumberland County Council	Putting Enterprise into Place (Northumberland)	£0	£1,927,303	£1,927,303	£1,728,812	£200,000	£3,856,115	Northumberland
NE005403	Centre West Partnership	The Beacon	£2,418,178	£0	£2,418,178	£2,593,818	£0	£5,011,996	Tyne & Wear
NE005458	Princes Trust	Enterprise Coaching - Princes Trust	£0	£698,576	£698,576	£698,576	£0	£1,397,152	North East Region
NE005459	Redcar & Cleveland Borough Council	Redcar & Darlington Enterprise Coaching	£0	£1,250,528	£1,250,528	£1,250,529	£0	£2,501,057	Tees Valley
NE005466	Northern Pinetree Trust	Enterprise Coaching for people with a disability	£0	£457,926	£457,926	£50,000	£407,926	£915,852	North East Region
<b>TOTALS</b>			<b>£3,059,224</b>	<b>£18,447,366</b>	<b>£21,506,590</b>	<b>£20,655,612</b>	<b>£1,678,260</b>	<b>£43,840,463</b>	

## **Use of ESF resources for European Social Fund (ESF) type activity**

Previous AIRs have described the actions taken by Partners to implement the proposed flexibility identified under Article 34 with regards to cross financing between ERDF and ESF type activity. In line with the Operational Programme and the agreement reached with the EU Commission in 2009 on the scope of ESF type activity permissible, two projects focused upon the facilitation of community engagement with the Newcastle Science City and NetPark Innovation Connector packages of investment, were approved including ESF type activities. This is reflected in the expenditure tables in section 2 of this AIR.

However, over the course of 2009/10 and 11 despite detailed negotiations with the EU Commission, DWP and DCLG managing authorities, it did not prove possible to establish clarity or clear guidance on practicalities associated with regards to the implementation of Article 34 in terms of eligibility, monitoring and reporting requirements that would be sufficient to warrant the use of this flexibility up to the 10% thresholds originally anticipated.

As such the risks to compliance remained unacceptably high in the view of Partners and the decision was taken to forego the proposed flexibility as part of the programme modification proposal.

### **Assistance Repaid or Reused**

At the end of December 2011, a total of 44 irregularities had been concluded totalling £1,132,395 (€1,296,310) of ERDF grant.

A further 14 corrections (i.e. mistakes identified by the project and corrected before detection) totalling £25,421 (€28,499) were successfully resolved.

A total of £1,081,960 (€1,237,217) was repaid to the Programme at the end of December 2011, therefore Partners can report that at the time of writing 96% of the irregularities concluded have been returned to the programme for future re-use within the Priority from which they came. The ongoing pro-active approach adopted by the ERDF Delivery Team to the conclusion and recovery of irregular expenditure will help to mitigate level of liabilities at programme closure.

### **Qualitative Analysis**

#### **Promotion of Equal Opportunities**

The 2010 Annual Implementation Report described the steps taken to implement Partners' commitment to the three cross cutting themes (CCTs) described in Chapter 5 of the Operational Programme at pre-contract (development and appraisal) and post contract implementation stage. In relation to Equal Opportunities for example, projects are required to quantify monitor and report outputs and results achieved (broken down by the cross cutting theme indicators), and where relevant this will include performance against:

- Number of new SMEs assisted (of which run by women or other under-represented groups)
- Number of SMEs assisted to improve performance (of which assisted with the introduction of diversity and family friendly policies)
- No of gross jobs created i) men, ii) women, iii) in disadvantaged areas
- No of jobs safeguarded i) men, ii) women, iii) in disadvantaged areas



- No of businesses created (of which run by women or other under-represented groups)

Partners receive performance data and information on progress against equality and diversity indicators in reports at PMC/LMC and PEG as part of the programme performance and implementation reports. The Trade Union representative on the LMC (Kevin Rowan, TUC Regional Secretary) continues to act as the equality and diversity champion, providing support for and scrutiny of the performance of the programme in this policy area.

Consideration of and guidance aimed at supporting individual applicants' ability to demonstrate how equality of opportunities are addressed and embedded in project implementation forms part of Project Engagement Visit (PEV) and Article 13 monitoring activity.

In addition, the Mid Term Evaluation reported that many of the recommendations from the CCT evaluation of the 2000-2006 ERDF programme had been adopted in the development and implementation of the current programme and that this had helped to embed CCTs within programme activity under Priorities 1 and 2, for example, under P1 the OP states that *'priority will be given to proposals that demonstrate meaningful integration of equal opportunities issues including equal opportunities for men and women, for disabled people and for members of disadvantaged group'*.

In practice, the community engagement work undertaken within the context of the Innovation Connectors has been a key method of incorporating equal opportunities into P1 activity and under P2 the targeting and monitoring of the take up of enterprise support services amongst priority groups has also served to integrate equal opportunities into 'mainstream' programme activity.

The MTE found that *'good progress has been made in monitoring progress on CCTs compared to previous programmes, and that more attention is now paid to CCTs during development'*. In considering the findings of the MTE Partners have reaffirmed their commitment to continue to scrutinise progress towards the achievement of equality and diversity targets, it was also noted that slow progress against actual achievement of overall programme targets may impact upon wider progress. For example, the MTE commented that as progress and delivery of outputs accelerates then progress against the wider CCT, and in particular the equality and diversity targets, should also improve.

Partners have also commented that the adverse socio-economic climate and the refocusing of support towards an enhanced capital focus within the proposed modification should not be used as a reason to downplay the wider CCT agenda. In addition, it is planned that a fuller assessment of progress against wider CCT and thematic priorities such as equality of opportunity will be assessed as part of the ongoing evaluation plan in 2012/2013.

### **Partnership arrangements**

In line with Article 11 of EC regulation No. 1083/2006 the Partnership principle remains at the core of the strategic management and implementation of the North East ERDF Competitiveness Operational Programme. The strength of the North East partnership was highlighted in the findings of the Mid Term Evaluation which described programme management arrangements as 'robust, open and transparent'.

Over 2011 the Partnership principle has been further reinforced following transfer of the ERDF team to DCLG, for example:

- Partners were directly involved in revising the Terms of Reference for the Programme Monitoring Committee (as it became the Local Management Committee), as well as those of the Programme Executive Group (PEG), effective from July 2011.
- Membership of both LMC and PEG was augmented with enhanced Local Authority, private sector and Local Enterprise Partnership (LEP) representation and the establishment of a new Deputy Chair role responsible for ensuring local direction and engagement in strategic delivery decisions and implementation.
- The role of the PEG in project selection and the endorsement of full applications was strengthened, enabling greater devolution, transparency and higher levels of partnership scrutiny of individual applications.
- PEG played a direct role in developing and then approving the revision of the Programme Investment Framework and the agreement of the Modification proposals submitted to the EU Commission in July.
- Endorsement of the AIR for 2010 and consideration of the findings of Mid Term Evaluation and updated Strategic Environmental Assessment for the programme.
- Partners assessed the implications for the programme of the review of Innovation Connectors (ICs) undertaken by the ERDF team and agreed the approach to ICs going forward following closure of the RDA, loss of Single Programme allocations and changing Partner priorities following the emergence of North Eastern and Tees Valley Local Enterprise Partnerships and associated Enterprise Zone developments.
- At both PMC/LMC and PEG partners have become increasingly pro-active in considering programme implementation issues and wider programme management factors with a view to shared mitigation of performance challenges and delivery risk.

The approach highlighted above is further demonstrated in Tables 7 and 8 that follow, which serve to illustrate the wide scope of discussions and decisions taken by Partners over the course of the four PMC/LMC meetings held and the twelve Programme Executive Group meetings held in 2011.

**Table 7 PMC/LMC key Agenda items and discussions held 2011**

Programme Monitoring Committee Meeting 10 February 2011
<ul style="list-style-type: none"> <li>• National Developments <ul style="list-style-type: none"> <li>◦ Update on Transition Steering Group</li> <li>◦ ERDF Secretariat Transfer</li> <li>◦ PMC/LMC Changes</li> </ul> </li> <li>• Programme Implementation Progress Report</li> <li>• Risk Assessment</li> <li>• Mid Term Evaluation Update</li> <li>• Financial Engineering Instruments (FEIs) Performance Reporting</li> <li>• RDA as Final Beneficiary</li> <li>• Communications Update</li> </ul>
Programme Monitoring Committee Meeting 14 April 2011
<ul style="list-style-type: none"> <li>• Programme Implementation Progress Report and Risk Assessment</li> <li>• Mid Term Evaluation Update</li> <li>• ERDF Governance: from PMC to LMC</li> <li>• RDA as Final Beneficiary</li> <li>• Communications Update</li> </ul>
Programme Monitoring Committee Meeting 22 June 2011
<ul style="list-style-type: none"> <li>• NETPark Achievements</li> <li>• Programme Implementation Progress Report and Risk Assessment</li> <li>• ERDF Governance</li> <li>• Programme Modification Proposal</li> <li>• Financial Engineering Instruments</li> <li>• Implementation of Article 13 Monitoring Strategy Progress</li> <li>• 2010 Annual Implementation Report</li> <li>• RDA as Final Beneficiary</li> <li>• Communication Update</li> <li>• EU cohesion Policy Post 2013 Summary of 5th cohesion Report (Paper) and Update on Post 2013 ERDF Negotiations</li> </ul>
Local Management Committee Meeting 14 October 2011
<ul style="list-style-type: none"> <li>• Tees Valley LEP Priorities and Aspirations for ERDF Going Forward</li> <li>• Business Support and Innovation Emerging National Priorities</li> <li>• Programme Implementation Progress Report – Focus on Key Risks</li> <li>• Financial Engineering Instruments</li> <li>• Programme Modification Update</li> <li>• Revised Operational Programme Investment Framework</li> <li>• Communication Update</li> <li>• Update on Post 2013 Developments</li> </ul>

**Table 8 Programme Executive Group key Agenda items and discussions held 2011**

Programme Executive Group Meeting 19 January 2011
<ul style="list-style-type: none"> <li>• Update on Proposed Changes to Business Support Simplification Programme</li> <li>• National Developments <ul style="list-style-type: none"> <li>◦ Transition</li> <li>◦ Sir Bob Kerslake Response</li> <li>◦ RGF</li> </ul> </li> <li>• Programme Progress Implementation Report</li> <li>• Risk Review</li> <li>• Paper</li> <li>• Mid Term Evaluation</li> <li>• Financial Engineering Instruments (FEIs) Progress Report</li> <li>• Final Beneficiary Report</li> </ul>
Programme Executive Group Meeting 23 February 2011
<ul style="list-style-type: none"> <li>• National Developments</li> <li>• Mid Term Evaluation/Options for Programme Modification/Process and Timescale</li> <li>• Financial Engineering Instruments (FEIs) Progress Report</li> <li>• Final Beneficiary Report</li> <li>• Any Other Business <ul style="list-style-type: none"> <li>◦ BENE Closure Update</li> </ul> </li> </ul>
Programme Executive Group Meeting 23 March 2011
<ul style="list-style-type: none"> <li>• Business Finance North East Operational Update</li> <li>• Programme Progress Implementation Report</li> <li>• Progress Report</li> <li>• Revised De-commitment Strategy and Re-commitment Policy</li> <li>• National Developments</li> <li>• Mid Term Evaluation and Programme Modification <ul style="list-style-type: none"> <li>◦ Outcome of consultation with Partners</li> <li>◦ Next steps and presentation to PMC</li> </ul> </li> <li>• ERDF Governance</li> <li>• Final Beneficiary Report</li> <li>• Science Gateway</li> </ul>
Programme Executive Group Meeting 18 May 2011
<ul style="list-style-type: none"> <li>• Business Link Closure Impact on Programme</li> <li>• Final Beneficiary Report</li> <li>• Draft 2010 Annual Implementation Report Update</li> <li>• Draft Proposals for Revised Programme Governance</li> <li>• Latest on Programme Modification (</li> <li>• Review of Priority 2 PIPs Received (Emerging Strategic and Delivery Issues)</li> </ul>
Extra Ordinary (Programme Modification) Programme Executive Group Meeting 6 June 2011
<ul style="list-style-type: none"> <li>• Annual Implementation Report 2010</li> <li>• Programme Modification Proposal for PMC/LMC Agreement</li> </ul>
Extra Ordinary (FEI Monitoring) Programme Executive Group Meeting 13 June 2011
<ul style="list-style-type: none"> <li>• Overview on Local and National Structures</li> <li>• Progress and Performance to Date</li> <li>• Outcome of the Finance for Business/North East Holding Fund Manager Review</li> <li>• Roles and Responsibilities</li> </ul>

<ul style="list-style-type: none"> <li>• PEG Enhanced New Role (Selecting Projects/Endorsing Appraisal Recommendations)</li> </ul>
Programme Executive Group Meeting 12 July 2011
<ul style="list-style-type: none"> <li>• PEG Membership, revised Terms of Reference and Operating Procedures</li> <li>• Endorsement of Programme Modification Proposal</li> <li>• Project Selection and Endorsement <ul style="list-style-type: none"> <li>◦ Outline Applications</li> <li>◦ Full Applications</li> </ul> </li> </ul>
Programme Executive Group Meeting 10 August 2011
<ul style="list-style-type: none"> <li>• NaREC presentation; Project variation and Introduction to New Projects</li> <li>• BIS Local</li> <li>• Programme Implementation Progress</li> <li>• Project Selection and Endorsement <ul style="list-style-type: none"> <li>◦ Outline Applications</li> <li>◦ Full Applications</li> </ul> </li> </ul>
Programme Executive Group Meeting 14 September 2011
<ul style="list-style-type: none"> <li>• Programme Progress Implementation Interim Report</li> <li>• FEI Progress Reporting</li> <li>• Programme Modification Update</li> <li>• Revised Operational Programme Investment Framework</li> <li>• Project Selection and Endorsement <ul style="list-style-type: none"> <li>◦ Outline Applications</li> <li>◦ Full Applications</li> </ul> </li> </ul>
Programme Executive Group Meeting 12 October 2011
<ul style="list-style-type: none"> <li>• Financial Engineering Instruments (FEIs) Performance Update and Current Issues</li> <li>• Key Risks Review</li> <li>• Programme Modification Update</li> <li>• Project Selection Outline Application Stage</li> <li>• Project Endorsement Full Application Stage</li> <li>• Review co-opted members involvement</li> <li>• Meeting Schedule for 2012</li> <li>• NaREC Wind Development Potential Major Project Issue</li> </ul>
Programme Executive Group Meeting 16 November 2011
<ul style="list-style-type: none"> <li>• Programme Modification</li> <li>• Innovation Connectors Programme – Review by ERDF</li> <li>• Commissioning Proposals and Launch of Calls for 2012</li> <li>• Project Selection and Endorsement <ul style="list-style-type: none"> <li>◦ Novus 2 Business Centre</li> </ul> </li> <li>• Project Endorsement Full Application Stage <ul style="list-style-type: none"> <li>◦ Business &amp; Enterprise Subsidies Project</li> <li>◦ Newcastle Enterprise Package Phase 2</li> <li>◦ Raising Enterprise in North Tyneside</li> </ul> </li> <li>• Use of Bank Interest to Support Role of Deputy Chair</li> </ul>
Programme Executive Group Meeting 14 December 2011
<ul style="list-style-type: none"> <li>• Project Selection Outline Applications</li> <li>• Project Endorsements Full Applications</li> <li>• Programme Modification</li> <li>• Programme Progress Implementation</li> <li>• Financial Engineering Instruments Progress Report</li> </ul>

- Launch of New Calls for 2012 - Commissioning Documents
- Update on Technical Assistance Issues: Use of Bank Interest to Support LMC Deputy Chair
- Follow Up on October 2011 LMC Action

In addition to PMC /LMC and PEG, Partners also continued to meet regularly as standing PEG sub-groups focused upon managing activities in the following areas:

- Evaluation
- Technical Assistance

*Further detail of activity is provided in relevant later sections of this report.*

## **2.2. Compliance with Community Law**

Partners continue to express concern at the lack of guidance and clarity on a range of questions regarding eligibility issues at both national and EU level, many of which remain unclear, create significant implementation difficulties and contribute significantly to the prevalence of a risk averse climate with regards to ERDF programme implementation. Major concerns for Partners remain:

- Lack of clarity and guidance on procurement, particularly at sub OJEU levels, resulting in irregularities at Article 16 in 2011 (see update included at monitoring section);
- Complexities involved in administration of Article 55, for example alignment with State Aid and application of monitoring requirements in projects of less than €1m;
- Lack of clarity on the practicalities needed to implement Article 34 Cross Financing in a fully compliant manner.
- Lack of certainty regarding ERDF support resulting in activity that directly or indirectly benefits the retail and personal services sector. Whereas the focus of the OP retains its overarching focus upon high value added sectors and the pursuit of structural economic change within the programme area, revenue focused business support and enterprise promotion – especially in deprived areas or where the promotion of social enterprise is a key objective – often results in new businesses that could be classified as retail/ personal services focused. There is also a lack of clarity as to how to classify e-business in this regard.

In order to mitigate risk the ERDF team has, for example, worked with partners to:

- Revise eligibility guidance and publish a series of ‘user friendly’ ERDF ‘How to Guides’, identified in the Mid Term Evaluation as accessible and helpful to project applicants.
- Strengthen partner understanding of risk in relation to procurement, Article 55 and wider State Aid issues through regular targeted communications of ‘do’s and don’ts’ via the practitioner network, as well as development of enhanced guidance and targeted workshops, training and support focusing upon these key issues.
- Ensure ERDF team capacity through mandatory training in procurement issues and through a strengthening of assessment of procurement through pre-contract appraisal processes and post contract claims and performance monitoring systems, including strengthened Article 13 with increased focus upon procurement compliance.

- Agree to end the planned use of cross financing and associated ringfencing of resources as envisaged in the OP under Article 34 as 'too difficult to implement' as part of the modification proposal that was developed in 2011 following the findings of the Mid Term Evaluation.

### **2.3. SIGNIFICANT PROBLEMS ENCOUNTERED AND MEASURES TAKEN TO OVERCOME THEM**

#### **Transfer of ERDF teams from RDAs to DCLG from 1<sup>st</sup> July 2011 and the associated staff, systems and process transfers.**

On 1 July 2011 responsibility for day to day administration and management of the nine ERDF Operational Programmes outside London transferred from RDAs to the Department of Communities and Local Government (DCLG) and the responsibility for the London Programme transferred to the Greater London Authority as an intermediate body. This meant that all ERDF programme delivery teams (except London) became part of the national Managing Authority in the DCLG and the GLA became the new intermediate body for the London Programme.

This resulted in the following key impacts in relation to programme delivery:

- The development and implementation of a Transition Programme to transfer responsibility from RDAs to DCLG;
- The Managing Authority decided to use the opportunity presented by the integration of the ERDF programme teams into DCLG to standardise systems and processes.
- Enhanced Article 13 checks.

#### **Transition**

On the announcement by Government that RDA were to be closed, DCLG established a project to consider options for the future delivery of the programme.

The key principles of the project were to:

- Minimise disruption to delivery
- Minimise risk
- Maintain focus of the programmes
- Make delivery consistent with the new Government's agenda
- Manage the Departmental liabilities
- Maintain match funding arrangements

After considering a number of delivery options, it was decided that the ERDF delivery teams would be incorporated into DCLG from 1 July 2011. This was a significant change project.

Key elements included:

- Transferring RDA ERDF intermediate body functions from RDA to DCLG including ensuring that sufficient staff with appropriate expertise were retained.
- Overseeing the transfer of RDA projects to a new applicant including the physical transfer of records.

- Identifying the potential RDA legacy issues that would transfer to the Department of Business Innovation and Skills.
- Maintaining the continuity of communications, IT and data through appropriate hardware, software and operating systems.
- Maintain effective management systems for operational and compliance requirements and ensuring the audit trail remained robust.
- Identifying access to professional services historically provided by RDAs.

On 1<sup>st</sup> July, a total of 204 staff in 8 programme teams transferred from the RDAs into DCLG, 32 in the North East Programme area. All of the transfers involved relocation of staff to new accommodation in close proximity to their existing RDA locations to minimise disruption enabling continuity of working. The North East ERDF Delivery Team moved to offices located in the centre of Newcastle upon Tyne.

Ongoing Issues to be addressed as part of the Transition programme over the course of 2011 included:

- Staff transfer
- Locations
- IT ( Hardware and Software )
- Provision of business critical services (e.g. legal, quantity surveying, accountancy etc)
- Operational Plans and Budgeting

The transition was achieved without major disruption to the programme in the North East. Inevitably there was some operational impact, particularly in relation to IT and management systems/process. However, there has been limited impact on 2011 performance. More information on the full impact of the transition will be reported in the AIR 2012.

### **Standardisation Project**

The Managing Authority decided to use the opportunity presented by the integration of the ERDF programme teams into DCLG to standardise systems and processes. The Managing Authority designed a project including the following integrated workstreams.

#### **a. Inception to Grant Award**

This covered the process from inception to grant award, including: selection, appraisal, LMC role, grant award, funding agreement and contract variations.

#### **b. A13 Monitoring and Contract Management**

This covered all aspects of monitoring and control from initial engagement with the project, including: PEV, claims checking, project risk assessments, A13 data reporting and 'error rates' and monitoring visits (PAV) and the new Quality Control process.

#### **c. Financial Processes, Management Information and MCIS**

This project had three elements: To define the financial processes including the management of irregularities; to refine the management information and reporting and; to oversee amendments to MCIS and other IT systems.



#### **d. Project Closure**

A work-stream to develop a standard approach to project closure.

The timescale for the project was to introduce the new standardised business process by 1 April 2012. People from across the Managing Authority worked together to build on existing best practice forms and guidance to develop the new set of documents and then test the draft forms.

It is anticipated that having a standard process will establish the basis for the Managing Authority to operate as one body, sharing experience and expertise through practitioner networks. The project also allows the MA to explore in detail those areas where there were differences in practice and to identify a standard approach to these issues. These changes will have an impact on the way that the programme is administered but again the full impact of this will be reported in the AIR 2012.

#### **2.4. CHANGES IN THE CONTEXT OF THE OPERATIONAL PROGRAMME IMPLEMENTATION**

Over the course of 2011 the context of implementation continued to change significantly and partners have sought to respond constructively to new socio-economic conditions and new institutional and delivery structures.

The socio-economic difficulties arising from the economic crisis (described in previous AIRs) has continued to impact adversely upon programme implementation. The implementation challenges resulting from the difficult economic environment have been further complicated by the timescales needed to allow for the bedding down of new sub-national economic development policy and delivery structures, and the growing impact of the pressures on public finances and the reported impact that this has had upon the availability of match funding and delivery capacity amongst programme delivery Partners.

Continuing economic challenges have impacted upon the economic performance of the North East and there is growing evidence that the trend towards programme area convergence against national averages in terms of growth and jobs pre 2008 has reversed and that disparities have once again increased. This was reflected in the updated socio-economic analysis (undertaken as part of the Mid Term Evaluation reported in April 2011) which described key socio-economic changes that have been experienced since approval of the Operational Programme in 2007, for example:

- **Negative growth of North East programme area GVA** over the period 2007-2009, initially concentrated on reduction in private sector activity but which has been exacerbated by the disproportionate reliance of the economy on public sector employment and expenditure.
- **Lower rates of business growth and survival**, data presented in the MTE shows that business creation and survival rates have fallen from the original baselines included in the OP and as a consequence the overall business stock has reduced.
- **Rising unemployment** data from 2010 and 2011 shows that unemployment has increased across the programme area as a whole but that it is particularly high in disadvantaged areas. The North East programme area continues to show the highest rate of any English region (12%) and remains significantly above the national average (8%)<sup>6</sup>.

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<sup>6</sup> NOMIS LMS, January, 2012.

The Association of North East Councils (ANEC) reports the following challenges that continue to affect the economy of the programme area:

- Need for strengthened infrastructure and connectivity which unless addressed will continue to act as a significant 'bottleneck to growth' across the programme area.
- Difficulties experienced by employers in terms of skills shortages and retention of skills.
- Ongoing difficulties for private sector and SMEs in terms of access to finance and venture capital.
- Loss of jobs in the North East programme area at a rate that is four times as high when compared to national average.
- Lowest level of R&D expenditure of any English region.

The Mid Term Evaluation reported that over the course of 2011 changes to the legislative and policy context since 2010 have resulted in a wholly different institutional and delivery context. For example, the abolition of regional level bodies and their associated regional strategies removed elements of the strategic context that had informed the development and funding assumptions that lay behind the Operational Programme (OP).

Policy frameworks that had previously set a context for and influenced the scope of the OP such as the Northern Way, the Regional Economic Strategy and the Regional Spatial Strategy have not been continued post 2010/11.

The Mid-Term Evaluation did however highlight Partners' continued support for the overarching strategic direction of the programme and its ongoing relevance to new strategic priorities established by the emerging Local Enterprise Partnerships in the Tees Valley and Northern Eastern LEP areas, and the evaluation did not recommend any fundamental change in strategic direction.

Key developments that took effect over the course of 2011 and which have had important impacts upon programme delivery therefore include:

- Significant scaling back in role and spending of Single Programme Investment. Single Programme accounted for some 80% of resources used to match ERDF, the loss of this funding has had significant impact on project withdrawals, variations and reductions in 2011. Significant work has been undertaken to identify alternate sources of match funding to replace this.
- Loss of regional business link franchise and associated North East based support structures and resource following the winding down and closure of Business Enterprise North East in November 2011<sup>7</sup> has had a particular impact on delivery under Priority 2.

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<sup>8</sup> This resulted in a return of c£6.4m to the Operational Programme.

<sup>7</sup> This resulted in a return of c£6.4m to the Operational Programme.

- Move to national delivery of MAS, UKTI and other business support, technology and innovation focused revenue funding programmes and the associated loss of resource and flexibility under Priority 2.

Partners have, however, sought to respond positively to new policy initiatives and delivery structures by amending programme governance arrangements, proposing a programme modification to the EU Commission and revising call processes and the OP Investment Framework to better accommodate developments linked to:

- The establishment of Local Enterprise Partnerships (LEPs). Two LEPs have now been formed which are coterminous with the North East programme area (Tees Valley and the North Eastern LEP partnerships) which consist of local authorities, businesses and partner sector organisations. LEPs have taken on a key role as sub-regional economic lead organisations and are expected to take a strategic role in decision making in relation to ERDF, although currently LEPs have access to limited financial resources with which to match ERDF.
- The emergence of new initiatives and time frames needed to embed and gauge their ability to match, inform and align with the implementation of the OP, in particular, the establishment of Enterprise Zones, Technology and Innovation Centres and the launch of the Regional Growth and Growing Places Funds all of which have the potential to align with OP delivery.

## **2.5. SUBSTANTIAL MODIFICATION UNDER ARTICLE 56 OF EC NO 1083/2006**

The findings of Mid Term Evaluation of the North East Programme were reported to the Programme Monitoring Committee in April 2011. The Mid Term Evaluation concluded that whilst the long term strategic focus of the OP remained relevant and appropriate, the assumptions upon which the Programme itself was negotiated, including its outputs, results and impacts, were no longer appropriate and could be described as ‘overly ambitious’ given the impact of the recession, the new policy and institutional context and the anticipated wider public sector spending cuts.

The evaluation provided evidence that the changed socio-economic and delivery context will constrain the ability of partners to meet overall programme targets. It concluded therefore that ‘there is a strong rationale to pursue a modification to the Operational Programme’ focused upon the following key elements:

- A re-profiling of Programme output, result and impact targets to better reflect the reality of the changed socio-economic and delivery context.
- A re-balancing of the Programme’s priorities (or the creation of an additional priority) to strengthen the Programme’s capital focus in a way that remains coherent with the long term strategy of the OP and the Lisbon Agenda. For example, an increased focus on investment in economic infrastructure / strategic sites in support of innovation and unlocking the growth potential of key economic sectors where this directly contributes to local economic development and employment creation, in particular, in disadvantaged areas.

In response to the conclusions and recommendations of the MTE, the ERDF Delivery Team was tasked by PMC and PEG partners to undertake detailed consultations with local partners and the EU Commission with a view to developing a modification proposal.

The main findings of the consultation with partners were as follows:

- Broad consensus amongst local partners in support of the main recommendations of the evaluation and acceptance of the rationale to pursue a modification based on a strengthened capital focus of the programme;
- Recognition of the need to revise output, result and indicator targets in line with changed socio-economic and delivery context (outlined in earlier sections);
- Acceptance by the EU Commission of the case for modification on the basis that the required flexibility can be accommodated within the existing two priority structure of the OP so as not to lose OP concentration and associated strategic 'Lisbon' focus through, for example, the creation of an additional 'stand alone' capital priority.

In view of the outcome of consultations with partners and with the EU Commission the proposed modification proposals were agreed by partners at the June PMC and submitted to the EU Commission at the end of July 2011.

The key elements of the proposal were as follows:

- Reductions in identified outputs, results and targets in order to ensure deliverability and relevance going forward and to take full account of operational and implementation experience to date;
- Increases in certain outputs and results targets where changing socio-economic and delivery conditions and partners demand has steered programme investment in a way not envisaged at programme development stage;
- A broadening of the scope of activity envisaged in the OP Fields of Action under the existing Priority 1 and Priority 2 to reflect the greater strategic and investment emphasis placed by local partners on capital investment in support of local economic infrastructure in pursuit of jobs and growth.
- Amendments to add enterprise related outputs and results to address omissions in the original scope of programme investment in support of enterprise and entrepreneurship.
- The virement of resource out of the Priority 3 Technical Assistance to be split equally between Priority 1 and Priority 2 to better support achievement of amended targets and to avoid anticipated underspend in Priority 3.

The Tables overleaf present a summary of the proposed modification request as regards Priority 1 and 2 indicator targets. Note that at the end of December 2011 the Modification was still under consideration within the context of EU Commission inter-service consultation and partners were awaiting formal agreement and confirmation. Further details will be reported in the AIR 2012.

**Table 9: Summary of proposed modification proposals; Priority 1 Enhancing and Exploiting Innovation**

Reduced Outputs (O) / Results (R)	Current target	Revised target
No. of new SMEs and spin-out business assisted with innovation, including integrated development of workforce skills where appropriate (O)	2072	1,100
No. of SMEs assisted with innovation, including integrated development of workforce skills where appropriate (O)	4,434	2,700
Area of R&D premises developed (m2) (O)	51,238	37,000
Brownfield land reclaimed & /or redeveloped (ha) (O)	21.4	7
No of people in the workforce of SMEs working in collaboration with Innovation Connectors &/or Centres of Excellence, or in those organisations, assisted with skills development (O)	2,233	875
No. of businesses assisted with improved performance (R)	6,037	2,400
Private sector expenditure on R&D leveraged (£m) (R) <sup>8</sup>	£450m	0
Increased Outputs / Results	Current target	Revised target
No. of SMEs receiving financial assistance (O)	202	850

**Priority 1: Additional scope to be incorporated into OP text at section 4**

Field of Action 1 Investment in Innovation Connectors	<ul style="list-style-type: none"> <li>Reclamation and preparation of sites and associated infrastructures, including management of environmental risks <b>and opportunities</b></li> <li>Premises and other capital works associated with exploitation of innovation, science and energy <b>(including site specific energy related infrastructure)</b></li> </ul>
Field of Action 2 Support for Innovation and Technology led sectors	<ul style="list-style-type: none"> <li><b>Reclamation and preparation of sites and associated infrastructures, including management of environmental risks and opportunities (including site specific energy related infrastructure)</b></li> <li><b>Premises and other capital works aimed at unlocking the growth potential of innovation and technology led sectors</b></li> <li><b>Associated environmental improvements</b></li> </ul>

<sup>8</sup> This target was not considered appropriate and partners requested that it be removed, albeit the overall strategic global objective for the Programme to help to raise the level of North East investment in R&D as a proportion of regional GVA should be retained.

**Table 10: Summary of proposed modification proposals; Priority 2 Business Growth and Enterprise**

Reduced Outputs / Results	Current target	Revised target
Brownfield land reclaimed &/or redeveloped (ha) (O)	10.3	2
No. of businesses assisted with improved performance, of which at least 10% to implement advanced ICT applications (O)	9,799	6,100
No of businesses created or attracted to the region (R)	3,006	2,700
No of businesses created or attracted to the region surviving 12 months (R)	2,705	2,025
Increased Outputs/Results	Current Target	Revised Target
No of SMEs receiving financial assistance (O)	200	750
Additional Outputs	Current target	Revised target
Potential entrepreneurs assisted to be enterprise ready (O)	n/a	14,500
Potential entrepreneurs going on to access business link/other business support services (R)	n/a	2,500

**Priority 2 Additional scope to be incorporated into OP text at section 4**

Field of Action 1 Cultivating and sustaining Enterprise, including social enterprise, <i>in particular but not exclusively</i> , in disadvantaged areas	<ul style="list-style-type: none"> <li><i>large scale investment in strategic sites and premises aimed at unlocking employment potential of disadvantaged areas</i></li> </ul>
Field of Action 2 Enhancing the Competitiveness and growth of existing SMEs, including social and community based enterprises	<ul style="list-style-type: none"> <li><i>large scale investments in strategic sites and premises linked to targeted economic sectors</i></li> </ul>

## **2.6. COMPLEMENTARITY WITH OTHER INSTRUMENTS**

As part of the negotiation and approval of the North East ERDF Competitiveness Operational Programme, agreement was reached on demarcation between different funds, in particular between ERDF, ESF and EAFRD. This set out in Chapter 6 (Coordination Between Funds) of the Operational Programme document (a demarcation table is included in the OP on pages 104-105).

From the establishment of the ERDF PMC in 2008 the TUC representative and the RDA Head of Skills and Europe enjoyed dual membership of the ERDF PMC and the ESF North East Regional Committee. Both members were mandated by their respective committees to ensure direct representation and linkages between the regional employment and competitiveness programmes in order to monitor agreed demarcation between funds and to avoid duplication. However, since the abolition of the ESF regional Committee (and the RDA) from mid 2010 direct representation and liaison has not been possible, although partners continue to adhere to the demarcation and focus agreed at the outset of the programme.

It is also worth noting, that as described in section 2, over the course of 2011 Partners took the view that the risks associated with the lack of clarity and certainty regarding the practical implementation requirements of Article 34 Cross Financing were simply too great and as such Partners agreed to end the proposed use of this flexibility within the context of programme delivery. As such from 2011 the ERDF programme partners agreed to withdraw potential cross financing and revert to a mono-funded programme approach and this formed part of the programme modification negotiations.

The impact of these developments means that the practical ability of ERDF programme partners to align the national ESF Programme and governance structures with the Regional ERDF Competitiveness Programme and delivery arrangements is limited.

Partners have continued to work with the Head of the EAFRD North East Programme Team following the transfer of the Rural Programme team from the RDA to Defra. The EAFRD rural programme representative continues to attend the PMC/LMC as an observer and the ERDF Delivery Team is represented on the EAFRD regional programme committee, again to ensure coordination and demarcation between the respective funds along the lines agreed in the OP document.

## **2.7. MONITORING ARRANGEMENTS**

In addition to the management and monitoring arrangements set out in Chapter 7 (Implementing Provisions), Partners agreed a Monitoring Strategy for the programme at the PMC meeting held on 22<sup>nd</sup> October 2009 (details were provided in the AIR 2009).

The Monitoring Strategy provides a robust framework of management and control systems in support of the compliant delivery of the programme. It is important to note that the strategy bids upon previous experience and lessons learnt from the 2000-2006 Objective 2 Programme.

The strategy ensures that projects in receipt of ERDF funding are subject to audit and verification checks from the date of project approval until programme closure, typically these will be in the form of A16 and A13 visits but may extend to audits from the European Court of Auditors or provision of expenditure and defrayal information to the Programme Delivery Team (ERDF Delivery Team) as part of the Annual Review conducted by the Certifying Authority.

The Project and Verification Visit (PAV) is generally referred to as the Article 13 (A13) visit, however, the specific A13 EC regulation requires a number of functions be delivered including:

- the Project Engagement Visit;
- scrutiny of claims prior to payment; and
- the Project Verification Visit.

All projects receive a **Project Engagement Visit (PEV)** shortly after the Funding Agreement has been signed and before the first claim is certified. The ERDF Delivery Team issues a PEV template and guidance to the Grant Applicant for completion prior to the visit date. Relevant information is reviewed at the ERDF Delivery Team, in preparation for the visit; this includes the Funding Agreement and Business Case in addition to the returned PEV form.

The purpose of the visit is to ensure that the Grant Recipient has access to the necessary advice and guidance to facilitate delivery of their ERDF funded project; to check that they have read the relevant national ERDF eligibility rules and guidance notes; and to discuss any areas of concern or query as each section of the PEV form is considered and all pertinent points are discussed.

In concluding the PEV visit, attendees agree any necessary actions and timescales for their completion. The outcome of the visit must satisfy the ERDF Delivery Team that the project delivery team has the necessary systems and ability to fulfil the ERDF project management and monitoring requirements. The information gathered is used to inform the ERDF Delivery Team risk rating of the project.

At the PEV the project will be given an insight into the types of evidence and information it will need to provide at future monitoring and audit visits. It is made clear that it is the Grant Recipients responsibility to ensure there is a complete audit trail providing a full and detailed history of the project's activities, deliverables and expenditure.

An electronic copy of the completed PEV report is issued to the project soon after the visit, for signature and return to the ERDF Delivery Team. All agreed actions and deadlines are listed at the end of the report. It takes on average the equivalent of 3 days to prepare for and undertake each visit, finalise the report and follow up action points of each visit. By 31 December 2011 83 PEVs had been undertaken and 65 (78%) of these had had all actions resolved.

A **Project and Progress Verification (PAV)** Article 13 visit will be undertaken at least once during a project lifetime. A risk based approach in which each live project receives a risk rating helps to determine the frequency and degree of scrutiny involved in visits. In the North East these visits are outsourced to Mazars, an external consultancy with significant track record and expertise in carrying out ERDF monitoring and verification visits.

Following the transfer to DCLG there was no PAV cover for the months of July, August and most of September 2011 as novation of the Mazars contract was protracted, however, this was in place from October 2011 leading to an intense period of activity from October to end December 2011.

Desk based administrative checks always precede the A13 visit and on the spot checks are carried out at the physical visit itself. There have been 63 Article 13 visits completed since the start of the programme recommending 253 actions, of which 230 (91%) have been cleared.

In 2011, there were 31 PAV visits completed, these were selected from the 88 live projects, in line with the Programme Monitoring Strategy requirements. Whilst no substantive or systemic issues were identified through these visits, a number of common themes and recurring issues have been highlighted.



These include:

- **Document Retention** – ERDF specific requirements not included in policies or policy not followed;
- **Outputs/Results** – lack of evidence such as forms not signed and assistance not fully documented;
- **Procurement** – lack of evidence and non-compliance with procurement rules e.g. single tenders or breach of thresholds;
- **Expenditure** – lack of audit trail; including missing original invoices or bank statements not being available;
- **Publicity** – incorrect or absence of logo's on websites/ project material;
- **State Aid** – incomplete notifications to SMEs following assistance or lack of evidence behind calculation of Gross Grant Equivalent value;
- **Overhead** – incorrect methodology or calculations used.

The Claims and Compliance Team work pro-actively with Grant Recipients to address identified actions/recommendations. Measures undertaken to help inform both the Programme Delivery Team and the wider partnership over the past year include in-depth procurement reviews and an SME review conducted by Mazars at four different Grant Recipient Organisations.

Bespoke coaching and technical advice continues to be given to individual Grant Recipients on specific issues and the ERDF Delivery Team maintains an ongoing programme of ERDF Practitioner Training Sessions on targeted issues including:

- Article 55 workshop
- Procurement workshops
- State Aid workshop
- Audit & Verification workshop
- Claims basic and Claim plus workshops

In addition to the PEV and PAV, all projects are subject to desk based administrative checks through payment and **claims verification**. Checks are carried out on all claims to ensure

- Alignment with the FAL
- Financial progress and eligibility of expenditure
- Procurement/ tendering declaration supplied
- Project performance in respect to spend and outputs
- Identification of errors or potential irregularities prior to claims being paid

Where there are recurring issues/errors identified, claims checking and PEV processes are modified to improve scrutiny of the highlighted areas. These minor modifications are part of the continuous improvement of PEV & PAV processes, thereby ensuring awareness of both ERDF Delivery Team staff and Grant Acceptors. Recurring issues are highlighted in claims and audit and verification training sessions, as well as being addressed during claims checking and project monitoring processes.

**Article 16 visits** are randomly selected by the Audit Authority every six months. The Article 16 team inform the ERDF Delivery Team of the sample selected and also inform Grant applicants directly to arrange the visit and ask for preliminary information. ERDF Delivery Team staff attend the wash-up meetings at the close of audit. A draft report is issued to the ERDF Delivery Team and shared with the applicant. The ERDF Delivery Team has 20 working days to work with the

applicant to respond formally to each of the findings. Once the responses have been accepted by the auditors, the final report is issued and an Action Plan drafted with allotted responsibilities and timescales for completion.

Issues arising from Article 16 include:

- Failure to retain and demonstrate adequate output evidence, particularly result R09 – improved performance- setting the baseline;
- Items of ineligible expenditure claimed e.g. Internal Recharges;
- Minor errors contained within FALs, necessitating a revision to the FAL;
- Failure to provide up to date policies;
- Failure to provide original invoices/documentation on the day of visit;
- Procurement findings include:
  - *contract extension exceeding 50% of original contract;*
  - *value of services not aggregated;*
  - *evaluation sub criteria not published;*
  - *selection criteria not published;*
  - *no OJEU advertising (contract above threshold);*
  - *framework agreement (award criteria not followed);*
  - *experience criterion.*

In response to procurement issues raised in findings following A13 and A16 visits, the ERDF Delivery Team developed and implemented a “response” action plan to mitigate risk. The plan included:

- Strengthening pre-contract appraisal and approval processes to make assessment of procurement, and issues such as SME definition, critical to the approval process;
- Introducing additional training on procurement and audit preparation in claims training delivered via the ERDF practitioner network (also state aid / information and publicity training);
- Strengthening reporting requirements for claims to provide further information on procurement, and other areas of risk such as SME definition, information and publicity;
- Strengthening A13 monitoring visits with greater focus on high risk areas, at a meeting with Mazars, where a revised methodology was implemented with focus on higher risk areas, particularly around procurement. A number of measures were agreed and implemented with immediate effect;
- Greater level of questioning and guidance given at the PEV visit, particularly where an approved project had retrospective activity e.g. to provide more information upon procurement issues, both retrospective and planned procurement activity and processes.
- Implementing a system of in depth reviews of organisations and projects e.g. Mazars have undertaken a focused review of two LA procurement policies and the application of these in operating processes and systems;
- Lobbying key central staff about the importance of drafting and endorsing National Procurement guidance as procurement issues are very high risk – despite this concerted effort, there was no national guidance from the Managing Authority at end of December 2011;
- Commissioning specific visits to four grant applicants, three focussing on procurement and the fourth being a re-assessment visit scrutinising processes applied to verify SME eligibility at selected Applicants. These additional visits enabled the ERDF Delivery Team to identify and assess risk, identify areas of weakness and put appropriate mitigating action in place.

The actions put in place have contributed to a national error for 2010/2011 of 1.57%, well within the Commission’s 2% threshold and which resulted in the lifting of the EC interruption of a number of English regional programmes. NB However, it is hoped that the pro-active response described will

enable the ERDF Delivery Team and Partners to maintain an error rate that is within the acceptable threshold. Further information will be forthcoming in AIR 2012.

Whilst not a formal part of the Article 13 compliance regime, in September 2011 DCLG agreed a phased programme of **Enhanced Article 13 checks** with the European Commission as part of the focused efforts to lift the EC interruption.

Moore Stephens Ltd were appointed nationally by DCLG to undertake the programme of checks, the primary aim of which was to give the Commission assurance that all ERDF projects had been audited to the equivalent of an Article 16 standard, that future Article 16 audits would find minimal errors and that ineligible expenditure was not being claimed.

The Enhanced A13 checks launched in 2011 fulfilled all of the requirements of a regular Article 13 verification visit in addition to an in depth investigation, to Article 16 level, of high risk areas; such as procurement and SME eligibility. Enhanced checks were undertaken in addition to regular Article 13 and Article 16 visits which all projects remain subject to.

Two Phases have been undertaken and completed. Phase 1 covered 20 projects in the North East programme area and Phase 2 a further 7 projects. ERDF Delivery Team Claims and Compliance team members have worked with Grant Recipients to close recommendations made and are aiming to close all actions by the end of June 2012.

Whilst the Article 13 and 16 audits check project level compliance, the ERDF Delivery Team has also been subject to **checks on its own systems and controls** with an End to End audit being undertaken in January 2011, an inspection as part of the national irregularities audit undertaken in December 2011 and a Certifying Authority Assurance visit completed in September 2011. No significant issues were highlighted, although the auditors did identify a number of examples of 'Best Practice' which they were keen to have included within the Standardisation of Business Processes.

The NAO carried out visits to underpin their view on ERDF Delivery Team systems and controls as part of both the annual Audit of DCLG and the RDA Financial Statements. The scope of the work included checks on the compliant management of the ERDF 2007-13 programme, document retention, electronic record keeping and review of project paper files.

## **Evaluation Activity**

Over the course of 2011 Programme evaluation activity focused upon the completion and then dissemination of conclusions and recommendations from the independent Mid Term Evaluation undertaken from summer 2010 until March 2011<sup>9</sup>. The MTE was asked to consider progress against the following key areas:

- Does the programme strategy remain 'fit for purpose'?
- Has progress been made against the Programme's quantified targets for spend, outputs, results and impacts? Are the programme targets still realistic and achievable?
- How effectively is the programme being managed?
- What impact has the programme made to date?

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<sup>9</sup> The Mid Term Evaluation was undertaken by Regeneris Consulting Ltd

- What are the implications of the changing socio-economic, delivery and institutional landscape for delivery going forward?

The evaluation process was managed by the evaluation sub-group established by the Programme Executive Group to oversee the day to day work of the consultants. The sub-group consisted of officers from the ERDF Secretariat, the Government Office for the North East (GONE) and Local Authority partners from Tyne and Wear, Durham, Northumberland and the Tees Valley.

The main findings of the Mid Term Evaluation can be summarised as follows:

- The OP strategy (with a focus on achieving long term competitiveness and a strong alignment with the Lisbon Agenda) remains relevant and appropriate to the North East programme area's need to raise its economic competitiveness in order to reduce the GVA gap with national and EU level averages.
- The assessment of Programme management systems and processes indicate that the programme has been administered efficiently and effectively. Governance in particular was considered to be open and transparent and partnership strong.
- The Programme has made good progress in terms of contracted and defrayed spend up to the point of evaluation (all N+2 targets having been met) with an appropriate level of outputs contracted for the level of ERDF committed.
- The challenges of translating contracted outputs and spend into actual performance has however increased as a direct result of uncertainty over availability of future public sector match funding, reduced capacity and significant change in the institutional and delivery structures envisaged at the development stage of the OP. This was reported as having made a discernible impact on both programme assumptions and performance when added to the significant changes in the socio-economic context.
- Progress to date against lifetime impact targets was found to be favourable with significant levels of satisfaction reported by SMEs in receipt of direct ERDF support, e.g. 89% found that support had either met or exceeded expectations.
- Key performance benchmarks were identified as £2 of net additional GVA created for every £1 of ERDF invested, whilst this is considered to be relatively low, if safeguarded net additional GVA is included, the programme has generated £21 GVA for every £1 of ERDF invested, the latter figure was seen by the evaluators as being an indicator of good progress given the socio-economic conditions facing the programme area.
- Similarly, if net additional jobs created and safeguarded were taken into account, the programme was reported to have required £7,300 of ERDF spent per job. A figure reported as competitive by the evaluators.
- The overarching conclusions of the Mid Term Evaluation were that at the mid point the programme was considered to be 'broadly' on track to deliver financial and non-financial targets over the entire programme lifetime. However, the cumulative impact of the socio-economic and wider changes to the delivery and institutional landscape since 2010 were thought likely to impact adversely upon partners' progress in the second half of the programme life cycle, as such 'business as usual' was not considered an option.
- In light of this the MTE recommended that a programme modification be pursued with a view to strengthening the capital focus of the programme and to revising output and

indicator targets to better reflect new economic and delivery realities and to ensure that targets remain achievable.

The findings and recommendations of the Mid Term Evaluation were considered by PEG at meetings held in January, February and March 2011 and accepted formally at the PMC held in April 2011.

## **Data Collection**

For the 2011 AIR all financial and indicator data is sourced from:

- MCIS via Cognos, the associated reporting tool.
- A standalone ERDF MI database which captures data not current held by MCIS e.g. project pre-approval status and milestones.

In the absence of specific standard reports provided by the MA, data has been extracted from Cognos and then exported to spreadsheets for subsequent processing into the formats suggested by Commission Regulation (EC) No 1828/2006 Annex XVIII. The North East DCLG ERDF Delivery Team has the 'full' MCIS system and uses this to manage and administer the projects within the Operational Programme.

### Referring Cognos Reports:

*Public Folders > MCIS Reporting > One North East > Regional Reports > Currently Under Development > AIR > Reports*

### 3. IMPLEMENTATION PROGRESS BY PRIORITY

As described in earlier sections of this report both the socio-economic context and institutional and delivery landscape within which the Programme is being implemented have changed significantly since the development and launch of the OP in 2008. In 2011 the Mid Term Evaluation recommended, and Partners accepted, that the assumptions underpinning the OP both in terms of the strategic direction and outputs / indicators adopted within the OP, be reviewed in order to ensure that they remain relevant, appropriate to the programme area and realistic in terms of their achievability.

Over the course of 2011 a modification was developed in conjunction with partners and submitted to the EU Commission for consideration in July 2011. At December 2011 the modification had not yet been formally approved, however, the EU Commission (DG Regio), had indicated informally that they were broadly content with Partner proposals, as such further detail will be reported in the 2012 AIR once formal approval is confirmed.

In summary, the following issues continue to represent areas of progress and key challenges for partners in terms of implementation:

- Broad acceptance that whilst the strategic focus of the Operational Programme remained relevant and appropriate to the needs and ambitions of the North East partnership, the practical means and instruments through which this vision can be achieved needed to be modified and tailored to the post 2010 landscape and economic context, in the words of the Mid Term Evaluation *'business as usual is not an option'*.
- Nevertheless, financial progress remains strong with defrayal of expenditure on track, N+2 targets met in full and robust progress already made against the 2012 target.
- Progress in the actual defrayal of JEREMIE resource remained broadly on track at the end of December 2011, although Partners continue to scrutinise and monitor performance closely given the significant contribution made to N+2 by the initial advance of ERDF Programme resource (£44.25m) to the JEREMIE Holding Fund.
- Contracted financial and non-financial performance remains broadly on track, however, partners continue to face a significant challenge in translating contracted into actual, in particular, with regards to performance against non-financial outputs and results indicators.
- Weakening of the project pipeline over the course of 2010 /2011 has contributed to Partner concerns at the risk of the 'flatlining' of new commitments over the course of the reporting period and the associated risk this poses for N+2 post 2012.
- The availability of match funding remains a key challenge going forward and continues to present a particular risk in Priority 1 in terms of building upon investments in support of Innovation Connectors in the first half of the programme.
- The loss of match funding and associated business support and innovation delivery structures at programme level remains a significant concern in respect of the implementation of Priority 2.

The ERDF Delivery Team continues to work closely with Partners through the PMC/LMC and the PEG to:

- Monitor and report on performance and compliance issues, recommending appropriate action;
- Support the development of project recovery plans to help bring individual project performance back on track;
- Provide information, advice and guidance;
- Initiate and manage de-commitment and recycling of grant where appropriate.

### **3.1. PRIORITY 1 EXPLOITING AND ENHANCING INNOVATION**

Priority 1 seeks to focus resource upon transformational investments that help to drive structural change and the long term competitiveness of the North East economy through sustained support to commercialise and embed science, technology and innovation across the North East business base and the wider community.

This agenda is reflected primarily through focused investment in support of the Innovation Connectors and associated knowledge, technology and innovation led sectors that seek to build upon existing North East competitive strengths in high value added manufacturing and process industries, in particular linked to low carbon energy, offshore and renewables, life sciences, advanced engineering, research into materials technology and applications.

Over the course of 2011 the Innovation Connector programme has remained at the heart of Priority 1 investment and the benefits of aligning *'ERDF investment to organisations and initiatives which are leading the North East's drive to improve its performance in commercial innovation'* was identified as a key strength by the Mid Term Evaluation. The Evaluation commented favourably upon the Priority's investment in key sectors in which the North east has a *'mix of research specialisms and a commercial presence which is seen as nationally or internationally significant'*.

Investments made under Priority 1 have also been characterised by a robust partnership approach, building collaboration and knowledge transfer between Centres for Excellence, Universities in the programme area<sup>10</sup>, Local Authorities and wider public / private sector. Innovation Connectors in particular were found to have helped to foster partnership between industry, the research and education community and the public sector. In addition, the geographic spread in the physical location of the Innovation Connectors was also cited as having contributed to an equitable distribution of ERDF resources across the programme area.

A review of progress made by the Innovation Connectors (ICs) was undertaken by the ERDF Delivery Team and reported to the Programme Executive Group in November 2011. The review restated the importance of the ICs to both Priority and Programme level financial and non financial output targets as well as to the global programme objective of increasing North East GVA.

However, the review noted the heavy reliance of investment to date - in support of the ICs and high value sectors more widely - upon Single Programme capital and revenue investment in the first half of the programme period, identifying that a significant challenge facing partners was to secure sustained funding going forward under the new socio-economic and institutional landscape.

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<sup>10</sup> As discussed earlier, University engagement has tended to be as partner rather than lead applicant.

Partners have sought to respond to this and other challenges identified in the MTE through:

- The proposed modification submitted to the EU Commission in July 2011;
- The updating of the ERDF Investment Framework; and,
- The revision of the Priority 1 capital and revenue commissioning documents and launch of new calls from December 2011.

The revised Investment Framework and Commissioning Documents seek to align the ongoing strategic focus of Priority 1 investment more closely to emerging national innovation and technology led priorities, in particular low carbon, renewable energy and process industries.

As well as to ensure that emerging sub-national economic development structures and funding opportunities resulting from the establishment of the North Eastern and Tees Valley Local Enterprise Partnerships and the launch of the Regional Growth and Growing Places Funds are taken fully into account.

It was also agreed that the community engagement dimension of the IC concept should be pursued through a strengthening of the ERDF Cross Cutting Theme of reducing spatial disparities.

### **3.1.1. Summary of key developments under Priority 1**

Key developments have included:

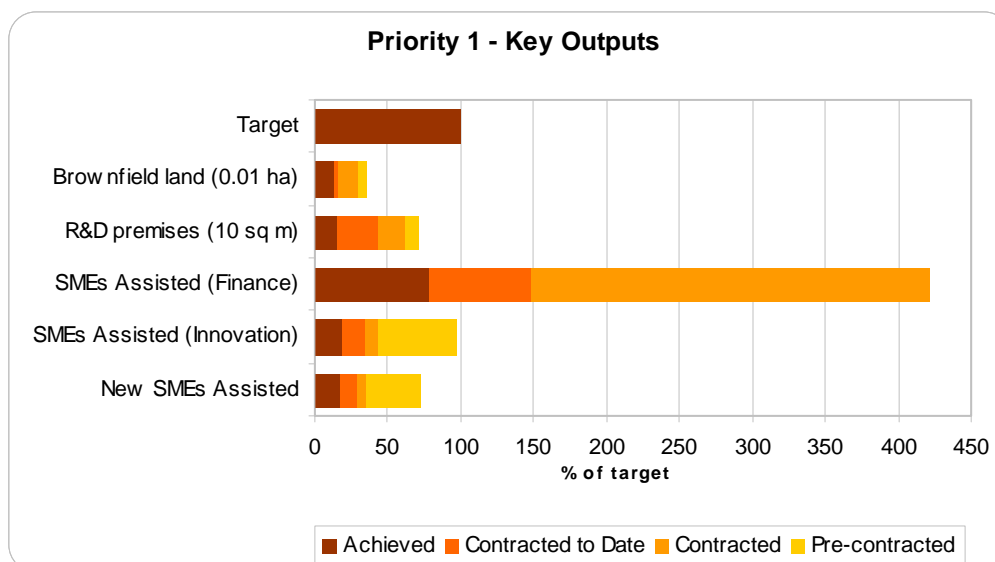
- 38 projects approved / live under Priority 1 at end 2011.
- Total cumulative figure of c£125m / c€142m ERDF committed at end of December 2011, representing some 61% of the total ERDF resource approved to date.
- Sustained investment in world class facilities for business and university research and development (R&D) and commercialisation.
- Strengthened partnerships between industry, universities and commercial R&D.
- Facilitation of networks and collaboration to enhance cooperation between SMEs in high growth and value added sectors.
- Creation and promotion of employment opportunities and the promotion of community engagement related to science, technology and innovation
- Continuation of the 'long' Open Call process up to December 2011 to facilitate maximum flexibility for potential applicants to respond to changing socio- economic and delivery landscape.
- Revision of the Priority 1 capital and revenue Commissioning Documents and the launch of new calls for projects from December 2011.



### 3.1.2. Achievement of targets and analysis of progress

Notwithstanding some of the ongoing strategic and practical delivery and implementation challenges described in this report (that will continue to face partners in the second half of the programme period) Charts 2 and 3 overleaf provide information on key indicators resulting from programme investment under Priority 1 up to the end of December 2011.

**Chart 2: Priority 1 key outputs at end December 2011**

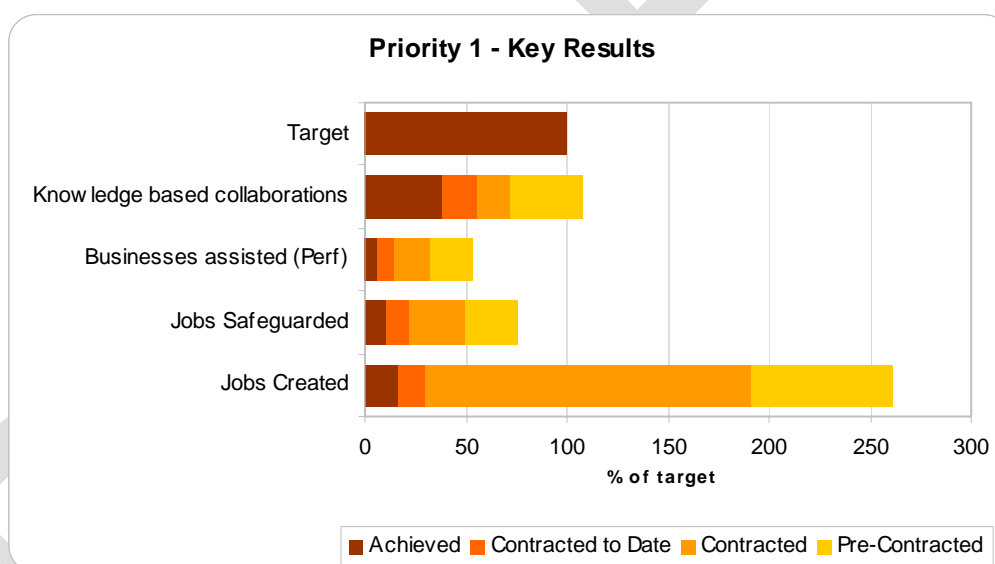


- The economic downturn has reduced demand for business innovation support as SMEs have increasingly focused upon short term business survival rather than investment in innovation and Research and Development. This has resulted in the cost per business assisted rising as more needs to be done by applicants to identify SMEs to work with and to deliver support to. The effect has been to constrain progress against delivery of contracted SME assist targets (in particular with regards to SMEs assisted with innovation).
- The robust performance in terms of SMEs receiving financial assistance reflects both practical and strategic issues that have impacted upon day to day delivery. In practical terms the over-performance in relation to 'SMEs assisted with access to finance' target in Priority 1 has been influenced by the establishment and progress made by the North East JEREMIE instrument (NB which was wholly allocated to Priority 1 whereas it had originally been anticipated that JEREMIE would be funded equally from Priority 1 and Priority 2<sup>11</sup>)
- In strategic terms the Mid Term Evaluation identified significant ongoing market failure in respect of access to finance, as such the Programme has sought to respond flexibly to increased demand and to the changing needs of SMEs using the FEI established under Priority 1. As a result it Priority 1 has invested more heavily than originally planned in support of SMEs requiring financial assistance, often resulting in safeguarding rather than the creation of new jobs.

<sup>11</sup> In practice it did not prove possible or expedient to implement in this way, hence it is also important to note that the range of individual product funds delivered under the JEREMIE framework incorporates activity that is equally relevant to the Priority 1 innovation, and 2 i.e. business support / growth type agenda.

- Investment in R&D premises has in practice proven to be more expensive than the original benchmarks used in the development of the OP and as such progress towards targets has been slower than forecast. However, the higher unit costs are considered acceptable in the context Partners' ambition to support the creation of world class facilities and a number of projects are delivering particularly high value added floorspace (i.e. including high technology equipment etc) focused on a deepening of support through higher specifications directly supporting leading edge R&D and innovation facilities, this is considered highly appropriate and relevant to the 'transformational' impact sought by the Priority and the focus upon driving investment in support of high value added sectors.
- The difficult market conditions experienced over 2010/11 continue to constrain progress against achievement of the 'brownfield' land targets in 2011, and this has been compounded by the high costs of reclaiming available sites which has reduced demand for programme support in this area. This has resulted in weaker than anticipated performance against this indicator primarily due to a poor supply / pipeline of suitable brownfield development sites that are sufficiently attractive propositions in the current economic climate.

**Chart 3 Priority 1 key results as at end December 2011**



- The key results indicate broadly satisfactory progress to date in terms of contracted outputs, but as highlighted, partners remain focused upon the need to translate contracted outputs and results into actual achievement as a key priority for the remainder of the programme period. The LMC continues to require the ERDF Delivery Team to report and scrutinise performance in this area as part of the ongoing monitoring and decommitment strategies adopted by LMC.
- Changing patterns of demand from SMEs and the related slower than anticipated progress against the 'SMEs assisted with innovation' output has subsequently impacted upon progress against the businesses assisted with improved performance output. Partners have also experienced practical difficulties regarding the application of the definition and associated evidence requirements, in response the ERDF Delivery Team has reviewed and clarified guidance, reviewed performance of all projects contributing to this indicator and

prioritised this result in the context of commissioning and appraisal activity. However, it is important to note that SME performance is also reflected in the robust performance in terms of jobs created and safeguarded and the positive findings that emerged from the impact assessment work undertaken as part of the Mid Term Evaluation (i.e. significant levels of satisfaction were reported by SMEs in receipt of direct ERDF support with 89% reporting that support had either met or exceeded expectations).

- Performance in terms of Jobs Created, particularly in light of the current economic context, is viewed as a major positive development in terms of both Programme and Priority level performance. The robust performance here both in terms of jobs created and safeguarded reflects changing economic conditions and the increased focus of SMEs in relation to consolidating and sustaining activity in the face of ongoing recessionary pressures. The LMC is particularly concerned to ensure the translation of contracted results into actual performance in this area.

As reported a significant proportion of Priority 1 resource has supported the North East Finance for Business (JEREMIE) Financial Engineering Instrument (FEI). The JEREMIE project is considered by Partners as a key strength of the Programme at a time when the MTE highlights the significant ongoing market failure with regards to access to finance for business across the programme area.

#### **Finance for Business North East (JEREMIE)**

Further detailed information on performance is provided at **Annex 1**, however, in summary the £125m Finance for Business North East (JEREMIE) Holding Fund was the first JEREMIE instrument established in England (November 2009). The fund will operate over a 5 year period from 2010 to 2014 and is managed by North East Finance (NEF) Hold Co Limited.

The initiative provides a range of loans and equity investments to start ups and SMEs in the North East. The Finance for Business|North East fund comprises seven individual product funds:

- Proof of Concept
- Technology Fund
- Accelerator
- Angel Growth
- Growth Fund +
- Growth Fund
- Micro Loan Fund (launched in May 2011)

At the end of December 2011 the project had invested £39m (€46) in support of 329 different SMEs. Progress against key milestones is set out in the charts overleaf.

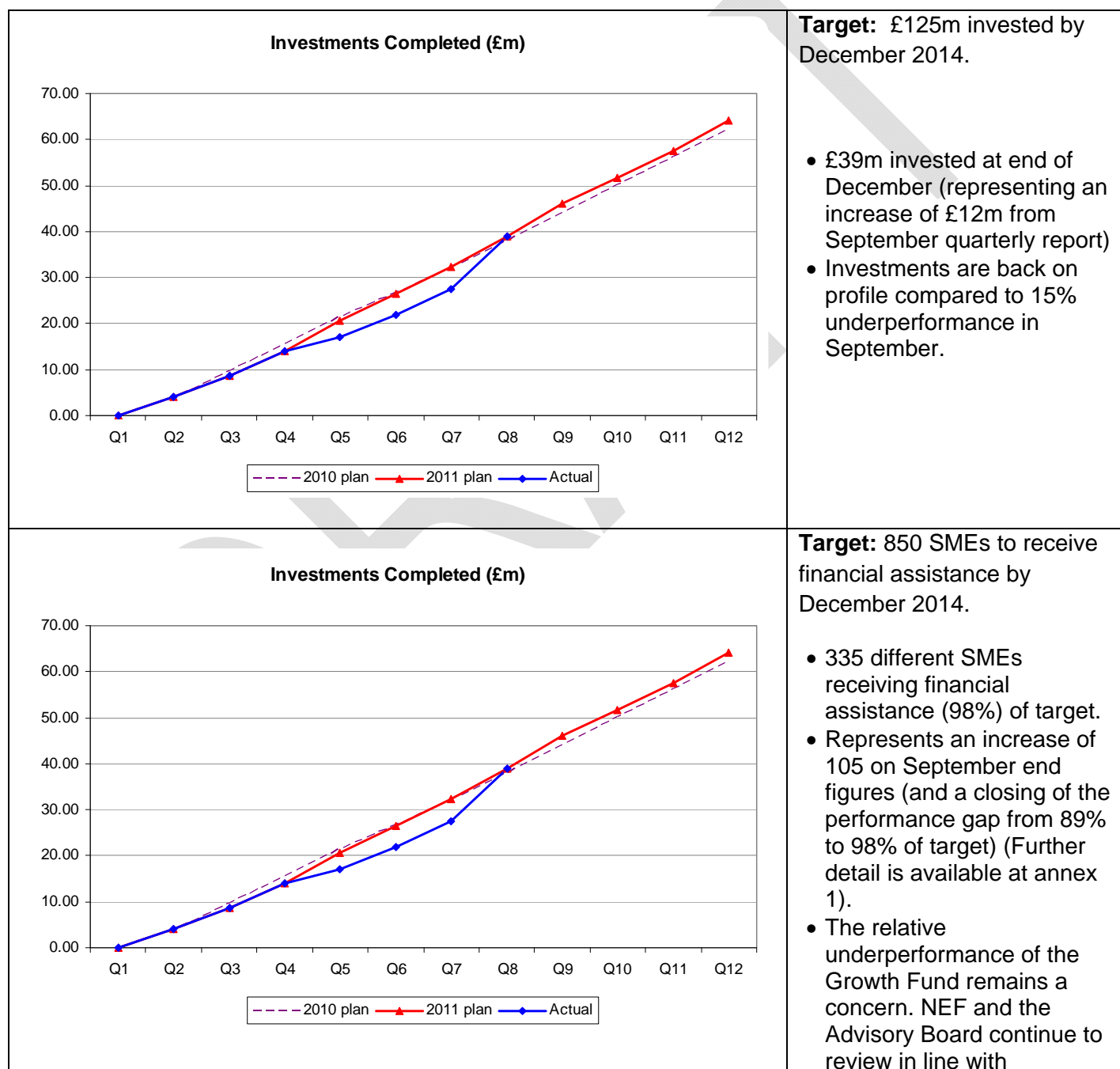
Key highlights up to end December 2011 include:

- 335 different SMEs receiving financial investment of £39m;
- Leverage of £45m (€53m) (£42m / €49m private) meaning that North East businesses have received investment of £85m / €100m as a result of these funds;
- Over 270 new jobs created;
- Over 1,000 jobs safeguarded;
- £3.2m / €3.7m returned from the product funds;
- £2.8m / €3.2 received in idle fund interest;
- EIB loan fully serviced (including capital repayment of £2.5m / €2.9m);
- Default rate (9%) well within EIB tolerance thresholds (20%).

The project remains broadly on track with regards to ERDF investment and output targets, with SME supported and jobs created slightly above profile. Investment activity remains robust with 139 new deals being completed in the final quarter 2011. Across all the individual product funds a total of 2,000 applications have been received, interest in the funds has remained strong and no reduction in the application rate has been experienced to date. However, NEF, in their capacity as Holding Fund Managers will continue to work closely with the Advisory Board and individual product fund managers to scrutinise the investment portfolio to ensure that activity remains on track over the lifetime of the project.

## JEREMIE Performance Overview

End of December quarter end report - Progress against key ERDF performance targets at end September 2011<sup>12</sup>.

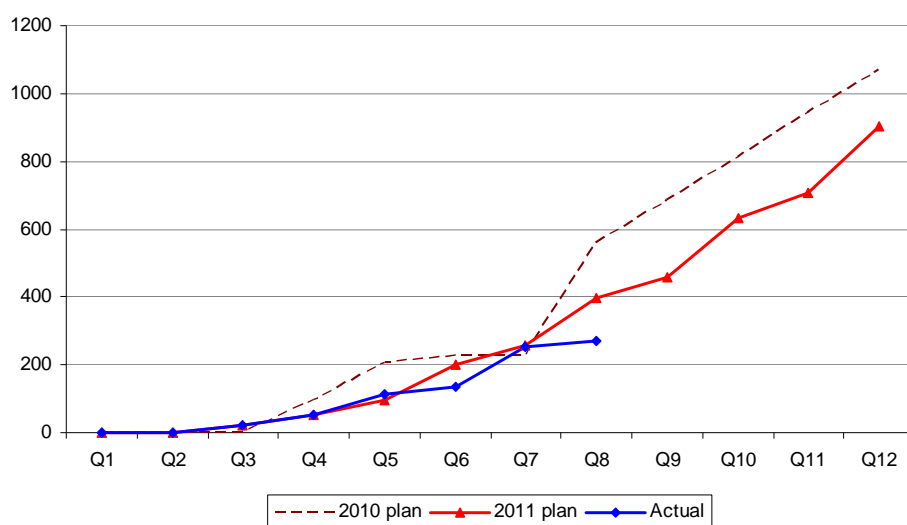


<sup>12</sup> Latest figures available at the time of writing.

established 'right sizing policies.

- However, in contrast to the September end report, improvement in performance has been demonstrated in the December quarter end report.
- The Growth Fund is now described as moving in the right direction and NEF anticipate that the Fund will be back on track by End March.

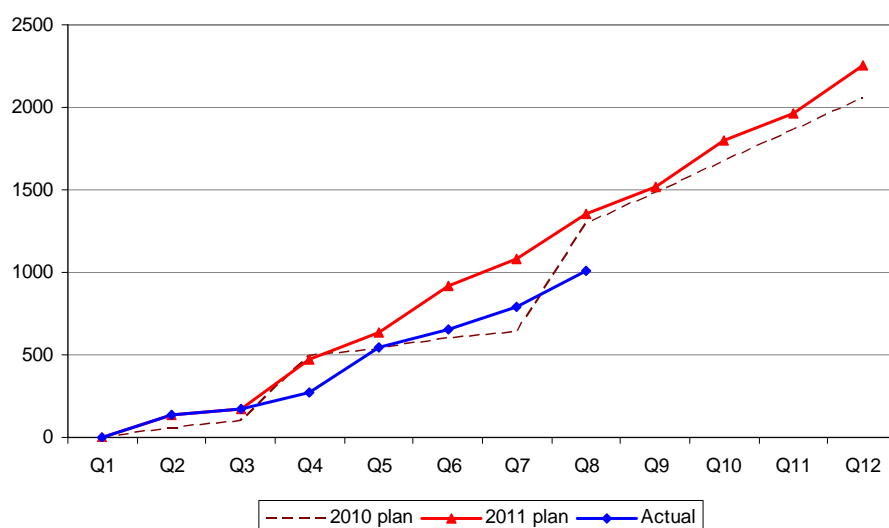
**Jobs Created**



**Target:** 5,017 gross jobs created by 2019.

- Jobs created have increased on September end figures (by 18) but may develop as an area of concern as the rate of increase is less than that recorded in previous quarters.
- 272 jobs have been created against a business plan target of 397, therefore the current position represents 68% of target.
- It is worth noting however, that the business plan figures are higher than ERDF offer letter figure (268), so *performance against the ERDF target figures is actually over profile.*

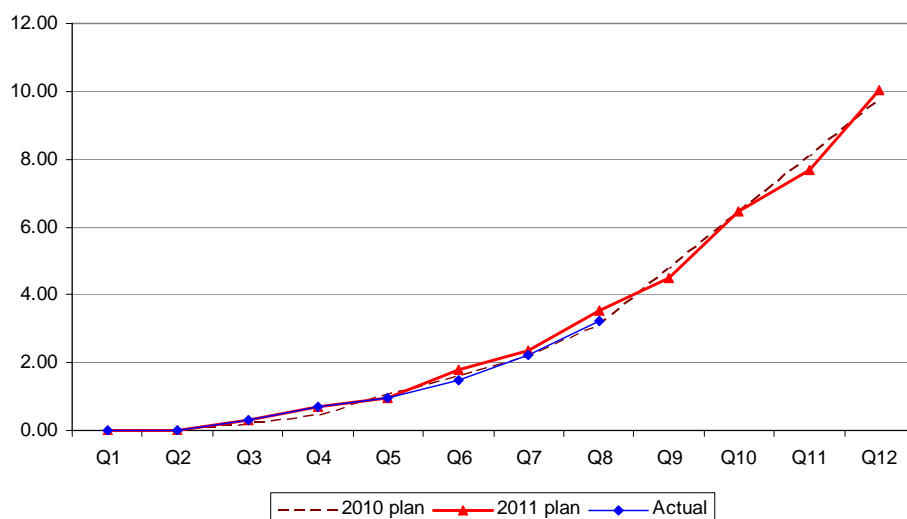
**Jobs Safeguarded**



**Target:** 2,801 gross jobs safeguarded by 2019.

- The slower than anticipated progress on jobs created (above) has to an extent been offset by overperformance on jobs safeguarded.
- There has been robust performance in jobs safeguarded which is now at 115% of the business plan target.
- The end December figures are 1,012 jobs safeguarded, representing an increase of 223 on September end figures and a higher rate of increase than in previous quarters.

**Investment Returns (£m)**



- Performance in this area drives ability of the fund to meet the EIB repayment profile.
- Actual cash returned to the fund is £3,2m (97% of the business plan target)
- The EIB loan fully serviced, including capital repayment of £2.5m, (note a further £1m will be paid back in March).
- This figure is slightly ahead of profile.

### 3.2. PRIORITY 2 BUSINESS GROWTH AND ENTERPRISE

Priority 2 activity continues to address the relative underperformance of the North East Programme area in terms of new business formation and wider business density by strengthening an entrepreneurial culture to address the enterprise deficit identified at programme development stage and rebalance the economy to strengthen the role of the private sector in growth and employment creation.

Investment under priority 2 also seeks to promote and strengthen competitiveness within the existing business base in order to drive forward performance across the key sectors identified in the OP in pursuit of wider economic growth and GVA performance relative to national and EU averages.

The Mid Term Evaluation highlighted a number of strengths and challenges that remain relevant factors in the ongoing performance of Priority 2, key points identified included:

- Clear and appropriate economic rationale underpinning project development and delivery that remains closely aligned to partners' economic priorities.
- Clear additionality in the use of ERDF to extend the scale and scope of previously established regional business and enterprise support schemes.
- Support for enterprise (including social enterprise) has enabled the programme to target support on disadvantaged / underperforming parts of the programme area, reinforcing an equitable distribution of ERDF resources and underpinning the spatial cohesion aspects of the Cross Cutting Themes identified in the OP.
- Risk that the economic downturn adversely affects Programme's ability to foster entrepreneurship and enhanced competitiveness as individuals and business become more risk averse and focus upon day to day survival rather than longer term competitiveness issues.
- Risk that the closure of regional business support delivery structures, loss of Single Programme and regionally focused innovation and technology budget allocations impacts adversely upon programmes performance in terms of financial and non-financial targets, this is compounded under Priority 2 given the anticipated concentration of delivery and funding via the delivery structures in place at the time the OP was developed, all of which ceased to exist over the course of 2011.

Partners have sought to respond to this and other challenges identified in the Mid Term Evaluation through:

- The proposed modification submitted to the EU Commission in July 2011;
- The updating of the ERDF Investment Framework; and,
- The revision of the Priority 2 capital and revenue commissioning documents and launch of new calls from December 2011.

As with Priority 1, the revised Investment Framework and Commissioning Documents seek to align the ongoing strategic focus of Priority 2 investment more closely to the overarching priority to strengthen the role of the private sector in driving economic growth as well as to emerging high value added sector led priorities and other emerging national structures for business support such as Business Coaching for Growth (BCFG), the Manufacturing Advisory Service (MAS) and UK Trade and Investment (UKTI).

In addition governance and commissioning activity will be increasingly aligned with emerging sub-national economic development structures and funding opportunities resulting from the establishment of the North Eastern and Tees Valley Local Enterprise Partnerships and the launch of the Regional Growth and Growing Places Funds which have all been identified as potential sources of strategic direction, match and support going forward.

### 3.2.1. Summary of key developments under Priority 2

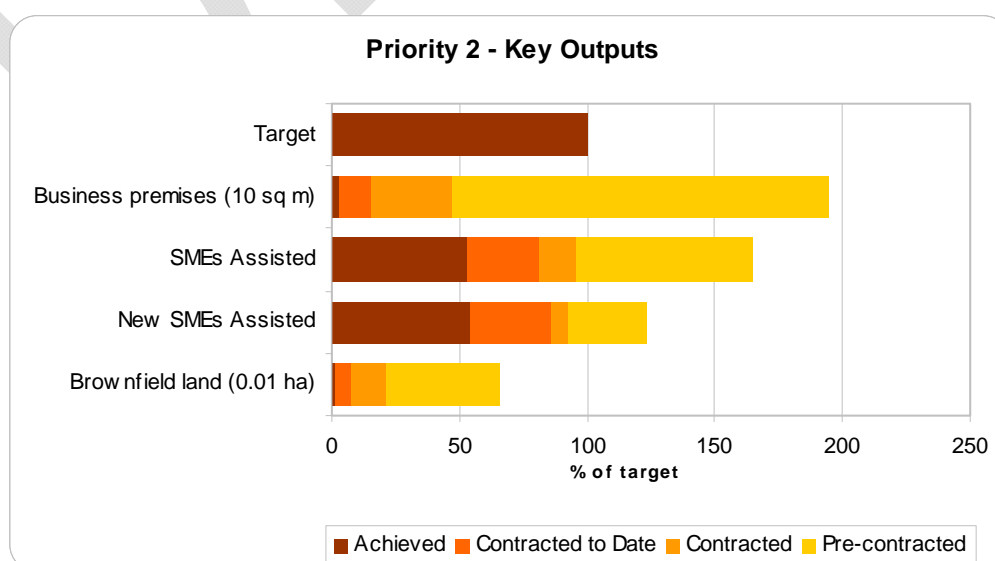
Key developments have included:

- Sustained investment in support of enterprise, business and job creation.
- Targeted support in disadvantaged parts of the region to address specific obstacles to entrepreneurship and wider intra regional disparities in economic growth and opportunities in line with Programme cross cutting themes.
- Targeted support for high value added knowledge intensive sectors and advanced manufacturing and engineering in line with partner priorities and efforts to raise GVA performance of the programme area economy.
- Continuation of the Open Call process up to December 2011 to facilitate maximum flexibility for potential applicants to respond to changing socio- economic and delivery landscape.
- 43 projects approved / live under Priority 2 at end 2011
- Total cumulative figure of £74m / €87m ERDF committed at end of December 2011, representing some 38% of the total ERDF resource approved to date.
- Revision of the Priority 2 capital and revenue Commissioning Documents and the launch of new calls for projects from December 2011.

### 3.2.2 Achievement of targets and analysis of progress

Notwithstanding the ongoing strategic and practical delivery and implementation challenges that will continue to face partners from 2011, Charts 2 and 3 overleaf provide information on key indicators resulting from programme investment under Priority 2 up to the end of December 2011. Progress against financial and non-financial targets is considered broadly satisfactory by partners, however, Partners remain concerned to ensure close monitoring and scrutiny of performance and in particular the ongoing prioritisation of delivery against spend and output targets.

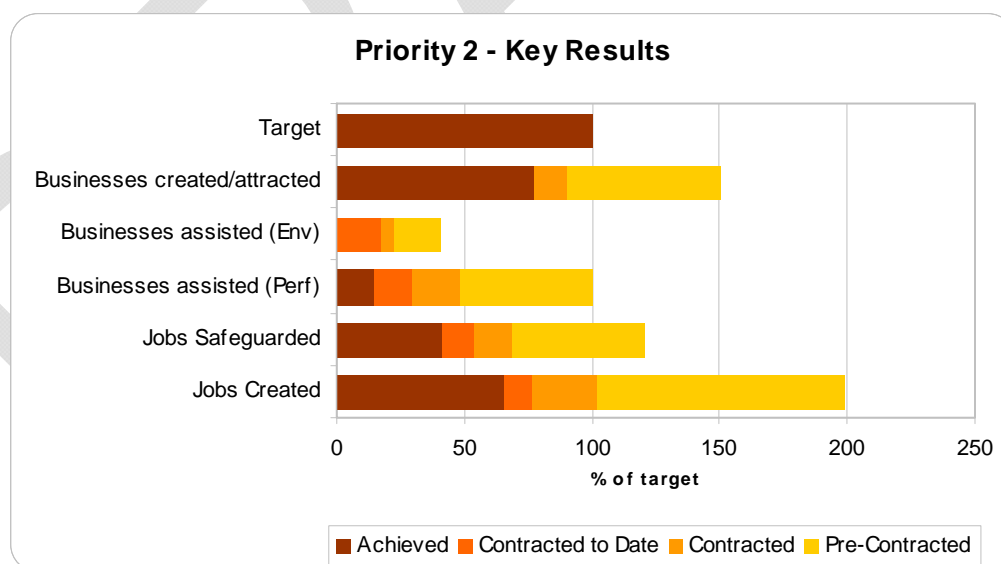
**Chart 4 Priority 2 key outputs at end of December 2010**





- Despite the strength of the pipeline indicated in relation to business premises developed there remains concern to ensure the translation of this and contracted amounts into actual performance. It is important to note that increased demand for high specification business premises – considered wholly consistent with the overarching focus of the Programme and the Priority – and the commitment to achieve BREEAM excellent rating wherever possible, has increased unit costs and as such constrained performance towards achievement of the output originally forecast.
- It is also worth noting that whereas the original focus of capital in Priority 2 was limited to small scale infrastructure in support of business, the proposed modification agreed by partners seeks to broaden both the scope and the scale of resources available to wider support economic infrastructure and strategic sites in support of key sectors and employment. It is therefore anticipated that further progress will be made in the second half of the programme period with investment increasingly aligned with Enterprise Zone development and Growing Places Fund investment.
- Brownfield land performance to date has been weak, explained by limited supply of suitable brownfield development sites in the region that are sufficiently attractive investment propositions in the current economic climate. Progress has also been constrained by the tendency for investment to build upon sites / land that has already benefited from ERDF support in previous programmes (i.e. unable to count further investment made by current programme in order to avoid double counting).
- Satisfactory progress has been made in relation to the SMEs assisted and New SMEs assisted output, both in terms of contracted and actuals to date.

**Chart 5 Priority 2 Key results at end of December 2010**



- The key results achieved at the end of December 2011 demonstrate robust performance in terms of business created / attracted to the region as well as with regards to jobs safeguarded and jobs created despite the difficult economic conditions. All of these indicators remain key priorities for partners and central to the strategic objectives and ambitions of the Priority and Programme, providing a sound platform from which to

progress to the second half of the programme period where concerns persist regarding the loss of match funding and delivery structures.

- The achievement of business assisted, in particular business assisted with improved environmental performance, has been constrained by lower than anticipated demand. The MTE found that this appeared to reflect the priorities of the SME base targeted but also the practical delivery difficulties reported by partners in evidencing support. The ERDF Delivery Team has sought to clarify guidance and revise evidence requirements to support project applicants, however, partners remain committed to pursuing this target as a key element of the overarching Programme strategy and cross cutting themes.

In this Priority it is also important to note the proposed addition of a significant output 'potential entrepreneurs assisted to be enterprise ready' recording robust performance up to end 2011 linked to partners strategic objective to strengthen entrepreneurship and the overall size of the programme area's SME/business base.

This output reflects the strong emphasis placed by partners upon Priority 2 supporting early stage enterprise and business start up activity as part of a strategic 'intervention logic' targeting increased numbers of businesses and the enterprise deficit that has characterised the economy in the past.

Under Priority 2 The **Creative Content Fund**, now fully invested, was established a pilot Co-Investment Fund project worth £4.8m operating over two years from January 2010 to December 2011. Northern Film and Media (NFM) Holdco managed the project which provided loans and equity funding, matched by private investors, for North East growth orientated, commercial and creative SMEs.

As reported at the PEG meeting held December 2011 the £2.4m ERDF awarded to this fund has now been fully invested and matched in line with the agreed financial model. The project demonstrated satisfactory performance against target outputs, securing full private sector match for the £2.4m ERDF allocation and over-performing in terms of numbers of jobs created/safeguarded.

In December 2011 Partners were advised that the Creative Content Fund has completed its pilot stage and NFM Hold Co and the project had transferred to operate under the ownership of the legacy company North East Access to Finance (NEA2F), this is in line with national government policy regarding the local management of any legacy funds generated by the project. Further detailed information on performance is available at Annex 2.

#### **4. COHERENCE AND CONCENTRATION (ESF PROGRAMMES)/MAJOR PROJECTS**

Not applicable.

#### **5. TECHNICAL ASSISTANCE**

##### **Progress in Implementing the TA Strategy**

During 2011 the implementation of the Technical Assistance Strategy for the Programme, which was approved by PMC in February 2008, continued to be overseen by the Technical Assistance Sub Group on behalf of the Programme Executive Group.

The Sub Group Membership was reviewed and revised following wider policy and structural changes – e.g. closure of the Government Offices in England.

The Sub Group met twice, in March and October to review the implementation of the TA Strategy and monitor commitment and spend within Priority 3 in line with the Group Terms of Reference, including:

- Considering preliminary proposal for new projects seeking TA funding;
- Reviewing all new projects seeking TA funding at all stages of the business process from outline to full application.

In addition the Group held an extra-ordinary meeting in November to develop proposals for the use of bank interest earned on the ERDF programme advance paid by the European Commission to the Managing Authority, to be matched with TA funding, to support the newly created role of Deputy Chair of the LMC. The proposals were subsequently considered and endorsed by the Programme Executive Group at their meeting in December 2011, to be used as the basis of a detailed TA funding application.

### Use of Technical Assistance

Technical Assistance is used to part fund additional activity which directly supports the implementation of the ERDF Operational Programme. During 2011 there were no new projects selected for TA funding. The only additional funding contracted was in respect of increased funding to support Art 13 verification activity and partnership support to deliver the Programme within the Northumberland and Tees Valley areas.

The funding continues to support the delivery of key functions required to achieve the successful delivery of the Programme, including:

- A robust technical appraisal and approval functions
- High quality support and servicing of the LMC and its committees
- Robust Article 13 verification work
- Efficient claims and irregularities management
- Project and programme monitoring to ensure effective performance management.

**Table 11** provides the full list of projects funded through Priority 3.

Projects	Pre approval		Approved Projects		
	Number	ERDF Value	Number	ERDF Value	ERDF %
Durham SRP Capacity 08-09				£18,332	50%
One North East ERDF Technical Assistance				£4,397,231	50%
Northumberland SRP Capacity				£239,237	50%
Durham SRP Capacity 09-11				£78,568	50%
Tees Valley SRP Capacity				£115,402	50%
One North East Project Verification Service				£162,720	50%
Newcastle City Council TA				£105,833	50%
<b>Total</b>			<b>7</b>	<b>£5,117,323</b>	<b>50%</b>

## **TA Support for Post 2013 Preparatory Activity**

As a result of increasing partner interest in post 2013 structural funds, the TA Sub Group gave some consideration and in principle endorsement to use TA funding, subject to the completion of outline application, to support a preliminary proposal related to 'deep dive' areas of research aimed at identifying the key economic drivers that will impact on the ability of the North East programme area to achieve growth and to address relevant 2020 targets. The result of the research is expected to inform partners thinking and ability to influence the national position on post 2013 negotiations. As a result TA funding is expected to be used to support post 2013 preparatory activity during 2012 and 2013.

## **6. PUBLICITY AND INFORMATION**

Press and publicity activity throughout 2011 remained relatively high credited to an effective range of existing communications outlets including project press releases, electronic stakeholder bulletins, website and training workshops.

This rounded approach to communications ensures that beneficiaries of ERDF investment are aware of the role of the EU Commission and ERDF investment in the North East, and stakeholders are given regular updates on developments, regulatory requirements and progress of the ERDF Operational Programme.

### **ERDF Communications Strategy**

Progress in 2011 towards the outputs and milestones set out in the ERDF Communications strategy includes:

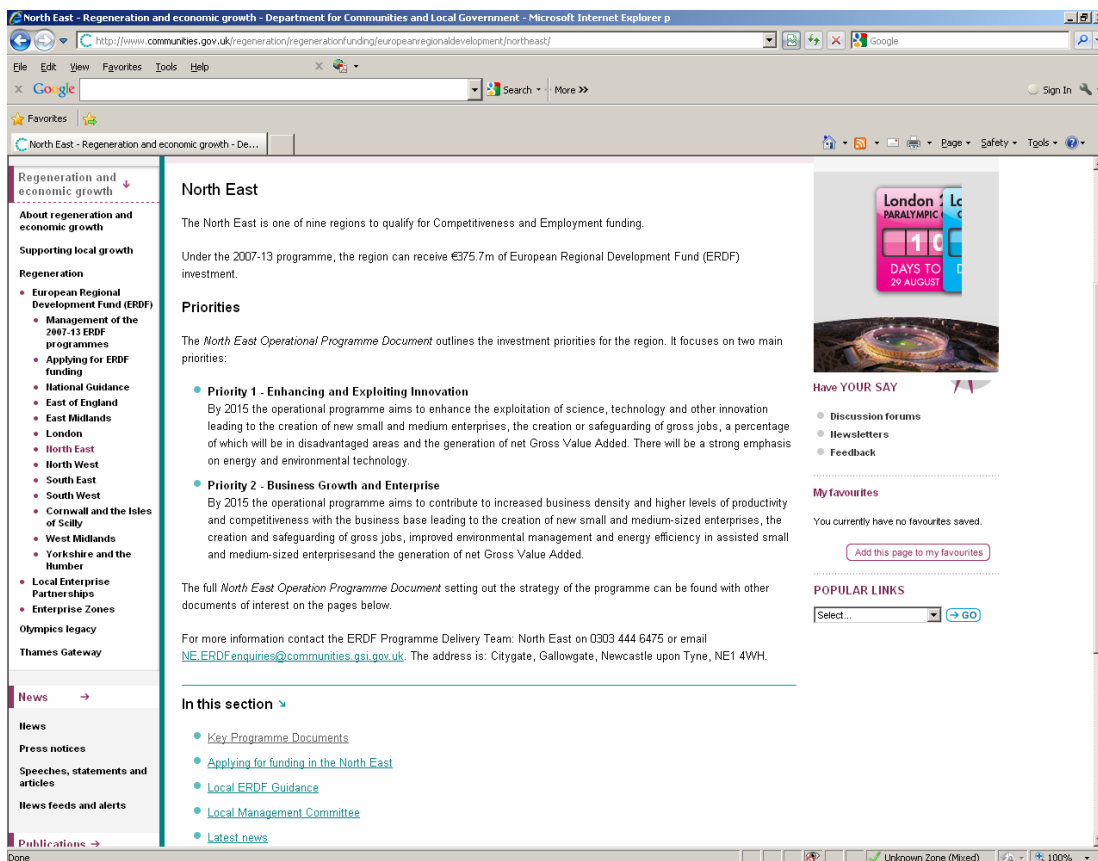
- 17 separate press releases (incorporating the standard ERDF paragraph);
- 13 stakeholder e-bulletins and 10 practitioner e-bulletins;
- 1 major annual event (ERDF Month);
- 1 updated publicity requirements guide incorporating DCLG (ERDF 'How To' Guide – Publicity Requirements);
- Delivery of all Practitioner Network sessions covering a range of topics including: Procurement, State Aid, Claims and Publicity.

### **Website activity:**

A dedicated ERDF website homepage has remained a constant throughout the year, continuing to be a primary source of information about the 2007-2012 Programme. The regional ERDF website transferred to the Department for Communities and Local Government's website in July 2011 with updated content and without any interruption or availability of information.

To coincide with the transfer, a review of the website was taken in a bid to make information easier to find for partners. A 'homepage' now exists for all ERDF programmes with a link to each region. The North East's section is broken down into:

- Key Programme Documents
- Applying for funding in the North East
- Local ERDF guidance
- Local Management Committee
- Latest News



Following transferral to DCLG an updated version of the North East ERDF 'How To' Guide to Publicity Requirements was produced and sent to all members of the Practitioner Network. It was also available to download from the ERDF website.

The number of website 'hits' in 2011 between January and May saw an average of 3,600 people visiting the website each month. Figures for the remainder of 2011 are unavailable following transfer to DCLG, however this is something that is being addressed for 2012.

## List of beneficiaries

The list of beneficiaries continues to be updated on a monthly basis. In addition an update on project approvals is included in monthly e-bulletins which are circulated to partners.

<http://www.communities.gov.uk/regeneration/regenerationfunding/europeanregionaldevelopment/northeast/keyprogrammedocuments/>

A Summary of Projects providing more detailed information about project approvals also continues to be updated regularly and can be found on the same link.

## Stakeholder e-bulletins

Thirteen stakeholder e-bulletins were issued in 2011 to a circulation of over 500 regional contacts. Upon transfer to DCLG, a database cleanse took place ensuring contact information was up-to-date and included relevant ERDF practitioners and stakeholders only.

Topics covered within these bulletins included:

- Governance Changes;
- Introduction to Councillor Neil Foster as Deputy Chair of the Local Management Committee and Chair of the Programme Executive Group;
- ERDF 2007-2012 Programme update 2011;
- Programme Modification;
- ERDF project approvals and updates;
- New website host;
- ERDF 2014-2020;
- Details of upcoming events;
- Investment Framework.

Bulletins continue to signpost potential applicants to the dedicated ERDF website for key documentation, eligibility information and new or updated documents.

### **Internal communications**

During the first half of 2011 the ERDF Secretariat continued to ensure One North East staff were kept up to date with the latest ERDF developments until point of transfer through the use of e-bulletins. Within the North East, ERDF Delivery Team weekly meetings were used to update staff on any internal issues.

### **ERDF Practitioner Network**

Work continued to develop the ERDF Practitioner Network across the North East which comprises stakeholders supporting the development and delivery of ERDF projects.

The network now boasts 304 practitioners from a range of partner organisations.

ERDF training workshops throughout 2011 were attended by 164 people and included:

- **Making an ERDF claim** which explained how to use MCIS to make a claim, common issues, errors and the consequences as well as reporting project progress;
- **Claims Masterclass** which provided further information and project management tips, highlighting key issues for the successful management of ERDF projects and submission of claims;
- **Tender and Procurement** covering clear steps and procedures that must be taken to prevent claw back of ERDF grant; and
- **State Aid advisory sessions** giving a back to basics guide and an update on any legislative changes.

### **Stakeholder Events**

In addition to Practitioner Workshops, July 2011 witnessed an 'ERDF Month' encompassing ERDF focussed information workshops and annual event, which were held during a four-week period to ensure as many people could attend as possible. ERDF stakeholders and practitioners engaged in the programme of activities including workshops on:

- Procurement; Article 55; Claims; Audit and Verification; Closure, Procurement and State Aid.

An 'ERDF Stakeholder Event' also took place during the month to showcase regional performance in the delivery of our ERDF Programme and celebrate the success and achievements of the North East England Competitiveness Programme.

The event was hosted by Councillor Neil Foster, Deputy Chair of the LMC and Chair of the PEG. Speeches were delivered by Alan Clarke, Chief Executive at One North East, Lesley Calder, Head of North East and Yorkshire and Humberside ERDF Programmes who gave an update on Programme Governance and Management and Iain Derrick, European Strategy and ERDF Secretariat Manager, who spoke about the Programme's Mid-Term Evaluation and Future Strategic Direction. The event provided stakeholders with the opportunity to learn more about key ERDF funded flagship projects including Finance for Business North East and Narec and also provided the opportunity to network with the ERDF Delivery Team.

Fifty people attended the ERDF Stakeholder Event and of those who provided feedback, 91% said it met with their expectations and the same percentage found it useful and would also recommend to a colleague.

A further 95 people attended the workshops during ERDF month with 100% of those who attended the Claims Masterclass, Making a Claim, Audit and Verification, Closure as well as State Aid workshops said that they found the session useful, the workshops met their expectations and would recommend to a colleague.

### **Publicity for Project Approvals**

A total of 17 separate press releases were issued between January and December 2010 highlighting ERDF investment activity in North East England.

Key regional media outlets which carried ERDF project stories include The Journal, Evening Gazette, Sunderland Echo, Northern Echo and Berwick Advertiser, however following transferring to DCLG, the equivalent media value is no longer available. However, coverage continues to be monitored through the use of Google and online media.

Notable media coverage included funding announcements for the Green Incubator – a project that will transform brownfield land into a state-of-the-art business incubator - and ERDF investment in The Prince's Trust which is looking to help over 800 potential entrepreneurs be enterprise ready. Each announcement generated five positive articles.

In March 2011 Baroness Hanham CBE, Communities Minister from the Department of Communities and Local Government visited projects to see first hand how ERDF is benefiting the North East. She visited the National Renewable Energy Centre (Narec), a world-leader in the development of offshore wind turbine developments and Berwick WorkSpace, which encourages more people to develop enterprising skills. Lady Hanham formally announced a further £2.5m ERDF investment towards a 100m blade test facility at Narec which will enable a major testing hub for large wind turbine developers to be used by up to 80 regional businesses. Media coverage amounted to over £9,000 for the visit which included the front page of The Journal.

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