

Investing in **Your** Future

**West Midlands ERDF Operational
Programme 2007-2013**

Annual Implementation Report 2010

**Regional Competitiveness and Employment
Objective**

Programme Number – 2007UK162PO007

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1 - Identification

OPERATIONAL PROGRAMME	Objective concerned:	Regional Competitiveness and Employment
	Eligible area concerned:	West Midlands, England
	Programming period:	2007-13
	Programme no. (CCI No):	2007UK162PO007
	Programme title:	West Midlands ERDF Operational Programme
ANNUAL IMPLEMENTATION REPORT	Reporting year:	2010
	Date of approval of the annual report by the monitoring committee	May 24th 2011

2 - Overview of the implementation of the Operational Programme

2.1. Achievement and analysis of the progress

- Information on the physical progress of the Operational Programme:**

Indicators		2007-08	2009	2010	2011	2012	2013	2014	2015	Total
No of businesses assisted to improve their performance	Achievement	0	649	6,708	0	0	0	0	0	6,357
	Target	-	-	-	-	-	-	-	-	22,441
No of businesses assisted that are new SMEs	Achievement	0	575	5,506	0	0	0	0	0	6,681
	Target	-	-	-	-	-	-	-	-	887
No of businesses assisted that are social enterprises	Achievement	0	1	9	0	0	0	0	0	10
	Target	-	-	-	-	-	-	-	-	67
No of businesses within the region engaged in new collaborations with the UK knowledge base	Achievement	0	62	261	0	0	0	0	0	323
	Target	-	-	-	-	-	-	-	-	3,288
Public and private investment leverage	Achievement	0	660,720	10,320,443	0	0	0	0	0	10,981,163
	Target	-	-	-	-	-	-	-	-	19,000,000
Brownfield land reclaimed and/or redeveloped (ha)	Achievement	0	0	0	0	0	0	0	0	0
	Target	-	-	-	-	-	-	-	-	10
New or upgraded floorspace (square metres)	Achievement	0	0	0	0	0	0	0	0	0
	Target	-	-	-	-	-	-	-	-	100,000
No of people assisted to get a job	Achievement	0	0	666	0	0	0	0	0	666
	Target	-	-	-	-	-	-	-	-	3,297
No of people assisted to start a business	Achievement	0	174	1,473	0	0	0	0	0	1,647
	Target	-	-	-	-	-	-	-	-	297
Square metres of premises upgraded to BREEAM excellent or very good at current standards	Achievement	0	0	0	0	0	0	0	0	0
	Target	-	-	-	-	-	-	-	-	75,000
No of participants, schemes, exchanges and study visits	Achievement	0	0	332	0	0	0	0	0	0
	Target	-	-	-	-	-	-	-	-	350
No of capacity building initiatives	Achievement	0	23	86	0	0	0	0	0	109
	Target	-	-	-	-	-	-	-	-	16
No of research studies	Achievement	0	0	3	0	0	0	0	0	3
	Target	-	-	-	-	-	-	-	-	8
No of gross jobs created	Achievement	0	215	3,538	0	0	0	0	0	3,753
	Target	-	-	-	-	-	-	-	-	10,519
No of gross jobs safeguarded	Achievement	0	28	2,216	0	0	0	0	0	2,244
	Target	-	-	-	-	-	-	-	-	1,125
No of new businesses created and attracted to the region	Achievement	0	0	138	0	0	0	0	0	138
	Target	-	-	-	-	-	-	-	-	2,495
No of graduates placed in SMEs	Achievement	0	9	36	0	0	0	0	0	45
	Target	-	-	-	-	-	-	-	-	1,000
CO ₂ reduction per project type	Achievement	0	0	0	0	0	0	0	0	0
	Target	-	-	-	-	-	-	-	-	393,020
No of pilot best practice implementations	Achievement	0	0	0	0	0	0	0	0	0
	Target	-	-	-	-	-	-	-	-	15
No of new networks established	Achievement	0	0	34	0	0	0	0	0	34
	Target	-	-	-	-	-	-	-	-	5

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Financial information

Unless otherwise stated, the exchange rate used in this document is £1 = €1.165773

Priority axes by source of funding (EUR)

	Expenditure paid out by the beneficiaries included in payment claims sent to the managing authority	Corresponding public contribution	Private expenditure	Expenditure paid by the body responsible for making payments to the beneficiaries	Total payments received from the EC
Priority Axis 1: Promoting Innovation Research and Development - ERDF	25,093,298	25,092,063	0	25,093,298	13,312,518
Priority Axis 2: Stimulating Enterprise Development - ERDF	36,249,146	29,403,805	13,417,828	36,249,146	12,343,644
Priority Axis 3: Sustainable Urban Development - ERDF	861,689	861,940	0	861,689	207,434
Priority Axis 4: Developing Inter-regional Activity - ERDF	373,127	441,133	0	373,127	0
Priority Axis 5: Technical assistance - ERDF	2,697,765	2,697,838	0	2,697,838	1,216,769
Grand Total	65,275,025	58,496,718	13,417,828	65,275,025	27,080,365
Total in transitional regions in the grand total	0	0	0	0	0
Total in non-transitional regions in the grand total	65,275,025	58,496,71	13,417,828	65,275,025	27,080,365
ESF type expenditure in the grand total where the Operational Programme is co-financed by the ERDF	0	0	0	0	0
ERDF type expenditure in the grand total where the Operational Programme is co-financed by the ESF	0	0	0	0	0

NB The figures in the above table are based upon actual claims submitted to and paid by CLG. Conversion to Euro was made using the exchange rate prevailing during the month reimbursement to IB was made.

Pre-Financing Payments.

Date Payment Received	Payment made in Sterling £	Euro Value €	% Programme
14 th April 2008	5,812,146	7,997,999	2%
4 th August 2008	9,489,625	11,996,998	3%
8 th June 2009	8,857,783	9,997,498	2.5%
Total	24,159,554	29,992,495	7.5%

Declarations of Expenditure Made to the European Commission in 2009

The table below lists the declarations submitted to the Commission in respect of the West Midlands' Programme by the Certifying Authority by the end of 2010. The amounts shown are in Euros.

Date of Declared	Priority Axis	Total Eligible Expenditure	Co-Financing Rate	Requested Amount	Paid	Amount Paid
05/11/09	P1	13,887,841.80	50%	6,943,920.90		
WM-Reg/3	P2	2,411,406.67	50%	1,205,703.34		
	P3	230,433.03	50%	115,216.52		
	P5	1,538,469.73	50%	769,234.86		
Total declared		18,068,151.23		9,034,075.62	18/12/09	9,034,075.63
16/12/09	P1	7,873,349.51	50%	3,936,674.76		
WM-Reg/14	P2	2,450,929.39	50%	1,225,464.70		
	P3	77,670.52	50%	38,835.26		
	P5	299,470.56	50%	149,735.28		
Total declared		10,701,419.98		5,350,710.00	10/02/10	5,350,709.98
22/12/09	P1	4,863,844.65	50%	2,431,922.32		
WM-Reg/20	P2	19,824,952.67	50%	9,912,476.34		
	P3	106,764.05	50%	53,382.02		
	P5	595,597.60	50%	297,798.80		
Total declared		25,391,158.97		12,695,579.48	10/02/10	12,695,579.49
05/05/10	P1	12,536,731.29	50%	6,268,365.65		
WM-Reg/31	P2	24,328,194.45	50%	12,164,097.23		
	P3	372,321.77	50%	186,160.89		
	P4	277,137.64	50%	138,568.82		
	P5	1,446,954.30	50%	723,477.15		
Total declared		38,961,339.45		19,480,669.74	Not paid	
Total	P1	39,161,767.24	50%	19,580,883.62		
	P2	49,015,483.19	50%	24,507,741.60		
	P3	787,189.37	50%	393,594.69		
	P4	277,137.64	50%	138,568.82		
	P5	3,880,492.19	50%	1,940,246.10		
Total declared		93,122,069.63		46,561,034.83		27,080,365.10

- **Information about the breakdown of use of the Funds**

Article 11(2) of EC Regulation 1828/2006 requires that the Annual Implementation Report (AIR) contains updated information relating to the cumulative allocation of ERDF funds by categories, as set out in Annex II parts A and C of the regulation. This gives an indicative breakdown of the breakdown of funds as shown at **Annex D of the Operational Programme**.

To meet this requirement the following appendices can be found attached to the AIR -

- **Appendix 1** – EC Regulation 1828/2006, Annex II, Part C.
- **Appendix 2** – Annex D of the Operational Programme, amended to include ERDF approvals and claims to December 31st 2010.

Appendix 1 reproduces the format given in the implementation regulation and breaks down the approved funding by priority theme, form of finance, urban/rural and regional location.

Appendix 2 uses the information from the operational programme to inform how the Programme funding approvals to the end of the 2010 match up with the priority themes listed and the forecasts given.

The figures show that by the end of 2010 total project approvals, at €422m, had reached 53% of the total programme value. Of this the ERDF commitment is €175.4mm, 44% of the ERDF allocated to the Programme.

In respect of those projects contributing to the “Lisbon” related priority themes [as listed at Annex IV of Council Regulation 1083/2006], approvals at €164.7m are 47% of the €350m forecast. This is heavily skewed towards those priority themes linked to Priorities 1 and 2 [R&D; Innovation], where most of the project approvals have been made to date –

- Priority Theme 02 – R&D Infrastructure 61%
- Priority Theme 03 – Technology Transfer 133%
- Priority Theme 05 – Advanced support services 80%
- Priority Theme 06 – Assistance to SMEs Environmentally friendly products 103%
- Priority Theme 08 – Other investments in firms 68%
- Priority Theme 41 – Renewable Energy - Biomass 239%
- Priority Theme 43 - Energy efficiency 232%

As can be seen from the data above a number of priority themes have overachieved against the current indicative values, most notably priority themes 41 and 43.

A number of priority themes have yet to have any approved funding allocated to them.

- Priority Theme 10 - Telephone infrastructures (inc broadband)
- Priority Theme 13 - Services and applications for the citizen
- Priority Theme 26 – Multimodal transport
- Priority Theme 52 – Promotion of clean urban transport

As part of the Interim Mid-Term Evaluation to be undertaken during 2011, there will be an assessment of the indicative allocations made against each priority theme and, based on the results and if required, a realignment of the profiles will be sought to match the Programme activity both to date and going forward.

NB Article 11(3) of 1828/2006 confirms the figures relating to the categories of expenditure, including those relating to the Lisbon Agenda, and more specifically the forecasts set are not

Programme targets, but are used by the European Commission (EC) for information purposes.

- **Assistance by target groups**

There is no progress to report as none of the projects approved by the end of 2011 were targeted at specific groups.

- **Assistance repaid or re-used**

€82,119 (£70,442) has been repaid during 2010 following cancellation of assistance in accordance with Article 98(2) of the Regulation (EC) No 1083/2006. The repaid funds have been made available for use in the respective priority axes.

- **Qualitative analysis**

A total of 87 projects had been approved with ERDF funding by the end of 2010 and €422m eligible funding approved, comprising of €175.4m ERDF; €148.2m Public Sector Match; and €98.4m Private Sector Match.

This represents 53% of the total programme value. ERDF commitment at €175.4m, and 44% of the ERDF allocated to the Programme.

By the end of December 2010 a total of €137.2m eligible expenditure has been claimed by beneficiaries, comprising of €65.3m ERDF grant; €58.5m Public Sector Match; and €13.4m Private Sector Match.

Programme Indicators	Target 2007-13	Contracted by end of 2010 ¹	% Contracted	Reported as achieved during 2010	Total reported as achieved by end of 2010	% Achieved to date against Programme target
No of businesses assisted to improve their performance	22,441	8,654	39%	5,708	6,357	28%
No of businesses assisted that are SMEs	887	6,964	785%	5,506	6,081	686%
No of businesses assisted that are social enterprises	67	99	148%	9	10	15%
No of businesses within the region engaged in new collaborations with the UK knowledge base	3,288	1,375	42%	261	323	10%
Public and private investment leverage	19,000,000	104,465,735	550%	10,320,443	10,981,163	58%
Brownfield land reclaimed and/or redeveloped (ha)	10	0	0%	0	0	0%
Square metres of premises upgraded to BREEAM excellent or v good at current standards	75,000	1,883	2.5%	0	0	0%
New or upgraded floorspace (m ²)	100,000	6,020	6%	0	0	0%
CO ₂ reduction per project type	393,020	295,225	75%	0	0	0%
No of people assisted to get a job	3,297	8,223	249%	666	666	20%
No of gross jobs created	10,519	8,879	84%	3,538	3,753	36%
No of gross jobs safeguarded	1,125	5,532	492%	2,216	2,244	41%
No of people assisted to start a business	297	8,756	2,948%	1,473	1,647	555%

¹ Contracted by end of 2010 – this refers to the cumulative amount included in funding agreements for projects approved by the end of 2010 for each output and result.

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No of participants, schemes, exchanges and study visits	350	357	102%	332	332	95%
No of capacity building initiatives	16	99	619%	86	109	681%
No of research studies	8	3	37%	3	3	37.5
No of new businesses created and attracted to the region	2,495	2,447	98%	138	138	6%
No of graduates placed in SMEs	1,000	165	16%	45	45	4.5%
No of pilot best practice implementations	15	10	67%	0	0	0%
No of new networks established	5	16	267%	34	34	680%

Achievement against the basket of targets agreed for the Programme remains mixed.

As a consequence of the changing economic and political factors affecting the Programme during 2010, several of the indicators have seen a fall in their overall contracted values against target when compared to 2009. Most notably this has affected Businesses Assisted to improve their performance which has fallen from a level of 47% contracted commitment to 39% (1,903 assists) and Business Assists that are SMEs with 1,890 fewer assists. This is due to a number of business support projects having their public match funding reduced and project end dates being brought forwards.

This being said a number of indicators have significantly exceeded their overall targets in respect of contracted commitment. Most notably, Business Assists – SMEs/Social Enterprises; Private/Public Investment Leverage; People Assisted Jobs/Business Starts; Capacity Building Initiatives.

Others have recorded little or no commitment by the end of 2010, such as Brownfield Land and Upgraded Floorspace. This is largely due to the underperformance of Priority Axis 3.

Actual achievement to date against the Programme targets has seen a significant, if inconsistent, improvement during 2010. This reflects the lead time required for some indicators to capture and collate the data of many of the approved projects, but also the relative success of some projects. It is expected actual achievements will continue to rise quite significantly during 2011.

The Mid-Term Evaluation to be undertaken during 2011 will include a reconsideration of the existing Programme targets as set in the Operational Programme and increasing the coverage of some indicators across the Priority Axes. Depending upon the recommendations emerging from the evaluation, it is probable that there will need to be a realignment of the matrix of outputs and results to better reflect the Programme activity, both to date and that expected going forward.

Article 9(3) of Council Regulation 1083/2006 – Lisbon Targets

Under article 9(3) of Council Regulation 1083/2006, at least 75% of the programme's ERDF expenditure over its lifetime must correspond to the categories of expenditure - Lisbon Related Priority Themes - as given at Annex IV of the same regulation. Annex D of the Operational Programme lists the Priority Themes [Lisbon and non-Lisbon] covered by the Programme. The estimated outcome, as shown in Annex D, is that 87.52% of the programme expenditure will be attributable to Lisbon related priority themes.

The data shows that approved funding at the end of 2010 was 94% compliant with the Lisbon Related Priority Themes, and expenditure claimed 95% so. However, it must be taken into account that the best performing priority axes (1 and 2) contribute most significantly to the Lisbon compliant themes and that Priority Axis 3, the poorest performer in terms of approved funding and actual expenditure will contribute most to the non-compliant priority themes. Undoubtedly as activity picks up in Priority 3 the percentage of Lisbon compliant expenditure will reduce.

Appendix 2 uses the indicative forecasts from Annex D to show the achievement to date against these estimates for both claimed spend and project approvals. By the end of 2010 the following had been achieved –

- ERDF claimed by the end of 2010 –
 - Total claimed €65.3m of which €61.8 was attributable to the Lisbon Related Priority Themes;
 - which amounts to 18% of the ERDF budget.
- Project Approvals -
 - Total approvals = €175.4m ERDF, or 44% of total programme budget;
 - of which €164.7m was attributable to Lisbon Related Priority Themes; or 41% of total programme budget;
 - of the 87.52% attributable to Lisbon related Priority Themes shown in Annex D, 47% is already covered by project approvals.

As already noted there has been a significant overachievement against some of the Lisbon compliant priority themes. There has also been one significant over achiever amongst the non-compliant priority themes, namely Priority Theme 44 – Management of household and industrial waste (124% of indicative forecast). This means to maintain the current agreed split between Lisbon compliant and non-compliant priority themes, one or more of the other non-compliant themes will have to have a commensurate reduction in its/their forecasts.

Pre-Financing and Interest Earned

Under Article 82 of 1083/2006, each programme is allowed a proportion of its ERDF budget in advance to cash flow expenditure. Pre-financing totalling €29,992,495m [7.5% of the Programme's ERDF value] was received in three tranches in accordance with EC regulation.

By the end of 2010 this pre-financing had attracted interest of circa £367 €427k, which must be used within the Programme as Public Match funding.

By the end of 2010 £31k €36k of the interest earned had been spent as Public Sector match against Priority 5 (Technical Assistance) related activity.

It is important that when the management of the Programme moves to DCLG from AWM (see below), that the Programme can still track and manage interest earned on the pre-financing cash balance. This is important for two reasons.

Firstly, it is a regulatory requirement that the Programme can report to the Commission total interest earned and confirm how the interest was spent.

Secondly, the pressure on public sector finances makes it imperative that all other available match funding resources are made available to the Programme. The interest earned to date forms an essential part of the Technical Assistance match funding required during 2011 to ensure activity, such as the Mid-Term Evaluation of the Programme can go ahead.

The Impact of a New Government and the Closure of the English RDAs

The year has been dominated by the General Election, the consequent formation of a Coalition Government, the decision to abolish the RDAs and a further round of cuts to the Single Budget.

The General Election itself had the effect of slowing down the temporarily halting applications and approvals during the period of purdah and the period immediately after the election as Government departments considered and implemented new policy directives.

The decision to abolish the RDAs has produced a lot of uncertainty regarding the continuation and management of the Programme. On 22 December 2010 CLG issued a

policy document on future management arrangements for stakeholder consultation with responses requested by 10 January 2011. The consultation document was circulated to all PMC and PWG members.

The key points made in the document issued are -

- Existing RDA ERDF Teams and functions to transfer into CLG by 1st July 2011.
- ERDF Teams to be co-located with other CLG functions in the places where they are currently located.
- Programme Monitoring Committees (PMCs) will become known as Local Management Committees (LMCs) and membership will be refreshed to introduce delegates from LEPs and strengthen local authority representation. LMCs will be chaired by a Director from CLG. A significant regional figure will be nominated as deputy.
- There is an aspiration to align ERDF and Regional Growth Fund application and approval processes.
- The formal date for transfer of the Programme is 1st July 2011

The further round of cuts to the Single Budget following those imposed during 2009 has put a further squeeze on new applications and existing projects, and by exacerbating the difficulties experienced by potential applicants in finding match funding.

The Programme has been both positively and negatively impacted by the Project Review exercise which was executed by AWM in order to achieve the budget reductions imposed by Government. Surprisingly, the impact has not been as negative as was first expected – initially an overall reduction of c. £40m (comprising committed expenditure and forecast expenditure from pipeline projects) was envisaged. However, whilst a number of ERDF funded projects have had their budget reduced due to reductions in AWM funding, other projects have taken receipt of ERDF as a consequence of the reductions and/or identified alternative sources of match finance to offset the Single Budget. However, the longer term impact is likely to be more pronounced, numerous projects in the pipeline have been postponed or cancelled and the CSR will almost certainly exaggerate this position in the coming months.

For ERDF projects not seeking match funding from AWM, although unaffected by the AWM review, some were nevertheless affected by reductions in other areas of public funding.

ERDF projects that had their AWM match funding reduced or removed were asked to identify alternative eligible match funding to retain their ERDF allocation or scale down the project accordingly.

The ERDF Investment Frameworks were reworked to reflect those instances where projects were scaled down or failed to find an alternative source of match funds. Applicants affected by the AWM review were invited, via a Programme-wide bidding round, by the end of September 2009 to find alternative match funding. In addition to this a number of projects that were not previously seeking ERDF subsequently requested support from the ERDF Programme. These applications have been managed in accordance with EC regulations and the eligibility rules of the Programme to insure against instances of funding substitution.

Modification of the N+2 Expenditure Targets for ERDF Programmes 2007-13

In response to the economic recession, the European Commission revised the rules on the minimum spend 'N+2' targets², effectively introducing an 'N+3'. The changes took effect at the end of June 2010. This relaxes the N+2 targets for 2010 and 2011, after which the targets rise sharply for the remainder of the Programme with the final year being particularly challenging as it also includes actually defraying the pre-financing payments made to the Programme. To illustrate this, the net N+2 target (excluding the pre-financing for the Programme) for 2010 is €33m compared to the final N+2 of €99m.

The table below compares the original N+2 profile with the revised one implemented in June 2010.

Revisions to the N+2 Target introduced by the Commission in June 2010 (€Euros)

Commitment Year i.e. Berlin profile	Target year i.e. N+2	Annual commitment	Original N+2 Profile		Revised N+2 Profile		
			Cumulative spent target (includes pre-financing payments)	Cumulative N+2 target (excluding pre-financing payments)	Cumulative spent target (includes pre-financing payments)	Cumulative N+2 target (excluding pre-financing payments)	N+2 Annual Increments to Cumulative N+2
2007	2009	53,791,322	53,791,322	23,798,827	0	0	0
2008	2010	54,867,148	108,658,470	78,665,975	63,832,368	33,839,874	33,839,874
2009	2011	55,964,491	164,622,961	134,630,466	128,762,080	98,769,585	64,929,711
2010	2012	57,083,781	221,706,742	191,714,247	194,811,081	164,818,586	66,049,001
2011	2013	58,225,457	279,932,199	249,939,704	262,001,758	232,009,264	67,190,678
2012	2014	59,389,966	339,322,165	309,329,670	330,356,945	300,364,450	68,355,186
2013	2015	60,577,765	399,899,930	399,899,930	399,899,930	399,899,930	99,535,480
Total		399,899,930					399,899,930

Advance "pre-financing" payments = €29,992,495

With total expenditure declared to the Commission at €76,553,530 by the end of the year the Programme comfortably met the revised N+2 target of €63,832,368 for 2010.

Whilst the relaxation of the targets has been of assistance to the Programme in the short term, the coming years will be challenging. A lot of projects finish during 2011 as they have been aligned to the public sector 3 year budget cycle. To avoid de-commitment of resources a significant number of new projects must be contracted, preferably with spend profiles that will move the Programme well ahead of the minimum annual spend targets.

When considering performance against future spend targets consideration needs to be given to the long lead times between entry of a project into the project pipeline and defrayal of expenditure in delivery. Programme Managers must also consider the risk of a hiatus in project throughput during the transfer to new programme delivery arrangements and programme processes.

² The minimum spend target is commonly known as the N+2 target ('N' is the budget allocation year set out in the Berlin Profile 'N+2' is the corresponding year by the end of which the funds committed in N must be spent.) Failure to meet the N+2 target results in automatic de-commitment i.e. the value of the programme is reduced by the difference between the achieved expenditure and the N+2 target.

The Prioritisation of Pipeline Projects

A written procedure issued in November set out a proposal to prioritise the ERDF pipeline. This exercise had become necessary in order to concentrate the reduced sponsorship resource (stemming from the closure of AWM and the impending transfer of the programme) on those projects which will contribute to 2011 N+2 spend target. The approach was to -

- remove projects from the pipeline which had been inactive for several months;
- leave development responsibilities of Priority 3 pre-pipeline projects to the dedicated Package Managers; and
- rank the remaining projects according to defined criteria and focus sponsorship resource on the highest ranked projects.

It was agreed at the November 2010 PMC to undertake the exercise necessary to rationalise the projects in the ERDF based on the following reasoning –

- Delivery of the Programme has been confined to the 27 posts set out in the staff returns to CLG. The support the ERDF Programme had previously received from the wider Agency structure has been withdrawn as staff have taken voluntary redundancy and other staff have been redeployed to tasks associated with the closure of the Agency.
- The transfer of the Programme to CLG will involve changes to the processes and possibly policy. Any projects in the earlier stages of development going forward for an investment decision after these new processes have come into effect, could be left with substantial amounts of abortive work if they do not fit.
- Most importantly, the management information showed that the 2011 spend target could only be achieved if additional projects were contracted and expenditure claimed before November 2011. To achieve the spend target it is essential that reduced sponsorship resources are not spread too thinly and are focused on those projects which will claim spend before November 2011.

Following approval by the PMC members, an electronic communication was sent out to all programme stakeholders notifying them that the exercise would be taking place.

A number of projects selected under previous bidding rounds, had been inactive for several months. This was for a variety of reasons -

- some applicants have lost their match funding and have failed to remodel their proposals;
- other applicant organisations have been unable to resolve critical issues;
- others have insufficient capacity to develop their bids further.

A number of these inactive projects voluntarily withdrew their applications; others were notified of their removal from the Programme pipeline.

The review covered 101 projects in the ERDF pipeline, resulting in the following -

- 17 projects were issued letters to formalise their withdrawal (where an applicant had already advised us informally that the project would not be coming forward)
- 21 projects were deemed to have been inactive for some time, and were sent letters to notify them that they had been withdrawn
- 63 projects were deemed to be within scope of the prioritisation exercise, and detailing the criteria for the exercise
- Package Managers sent a letter setting out the treatment of the projects in their package.

The remaining 63 projects were scored against the prioritisation criteria set out below and ranked accordingly.

i Deliverability

- ii Investment decision is anticipated before June 2011
- iii Project will spend and claim before November 2011
- iv Value
- v Impact

Each project was considered in isolation against the criteria and the programme pipeline was ranked accordingly. The selection criteria purposefully did not take account of geography or priority axis as the N+2 target is at programme level. The key driver of this exercise has been ensuring that reduced sponsorship resource is dedicated to those projects which will contribute to the 2011 target. This is to safeguard the level of funding in the programme which affects the availability of funds across all of the priorities.

The top 35 scoring projects were prioritised and were allocated a sponsor. These were the projects which scored 10 or above against the prioritisation criteria. The remaining 28 projects were added to a waiting list to be allocated a sponsor in sequence as capacity becomes available.

On 6th December 2010, letters went out to each applicant to inform them of the result of the prioritisation exercise and summary letters issued to Priority Axis 3 Package Managers detailing the treatment of each project in their package.

Guidance was issued to all applicants on how to prepare an appraisal ready application. Projects not provided with a sponsor were encouraged to continue to develop their projects using this guidance, and they have been provided with the contact details of the relevant Priority Manager to offer technical advice. Priority 3 projects which have not been prioritised have also been directed to the relevant Package Manager to provide development support.

Review of Priority 3 Package Management Projects

Priority 3 - Achieving Sustainable Urban Development is delivered through an area based Package approach. In parallel with Programme approval, Package Owners for each of the urban areas were appointed following an open bidding round, receipt and assessment of expressions of interest. Following their appointment, Package Owners produced Package Plans which set out the purpose, type and timing of ERDF investments over the programme period. These Plans were developed during 2007-08 and were all approved by November 2008.

To facilitate the delivery of Priority 3, Package Owner organisations made a case for ERDF funding to support the costs associated with Package management. Consequently, 5 of the 6 Package Owner organisations were granted £125k of ERDF for a 2 year period until December 2010.³ The money was made available for package management and administration, to be funded from each of the respective Packages' budget allocations.

Continuance of funding beyond this period would be subject to an independent performance evaluation to determine the case for continuation and would be based on performance to date and any relevant changes in circumstance. This evaluation was undertaken and the findings presented to the October 2010 PMC.⁴

The evaluation was primarily instigated to determine whether the Package Management projects had provided sufficient added value to justify continued ERDF support taking into account all external factors which may have impacted on delivery.

³ The Coventry and Nuneaton Package chose to resource the administration of its Package from its own resources.

⁴ The package management evaluation undertaken by ekosgen produced a report entitled Package Management Projects Evaluation a Report to Advantage West Midlands.

The evaluation comprised of primary and secondary research –

- Desk based review of performance to date; pipeline projects; application and management processes adopted by each package.
- Consultation with key stakeholders.

The key findings arising from the evaluation were -

- activity undertaken in Priority 3 will require longer project lead times to cope with the expected development complexities;
- the delivery environment has changed radically since 2007 presenting a number of external challenges that that were unforeseeable. These have impacted all priorities axes in the programme, but a number have affected Priority 3 more severely -
 - Recession – reduced commercial development and increasing unemployment in the package areas led to a need to revisit and re-evaluate the rationale for a number of projects.
 - Reduced Match Funding – Like much of the Programme, there was an expectation of significant match funding from the AWM Single Programme. Priority 3 was significantly impacted by the AWM review of its priorities and subsequent budget cuts in 2009 and 2010. At the same time other public sector organisations were also reviewing budgets.
 - Election Restrictions – the period of purdah associated with the 2010 General Election temporarily halted project development and approval for a number of weeks.
 - National policy changes
- Delivery of projects was weak, particularly in comparison with the progress made by other Priority Axes. Performance of is improving but from a slow start.
- Those stakeholders consulted believe that the Package Manager role is a legitimate and valued function, in particular the project champion element.

The report also provides a number of supporting recommendations to improve delivery -

- Frank assessment of the project pipeline to focus Package Management and Agency resource on the projects with a strong prospect of approval and successful delivery.
- A stronger focus on performance management.
- Refining the role of the package steering groups.
- Alignment with the emerging localism agenda.

Given performance to date and the delivery context, four options were identified in the evaluation report for consideration -

- Providing a second phase of funding until the end of the programme period
- Encouraging the Package Owners to resource their own delivery arrangements
- Not inviting new applications or extensions until the programme direction has been confirmed
- Extending the current arrangements for 9-12 months including conditions around performance management.

The report recommended the fourth option to extend funding of the project management of 9-12 months to the current projects, for the following reasons -

- Performance to date highlights risks of underperformance if contracts are extended to the programme end
- Due to the changes in Government, there will be significant changes in the delivery arrangements for ERDF. Following the Comprehensive Spending Review and revisions to national policy, the current arrangements might not be relevant for the entirety of the programme period.
- The closure of AWM will result in the loss of key staff outside of the ERDF Programme Team who contributed to the development of Priority 3 projects. Taking this into account, it would not be sensible to withdraw support for the package management in the short term.

The PMC agreed to the 9-12 month extension of the Package Management contracts, but it was acknowledged that under normal circumstances this would not be the preferred option given performance of each of the Packages to date.

Following this decision each Package Owner was invited to submit an application to extend their respective package management projects to 31st December 2011. Further to this, PMC/LMC will be asked to consider options for support once this extension expires, when the future delivery arrangements and policy direction for the programme have been clarified.

Implementing a JESSICA Instrument

In 2006, Europe announced new initiatives to help finance growth and cohesion in the enlarged European Union, including JESSICA⁵. The setting up of a JESSICA has the following possible benefits -

- increased levels of flexibility for both managing authorities and SMEs, i.e. the ability to include the initial draw down from the funds as 'spend' for the purposes of N+2;
- a reduced administrative burden for the Intermediate Body;
- the ability to support revenue generating projects; and
- attracting additional resources for Public Private Partnerships (PPPs).

A JESSICA would be applicable to Priority Axis 3 of the West Midlands ERDF Programme was considered when drafting the ERDF Operational Programme document, but a lack of clarity regarding the operational detail meant a firm commitment on whether or not to use JESSICA could not be made. Instead, the Operational Programme makes a commitment to considering the suitability and benefits of these instruments in supporting the Programme to achieve its objectives.

The matter was re-considered in June 2008 in response to requests from partners. The PMC agreed that a JESSICA should not be pursued at that point, but was agreed that a watching brief over developments in Europe and in other English regions be maintained.

As reported in the AIR 2009, a significant number of the factors which contributed to a JESSICA being considered to be an inappropriate solution are no longer valid. Specifically -

⁵ **JESSICA**, (Joint European Support for Sustainable Investment in City Areas), is an initiative of the EC in cooperation with the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB), in order to promote sustainable investment, and growth and jobs, in Europe's urban areas. It operates via the establishment of a holding or urban development fund set up by the Managing Authority or Intermediate Body. Funds from the Operational Programme are placed into the Fund. It allows the use of interim payments by Managing Authorities from Structural Funds to invest in Urban Development Funds (UDFs) through recyclable and recoverable financial mechanisms – equity, guarantees and loans. Recovered loans can be reinvested in the UDF or returned to the Managing Authority to support other urban projects through conventional subsidies.

- Priority Axis 3 as a whole has experienced difficulties in generating sufficient eligible projects to facilitate economic development in the region's most deprived areas;
- the impact of the public sector budget reductions;
- exchange rate fluctuations mean that the Sterling value of Priority Axis 3 allocation has substantially increased; and
- much of the complexity/uncertainty surrounding JESSICA has been removed as consequence of some other region's piloting the scheme.

The November 2009 PMC agreed that a feasibility study would be initiated to explore the possibility of setting up a JESSICA and Deloitte and Touche were appointed to conduct a feasibility study. The results were presented at the March 2010 PMC and the proposed development of a West Midlands Joint European Support for Sustainable Investment in City Areas (JESSICA) Fund was endorsed.

Following PMC and AWM Board endorsement to develop a JESSICA fund, a full application (including an independent green book appraisal) to create an £82 million West Midlands JESSICA 'holding' fund comprising of £41 million ERDF and initially £41 million AWM Land Assets was written. However, following the announcement of the abolition of the RDAs, AWM withdrew the JESSICA application prior to consideration by the Agency's Investment Decision Group, and government's Central Project Review Group (CPRG). This was because AWM could no longer commit land assets to the creation of a JESSICA fund or manage its implementation thereafter.

Following the withdrawal of the AWM led JESSICA application; it was felt there was merit from the Local Authorities in considering an alternative approach to establishing a fund, where a Local Authority or consortium of Authorities could take the lead. The alternative model could be established building on the work undertaken to that point. Eligible priority sub-regional projects would need to be able to demonstrate appropriate match funding (in terms of land and/or other investment funds) and that required ERDF outputs are achievable within the period of the Programme.

The first phase of any subsequent JESSICA fund would however need to be able to spend the funds allocated and deliver the required outputs by mid-2015 in line with the requirements of the ERDF Programme. Additionally, the scale of total investment through the first phase of projects would need to be of a level to justify the creation of a fund. As a means of establishing a worthwhile return for reinvestment - a minimum value of £20m has been suggested so as to attract sufficient engagement with the private sector developers and investors, and generate a level of loan interest payments required to cover operational costs.

In terms of affordability, as with the original intention to establish a JESSICA, through favourable exchange rates and over-programming it would be possible to establish a JESSICA fund of circa £20 million ERDF within the current Programme budgets. There would also be an option of 'topping up' the Fund from Priority 3 funds, should this be agreed with the PMC, particularly in the event that Package Plans being unable to meet future spend targets.

A number of partners have continued with their interest in setting up a JESSICA fund into 2011, but the timescales for implementing a worthwhile fund are very challenging.

2.2. Information about compliance with Community law

Overheads

Significant concerns were noted in previous reports regarding the lack of clarity about how the methodologies applying to overheads should be implemented and how they will be audited. This caused numerous issues and delays at contracting and has continued to do so with respect to the eligibility of some expenditure claimed.

On the 7 April 2009 Article 7 of EC Regulation No 1080/2006 was amended by EC Regulation No 284/2009 and included a provision to claim -

In the case of grants;

- (i) indirect costs declared on a flat-rate basis, up to 20% of the direct costs of an operation*

This approach is optional and the standard ("real cost") methodology for claiming indirect overheads also remains applicable. The EU has confirmed that it is not possible to mix real cost methodology and flat rate methodologies for indirect costs within the same project, but they can be phased using an appropriate break in the project.

The regulation came into force on 7 April 2009. Where a project has already been contracted using the real cost method, it is not possible to retrospectively apply the flat-rate methodology to costs already claimed.

However, in the case of multiannual projects, it is allowable for AWM to separate the project into phases with the initial phase using the "real cost" methodology and the accounts settled to that date, and a second phase using the flat rate methodology from that point onwards. This has been confirmed with BIS and CLG.

Whenever the flat rate option is chosen, a full audit trail of all the expenditure which has been used to establish the flat rate percentage to be applied is collected. This methodology is considered to be appropriate to complex organisations or projects where demonstration of the detailed audit trail for indirect costs would cause a disproportionate administrative burden. Projects that can demonstrate that indirect costs can easily be established, are advised to use the real cost methodology.

A number of applicant/partner organisations have stated their wish to claim indirect overhead costs on a flat rate basis. To assist this process, an accountant was employed for the purpose of assessing and certifying the recovery of indirect overhead costs by applicants. This was to ensure -

- a logical break is made between methodologies; and
- an agreed flat rate overhead recovery rate based on fully auditable historic real costs.

The reasons for taking for this approach include -

- the miscalculation of overheads costs caused a significant proportion the irregularity reported in earlier programmes; and
- this is new regulation, which presents its own risks, so a consistent and thorough implementation of the process required is essential to minimise all associated risks.

Work commenced on existing projects in December 2009 and continued throughout 2010. New projects will also be offered this approach should they wish to claim indirect overhead costs.

AWM as Final Beneficiary

EC Regulation 1828/2006 at Article 13(5) confirms that the Intermediate Body for a programme can be the beneficiary of ERDF funding.

The following project where AWM is the applicant and Final Beneficiary was reported to the March 2010 PMC –

- **A/ERDF funded Grant for Business Investment(GBI)**

Approved funding £9m € 10.5m ERDF; £41m €47.8m Private Sector match

A bid was received through the Programme Wide Limited Bidding Round to augment the Grants for Business Investment (GBI) scheme. GBI a national grant scheme delivered regionally by the RDAs provides capital grants of between £10,000 and £1,999,999 to businesses to support investment to help them expand, rationalise, modernise, diversify and create new jobs.

ERDF was required to augment the scheme to enable it to remain open to new applicants following cuts made the scheme's Single Budget funding. ERDF funding was not sought for the administration and staffing costs associated with the scheme which have been absorbed by the Agency.

2.3 Significant problems encountered and measures taken to overcome them

There have been no significant problems encountered in implementing the operational programme. There have been no serious problems identified under the procedure in Article 62 (1) (d) (i) of Regulation (EC) No 1083/2006.

2.4 Changes in the context of the operational programme implementation (if relevant)

As Programme activity has developed and project proposals have been submitted to AWM, it has become apparent that the current indicators matrix does not adequately reflect the potential achievements of some outputs/results across the priority axes.

There have been numerous instances of projects legitimately wishing to claim outputs and/or results that have not been allotted to their particular Priority Axis. Similarly, it has become apparent that some targets might no longer be appropriate. Annex 2 illustrates how the coverage of some outputs/results might be altered to address this issue.

Accordingly, as part of the Mid-Term Evaluation to be undertaken during 2011, a review will be made of the indicators matrix shown in the Operational Programme at Chapter 4, section 4.25 Aggregated Programme Outputs and Results to assess and quantify the potential need for change.

The results of the review will be presented to the PMC, and if a revision of the Operational Programme is required and agreed, this will be submitted to the EC for approval.

2.5 Substantial modification under Article 57 of Regulation (EC) No 1083/2006 (if relevant)

There have been no cases where a substantial modification under Article 57 of Regulation (EC) No 1083/2006 has been detected.

2.6 Complementarity with other instruments

A combined Monitoring Committee for ERDF and ESF Programmes to ensure that there is suitable co-ordination at a regional level between the regional ERDF programmes and the national ESF programme was established, but has now been discontinued.

As noted elsewhere in the report consideration is being given to setting up a JESSICA has been commissioned.

Demarcation between the EAFRD and the ERDF is clearly laid out in the ERDF Operational Programme Document and will be implemented accordingly in future periods.

2.7 Monitoring arrangements

Programme Monitoring Committee

The PMC was established in 2008 to oversee the delivery of the Programme. The PMC met three times during 2010. Many of the issues discussed and decisions made, form the body of this report.

Going forwards into 2011 it has been announced the PMC will be replaced by a Local Management Committee (LMC). ERDF PMCs are defined in accordance with European Commission regulations and on the basis of associated principles such as partnership. A move towards LMCs will promote more local engagement with Programme delivery, consistent with the changes to public sector support for growth, innovation and the Coalition Government's localism agenda.

Priority Working Groups

Priority Working Groups [PWGs] support the PMC in discharging its responsibilities. Specifically, they agree and commission, in partnership, the necessary activity to ensure that the objectives of the programme be achieved. Key duties involved the production of an Investment Framework.

PWGs for Priority Axes 1, 2 and 3, and a Steering Group for Priority 4, have been in operation since 2008. Going forwards into 2011 it is expected that these groups will be replaced by LMC sub-groups focused on investment planning and reviewing applications.

Evaluation of the 2007-13 Programme

To meet its responsibilities in respect of Programme evaluation, the PMC (February 2008) has approved the Programme Evaluation framework for the West Midlands ERDF Programme.

The agreed approach to evaluation of the ERDF Programme –includes Programme and Priority Axis level evaluation as follows –

- **An Interim Programme Assessment** – to be undertaken during 2010, to determine whether the focus of the Programme continues to be relevant and whether the delivery arrangements in place are still appropriate.
- **An Interim Programme Performance Evaluation** – to be undertaken during 2011 to evaluate the first three years of Programme delivery.
- **Final Programme Performance and Impact Evaluation – (2015)** to assess the overall impact of the Programme as compared to its aims and objectives.

At the October 2010 PMC it was proposed and agreed to cancel the Interim Assessment referred to in the evaluation framework, with much of this work instead to be absorbed into the Interim Programme Performance Evaluation – more commonly known as the Mid-Term Evaluation - to be undertaken during 2011.

Instead of the Interim Assessment it is proposed the European Programme Team undertake the following, to be presented at the PMC at its meeting in January 2011 –

- Produce a short report to record the status of the Programme at the end of 2010 and provides a history statement in respect of the delivery of the Programme to that point.
- A review of the text of the Operational Programme to identify where modifications needs to be made to allow for substantive changes in delivery that have occurred in the first 3 years of the Programme.

The reasons for this change to the evaluation framework are as follows –

- The activities outlined in the previous paper submitted to the PMC in June 2010, would be better undertaken once CLG (to whom the ERDF Programmes are being transferred) have undertaken a strategic review of the ERDF Programmes in England.
- In the absence of an informed strategic review of the ERDF Programmes by CLG -
 - going ahead with some of the activities involved in compiling the Interim Assessment, such as the stakeholders survey, might prove to be poor value

- for money as some/all of the recommendations produced would almost certainly be rendered null and void going forwards;
- it would be inappropriate to seek anything other than minor or factual changes to the Operational Programme.
 - The proposed report would provide a suitable record of Programme delivery to the end of 2010 prior to its transfer to CLG.

The European Programme Management Team also sought and gained agreement to one further revision to the evaluation framework by removing reference to individual project evaluations. This is because the abolition of the RDA has removed the resource and capacity necessary to undertake such activity. This would be replaced by a thematic approach to evaluation.

Implementing the Monitoring Arrangements

The Programme's implementing arrangements ensured AWM has the necessary processes and sufficient capacity to manage and monitor the Programme in respect of Articles 59 and 60 of Council Regulation 1063/2006. As part of AWM's commitment to continual improvement, our processes are regularly reviewed and revised to ensure compliance with the requirements of the Programme.

As part of Programme implementation, AWM, as an Intermediate (A59) Body, has appointed a number of project assurance staff with responsibility for putting in place the framework necessary for managing and executing Article 13 inspections, irregularity and clawback. This has included producing written guidance and procedures, and delivery of numerous training sessions to AWM's project development and delivery staff.

By the end of 2010 50 Project Assurance Visits had been undertaken in relation to Article 13(2)(b). As a consequence of the visits 267 actions were raised, of which 187 had been completed by year end.

2.8 National performance reserve (where applicable and only for the annual implementation report submitted for 2010)

Not applicable.

3 - Implementation by priority

3.1 Priority 1: Promoting Innovation, Research and Development

3.1.1. Achievement of targets and analysis of the progress

- Information on the physical and financial progress of the priority**

A total of 20 projects had received approval for funding by the end of 2010, of which 7 received approvals during 2010. The total of eligible funding approved and committed was £132.9m €154.9m; comprising of £65.7m €76.5m ERDF; £66.5m €77.6m Public Sector Match; and £0.7m €0.8m Private Sector funding. Of the €145m of ERDF funding available for the Priority Axis 1, this represents a budget commitment value of 52.8%.

Actual expenditure by the end of December 2010 was €50.2m; comprising of €25.1m ERDF and €25.1m Public Sector Match funding.

Programme Indicators		Target 2007-13	Contracted by end of 2010	% Contracted	Reported as achieved during 2010	Total reported as achieved by end of 2010	% Achieved to date against Programme target
No of businesses assisted to improve their performance		8,018	1500	19%	224	291	4%
No of businesses within the region engaged in new collaborations with the UK knowledge base		3,190	1,099	34%	176	195	6%
No of gross jobs created	Jobs - Overall	1,550	1,056	68%	120.5	144.5	9%
	Jobs - Female	0				57.5	
	Jobs - Male	0				87.0	
No of new businesses created and attracted to the region		115	199	173%	14	14	12%
No of graduates placed in SMEs		1,000	165	16%	36	45	4.5%
CO ₂ reduction per project type		108,200	0	0%	0	0	0%

An analysis of the physical and financial indicators reveals the following: -.

Contracted progress against indicator targets show some notable progress—

- New businesses created and attracted to the region – the contracted figure of 199 has exceeded its overall target of 115 by 84.
- Jobs Created has reached 68% of the set target.
- Businesses collaborating with the UK Knowledge Base has moved to 34% of target from 18% reported last year.

Contracted progress against the other indicators chosen for this priority axis has been more sluggish. For example, Businesses assisted to improve their performance, where only 19% of the target had been achieved by the end of 2010. The nature of the activities contracted to date have provided fewer opportunities to directly assist businesses than anticipated when the Programme was written. This could indicate that the original target set is too ambitious

when considered in context. With this in mind the target set for this output will be reviewed during the Mid-Term Evaluation due to take place during 2011.

Actual outputs/results reported to December 2010 are still relatively low, except for Businesses and Jobs Created. This is due to the long lead in time to achieve many of these outputs and results.

- **Qualitative analysis**

Priority Working Group 1 (PWG1) met six times during 2010. The group maintained an oversight of Priority Axis 1 approving updates of the Investment Framework at each meeting. Two Priority Axis-wide open bidding rounds were launched during the year, closing in March and December. PWG1 considered the scope for each of the rounds and determined the indicative amount of ERDF to be allocated to each round.

Seven expressions of interest were received in the first bidding round that closed in March.

For the second round that closed in December, 2010, a detailed specification was drawn up to describe the scope of desired project activity. The specification was drawn up in consultation with the members of PWG1. This second bidding round attracted significant interest and resulted in 21 bids being received. After assessment of the bids received, 11 applications were considered to be eligible. PWG1 agreed to increase the amount of ERDF allocated to the bidding round from £10 million to £21 million. This enabled the applicants for all 11 eligible bids to be invited to develop their proposals further and to submit formal applications into the application process.

A further open bidding round focusing on the topic of Energy Efficiency in Social Housing closed at the end of April, 2010. A total of 13 expressions of interest seeking £16.2million of ERDF were received. After bids had been assessed, six were taken forward for further development.

Projects seeking Priority Axis 1 funding were also invited to bid in the Limited Bidding Round that was also open for Priority Axis 2 projects that closed in November, 2010. This bidding round was focused on projects that had lost Advantage West Midlands or other public sector funding as a result in the reduction in public budgets.

The Working Group considered the implications in changes in policy following the change of government after the May, 2010 General Election. It also considered the implications and impact of the reductions in government spending introduced following the establishment of the Coalition Government.

Two main difficulties faced during 2010 resulted from the change of government in May, 2010 – uncertainties surrounding policy and funding.

Following the establishment of the Coalition Government there has been a degree of uncertainty while waiting for new policies relating to areas of activity such as innovation and business support to be decided and made known. Decisions regarding future activity within Priority Axis 1 have been made on the basis of the best understanding of government policy at any particular time and based on knowledge of regional needs and the interventions that have been successful in the past.

Further to this, reductions in public sector budgets and the period of uncertainty until new budgets were confirmed (some remained unconfirmed at the end of 2010) have caused significant difficulties in respect of the availability of match funding. Doubts about the continued availability of Technology Strategy Board funding for the major Classic Knowledge Transfer Partnerships project has slowed activity and ERDF spend within this project. Available public sector match funding has been used to the best advantage and private sector match funding has been used within Priority Axis 1 to an increasing extent. The use of private sector match allowed the Innovation Networks project to continue after reduction of Advantage West Midlands match funding.

The European Bio energy Research Institute (EBRI) project led by Aston University that was approved during the year is focused on applying an emerging technology for low carbon energy production. The Priority 1 Centre of Refurbishment Excellence (CoRE) project involves the demonstration of regeneration techniques and technology, providing opportunities to increase the sustainability of buildings. Projects being developed following the bidding round focused on energy efficiency in social housing demonstrate sustainability and contribute to the low carbon agenda.

Despite the reductions in public sector funding that would be eligible as match for ERDF, serious interest in bidding for Priority Axis 1 funding remains high and the number of bids for funding that appear at initial assessment to be eligible for funding remains satisfactory in relation to the balance of available ERDF currently allocated to Priority Axis 1. It is likely that the remaining ERDF in Priority Axis 1 will be allocated in 2011. If supported by the Mid-Term Evaluation, the new Local Management Committee (LMC) may wish to consider reallocating ERDF from elsewhere in the Programme to allow further Priority Axis 1 activity to be developed in the remaining years of the programme.

Partnership working has been one of the strengths of economic development activity in the West Midlands. The demands of managing a multi-partner ERDF project are challenging for the lead applicants. Some significant partnerships have been assembled to deliver projects across the region or specific business sectors. This includes

- the Classic Knowledge Transfer partnerships where 12 West Midlands' universities are in partnerships have come together in a project led by Wolverhampton University in which a student ('associate') works with a company to address a specific issue;
- The Low Carbon Vehicle Technology Project led by Warwick Manufacturing Group at Warwick University is being delivered by a partnership of West Midlands' universities, research organisations, automotive manufacturers and suppliers to develop technologies, systems and components for the next generation of electrically-powered vehicles. It has enabled R&D work that benefits a critical sector within the region to progress at a time when private sector investment alone would have had only limited results and the competitive situation of the region would have suffered as a result.

The introduction of the Flat Rate approach to indirect costs has been challenging for all applicants, but for higher education institutions particularly in two respects. Firstly, clarity from the EC regarding the exact approach to be used was lacking for some time. This meant that the ERDF Team could not provide the specific information and guidance required by applicants during this time, although it was known that the Flat Rate approach would need to be introduced. Secondly, the ERDF Flat Rate approach is very different to the approach considered to be the norm in the UK higher education sector and which is used by other government funders. Considerable effort was required on the part of the secretariat to convince some institutions of the need to use a different approach for ERDF and to inform all relevant applicants of the details of the approach.

3.1.2. Significant problems encountered and measures taken to overcome them

There have been no significant problems encountered in implementing this priority axis. There have been no serious problems identified under the procedure in Article 62 (1) (d) (i) of Regulation (EC) No 1083/2006.

3.2 Priority 2 Stimulating Enterprise Development

3.2.1. Achievement of targets and analysis of the progress

- Information on the physical and financial progress of the priority**

Eight new projects were approved under Priority Axis 2 during 2010. This brought the total number of approved projects up to 39. The total of eligible funding approved and committed by the end of 2010 was £192.7m €223.5m; comprising of £67m €78m ERDF; £41m €48m Public Sector Match; and £83.5m €97.5m Private Sector funding. This represents 58% of the Priority Axis 2 ERDF budget.

Actual expenditure by the end of December 2010 was €79.1m. This comprised of €36.3m ERDF; €29.4m of Public Sector Match; and €13.4m Private Sector Match.

Priority Axis 2 - Indicators		Target 2007-13	Contracted by end of 2010	% Contracted	Reported as achieved during 2010	Total reported as achieved by end of 2010	% Achieved to date against Programme target
No of businesses assisted to improve their performance		13,223	7,104	54%	5,477	6,059	46%
No of businesses assisted that are SMEs		887	6,964	785%	5,506	6,081	686%
No of businesses assisted that are social enterprises		67	99	148%	9	10	15%
No of businesses within the region engaged in new collaborations with the UK knowledge base		98	276	282%	85	128	131%
Public and private investment leverage		10,000,000	98,446,202	984%	10,320,443	10,981,163	110%
Number of people assisted to get a job		297	200	67%	0	0	0%
No of people assisted to start a business	Assists- Overall	297	8,756	2,948%	1,473	1,647	555%
	Assists- Female					829	
	Assists- Male					1072	
No of gross jobs created	Jobs - Overall	7,969	7,780	98%	3,416	3,607	45%
	Jobs - Female					1344	
	Jobs - Male					796	
No of gross jobs safeguarded		1,125	5,532	492%	2,216	2,244	199%
No of new businesses created and attracted to the region		2,380	2,248	94%	124	124	5%
CO ₂ reduction per project type		66,640	295,225	443%	0	0	0%

Ethnicity	White	Mixed	Asian / Asian British	Black / Black British	Chinese/Other	No Response
No of people assisted to start a business	1,122	33	80	123	14	275

There has been significant progress against the indicator targets in respect of the numbers contracted against the targets. Several have exceeded their Programme targets – Business Assists (SMEs, Social Enterprises and Collaborations); Public and Private Investment Leverage; Number of people assisted to start a business; Jobs safeguarded.

There has also been some notable progress against the targets for some indicators in respect of reported achievements – Business Assists SMEs (686%); People Assisted to start a business (555%); Business Assists Collaborations (131%); Public and private investment leverage 100%; Jobs Created 45%. However, other indicators have low or nil returns so far –

Number of people assisted to get a job; Businesses Assisted – Social Enterprises - perhaps reflecting a longer lead in time for these outputs/results.

- **Qualitative analysis**

Priority Working Group 2 (PWG2) met five times during 2010. The group maintained an oversight of Priority Axis 2 and approved the latest version of the Investment Framework at its meetings. An open bidding round closed in January. Eight expressions of interest were received, seeking a total of £5.44 million. After initial assessment, it was determined that two bids were eligible for funding and the applicants were invited to develop formal applications. Five bids were considered to be potentially eligible but in need of further work. One bid was found to be inadmissible.

Early in the year it was anticipated that there would be a further open bidding opportunity later in 2010, but this did not go ahead due to the uncertainty in respect of National policy. In response to this projects seeking Priority Axis 2 funding were invited to bid in the Limited Bidding Round that closed in November 2010. This bidding round was focused on projects that had lost Advantage West Midlands or other public sector funding as a result of the reduction in public budgets.

The Priority 2 Working Group considered the implications of changes in policy following the change of government after the May 2010 General Election, particularly the implications and impact of the reductions in Government spending introduced following the establishment of the Coalition Government.

Following the establishment of the Coalition Government after the May, 2010 General Election, there has been a degree of uncertainty while waiting for national policies to be confirmed. A significant proportion of the Priority 2 activity was previously integrated with the work of Business Link and with the national Solutions for Business, business support products managed by the Department for Business, Innovation and Skills (BIS). The decision by the Coalition Government to significantly reduce the scale and type of operation of Business Link has led to a period of particular uncertainty. This period of uncertainty has been compounded by the reduction in match funding resulting from reductions in public sector budgets in the Comprehensive Spending Review. In this period of uncertainty, PWG2 agreed to extend the SME Internationalisation project and funding for micro-finance activity by non-competitive selection to maintain these particular interventions.

At a time when some Priority 2 projects are coming to an end, there have been considerable changes in the environment in which Priority 2 funding is applied. With the closure of Advantage West Midlands, sector business support via Cluster interventions has reduced in some cases and changed in others. The breaking of the business support model which has included changes to Business Link has also seen the disbanding of some other regional business support organisations.

The reductions in match funding as a result of the reductions in public finance budgets referred to in the Priority Axis 1 section of this report have also affected Priority Axis 2. In addition to the loss of Advantage West Midlands single budget funding (seen as a major source of match funding when the Programme was developed), several groups delivering project activity and providing match funding have lost funding from other sources. As with Priority 1, private sector match funding is increasingly important and the use of private sector match could influence the future success within Priority Axis 2.

At a Priority 2 Working Group which took place on 12 November 2010, the members agreed to consider the balance of funds between different specific actions which are required to support key areas of activity. In 2011, a case will be made to move funding between portfolios as resources dictate. The main areas under consideration are -

- i. The Operational Programme sets out an expectation that 'approximately 30% of [Priority 2] resources will be given in the form of financial assistance'. Financial

assistance to business at the end of 2010 was 34.6% of the total available resources (venture capital accounts for 16.8%). This is considered reasonable given the impact of the credit crunch which has had the dual effects of reducing the availability of investment capital in the private market; and restricting the ability of national public sector funders to respond. Nevertheless, it is considered prudent to consider raising the indicative allocation in the Operational Programme. Three access-to-finance projects were planned to deliver in 2010, although the procurement of one fund failed. Demand from businesses for financial assistance has increased. The CDFI schemes due to finish by March 2011 have been considered for extension beyond this date.

- ii. A submission to expand and extend activity supporting an increase in SME engagement in international trade and global markets. Non competitive selection in the case of this proposal would be appropriate as national policy has established that UKTI will continue to be the principal vehicle for publicly funded trade development support. West Midlands (SME) Internationalisation request is a large value project with a proposed increase of ERDF by £7m.
- iii. A prioritisation exercise of projects in the pipeline was completed in November and development of the projects selected was carried on into 2011. Match funding has been an issue for many of these projects. Whilst a number of projects have been withdrawn by the applicant there are also larger proposals that have been in development for some time, that have now secured match funding.

Risk Capital Programme 2009-13

The Operational Programme identifies the provision of access to finance for SMEs as key factor for economic growth. Accordingly, a number of specific actions have been taken to address barriers in accessing finance to ensure that regional SMEs have access to an adequate and consistent supply of venture capital.

A study initiated by the Regional Finance Forum that reported during 2009, was undertaken by Regeneris Consulting quantified the market failure in investment finance and the level of public funding required. The study confirmed a large, ongoing need for public sector support in this area. The study recommended that funds be created to provide three funds, to be accommodated within the Priority 2 Investment Framework –

- Growth Equity;
- Early Stage; and
- Mezzanine Finance.

Midven Fund Managers were appointed to manage both the Advantage Early Stage Equity Fund and the Advantage Growth Equity Fund (renamed as Exceed). Both Funds were contracted in December 2009 and have received their scheduled ERDF and single budget capitalizations.

The Mezzanine Fund originally delayed by procurement issues and due to be contracted during 2010 has now been abandoned due to difficulties in securing the necessary match funding following the announced closure of Advantage West Midlands.

The Advantage Early Stage Equity Fund does not fully cover the existing needs of the Region as it is largely focused on Start Up provision. To bridge this gap, the short term extension of a current venture capital fund was agreed. A bid for the extension of the Advantage Early Growth Fund (AEGF) was approved in 2009 and funds drawn down during 2010. The Fund was augmented by a further £1.38m €1.61m from the ERDF Programme, matched by the same amount of Private sector funding.

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The Advantage Media Production Fund has invested half of its allocated funds and the resulting productions Hustle and Toast have been screened to good reviews.

West Midlands Venture Capital Funds to the end of December 2010 (£ Sterling)				
	Advantage Media Production Fund	Advantage Early Stage Equity Fund	Exceed	Advantage Early Growth Fund (ERDF Extension)
ERDF	1,500,000	4,000,000	7,500,000	1,318,000
Public	1,000,000	4,000,000	1,700,000	
Private	500,000	8,000,000	9,200,000	6,032,543
Total Fund	3,000,000	16,000,000	18,400,000	7,350,543
ERDF	1,400,000	4,000,000	2,700,000	1,318,000
Public	1,000,000	4,000,000	1,700,000	
Private	500,000	1,723,907	1,500,000	6,032,543
Total Funds Drawn down	2,900,00	9,723,907	5,900,000	7,350,543
Investments Made				
Number SMEs receiving investment	2	7	7	12
Investments by Stage				
Start Up	2	6	3	
Early Development		1	4	12
Of which Female Led		1		3
Cost of Investments				
ERDF	583,240	1,102,909	811,405	717,043
Public	386,827			
Private	500,000	3,423,960	811,405	6,032,543
Total Value of Investments Made	1,470,067	4,526,869	1,622,811	6,749,586
Investments by Sector £ Sterling				
Media	1,470,067	75,600	250,700	
Healthcare		1,724,403	500,074	
Technology		1,949,577		3,727,424
Industrial		777,289		
Manufacturing			369,886	
Other services			502,151	1,370,943
Utilities				1,581,219
Financial Services				70,000

The total capitalisation of these venture capital funds can be summarised as -:

- Advantage Media Production Fund – Total £3m (£1.5m ERDF; £1m Public; £0.5m Private)
- Advantage Early Stage Equity Fund - Total £16m (£4m ERDF; £4m Public; £8m Private)
- Exceed (Advantage Growth Equity Fund - Total £21.3m (£6.35m ERDF; £2.85m AWM; £12.14m Private)
- Advantage Early Growth Fund (ERDF Extension) – Total £7,350,543 (£1.38m Public; £6.03m Private)

West Midlands Venture Capital Funds – Outputs/Results to the end of 2010				
	Advantage Media Production Fund	Advantage Early Stage Fund	Exceed	Advantage Early Growth Fund (ERDF Extension)
Number SMEs receiving investment	2	7	7	12
Jobs Created Total		12.7		
Male		4.1		
Female		8.6		
Jobs Safeguarded		11.85	13	118

Wider Access to finance measures and ERDF

Measures other than venture capital are being supported using ERDF funds to reduce the barriers businesses face in accessing finance, as summarised below.

Small Business Loans

There is widespread demand for loans of less than £50k by small and medium sized businesses that have viable business plans, but cannot access adequate finance through banks. The provision of such loans is particularly targeted at areas of disadvantage or under-represented groups.

To help meet this demand six Community Development Fund Institutions (CDFI) have received funding from the Programme to provide such loans. Unfortunately, one fund, the ARROW fund did close during 2010, but the total allocated funding has been recovered. The CDFIs have been providing significant lending to SMEs in the West Midlands having supported 606 SMEs to date, and has proved to be an essential source of support to hard pressed small businesses.

The projects approved in 2009 were due to finish by the end of March 2010, but requests to extend them have been received. Approval of the extensions was delayed whilst clarification of the eligible uses of returns on ERDF investments was sought. However, the clarification received should permit the planned extensions to go ahead in 2011 in most cases.

West Midlands Community Development Finance Institutions – Position at 2010 £ Sterling					
Description	Princes Trust	Marches Reinvest Trust	Coventry & Warwickshire Reinvestment Trust	Aston Reinvestment Trust	Black Country Reinvestment Trust
ERDF	£ 801,241	£ 754,943	£ 463,619	£ 892,679	£ 1,504,724
AWM/Other public	£ 407,052	£ 464,471	£ 176,790	£ 678,214	£ 929,156
Private	£ 443,965	£ 411,920	£ 411,897	£ 575,813	£ 843,924
Total Fund	£1,652,258	£ 1,631,334	£ 1,052,306	£ 2,146,706	£3,453,288
Number SMEs Invested in	369	53	30	48	106

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ERDF	£ 614,376	£ 567,712	£ 244,020	£ 405,593	£ 1,218,004
AWM /Other public	£ 316,338	£ 331,779	£ 88,320	£ 451,206	£ 817,920
Private	£ 334,493	£ 346,090	£ 314,928	£ 145,873	£ 843,924
Cost of Investments Made	£1,265,207	£ 1,251,581	£ 647,268	£ 1,000,672	£2,879,848
Description	Princes Trust	Marches Reinvest Trust	Coventry & Warwickshire Reinvestment Trust	Aston Reinvestment Trust	Black Country Reinvestment Trust
Investments by Stage					
Start Up	308	10	18	10	9
Early Development		19	10	28	
Development	61	24	2	10	97
Of which Female Led	96	3	13	15	32
Investments by Sector					
Media		£ 6,000	£ 56,927	£ 29,002	£ 326,000
Healthcare			£ 15,000	£ 50,000	£ 111,000
Technology			£ 22,246	£ 95,800	£ 25,000
Service	£1,145,657	£ 231,870	£ 50,386	£ 382,730	£ 253,348
Manufacturing	£ 50,850	£ 287,500	£ 93,500	£ 86,900	£ 671,500
Social Enterprise		£ 629,211	£ 224,467	£ 269,900	£ 995,000
Training			£ 154,742		£ 201,000
Engineering			£ 30,000		
Construction	£ 68,700	£ 97,000		£ 86,340	£ 297,000
Outputs/Results					
Jobs Created	394	44.5	52	60	62
Male	234	26.5	41	39	37
Female	160	18	11	21	25
Jobs Safeguarded		22	18	270	321.5
Realisations	£0	£158,579	£0	£0	£0
Default to Date	£0	£0	£0	£0	£90,248

Grants for Business Investment (GBI)

A bid was received through the Programme Wide Limited Bidding Round for an ERDF augmentation of the Grants for Business Investment (GBI) grant scheme and approved during 2010. GBI is a national grant scheme delivered regionally within guidelines maintained by BIS. It provides capital grants of between £10,000 and £1,999,999 to businesses to support investment to help them expand, rationalise, modernise or diversify. The single budget allocation for this scheme was reduced as part of the Single Budget review during 2009. This, in addition to an increased demand for such grants as a result of the recession, has led to a need to create additional provision through matching ERDF with private sector. It is anticipated investments totalling £50m €58.3m will result from this scheme, of which £9m €10.5m will be ERDF funds. No investments had been declared by the end of 2010.

3.2.2. Significant problems encountered and measures taken to overcome them

There have been no serious problems identified under the procedure in Article 62 (1) (d) (i) of Regulation (EC) No 1083/2006.

3.3 Priority 3 Achieving Sustainable Urban Development

3.3.1. Achievement of targets and analysis of the progress

- Information on the physical and financial progress of the priority**

A further 8 new projects were approved during 2010, bringing the total number of approved projects for Priority Axis 3 to 17. The total of eligible funding approved and committed was £29.1m €33.9m; comprising of £13.7m €15.9m ERDF; £15.2m €17.7m Public Sector Match; and £127k €149k Private Sector funding. This represents 16% of the Priority Axis 3 ERDF budget.

Actual expenditure by the end of December 2010 was €1.72m; comprising of €0.86m ERDF and €0.86m Public Sector Match funding.

There is still little progress to report on for 2010 in terms of analysis of the achievements as measured by physical and financial indicators, including a qualitative analysis on the progress achieved in relation to the targets set out initially. Most indicators have little or no progress to report.

Good progress against the overall target has been made in respect of Public/Private investment leverage (67%) and People assisted to get a job (267%) in respect of contracted commitment. Actual achievement is still weak, with significant achievement being restricted to the indicator People assisted to get a job where 666 assists have been reported, 22% towards the target.

Priority Axis 3 - Indicators		Target 2007-13	Contracted by end of 2010	% Contracted	Reported as achieved during 2010	Total reported as achieved by end of 2010	% Achieved to date against Programme target
No of businesses assisted to improve their performance		1,200	50	4%	7	7	1%
Public and private investment leverage		9,000,000	6,019,534	67%	0	0	0%
Brownfield land reclaimed and / or redeveloped (Hectares)		10	0	0%	0	0	0%
New or upgraded floorspace (square metres)		100,000	6,020	6%	0	0	0%
Square metres of premises upgraded to BREEAM excellent or very good at current standards		75,000	1,883	3%	0	0	0%
No of people assisted to get a job		3,000	8,023	267%	666	666	22%
No of gross jobs created	Jobs - Overall	1,000	43	4.3%	2	2	0%
	Jobs - Female	0			0	0	
	Jobs - Male	0			0	2	
CO ₂ reduction per project type		218,180	0	0%	0	0	0%

- Qualitative analysis**

The Priority 3 partners opted for an area based 'package' approach, i.e. group related projects across 6 defined urban areas. Managed as strategic packages, each has an appointed "package owner" organisation to manage them, but AWM has retained authority for individual project applications and approvals within each package.

As discussed earlier in the report the Priority 3 Package Management projects were evaluated during 2010 to assess progress against targets; determine whether or not they provide sufficient value and should continue to receive funding; and to provide recommendations as to how to improve delivery of the Priority 3 Packages in general.

The evaluation concluded that the Packages had good relations with applicants and added value to the ERDF Programme. Whilst this expedited development and submission of projects as opposed to an open bidding round, progress has been unsatisfactory in relation to the other Priority Axes. The reasons were attributed to an underestimation of the complexity of ERDF eligibility rules and project development; an underdeveloped project portfolio at the time the packages were approved; and relations with the AWM Partnership Teams in terms of project fit with AWM strategies and policies, and projects providing sufficient value for money.

As previously noted it was agreed that funding the Package Management projects in their current form should continue until the end of 2011. This would allow momentum to continue and maintain continuity while restructuring of local delivery frameworks such as creation of the Local Enterprise Partnership (LEPs) develops. The hoped for outcome from this will be to improve the quality of projects submitted and increase the rate of spend. It will also provide the opportunity to refresh the roles of the Priority Working Group and Package Steering Groups to better reflect the localism agenda.

There were 3 Priority Working Group meetings during 2010, supplemented by numerous meetings between the ERDF Programme Team and individual package owners.

In August 2010 the Centre of Refurbishment Excellence (CoRE) project was approved. The project will provide a regional showcasing facility demonstrating examples of sustainable refurbishment technologies. The project will also provide start up funding to support a range of activities to raise the capacity of the construction industry to install, use and maintain these technologies.

The main impact of this project will be the improved capacity of construction industry professionals to provide retro fitted sustainable refurbishment solutions of residential and business premises. There are many environmental projects supported in the West Midlands but none currently focus on the capacity of the construction industry to provide retro fitted solutions to the carbon reduction agenda. More than 90 percent of the buildings that will still be in use in 2050 are already built. This means that the only way to improve their carbon footprint is to provide informed retro fitted solutions.

More specifically, this project will -

- Provide demonstrations of the most technically advanced retro fitting solutions for carbon reduction;
- Provide capacity building workshops and events aimed at improving the capacity of the construction industry to respond to the climate change agenda through retro fitted solutions;
- Provision of testing facilities that assist in the research and development of new design, products and materials sympathetic to the refurbishment agenda;
- Disseminate the project aims and deliverables to project partners, industry and the general public;
- Develop a cohesive plan of action to develop and improve links with government around the refurbishment agenda; and
- Develop a Visitors Centre to showcase refurbishment solutions;
- Develop Standards and Accreditation for the construction industry in relation to retro fitting sustainable technologies.

JESSICA

As stated earlier in the report work is ongoing in the region to explore the possibilities of creating a local government led JESSICA scheme within the Priority 3 Investment Framework. The potential for developing a scheme was still in its early stages at the end of 2010.

Increasing the number of Package Areas

During the development of the Operational Programme in 2006-07, a decision was taken by the region not to include an ERDF Package for the urban elements of the Shropshire, Telford and Wrekin, Herefordshire and Worcestershire sub-region. The rationale for this decision was the limited ERDF resource available, and the need to focus on the most deprived areas of the region as identified through the socio economic analysis on which the programme was based.

In the context of the increased resource available through exchange rate gains, and limited spend across the Priority 3 Packages, the partners in this sub-region requested a reconsideration of this position, as they believe that they have projects and match funding to form another package.

It was agreed at the November 2009 PMC meeting that this would be further looked into and a report made early in 2010. It was recognised this request could not be pursued in isolation, but must account for current levels of ERDF commitments, the permissible percentage of Priority Axis 3 related activity due to the Lisbon threshold and the funding required for a JESSICA instrument (if initiated).

In response to this, the West Midlands Regional Observatory (WMRO) was appointed to perform the necessary research and analysis in order to inform a final recommendation. WMRO were asked to base their work on the data set presented in the Operational Programme i.e.

Has there been any significant and relevant change to the argument set out in the Socio Economic Analysis in Chapter 2 of the Operational Programme?

Has there been any significant and relevant change to the supporting data for the Socio Economic Analysis e.g. Tables 10.1 to 10.5 in Annex A of the Operational Programme?

AWM staff also met with partners to discuss the proposal further and in more detail.

The report from WMRO concluded that there have been changes in the locations and levels of deprivation across the region. The number of areas in the region classed as most deprived has increased. The same pattern holds for some of the key domains – income, employment and education/skills. This is supported by supplementary sources relating to annual income, qualification levels etc.

However, the report also concluded that whilst there has been an increase in deprivation in some of the locations stated in the Shropshire, Telford and Wrekin, Herefordshire and Worcestershire areas, the trends are similar to the larger urban areas.

Not only are the trends alike, but the concentration of deprivation in the urban areas is significantly greater. Whilst deprivation has increased in the proposed areas for investment within the additional Package proposed, they are fragmented in their location.

In addition to the analysis, whilst a number of the projects set out in the proposal for the additional Package are potentially eligible for ERDF, their distribution and make up is such that it is not consistent with the policy rationale and characteristics of a Package as set out in the Operational Programme

It was considered appropriate that partners concerned were provided with an opportunity to include their response to the analysis performed such that the recommendation (ii) of this paper may be considered in full context. The response on behalf of partners in the Shropshire, Telford and Wrekin, Herefordshire and Worcestershire sub-region is as follows:

“The sub-regional partners welcome the opportunity to present a package proposal for consideration within Priority 3. They also welcome the report from WMRO with the revised socio economic data, which indeed supports the partners’ argument that their urban areas, within Shropshire, Telford and Wrekin, Herefordshire and

Worcestershire, demonstrate significant levels of deprivation. Partners agree that this deprivation is dispersed and fragmented in nature, which is due to the inherent characteristics of Shropshire, Telford and Wrekin, Herefordshire and Worcestershire and this is reflected in the partners' proposal which comprises a series of mini packages of urban deprivation. Partners regret that this approach cannot be accommodated within the present policy of urban concentration.

Furthermore, the fact remains that these areas continue to act as a drag on the competitiveness of the Region. They are not eligible for the various regional regeneration funding regimes currently available, including RDPE, RRZ and RCE Priority 3 and as such are disadvantaged within the Region. Partners are concerned that there are a number of regeneration projects within their sub region which, with some additional funding, would deliver the Priority 3 outcomes within the required timescales.

The sub-regional partners would urge PMC to include these urban areas within the JESSICA proposal as it progresses."

The recommendation to the March 2010 PMC, which was endorsed, was that an additional package in the Shropshire, Telford and Wrekin, Herefordshire and Worcestershire areas should not be introduced into Priority 3. The basis for this recommendation is that the criteria for inclusion set by the PMC cannot be satisfied.

3.3.2. Significant problems encountered and measures taken to overcome them

There have been no serious problems identified under the procedure in Article 62 (1) (d) (i) of Regulation (EC) No 1083/2006.

3.4 Priority 4: Developing Inter-regional Activity

3.4.1. Achievement of targets and analysis of the progress

- Information on the physical and financial progress of the priority**

There were no new approvals in 2010 in addition to the six approved in 2009. Eligible funding approved and committed at the end of 2010 stood at £1.87m €2.18m; comprising of £0.9m €1.1m ERDF and £0.96m €1.12m Public Sector Match funding. This represents 18% of the Priority Axis 4 budget.

Actual expenditure by the end of December 2010 was €814k, comprising of €373k ERDF and €441k Public Match funding.

Progress against the priority axis indicator targets is mixed. Two of the targets have either been achieved or nearly achieved. However, one of the targets, Pilot best practice implementation, has 67% budget commitment, but nil reported achievement. As this priority axis is unlikely to commit any further funding, it is not likely the target for this indicator will be met.

Priority Axis 4 - Indicators	Target 2007-13	Contracted by end of 2010	% Contracted	Reported as achieved during 2010	Total reported as achieved by end of 2010	% Achieved to date against Programme target
No of participants, schemes, exchanges and study visits	350	357	102%	332	332	95%
No of pilot best practice implementations	15	10	67%	0	0	0%
No of new networks established	5	13	260%	7	7	140%

- Qualitative analysis**

The Investment Framework for Priority Axis 4 was approved by the PMC via written procedure in April 2008. The principal role and function of the Priority Axis 4 Steering Group (PSG4) is the same as that for the Priority Working Groups, i.e. to agree and commission, in partnership, the necessary activity and project selection models/delivery solutions to ensure that the objectives of the Priority may be achieved. Also to be documented within and governed by an Investment Framework.

The Investment Framework reflects that the total allocation of €12m, including €6m ERDF funding. This was divided and aligned with Priority Axes 1, 2 and 3 in proportion to their programme budgets –

- 40% [€2.4m] - Priority Axis 1
- 35% [€2.1m] - Priority Axis 2
- 20% [€1.2m] - Priority Axis 3
- 5% [€0.8m] - cross-priority activity

It was agreed at the July 2009 PMC that new calls under Priority Axis 4 would be suspended pending a review as the Priority had been heavily impacted by public sector funding cuts announced in June 2009. This has been further exacerbated by the new Government's decision to abolish the RDAs. It had been anticipated that this priority axis would be heavily reliant on Single Budget funding from AWM to match fund project applications.

Following the suspension work was concentrated on processing the bids which were already in the pipeline. Primarily, this involved supporting applicants who had undergone match funding reductions to identify alternative match, or refocus their projects around a reduced budget. However, with the continued contraction of the public sector throughout 2010, all projects in development had been withdrawn by December 2010. In this period, two projects which had received full approval were withdrawn by the applicants prior to starting delivery, and one contracted project had to reduce the scope of its activity by a significant amount, due to the loss of match funding.

Following the review of Priority Axis 4 and discussions with partners, it has become clear that it did not fulfil its intended objectives of providing information and support for Priority 1, 2 and 3 projects, but instead consisted of a small number of stand alone projects which were administratively difficult. In addition, it has become clear via dialogue that partners prefer to allocate any remaining match funding to main priority activities. Therefore, taking this and the match funding issues into account it can be stated there was little prospect of this priority axis continuing in a viable fashion.

At the January 2011 PMC meeting it was proposed and agreed that Priority Axis 4 should be closed, and that the remaining balance be formally vired to other Priority Axes which are experiencing a higher level of demand for resource.

This will form part of the considerations for the Mid-Term Evaluation taking place during 2011. The recommendations from the Mid-Term Evaluation will form the basis of recommendations for modifications to the Operational Programme to be negotiated with the Commission later on during 2011. This will include the virement of funds from this Priority Axis. It is expected that c. €5m of ERDF funds will be available for virement.

3.4.2. Significant problems encountered and measures taken to overcome them

There have been no serious problems identified under the procedure in Article 62 (1) (d) (i) of Regulation (EC) No 1083/2006.

3.5 Priority 5: Technical Assistance

3.5.1. Achievement of targets and analysis of the progress

- Information on the physical and financial progress of the priority**

There were no new project approvals for funding during 2010. The total of eligible funding approved and committed was £6.4m €7.5m; comprising of £3.2 €3.75m ERDF and £3.2m €3.75m Public Sector Match funding. This represents 32% of the Technical Assistance funding available to the Programme.

Actual expenditure by the end of December 2010 was €5.4m; comprising of €2.7m ERDF and €2.7m Public Sector Match funding.

Priority Axis 5 - Indicators	Target 2007-13	Contracted by end of 2010	% Contracted	Reported as achieved during 2010	Total reported as achieved by end of 2010	% Achieved to date against Programme target
No of capacity building initiatives	16	99	619%	86	109	681%
No of research studies	8	2	25%	3	3	37%

Good progress has been made as measured by physical and financial indicators. In respect of the progress achieved in relation to the targets the numbers contracted, and so far achieved, for Capacity Building Initiatives has significantly exceeded expectations. That for Research studies has been steady.

- Qualitative analysis**

The ERDF Technical Assistance Strategy and Delivery Plan was discussed and approved at the PMC, January 18th 2008. The strategy was subsequently submitted to the EC and approved.

The key aspects of the strategy document cover –

- Programme administration
- Development and capacity building
- Research, analysis, monitoring and evaluation
- Information and publicity

The Technical Assistance strategy underwent a review in 2010 and a revised version was presented and agreed at the June 2010 PMC. The changes to the strategy document were minimal–

- the scheduled investments have been set out in a separate Investment Framework as per the other Priority Axes; and
- presentation of the information has been simplified and made more focused.

In respect of Information and Publicity, the Communications Plan was updated in June 2010 to account for changes since 2009 and update performance against targets in respect of activities agreed.

It was agreed that Advantage West Midlands, acting as the Intermediate Body, would not seek voluntary contributions from partner organisations or applicants for ERDF funding as a source of match funds. It was anticipated that for the duration of the Programme, with the exception of programme management costs, AWM would match fund the entire TA allocation at the contribution rate set at 50%. Programme management costs have been match funded

by funding paid into the Single Budget by CLG and from interest accruing to the pre-financing made available by the Commission.

As the resources available for Technical Assistance are much reduced when compared to the previous programme, it was decided the available TA funding would be assigned to a relatively small and focused suite of projects. Speculative applications for TA have not been encouraged.

Technical Assistance has been used to put in place a structure that would ensure effective management of the West Midlands' Programme. This has included -

- the establishment of a programme secretariat within Advantage West Midlands, the designated implementing body;
- establishing and maintaining the capacity to select, appraise, approve, manage and monitor the delivery of projects;
- co-ordination of the PMC and related priority axis working groups;
- produce the required management information for the purposes of Programme operation and facilitate decision making; and
- setting up, implementing, operating and maintaining the systems required as a core user of MCIS (Management and Control Information System), the DCLG programme management system.

Effective and efficient programme development and management is essential to ensure the Programme makes a significant impact. To ensure this Technical Assistance has been used to fund a number of posts (ERDF Priority Managers) with the specific remit to implement and maintain a structure of working groups responsible for initiating operations and developing ERDF funded project activity and ensure there are an adequate number of projects in the development cycle to achieve programme targets.

This approach means working with partners to develop their ideas, promote the objectives of the programme and help identify and define the Investment Frameworks required to achieve the objectives of the Priority Axis. It also ensures project proposals produced are fit for purpose, being consistent with the ERDF Operational Programme Document and satisfying the ERDF eligibility rules.

Capacity building has been an ongoing aspect of the Programme to date. Technical assistance has enabled numerous events and sessions have been run both within and without the Agency to assist staff, partners and applicants in respect of project development, application, delivery and monitoring. This has covered many aspects of the programme including grant applications; overheads; state aid; ERDF grant claims; and irregularity.

Technical Assistance has been used to support EU Connects, the region's single point of contact for capacity building and training for EU funded programmes. In this context EU Connects has been funded to provide coordination and further development of transnational partnerships and activity. Primarily, EU Connects acts as the lead organisation for raising partner's engagement beyond the Structural Funds.

Funds were provided to help ensure informed engagement with the third sector continued to be provided by the West Midlands European Network (WMEN). This is in accordance with the findings arising from the review of the infrastructure for third Sector support within the West Midlands region. The majority of this support is focused towards Priority 3 (Achieving Sustainable Urban Development) and to a lesser extent Priority 2 (Stimulating Enterprise Development).

The West Midlands Regional Observatory (WMRO) was the region's central and primary source of intelligence and evidence has received TA funding to provide support for activity associated with programme related research and analysis. This includes activity such as acquiring the necessary regional intelligence to measure programme level performance and

economic impact. Going forwards this activity will have to be procured, either locally or centrally by CLG.

Information and Publicity related activity has to date been managed through and match funded by AWM. TA has been used to fund the preparation; implementation and monitoring of the ERDF Programme Communications Plan and other publicity activity required by the ERDF regulations such as each annual event and the production of an annual report and project case studies. AWM also managed all contact with the press and the issue of press notices related to Programme delivery.

Beyond 2010

The closure of Advantage West Midlands and the transfer of the Programme to DCLG will impact on Priority 5 in a number of ways, but almost certainly increasing the costs attributable to the Programme.

As stated, it was originally anticipated that AWM would provide Single Budget match funding for Technical Assistance for the duration of the Programme period. This match funding will now cease from June 30th 2011 leaving a significant potential shortfall. It has not been confirmed by CLG what match funding will be made available to the Programme to meet ongoing activity.

A number of the benefits of being part of the RDA will be missed, particularly in respect of the team's ability to manage peak activity periods and in areas such as project development, procurement and IT support. Some of this has been accounted for in the number of posts identified for transfer. Other aspects will have to be covered as necessary by procuring expertise required. This will inevitably put more pressure on the TA budget going forward.

MCIS will be adopted as the system to manage the Programme going forward prior to transfer. Transition from the existing system to MCIS will require significant management resources and a considerable amount of training to bring all of the staff to a sufficient level of competence.

Increasing Available TA funds and Providing Sufficient Match Funding

Currently the TA allocation forms 2.96% of the total Programme budget. Council Regulation 1083/2006, Article 46 allows for 4% of the Programme budget to be allocated as TA.

Should circumstances dictate, it is possible, with the agreement of the Commission, to vire funds from another priority axis to increase the funds available for TA. Taking the budget to the maximum permissible would increase the total eligible budget allocation to €31,991,994 (ERDF €15,995,997) – an extra €8,192,134 (ERDF €4,096,067) based upon a contribution rate of 50%.

The provision of match funding in this priority axis is going to be particularly difficult going forwards in a climate of public sector cuts. This issue will be considered as part of the Mid-Term Evaluation. One solution might be increase the ERDF contribution rate, but this would mean a cut in the overall size of the TA budget and would have to be balanced by reducing the contribution rate of another Priority Axis.

As part any review taking place following the transfer of the Programme from AWM, it would be prudent to take into account any extra costs accruing. These costs might include some or all of the following -

- Staff related costs previously covered by AWM Single Budget
- Secretariat costs related to the running of the Local Management Committee (replacement of PMC)
- Premises and overheads - direct costs resulting from the move to new premises
- Project Appraisal – specialist advice and reports
- Indirect overheads

- Evaluation costs - mid-term, thematic and final
- Partial programme closure costs
- Further Programme Development / Capacity Building activity resulting changes to the Operational Programme
- MCIS related costs – further development, maintenance and training

3.5.2. Significant problems encountered and measures taken to overcome them

There have been no serious problems identified under the procedure in Article 62 (1) (d) (i) of Regulation (EC) No 1083/2006.

4 - ESF programmes: Coherence and Concentration

Not applicable.

5 - ERDF/CF programmes: major projects (if applicable)

Not applicable.

6 - Technical Assistance

See section - 3.5 Priority 5: Technical Assistance.

7 - Information and Publicity

The Implementing Regulation (EC) NO 1083/2006 states a Communication Plan shall be drawn up by the body managing the Operational Programme for which it is responsible, The Communication Plan was approved by the PMC at the meeting held in January 18th 2008. Following this approval the Plan was officially submitted and approved by the European Commission on 30 April 2008. The Communication Plan is a working document which will be updated as the programme develops. The Plan is to be re-submitted to the PMC in the event of significant changes.

In line with these regulatory requirements, the purpose of the Communication Plan is to increase awareness of the ERDF Programme in the West Midlands - what it does; and its achievements and impact regionally.

The objectives of the Communications Plan include -

- describing the publicity measures to be implemented;
- how potential applicants and beneficiaries will be informed of the availability of funding from the Programme;
- publicising activities undertaken, what has been achieved and giving positive messages about the Programme;
- ensure the information and publicity requirements of EU regulations are met; and
- detail how information and publicity measures are to be reviewed and evaluated.

The key messages to be promoted, in line with the aims and objectives of the plan, can be described briefly as being the measures required to fulfil the vision for the West Midlands' Programme as set out in the Operational Programme and delivered through the activities of Priority Axes 1 to 5. The messages can be stated briefly as - transforming the lives; developing the innovation potential of the region; supporting business creation and diversity;

encouraging enterprise in those areas of greatest need in the region; learning from others; and supporting the Lisbon agenda.

The information in the remainder of this section gives examples of events, activities and work carried out during 2010 towards meeting the requirements set out in the Communications Plan. The main information and publicity tools that are expected to be used to deliver the Communication Plan for 2011 and forthcoming years are set out in **Annex 1. In add** This lists a number of the key planned activities as set out in the Communications Plan, including evaluation criteria and targets set. A commentary has been included in the table to illustrate performance against the evaluation targets set for each activity.

Government Marketing Freeze

In June 2010, the Government placed a freeze on any new spend on marketing and communication activities. This decision was made in line with the changes to RDAs and the conclusion to abolish all RDAs by March 2012.

The freeze had a significant impact on the communication activities which we were able to deliver during 2010 and as a result only pre committed activity could be carried out or activity which was approved by DCLG and BIS through application. This has had an impact on our ability to deliver the planned activities as stated in the AIR 2009.

Communications Plan and Review Report

In line with our commitment to annually review the ERDF Communication Plan, version 4 of the plan was developed in April 2010. This ensured the content and planned activities were still accurate and relevant. In addition to this a Review Report was published was captured to previous years achievements in relation to the stated intentions in the Communication Plan. Both documents were submitted to the PMC for approval.

West Midlands ERDF 2007-13 Partnership Event

Date: 30th March 2010

Location: Austin Court, The Institution of Engineering and Technology, Birmingham

Attended by 100 people and comprised a broad representation from the region, the first part of the event focussed on the achievements of the ERDF Programme to date and we heard from a couple of ERDF projects on lessons learnt and best practice delivery.

Speakers for the event included Trudi Elliott, Regional Director of Government Office for the West Midlands and Chair of the Programme Monitoring Committee, and Paul John, Director of European Programmes at Advantage West Midlands.

The second session of the event was based on 4 workshops which focused on different elements of the Programme which applicants and AWM staff members have indicated additional advice and guidance is required. Areas included: Developing a project – application and eligibility; Telling people about your project – information and publicity; Managing changes of your project; and a Grant claims master class.

Capacity Building Workshops

During April to November 2010, the ERDF team held a series of Capacity Building Training workshops which seek to raise awareness and provide practical advice on key areas of the European Regional Development Fund (ERDF) Programme 2007 – 2013.

Workshops were held on State Aid, Eligibility, Overheads, Claims, Irregularities and Record Keeping.

ERDF Programme Communications Survey

Communication and publicity activities are of critical importance to the delivery of the ERDF Programme. Working in partnership with regional stakeholders, Advantage West Midlands as the Intermediate Body was responsible for the management of the programme, delivery and

evaluation of the planned communications activities as stated in the approved Communications Plan.

Article 4 (2) specifies the Air 2010 should contain a section containing an assessment of the visibility and awareness of the Programme and the role played by the Community. To meet this requirement the PMC sanctioned an ERDF Communications Stakeholder Survey, which was carried out in May 2010.

The Communications Stakeholder Survey was designed to review and evaluate the current ERDF communication activities and also capture details on future requirements and needs of the Programme audience. The survey was issued to the full Programme distribution list (over 900 people), containing Partners from a broad base of stakeholders. This includes Local Authorities, Universities, prominent people from business, politicians, etc.

In total 73 partners and projects responded to the survey providing informative and useful information. A breakdown of the results can be found at Annex 3.

Overall results showed that respondents were satisfied with the type and content of communication activities currently provided. This included the website section, events and workshops, literature and programme update / bidding round email notifications.

In addition to this a number of new ideas were suggested including on line tutorials, social media use, FAQ / common project Q&A's and new topics for workshops.

All future suggestions are currently being reviewed and will be implemented where appropriate. Particular focus will be placed on the provision of support related materials including the on line tutorials and FAQ / common project Q&A's.

The results of the survey were reported to the October 2010 PMC.

ERDF Website

ERDF website pages have been available via the AWM Website since January 2008. The website pages undergo a continual process of improvement and updates, and have been improved on numerous occasions already. The website contains information relating the programme including - the operational programme and detailed information relating to each of the priority axes; how to apply and information relating to specific bidding rounds; the regulations and guidance materials; a list of beneficiaries; communications.

In May 2010 a Communications Survey was conducted with ERDF partners to evaluate the effectiveness of the communication tools and channels used. Results from the survey led to an overhaul of the website. Feedback following the changes has been very positive.

The total number of hits to the website during 2010 was 31,673. The website pages and list of beneficiaries as mentioned above can be accessed using the following hyperlink:

<http://www.advantagewm.co.uk/current-activities/erdf-programme/default.aspx>

ERDF e-news

The e-news is one of the ways the ERDF team communicate with partners on key messages, achievements and news on the ERDF Programme. Each edition also features a number of case studies of approved projects under the Programme. During 2010 an edition was completed in June.

Programme Updates

Programme Update emails are sent to our ERDF partners when we need to communicate important timely information on the Programme. An update was distributed in October to reassure delivery of the ERDF programme in light of the closure of AWM and provide an update on recent activities including training workshops.

Media Activity

During the year a number of press releases were completed and distributed to the media to promote projects that had been awarded ERDF funding. Overall this work was completed in coordination with the main AWM PR team to ensure a joined up approach with AWM Single Budget support projects.

Branding Identity

During the year a new branding style was adopted for all communication materials on the ERDF Programme. This focussed on the 'people' aspect of the Programme featuring representatives of ERDF project beneficiaries.

Annex 1

Update on Planned Activities for 2011 onwards from the Communications Plan to Promote the 2007-2013 ERDF Programme

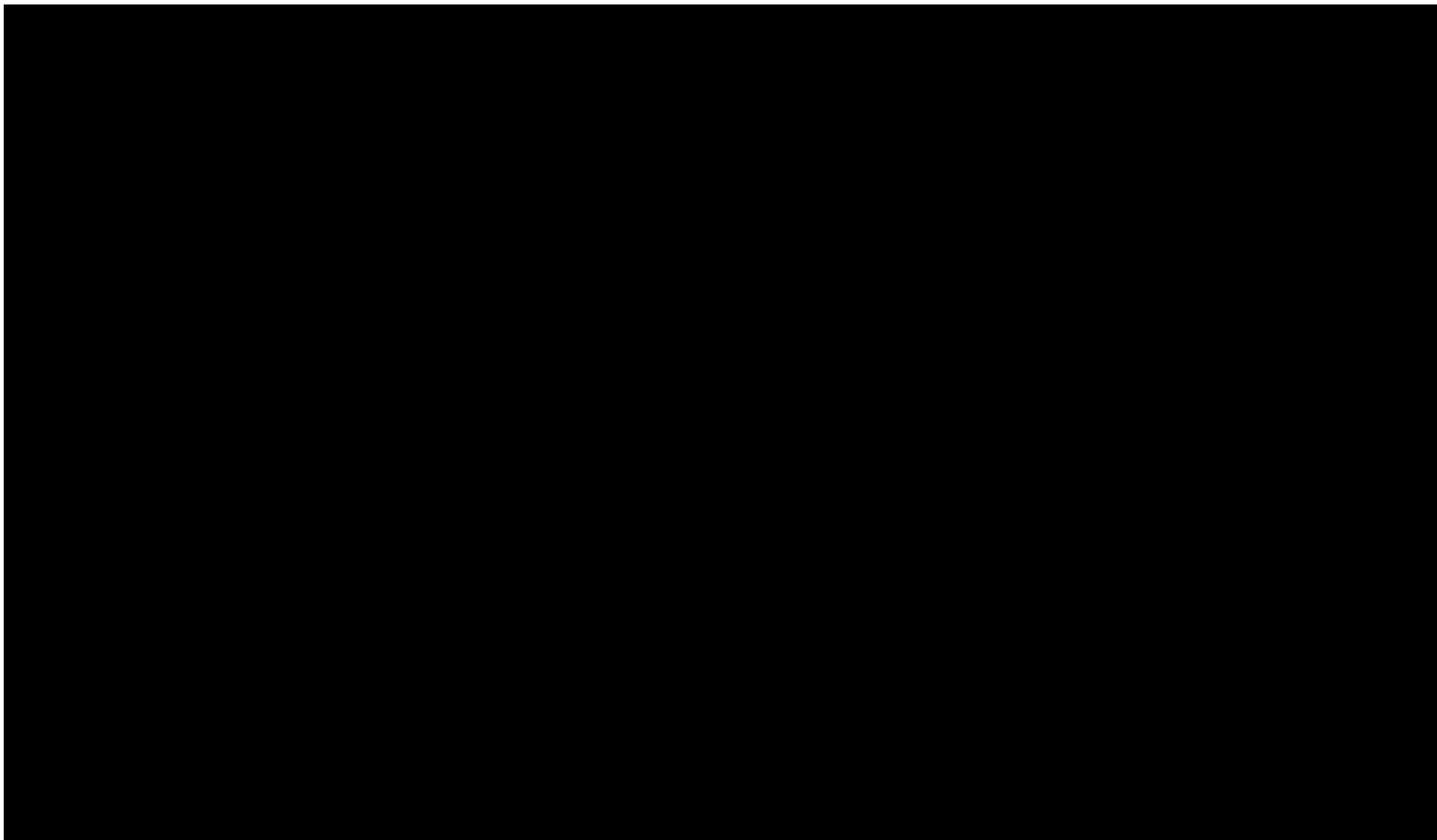
Activity	Aim	Target Audience	Timetable	Expected Results	Evaluation Criteria	Links to EC Publicity Requirements
Transfer Activities	To ensure all communication activities and materials are aligned with the transfer of the Programme from AWM to DCLG	Potential ERDF projects, Opinion formers at national, regional and local level, Regional stakeholders and partners from all sectors, European Commission	Following transfer – 2012 / 2013 financial year	Informative and accurate materials which clearly convey the correct management arrangements for the Programme post transfer	<u>Targets:</u> - Suite of up to date communication materials	N/A
Events and Workshops	To publicise and clearly communicate the ERDF Programme	Potential ERDF projects, Opinion formers at national, regional and local level, Regional stakeholders and partners from all sectors, European Commission, Staff involved in European work.	Partnership events – annual Training workshops - quarterly	Successful and informative events and workshops held which increase the level of knowledge of partners regarding the Programme and accurately conveys the messages on delivery for future activities	<u>Targets:</u> - 1 Partnership event per year - 4 training workshops per year - Event materials produced - Attendance by variety of partners and target audiences - Positive feedback replies from feedback forms and speakers	In line with Commission Regulation (EC) No 1828/2006 Article 7.1 and 7.2
Website	To act as a key communication tool for the ERDF Programme, providing information on Programme developments, key messages, access to documents, application guidance and a point of enquiry.	General public, ERDF projects, Media, Opinion formers at national, regional and local level Regional stakeholders and partners from all sectors, European Commission ERDF staff.	Update and refreshed as required.	Establishment of a main information source which displays all key information for all audiences regarding the Programme	<u>Targets:</u> - Average of 250 hits per month on the ERDF section - Quarterly review - Inclusion in annual questionnaire	In line with Commission Regulation (EC) No 1828/2006 Article 5.1, 5.2, 5.3 and 7.1

Enews (Electronic Newsletter)	To communicate key Programme messages, updates on topic areas and share best practice. A mixture of articles and case studies to be included.	ERDF projects, Opinion formers at national, regional and local level Regional stakeholders and partners from all sectors, European Commission.	Distributed regularly to fit with other programme update activity (see eDMs)	Establishment of a regular enews newsletter that is distributed to partners and contains timely and accurate news, updates and achievements of the Programme.	<u>Targets:</u> - Regular editions per year - 3 case studies / articles per edition - Inclusion in annual questionnaire - Edition feedback from recipients	In line with Commission Regulation (EC) No 1828/2006 Article 7.1
eMDs (Including Bidding Rounds and Updates)	To communicate updates on Programme delivery and bidding opportunities with target audiences	ERDF projects, Potential ERDF projects, Opinion formers at national, regional and local level, Regional stakeholders and partners from all sectors, European Commission	In line with Programme developments and bidding round timetables	Target audiences are informed of Programme developments and bidding opportunities are promoted as widely as possible to help with understanding, knowledge and applications for funding	<u>Targets:</u> - Regular updates through year - As per bidding opportunities - Inclusion in annual questionnaire	In line with Commission Regulation (EC) No 1828/2006 Article 5.2, 5.3 and 7.1
Media	Inform all main regional and local stakeholders and others with an interest in ERDF. Media tools including articles and press releases will be used to celebrate ERDF project success, make announcements and communicate Programme news	General public, ERDF projects, Media, Opinion formers at national, regional and local level Regional stakeholders and partners from all sectors, European Commission	Ongoing – Media releases produced in line with Programme developments	Establishment of sound working relationships with the regional media and completion of activities have raised the profile and understanding of the Programme with the media and its audiences	<u>Targets:</u> - Information distributed via the media annually - Inclusion in annual questionnaire	In line with Commission Regulation (EC) No 1828/2006 Article 7.1

Promotional and guidance materials	<p>To publicise and explain the Programme and its achievements to raise awareness and knowledge.</p> <p>To explain to projects the mandatory ERDF regulatory requirements and support with advice, guidance and assistance on how to meet and implement them successfully.</p>	<p>General public, ERDF projects - potential and those awarded funding, Opinion formers at national, regional and local level</p> <p>Regional stakeholders and partners from all sectors, European Commission</p>	<p>Advice and guidance – Ongoing through the lifetime of the Programme.</p> <p>Produced in line with Programme developments.</p>	<p>Suite of Programme promotional materials completed and available for use. Materials will cover all aspects of the Programme required for successful delivery.</p> <p>Projects understand and adhere to contractual requirements through the support and guidance provided on the regulations.</p>	<p><u>Targets:</u></p> <ul style="list-style-type: none"> - Verbal advice as required - Suite of materials produced - Inclusion in annual questionnaire - Successful fulfilment of contractual requirements by projects assessed through monitoring activities 	<p>In line with Commission Regulation (EC) No 1828/2006 Article 7.1, 8 and 9</p>
Reports and papers	<p>To inform key stakeholders (particularly Local Committee Members) of the developments of the Communication Plan and its publicity measures.</p> <p>In line with Commission Regulation (EC) No 1828/2006 Article 4.</p> <p>To publicise and share the achievements of the Programme</p>	<p>Regional stakeholders (Committee Members) ERDF projects, Opinion formers at national, regional and local level</p> <p>Regional stakeholders and partners from all sectors, European Commission</p>	<p>Papers - Produced in line with meeting dates and Commission requirements for annual reports.</p> <p>Annual Review – Produced annually</p>	<p>Accurate and informative papers and reports produced detailing the delivery of communication activities against the approved Communications Plan and achievements</p>	<p><u>Targets:</u></p> <ul style="list-style-type: none"> - Updates produced annually in line with meeting dates - 1 annual review produced annually - Verbal feedback from meetings - Written feedback from the European Commission 	<p>In line with Commission Regulation (EC) No 1828/2006 Article 4.1, 4.2 and 7.1</p>
List of beneficiaries	<p>To keep all audiences informed on the projects which have been approved for ERDF funding. List to include project names, the names of the operations and the amount of public funding.</p> <p>In line with Article 7.2(d) of</p>	<p>General public, ERDF projects, Media, Regional stakeholders and partners from all sectors, European Commission ERDF staff.</p>	<p>Ongoing – List updated monthly and placed on website as projects are approved.</p>	<p>List of beneficiaries produced on a regular basis and accessible on the website. Establishes an open and transparent method of communicating information on how the Programme is being</p>	<p><u>Targets:</u></p> <ul style="list-style-type: none"> - Updated on website monthly 	<p>In line with Commission Regulation (EC) No 1828/2006 Article 6 and 7.2</p>

	Commission Regulation (EC) No 1828/2006.			delivered.		
Internal Comms	To keep ERDF staff informed on Programme news and developments. This will ensure consistency of external and internal messages and raise awareness and knowledge of the Programme with all ERDF staff.	ERDF staff	Information distributed as required	Staff are kept informed on the key developments, news and achievements of the Programme through this weekly tool. Ensures awareness is kept high and key information is circulated to all teams.	<u>Targets:</u> - Articles produced annually - Verbal feedback from staff	N/A

Annex 2 – Outputs and Results: Coverage across the Priority Axes



Annex 3

ERDF Programme Communications Survey

The Results

The specific questions and results for the survey are shown below. Questions which are open and comments that were received are shown in the second table in this document.

Question	Answer Options											
Do you currently receive our e-newsletter?	No		11	21%								
	Yes		52	79%								
	Total		73	100%								
				Strongly Disagree	Disagree		Neither Agree nor Disagree		Agree		Strongly Agree	
if yes do you think	The content is informative and interesting		0	0%	0	0%	8	10%	12	16%	3	4%
	The length of the newsletter is about right		0	0%	0	0%	5	7%	29	40%	4	5%
	The frequency of the newsletter (once a quarter) is sufficient		0	0%	3	4%	4	5%	34	46%	2	3%
	The e-newsletter looks visually appealing		0	0%	2	3%	7	9%	12	16%	2	3%
Do you have any suggestions for future e-newsletter articles?	See comments table below											
Do you currently receive our email notifications for announcements of bidding calls?	No	21	29%									
	Yes	52	71%									
If yes, do the emails contain all the information you initially require to enable you to decide if the bidding call is of interest?	No	3	6%									
	Yes	49	94%									
If no, what is missing?	See comments table below											
Do you have any suggestions as to how the email announcements could be improved?	See comments table below											
Have you attended any of our ERDF Capacity Building Training workshops?	No		33	45%								
	Yes		40	54%								
				Strongly Disagree	Disagree		Neither Agree nor Disagree		Agree		Strongly Agree	
If yes, do you think	The subjects chosen are relevant		0	0%	0	0%	2	3%	13	17%	5	7%

	The content is informative and interesting	0	0%	1	1%	3	4%	22	30%	5	7%
	The workshops are well managed and organised	0	0%	0	0%	3	4%	23	31%	6	8%
	The correspondence received prior to workshops on the day is useful and welcomed	0	0%	0	0%	6	8%	16	22%	4	5%
	I would like to see examples of what other projects have done	0	0%	0	0%	2	3%	25	34%	3	4%
Do you have any suggestions for future workshop sessions?	See comments table below										
Do you use the current ERDF section on the AWM website?	No	13	18%								
	Yes	60	82%								
		Strongly Disagree		Disagree		Neither Agree nor Disagree		Agree		Strongly Agree	
What do you think of the following statements on the website?	The section is easy to navigate to from the home page	2	2%	8	11%	11	15%	22	30%	0	0%
	The content is informative and interesting	0	0%	1	1%	8	11%	19	26%	0	0%
	All the main areas are covered if you are delivering a project	0	0%	5	7%	8	11%	20	27%	0	0%
	The website is a good resource tool	1	1%	2	2	9	12%	29	38%	0	0%
Do you have any suggestions for different areas or new information that could be displayed on the website?	See comments table below.										
Have you seen any of the ERDF printed literature?	No	35	48%								
	Yes	38	52%								
	Total	73	100%								
		Strongly Disagree		Disagree		Neither Agree nor Disagree		Agree		Strongly Agree	
What did you think of them?	The literature is informative and interesting	2	3%	1	1%	23	31%	21	29%	3	4%
	The literature is a good reference tool	1	1%	3	4%	23	31%	19	26%	3	4%
	The literature looks visually appealing	1	1%	4	5%	22	30%	19	26%	3	4%
Do you have any suggestions for new pieces of literature?	See comments table below.										
Have you attended one of the ERDF partnership events?	No	45	61%								
	Yes	28	39%								

		Strongly Disagree		Disagree		Neither Agree nor Disagree		Agree		Strongly Agree	
What did you think of the events?	The areas chosen for presentations are relevant	0	0%	1	1%	14	19%	8	11%	0	0%
	The content is informative and interesting	0	0%	1	1%	9	12%	15	21%	0	0%
	The event is well managed and organised	0	0%	0	0%	4	5%	15	21%	0	0%
	The correspondence received prior to event and on the day is useful and welcomed	0	0%	0	0%	7	9%	12	16%	0	0%
Do you have any suggestions for future events?	See comments table below.										
Do you have any other suggestions that could be considered which are not covered above?	See comments table below.										
Do you prefer to receive information on the ERDF Programme electronically, hard copy literature, or both?	Electronic		55	75%							
	Hard Copy		1	2%							
	Both		17	23%							
	Total		73	100%							

Implementation of the Results – Comments

As part of the survey a number of comments were captured which were either general or related to specific communications tools. These are displayed below along with the ERDF team comments and any associated actions or next steps.

Communication Tool: Newsletter:

Results Comment	ERDF Team Suggestions for Implementation	Actions and Next Steps	ERDF Team Comments
Audit processes	Tool not designed to display details such as this	n/a	
Go through questions and queries that have been submitted by projects and responses received from AWM	FAQ / Common questions document or section on website to record and display these	Gather the content Look at ways to display – FAQ tool on website, separate document, new page	
Technical advice, good practice case studies, evaluation, news from other regions.	Number of these already covered e.g. case studies. Tool not designed to include technical details	n/a	

Bidding Call Emails:

Results Comment	ERDF Team Suggestions for Implementation	Actions and Next Steps	ERDF Team Comments
Anything meaningful about the sort of solutions that you are looking for	Possible content for specification	Pass onto ERDF team to decide	Specification prepared for the recent bidding round was more specific about what we are seeking, and this is something we will do in the future
Use of Twitter or a LinkedIn Group – worked well with the ICT Cluster	Need to investigate if this tool is appropriate for the ERDF audience	To establish an ERDF Twitter account to communicate messages such as bidding calls and media stories	
With some key points (funding limits etc) in bullet point format	Possible content for specification	Pass onto ERDF team to decide	Consider when drawing up bidding documentation.

Capacity Building Events:

Results Comment	ERDF Team Suggestions for Implementation	Actions and Next Steps	ERDF Team Comments
Best practice in ERDF project management: workshop where current project managers share best practices and methods. Learning from others lessons is wise.	Possible new subject	To discuss with the ERDF team	
ERDF Auditing Procedures	Possible new subject	To discuss with the ERDF team	
Go through questions and queries that have been submitted by projects relevant to the event and responses received from AWM	See newsletter section	See newsletter section	
Good practice	Possible new subject	To discuss with the ERDF team	
Keeping records and evidence to support claims	Possible new subject	To discuss with the ERDF team	
Procurement, Evidence, basis for working out overhead,	Possible new subject	To discuss with the ERDF team	
Tracking outputs Completing claims	Possible new subject	To discuss with the ERDF team	

ERDF Section on Website:

Results Comment	ERDF Team Suggestions for Implementation	Actions and Next Steps	ERDF Team Comments
A summary of what a document is about so it isn't necessary to open loads of files searching for answers.	Where key documents are provided a line of text could be provided	To look into on the section for development	
Finding the information on the AWM website is not easy and there is no logical and clear route to it. Every time I require information from the website I finally give up and refer to another RDA website which has clear routes to the information.	This may not be related just to the ERDF section but the AWM website as a whole. Change in navigation and access via the homepage should help	No action - monitor	
I find it difficult to navigate to find what I want. The combination of the left hand bar (and trying to guess the title), the middle section and the documentation on the right doesn't work for me. I find it easier to Google the site.	This is a structural issue for the whole Agency website	Not able to implement this suggestion	
I would include areas linked to questions projects have asked i.e. sectors information, and technical information	Covered through other FAQ idea	n/a	
I've only recently become involved so haven't made much use of the website to date so I do not feel able to comment yet.	n/a	n/a	
Still very difficult to navigate. Information is not linked to detailed EU rules	Links are made available where appropriate however summary versions have been produced to try and explain the detailed EU regulations	Will review and amend where appropriate	
The information is not detailed enough for project delivery	The website needs to cater for all levels – specific project delivery details should be accessible through the Project and Contracts Manager if not accessible on the website	None	
Separate ERDF website	Possible idea for the future when ERDF is moved away from AWM	Monitor and come back to	
Email notifications when new items are added onto the website	Good idea	To discuss with IT team	
On-line secure discussion board for funded projects and partners	Possible idea however hard to set up and manage to ensure proper use by	Will look into this idea	

	external partners		
Twitter updates	There is a Twitter feed for the whole Agency but not just ERDF	To set up an ERDF Twitter account	
On-line tutorials explaining certain activities e.g. Completing an application form	Good idea and worth exploring	Will look into the implementation and development of this	
Case studies, workshop presentations and best practice guides in video format	See above	See above	

Partnership Events:

Results Comment	ERDF Team Suggestions for Implementation	Actions and Next Steps	ERDF Team Comments
Case studies for procurement, publicity, marketing, events etc best practice with samples	The event is not the best tool to provide this sort of detailed information. This information is made available on the website already.	No action	
Not enough timeslots available to fit into prior commitments - visible advanced warnings?	Past invitations have been sent out 6 to 8 weeks prior to the event – this is plenty of time for notification	No action	

General Comments / Other:

Results Comment	ERDF Team Suggestions for Implementation	Actions and Next Steps	ERDF Team Comments
I appreciate that there will be many organisations who have regularly been involved in ERDF projects. As we are new in to this arena it may be suitable to have a part of the site which gives the very basic of considerations, and examples of successful projects and exemplar case studies.	Case studies covered already on the site Possible development of a new page called 'The basics'	Continue to update with new case studies Look at the development of this new page in line with the new structure	
Links to other ERDF Package regions, to enable sharing of experience, guidance and expertise vis a vis lobbying for flexibility CLG to EU.	To discuss with ERDF team	To discuss with ERDF team	
More detail on the current ERDF website	Unsure if this means they would like more detail or if there is too much	n/a	

Regarding the separate website for ERDF I don't think a separate site is necessary you already have a dedicated section - although a forum would be interesting.	See other comments on forum and separate ERDF website	n/a	
Regular P3 meetings	Not communications comment To pass onto the ERDF team	To pass onto the ERDF team	To look at
Tutorials, presentation materials presented as workbook	See other comments on tutorials	n/a	
Updates could be posted on LinkedIn and the tool will automatically send a summary update to the subscribed users. Free to use and accessible by all. Video needs careful though as watching a person will be inappropriate. A (quality) voice over of how to complete difficult forms, tours of a website/application would be appropriate.	To decided if this sort of tool is appropriate to communicate with the ERDF target audiences See other video comments	To decide on tool use	
Are questions submitted to AWM by projects circulated to all others in the team for a uniform response? More emphasis appears to be placed on AWM financial year than the EU calendar year expenditure targets. Surely AWM FY should be secondary? It appears we are now being asked to provide extra audit evidence from CLG, above what was originally requested by AWM. Some consultation between both prior to the projects may have been advisable to co-ordinate this from the start? Project Contract Managers very helpful and responses to questions very useful - apologies	Not communication comments To pass onto ERDF team	To pass onto ERDF team	Generally questions for projects in development go to the project sponsor, and in the delivery to the project and contract manager. They then liaise with the relevant ERDF Priority Manager for technical advice who asks Hanne as Technical Assurance manager when necessary. The ERDF Programme Board helps share key messages across the ERDF Technical Team, Project and contracts, and ERDF Development Team We are in the process of setting up a technical advice log, which should help record responses, so that replies to same questions are consistent. This is in line with the rationale for bringing ERDF into the Agency. Things may change when ERDF is transferred out. However for the moment, we will continue to contract on a financial year basis. XRDA seek to engage CLG in consultations on any changes

if we ask a lot but we want to get it right from the start.			or new announcements. There are a number of national forums for this.
Perhaps set up a "user group" for us low key bidders? website requires answers in field we should skip over - e.g. sections where you only answer "if yes"	To pass on ideas to ERDF team	To pass on ideas to ERDF team	We provide forums around bidding rounds for potential bidders to meet and discuss with the team or policy members. (i.e. workshops and surgeries) We don't have the resource to facilitate a standalone group for low key bidders, and the suggestion would be that they come to any events we arrange around the bidding rounds. The changes we are making to the website should also help resolve basic questions.
Since considering ERDF funding through our business we have found the help to be of immense support and the team extremely knowledgeable, with empathy to us an organisation new in to this arena.	n/a	n/a	
The survey won't let you quit unless something is added in one of the dialogue boxes. I couldn't work out which one so have put something in most. But it is quite tempting if you don't have anything to add to just close the window so you may be reducing your response rate.	n/a	n/a	
There needs to be a point of contact with ERDF expertise that projects can contact and get answers from as project officers often do not have in depth ERDF knowledge.	Not communications comment To pass onto the ERDF team	To pass onto the ERDF team	The project and contract manager should remain the key point of contact for all projects in delivery. If they are unable to answer the question they ask the ERDF Team and then reply to the project, but projects are not encouraged to go directly to the ERDF Team, as this leads to inconsistent advice, and lack of join up. In order to answer the questions, it is important to know the context of the project (which the project and contract manager knows). This year we have also undertaken an intensive training programme for the project and contract managers to up lift their confidence and expertise in dealing with ERDF, and answering questions. No change.

Annex 4

Examples of ERDF Projects from the West Midlands' Programme

Priority Axis 1 Project Case Study

Project Name: European Bio energy Research Institute (EBRI)

Context: (Regional/strategic/political context of project)

To create a regional Centre of Excellence to demonstrate leading edge-technology and transfer knowledge to regional SME's to allow them to gain from the regional development of the technology.

Project Description:

The ERDF funding will enable the creation of a Centre of Excellence in bio energy research, working closely with industry to promote and manage the implementation of emerging bio energy technologies. The Institute is led by Professor Andreas Horning, a leading European academic in the field of energy production from biomass. The demonstration facility will include a biomass plant and associated facilities will enable the transfer of knowledge of the technologies used and their application to West Midlands SME's so that they can benefit from the opportunities arising from this method of low carbon energy production.

Outputs/Results/Impacts

The project will increase the awareness of biomass technologies amongst regional SME's and assist regional businesses to take advantage of opportunities arising from the adoption and implementation of these new technologies.

Technical Details:

Total Eligible Cost: £16.4m

ERDF Contribution: £8.2m

Contact Details –

Prof. Andreas Horning,
Aston University
Birmingham
B4 7ET

0121 204 3391

a.horning@aston.ac.uk

<http://www1.aston.ac.uk/eas/research/groups/ebri/>

Priority Axis 1 Project Case Study

Project Name:

Project Name: Entrepreneurs for the Future

Context:

Expansion of Birmingham Science Park Aston's Entrepreneurs for the Future Centre dedicated to the start-up and development of high growth technology companies that are key to the development of the region's economy.

Project Description:

ERDF funding has allowed the expansion of Birmingham Science Park Aston's Entrepreneurs for the Future activity that provides facilities and intensive support for start-up high growth technology companies. The project results in new technology businesses which will lead to the creation of new jobs in the region's technology sector.

Outputs/Results/Impacts:

The project will encourage and assist the formation and development of high growth technology businesses that will play a vital part in the continuing development of the West Midlands economy.

Technical Details:

Total Eligible Cost. £900k

ERDF Contribution £450k

Contact Details –

Gary Gould,
Business Development Manager
Birmingham Science Park Aston,
Faraday Wharf,
Holt Street,
Birmingham,
P: 0121 250 3513
E: garg@bsp-a.com
Web: <http://www.bsp-a.com/Entrepreneurs-for-the-Future-e4f>

Priority Axis 2 Project Case Study

Project Name: West Midlands Industrial Symbiosis Network

Context:

ERDF funding is used to increase the number of eligible West Midlands businesses reducing resource consumption and realising new sales opportunities through their active engagement in industrial symbiosis networks.

Project Description:

The applicant has the view that waste (in the widest sense and including material waste, water, energy, carbon etc) is simply a resource in the wrong place. The project therefore delivers across the entire resource supply chain, providing networking opportunities on behalf of the participating companies and actively facilitating solutions and opportunities to help reduce wasteful consumption and promote sustainable production, whilst also highlighting higher value applications for existing 'wasted' resources through synergy identification.

The project directly engages businesses from traditionally separate industries and brings them together with the aim of identifying opportunities whereby under-used resources, such as energy and water, and/or materials from one company can be recovered, reprocessed or reused by others. This stimulates a marketplace where unwanted, underused or low value output resources from one industry become useful and competitively priced inputs for others.

Outputs/Results/Impacts:

The project will result in increased resource utilisation, reduction in waste and significant regional carbon reduction.

Technical Details:

Total Eligible Cost: £2,046,046
ERDF Contribution: £1,023,023

Contact Details –

Adrian Murphy
International Synergies Ltd
44 Imperial Court
Kings Norton Business Centre
Pershore Road South
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Adrian.Murphy@international-synergies.com

Priority Axis 2 Project Case Study

Project Name: West Midlands (SME) Internationalisation project

Context:

The project aims to increase the number of West Midlands SME's undertaking internationalisation activity and increase the intensity of the activity of those more experienced exporters. There are currently not enough businesses in the West Midlands exporting and the project will increase the number of SMEs engaged in exporting.

Project Description:

The project will increase the engagement of 2015 West Midlands' SME's in international trade and global markets through one to one support – providing them with more business opportunities, driving up their competitiveness and regionally diversifying the economic base whilst achieving higher growth rates and increasing sales.

The project will undertake this through (a) raising awareness of the benefits of internationalising and the support available through marketing, promotion and workshops supporting businesses with activity through an internationalisation action plan tailored to meet the needs of the SME; (b) providing expert advice through theme/cluster based activity and one-to-one support from a team of cluster experts to access opportunities in the industrial themes e.g. healthcare, environment etc and (c) providing support on the priority developing market regions.

Outputs/Results/Impacts

The project will increase the number of West Midlands SME's engaged in export activity and will increase the intensity of the activity of those more experienced exporters. This will all be to the benefit of the regional economy.

Technical Details:

Total Eligible Cost. £20,800,000
ERDF Contribution £10,400,000

Contact Details –

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Puma Way,
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CV1 2TT

07974 984798

Kison@cad.coventry.ac.uk

<http://wwwm.coventry.ac.uk/cds/supportforpublicsector/projects/Pages/Internationalisation.aspx>

Priority Axis 3 Project Case Study

Project Name: WorkWise

Context:

A Black Country wide project which is part of a programme to tackle transport related barriers to employment which are preventing the Black Country's most disadvantaged groups from accessing employment opportunities.

Project Description:

It offers a number of services, including travel advice and guidance via, tailored journey planning for travelling by bus, train, tram, on foot, by bike or car-sharing. WorkWise also offers unemployed people free tickets for travel to interviews and free travel passes for the first three months of a new job working across all four unitary authorities in the area.

Outputs/Results/Impacts:

The project focuses upon the most deprived communities within the Black Country, containing those individuals furthest from the labour market. These communities suffer from multiple deprivations and although it is not proposed that transportation to employment is by any means the sole issue, by improving the mobility of these communities, WorkWise will improve the economic viability of the area's population.

New employers too will be able to access a more mobile workforce and will be able to establish new business opportunities in the knowledge that transport will not be a barrier to recruitment. WorkWise will be promoted to employers through Local Employment Partnerships along with other such initiatives, and will form part of a package of support for any major recruitment opportunities.

Technical Details:

Total Eligible Cost: £1,635,992
ERDF Contribution: £817,990

Contact Details:

Alison Pickett
Sustainable Travel Manager
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16 Summer Lane
Birmingham
B19 3SD

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alisonpickett@centro.org.uk

Priority Axis 3 Project Case Study

Project Name: Project Name: Enabling Town Centre Transformation

Context:

An initiative to establish town centre regeneration teams in the three towns of Burslem, Stoke Town and Longton. This is to ensure that with the redevelopment focus on the City Centre and University Quarter of Stoke on Trent that these old town centres aren't left to decline, particularly as these historic centres contain the majority of the listed buildings in the area.

Project Description:

The project is tasked with setting up Regeneration Boards of local people to oversee the development of the area. Delivery plans are being developed for a programme of activity in each town to regenerate declining centres.

The project has four objectives:

- Building on the urban core – attracting and retaining a diverse range of service companies to the City Centre to bring economic stability and growth;
- Business knowledge – developing business opportunities and removing barriers to better exploit people's creativity and entrepreneurialism;
- Communities – removing barriers to work and improving access to existing and emerging employment opportunities; and
- Image and place making – raising the profile of North Staffordshire by supporting marketing initiatives to improve its cultural and business attractiveness.

Outputs/Results/Impacts:

The project forms a part of North Staffordshire's key priorities for regeneration and for encouraging inward investment, which defines an overall vision of achieving "the best of both in North Staffordshire: prosperity and quality of life by design". To achieve this, an ambitious long term vision has been created - "By 2030 North Staffordshire will be offering the best of both to residents and visitors". The project has this as its over-riding strategic goal and vibrant Town Centres will be critical to delivering this vision.

Technical Details:

Total Eligible Cost: £1,330,164
ERDF Contribution: £665,000

Contact Details:

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