

East of England ERDF
Competitiveness
Programme Interim
Evaluation

A Final Report by
Regeneris Consulting

East of England Development
Agency (EEDA)

**East of England ERDF
Competitiveness
Programme Interim
Evaluation**

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Executive Summary

- i. Regeneris Consulting was commissioned to carry out an interim evaluation of the East of England European Regional Development Fund (ERDF) Competitiveness Programme. The purpose of the evaluation is to inform immediate improvements in the delivery of activities at project and programme levels and to inform future funding allocations to be made by the programme.

Evaluation Objectives

- ii. This interim evaluation makes recommendations on the following:
- Whether and to what extent the programme strategy and focus as set out in the Operational Programme (OP) document is still relevant to the socio-economic circumstances of the region and is still consistent with other strategies for the region;
 - The initial progress which the programme is making towards achieving the objectives set out in the Operational Programme document including the relationship and coherence of the programme priority axes, coherence and synergy with community and national policies;
 - Progress towards achievement of programme indicators (outputs and results) including any early issues in relation to targets and deliverability;
 - The quality and effectiveness of the programme's implementation and management including the identification of any weaknesses in systems or processes plus an assessment of value for money.

Programme

- iii. The East of England's ERDF allocation under the EU Competitiveness and Employment objective for the period 2007-2013 is €110.9 million (currently about £100 million). The Operational Programme adopts the headline vision: *"A leading economy founded on our world class knowledge base and the creativity and enterprise of our people, in order to improve the quality of life of all who live and work here."*
- iv. Four more specific programme-level objectives follow which are:
- **Objective 1:** to capitalise on the region's strengths in research and development and to ensure that more businesses are genuinely innovative.
 - **Objective 2:** to increase the productivity of the region's businesses and encourage economic activities that are based on higher skill levels, particularly in those parts of the region that are set for substantial growth
 - **Objective 3:** to encourage higher levels of business start-up and growth, particularly in activities that are consistent with lower carbon economic growth
 - **Objective 4:** to enhance resource use efficiency amongst the regions businesses and to accelerate the development of the environmental goods and services sector (including the continuing development of both "clean technology" businesses, products and services, and renewable forms of energy).
- v. The programme is unique to other ERDF Competitiveness Programmes in that it is guided by

a meta-theme – **towards low carbon economic growth** – this provides the highest level statement of programme intent and guides all projects which are supported under the programme. This has been developed to provide the programme with a strategic focus and ensure that it can have the greatest impact given the relatively small nature of the programme.

- vi. The Programme focuses on the first three priorities identified in the National Strategic Reference Framework:
- **Priority Axis 1:** promoting innovation and knowledge transfer with the intention of improving productivity
 - **Priority Axis 2:** stimulating enterprise and supporting successful business by overcoming barriers to business creation and expansion
 - **Priority Axis 3:** ensuring sustainable development, production and consumption.

Context

Socio-Economic Assessment

- vii. The region's population grew by 165,000 people (3%) between 2005 and 2008 outstripping the national growth rate of 1.9%. Recent growth has been concentrated in the south of the region. The Working Age Population has increased by 85,000 people since 2005, although there has been a decline in the proportion of the region's total population that are of working age.
- viii. The recession has had a marked impact on levels of unemployment in the region. The number of unemployed residents in the region increased by 43,000 between 2005/06 and 2008/09 and the number of Job Seekers Allowance claimants more than doubled between May 2008 and May 2009. It is unclear how the recession has affected the number of businesses in the region, although the sharp increase in unemployment suggests that there will be at the very least some stagnation of the business base (or a net loss of businesses at worst). Recovery and growth in the region's business base (in absolute number of businesses and in terms of employment) should be a focus for the programme.
- ix. In spite of a strong business density, the region's GVA per head is slightly lower than nationally, although some sub-regions (notably Peterborough and Hertfordshire) perform very strongly in terms of GVA. Entrepreneurial activity rates are slightly lower in the East of England than nationally, although the region's rates have increased between 2005 and 2006, while nationally the rate has declined slightly.
- x. The region has some very valuable knowledge assets; 10% of the UK's 4* rated researchers are working at institutions within the East of England.
- xi. There is a clear relationship between the absolute number of businesses within a local authority and the amount of carbon emitted. Central Bedfordshire, Huntingdonshire and Thurrock have the largest total carbon emissions although the size of their business bases varies significantly. Thurrock's particularly high emissions and relatively small business and employment base is likely to be linked to its port function and strong base of transport and logistics companies.

- xii. In the future, the ERDF Competitiveness Programme could take a more targeted approach, focusing on those local authority areas with the highest levels of carbon emissions.

Policy Context

- xiii. The table below illustrates the alignment which the East of England ERDF Operational Programme has with a wide range of national strategy document. This demonstrates that the focus on low carbon economic growth fits extremely well with current national policy. This view has been supported by a number of the departments which we have spoken to, including BIS, DECC and CLG.

Table ES1 National Policy / Strategy alignment with ERDF				
Policy / Strategy	Axis 1: Innovation	Axis 2: Enterprise	Axis 3: Sustainability	Additional comments
New Industry, New Jobs				Focus on low carbon economic growth.
Going for Growth				Focus on low carbon economic growth, which is positive. However, the Plan emphasises global trade / export markets which OP is not strong on.
Low Carbon Industrial Strategy				Supports all axes although more national level actions.
Low Carbon Transition Plan				Possibly opportunities for greening businesses which the OP could address
PPS1 Eco Towns				Possible opportunities for Axis 3 projects through Rackheath devt
Building a Low Carbon Economy – Unlocking Innovation and Skills				
UK Environmental Transformation Fund Strategy				New ETF funding as possible match.
Digital Britain				Possibly a stronger emphasis on importance of digital connectivity for business than in OP
Innovation Nation				Possibly a stronger emphasis on developing spatial cluster strengths in support of innovation.
Enterprise – Unlocking the UK's talent				More emphasis on earlier stages of encouraging enterprise skills / culture than in OP.
Jobs of the Future				Sets out actions for sector devt for low carbon economy but also other growth sectors which are not currently included in the OP
Higher Ambitions				Re-emphasises economic role of Universities even in tighter economic climate.
Skills for Growth				Skills strategy - complements OP aims.

- xiv. At a regional level, much of the 2008-31 Regional Economic Strategy had been anticipated in writing the initial OP; in particular, there is now a stronger emphasis on low carbon economic growth. The EEDA Corporate Plan 2008-11, updated in 2009, has reallocated resources in light of the recession, reduced budgets, and new national policy. The East of England Implementation Plan sets out how the region is working together to deliver the vision and priorities set out in the Regional Spatial Strategy (RSS) and the Regional Economic Strategy (RES). The plan sets out a number of headline targets for the region including the reduction of CO2 emissions by 60% (on their 1990 level) by 2013. The plan sets out a number of programmes to achieve this including the development of low carbon energy sectors.
- xv. Whilst there are clear synergies between the RES and OP, the East of England Operational Programme will need to be updated to ensure that it is fully aligned to the latest Regional

Economic Strategy and the East of England Implementation Plan.

- xvi. The European Social Fund 2007-13 regional framework was revised last year, taking account of changing priorities in the recession, as well as to changing national policy, including a stronger focus on key growth sectors highlighted in New Industry, New Jobs (such as the low carbon sector).
- xvii. The European Commission has been extremely positive about the East of England ERDF Competitiveness Programme and its focus on low carbon economic growth. The Commission confirmed the fact that the programme has extremely strong synergies with evolving European policy.
- xviii. Another opportunity is the potential to unlock synergies between other domestic programmes and the East of England ERDF Competitiveness Programmes. The New Industry New Jobs and the Low Carbon Industrial Strategy provide significant opportunities as do the BIS Technology Strategy Board. Going forward, there should be stronger links with these programmes and strategies.
- xix. A number of **recommendations** are set out in this section of the report and they are summarised in the table below.

Recommendation	Description
Recommendation 1: Ensure synergy with key strategies and programmes	There is need to continue to ensure that there are strong synergies between the East of England ERDF Competitiveness Programme and relevant strategies and programmes. This should include the European Social Fund (ESF) programme and the ERDF Territorial Cooperation Programmes.
Recommendation 2: continue dialogue with the European Commission to maximise opportunities for the programme to have wider significance.	There are opportunities for the East of England ERDF Competitiveness Programme to have wider significance beyond the UK. Following on from our discussions with the European Commission, a number of opportunities have been identified
Key Recommendation 3: consider the potential to direct some funding towards trans-national activities. <i>NB: see page 38 and 39 for further justification in respect of this recommendation.</i>	The ERDF team should consider the potential to direct some funding (up to a small amount to be agreed) towards transnational activities. This may be particularly worthwhile where it opens up opportunities for the East of England to develop links with regions which are more advanced in their low carbon capabilities and where lessons can be learned and shared between regions through complementary approaches or joint action. The ERDF team should carry out discussions with the European Commission in the first instance to understand their requirements and balance this with the potential advantages which could be gained from trans-national projects.
Recommendation 4: continue meaningful dialogue with UK central government to identify opportunities for synergy and added value.	The East of England ERDF Competitiveness Programme should develop stronger links with national government departments (BIS, DECC). This is particularly true given the focus of the programme on low carbon economic growth, which is closely aligned to evolving national government policy. For example, examine the potential to utilise Technology Strategy Board (TSB)

	(and other) funding to support the programme or opportunities for the programme to support the 'New Industry New Jobs' agenda. Where there are opportunities for more meaningful representation by central government on governance groups, this should also be pursued.
Key Recommendation 5: maintain the current low carbon focus of the Competitiveness Programme.	Our recommendation is that the focus of the ERDF Competitiveness Programme should not change in the light of the recession and the change in policy focus. In fact, the programme theme – towards low carbon economic growth is even more relevant with the low carbon sector being cited as being important to economic recovery.

Programme Performance

Programme Spend

- xx. The greatest levels of Programme funding contribute to Priority Axis 3 and Priority Axis 1 with a smaller portion allocated to Priority Axis 2.

Table ES2: East of England 2007-2013 ERDF Competitiveness Programme Total Programme Allocations (£m)					
Allocation	Priority Axis 1 - (Innovation and Knowledge Transfer)	Priority Axis 2 - (Enterprise and support for business)	Priority Axis 3 - (Sustainable Development, Production and Consumption)	Priority Axis 4 - (Technical Assistance)	Totals (£m)
ERDF	33.8	24.1	38.6	4.0	100.6
Public	50.7	27.1	48.3	4.0	130.1
Private	0.0	9.1	9.7	0.0	18.7
Total	84.5	60.3	96.5	8.0	249.4
Table ES3: East of England 2007-2013 ERDF Competitiveness Programme Approved Funding Committed to Projects (March 2010 (£m))					
Priority Axis	ERDF	Public	Private	Total Expenditure	
Priority Axis 1	10.2	7.6	8.8	26.7	
Priority Axis 2	22.3	7.9	26.7	56.9	
Priority Axis 3	6.9	5.6	6.4	18.8	
Priority Axis 4	1.4	1.4	0.0	2.8	
Total all Axes	40.8	22.6	41.9	105.2	

- xxi. Over 90% of PA2 allocated funds have already been committed, compared to only 18% of PA3 funds and 30% of PA1 funds. Given that the total expenditure proportion committed is higher than the ERDF funding committed for priority axes 1-3, this reflects the fact that the programme has been more successful at drawing in match funding than was anticipated in the Operational Programme. The high level of funding committed to PA2 does reflect to some extent the RDA's success in influencing and adjusting core BIS business support products as the basis for distinctive low carbon activity. It is also likely to reflect SME support needs, particularly in terms of access to finance.

N+2 Spend Targets

- xxii. Actual sterling claims paid to the 7th December 2009 amounted to £6,704,604.76. This was over £720,000 in excess of the target. However, the claim was reduced to £6,629,886.48 following discussions with the Certifying Authority who wanted additional evidence for one of the claims checked in the sample. It was not possible to provide this evidence in the timescale allowed. This claim will be included in a later aggregate claim.
- xxiii. N+2 2010 targets look potentially even more challenging than for 2009. The situation is complicated by the existence of a proposal (expected to be approved summer 2010) to amend the target for 2009 originating from the Swedish Presidency of the EU at the end of 2009. Based on existing rules the target will be over £13.8m more than the 2009 target of under £6m. However, the Swedish amendment will remove the 2007 allocation from the calculation and results in a much lower target of around £9.4m.
- xxiv. Current approved, contracted and pipeline projects should produce spend by the end of 2010 which will exceed the target by around 25%. Clearly, based on 2009 experience, this is not an adequate level to provide assurance that the target can be met. Actual spend continues to fall well short of profile. However, the above figures do not take into account projects coming through bidding round 10 and 11 or any additional spend generated by investments made by the two venture capital fund projects.
- xxv. If the Swedish amendment is accepted a more comfortable situation will be attainable, with the revised 2010. Additional spend of only £2.4m will be needed to achieve the target.

Programme Outputs and Results

- xxvi. There is considerable variation across **output** types in terms of the both targets committed and targets achieved to date. In some cases, there is a clear 'over-commitment', with output levels aggregated across individual projects being significantly in excess of the programme's overall target. There is also significant variation within each of the priority axes on achieving outputs – both profiled and those delivered:
- In Priority Axis 1, over 30% of ERDF funding is committed, however three of the six output indicators have less than 20% of their outputs committed (whilst the other three are well ahead of 30% commitment).
 - In Priority Axis 2, although over 90% of funding is committed, three of the six output indicators have less than 25% of their outputs committed.
 - In Priority Axis 3 however, outputs committed are all significantly greater than the proportion of ERDF committed to date.
- xxvii. By February 2010, the programme had not as yet delivered the actual profiled outputs (profiled up to end of 2009) for approved projects under any output indicator. For a number of reasons (for example optimism about timescales and the recession), projects have taken longer to get under way than originally planned. Whilst many projects will be able to increase the pace of delivery and meet their overall targets, this does raise some concerns regarding the deliverability of profiled outputs in the programme's portfolio.

- xxviii. Whilst some of the **results** indicators have been significantly over-committed (in one case almost 5,000% over-committed), several of the results indicators are currently under-committed. With over 40% of the programme funding committed, several key result indicators have lower proportions committed (jobs created 33% committed, start-up businesses 5% committed, public sector leverage 13% committed).
- xxix. The recession has clearly impacted on the achievement of programme outputs and results. For example, the programme has over-achieved in terms of the jobs safeguarded target and under achieved in terms of the jobs created target. There has also been less success with business start-ups, with this target likely to have been impacted by the recession.
- xxx. Since the majority of the projects which have been supported are at a very early stage, it is too early to report on impact at project level. However, some early impacts which have been identified include:
- A number of projects have been supported through the ERDF Competitiveness Programme which have the potential to be nationally or internationally significant.
 - The ERDF Competitiveness Programme is reported as being successful in raising awareness of the importance of sustainability and low carbon issues amongst SMEs. This is particularly important given the fact that this issue is high on the agenda nationally and internationally.
 - Parts of the region which have previously not been engaged in low carbon and sustainability projects such as Thames Gateway South Essex (an area with high carbon emissions) have been engaged in the ERDF Competitiveness Programme and are delivering projects.
 - The ERDF Competitiveness Programme appears to be good at ensuring collaboration on sustainability / low carbon issues, which again is a positive.

Recommendations on spend and outputs	
Recommendation	Description
Recommendation 6: monitor and put in place measures to address the issue of actual spend being below profiled spend for some projects.	There is a significant variation in the performance of some projects in terms of actual spend to date against planned profile spend for the same period. There are a number of reasons for this, including projects taking longer to get underway than originally planned and for some, the recession has also been an issue (for example making it difficult to agree match funding). Going forward it is important that this situation is monitored by the ERDF monitoring team. PIG will also undertake a scrutiny function of extreme cases. The ERDF team should consider the potential to apply financial penalties or a reduction/withdrawal of funding in extreme cases. EPSG could be used to help enforce this and to ensure that partners deliver against spend and output profiles.
Recommendation 7: continue the momentum of the Competitiveness Programme through targeted bidding rounds / commissioning amongst other actions identified here.	It is important that the momentum and interest in the Competitiveness Programme is continued and increased going forward to ensure that bidding rounds continue to attract a large number of good quality applications. This report sets out a number of recommendations around awareness raising and the potential to support successful projects across the region, and this should assist in generating interest. Going forward, we would recommend that

	the ERDF team takes a more targeted approach to funding projects, including more targeted bidding rounds/commissioning of projects (focusing on opportunities identified in Section 7 of this report). This approach has worked well to date and should continue into the future.
Recommendation 8: continue to ensure that project deliverers are aware of reporting requirements and challenges on outputs and results.	Facilitators and appraisers need to continue to make sure that projects are aware of the challenges and requirements in reporting on outputs and results (identified in Section 3 of this report) to ensure that project business plans are realistic and achievable. This can be achieved by carrying out discussions with key individuals responsible for monitoring and implementation and ensuring regular dialogue with them. Facilitators should also consider each projects contribution of the programme total targets to ensure that these are achievable.
Key Recommendation 9: re-profile outputs and results. <i>NB: see page 53 for further justification in respect of this recommendation.</i>	There are a number of targets where the ERDF Competitiveness Programme is likely to over achieve and others where it will significantly under achieve. There is a need therefore to re-profile the output and results targets (drawing on the recommendations set out in Section 3) to ensure that the programme can achieve a realistic yet suitably stretching range of targets.
Recommendation 10: identify a suitable measurement framework for monitoring carbon reduction in relation to the programme.	Commission work to review the systems and measurements for carbon reduction available, to identify whether a suitable measurement framework(s) could be utilised for the programme. This should also assess whether a target/or targets could be set against which success can be measured. This will need to be carried out in association with relevant organisations and networks such as the RDA Network, EEDA, DECC and the European Commission.

Systems and Structures Assessment

Programme Engagement

- xxxi. The management groups (EPSG and CDG) engage regularly with a wide range of partners. Since these groups meet on a regular basis, they are important for a range of partners, including local authorities, Higher Education representatives, research institutes and the voluntary sector amongst others, to engage with the programme and keep up to date on the latest developments. The three facilitators within the ERDF team also have a very important role in raising awareness of the ERDF Competitiveness Programme and approaching relevant organisations with project ideas. Also, each top tier Local Strategic Partnership (LSP) has been asked to develop and submit a short ERDF plan.

Strengths

- xxxii. The East of England ERDF Team has been successful in reaching out to a wide range of stakeholders (from HEIs to Local Authorities to the private sector). This is a particular achievement given the size of the region which the relatively small ERDF team needs to cover. The key strengths of the programme in this regard are as follows:

- Management Groups: these are felt to be particularly helpful in ensuring meaningful engagement with a wide range of partners but particularly local authorities.
- Facilitators: the facilitators have been praised for their engagement with a wide range of organisations. More recently, they have undertaken a more proactive approach to engagement, going out to a wide range of partners to discuss specific ideas.
- Local Strategic Partnerships: the work of the ERDF team to encourage LSPs to develop and submit a short ERDF plan has enabled LSPs and a wide range of partners to constructively think about project ideas for ERDF funding.
- EEDA: the East of England Development Agency (EEDA) is delivering a large number of ERDF funded projects. There are a number of examples where there is joint Directorate working with Enterprise and Skills (particularly under Priority Axis 2) and Innovation.
- Business: private sector representatives are involved in the management groups which is positive. The private sector is actively involved in delivering ERDF funded projects (e.g. the Adnams Bio Energy Project).
- Higher Education Institutes (HEI): on the whole, the ERDF Competitiveness Programme has been successful at engaging with HEI, particularly under priority axis 1 which is focused on collaboration and knowledge transfer.

Areas for Improvement

- xxxiii. Some partners across the region are still not aware of the East of England ERDF Competitiveness Programme (often small districts) and so there is a need to continue to raise awareness of the programme to reach these people. There are also some parts of the region such as Luton, Greater Yarmouth, Peterborough and Hertfordshire which are aware of the programme but are not fully engaged with the programme to date.
- xxxiv. A small number of partners appear to have had difficulty in understanding the focus of the programme (on low carbon) and how this is relevant to their own area. The fact that projects need to be “regionally significant” has also led to some confusion with some believing that this means that projects need to cover the whole of the East of England. In these instances, there is a need for greater clarity in terms of the messages which are being communicated. There are also some parts of the region such as Luton and Great Yarmouth, which benefited significantly under the former programme and due to the change in focus of the 2007-2013 programme, there has been less willingness to engage.
- xxxv. There are some groups where it is felt that further efforts could be made to engage:
- **Businesses and business support organisations (at a local level):** whilst there are some positive examples of engagement (see above), there is some scope for improvement in terms of the businesses engagement (particularly the range of businesses which could be engaged). It also appears that the programme has been less successful at engaging with smaller business support organisations (such as Chambers of Commerce and Enterprise Agency).
 - **National and International bodies:** some organisations such as BIS and CLG are involved in the ERDF Competitiveness Programme (particularly through the management groups). However, there is a need to ensure more meaningful engagement, ensuring that key representatives are involved.

- **Top Tier Local Authorities:** whilst the programme has been successful in this regard to date, potentially more could be done to level in engagement via other routes, for example via the EEDA Area Teams and Climate East.
- **Regions:** there may be opportunities for the East of England to work with other regions across the UK on developing projects which can have wider significance.
- **East of England Development Agency (EEDA):** again, there are positive examples of engagement (see above), however it is important that effort is made to continue engagement (through regular updates about the ERDF Competitiveness Programme and briefings) across the whole of the organisation.
- **Voluntary, Community and Charitable sector.** There are potential opportunities for the programme to engage more closely with these organisations including the social enterprise sector to raise awareness of the ERDF Competitiveness Programme.

xxxvi. A number of **recommendations** are set out in this section of the report and these are as follows

Recommendations on Engagement	
Recommendation	Description
Recommendation 11: use the next review of the local authority ERDF plans to support local areas to focus on viable projects.	Working with the local authority facilitator, Local Strategic Partnership Plans will be regularly reviewed. Reviews of local authority ERDF plans (in Autumn 2010) could be used as an opportunity to encourage local areas to focus on only a few, perhaps more viable or realistic projects, and to work these up in terms of some initial details that could then be translated into a project concept if appropriate.
Recommendation 12: prepare case studies and a series of events to disseminate targeted messages about the programme.	There is a need for greater awareness raising to raise the profile of the programme as fully as possible and more importantly disseminate targeted messages about the programme. For example, there is a need to develop and disseminate case studies on successful projects. This can be used to demonstrate 1) potential role of certain types of organisations such as the third sector 2) examples of projects which are 'regionally significant' or 'exemplar' in order to clarify the meaning of these terms (see recommendation 15 below) 3) different approaches to low carbon projects and how this is relevant to different geographical locations. These case studies could be targeted through existing networks and used to support dedicated events. The ERDF team should also develop a programme of targeted and specific events with partners to further raise the profile of the ERDF Competitiveness Programme. This should highlight the achievements of the programme to date, clarify key messages (similar to above) and identify future opportunities to generate interest. There is also a need to work with EEDA's sub-regional teams and the Local Authority facilitator for European programmes which has recently been recruited to raise awareness of the programme.
Recommendation 13: communicate key messages about the programme to clarify how they can be meaningful to a range of areas.	In line with recommendation 12 above, there is a need to ensure that potential bidders have a good understanding of the meaning of certain key terms where there is currently some confusion. For example, regional significance: case studies could be used to show that projects do not need to operate across the region necessarily to be regionally significant. Instead, they can test programmes in one part of the region before rolling out to other parts of the East of England. Furthermore,

	projects can develop techniques which can have significance for the region as a whole. Exemplar: again, case studies can be used to demonstrate the different interpretations of an exemplar activity. For example, projects which demonstrate new techniques / technologies which can be applied across the region or are nationally or internationally successful. The term 'demonstrator' instead of 'exemplar' should also be used.
Recommendation 14: ensure meaningful engagement with a wide range of businesses.	There is a need to ensure that a wide range of businesses are fully engaged with the programme to ensure that support is tailored to their needs and to maximise opportunities for knowledge transfer and R&D. The ERDF team should work closely with key organisations such as Enterprise Hubs and business intermediary organisations to ensure that they are engaged. For example, they should be encouraged to attend key events to disseminate information about the Competitiveness Programme (whilst ensuring that their expectations about the programme are managed). The focus should be on business sectors and locations which have the highest carbon emissions or the greatest opportunities for R&D in low carbon activities. Further research may be required to identify these.

Application Processes

xxvii. The **open application process** developed for the East of England ERDF Competitiveness Programme is essentially a three stage process, comprising of:

- **Stage 1: expressions of interest via project concept form.** Bidders are requested to submit a relatively short concept form which sets out the following information: a description of the project, confirmation of the objectives, strategic fit (including fit with programme priorities), options being considered, key partners involved, costs and funding and contribution to objectives.
- **Stage 2: full bid including business case and ERDF application form.** Bidders are requested to submit a full business case, with a detailed options appraisal and cash flow analysis along with an ERDF application.
- **Stage 3: project offer.** If the project is supported, support for the project will be requested from EEDA and a project offer letter will be issued.

xxviii. The ERDF team has also recently organised a **targeted bidding round** in response to a specific opportunity which was identified. A change to the European Structural Funds ERDF Regulation to allow the inclusion of energy efficiency and renewable energy measures in **social housing** as activity eligible for support under ERDF Competitiveness Programmes, led to a specific bidding round.

xxix. The team has also recently used a **commissioning route** to commission a Venture Capital Project. This approach is used to focus resources on fewer projects which can demonstrate the greatest strategic impact.

Strengths

xl. The ERDF team itself has received strong praise for running the application process effectively. There has also been a noticeable improvement in the process during the

timeframe over which ERDF is being delivered, with some people citing initial ‘teething’ troubles at the start which have in the main been addressed. The facilitators in particular have been identified as being effective and it appears to be beneficial to have a central point of contact to manage the process up to the submission of a business plan.

- xli. The concept stage has been cited as being effective since the form is relatively short and allows project ideas to be tested prior to the completion of a large Business Plan document. The guidelines which are available are lengthy but they are deemed very helpful. Finally, the majority of people that we have spoken with felt that the process was clear and they were kept well informed of the progress of their application.
- xlii. The targeted bidding round (the recent housing call) has been identified as being particularly well run, particularly with the specialist advisors. Overall, the majority of bidders indicated that they would apply for ERDF funding in the future.

Areas for Improvement

- xliii. As identified above, the application process as a whole is seen as working effectively. However, there are some specific areas for improvement which include the following:
 - **Priority Axis:** some people indicated that their projects often support the objectives of more than one priority axis and this can sometimes be restrictive in terms of the proposal. However, it is important to note that this requirement is set by the European Commission (Article 4.2) and therefore there is no scope to change this.
 - **Bidding rounds.** Some consultees questioned whether bidding rounds are beneficial, with some indicating that they create additional pressure for the ERDF team and for those people who are submitting an application form. It can sometimes also lead to poorer quality or incomplete submissions. Our view is that they are beneficial in ensuring that people do have a date in mind for the submission, driving people to meet this deadline. It also ensures that there are a constant flow of applications.
 - **Application form and guidelines:** the application form could be more user-friendly and less repetitive. In terms of the guidelines, some improvements which were cited include the fact that they could use clearer terminology (less jargon), they could also link to sections of the form to be completed, and could be set out in a clearer hierarchy of documents, to help in navigating through them.
 - **Business Case:** some people felt that the length of the business case document could be more proportionate to funding. Business Plans could also be updated more regularly (e.g. on an annual basis) where the project is being delivered over two years or more). By producing updated business plans, this would ensure that projects are guided by a more up to date plan which is approved by EEDA.
 - **Appraisal Stage:** it was felt by some that there was potentially a bottleneck at the appraisal stage. The Facilitation and Monitoring teams both have access to a small team of staff whereas there is currently only one appraisal officer with appraisals sometimes having to be outsourced to consultancy firms to be completed.
 - **Presentations to CDG:** some highlighted frustration that they were unable to present directly to the CDG. The current approach is that bidders are required to present when clarification is required on specific issues. This ensures that meetings are not too lengthy and that the CDG can focus on a small number of presentations where this will be beneficial to their understanding of the project.

- **Post contract:** in some cases, post contract meetings could be held earlier (one highlighted that it took place three months into the project). For some, this identified some issues which they weren't aware of prior to the meeting (for example, how outputs are defined and what evidence is required to demonstrate that these have been met), which has led to delays and changes to the projects.
- **Monitoring and Evaluation:** this is identified as being more time consuming than initially anticipated. This is a requirement of ERDF projects set down by the European Commission and are designed to ensure that projects are not exposed to any financial risks. The ERDF team are already providing ongoing support to ensure that projects are aware of these requirements, with regular meetings, project manager events and the use of social media to facilitate best practice.
- **Finance:** a number of financial issues were cited which can discourage applicants, particularly the private sector. These are requirements set down within Treasury guidance and as such they are difficult to alter but nevertheless they are important to bear in mind.

Management Arrangements

xliv. The structure which has been established to oversee the funds is described below:

- **European Programmes Strategy Group (EPSG):** is responsible for overseeing the delivery of the programme strategy, and is the formal programme monitoring committee for the programme, as required by regulation.
- **Performance Improvement Group (PIG):** this is a small high-level group chaired by the regional assembly.
- **Equality and Environmental Groups:** members of these sub groups oversee the delivery of the cross cutting themes of equality of opportunity and environmental sustainability, ensuring they are central to the programme.
- **ERDF Competitiveness Delivery Group (CDG):** this group is the main operational group of the partnership. The CDG considers Expressions of Interest (EOI) and makes recommendations on whether projects should submit to a full bid or be rejected.

xlvi. Overall, it was felt that the groups operate effectively. However, one issue which was raised by attendees across the groups is the need to provide meeting information (agenda, PSC forms) to attendees in advance of the meeting.

European Programmes Strategy Group (EPSG)

xlvi. It is felt that the EPSG is a good mechanism for engaging with a wide range of partners across the region. Another positive aspect of the group is the fact that this meets at different locations across the region, which provides easier accessibility for some partners.

xlvii. There are a number of areas for improvement:

- **Gain stronger involvement:** it is felt that some people aren't aware of their specific role on the group and could be more involved. It would be more helpful if BIS and CLG could send policy officers to EPSG as opposed to structural fund administrators

and this could be discussed with the relevant departments. Furthermore DECC representation may also be helpful.

- **Establish task groups:** it is felt by some that separate task groups could be established to review specific ERDF issues.
- **Influence and Challenge:** it is felt that the groups as a whole could be more influential and challenging to both the ERDF team and Europe.

Performance Improvement Group (PIG)

- xlvi. One of the strengths is that the PIG includes a small focused group of key individuals with the group interested in strategic issues around the performance of the ERDF Competitiveness Programme.
- xlix. Key areas for improvement include the following:
- **Attendance:** the group could benefit from a small number of additional representatives who could provide some new ideas. This could include representatives from Department for Business, Innovation and Skills (BIS), Department for Communities and Local Government (CLG) or the Department of Energy and Climate Change (DECC).
 - **Clarity on roles and responsibilities:** it is felt that the group could be more focused and the TOR could be updated to specify more clearly the roles and responsibilities of the group.

Equalities and Environmental Sub Groups

- i. These sub-groups deal specifically with equality and environmental sustainability issues (as the cross cutting themes for the programme). The environmental sustainability group in particular has suffered from poor attendance and has made little impact to date. They only meet once a year and have two virtual meetings. Given the focus of the programme on low carbon and sustainability projects, the environmental sub group's role is less clear. The attendance of the environmental sub-group could be reviewed to make this more meaningful and there could be stronger links to ESF and the green skills agenda.

Competitiveness Delivery Group (CDG)

- li. In the main, the Competitiveness Delivery Group (CDG) was thought to be an effective group for making decisions about projects which should be funded by the programme.
- lii. A number of areas of improvement have been cited, including the following:
- **Information provided in advance:** a number of people reported that it would be helpful to have key information about projects more in advance of the meetings (many reported that this is only sent out around a week in advance of the meeting). Some suggested that it would also be helpful to have access to the presentations via the huddle site in advance and a discussion about the projects via the site.
 - **Attendance:** poor attendance appears to be more of an issue for this group. The fact that attendance varies from meeting to meeting does sometimes mean that different organisations are reviewing projects at each meeting, which can lead to less consistency in terms of decision making. There is a need to identify specialists

which can provide regular input and this could include private sector representatives.

- **Challenge Projects:** it is felt that the CDG could be more challenging about projects at both concept and business plan stage. It should be made clear that the CDG have the responsibility to challenge decisions from the ERDF team if necessary.
- **Financials:** some indicated that it would be beneficial to receive full details of the project financials when making a decision (only a summary is provided in the papers sent to CDG).
- **Facilitators should continue to seek to provide input to the development of all project concept forms at the earliest possible stage:** it was felt by a few individuals that on some occasions the CDG were sent project concept forms which could be improved. The main issue is that the project idea could be more developed or better conveyed. This has tended to occur when, contrary to bidding round guidance, a concept form has been submitted by an applicant on the bidding round deadline date and there has been no opportunity for input to a draft proposal. The facilitators should continue to provide guidance to bidders at the earliest possible stage to ensure the quality of forms being submitted to CDG is on the whole of a good quality. It should be noted that this point relates to a small number of cases where these could be improved.

liii. A number of **recommendations** are set out in this section of the report and these are as follows

Recommendations on Application Process	
Recommendation	Description
Recommendation 15: consider the potential for EPSG members to work with PIG to review specific programme issues.	Given the wide ranging representation on the group, there is an opportunity for EPSG to make a more meaningful contribution to the overall programme. Consider the potential for EPSG members to provide a more influential role for the programme, with responsibility for considering issues identified in this report. A key focus should be on how the overall programme can be improved. Issues could include spend and output monitoring, promotion and commissioning, the potential for additional targeted bidding rounds/commissioning of projects, alternative sources of match funding (building on this report); and, representation from central government on key management groups. They should do this through working closely with PIG. There would also be benefits in PIG reporting at EPSG to ensure better synergy between performance improvement and programme monitoring of the ERDF Competitiveness Programme.
Recommendation 16: consider potential for representation from central government on PIG.	This programme has potential to contribute significantly to the national agenda on sustainability and there are opportunities for synergy and added value with other national programmes and policies. Consider the potential for representation from central government (e.g. BIS) on PIG to ensure greater alignment with national policy and programmes. The group may also wish to consider adopting an independent chair for the Group (from for example BIS). This recommendation will require support from other PIG members.

Recommendation 17: refresh attendance at CDG and consider the potential to develop a more formalised referral panel of experts.	Attendance at CDG is an issue and the membership of the group should be reviewed to ensure better attendance and to 'refresh' the group. There is a particular issue with ensuring involvement from environmental specialists. Given the broad range of projects which are being supported, the ERDF team should seek to develop a more formalised referral panel of experts which are called upon as required to comment on project applications.
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Review of Existing Projects

- liv. In order to assess how individual projects fit with the wider East of England ERDF Competitiveness Programme, we have carried out a review of seventeen projects which have received ERDF funding. The seventeen projects are listed below:

Table ES4 Projects to be considered during the Project review	
Priority Axis 1	
Low Carbon Short Knowledge Transfer Partnership Project	Assoc of Unis of the East of England
TakeITon	EEDA
BEST-East	Constructing Excellence East Co-op Ltd
Innovation in Crops (InCrops)	University of East Anglia
Small Business Research Init (East) Health Pilot	NHS East of England
Knowledge Thurrock	Thurrock Council
Sustainable Design Led Innovation	Cranfield University
Priority Axis 2	
Low Carbon Venture Capital Fund	UEA
Low Carbon Digital Content Investment Fund	Screen East
Integrated Specialist Business Support Service	EEDA
Priority Axis 3	
Pathfinder Innovation Centres for Sustainability	Bedford College
Adnams Bio Energy	Adnams Bio Energy Limited
Resource Efficiency East	Renewables East
REV-Active	Breckland Council
Southend Eco Hub	Southend YMCA
Centre for Disability Studies	Disability Essex

- lv. In the majority of cases the project activities which are to be delivered are clearly set out. Many of the projects which have been supported, however, do not necessarily express a clearly articulated market failure rationale. The market failure argument varies from project to project with some indicating that businesses do not implement resource efficiency measures because of time and the need for intervention to support government targets.
- lvi. In the majority of cases the projects and project objectives are realistic in the light of the recent changes to economic conditions. In a number of cases, the projects expect to gain interest from SMEs by persuading them of the cost savings which they will be able to reap through adopting sustainable methods.

Exemplar and Innovative Activities

- lvii. A number of the projects which have been supported appear to have the potential to be nationally or internationally significant, demonstrating new techniques or processes:
- **Small Business Research Initiative (SBRI)** – SBRI is a new approach to public sector procurement being piloted in the UK nationally by the MoD and DoH, and now regionally through this project.
 - **InCrops** – this involves the set up of a new enterprise hub to stimulate alternative and non-food crops and promote the use of low carbon biorenewables.
 - **Sustainable Design-Led Innovation (SDI)** – this involves the set up of a new service at Cranfield University under the Centre for Competitive Creative Design (C4D) which will provide a suite of resources (mainly online) for businesses to use in ongoing innovation work.
 - **TakeITon** – the ERDF funding has given scope to extend this project, giving IT business support to SMEs across the region, through Business Link.
 - **Adnams Bio Energy Anaerobic Digestion Facility** – Adnams will involve the development of an Anaerobic Digestion facility, which will work from waste from the nearby Adnams brewery as well as other private sector firms.
 - **Rev-Active** - the project is focused on providing support to SMEs on sustainable consumption and will use a more targeted approach to other support projects.
 - **Resource Efficiency East:** this project is trialling a number of different tools and techniques to promoting resource efficiency (a diagnostic tool, one to one support, network opportunities).

Strategic Added Value

- lviii. The projects which we have reviewed have demonstrated in many instances strong examples of Strategic Added Value (SAV), including:
- **Leadership:** a number of projects have responded to the need for specific environmental solutions / projects and developed projects as a result. An example of this includes In-Crops.
 - **Synergy:** as indicated above, a number of projects have shown strong synergy with other projects and initiatives across the East of England. However, there are areas for improvement (as cited above).
 - **Engagement:** many of the projects have the potential to engage with a wide range of partners and beneficiaries. The vast majority of projects support SMEs and as such there should be strong engagement with these. In addition, projects will also engage with partners (including FEIs, HEIs, public sector, local authorities and government agencies amongst others).
 - **Influence:** a number of the projects have already been successful at influencing businesses to change their habits in terms of reducing their carbon emissions.
 - **Leverage:** the projects have been successful at leveraging in both public and private funding.
- lix. A number of **recommendations** are set out in this section of the report and these are as follows

Recommendations	
Recommendation	Description
Recommendation 18: ensure a good understanding of market failure principles.	A good understanding of market failure principles should more effectively be embedded within the business planning process, ensuring that projects (and the ERDF team) consistently apply the key principles.
Recommendation 19: ensure objectives are SMART.	Projects need to more clearly set out SMART objectives which are linked to outputs and outcomes. Project guidance could clearly state that objectives are required (currently applicants are asked to state the outcomes they expect to result from projects) which could assist in addressing this issue.
Recommendation 20: ensure synergies between existing projects and those already supported through ERDF.	Continue to ensure that projects which are supported do not duplicate existing activity. Where similar projects are supported (and these should be kept to a minimum), there should be clear synergies between projects and any new schemes should build on what is already available at present. This can be achieved by ensuring that applicants and facilitators carry out consultations with key partners at the project development stage.

Gap Analysis - Priority Axis 1

- ix. Priority Axis 1 is currently a relatively well balanced portfolio of projects, with a combination of more generic business support for innovation, linked to low-carbon goals e.g. SDI, TakeITon, as well as more sector-specific projects e.g. BEST East (construction), InCrops (bio-renewables), SBRI (health technologies) and LEEP (focused on key sectors including energy and environmental technologies). Overall there is a reasonable mix of projects at different levels of intervention, with early engagement projects (e.g. I10) to placements for knowledge transfer (e.g. Shorter KTPs), and through to supporting R&D and commercialisation of new IP (e.g. SBRI).
- lxi. The key projects which should be considered going forward include:
- **ICT solutions.** The greatest requirement under Priority Axis 1 is for ICT solutions. The Martlesham Heath project is in the pipeline, though it should be noted that although this is an ICT technology project, it does not support SME's to improve their performance through ICT. There is potentially a need for more sector-specific solutions, given that the generic TakeITon service is already widely encompassing.
 - **Knowledge Network Support.** There is a need to investigate knowledge network support needs, particularly for target growth sectors linked to low carbon economic growth.
 - **Intensive Knowledge Transfer activities.** Investigate opportunities for more intensive KT opportunities. For example, this could involve extending the Full KTP programme or looking at sector-specific support in target growth sectors linked to low carbon economic growth - particularly where there are specific regional HEI strengths.

Gap Analysis - Priority Axis 2

- lxii. A significant share of funding has gone towards access to finance type activities. Although these activities are clearly necessary for the future success of the SME base in the region and have associated market failure issues, this has meant less funding devoted to other types of enterprise and business development activities. Going forward, it would be desirable for the remaining funds to be allocated in a more focussed manner, possibly via commissioning or targeted calls for project bids. In particular, the following areas are worthy of consideration:
- **Supply chains and procurement.** The development of successful and economically viable supply chains tied to low carbon activity will be an important activity if the benefits of low carbon economic growth are to be fully embedded in the region.
 - **Social enterprise.** Social enterprise as a form of business model is important in the region for a number of reasons. Firstly, low carbon products and services are often associated with social or community enterprise forms of business activity, sometimes in association with ethical consumption. Also important is the possibility of demonstrator projects emerging via PA3 which could be owned and managed using social enterprise models or similar structures such as community development trusts.
 - **Networking and Cluster Development:** investigate opportunity to develop R&D oriented clusters of business activity in sectors closely aligned to the low carbon agenda, especially those, identified within the Low Carbon Innovation Evidence Base document. Also explore clustering and networking opportunities amongst businesses that would support activity funded under PA3 such as renewable energy production and consumption, district heating and off-shore energy.
- lxiii. Some consideration should also be given to additional sectors worthy of support via PA2. This might include elements of the region's manufacturing or advanced engineering sectors.

Gap Analysis - Priority Axis 3

- lxiv. Two of the projects which have been supported - Rev-Active and Resource Efficiency East- provide assistance to SMEs promoting environmentally friendly products and processes. The latter project will, however, have ceased supporting businesses once Rev-Active has started and both use slightly different approaches to targeting and supporting businesses (for example, Rev-Active makes use of thermal imaging). Nevertheless, care should be taken to ensure that there are synergies between these business support projects and others which have been supported under priority axis 1 and 2. The risk is that there may be duplication of activities and there could also be confusion amongst SMEs.
- lxv. Four out of the eight committed projects involve construction of physical projects, with the aim varying from project to project. One of these is the Adnams Bio Energy Plant which is an exemplar for energy efficiency solutions which could have national significance. The Pathfinder Innovation Centres will provide exemplar buildings demonstrating low carbon technologies across two centres (one a retrofit and one a new build). The Centre for Disability Studies will similarly demonstrate low carbon technologies and provide a HQ for Disability Essex whilst the Southend Eco Hub will also provide space for eco-businesses. Going forward, the focus should be on supporting capital projects where these are exemplar or demonstrator projects which can have regional or wider significance (such as Adnams).

- lxvi. The indicative activities specified in the Operational Programme document for priority axis 3 often make it difficult to correlate funded projects with the indicative activities and there is significant overlap between the activities. These could be revised to either (i) provide a more prescriptive range of activities or (ii) provide more general headings which offer less overlap.
- lxvii. A number of **recommendations** are set out in this section of the report and these are as follows

Recommendations	
Recommendation	Description
Recommendation 21: continue to liaise with BIS on 'Solutions for Business' issues.	Work closely with BIS to ensure that priority projects which have regional significance can be supported and aligned with the Solutions for Business agenda (in particular ICT projects where there are difficulties aligning this with the Solutions for Business Products).
Recommendation 22: where feasible and worthwhile, support projects which address gaps in the current portfolio of projects under Priority Axis 1.	<p>A gap analysis which has examined the extent to which projects have met the aims and objectives for that particular priority axis, the indicative activities and Lisbon categories as set out in the OP document has identified a number of gaps, which could provide opportunities for the future. Under Priority Axis 1, the key gaps are:</p> <ul style="list-style-type: none"> • ICT Solutions: this is the greatest requirement under priority axis 1 and there is potentially a need for more sector specific solutions. • Knowledge Network Support: investigate knowledge network support needs, particularly for target growth sectors¹ linked to low carbon economic growth. • Intensive Knowledge Transfer activities: investigate opportunities for more intensive KT opportunities. <p>As well as other activities identified in the Operational Programme document, these gaps should be considered when supporting new projects. Where it is considered appropriate the ERDF team could consider supporting projects within these areas through marketing, targeted bidding rounds or commissioning.</p>
Recommendation 23: where feasible and worthwhile, support projects which address gaps in the current portfolio of projects under Priority Axis 2.	<p>A gap analysis which has examined the extent to which projects have met the aims and objectives for that particular priority axis, the indicative activities and Lisbon categories as set out in the OP document has identified a number of gaps, which could provide opportunities for the future. Under Priority Axis 2, the key gaps are:</p> <ul style="list-style-type: none"> • Supply chains and procurement: the development of successful and economically viable supply chains tied to low carbon activity will be an important activity if the benefits of low carbon economic growth are to be fully embedded in the region. • Social enterprise: these are important since low carbon products and services are often associated with social or

¹ The East of England Low Carbon Innovation Evidence Base, November 2009, Innovas Solutions Ltd in partnership with K Matrix and AEA for the East of England Development Agency set out a number of sectors for future focus. This includes biofuels, bioenergies, crop development, low carbon vehicles, recovery and recycling and carbon capture and storage, offshore wind energy and building technologies

	<p>community enterprise forms of business activity, sometimes in association with ethical consumption. Also important is the possibility of demonstrator projects emerging via PA3 which could be owned and managed using social enterprise models or similar structures.</p> <ul style="list-style-type: none"> • Networking and Cluster Development: investigate opportunity to develop R&D oriented clusters of business activity in sectors closely aligned to the low carbon agenda, especially those, identified within the Low Carbon Innovation Evidence Base document. Also explore clustering and networking opportunities amongst businesses that would support activity funded under PA3 such as renewable energy production and consumption, district heating and off-shore energy. <p>As well as other activities identified in the Operational Programme document, these gaps should be considered when supporting new projects. Where it is considered appropriate the ERDF team could consider supporting projects within these areas through marketing, targeted bidding rounds or commissioning.</p>
<p>Key Recommendation 24: support virement proposals for Priority Axis 2.</p> <p>NB: see pages 91-93 for further justification in respect of this recommendation.</p>	<p>Funds available within Priority Axis 2 should be increased by an amount in the region of £5 million. There are three key reasons for this proposal: the funding available under this priority is close to being exhausted currently; a significant volume of funding has gone into SME finance projects, meaning that the overall range of activity funded to date is relatively limited; and, there appears to be continuing demand for project activities that would fall under this axis. The delivery of these activities will help considerably in supporting the increased competitiveness of the regional business base. We recommend that funding within PA2 is increased via a virement of funds specifically from PA3.</p>
<p>Recommendation 25: where feasible and worthwhile, support projects which address gaps in the current portfolio of projects under Priority Axis 3.</p>	<p>A gap analysis which has examined the extent to which projects have met the aims and objectives for that particular priority axis, the indicative activities and Lisbon categories as set out in the OP document has identified a number of gaps, which could provide opportunities for the future. Under Priority Axis 3, the key gaps are:</p> <ul style="list-style-type: none"> • Clean technology / renewable energy demonstrator projects. Demonstrator projects which test new techniques and technologies and which have the potential to be of wider significance (both national and international) is the greatest requirement under PA3. These could offer new approaches to clean technology and renewable energy (including wind, solar, hydroelectric, geothermal, CHP and others). This would build on successful ideas which are currently being developed such as the Adnams Bio Energy projects. • Flagship business space. There may be a requirement for one or more flagship business space projects, however only where there is a clearly identified need and where there is a well defined project. However, due to the

	<p>recession there is likely to be a need for softer business support (rather than workspace) which could be better supported under PA3.</p> <ul style="list-style-type: none"> • Low carbon communities. Projects which support local jobs and business growth in a manner which generates low carbon outcomes. This could include transport projects amongst others. • Social Enterprise. These projects could be supported under PA2. <p>As well as other activities identified in the Operational Programme document, these gaps should be considered when supporting new projects. Where it is considered appropriate the ERDF team could consider supporting projects within these areas through marketing, targeted bidding rounds or commissioning.</p>
Key Recommendation 26: support proposals for £5 million of PA3 funding to be diverted towards PA2 activities	In line with key recommendation 24, funds for PA3 should be reduced by £5 million. Funds available within Priority Axis 2 should be increased by an amount in the region of £5 million. Further information about the rationale for this move are set out on pages 91 to 93 of this report.

Match Funding

- lxviii. The Operational Programme anticipated that the ERDF funding would be more than 50% match funded by public sector funding, which the programme has not achieved to date, due to the high proportion of private sector match achieved. The total match funding makes up 61% of total projects costs, however this 61% comprises 27% public sector match and 34% private sector match.

Table ES5: ERDF Match funding for contracted projects to date by public / private sector		
	Amount (£m)	Proportion of total
ERDF Funding Allocated	40.8	39%
Public Sector Match	28.9	27%
Private Sector Match	35.6	34%
TOTAL	105.2	100%

- lxix. Generally the key funding partners are as anticipated in the Operational Programme – including EEDA, local authorities and funding through Universities and Colleges. There has been no match funding in contracted projects to date from HCA (successor to English Partnerships) however, which was a key source indicated in the Operational Programme, and which according to our analysis of future funding appears to remain a key opportunity.
- lxx. The future review of available eligible match funding highlights that there are numerous opportunities for match funding from the public sector, with the programme only required to successfully match £1 out of every £16 of available eligible public funding, in order to secure the match funding for the programme. Even under cuts of 50% to these budgets post-2011, the programme would only need to match £1 out of every £11 of available eligible public funding. Given the success in securing private sector match, however, even this level is not required. The scale of match funding opportunities should give some confidence to the programme management that they can maintain a strong strategic focus for the programme, rather than having to weaken some of the key principles in order to

secure match funding going forward.

lxxi. Going forward the analysis highlights a different picture for different potential public match funding partners:

- **Local Authorities** – the region attracts little LEGI / WNF funding, and as yet there is no indication that this will continue post-2011. There are likely to be key capital fund projects, however these are also likely to be scaled back in the coming years as local authorities face spending cuts.
- **Universities / Colleges** – the analysis shows that universities and colleges are well placed to access a wide range of funding sources with potential alignment to the programme, with HEIF funding in particular a very relevant opportunity.
- **EEDA** – there is strong alignment between the ERDF Competitiveness Programme and EEDA's corporate plan themes – particularly around business support; science, innovation and high level skills; and sustainable economy.
- **Other Public sector sources** – our research has highlighted key opportunities to access match funding in several areas of the public sector, including major house-building projects supported through HCA, NHS Regional Innovation Funding, Environment Agency business guidance work, emissions reductions and efficiency increases in transport operations. These budgets are likely to be affected by budget cuts in the coming years, which may affect levels of match funding available, but equally may increase interest in seeking external funding to boost their programmes.

lxxii. Despite the significant levels of potential match funding available, there are concerns amongst stakeholders that there will not be sufficient match for the programme. We highlight a number of key obstacles below:

- **Bidders lacking motivation to apply** – for many potential bidders, the complexity of ERDF funding and timescales for approval are a significant de-motivator to applying.
- **Bidders unable / unwilling to align projects with ERDF objectives** – the tight requirements of ERDF funded projects, both around eligibility and around required outputs and results, can skew the focus of a project, and many bidders are unwilling to make their projects fit these requirements.
- **Impractical bidding timescales** – where available match funding needs to be spent within a specific timescale there may not be sufficient time to secure ERDF funding, in order that the available match can be defrayed within its own required timescale.
- **Already-contracted projects** – in many cases the available public funding set out in our analysis will be contracted over a number of years, in which case it will not be possible to secure ERDF funding against this, due to ERDF funding regulations, without re-contracting.
- **ERDF Management wishing to maintain a balanced portfolio of projects** – clearly to maintain a balanced portfolio, the ERDF management will need to limit allocations to certain types of projects, and thus certain sources of funding will only be valuable up to a limit e.g. only a small proportion of the £24m annual funding from HCA (2010-11 onward), which will be largely capital build funding, is likely to be appropriate for match funding for the ERDF Competitiveness Programme.
- **ERDF Management's interpretation of 'Low Carbon', 'Region-wide impact' and 'Exemplar projects'** – these principles are not tightly defined in the programme

guidance, and the flexibility in applying these will impact on the potential for particular projects and new match funding to be used as match.

- lxxiii. A number of **recommendations** are set out in this section of the report and these are as follows

Recommendations on Match Funding	
Recommendation	Description
Recommendation 27: discuss with central government the potential for relevant national funding to be used as match funding.	Certain national funding such as TSB are currently problematic as match funding to support the Competitiveness Programme. This appears to be a missed opportunity given the potential contribution which the programme could make to supporting national agendas. The ERDF team should work closely with Departments such as BIS and DECC to assess the potential for synergies and flexibilities rule where this will lead to opportunities to enhance the East of England Competitiveness Programme and support national objectives. Further discussions may be required in terms of other funding such as the Strategic Investment Fund and other opportunities (from DECC, DfT and BIS) as they arise.
Recommendation 28: review the potential for a broader range of funding sources to be used as match funding.	Going forward, given increasing public sector spending cuts, there is a need to be more creative when identifying match funding opportunities. A broader range of sources are likely to be necessary, for example funding from Housing Associations, Transport Providers, Health organisations and utilities companies, could be used where this is relevant to specific organisations. Other sources may include international bodies (such as overseas research institutes specialising in low carbon).

1. Purpose and Scope of Report

Introduction

- 1.1 Regeneris Consulting was commissioned in January 2010 to carry out an interim evaluation of the East of England European Regional Development Fund (ERDF) Competitiveness Programme. The purpose of the evaluation is to inform immediate improvements in the delivery of activities at project and programme levels and to inform future funding allocations to be made by the programme.

Evaluation Objectives

- 1.2 This interim evaluation is intended to make recommendations on the following:
- Whether and to what extent the programme strategy and focus as set out in the OP document is still relevant to the socio-economic circumstances of the region and is still consistent with other strategies for the region;
 - The initial progress which the programme is making towards achieving the objectives set out in the Operational Programme document including the relationship and coherence of the programme priority axes, coherence and synergy with community and national policies;
 - Progress towards achievement of programme indicators (outputs and results) including any early issues in relation to targets and deliverability;
 - The quality and effectiveness of the programme's implementation and management including the identification of any weaknesses in systems or processes plus an assessment of value for money.

Overview of the East of England ERDF Competitiveness Programme

Context

- 1.3 The East of England exhibits a number of unique characteristics which has informed and guided the development of the Operational Programme, including:
- A strong research and development base with research facilities at UEA (Tyndall Centre for Climate Research) as well as Cranfield and Cambridge. However, there is limited penetration into the economy and therefore knowledge transfer is important.
 - Relatively low business start-up rates in parts of the region, especially the more remote rural areas. There are also lower business survival rates especially in parts of Suffolk and Norfolk.
 - Plans for substantial growth. In the period to 2021, there are proposals for 500,000 net additional dwellings and 450,000 extra jobs, increasing the population of the

region to nearly 6 million. This presents opportunities for the region in terms of low carbon living and working but also challenges in terms of depletion of resources and increasing CO2 emissions.

Programme

- 1.4 The East of England's ERDF allocation under the EU Competitiveness and Employment objective for the period 2007-2013 is €110.9 million (currently about £100 million). The East of England has one of the UK's smallest Competitiveness and Employment Programmes.
- 1.5 The East of England region's Competitiveness Operational Programme adopts the headline vision set out in the Regional Economic Strategy at the time the programme was approved in 2007: *"A leading economy founded on our world class knowledge base and the creativity and enterprise of our people, in order to improve the quality of life of all who live and work here."*
- 1.6 Four more specific programme-level objectives follow which are:
- **Objective 1:** to capitalise on the region's strengths in research and development and to ensure that more businesses are genuinely innovative.
 - **Objective 2:** to increase the productivity of the region's businesses and encourage economic activities that are based on higher skill levels, particularly in those parts of the region that are set for substantial growth
 - **Objective 3:** to encourage higher levels of business start-up and growth, particularly in activities that are consistent with lower carbon economic growth
 - **Objective 4:** to enhance resource use efficiency amongst the regions businesses and to accelerate the development of the environmental goods and services sector (including the continuing development of both "clean technology" businesses, products and services, and renewable forms of energy).
- 1.7 The programme is unique to other ERDF Competitiveness programmes in that it is guided by a meta-theme – **towards low carbon economic growth** – this provides the highest level statement of programme intent and guides all projects which are supported under the programme. This has been developed to provide the programme with a strategic focus and ensure that it can have the greatest impact given the relatively small programme.
- 1.8 The Programme focuses on the first three priorities identified in the National Strategic Reference Framework:
- **Priority Axis 1:** promoting innovation and knowledge transfer with the intention of improving productivity
 - **Priority Axis 2:** stimulating enterprise and supporting successful business by overcoming barriers to business creation and expansion
 - **Priority Axis 3:** ensuring sustainable development, production and consumption.

Evaluation Approach

1.9 A comprehensive set of tasks have been undertaken to inform this evaluation which are:

- **Extensive consultations with key individuals:** a full list of consultees has been provided in Appendix A. The key groups which have been consulted to inform this evaluation are:
 - Project delivery staff within the East of England ERDF Competitiveness team including facilitators, management, appraisal and monitoring officers.
 - Key EEDA staff, including those with a remit for enterprise and sustainability.
 - Other partners and stakeholders across the region. We have spoken to representatives from the region's Local Strategic Partnerships as well as Higher Education representatives, business support organisations and voluntary and community organisations. This incorporates individuals involved in the management of the programme.
 - National and European representatives. We have spoken to key individuals in government departments including BIS, DECC, CLG and key individuals within the commission (including those with a remit for ERDF and representatives with a remit focused on the environment and sustainability).
- **Project reviews:** we have carried out a review of seventeen projects in the East of England which have received ERDF funding. The overall purpose is to understand whether the projects which are being supported demonstrate strong evidence of fit to regional conditions, Priority Axis objectives as well as Lisbon Agenda themes, and the extent to which they will contribute to overall programme goals and targets. The reviews involved consideration of key project information (including the business plan) and a meeting with the project manager.
- **Review of programme information and data:** a comprehensive review of information and data on the programme (particularly spend and outputs) has been carried out to understand the aims and objectives of the programme and its achievements. This includes the Operational Programme document and ERDF prospectus amongst others.
- **Gap Analysis:** we have carried out a review of the projects supported under each priority axis to understand their fit with the priority axis aims, indicative activities and Lisbon categories set out in the Operational Programme document. The purpose of this analysis is to understand where there may be potential gaps in the projects supported.
- **Match Funding Review:** given the constraints on public sector funding going forward, we have carried out a review of the likely levels and sources of funding which might be used to match ERDF projects for the next phase.

Report Structure

1.10 The remainder of this report is set out under the following headings:

- Section 2: Context Review
- Section 3: Programme Performance
- Section 4: Systems and Structures Assessment
- Section 5: Project Reviews and Gap Analysis
- Section 6: Match Funding Review
- Section 7: Summary of Recommendations

2. Context Review

- 2.1 This section provides an overview of the socio-economic conditions for the East of England and reviews the policy context to understand whether the focus of the programme is still relevant given that the Operational Programme document was written in 2007, pre-recession. Key data and information is provided in Appendix C and a summary of the key points is provided below.

Socio-Economic Assessment

Area and Demographics

- 2.2 The region's population grew by 165,000 people (3%) between 2005 and 2008 outstripping the national growth rate of 1.9%. Recent growth has been concentrated in the south of the region (as shown below). The Working Age Population has increased by 85,000 people since 2005, although there has been a decline in the proportion of the region's total population that are of working age.

Table 2-1: Resident Population Trends 1985-2008 (000s)

Area	1985 (000s)	1995 (000s)	2005 (000s)	2008 (000s)	Absolute change 2005-08 (000s)	% change 2005-2008
England and Wales	49,860	51,270	53,420	54,440	1,020	1.9%
East of England	4,965	5,205	5,565	5,730	165	3.0%
Essex	1,225	1,270	1,350	1,395	45	3.3%
Hertfordshire	985	1,000	1,050	1,080	30	2.9%
Norfolk	720	765	825	850	25	3.0%
Cambridgeshire	475	525	585	605	20	3.4%
Suffolk	625	650	695	715	20	2.9%
Central Bedfordshire	215	225	245	255	10	4.1%
Luton	165	180	185	190	5	2.7%
Southend-on-Sea	155	165	160	165	5	3.1%
Thurrock	125	135	150	150	0	0.0%
Bedford	130	135	155	155	0	0.0%
Peterborough	145	160	165	165	0	0.0%

Source: Mid-year population estimates (1985 – 2008). Nomis (www.nomisweb.co.uk). © Crown Copyright
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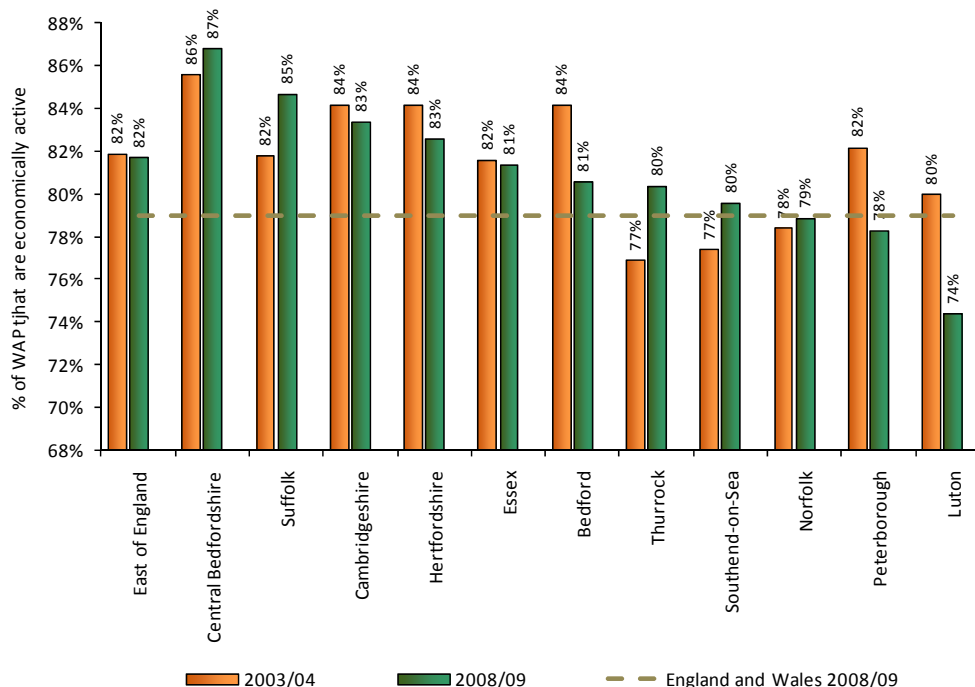
- 2.3 The trend towards an older population, with a higher proportion of the population of a retirement age was recognised in the OP. The continuation (and slight worsening of this trend) underlines the importance of maximising economic activity rates and business productivity in the region.

Employment and Skills

- 2.4 The East of England continues to enjoy much higher rates of economic activity than nationally. 82% of the region's WAP are economically active compared to 79% nationally. This proportion has remained unchanged since the OP was published, although there have

been significant changes at the sub regional level.

Figure 2-2: Economic Activity of Working Age Population, 2008



Source: Annual Population Survey and the Local Area Labour Force Survey. ONS, Nomis (www.nomisweb.co.uk). © Crown Copyright Material is reproduced with the permission of HMSO

- 2.5 The recession has had a marked impact on levels of unemployment in the region. The number of unemployed residents in the region increased by 43,000 between 2005/06 and 2008/09 and the number of Job Seekers Allowance claimants more than doubled between May 2008 and May 2009.
- 2.6 The impact on the region's unemployment rate has not been as large as nationally. The rate increased by 1.4 percentage points (to 6%) compared to two nationally, which brought the national rate up to 7.2% for England and Wales.
- 2.7 In summary, the region's employment rate has not been as badly affected by the recession as elsewhere in the UK and Claimant Count data indicates that the growth in unemployment has halted and the number of claimant has started to level off. Although, a large number of new jobs will need to be created to allow the claimant rate to return to its Jan 2008 level of 1.7%. It is unclear how the recession has affected the number of businesses in the region, although the sharp increase in unemployment suggests there will be, at the very least some stagnation in the business base (or a net loss of businesses at worst). Recovering growth in the region's business base (in absolute number of businesses and in terms of employment) should be a focus for the programme.

Competition and Enterprise

- 2.8 The East of England region enjoys a high business density in relation to the rest of the country and has some particularly strong sub-regional performers especially Hertfordshire.
- 2.9 The number of businesses and regional business density has continued to rise in the East of England. Although the latest available data does not fully reflect the impact of the recession.
- 2.10 In spite of a strong business density, the region's GVA per head is slightly lower than nationally, although some sub-regions (notably Peterborough and Hertfordshire) perform very strongly in terms of GVA.

Table 2-1: Sub regional GVA per head (£) Workplace basis UK = 100

	2001	2004	2007
UNITED KINGDOM	100	100	100
East of England	94	95	96
Peterborough	117	124	135
Hertfordshire	121	119	119
Cambridgeshire CC	99	99	106
Luton	106	108	106
Suffolk	86	87	88
Bedfordshire CC	91	91	87
Essex CC	81	84	85
Norfolk	80	83	83
Southend-on-Sea	84	84	79
Thurrock	82	82	79

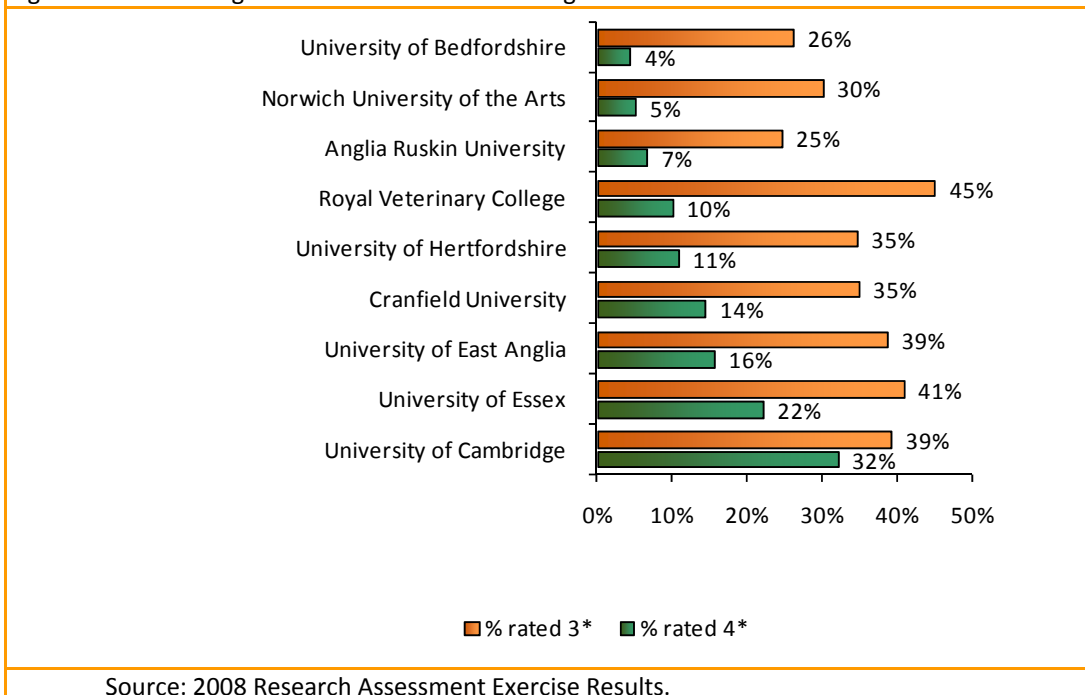
Source: ONS

- 2.11 Entrepreneurial activity rates are slightly lower in the East of England than nationally, although the region's rates have increased between 2005 and 2006, while nationally the rate has declined slightly. Finally, the annual number of new business formations in East of England increased between 2004 and 2007, although the impact of the recession is not likely to be fully reflected until the 2008 VAT registrations and deregistrations figures are released in December 2010.

Innovation and Research

- 2.12 The region has some very valuable knowledge assets including the University of Cambridge. There is also a large concentration of highly rated researchers. The 2008 Research Assessment Exercise (RAE) shows that a quarter of Category A staff submitted for the assessment were rated as 4*. 10% of the UK's 4* rated researchers are working at institutions within the East of England.
- 2.13 The majority of the region's 4* rated researchers are located in a small proportion of the Knowledge Based Institutions in the region. Between them, the University of Cambridge and University of Essex employ more than half of the region's top rated researchers.

Figure 2-3: RAE ratings for researchers in East of England Institutions

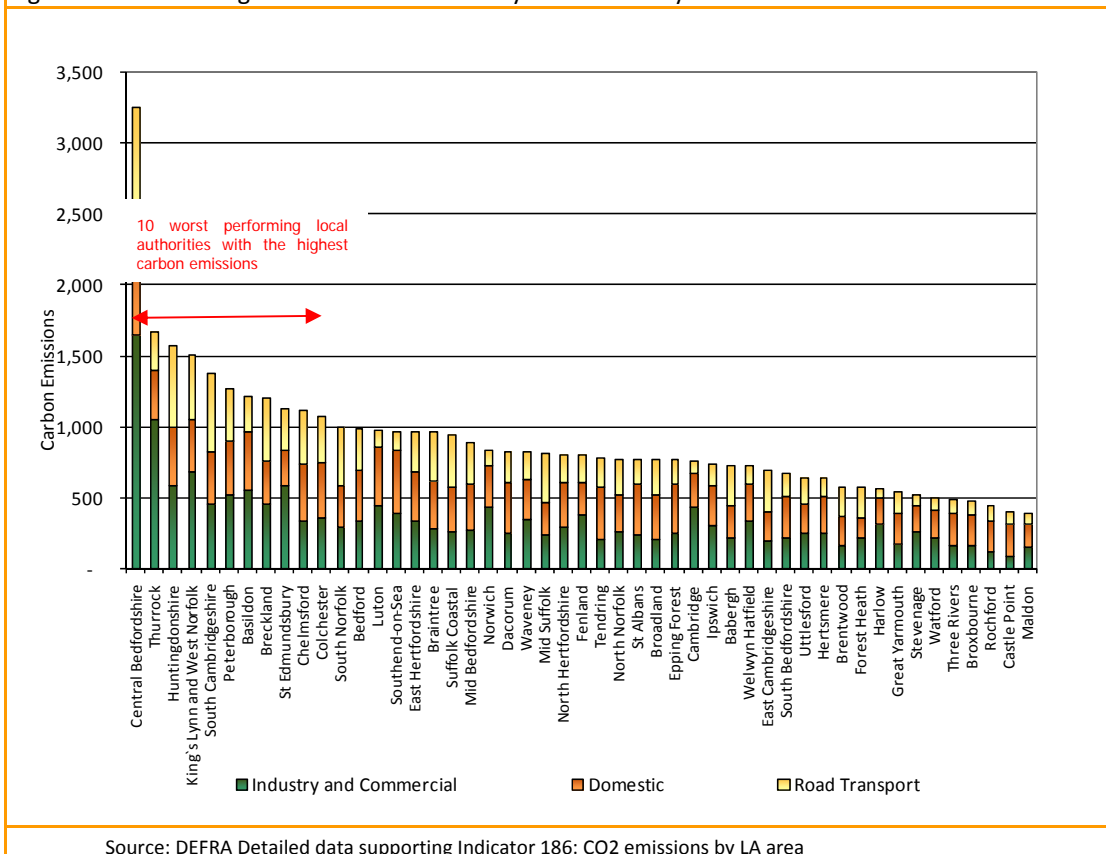


- 2.14 The region's business base already performs well on innovation indicators. The majority of them are classed as innovation active. Currently, 69% of the region's businesses are classed as innovation active (according to the 2007 DIUS Innovation Survey). This is a larger proportion than nationally (64%) and 14 percentage points greater than in 2005.
- 2.15 The strength of the region's knowledge base provides an opportunity for the region to (i) attract knowledge intensive industries into the region and (ii) enable improved productivity through innovation in businesses already present in the region.

Relationship between Economic Growth and Carbon Emissions

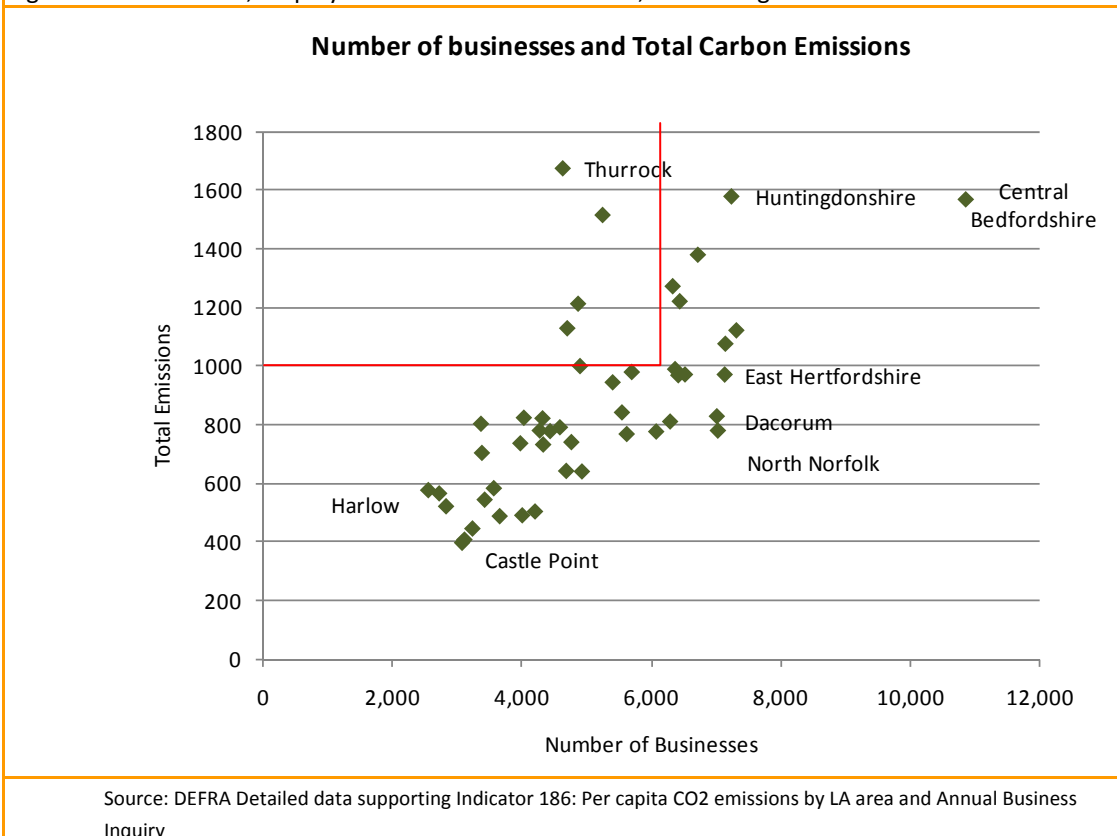
- 2.16 There is a close correlation between economic output and carbon emissions. Analysis indicates that the East of England sub regions with the largest GVA have greater carbon emissions.
- 2.17 The figure below shows the variation in total emissions by local authority. In those authorities with high total emissions (such as Central Bedfordshire and Thurrock, which together account for 12% of the regional; total), there is a very significant industrial and commercial element to the emissions. 63% of the total in Thurrock and 51% in Central Bedfordshire is from industrial and commercial sources compared to a regional average of 38%.

Figure 2-4: East of England carbon emissions by local authority area



- 2.18 At the local authority level, the number of businesses and employment is linked to carbon emissions as shown in the figure below. This shows that there is a clear relationship between the absolute number of businesses within the local authority and the amount of carbon emitted. Central Bedfordshire, Huntingdonshire and Thurrock have the largest total carbon emissions although the size of their business bases varies significantly. Thurrock's particularly high emissions and relatively small business and employment base is likely to be linked to its port function and strong base of transport and logistics companies.
- 2.19 North Norfolk, Dacorum and East Hertfordshire also have significant business bases (of a similar scale to Huntingdonshire) but their emissions are much lower. These areas are predominantly rural. For example, 48% of North Norfolk's LSOAs are classified as rural compared to 19% in Huntingdonshire.
- 2.20 In the future, the ERDF Competitiveness programme could take a more targeted approach, giving regard to those local authority areas with the highest level of carbon emissions (whilst ensuring the programme maintains a regional focus). The chart below shows those local authorities with high carbon emissions and a relatively small business base (the left hand quadrant). This targeting would of course need to consider in more detail why local authorities have such high emissions and linked to this whether ERDF may be the most appropriate route to tackle these issues.

Figure 2-5: Businesses, employment and carbon emissions, East of England Local Authorities



- 2.21 Like other parts of the UK, the East of England has been impacted by the recession. The nature of the ERDF Competitiveness programme which has a focus on low carbon economic growth, does in many ways respond to the recession by focusing on a sector identified for future growth. A number of the projects which have been supported are focused on improving a firm's efficiency and introducing cost savings through implementing sustainability measures and this in itself helps firms compete in a recession. A series of Access to Finance projects have been supported under the programme and this too will help support SME's during difficult economic times.

Policy Context

Strategy Review

- 2.22 The period 2008-10 since the publication of the Operational Programme has seen a major raft of new national and regional policy and strategy documents, some of which were well-advanced and anticipated at the time of writing the OP as well as others which were not.
- 2.23 Much of the relevant strategy and policy in this period is significantly influenced by response to the recession and planning for the economy post-recession. The other factor of major note across the review is the increased focus on environmentally sustainable development, taking account of climate change imperatives, and the economic opportunities provided by environmental goods and services markets.

International

- 2.24 Europe 2020, which was published in March 2010 sets out a strategy for smart, sustainable and inclusive growth. The strategy puts forward three mutually reinforcing priorities: Smart growth: developing an economy based on knowledge and innovation; Sustainable growth: promoting a more resource efficient, greener and more competitive economy; and, Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.
- 2.25 The Commission proposes a number of EU headline targets, one of which is that the "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right). This reinforces the importance of the East of England ERDF Competitiveness Programme at a European level.

National

- 2.26 At a national level, the Government published New Industry, New Jobs, its strategic vision for the recovery from recession and long term economic development, and a number of linked successive documents detailing how this will be delivered and the wider impacts (including Going for Growth, Jobs of the Future, and the UK Low Carbon Industrial Strategy). This set out the importance of the low carbon sector in supporting the economic recovery of the UK.
- 2.27 Following on from the Climate Change Act, the Government published the UK Carbon Transition Plan, setting a roadmap to 2020 for the transition to a low carbon economy. Eco-towns plans have also advanced, with Rackheath, Norwich named in the PPS1 eco-towns supplement as one of the four eco-towns that will be developed.
- 2.28 There have also been several key papers setting out the Government's policy approach going forward, around innovation (Innovation Nation, 2008); enterprise (Enterprise: Unlocking the UK's talent, 2008); skills (Skills for Growth: National Skills Strategy, 2009); Universities (Higher Ambitions, 2009) and digital infrastructure (Digital Britain, 2009).
- 2.29 The table below illustrates the alignment which the East of England ERDF Operational Programme has with a wide range of national strategy document. This demonstrates that the focus on low carbon economic growth fits extremely well with current national policy. This view has been supported by a number of the departments which we have spoken to, including BIS, DECC and CLG.

Table 2-2 National Policy / Strategy alignment with East of England ERDF Competitiveness Programme				
Policy / Strategy	Axis 1: Innovation	Axis 2: Enterprise	Axis 3: Sustainability	Additional comments
New Industry, New Jobs				Focus on low carbon economic growth.
Going for Growth				Focus on low carbon economic growth, which is positive. However, the Plan emphasises global trade / export markets which OP is not strong on.
Low Carbon Industrial Strategy				Supports all axes although more national level actions.
Low Carbon Transition				Possibly opportunities for greening businesses

Plan				which the OP could address
PPS1 Eco Towns				Possible opportunities for Axis 3 projects through Rackheath devt
Building a Low Carbon Economy – Unlocking Innovation and Skills				
UK Environmental Transformation Fund Strategy				New ETF funding as possible match.
Digital Britain				Possibly a stronger emphasis on importance of digital connectivity for business than in OP
Innovation Nation				Possibly a stronger emphasis on developing spatial cluster strengths in support of innovation.
Enterprise – Unlocking the UK's talent				More emphasis on earlier stages of encouraging enterprise skills / culture than in OP.
Jobs of the Future				Sets out actions for sector devt for low carbon economy but also other growth sectors which are not currently included in the OP
Higher Ambitions				Re-emphasises economic role of Universities even in tighter economic climate.
Skills for Growth				Skills strategy - complements OP aims.

Regional

- 2.30 At a regional level, the 2008-31 Regional Economic Strategy has been published. Much of this had been anticipated in writing the initial OP, in particular there is now a stronger emphasis on low carbon economic growth. The EEDA Corporate Plan 2008-11 was also updated in 2009, and has reallocated resources in light of the recession, reduced budgets, and new national policy. The East of England Implementation Plan sets out how the region is working together to deliver the vision and priorities set out in the Regional Spatial Strategy (RSS) and the Regional Economic Strategy (RES). The plan sets out a number of headline targets for the region including the reduction of CO2 emissions by 60% (on their 1990 level) by 2013. The plan sets out a number of programmes to achieve this including the development of low carbon energy sectors.
- 2.31 Whilst there are clear synergies between the RES and OP, the East of England Operational Programme will need to be updated to ensure that it is fully aligned to the latest Regional Economic Strategy and the East of England Implementation Plan.
- 2.32 The European Social Fund 2007-13 regional framework was revised last year, taking account of changing priorities in the recession, as well as to changing national policy, including a stronger focus on key growth sectors highlighted in New Industry, New Jobs (such as the low carbon sector).
- 2.33 Bringing together an action plan for the Regional Economic and Spatial Strategies, the East of England Implementation Plan has also been drafted and will be published early in 2010, setting out the key actions for strategic development of the region.

Recommendation 1: Ensure synergy with key strategies and programmes. There is need to continue to ensure that there are strong synergies between the East of England ERDF Competitiveness Programme and relevant strategies and programmes. This should include the European Social Fund (ESF) programme and the ERDF Territorial Cooperation Programmes.

Consultations with Key Departments

European Commission

- 2.34 In order to inform this evaluation, we have carried out a number of face to face consultations with individuals within the European Commission (a full list of people we have spoken to is included in Appendix A). The purpose of the discussions was to understand their views about the ERDF Competitiveness Programme and to ensure that this has strong synergies with European policy. The key points from the discussions are summarised below.
- 2.35 The European Commission was extremely positive about the East of England ERDF Competitiveness Programme and its focus on low carbon economic growth. They confirmed the fact that the programme has extremely strong synergies with European policy.
- 2.36 It would be beneficial for the East of England ERDF Competitiveness Programme to make links with other regions of a similar size and with similar environmental issues. This would enable lessons on best practice to be shared across regions and could open up opportunities for collaboration. The European Network of Environmental Authorities for the Cohesion Policy (ENEA) may be a key mechanism to achieve this since it brings together experts from environmental administrations and international organisations such as the Regional Environmental Centre, and environmental NGOs.
- 2.37 The European Commission is supportive of a sectoral approach to reducing carbon emissions. This involves identifying the key sectors which have the highest carbon emissions and target these in terms of support (e.g. transport, agriculture and housing). There is also a view that increasing renewable energy does not necessarily translate into a decrease in carbon emissions and instead there needs to be a shift in people's behaviour.
- 2.38 They have also suggested developing a road map or trajectory to identify the target in terms of carbon emissions up to 2013 and how the East of England intends to reach this point with a number of milestones.
- 2.39 The European Commission's main focus is on developing new technologies which can provide cheaper low carbon methods on a larger scale. They are taking a longer term view in terms of their investment, rather than a short term view (e.g. subsidies of low carbon initiatives). The Strategic Energy Technology (SET) Plan presents a strategic plan to accelerate the development and deployment of cost-effective low carbon technologies, comprising measures relating to planning, implementation, resources and international cooperation in the field of energy technology. The Commission has drawn up Technology Road Maps 2010-2020 for the implementation of the SET plan. These prioritise the different needs of the technologies, depending on the stage of development and maturity, balancing shorter term needs with longer term innovation potential. They also identify indicative costs.
- 2.40 The Strategic Energy Technology Plan Information System (SETIS) provides a range of information to support the European Energy Technology Policy. The tool will be beneficial in

making decisions about future projects under the ERDF Competitiveness programme since SETIS identifies key technologies, their R&D potential and benchmark energy costs. The tool is available at the following location: <http://setis.ec.europa.eu/>.

- 2.41 Identified in the SET-Plan is the Smart Cities initiative which has the objective to create the conditions to trigger the mass market take-up of energy efficiency technologies. The initiative will support ambitious and pioneer cities and regions that would transform their buildings, energy networks and transport systems into those of the future, demonstrating transition concepts and strategies to a low carbon economy. Participating cities and regions will be expected to test and demonstrate the feasibility of going beyond the current EU energy and climate objectives – i.e. towards a 40% reduction of greenhouse gas emissions through sustainable production, distribution and use of energy by 2020. The aim is that by 2020, the Smart Cities initiative will put 25 to 30 European cities/regions at the forefront of the transition to a low carbon future.

Recommendation 2: continue dialogue with the European Commission to maximise opportunities for the programme to have wider significance. There are opportunities for the East of England ERDF Competitiveness Programme to have wider significance beyond the UK. The focus should be on influencing European policy and in securing tangible benefits for the programme. Following on from our discussions with the European Commission, a number of opportunities have been identified most notably:

- Draw on the information in the Strategic Energy Technology Plan (SET-Plan)² and on SETIS (the SET-Plan information system)³ to inform future project opportunities, ensuring (where possible) synergies with European priorities for investment.
- Examine the potential to join the SMART Cities initiative, through continuing dialogue with key individuals in the Commission.
- Examine the potential for collaboration with the European Commission on developing an agreed mechanism for measuring carbon reduction across individual projects funded through this programme.
- Continue dialogue with key individuals within the Commission to identify other opportunities for synergy and communicate the impact of the programme with the commission (e.g. through a case study about the programme within the 5th Cohesion Report).

- 2.42 In the future, the European Commission will be particularly interested to understand the impact of the programme (in terms of a reduction in carbon emissions and economic growth) as well as evidence of good practice, and what works (including tools, which can be replicated).
- 2.43 For the 2007-2013 programming period, ERDF funding can support trans-national and inter-regional actions. This means that ERDF Competitiveness programmes can choose whether to fund projects which allow collaboration with one of the 27 EU Member States. In the East of England, this could support a range of activities including 1) sharing of information on low carbon activities/research 2) sharing experiences, results and good practices with other

² http://ec.europa.eu/energy/technology/set_plan/set_plan_en.htm

³ <http://setis.ec.europa.eu/>

Member States 3) the development of complementary approaches and joint action on low carbon projects with other regions. Currently, the East of England Competitiveness Programme does not support these activities but going forward they may wish to consider using some funds to support transnational actions. If it is decided that this is worthwhile, the programme will need to make a case to the European Commission. Further discussions with the European Commission are required in the first instance.

- 2.44 One possible area of focus could be in developing micro generation technologies since there is expected to be a potential shortfall in supply as demand develops due to the feed in tariffs which are proposed. This could be more of an issue as some larger businesses go down this route as they recognise they can reach a double financial gain if they combine gains from feed-in tariffs with the Carbon Reduction Commitment.

Key Recommendation 3: consider the potential to direct some funding towards trans-national activities. The ERDF team should consider the potential to direct some funding (up to a small amount to be agreed) towards transnational activities. This may be particularly worthwhile where it opens up opportunities for the East of England to develop links with regions which are more advanced in their low carbon capabilities and where lessons can be learned and shared between regions through complementary approaches or joint action. The ERDF team should carry out discussions with the European Commission in the first instance to understand their requirements and balance this with the potential advantages which could be gained from trans-national projects (see box below).

The case for considering the potential to direct some funding towards transnational activities

There are a number of benefits which could emanate from developing links with other regions within the EU:

- This approach could allow the East of England to learn from other regions which have greater expertise and knowledge in low carbon.
- It could allow for greater innovation to take place between partners than might otherwise take place, through the introduction of other ideas which might not have previously been considered.
- It could allow for a larger amount of funding to be pooled together towards a specific project, which could allow a project to be more deliverable or result in a greater impact.
- It could allow for partnerships to be developed between the East of England and other EU member states, which could result in other opportunities for the programme in the future.

The ERDF team should consider these benefits alongside the requirements from the Commission in supporting these activities to determine whether this will be beneficial for the programme.

- 2.45 Linked to this, Territorial Co-operation Programmes may also be relevant. For example there may be potential to add value to the existing Competitiveness Programme funded projects by developing a cross border or transnational dimension where this would add value. This would allow projects to be promoted further afield and could allow for expertise in the East of England to be strengthened.

National Government Departments

- 2.46 In order to inform the evaluation, we have spoken to a number of government departments.

They key points from our discussions are as follows:

- Department for **Business Innovation and Skills (BIS)**: the contact with whom we consulted focuses on ensuring that the ERDF projects which are supported demonstrate a strong alignment with the Solutions for Business products. His view was that the programmes which were being supported in the East of England demonstrate a strong alignment. There are plans for a representative from BIS (a Regional Relationship Manager) to become more involved in each of the ERDF Competitiveness Programmes which opens up opportunities for stronger representation (for example on PIG). BIS is also looking at providing generic environmental business support online and as such there are opportunities for lessons from the East of England ERDF Competitiveness Programme (such as the tools being developed under the Resource Efficiency East Programme). **The ERDF team should pursue both of these opportunities.**
- **Department for Energy and Climate Change (DECC)**: the East of England region is viewed upon as being the leading region in the UK in terms of its expertise in low carbon. The focus should be on delivering strong projects which are shown to work in the East of England itself so that they can be rolled out elsewhere (e.g. In-Crops could be rolled out across other regions). The key opportunities are seen to be in offshore wind (e.g. supply chains for the renewable energy sector). They felt that the ERDF team should write-up its best practice and share with other regions. The team should seek to do this since it would help to raise the profile nationally.
- Additional consultation with representatives at DECC illustrated the challenges involved in securing genuine low carbon economic growth with only relatively limited ERDF funding. The East of England region receives a much lower allocation of funds than other regions, reflecting its relatively positive economic profile. This makes it difficult to achieve substantial economic change via structural funding alone. Therefore, there is a greater need for the East of England region to identify, deliver and then publicise projects that have strong 'demonstration' potential. In particular, within Priority Axis 3, DECC would be keen to see projects involving local renewable energy generation, district heating and specific aspects of retrofitting in rural areas coming forward⁴. Projects of this type could be used in part to test the utilisation and application of new technologies and illustrate which approaches operate more effectively in different socio-economic or physical contexts.
- DECC also suggested that given its relatively rural nature, the East of England region could be suitable for testing local energy generation and supply from renewable sources for housing that is not part of the national or regional 'gas-grid'. It is likely that a significant number of older residents in rural communities in the region who own relatively large properties could benefit from this type of energy generation. Economic support for older age groups is also an element included within the European Commission's Europe 2020 Strategy.

2.47 Overall, there is potential to build on the links established with UK central government to

⁴ The Anglia GoWarm Project (under the housing call), which is currently at the Business Case development stage would do this and this project is being part funded by DECC.

benefit both the ERDF Competitiveness programme and to have wider national significance.

Recommendation 4: continue meaningful dialogue with UK central government to identify opportunities for synergy and added value. The East of England ERDF Competitiveness Programme should develop stronger links with national government departments (BIS, DECC). This is particularly true given the focus of the programme on low carbon economic growth, which is closely aligned to evolving national government policy. There are opportunities for synergy and added value to result from collaboration. For example, examine the potential to utilise Technology Strategy Board (TSB) (and other) funding to support the programme or opportunities for the programme to support the 'New Industry New Jobs' agenda. Where there are opportunities for more meaningful representation by central government on governance groups, this should also be pursued.

Conclusions and Implications for the ERDF Competitiveness Programme

Programme Focus

- 2.48 The recession has clearly impacted on the East of England region and its economy and this will have implications for the East of England ERDF Competitiveness Programme. For example, some projects may find it difficult to generate interest from SMEs since some firms see the programme relevance to be incidental to focus on survival in recession (the two issues are in fact mutually reinforcing and not exclusive). There may also be difficulties in SMEs match funding capital projects or other similar support since they do not have the finance available.
- 2.49 Our view is that the East of England Programme is a long term programme and the main thrust of the programme which is focused on supporting low carbon economic growth should not be altered given the recessionary conditions. Our view is that given the changing policy context, the Operational Programme and meta theme is even more relevant since the low carbon sector is seen as being key to the recovery of the UK economy.
- 2.50 On the whole, our discussions with stakeholders have suggested that there is widespread support for the programme's focus on low carbon economic growth. It is recognised that this focus builds on the regions strengths and it is also acknowledged that with the relatively small amount of funds available a strategic focus is required to ensure that the programme has the greatest impact.
- 2.51 A small number of stakeholders with whom we spoke would have preferred a more generic focus for the programme. This was the case where areas would like to see a stronger emphasis on deprived areas. There were some who potentially could not understand how the focus could relate to their own areas and in these instances they would benefit from case studies, which demonstrate how the programme has been successfully implemented in other areas.
- 2.52 Going forward, there is a need to ensure that the Competitiveness Programme is supporting those parts of the region with high carbon emissions (the charts above identify key local authority areas for targeting).

Programme Synergy

- 2.53 As demonstrated above, the East of England ERDF Competitiveness Programme is very well aligned with national and regional policy on sustainable development and enterprise.
- 2.54 One area where there is room for improvement is with the East of England ESF Programme. There is potential for greater complementarity between the ERDF Competitiveness Programme and the ESF Programme with greater co-ordination and synergies between SME projects (supported through ERDF) and skills projects (supported through ESF). This is being achieved to an extent with a cross programme management committee (EPSG) and going forward, this is likely to be easier given that the ESF Programme is likely to have a strong emphasis on supporting skills in the low carbon sector.
- 2.55 Another opportunity is the potential to unlock synergies between other domestic programmes and the East of England ERDF Competitiveness Programmes. The New Industry New Jobs and the Low Carbon Industrial Strategy provide significant opportunities as do the BIS Technology Strategy Board. Going forward, there should be stronger links with these programmes and strategies.
- 2.56 Overall, however our assessment suggests that the programme focus is extremely relevant in the light of the recession and the changing policy focus. As we explain in Section 3, more may need to be done however to ensure that the focus is meaningful to all relevant partners across the region.

Key Recommendation 5: maintain the current low carbon focus of the Competitiveness Programme. Our recommendation is that the focus of the ERDF Competitiveness Programme should not change in the light of the recession and the change in policy focus. In fact, the programme theme – towards low carbon economic growth - is even more relevant with the low carbon sector being cited as being important to economic recovery in the UK.

3. Programme Performance

Programme Spend

- 3.1 Table 3-1 below shows total programme allocations of the programme, including the breakdown between priority axes for ERDF and for public and private sector match funding, working out as £100.6m ERDF Competitiveness funding at present Euro exchange rates. This shows that the greatest levels of funding contribute to Priority Axis 3 and Priority Axis 1 with a smaller portion allocated to Priority Axis 2.

Table 3-1: East of England 2007-2013 ERDF Competitiveness Programme Total Programme Allocations (£m)					
Allocation	Priority Axis 1 - (Innovation and Knowledge Transfer)	Priority Axis 2 - (Enterprise and support for business)	Priority Axis 3 - (Sustainable Development, Production and Consumption)	Priority Axis 4 - (Technical Assistance)	Totals (£m)
ERDF	33.8	24.1	38.6	4.0	100.6
Public	50.7	27.1	48.3	4.0	130.1
Private	0.0	9.1	9.7	0.0	18.7
Total	84.5	60.3	96.5	8.0	249.4

- 3.2 Table 3-2 goes on to show a March 2010 snapshot of funding committed to date under each priority axis, in terms of both ERDF funding and the public and private funding matched against this. Clearly Priority Axis 2 has the largest amount of funding committed, with the majority of match funding coming from private sector sources.

Table 3-2: East of England 2007-2013 ERDF Competitiveness Programme Approved Funding Committed to Projects (March 2010 (£m))				
Priority Axis	ERDF	Public	Private	Total Expenditure
Priority Axis 1	10.2	7.6	8.8	26.7
Priority Axis 2	22.3	7.9	26.7	56.9
Priority Axis 3	6.9	5.6	6.4	18.8
Priority Axis 4	1.4	1.4	0.0	2.8
Total all Priority Axes	40.8	22.6	41.9	105.2

- 3.3 Table 3-3 summarises the proportion of ERDF funding that has been committed to date, under each Priority Axes, as well as the proportion of the total expenditure target (i.e. ERDF + match) that has been committed.
- 3.4 The table highlights that 92% of PA2 allocated funds have already been committed, whilst only 18% of PA3 funds and 30% of PA1 funds have. Given that the total expenditure proportion committed is higher than the ERDF funding committed for priority axes 1-3 also reflects that the programme has been more successful at drawing in match funding than was anticipated in the Operational Programme.

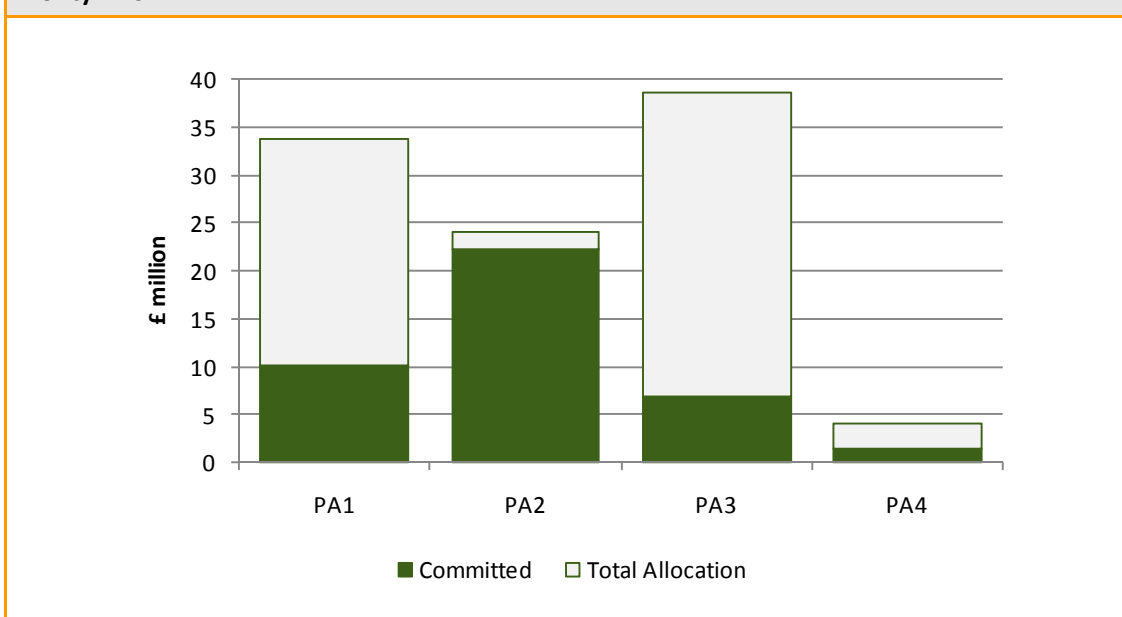
- 3.5 The high level of funding committed to PA2 does reflect the East of England Development Agencies success in influencing and adjusting core BIS business support products as the basis for distinctive low carbon offers (including MAS and Grant for R&D). It is also likely to reflect SME support needs, particularly in terms of access to finance.
- 3.6 Given the high proportion of Priority Axis 2 funding which has already been committed, further consideration needs to be given to the potential need for funding to be re-allocated away from other priorities towards these activities. This is considered in Section 5 of this report.

Table 3-3: East of England 2007-2013 ERDF Competitiveness Programme Approved Funding Committed to Projects as proportion of Allocated Funding (March 2010)

Priority Axis	ERDF (%)	Total Expenditure (%)
Priority Axis 1	30.3	31.6
Priority Axis 2	92.2	94.3
Priority Axis 3	17.8	19.5
Priority Axis 4	34.7	34.7
Total all Priority Axes	40.5	42.2

- 3.7 Figure 3-1 illustrates the figures in the tables above, with regard to total allocations and current committed funding under each priority axis. Of the three main priority axes (PA1-PA3), the chart shows that PA2 was allocated the least ERDF funding in the Operational Programme, yet has committed by far the most funding, leaving little headroom for further projects under this priority axis. Axes 1 and 3 were allocated significantly greater amounts, but have committed significantly less, leaving significant headroom for further projects to come forward. The scale of this headroom may be viewed as a risk to full ERDF utilisation in the region.

Figure 3-1: Committed ERDF Competitiveness funds as a proportion of total allocation to each Priority Axis.



- 3.8 A particular issue which has been identified is that there is a significant variation in terms of actual spend to date and profiled spend for some projects. In some cases, actual spend is

40% of profiled spend. One issue is that projects are too optimistic in terms of their profiled spend. Project managers should build into their bids a realistic amount of time to get the project underway (factoring in recruitment, delays in securing planning permission and so on). This will impact on the actual spend figures achieved. Going forward, we would expect that projects will learn from past experience and be more realistic in terms of their programming.

Recommendation 6: monitor and put in place measures to address the issue of actual spend being below profiled spend for some projects. There is a significant variation in the performance of some projects in terms of actual spend to date against planned profile spend for the same period. There are a number of reasons for this, including projects taking longer to get underway than originally planned and for some, the recession has also been an issue (for example making it difficult to agree match funding). Going forward it is important that this situation is monitored by the ERDF monitoring team. PIG will also undertake a scrutiny function of extreme cases. The ERDF team should consider the potential to apply financial penalties or a reduction/withdrawal of funding in extreme cases. EPSG could be used to help enforce this and to ensure that partners deliver against spend and output profiles. .

N+2 Spend Targets

2009 Targets

- 3.9 Actual sterling claims paid to the 7th December amounted to £6,704,604.76. This was over £720,000 in excess of the target. However, the claim was reduced to £6,629,886.48 following discussions with the Certifying Authority who wanted additional evidence for one of the claims checked in the sample. It was not possible to provide this evidence in the timescale allowed. This claim will be included in a later aggregate claim.
- 3.10 As a consequence the following table represents the cumulative claims up to the 7th December 2009 which were included in the drawdown to count against the N+2 target for 2009. These figures have now been confirmed by CLG and show that the N+2 target for 2009 was exceeded by € 723,721.92 or around 11%.

N+2 Euros	Euro Value	% of Target
Target	€ 6,605,513.08	100.00%
Spend	€ 7,329,235.00	110.96%
Excess	€ 723,721.92	10.96%

- 3.11 The actual spend recorded to the 7th December 2009, whilst in excess of the target as predicted, represents considerable slippage of spend from the agreed profiles of contracted projects. Compared with profiles to the end of 2009 slippage of around 40% is currently recorded. However, a number of projects will submit claims in January 2010 for the period October to December 2009. Further analysis shows the significant contribution made by the two venture capital fund projects in Priority Axis 2 towards the achievement of the 2009 target. Clearly the target would not have been met without this contribution.

2010 Targets

- 3.12 N+ 2 2010 targets look potentially even more challenging than for 2009. The situation is complicated by the existence of a proposal (expected to be approved summer 2010) to amend the target for 2009 originating from the Swedish Presidency of the EU at the end of 2009.
- 3.13 Based on existing rules the target will be over £13.8m more than the 2009 target of under £6m. However, the Swedish amendment will remove the 2007 allocation from the calculation and results in a much lower target of around £9.4m. The following table shows the current position in respect of the existing N+2 2010 spend target:

Cumulative Analysis (Current)	£	Excess/Deficit	% of Target
Target	£19,887,359.06		
Actual Spend	£7,042,002.61	-£12,845,356.45	35.41%
Contracted Projects	£21,389,288.35	£1,501,929.29	107.55%
Approved Projects	£21,435,187.66	£1,547,828.60	107.78%
Pipeline Projects	£24,932,477.66	£5,045,118.60	125.37%

- 3.14 Current approved, contracted and pipeline projects should produce spend by the end of 2010 which will exceed the target by around 25%. Clearly, based on 2009 experience, this is not an adequate level to provide assurance that the target can be met. Actual spend continues to fall well short of profile. However, the above figures do not take into account projects coming through bidding round 10 and 11 or any additional spend generated by investments made by the two venture capital fund projects.
- 3.15 If the Swedish amendment is accepted then it is anticipated that the position will be as follows:

Cumulative Analysis Swedish Amendment	£	Excess/Deficit	% of Target
Target	£9,437,002.67		
Actual Spend	£7,042,002.61	-£2,395,000.07	74.62%
Contracted Projects	£21,389,288.35	£11,952,285.68	226.65%
Approved Projects	£21,435,187.66	£11,998,184.99	227.14%
Pipeline Projects	£24,932,477.66	£15,495,474.99	264.20%

- 3.16 Clearly this is a much more comfortable situation with the revised 2010 target easily attainable. Additional spend of only £2.4m will be needed to achieve the target.

Bidding Round Analysis

- 3.17 An analysis of the ten Bidding Rounds for the Competitiveness Programme to date does show that fewer project concepts have been submitted in the most recent bidding rounds. The Facilitators have also reported that there has been a noticeable decrease in enquiries about funding. This is likely to be due to a number of factors: the recession and difficulties in securing match funding and the fact that the programme has absorbed latent demand for

projects which was there at the start of the programme.

Recommendation 7: continue the momentum of the Competitiveness Programme through targeted bidding rounds / commissioning amongst other actions identified here. It is important that the momentum and interest in the Competitiveness Programme is continued and increased going forward to ensure that bidding rounds continue to attract a large number of good quality applications. This report sets out a number of recommendations around awareness raising and the potential to support successful projects across the region, and this should assist in generating interest. Going forward, we would recommend that the ERDF team takes a more targeted approach to funding projects, including more targeted bidding rounds/commissioning of projects (focusing on opportunities identified in Section 7 of this report). This approach has worked well to date and should continue into the future.

Programme Outputs and Results

Outputs

Progress to Date

- 3.18 Table 3-4 below shows the current position for all output indicators. The table outlines the programme target, outputs profiled in approved projects to date and the proportion of profiled outputs against the programme targets. It also shows the outputs profiled to be delivered by the end of 2009 in approved projects to date, and the actual outputs achieved by February 2010, to illustrate any slippage in output delivery at this stage.
- 3.19 The table shows that there is considerable variation across output types in terms of the both targets committed and targets achieved to date. In some cases, there is a clear over-commitment, with output levels aggregated across individual projects being significantly in excess of the programme's overall target; thus is the case for example for O1.4 and O1.6. Where outputs appear to be currently 'under-committed', the gap between outputs profiled and the overall programme target will of course decline as more projects are approved. For each output indicator, we have provided commentary on whether the targets should be adjusted or re-profiled in some way.

Table 3-4: East of England 2007-2013 ERDF Competitiveness Programme - Output Indicators, March 2010

		Program me Target	Outputs profiled in approved projects - total	% of target committe d in approved projects	Outputs profiled in approved projects to end of 2009	Outputs achieved Feb 2010	Comment
Priority Axis 1							
O1.1	Number of start-up businesses receiving Priority 1 assistance	1,670	76	5%	2	0	Target should be revised downwards or potential for targeted calls/commissioning.

Table 3-4: East of England 2007-2013 ERDF Competitiveness Programme - Output Indicators, March 2010

		Program me Target	Outputs profiled in approved projects - total	% of target committe d in approved projects	Outputs profiled in approved projects to end of 2009	Outputs achieved Feb 2010	Comment
O1.2	Number/type of SMEs receiving Priority 1 assistance - innovation	1,550	943	61%	99	43	Maintain: may be difficult to evidence innovation
O1.3	Number/type of SMEs receiving Priority 1 assistance - non innovation	390	65	17%	2	0	Maintain target.
O1.4	No. of businesses assisted to improve performance through ICT initiatives	400	1,167	292%	14	0	Target should be revised upwards.
O1.5	Number/type of low carbon construction enterprise hubs	5	0	0%	0	0	Retain target.
O1.6	No. of businesses within the region engaged in new collaboration with the new knowledge base	150	1,735	1,157%	94	43	Target should be revised upwards.
Priority Axis 2							
O2.1	Number/type of start-ups receiving Priority 2 assistance	1,300	75	6%	10	1	Target could be revised downwards or potential for targeted calls/commissioning.
O2.2	Number/type of SMEs receiving Priority 2 assistance - risk capital	200	45	23%	1	0	Target should be revised downwards.
O2.3	Number/type of SMEs receiving Priority 2 assistance - no risk	1,000	2,074	207%	263	143	Target should be revised upwards.
O2.4	Number of social enterprises receiving Priority 2 assistance	155	10	6%	0	0	Target could be revised downwards or potential for targeted calls/commissioning.
O2.5	Number of organisations/SMEs supported engaged in	465	436	94%	166	128	Target should be retained since there

Table 3-4: East of England 2007-2013 ERDF Competitiveness Programme - Output Indicators, March 2010

		Program me Target	Outputs profiled in approved projects - total	% of target committe d in approved projects	Outputs profiled in approved projects to end of 2009	Outputs achieved Feb 2010	Comment
	promotion of clean technology/renewable energy						may be difficulties in some achieving targets.
O2.6	Increase in No. of Businesses within the region engaged in business to business networks	250	151	60%	57	13	Limited projects focusing exclusively on b2b networks. Potential for targeted calls/commissioning.
Priority Axis 3							
O3.1	Number of organisations receiving Priority 3 assistance	330	1,210	367%	204	0	Target could be revised upwards.
O3.2	Number/type of low carbon construction and refurbishment initiatives	17	6	35%	2.5	0	Target should be retained.
O3.3	Number of sq. meters of new or upgraded specialist premises achieving BREEAM standard of 'very good' or better	2,500	7,940	318%	779	0	Target should be revised upwards.
O3.4	Number of energy efficiency demonstrator projects	5	5	100%	1	0	Target could be revised upwards.

3.20 The table shows significant variation within each of the priority axes on achieving outputs – both profiled and those delivered:

- In Priority Axis 1, over 30% of ERDF funding is committed however three of the six output indicators have less than 20% of their outputs committed (whilst the other three are well ahead of 30% commitment).
- In Priority Axis 2, although over 90% of funding is committed, three of the six output indicators have less than 25% of their outputs committed.
- In Priority Axis 3 however, outputs committed are all significantly greater than the proportion of ERDF committed to date.

- 3.21 The table also highlights that by February 2010, the programme had not delivered the actual profiled outputs (profiled up to end of 2009) for approved projects under any output indicator. For a number of reasons (for example the programme as a whole getting underway, optimism about timescales and the recession), projects have taken longer to get underway than originally planned. Whilst many projects will be able to increase the pace of delivery once underway and meet their overall targets, this does raise some concerns regarding the deliverability of profiled outputs in the programme's portfolio of projects. Going forward we would expect to see improved performance in terms of results achieved, now that the programme has built up momentum.

Specific Issues

- 3.22 A number of specific issues relating to the outputs have been identified, which should be considered:

- **Double counting:** it is not possible to double count beneficiaries across more than one indicator (e.g. O1.1 and O1.2). Whilst this is made clear at the project development and appraisal stage, this can sometimes lead to confusion with some projects over estimating against these targets. There may be occasions where these could be counted twice (for example if the interventions are different as is the case in this instance) and this should be reviewed by the ERDF Team. Alternatively, this issue needs to be made clear to projects at the Business Planning stage.
- **Start-Ups:** projects often find it difficult to provide evidence that the firms which they are supporting in indicator O1.1 and O2.1 are start-up firms.
- **Innovation:** the success criteria for innovation is negotiated during the application process (O1.2 and O1.3). However, it is sometimes difficult for businesses to define and measure innovation. **Examples could be set out to guide bidders and at the business development stage it is important that projects have a good understanding of how they will define and measure this.**
- **Broad Indicators:** projects have reported that outputs are relevant across more than one priority axis. However, the European Commission prevents multi-priority project approval and in addition, output definitions are a way of providing separation between priorities (required by the commission).
- **Alignment with EEDA's Single Programme:** projects which receive funding from EEDA can claim two hours of businesses support as a business assisted. However, for the EEDA ERDF Competitiveness Programme, 12 hours of support can contribute towards one business assisted. This can lead to confusion amongst projects, with some over-estimating the number of businesses they might support against EEDA's ERDF Competitiveness programme. The 12 hour business support requirement can also make it difficult for projects to meet their targets since some businesses cannot commit this time and drop-out of the programme. **This needs to be continued to be made clear to projects at the business planning stage.**
- **Promotion of clean technology / renewable energy (O2.5):** projects are finding it difficult to provide evidence that they are providing this support and there could be a potential risk that this will not be achieved.

- 3.23 In the light of these issues, there is a need to continue to ensure that project deliverers have a good understanding of the requirements and challenges for reporting on outputs and results.

Recommendation 8: continue to ensure that project deliverers are aware of reporting requirements and challenges for outputs and results. Facilitators and appraisers need to continue to make sure that projects are aware of the challenges and requirements in reporting on outputs and results (identified in Section 3 of this report) to ensure that project business plans are realistic and achievable. This can be achieved by carrying out discussions with key individuals responsible for monitoring and implementation and ensuring regular dialogue with them. Facilitators should also consider each projects contribution of the programme total targets to ensure that these are achievable.

- 3.24 NB that if indicators are taken from the National Strategic Reference Framework, it is not possible to change the definition, since this is agreed at a national level.

Results

Progress to Date

- 3.25 Table 3-5 below shows the current position for all result indicators. The table outlines the programme target, the results profiled in approved projects to date and the proportion of profiled results against the programme targets. It also shows the results profiled to be delivered by the end of 2009 in approved projects to date, and the actual results achieved by February 2010, to illustrate any slippage in output delivery at this stage.

Table 3-5: East of England 2007-2013 ERDF Competitiveness Programme - Results Indicators, March 2010							
		Programme Target	Results profiled in approved projects - total	% of target committed in approved projects	Results profiled in approved projects to end of 2009	Results achieved Feb 2010	Comment
R1	No. jobs created (FTE and by gender)	4,600	1,527	33%	60	3.5	Target should be revised downwards.
R1	No of jobs created (Female 55% of R1)	2,530	793.5	31%	13.5	0	Target should be revised downwards.
R2	No of jobs safeguarded (FTE and gender)	860	1,279	149%	168	79	Target could be revised upwards.
R2	(F) No of jobs safeguarded (Female 55% of R2)	473	652.5	138%	93	0	Target could be revised upwards.
R3	Number/type of successful innovation related initiatives in SMEs	1,162	1,381	119%	99	62	Target could be revised upwards.
R4	Number/type of successful non	292	1,372	470%	201	401	Target could be revised upwards.

Table 3-5: East of England 2007-2013 ERDF Competitiveness Programme - Results Indicators, March 2010

		Programme Target	Results profiled approved projects - total	% of target committed in approved projects	Results profiled in approved projects to end of 2009	Results achieved Feb 2010	Comment
	innovation related initiatives in SMEs						
R5	Number/type of successful environmental related initiatives	350	1,860	531%	229	11	Target could be revised upwards (bear in mind comments below).
R6	Number/type of successful start up businesses	1,485	67	5%	1	0	Target could be revised downwards
R7	Leverage of private sector funding (£M) ¹	19.0	48.4	255%	3.0	0.5	Target could be revised upwards. Potential to widen to include not just match.
R8	Leverage of public sector funding (£M) ²	126.5	16.2	13%	5.3	0.0	Potential to widen to include not just match.
R9	Occupancy rate of new or upgraded specialist premises 3 yrs after opening (%)	85%	0	0%	-	0	This will need to be monitored
R10	Return (IIR) on OP risk capital investments - 10 years	10%	10%	100%	0	0	Target could be revised upwards.
R11	Number of new or existing businesses locating to eco-efficient high quality work spaces	70	37	53%	1	0	This will need to be monitored
R12	Number of businesses supplied with low or zero carbon energy	50	75	150%	7	0	Target could be revised upwards.
R13	Number of businesses integrating new products, processes or services	50	2,484	4,968 %	318	56	Target could be revised upwards, noting comments below.
¹ OP Target €20.98m, Euro exchange 1.1038							
² OP Target €139.68m, Euro exchange 1.1038							

3.26 The table shows that whilst some of the results have been significantly over-committed (in one case almost 5,000% over-committed), several of the results indicators are significantly

under-committed. With over 40% of the programme funding committed, several key result indicators have lower proportions committed (jobs created 33% committed, start-up businesses 5% committed, public sector leverage 13% committed).

- 3.27 The recession has clearly impacted on the achievement of programme outputs. For example, the programme has over achieved in terms of the jobs safeguarded target and under achieved in terms of the jobs created target. There have also been less successful business start-ups, with this target likely to have been impacted by the recession.

Key Recommendation 9: re-profile outputs and results. As illustrated in Tables 3-4 and 3-5, there are a number of targets where the ERDF Competitiveness Programme is likely to over achieve and others where it will significantly under achieve. There is a need therefore to re-profile the output and results targets (drawing on the recommendations set out in the respective tables above) to ensure that the programme can achieve a realistic yet suitably stretching and ambitious range of targets.

- 3.28 **NB with regards to this key recommendation - some further text will be circulated shortly detailing specific reasons for an increase/decrease in identified indicators.**

The case for re-profiling outputs and results

As illustrated in Tables 3-4 and 3-5 above, there is currently a significant mis-match between programme targets set and those currently committed to approved projects. There are a number of reasons for this:

- The recession has impacted on some targets. For example, there have been more outputs committed to safeguarding jobs compared to originally anticipated and less outputs compared to jobs created. There have also been fewer business start-ups identified to receive assistance across the priority axis, which is likely to be in part as a result of the recession.
- For some targets, a realistic baseline was not available at the start of the programme simply because similar programmes had not been implemented on which these could be based. This resulted in some targets being set too low or too high.

It is important that the outputs and results targets are re-profiled to make them more achievable. At present, there are some targets where the programme is clearly going to over-achieve and others where they will under-achieve. Now that the programme has been under-way for over two years, sensible data is available which can act as a baseline and allow the ERDF team to make more realistic judgements on what might be achievable in terms of outputs and results. This will allow the programme to better meet its targets by the end of the programme and provide a more meaningful basis for the ERDF team to set targets at a project level.

Outputs which should be re-profiled

Output Indicators

- **01.1 Number of start-up business receiving priority 1 assistance.** Only 5% of the target has been committed to approved projects. This is likely to improve, particularly if the ERDF team introduces targeted calls and commissioning for projects which provide priority 1 assistance. However, it is likely that this will need to be revised downwards since the programme target was set very high at the outset and may be unrealistic.
- **01.4 Number of businesses assisted to improve performance through ICT initiatives.** This target should be revised upwards since outputs profiled in approved projects already account for 292% of the target. The target set for this output was unrealistic at the start of the programme since there were no similar benchmarks available on which to make a

realistic assessment.

- **01.6 No. of businesses within the region engaged in new collaboration with the new knowledge base.** This target should be revised upwards since outputs profiled in approved projects already account for 1,157% of the target. The target set for this output was unrealistic at the start of the programme since there were no benchmarks available at the start of the programme on which to make a realistic assessment.
- **02.1 Number/type of start-ups receiving Priority 2 assistance.** It is likely that this target will need to be revised downwards since the programme target was set very high at the outset and may be unrealistic. Only 6% of the target has been committed to approved projects to date. This is likely to improve, particularly if the ERDF team introduced targeted calls and commissioning for priority 2 assistance projects. Nevertheless, a reduced target will be required.
- **02.2 Number/type of SMEs receiving Priority 2 assistance - risk capital.** This target should be revised downwards. The target is aimed at supporting SME firms with exceptional growth potential, however the target was set too high at the outset since there were no realistic benchmarks. Furthermore, the recession is likely to have reduced the number of firms wishing to pursue a growth strategy with risk attached. Only 23% of the target has been achieved to date taking into account the outputs profiled in projects approved to date.
- **02.3 Number/type of SMEs receiving Priority 2 assistance - no risk.** This target should be revised upwards since outputs profiled in approved projects already account for 207% of the target. The target set for this output was unrealistic at the start of the programme since there were no benchmarks available at the start of the programme on which to make a realistic assessment.
- **02.4 Number of social enterprises receiving Priority 2 assistance.** Only 6% of the target has been committed to approved projects. This is likely to improve, particularly if the ERDF team introduced targeted calls and commissioning. However, it is likely that this will need to be revised downwards since the programme target was set very high at the outset and may be unrealistic.
- **03.1 Number of organisations receiving Priority 3 assistance.** This target should be revised upwards since outputs profiled in approved projects already account for 367% of the target. The target set for this output was unrealistic at the start of the programme since there were no benchmarks available at the start of the programme on which to make a realistic assessment.
- **03.3 No of sq.metres of new or upgraded specialist premises achieving BREEAM standard of 'very good' or better.** This target should be revised upwards since outputs profiled in approved projects already account for 318% of the target. The target set for this output was unrealistic at the start of the programme since there were no benchmarks available at the start of the programme on which to make a realistic assessment.
- **03.4 Number of energy efficiency demonstrator projects.** This target should be revised upwards since outputs profiled in approved projects already account for 100% of the target. The target set for this output was unrealistic at the start of the programme since there were no benchmarks available at the start of the programme on which to make a realistic assessment.

Results which should be re-profiled

Results Indicators

- **R1: No of jobs created (FTE and by gender).** This target should be revised downwards. The results profile of projects supported to date are likely to be lower than planned due to the recession and the fact that it has been easier to safeguard jobs rather than create new jobs. Only 33% of the target has been achieved to date taking into account the outputs profiled in projects approved to date.
- **R1 No of jobs created (female).** This target should be revised downwards. The suggested ratio of 55% of the jobs created being female jobs was set too high since there were no realistic benchmarks available to act as a basis for setting this. Only 31% of the target has been achieved to date taking into account the outputs profiled in projects approved to date.
- **R2 No of Jobs safeguarded (FTE and gender).** This target should be revised upwards since outputs profiled in approved projects already account for 149% of the target. Due to the recession it has been easier to meet targets for jobs safeguarded than it has been to achieve targets for jobs created.
- **R2 No of jobs safeguarded (female).** This target should be revised upwards since outputs profiled in approved projects already account for 138% of the target. Due to the recession it has been easier to meet targets for jobs safeguarded than it has been to achieve targets for jobs created.
- **R3: No/type of successful innovation related initiatives in SMEs.** This target should be revised upwards since outputs profiled in approved projects already account for 119% of the target. The target set for this output was unrealistic at the start of the programme since there were no benchmarks available at the start of the programme on which to make a realistic assessment.
- **R4: No/type of successful non innovation related initiatives in SMEs.** This target should be revised upwards since outputs profiled in approved projects already account for 470% of the target. The target set for this output was unrealistic at the start of the programme since there were no benchmarks available at the start of the programme on which to make a realistic assessment.
- **R5: No/type of successful environmental related initiatives.** This target should be revised upwards since outputs profiled in approved projects already account for 531% of the target. The target set for this output was unrealistic at the start of the programme since there were no benchmarks available at the start of the programme on which to make a realistic assessment. Whilst this target should be revised upwards, caution should be taken against setting this too high since some projects are finding it difficult to evidence this target, which could result in issues later into the programme.
- **R6: No/type of successful start up businesses.** This target should be revised downwards. The results profile of projects supported to date are likely to be lower than planned due to the recession and the fact that it has been difficult to encourage business start-ups. Only 5% of the target has been achieved to date taking into account the outputs profiled in projects approved to date.
- **R7: Leverage of private sector funding (£m).** This target should be revised upwards since outputs profiled in approved projects already account for 255% of the target. The target set for this output was unrealistic at the start of the programme since there were no benchmarks available at the start of the programme on which to make a realistic assessment. There is also potential to widen the definition for this target so that it incorporates other private sector in-kind support other than match funding.
- **R8 Leverage of public sector funding (£m).** There is potential to widen the definition for this target so that it incorporates other public sector in-kind support other than match funding.
- **R10: return (IIR) on OP risk capital investments – 10 years.** This target should be revised upwards since outputs profiled in approved projects already account for 100% of the target. The target set for this output was unrealistic at the start of the programme since there were

- no benchmarks available at the start of the programme on which to make a realistic assessment.
- **R12: No of businesses supplied with low or zero carbon energy.** This target should be revised upwards since outputs profiled in approved projects already account for 150% of the target. The target set for this output was unrealistic at the start of the programme since there were no benchmarks available at the start of the programme on which to make a realistic assessment
- **R13: No of businesses integrating new products, processes or services.** This target should be revised upwards since outputs profiled in approved projects already account for 4,968% of the target. The target set for this output was unrealistic at the start of the programme since there were no benchmarks available at the start of the programme on which to make a realistic assessment. Whilst this target should be revised upwards, caution should be taken against setting this too high since some projects are finding it difficult to evidence this target, which could result in issues further into the programme.

3.29 Although the table shows that under two indicators the programme has delivered the total results target for the programme, it also highlights that by February 2010, the programme had not delivered the actual profiled results (profiled up to end of 2009) for approved projects under the majority of result indicators, which again raises some concern regarding the deliverability of profiled results in the programme's portfolio of projects. It is likely that projects have been impacted by the recession and also the fact that it has taken time for the Programme to get underway and going forward we would expect to see improved performance in terms of results achieved.

Specific Issues

3.30 A number of issues have been identified which are:

- **Male / Female split (R1 and R2):** many of the projects assume that when reporting on jobs created and safeguarded by sex they need to use a 55% to 45% split in terms of females and males (respectively). However, this is not necessarily the case and projects should report on what is realistic for their own projects.
- **Defining successful:** for results indicators R3, R4, R5, R6 it is sometimes difficult for projects to define and evidence successful initiatives. **The definition needs to continue to be defined and agreed with projects at the business planning stage.**
- **Leverage (R6 and R7):** this only includes match funding which contributes towards ERDF. This could be increased to include other leverage which occurs as a result of the project.
- **Environmental Related Initiatives (R5) and integration of new products processes and services (R13):** projects are finding it difficult to evidence that this support is being provided. Whilst the table above suggests that this target will be achieved, due to the difficulties in evidencing this, it may be that the profiled results over-estimate what might be achieved.

Other Impacts

3.31 It is too early to report on the impact of the East of England ERDF Competitiveness Programme, particularly given its strategic longer term focus. However, below we consider

some early impacts which have been identified:

- The Competitiveness Programme has been reported as being successful at raising awareness of the importance of sustainability and low carbon issues amongst SME's. This is particularly important at present given the fact that this issue is high on the agenda nationally and internationally.
- Parts of the region which have previously not been engaged in low carbon and sustainability projects such as Thurrock and Thames Gateway South Essex (an area with high carbon emissions) have been engaged in the Competitiveness Programme and are delivering projects.
- The Competitiveness Programme appears to be good at ensuring collaboration on sustainability / low carbon issues, which again is a positive.
- Since the majority of the projects which have been supported are at a very early stage, it is too early to report on impact at project level. Our project review analysis has however indicated that a number of projects have been supported through the Competitiveness Programme which have the potential to be nationally or internationally significant. Further information about these is provided in section 5 of this report (and projects include the Adnams Bio Energy Facility, In Crops and BEST East)

Carbon Emissions

- 3.32 There are a range of measurements available to measure the impact which the programme is having on reducing carbon impact across the region. However, there is no one consistent approach to measurement which can be used. The East of England ERDF Competitiveness Programme could commission work to review the systems and measurements, which are available and to identify a suitable measurement(s) which could be utilised for the programme. This will need to be carried out in association with relevant organisations and networks such as the RDA Network (and EEDA) which is already reviewing this issue, in order to minimise any duplication. This is also an area of significant interest for the European Commission and as such the Programme should work very closely with the commission to review this issue. This will be a particularly important issue in terms of demonstrating to national and international stakeholders, the true impact of this programme.

Recommendation 10: identify a suitable measurement framework for monitoring carbon reduction in relation to the programme. Commission work to review the systems and measurements for carbon reduction available, to identify whether a suitable measurement framework(s) could be utilised for the programme. This should also assess whether a target/or targets could be set against which success can be measured. This will need to be carried out in association with relevant organisations and networks such as the RDA Network, EEDA, DECC and the European Commission.

Low Carbon Economic Growth

- 3.33 The meta-theme for the ERDF competitiveness programme is '**Low Carbon Economic Growth**'. The majority of funded projects therefore seek to achieve two things: generating additional economic value whether by commercialising new products, creating employment, increasing turnover and so on; and, reducing carbon emissions. These two things are often

presented (by projects) as separate activities or objectives. There is, therefore, a limited articulation of any explicit or direct correlation between carbon emission reduction and economic gain. For example, in the case of reducing carbon emissions via improved energy use, this will lower the operating costs of businesses thus increasing their competitiveness.

- 3.34 There are few examples of where this direct link is made at a programme level. Moving forward, it is important that the programme seeks to identify mechanisms that directly link carbon reduction to net economic benefit, in order that the low carbon meta-theme can be rendered as effective as possible as an economic development driver, can stimulate increased involvement in the programme's activities and subsequently impact the region's ability to demonstrate best practice in sustainable economic development.

4. Systems and Structures Assessment

4.1 This section sets out our key findings resulting from a review of the systems and structures in place for the East of England ERDF Competitiveness Programme. This is set out under the following headings:

- **Programme Engagement:** considers the extent to which the programme is engaging with a wide range of partners.
- **Application Process:** considers the effectiveness of the two stage application process (there is a three stage approval process) and commissioning process, which are used to select successful projects to be supported through the ERDF Competitiveness Programme.
- **Management Arrangements:** considers the effectiveness of the various management structures which are in place for the East of England ERDF Competitiveness programme including the European Programme Strategy Group (EPSG), the Performance Improvement Group (PIG) and the Competitiveness Delivery Group (CDG).

Programme Engagement

Overview

- 4.2 At the start of the East of England ERDF Competitiveness Programme 20017-2013, a significant amount of effort was made to raise awareness of the programme and engage with a range of partners. A series of events and workshops were held in order to reach out to a wide range of partners.
- 4.3 The management groups (that is the EPSG and CDG, which are described below) are also key mechanisms to engage regularly with a wide range of partners. Since these meet on a regular basis, they are a key mechanism for a range of partners, including local authorities, Higher Education representatives, research institutes and the voluntary sector amongst others, to engage with the programme and keep up to date on the latest developments.
- 4.4 The three facilitators within the ERDF team also have a role for business development, that is raising awareness of the ERDF Competitiveness Programme and approaching relevant organisations with project ideas. They are the main point of contact with organisations when they are developing project ideas.
- 4.5 Finally, each top tier Local Strategic Partnership (LSP) has been asked to develop and submit a short ERDF plan. These set out potential ideas for ERDF projects and how these fit with the LSPs own priorities and targets. Meetings are held with the LSPs to discuss these plans and in this way the Local Authorities are kept engaged throughout the process. These plans are currently being updated and redrafted.

Strengths and Areas for Improvement

Strengths

4.6 The East of England ERDF Team has been successful at reaching out to a wide range of stakeholders (from HEI's to Local Authorities to the private sector). This is a particular achievement given the size of the region which the relatively small ERDF team needs to cover. The key strengths of the programme in this regard are as follows:

- Management Groups: these are felt to be particularly helpful in ensuring meaningful engagement with a wide range of partners but particularly local authorities.
- Facilitators: the facilitators have been praised for their engagement with a wide range of organisations. More recently, they have undertaken a more proactive approach to engagement, going out to a wide range of partners to discuss specific ideas. This will be extremely important going forward to ensure an ongoing flow of project ideas.
- Local Strategic Partnerships: the work of the ERDF team to encourage LSPs to develop and submit a short ERDF plan has enabled LSPs and a wide range of partners to constructively think about project ideas for ERDF funding. The team has been proactive in arranging meetings with these organisations in order to continue dialogue and to help develop project ideas. Nevertheless, going forward there could be a stronger focus on developing a few ideas which are most feasible.

Recommendation 11: use the next review of the local authority ERDF plans to support local areas to focus on viable projects. Working with the local authority facilitator, Local Strategic Partnership Plans will be regularly reviewed. Reviews of local authority ERDF plans (in Autumn 2010) could be used as an opportunity to encourage local areas to focus on only a few, perhaps more viable or realistic projects, and to work these up in terms of some initial details that could then be translated into a project concept if appropriate.

- EEDA: the East of England Development Agency (EEDA) is delivering a large number of ERDF funded projects. There are a number of examples where there is joint Directorate working with Enterprise and Skills (particularly under Priority Axis 2) and Innovation. This is partly due to the ERDF's team at successful engaging with the Regional Development Agency.
- Business: private sector representatives are involved in the management groups which is positive. Furthermore, the analysis in Section 5 demonstrates that there have been a number of applications from the private sector (particularly under priority axis 2). Furthermore, the private sector is actively involved in delivering ERDF funded projects (e.g. the Adnams Bio Energy Project).
- Higher Education Institutes (HEI): on the whole, the ERDF Competitiveness programme has been successful at engaging with HEI, particularly under priority axis 1 which is focused on collaboration and knowledge transfer. There are number of examples where HEIs have worked together to develop region wide projects (for example PICS under PA3), which again is positive.

Areas for Improvement

- 4.7 Despite the fact that it is felt that the programme has achieved good engagement overall, there are a number of areas for improvement.
- 4.8 Our discussions suggest that there are some partners across the region who are still not aware of the East of England ERDF Competitiveness programme (often small districts) and so there is a need to continue to raise awareness of the programme to reach these people. There are also some parts of the region such as Luton, Greater Yarmouth, Peterborough and Hertfordshire which are aware of the programme but are not fully engaged with the programme to date. There is also a need for a 'refresh' of key messages about the programme amongst partners who are aware of the programme but have perhaps become less engaged.

Recommendation 12: prepare case studies and a series of events to disseminate targeted messages about the programme. There is a need for greater awareness raising to raise the profile of the programme as fully as possible and more importantly disseminate targeted messages about the programme. For example, there is a need to develop and disseminate case studies on successful projects. This can be used to demonstrate 1) potential role of certain types of organisations such as the third sector 2) examples of projects which are 'regionally significant' or 'exemplar' in order to clarify the meaning of these terms (see recommendation 15 below) 3) different approaches to low carbon projects and how this is relevant to different geographical locations. These case studies could be targeted through existing networks and used to support dedicated events. The ERDF team should also develop a programme of targeted and specific events with partners to further raise the profile of the ERDF Competitiveness Programme. This should highlight the achievements of the programme to date, clarify key messages (similar to above) and identify future opportunities to generate interest. There is also a need to work with EEDA's sub-regional teams and the Local Authority facilitator for European programmes which has recently been recruited to raise awareness of the programme.

- 4.9 A small number of partners appear to have had difficulty in understanding the focus of the programme (that is on low carbon) and how this is relevant to their own area. The fact that projects need to be regionally significant has also led to some confusion with some believing that this means that projects need to cover the whole of the East of England. In these instances, there is a need for greater clarity in terms of the messages which are being communicated. There are some parts of the region such as Luton and Great Yarmouth, which benefited significantly under the former programme and due to the change in focus of the 2007-2013 programme, there has been less willingness to engage.

Recommendation 13: communicate key messages about the programme to clarify how they can be meaningful to a range of areas. In line with recommendation 12 above, there is a need to ensure that potential bidders have a good understanding of the meaning of certain key terms where there is currently some confusion. For example, **regional significance**: case studies could be used to show that projects do not need to operate across the region necessarily to be regionally significant. Instead, they can test programmes in one part of the region before rolling out to other parts of the East of England. Furthermore, projects can develop techniques which can have significance for the region as a whole. **Exemplar**: again, case studies can be used to demonstrate the different interpretations of an exemplar activity. For example, projects which demonstrate new techniques / technologies which can be applied across the region or are nationally or internationally successful. The term 'demonstrator' instead of 'exemplar' should also be used.

4.10 There are some groups where it is felt that further efforts could be made to engage:

- **Businesses and business support organisations (at a local level):** whilst there are some positive examples of engagement (see above), there is some scope for improvement in terms of businesses engagement. It also appears that the programme has been less successful at engaging with smaller business support organisations (such as Chambers of Commerce and Enterprise Agency). The Private sector in particular will be key to driving the green agenda and as such it is important that they are aware of the programme. Effort should also be made to ensure that the programme is easily accessible to businesses. Whilst businesses will generally not bid for funding, it is important to ensure that support responds to their needs and where there are opportunities for knowledge transfer and businesses to be involved in R&D, this should also be encouraged. The main route for engagement will be through intermediary organisations.

Recommendation 14: ensure meaningful engagement with a wide range of businesses. There is a need to ensure that a wide range of businesses are fully engaged with the programme to ensure that support is tailored to their needs and to maximise opportunities for knowledge transfer and R&D. The ERDF team should work closely with key organisations such as Enterprise Hubs and business intermediary organisations to ensure that they are engaged. For example, they should be encouraged to attend key events to disseminate information about the Competitiveness Programme (whilst ensuring that their expectations about the programme are managed). The focus should be on business sectors and locations which have the highest carbon emissions or the greatest opportunities for R&D in low carbon activities. Further research may be required to identify these.

- **National and International bodies:** some organisations such as BIS and CLG are involved in the ERDF Competitiveness Programme (particularly through the management groups). However, there is a need to ensure more meaningful engagement, ensuring that key representatives are involved. In addition, there is a need to engage with partners internationally and raise the profile of the programme abroad, for example by engaging with the European Commission. International research institutes could also be more involved in the programme.
- **Engagement with top tier local authorities:** whilst the programme has been successful at engaging with local authorities, the ERDF team could also lever in engagement via other routes. For example they could work with the EEDA Area Teams and Climate East. Furthermore, as Government Office, EEDA and the HCA move towards alignment the Government Office Locality Managers and the HCA's single conversation with districts could be used to raise awareness about the ERDF Competitiveness programme. This would be particularly helpful for smaller districts which may currently be unaware of the programme.
- **Regions:** there may be opportunities for the East of England to work with other regions across the UK on developing projects which can have wider significance. Different parts of the UK have different strengths (e.g North East in Power and the South West in Anaerobic Digestion) and as such the relevant region would vary depending upon the opportunity which is being considered.
- **East of England Development Agency (EEDA):** again, there are positive examples of engagement (see above), however it is important that effort is made to continue

engagement (through regular updates about the ERDF Competitiveness programme and briefings) across the whole of the organisation.

- **Voluntary, Community and Charitable sector.** There are potential opportunities for the programme to engage more closely with these organisations including the social enterprise sector to raise awareness of the ERDF Competitiveness programme, promoting examples where these sectors have been successful at receiving ERDF funding (Disability Essex).

4.11 There are also some Higher Education Institutions which could be more closely involved in the programme.

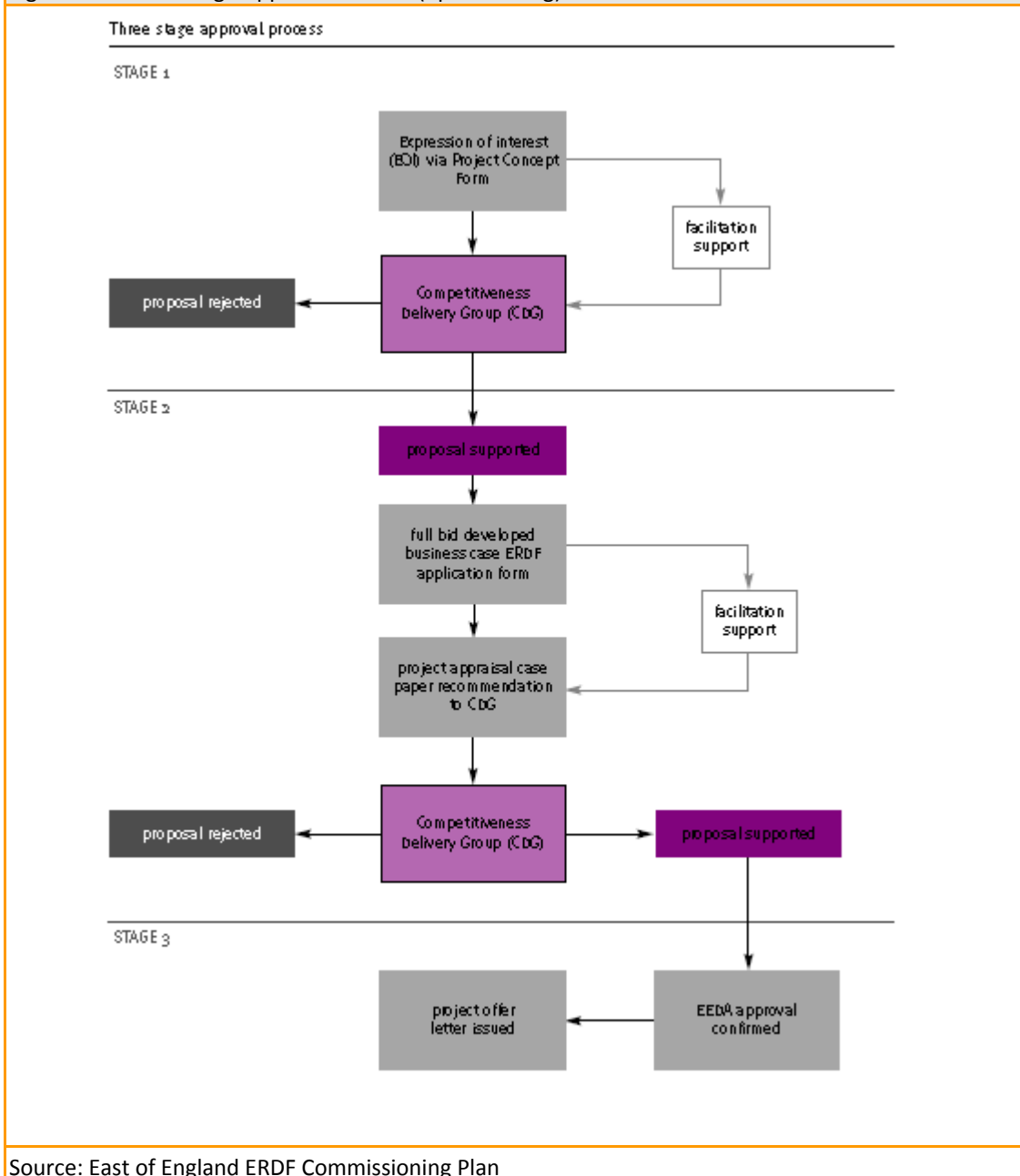
Application Processes

Overview

4.12 The **open application process** developed for the East of England ERDF Competitiveness Programme is essentially a three stage process, comprising of:

- **Stage 1: expressions of interest via project concept form.** Bidders are requested to submit a relatively short concept form which sets out the following information: a description of the project, confirmation of the objectives, strategic fit (including fit with programme priorities), options being considered, key partners involved, costs and funding and contribution to objectives. The concept forms are considered by the CDG and partners will either be requested to submit a business plan or the proposal will be rejected. Some will be requested to submit a further project conception form with modifications. On some occasions, the bidders are invited to present their proposal to the CDG (generally where clarification is required). During this process and up to the stage where a Business Case document is submitted, support is provided by one of the programmes three facilitators (covering each of the priority axis).
- **Stage 2: full bid including business case and ERDF application form.** Bidders are requested to submit a full business case, with a detailed options appraisal and cashflow analysis along with an ERDF application. A project appraisal case paper is submitted to the CDG along with a recommendation on whether they should consider funding the project. Proposals are either supported (in which case they move on to stage 3) or rejected.
- **Stage 3: project offer.** If the project is supported, support for the project will be requested from EEDA and a project offer letter will be issued.

Figure 4-1: Three Stage Approval Process (open bidding)



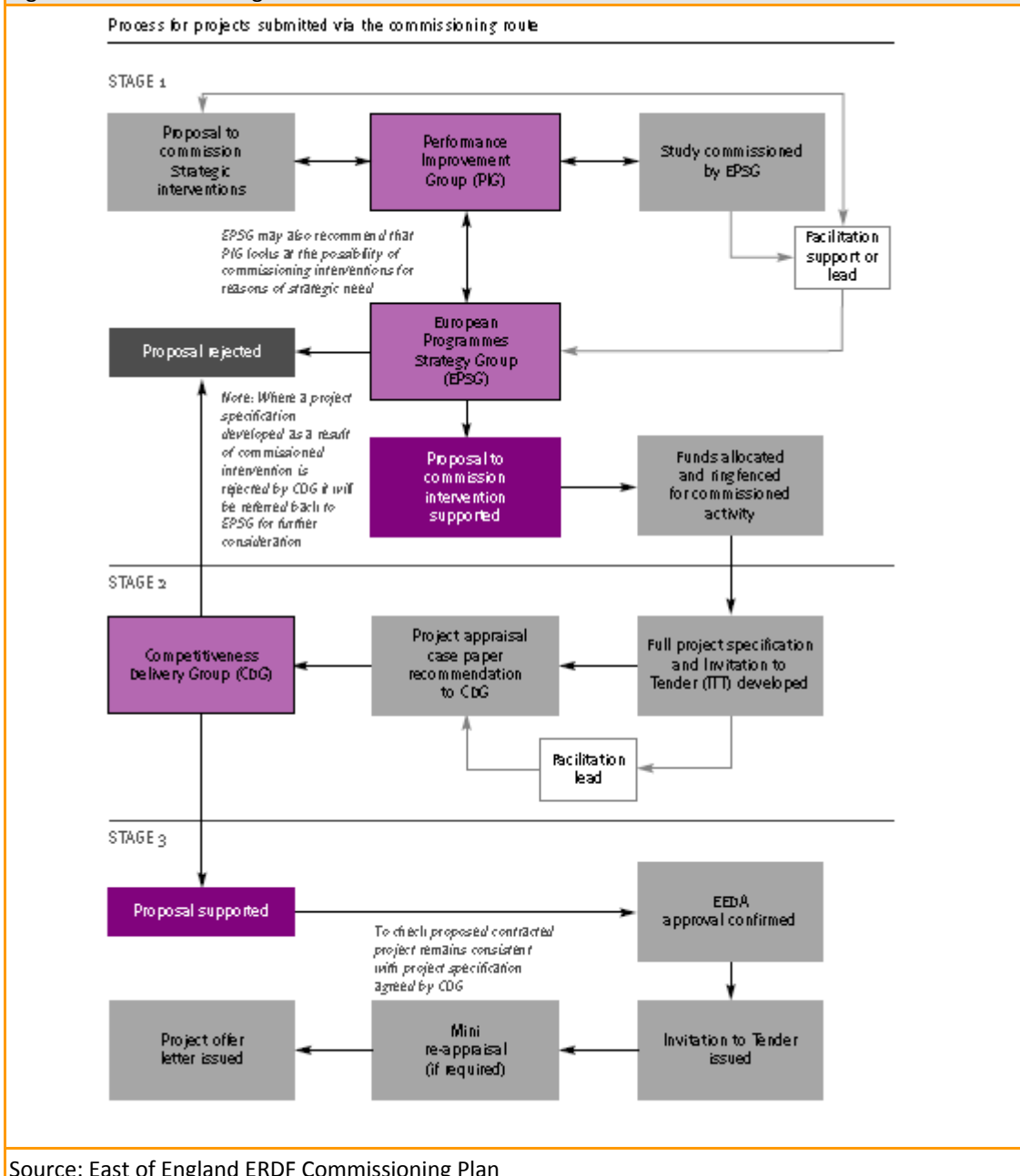
- 4.13 The ERDF team has also recently organised a **targeted bidding round** in response to a specific opportunity which was identified. A change to the European Structural Funds ERDF Regulation to allow the inclusion of energy efficiency and renewable energy measures in **social housing** as activity eligible for support under ERDF Competitiveness Programmes, led to a specific bidding round.
- 4.14 A specific call was organised to stimulate interest and applicants invited to submit project concepts to deliver projects under the Competitiveness Programme. The call was focused on supporting the application of new and innovative approaches to energy efficiency in social domestic housing. An allocation of £4m ERDF was made available for this call leading to a minimum project value of £10m. The £6m match funding required can be from public or private sources or a combination of both. Following the call, the application process follows

the three stage approval process identified above. However, in this instance a separate panel of specialists (in the housing sector) was established to advise the CDG on applications which should be supported. This expert knowledge has been cited as a real strength of this process, with feedback being particularly positive. Thirteen applications were received and of these six bidders were invited to submit applications and a full business plan.

4.15 The East of England ERDF team has also recently used the **commissioning route** to commission a Venture Capital Project. This approach is used to focus resources on fewer projects which can demonstrate the greatest strategic impact. The commissioning route is illustrated below and there are essentially three stages:

- **Stage 1: Identify a need.** A specific need is identified either through research commissioned by the EPSG or through the PIG identifying a specific unmet need. A proposal to commission a strategic intervention is then developed and a decision on whether to support the commissioning project either supported or rejected.
- **Stage 2: Development of a full project specification.** The next stage is the development of a full project specification, ERDF application and business case for consideration by CDG. This is generally led by the relevant facilitator who acts as project sponsor. This then goes through the same process as an application received via the open bidding process and once an appraisal is complete, a case paper will be submitted to CDG. CDG will then consider whether to support the application. Alongside this, a draft Invitation to Tender (ITT) will also be prepared.
- **Stage 3: Issuing of an ITT.** If CDG approves the application, EEDA will consider issuing an ITT. The ITT sets out the project specification in full and invites bids to deliver the project. Bids are assessed in accordance with EEDAs tendering and procurement rules. To ensure delivery arrangements are consistent with the project approval given by CDG, a mini re-appraisal of the final proposal will take place. The successful bidder is then issued an offer letter.

Figure 4-2 Commissioning Process



Strengths and Areas for Improvement

- 4.16 In order to inform our assessment of the application process, we have spoken with organisations who have previously bid for ERDF funding (both successful and unsuccessful applicants), as well as those involved in the process itself (including ERDF team members and those on the management board). The key points on the strengths and weakness of the application process are summarised below.

Strengths

- 4.17 Overall, the feedback on the application process has been positive. The ERDF team itself has received strong praise from the people we have spoken with for running the application process effectively. There has also been a noticeable improvement in the process during the timeframe over which ERDF is being delivered, with some people citing initial ‘teething’ troubles at the start which have in the main been addressed.
- 4.18 The facilitators in particular have been identified as being effective and it appears to be beneficial to have a central point of contact to manage the process up to the submission of a business plan.
- 4.19 The concept stage has been cited as being effective, since the form is relatively short and allows project ideas to be tested prior to the completion of a large Business Plan document. The guidelines which are available are lengthy but they are very helpful. Finally, the majority of people that we have spoken with felt that the process was clear and they were kept well informed of the progress of their application.
- 4.20 The targeted bidding round (the recent housing call) has been identified as being particularly well run, particularly with the specialist advisors.
- 4.21 Overall, the majority of bidders indicated that they would apply for ERDF funding in the future.

Areas for Improvement

- 4.22 As identified above, the application process as a whole is seen as working effectively. However, there are some specific areas for improvement which include the following:
- **Priority Axis:** some people indicated that their projects often support the objectives of more than one priority axis and this can sometimes be restrictive in terms of the proposal. However, it is important to note that this requirement is set by the European Commission (Article 4.2) and therefore there is no scope to change this.
 - **Bidding rounds.** Some people questioned whether bidding rounds are beneficial, with some indicating that they create additional pressure for the ERDF team and for those people who are submitting an application form. It can sometimes also lead to poorer quality or incomplete submissions. Our view is that they are beneficial in ensuring that people do have a date in mind for the submission, driving people to meet this deadline. It also ensures that there are a constant flow of applications and provides the ERDF team with an indication of when they can expect to be busy reviewing business plans and applications.
 - **Application form and guidelines:** the application form could be more user-friendly and less repetitive. In terms of the guidelines, some improvements which were cited include the fact that they could use clearer terminology (less jargon), they could also link to sections of the form to be completed, and could be set out in a clearer hierarchy of documents, to help in navigating through them.
 - **Business Case:** some people felt that the length of the business case document

could be more proportionate to funding. This reflects the fact that the requirements are the same whether the bidder is requesting £400,000 or whether they are requesting £2 million. However, our view is that the programme should be in the main supporting larger bids which are likely to have the greatest significance. Business Plans could also be updated more regularly (e.g. on an annual basis) where the project is being delivered over two years or more. This is due to the fact that the activities set out in the Business Plan can evolve and change on delivery of the project. By producing updated business plans, this would ensure that projects are guided by a more up to date plan which is approved by EEDA. This could be encouraged where there are significant changes to a project. The applicant can submit changes or review business cases at any stage. However, deviations of more than 10% against spend or targets will require a re-profile request.

- **Appraisal Stage:** it was felt by some that there was potentially a bottleneck at the appraisal stage. The Facilitation and Monitoring teams both have access to a small team of staff whereas there is currently only one appraisal officer with appraisals sometimes having to be outsourced to consultancy firms to be completed. This can impact on the consistency and effectiveness of the process. Furthermore, some people felt that often the questions asked at the appraisal stage were repetitive, when much of the information is already available in the Business Plan.
- **Presentations to CDG:** some highlighted frustration that they were unable to present directly to the CDG. They felt that this would be beneficial to the CDG. However, it is important that these are given time to present. This would be beneficial in terms of ensuring that representatives have a good understanding of the project and can ask suitable questions. The current approach is that bidders are required to present when clarification is required on specific issues. This ensures that meetings are not too lengthy and that the CDG can focus on a small number of presentations where this will be beneficial to their understanding of the project.
- **Post contract:** in some cases, post contract meetings could be held earlier (one highlighted it took place three months into the project). For some, this identified some issues which they weren't aware of prior to the meeting (for example how outputs are defined and what evidence is required to demonstrate that these have been met) which has led to delays and changes to the projects. There are likely to be a number of issues here, with some bidders not understanding the implications of post-contractual requirements until project approval and there are likely to be some initial issues associated with the ERDF Competitiveness programme getting underway. Nevertheless, it is important that key messages are communicated by the ERDF team regularly to ensure a good understanding of the requirements on delivery of the project.
- **Monitoring and Evaluation:** this is identified as being more time consuming than initially anticipated. One project planned for 0.5 FTE for administration and this is now a lot higher as a result of the monitoring requirements. This is a requirement of ERDF projects set down by the European Commission and are designed to ensure that projects are not exposed to any financial risks. The ERDF team are already providing ongoing support to ensure that projects are aware of these requirements, with regular meetings, project manager events and the use of social media to

facilitate best practice. Nevertheless it is important that this support is continued and that projects are aware of the requirements at an early stage (so that they can build the time requirements into their business plan).

- **Finance:** a number of financial issues were cited which can discourage applicants, particularly the private sector. These are requirements set down within Treasury guidance and as such they are difficult to alter but nevertheless they are important to bear in mind. Firstly, if a profit is made the grant needs to be paid back. Secondly, it is difficult to obtain match funding – at the moment banks will not provide 60% of the cost of the project. Third, claims are quarterly 90 days in arrears which is difficult for businesses. Fourth, the fact that 10% of funding is retained at the end (one project reported that they weren't told this at the beginning). Finally, the fact that applicants can only claim once the money is spent is also an issue. The monitoring team do try to minimise these constraints on businesses e.g. through allowing monthly claiming, however some are outside of the projects control.

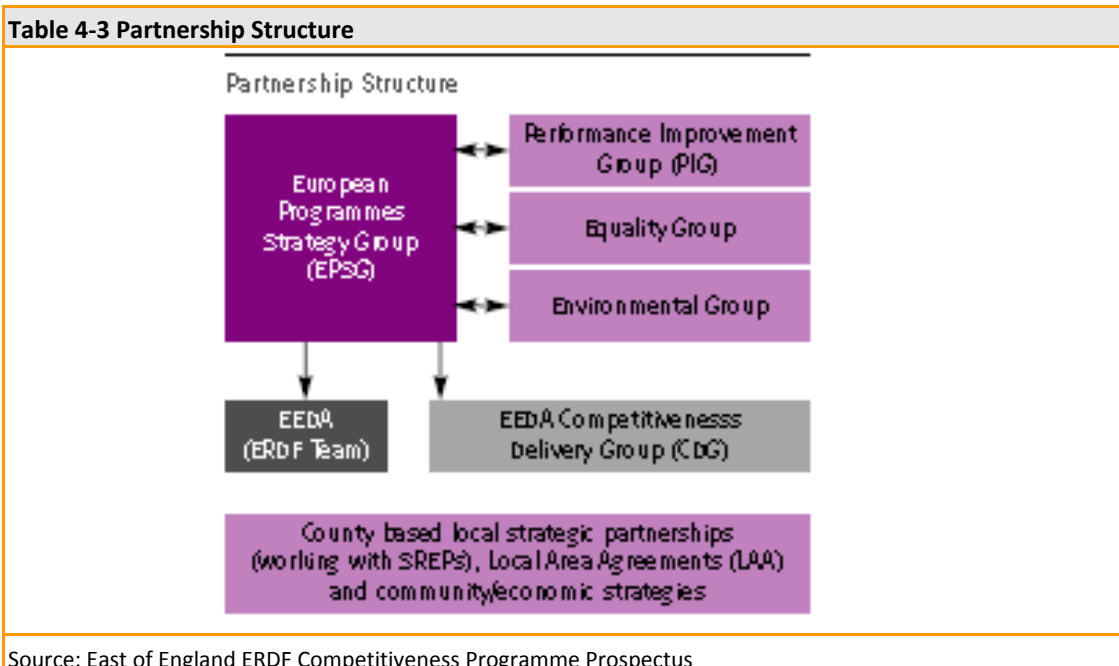
Management Arrangements

Overview

- 4.23 Nationally, the Department for Communities and Local Government (DCLG) has overall responsibility for the ERDF 2007-2013 programme. In the East of England, responsibility for the programme has been delegated to the East of England Development Agency (EEDA). They have been designated an 'intermediary body' for the purpose of managing the funds. Within EEDA the International Division has established a European Structural Funds Team to manage the programme. This team is functionally separate from those parts of EEDA which are responsible for the development and delivery of projects.
- 4.24 The structure which has been established to oversee the funds is illustrated below, with the groups also described below:
- **European Programmes Strategy Group (EPSG):** is responsible for overseeing the delivery of the programme strategy, and is the formal programme monitoring committee for the programme, as required by regulation. EPSG membership includes key national and regional partners. In September 2009, there were 29 members of the EPSG group including BERR, CLG, GO, EEDA, LSC, East of England Business Group, Environment Agency, sector specialist and the voluntary and community sector. EPSG is a cross-programme group acting as the regional European Social Fund (ESF) Committee. It also takes an overview of the delivery of other European programmes in the region. They meet around four times a year.
 - **Performance Improvement Group (PIG):** this is a small high-level group chaired by the regional assembly. Representatives include two representatives from the EEDA ERDF team, GO-East, Job Centre Plus, East of England Business Group and COVER. This group is responsible for overseeing the partnership arrangements and addressing any specific performance issues that arise during delivery of the programme. The group meets as required.
 - **Equality and Environmental Groups:** members of these sub groups oversee the

delivery of the cross cutting themes of equality of opportunity and environmental sustainability, ensuring they are central to the programme.

- **ERDF Competitiveness Delivery Group (CDG):** this group is the main operational group of the partnership. The CDG considers Expressions of Interest (EOI) and makes recommendations on whether projects should submit to a full bid or be rejected. CDG also makes recommendations on whether full bids should be supported through ERDF funding. CDG meets once every month. There are twenty eight representatives on the group including ten Local Strategic Partnerships, EEDA, GO, Business Link and sector specialists (including Renewables East, Envirowise, CS Engineering) amongst others.



Strengths and Areas for Improvement

- 4.25 Overall, it was felt that the groups operate effectively. However, one issue which was raised by attendees across the groups is the need to provide meeting information (agenda, PSC forms) to attendees more in advance of the meeting (currently this is sent around a week in advance and two weeks in advance would be helpful).

European Programmes Strategy Group (EPSG)

- **Strengths**

- 4.26 It is felt that the EPSG is a good mechanism for engaging with a wide range of partners across the region. Another positive aspect of the group is the fact that this meets at different locations across the region, which provides easier accessibility for some partners.

- Areas for Improvement

4.27 There are a number of areas for improvement:

- **Gain stronger involvement:** it is felt that some people are not aware of their specific role on the group and could be more involved. It is also felt that BIS and CLG could send policy officers to EPSG meetings rather than structural fund administrators. Given the focus on low carbon issues, representation from DECC may also be useful.
- **Establish task groups:** it is felt by some that separate task groups could be established to review specific ERDF issues. This could include a remit for identifying potential opportunities for projects to be supported through targeted bidding rounds / commissioning. It could also include a focus on specific issues which arise as a result of this evaluation.
- **Influence and Challenge:** it is felt that the groups as a whole could be more influential and challenging to both the ERDF team and Europe. For example, the group could challenge the European Commission about the issue of capital funding, with a view to allowing more capital projects.
- **Develop synergies:** there could be stronger synergies between PIG and EPSG.

Recommendation 15: consider the potential for EPSG members to work with PIG to review specific programme issues. Given the wide ranging representation on the group, there is an opportunity for EPSG to make a more meaningful contribution to the overall programme. Consider the potential for EPSG members to provide a more influential role for the programme, with responsibility for considering issues identified in this report. A key focus should be on how the overall programme can be improved. Issues could include spend and output monitoring, promotion and commissioning, the potential for additional targeted bidding rounds/commissioning of projects, alternative sources of match funding (building on this report); and, representation from central government on key management groups. They should do this through working closely with PIG. There would also be benefits in PIG reporting at EPSG to ensure better synergy between performance improvement and programme monitoring of the ERDF Competitiveness Programme.

Performance Improvement Group (PIG)

- Strengths

4.28 One of the strengths is that the PIG includes a small focused group of key individuals with the group interested in strategic issues around the performance of the ERDF Competitiveness Programme.

- Areas for Improvement

4.29 Key areas for improvement include the following:

- **Attendance:** the group could benefit from a small number of additional representatives who could provide some new ideas. This could include representatives from Department for Business, Innovation and Skills (BIS), Department for Communities and Local Government (CLG) or the Department of

Energy and Climate Change (DECC). BIS have indicated that there may be potential for an additional representative to attend the meetings.

Recommendation 16: consider potential for representation from central government on PIG. This programme has potential to contribute significantly to the national agenda on sustainability and there are opportunities for synergy and added value with other national programmes and policies. Consider the potential for representation from central government (e.g. BIS) on PIG to ensure greater alignment with national policy and programmes. The group may also wish to consider adopting an independent chair for the Group (from for example BIS). This recommendation will require support from other PIG members.

- **Clarity on roles and responsibilities:** it is felt that the group could be more focused and the TOR could be updated to specify more clearly the roles and responsibilities of the group.

Equalities and Environmental Sub Groups

- 4.30 These sub-groups deal specifically with equality and environmental sustainability issues (as the cross cutting themes for the programme). The environmental sustainability group in particular has suffered from poor attendance and has made little impact to date. They only meet once a year and have two virtual meetings. Given the focus of the programme on low carbon and sustainability projects, the environmental sub groups role is less clear.
- 4.31 The expected impact of the cross cutting themes at a programme level isn't clear and as a result there is a lack of good information on the impact. Improvements to the environmental sub-group could include a refresh of its membership and stronger links to ESF and the green skills agenda.

Competitiveness Delivery Group (CDG)

- **Strengths**

- 4.32 In the main, the Competitiveness Delivery Group (CDG) was thought to be an effective group for making decisions about projects which should be funded by the programme. The stakeholders which we have spoken to also reported that the Huddle site is a good mechanism for sharing information.

- **Areas for Improvement**

- 4.33 A number of areas of improvement have been cited, including the following:
- **Information provided in advance:** a number of people reported that it would be helpful to have key information about projects more in advance of the meetings (many reported that this is only sent out around a week in advance of the meeting). In addition, it would be helpful to have earlier information on when key projects will be considered. Some suggested that it would also be helpful to have access to the presentations via the huddle site in advance and a discussion about the projects via the site. One of the issues here is that concepts and business cases are often submitted late and rather than delay the project/programme, these are sometimes presented to CDG with less time than ideal to consider. Where it is possible to send

information in advance this would be desirable, however a decision needs to be made on a project by project basis.

- **Attendance:** poor attendance appears to be more of an issue for this group. The fact that attendance varies from meeting to meeting does sometimes mean that different organisations are reviewing projects at each meeting, which can lead to less consistency in terms of decision making. Some suggested that the group should ensure that there is one representative from each county which attends. There is a need at this time to consider attendance and 'refresh' the group. In addition, there appears to be an issue in ensuring that there are environmental specialists at each meeting. There is a need to identify specialists which can provide regular input and this could include private sector representatives. The projects are so varied that it is difficult to identify specialists with the breadth of knowledge required to cover all issues, therefore the facilitators should always seek to make contact with the relevant specialists on a project by project basis. A referral panel of experts who are called upon as required is likely to work most effectively in terms of providing input.
- **Challenge Projects:** it is felt that the CDG could be more challenging about projects at both concept and business plan stage. It is felt that some representatives are not clear whether they are 'rubbing stamping' proposals or actually approving them. It should be made clear that the CDG have the responsibility to challenge decisions from the ERDF team if necessary. If it is felt that this is appropriate, there could also be a more formal approval process, with a 'show of hands' to ensure that everyone agrees with the projects being approved.

Recommendation 17: refresh attendance at CDG and consider the potential to develop a more formalised referral panel of experts. Attendance at CDG is an issue and the membership of the group should be reviewed to ensure better attendance and to 'refresh' the group. There is a particular issue with ensuring involvement from environmental specialists. Given the broad range of projects which are being supported, the ERDF team should seek to develop a more formalised referral panel of experts which are called upon as required to comment on project applications.

- **Financials:** some indicated that it would be beneficial to receive full details of the project financials when making a decision (only a summary is provided in the papers sent to CDG).
- **Project concept forms:** it was felt by a few individuals that on some occasions the CDG were sent project concept forms which could be improved. The main issue is that the project idea could be more developed or better conveyed. This has tended to occur when, contrary to bidding round guidance, a concept form has been submitted by an applicant on the bidding round deadline date and there has been no opportunity for input to a draft proposal. The facilitators should continue to provide guidance to bidders at the earliest possible stage to ensure the quality of forms being submitted to CDG is on the whole of a good quality. It should be noted that this point relates to a small number of cases where these could be improved.

5. Project Reviews and Gap Analysis

5.1 This section focuses on the projects which have been supported under the ERDF Competitiveness Programme (both committed and pipeline projects). There are two elements to this section:

- **Review of Existing Projects:** reviews projects which have been supported to understand their fit with the Operational Programme and making recommendations on how the fit/process could be improved.
- **Gap Analysis:** an analysis of committed and pipeline projects has been carried out to help identify potential gaps and further activities to be supported.

Review of Existing Projects

5.2 In order to assess how individual projects fit with the wider East of England ERDF Competitiveness Programme, we have carried out a review of seventeen projects which have received ERDF funding. The seventeen projects are listed below:

Table 5-1 Projects to be considered during the Project review	
Priority Axis 1	
Low Carbon Short Knowledge Transfer Partnership Project	Assoc of Unis of the East of England
TakeITon	EEDA
BEST-East	Constructing Excellence East Co-op Ltd
Innovation in Crops (InCrops)	University of East Anglia
Small Business Research Init (East) Health Pilot	NHS East of England
Knowledge Thurrock	Thurrock Council
Sustainable Design Led Innovation	Cranfield University
Priority Axis 2	
Low Carbon Venture Capital Fund	UEA
Low Carbon Digital Content Investment Fund	Screen East
Integrated Specialist Business Support Service	EEDA
Priority Axis 3	
Pathfinder Innovation Centres for Sustainability	Bedford College
Adnams Bio Energy	Adnams Bio Energy Limited
Resource Efficiency East	Renewables East
REV-Active	Breckland Council
Southend Eco Hub	Southend YMCA
Centre for Disability Studies	Disability Essex

5.3 The projects have been assessed against a range of criteria including the ability to articulate and clearly evidence a market failure rationale; whether the objectives coincide with the programmes meta-theme; and whether the project supported is an exemplar. A full list of criteria is included in Appendix D together with the full assessment for each priority axis. A summary of the project review assessments for each priority axis are provided below.

5.4 The key findings of the project review are provided below under the relevant headings.

Areas for Delivery

- 5.5 In the majority of cases the project activities which are to be delivered are clearly set out. However, in some instances further detail could be provided. For example, in the case of Resource Efficiency East, the Business Plan set out a broad framework for delivery, however the actual resource efficiency projects for SMEs have been developed on approval of the business plan. In addition, when buildings are being developed providing, details on the actual renewable energy technologies which are to be used would be beneficial (particularly for demonstrating alignment with the Lisbon Categories).

Market Failure

- 5.6 Many of the projects which have been supported do not express a clearly articulated market failure rationale. The market failure argument varies from project to project with some indicating that businesses do not implement resource efficiency measures because of time and the need for intervention to support government targets. The vast majority of projects do not link their argument to a theoretical market failure rationale argument. Only one project under Priority Axis 3 makes a strong market failure argument.
- 5.7 In the case of the SME finance projects under PA2, these projects generally express the view that the market has failed due to the fact that SME finance is not provided in sufficient quantities. Lack of supply is not in itself a market failure in economic terms. There may actually be very good commercial reasons why the market does not provide a specific type of good or service. In the case of these projects, it would indeed be possible to put forward sound market failure arguments in favour of public sector intervention. For SME finance and venture capital, these market failures are tied to information asymmetries regarding potential return on investment which increases the actual and perceived risk of such investment. Other classic forms of market failure such as external economic impacts and public good characteristics are also absent from the majority of project rationales and business cases. In order to aid subsequent economic impact evaluation, it will be helpful, indeed a prerequisite, for projects to have expressed a clear market failure rationale.

Recommendation 18: ensure a good understanding of market failure principles. A good understanding of market failure principles should more effectively be embedded within the business planning process, ensuring that projects (and the ERDF team) consistently apply the key principles.

Project Objectives

- 5.8 The project objectives which are cited are often activities the projects expect to deliver as opposed to SMART Objectives which are linked to impacts and outcomes. One of the issues is that projects are required to report on outcomes as opposed to objectives. The project documentation could be revised to refer to project objectives.
- 5.9 There is a good fit between the project objectives and those objectives cited under the priority axes. All of the projects demonstrate that their objectives coincide with the programme theme. However, the objectives described tend to focus on the low carbon / sustainability issues as opposed to the objective of supporting businesses.

Recommendation 19: ensure objectives are SMART. Projects need to more clearly set out SMART objectives which are linked to outputs and outcomes. Project guidance could clearly state that objectives are required (currently applicants are asked to state the outcomes they expect to result from projects) which could assist in addressing this issue.

Alignment with changing Economic Conditions

- 5.10 In the majority of cases the projects and project objectives are realistic in the light of the recent changes to economic conditions. In a number of cases, the projects expect to gain interest from SMEs by persuading them of the cost savings which they will be able to reap through adopting sustainable methods. There is a slight risk in some instances where businesses need to make their own financial contribution to capital projects (which will be matched by ERDF).
- 5.11 The two venture capital projects funded under PA2 account for a substantial share not only of the funding for this axis, but also of the programme as a whole. Much therefore rests on the success of these projects. As venture capital activities, they require a variety of private match sources to be identified for ventures and beneficiary SMEs. These sources of finance would, under normal economic circumstances, have included the likes of institutional investors, business angels, as well as individuals of high net worth. Given the currently challenged economic climate, there may be a lower volume overall available of this type of finance. This is likely to create some challenges for these projects in terms of being able to identify and support suitable ventures and innovations and may require the projects to re-model their delivery plans (e.g. a smaller number of larger investments). It is important to recognise that two independent studies were commissioned by EEDA to look into these issues.

Exemplar and Innovative Activities

- 5.12 A number of the projects which have been supported appear to have the potential to be nationally or internationally significant, demonstrating new techniques or processes. Some of these projects are considered below (it should be noted that many of these are at an early stage but
- **Small Business Research Initiative (SBRI)** – SBRI is a new approach to public sector procurement being piloted in the UK nationally by the MoD and DoH, and now regionally through this project. Recognising the difficulties for SMEs in bidding for public tenders, the SBRI approach is exclusive to SMEs and provides 100% funding for R&D into new technologies to meet strategic health needs in the region, through an open bidding process. The pilot has already received interest from at least three other regions, with the South East particularly keen. If successful, the approach has the potential to become more common across other areas of public services.
 - **InCrops** – this involves the set up of a new enterprise hub to stimulate alternative and non-food crops and promote the use of low carbon biorenewables. This new hub – based at the University of East Anglia but with a network of research centres across the region – would be the first of its kind in the UK, helping to establish the region as a force in this sector. Other RDAs are interested in the work, in particular

SEEDA who are seeking to extend this across the two regions. There is also potentially links into Europe, with interest having been expressed in joining up on an Interreg project, and potential to link up with related institutes in Frankfurt, Cologne and Siberia.

- **Sustainable Design-Led Innovation (SDI)** – this involves the set up of a new service at Cranfield University under the Centre for Competitive Creative Design (C4D) which will provide a suite of resources (mainly online) for businesses to use in ongoing innovation work. The approach is through a design-led innovation methodology, for which C4D is only the second centre of excellence in the UK (the approach having particularly taken off in the UK following the 2005 Cox Review). Depending on the traction that this new approach to innovation has, this centre and the suite of resources produced has the potential to be a significant exemplar for other regions.
- **TakeITon** – the ERDF funding has given scope to extend this project, giving IT business support to SMEs across the region, through Business Link. The wider project is part of a regional *Transforming ICT* pilot. EEDA is participating in three pilots as part of *Transforming ICT* (out of a choice of six offered to RDAs) – one of which is the TakeITon project. Other RDAs are already showing interest in this and using EEDA materials. Following the project pilot (to March 2012) there is potential for IT business support, based on this model, to become a new solutions for business product.
- **Adnams Bio Energy Anaerobic Digestion Facility** – Adnams will involve the development of an Anaerobic Digestion facility, which will work from waste from the nearby Adnams brewery as well as other private sector firms. This is one of five food processing plants nationwide and the first to inject green gas into the grid. If this is successful there are plans for 24 facilities nationwide.
- **Rev-Active** - the project is focused on providing support to SME's on sustainable consumption and will use a more targeted approach to other support projects. The project will use thermal imaging to identify high/inefficient energy users within the A11 corridor and this will be rolled out on a wider basis.
- **Resource Efficiency East:** this project is trialling a number of different tools and techniques to promoting resource efficiency (a diagnostic tool, one to one support, network opportunities). These will identify the approach which works best and which offers the most value for money. These can then potentially demonstrate to other regions, the most effective techniques for resource efficiency.

Added Value

- 5.13 This is a key area for improvement. A large number of projects scored poorly in terms of demonstrating how the activities are linked to, complement and add value to mainstream interventions. The projects could more clearly set out what similar provision is available across the region within the Business Plan documents. They should also clearly demonstrate how they will work with other projects to add value. Strong consideration needs to be given to this at the concept stage to ensure that there is no duplication and to maximise added value.

- 5.14 This is a particular issue where business support projects receive funding such as Resource Efficiency East and Thames Gateway South Essex and Rev-Active. Where business support projects are to receive funding, it should be clear how they will complement and add value to existing projects.

Recommendation 20: ensure synergies between existing projects and those already supported through ERDF. Continue to ensure that projects which are supported do not duplicate existing activity. Support for similar projects should strongly be avoided, however where this does occur (for example there is a case to roll out a similar project in another part of the region), there should be clear synergies between projects and any new schemes should build on what is already available at present. This can be achieved by ensuring that applicants and facilitators carry out consultations with key partners at the project development stage.

Strategic Added Value

- 5.15 The projects which we have reviewed have demonstrated in many instances strong examples of Strategic Added Value (SAV), including:
- **Leadership:** a number of projects have responded to the need for specific environmental solutions / projects and developed projects as a result. An example of this includes In-Crops.
 - **Synergy:** as indicated above, a number of projects have shown strong synergy with other projects and initiatives across the East of England. However, there are areas for improvement (as cited above).
 - **Engagement:** many of the projects have the potential to engage with a wide range of partners and beneficiaries. The vast majority of projects support SMEs and as such there should be strong engagement with these. In addition, projects will also engage with partners (including FEIs, HEIs, public sector, local authorities and government agencies amongst others).
 - **Influence:** a number of the projects have already been successful at influencing businesses to change their habits in terms of reducing their carbon emissions.
 - **Leverage:** the projects have been successful at leveraging in both public and private funding.

Contribution to Targets

- 5.16 The projects which have been supported are likely to make either a good or high strategic impact to the programmes targets. There are a number of projects which make significant contribution to the overall programme targets. However, as indicated in the previous section some output targets are set very low. It is too early to determine fully, the progress which some projects are likely to make to the overall target outputs and results.

Evaluation

- 5.17 Business case documents often indicate that the project manager will monitor outputs and develop an evaluation plan at a later date. They generally set out the proposed assessment criteria and measurement units which will be adopted to evaluate the programme. The

majority of projects do not demonstrate that they have developed a clear and robust evaluation plan and instead it is required that projects submit this with the first claim.

Embedding Cross Cutting Themes

- 5.18 Projects assess themselves against the Inspire East Excellence Framework and are scored against their equalities and environmental impact. A number of people reported that they found this process to be beneficial.
- 5.19 Some successful applications do not appear to set out a full and thorough assessment of the potential environmental impacts of the project and how any negative impacts may be minimised.

Priority Axis 1: Overview Assessment

Table 5-3 Project Reviews – Priority 1							
Assessment Criteria	BEST East	Knowledge Thurrock	SDLI	TakeITon	InCrops	SBRI	Low Carbon sKTP
Is there a clearly articulated and evidenced market failure rationale for the project? Does this link to the stated rationale under each PA (see below)?	Satisfactory	Satisfactory	Satisfactory	Very Strong	Satisfactory	Satisfactory	Satisfactory
Are the project objectives clearly stated?	Satisfactory	Limited	Limited	Satisfactory	Limited	Satisfactory	Strong
Do the project objectives coincide with those of its priority axes (see below – please specify)?	Good Fit	Good Fit	Good Fit	Compelling Fit	Good Fit	Reasonably Good Fit	Good Fit
Do the project objectives coincide with the programme theme: towards low carbon economic growth.	Good Fit	Reasonably Good Fit	Good Fit	Reasonably Good Fit	Compelling Fit	Limited Fit	Good Fit
Is there a clear link to the Lisbon Categories of support under the relevant Priority Axes?	Satisfactory	Satisfactory	Satisfactory	Very Strong	Strong	Very Strong	Strong
Are the project objectives realistic in the light of: Baseline economic conditions; Recent changes in economic conditions; Changing policy context.	Well Balanced	Ambitious and risky	Fairly Balanced	Well Balanced	Fairly Balanced	Well Balanced	Ambitious and risky
Is it clear what activities the project will be delivering? Is the programme delivering what it set out to do (as far as planned at this stage)?	Satisfactory	Satisfactory	Satisfactory	Very Strong	Satisfactory	Satisfactory	Satisfactory
Do the project activities (which are being delivered, if relevant) show a good fit with and contribution to its objectives?	Good fit	Good fit	Good fit	Compelling Fit	Good fit	Average Fit	Compelling Fit
Is the project (which is being delivered) an exemplar for others or does it demonstrate innovation? Is there potential for wider impact within the UK and /or other European member states?	Good potential	Limited potential	Good potential	Good Potential	Good potential	Good Potential	Average Potential
Is it clear how the activities are linked to,	Strong	Limited	Strong	Satisfactory	Strong	Strong	Strong

Table 5-3 Project Reviews – Priority 1							
Assessment Criteria	BEST East	Knowledge Thurrock	SDLI	TakeITon	InCrops	SBRI	Low Carbon sKTP
complement and add value to mainstream interventions? If relevant, is the project making these links in practice?							
Is there evidence of how the project will contribute to SAV: Strategic Leadership, Influence, Leverage, Synergy and Engagement? If relevant, is the project making a positive contribution to SAV.	Strong	Limited	Satisfactory	Strong	Strong	Satisfactory	Limited
Overall, what scale of contribution (e.g. to targets) will the project make to the relevant priority and programme objectives? Specify progress to date.	Reasonable degree of impact and return	Some impact, but limited	Good degree of impact and return	Good degree of impact and return	Reasonable degree of impact and return	Some, but limited	Good degree of impact and return
Does the project have a clear and robust evaluation plan? If relevant, are the necessary processes being put in place now for effective evaluation later.	Satisfactory	Satisfactory	Limited	Unclear	Limited	Satisfactory	Limited
How well embedded are the CCTs in the project (and delivery if relevant)?	Strong	Satisfactory	Satisfactory	Strong	Limited	Limited	Satisfactory

Priority Axis 2: Overview Assessment

Table 5-4 Project Reviews – Priority 2			
Assessment Criteria	Low Carbon Venture Capital Fund	Low Carbon Digital Content Project	Financing Emerging Clean Technology Businesses
Is there a clearly articulated and evidenced market failure rationale for the project? Does this link to the stated rationale under each PA (see below)?	Limited	Limited	Limited
Are the project objectives clearly stated?	Satisfactory	Strong	Strong
Do the project objectives coincide with those of its priority axes (see below – please specify)?	Good Fit	Good Fit	Good Fit
Do the project objectives coincide with the programme theme: towards low carbon economic	Good Fit	Good Fit	Good Fit

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Table 5-4 Project Reviews – Priority 2			
Assessment Criteria	Low Carbon Venture Capital Fund	Low Carbon Digital Content Project	Financing Emerging Clean Technology Businesses
growth.			
Is there a clear link to the Lisbon Categories of support under the relevant Priority Axes?	Strong	Satisfactory	Strong
Are the project objectives realistic in the light of: Baseline economic conditions; Recent changes in economic conditions; Changing policy context.	Ambitious and Risky	Ambitious & Risky	Fairly Balanced
Is it clear what activities the project will be delivering? Is the programme delivering what it set out to do (as far as planned at this stage)?	Strong	Strong	Strong
Do the project activities (which are being delivered, if relevant) show a good fit with and contribution to its objectives?	Compelling Fit	Compelling Fit	Compelling Fit
Is the project (which is being delivered) an exemplar for others or does it demonstrate innovation? Is there potential for wider impact within the UK and /or other European member states?	Very Strong Potential	Good Potential	Good Potential
Is it clear how the activities are linked to, complement and add value to mainstream interventions? If relevant, is the project making these links in practice?	Satisfactory	Unclear	Satisfactory
Is there evidence of how the project will contribute to SAV: Strategic Leadership, Influence, Leverage, Synergy and Engagement? If relevant, is the project making a positive contribution to SAV.	Strong	Satisfactory	Satisfactory
Overall, what scale of contribution (e.g. to targets) will the project make to the relevant priority and programme objectives? Specify progress to date.	Potentially - Good degree of impact and return	Potentially - Reasonable degree of impact and return	Potentially if well delivered
Does the project have a clear and robust evaluation plan? If relevant, are the necessary	Unclear	Unclear	Unclear

Table 5-4 Project Reviews – Priority 2			
Assessment Criteria	Low Carbon Venture Capital Fund	Low Carbon Digital Content Project	Financing Emerging Clean Technology Businesses
processes being put in place now for effective evaluation later.			
How well embedded are the CCTs in the project (and delivery if relevant)?	Limited	Satisfactory	Satisfactory

Priority Axis 3: Overview Assessment

Table 5-5 Project Reviews – Priority Axis 3						
Assessment Criteria	Rev-Active	Adnams Bio Energy	Centre for Disability Studies - Disability Essex	Southend YMCA Eco-hub ⁵	Pathfinder Innovation Centre	Resource Efficiency East
Is there a clearly articulated and evidenced market failure rationale for the project? Does this link to the stated rationale under each PA (see below)?	Satisfactory	Satisfactory	Very strong	Limited	Limited	Satisfactory
Are the project objectives clearly stated?	Limited	Satisfactory	Strong	Limited	Limited	Limited
Do the project objectives coincide with those of its priority axes (see below – please specify)?	Good fit	Good fit	Good fit	Good fit	Good fit	Good fit
Do the project objectives coincide with the programme theme: towards low carbon economic growth.	Good fit	Good fit	Good fit	Reasonably good fit	Good fit	Good fit
Is there a clear link to the Lisbon Categories of support under the relevant Priority Axes (see below – please specify)?	Satisfactory	Satisfactory	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Are the project objectives realistic in the light of: Baseline economic conditions,	Fairly balanced	Well balanced	Well balanced	Well balanced	Fairly balanced	Fairly balanced

⁵ It should be noted that the budget for this project is relatively small compared to other projects

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Recent changes in economic conditions, Changing policy context.						
Is it clear what activities the project will be delivering? Is the programme delivering what it set out to do (as far as planned at this stage)?	Very strong	Strong	Satisfactory	Limited	Satisfactory	Satisfactory
Do the project activities (which are being delivered, if relevant) show a good fit with and contribution to its objectives?	Good fit	Good fit	Good fit	Good fit	Good fit	Good fit
Is the project (which is being delivered) an exemplar for others or does it demonstrate innovation? Is there potential for wider impact within the UK and /or other European member states?	Good potential	Very strong potential	Good potential	Average potential	Average potential	Average potential
Is it clear how the activities are linked to, complement and add value to mainstream interventions? If relevant, is the project making these links in practice? (Assessor may need make own assessment based on available evidence)	Satisfactory	Satisfactory	Satisfactory	Satisfactory	Limited	Satisfactory
Is there evidence of how the project will contribute to SAV: Strategic Leadership, Influence, Leverage, Synergy and Engagement? If relevant, is the project making a positive contribution to SAV.	Satisfactory	Strong	Satisfactory	Satisfactory	Limited	Limited
Overall, what scale of contribution (e.g. to targets) will the project make to the relevant priority and programme objectives? Specify progress to date.	High strategic impact	Good degree of impact and return	Reasonable degree of impact and return	Reasonable degree of impact and return	Reasonable degree of impact and return	Reasonable degree of impact and return
Does the project have a clear and robust evaluation plan? If relevant, are the necessary processes being put in place now for effective evaluation later.	Satisfactory	Limited	Satisfactory	Satisfactory	Limited	Limited
How well embedded are the CCTs in the project (and delivery if relevant)?	Satisfactory	Satisfactory	Very strong	Strong	Satisfactory	Satisfactory

Gap Analysis

- 5.20 In addition to the project reviews, a gap analysis has been carried out for each of the three priority axis. This has involved an analysis of the projects supported to date, their fit with the priority axis aims, indicative activities and Lisbon categories identified in the Operational Programme document. The purpose of this analysis is to identify possible gaps for future projects to be supported. The results are set out below under each of the priority axis.

Priority Axis 1

Overview

- 5.21 To date, nine projects have received ERDF funding under priority Axis 1. This commitment represents only 30% of the total allocation under Priority Axis 1 or £10.2 million. The largest project in ERDF funding terms is the Low Carbon SKTPs (£2.8m) and the Knowledge Thurrock project is the smallest (£0.2m).
- 5.22 There are 6 projects at various stages in the pipeline, which would increase the ERDF funding committed to £20.4 million, equivalent to 60% of the total allocation (if all of the projects were to be supported).

Table 5-6 Priority Axes 1: Summary	
Programme Allocation (original)	€37.3m
Programme Allocation (at March 2010)	£33.8m
Project commitment	£15.3m (£10.2m contracted (30%), £5.1m pipeline (60%))
No of projects funded	9
No of pipeline projects	6
No of withdrawals	0
Largest ERDF contribution	£2.8m (Low Carbon SKTPs)
Smallest ERDF contribution	£190k (Knowledge Thurrock)
Average ERDF intervention rate	£1.1m (across all contracted projects)
Total leverage achieved	£16.5m, against £10.2m ERDF (contracted projects only)
Average cost per SME assisted (excl. FEI)	£4,500
Average cost per job created / safeguarded	£6,700

- 5.23 An analysis of each of the bidding rounds for ERDF funding shows that 35 project concepts have been submitted under Priority Axis 1 and of these 16 have been invited to submit a business case (46% of projects). A number of the business cases are being developed or are being considered, however of those submitted, none have been declined.

Table 5-7 Bidding Round Analysis: Priority Axis 1	
No of project concepts submitted	35 (counting resubmitted applications only once)
No of projects resubmitting concepts	2
No of projects invited to develop business case	16 (with two planning to resubmit)
Success rate at concept stage	46% (rising to 51% if the outstanding concepts to be resubmitted are invited to develop business cases)
No of projects approved	10 (with the remaining six yet to submit business case)

Success rate at business case stage	63% (rising to 100% if the outstanding business cases are approved)
No of projects withdrawn (at concept stage)	3
No of projects withdrawn (beyond concept stage)	0
No of projects commissioned	0

- 5.24 An analysis of the project concept submissions by type of applicant shows that in the main, the applicants are HEI/FEI providers, which is not surprising given the focus of this programme.

Table 5-8 Type of Applicant (all projects submitting project concept forms): Priority Axis 1	
Local Authority	5
HEI/FEI	15
EEDA	2
Public sector (other)	8
Private sector	3
Voluntary / community sector	2

Contribution to Aims and Objectives

- 5.25 An analysis of the committed projects contribution to the **priority axis aims** shows that:
- **Supply of Knowledge Transfer Potential:** only two out of the nine committed projects show a strong fit with this priority axis aim. One of the pipeline projects shows a strong fit.
 - **ICT usage:** only one out of the nine committed projects shows a strong fit with this priority axis aim. One of the pipeline projects shows a strong fit with this priority axis aim.
 - **Demand for Knowledge Transfer:** six out of the nine projects show a strong fit with this priority axis aim and two of the pipeline projects show a strong fit with this priority axis aim. The majority of projects are focused on the knowledge transfer objectives, with the heavier focus on stimulating demand from businesses for knowledge transfer. This matches the key rationale for intervention set out in the OP around low business appetite for KT and low innovation, and reflects the recessionary impact, whereby demand for KT is likely to be further reduced.
- 5.26 An analysis of the committed projects contribution to the **priority axis indicative activities** has also been carried out and this shows that:
- A number of the projects which have been supported have contributed to the following activities: collaborative approaches to commercialisation of R&D, business/HEI collaboration and support for innovation/knowledge transfer.
 - Activities where there appears to be gaps are as follows: ICT solutions; innovation advice (although a number of the projects do have some alignment with this activity) and outreach/engaging in knowledge networks.

Table 5-9 Contribution to Priority Axis Indicative Activities (Priority Axis 1)						
	Strong Fit		Weaker Fit		All Fit	
	<i>Committed</i>	<i>Pipeline</i>	<i>Committed</i>	<i>Pipeline</i>	<i>Committed</i>	<i>Pipeline</i>
Collaborative approaches to Commercialisation of R&D	2	0	3	3	5	3
ICT Solutions	1	1	0	0	1	1
Innovation Advice	1	0	3	3	4	3
Outreach / engaging in knowledge networks	1	0	2	1	3	1
Business / HEI Collaboration	2	3	4	2	6	5
Support for Innovation / Knowledge Transfer	2	3	1	2	3	5

5.27 An analysis of the committed projects contribution to the **Lisbon Categories** has also been carried out and this shows that:

- There is a strong alignment with Lisbon category 03 – technology transfer and this is likely to continue if the pipeline projects are supported. There is also a strong alignment with 09 – stimulation of research/entrepreneurship in SMEs.
- There are potential gaps in terms of supporting Lisbon Categories 11-ICT, 63 – design of innovative productive ways of working. There is also a potential gap in terms of activities supporting 04-aid for the RTD in SME's and 06 – assistance on environmentally friendly products and processes.

Table 5-10 Contribution to Lisbon Categories (Priority Axis 1)						
	Strong Fit		Weaker Fit		All Fit	
	<i>Committed</i>	<i>Pipeline</i>	<i>Committed</i>	<i>Pipeline</i>	<i>Committed</i>	<i>Pipeline</i>
03 – technology transfer – improvement of cooperation networks SME's and RIs	4	3	3	2	7	5
04 – Aid for the RTD in the SMEs	1	0	1	2	2	2
06 – Assistance on env friendly products / processes	0	0	4	2	4	2
09 – stimulation of research – innovation – entrepreneurship in SME's	2	3	2	3	5	6
11 – ICT	1	0	1	0	2	0
63 – Design of innovative productive ways of working.	1	1	0	0	1	1

Key Points and Potential gaps

- 5.28 Priority Axes 1 is currently a relatively well balanced portfolio of projects, with a combination of more generic business support for innovation, linked to low-carbon goals e.g. SDI, TakeITon, as well as more sector-specific projects e.g. BEST East (construction), InCrops (bio-renewables), SBRI (health technologies) and LEEP (focused on key sectors including energy and environmental technologies). Overall there are a reasonable mix of projects at different levels of intervention, with early engagement projects (e.g. I10) to placements for knowledge transfer (e.g. Shorter KTPs), and through to supporting R&D and commercialisation of new IP (e.g. SBRI).
- 5.29 The current portfolio also has a fairly balanced-risk set of projects, with a number of projects extending existing programmes (sKTPs with an established process for knowledge transfer, TakeITon building on Business Link's IT support expertise; LEEP building on Framework Programme 7 work for supporting new R&D and commercialisation) as well as other projects piloting new approaches (BEST East around construction supply-chain innovation; InCrops in stimulating the bio-renewables sector; SBRI piloting a new public procurement approach to support commercialisation of new technologies from SMEs). This mix should give a balance of more assured achievement of outputs and results, alongside demonstrating programme innovation.
- 5.30 There is only one project specifically linked to the ICT solutions activity (TakeITon). This is because ICT is not one of the Solutions for Business Products, which makes it difficult to add to the portfolio of ICT projects (TakeITon received dispensation to pilot this project). Innovation Martlesham (a pipeline project) also has a strong ICT focus and may come forward in the future (though it should be noted that this is an ICT technology project, it does not support SME's to improve their performance through ICT). As the gap analysis below shows, there is currently a gap in ICT solutions projects and going forward this should be an area for discussion with BIS to review the potential to support additional projects where this is worthwhile.
- Recommendation 21: continue to liaise with BIS on 'Solutions for Business' issues.** Work closely with BIS to ensure that priority projects which have regional significance can be supported and aligned with the Solutions for Business agenda (in particular ICT projects where there are difficulties aligning this with the Solutions for Business Products).
- 5.31 There is also limited project support for specific sector knowledge networks, other than the InCrops project.
- 5.32 While fairly low-level knowledge transfer projects are well supported, the portfolio is currently limited on more intensive knowledge transfer opportunities, which may be more likely to generate new IP – leveraging out the expertise of the region's HEIs.
- 5.33 The analysis is slightly limited, given that a) there is overlap between a number of the project activity categories, b) that several of the projects are mechanisms to fund sub-projects which will each have their own aims and objectives (Shorter KTPs, Knowledge Thurrock, BEST East), and c) that some of the projects involve understanding demand and designing specific required interventions as an early phase of their work (InCrops, SDI).
- 5.34 There is some potential for overlap in the projects contracted to date:

- Shorter KTPs / Knowledge Thurrock – both projects essentially involve associate placements within businesses facilitating a degree of knowledge transfer / innovation around enhancing low carbon economic growth. The Knowledge Thurrock project involves shorter (six week) placements, whereas the shorter KTPs last a minimum of four months, which should mean the latter will involve a greater degree of knowledge transfer. There is potential for business confusion between the schemes however, and ensuring a joint-up approach is likely to be important.
- SDI / I10 – both projects are essentially offering early stage engagement with HEIs for businesses looking to improve business innovation and reduce their carbon footprint. However, the approach of these projects differs significantly, with I10 being a more generic gateway for businesses to access HEI support with a particular problem, while SDI will provide a range of online resources through Cranfield University to support ongoing business innovation as well as giving more intensive support in certain cases through the new C4D centre. There is therefore unlikely to be significant overlap, but again there ought to be good links made between these projects.

5.35 At present the majority of projects are in set-up phase and so it is largely too early to say whether projects are delivering what they set out to and whether levels of anticipated demand for these projects match the actual position.

5.36 A summary of the potential gaps and possible activities following on from our analysis is as follows:

Table 5-11 Potential gaps in activities		
Aims and Objectives	Indicative Activities	Lisbon Categories
ICT usage	ICT solutions; Outreach/engaging in knowledge networks	11-ICT, 63 – design of innovative productive ways of working. There is also a potential gap in terms of activities supporting 04-aid for the RTD in SME's 06 – assistance on environmentally friendly products and processes

5.37 The key projects which should be considered going forward include:

- **ICT solutions.** The greatest requirement under Priority Axis 1 is for ICT solutions. The Martlesham Heath project is in the pipeline, though it should be noted that this is an ICT technology project, it does not support SME's to improve their performance through ICT. There is potentially a need for more sector-specific solutions, given that the generic TakeITon service is already widely encompassing.
- **Knowledge Network Support.** There is a need to investigate knowledge network support needs, particularly for target growth sectors linked to low carbon economic growth.

- **Intensive Knowledge Transfer activities.** Investigate opportunities for more intensive KT opportunities. For example, this could involve extending the Full KTP programme or looking at sector-specific support in target growth sectors linked to low carbon economic growth - particularly where there are specific regional HEI strengths.

Recommendation 22: where feasible and worthwhile, support projects which address gaps in the current portfolio of projects under Priority Axis 1. A gap analysis which has examined the extent to which projects have met the aims and objectives for that particular priority axis, the indicative activities and Lisbon categories as set out in the OP document has identified a number of gaps, which could provide opportunities for the future. Under **Priority Axis 1**, the key gaps are:

- **ICT Solutions:** there is a need potentially for more sector specific solutions given that the generic TakeITon service is widely encompassing.
- **Knowledge Network Support:** there is a need to investigate knowledge network support needs, particularly for target growth sectors⁶ linked to low carbon economic growth.
- **Intensive Knowledge Transfer activities:** investigate opportunities for more intensive KT opportunities. For example, this could involve extending the full KT programme or looking at particular sector specific support in target growth sectors linked to low carbon economic growth – particularly where there are specific regional HEI strengths.

As well as other activities identified in the Operational Programme document, these gaps should be considered when supporting new projects. Where it is considered appropriate the ERDF team could consider supporting projects within these areas through marketing, targeted bidding rounds or commissioning.

Priority Axis 2

Overview

- 5.38 To date, nine projects have received ERDF funding under priority Axis 2. This commitment represents 94% of the total allocation under Priority Axis 2 or £11.6 million. The largest project in ERDF funding terms is the Pathfinder LCVCF project (£8m) and the Low Carbon Proof of Concept Form is the smallest (£0.04m).
- 5.39 There is one project in the pipeline, which increases the ERDF Competitiveness funding committed to £22.5 million, equivalent to 94% of the total allocation.

Table 5-12: Priority Axes 2: Summary	
Programme Allocation (original) (€)	€26.6m
Programme Allocation (at March 2010 exchange rate: (£)	£23.9m
Project commitment, including pipeline	£22.5m (£11.6m contracted, £245k pipeline)
Percentage commitment	94.1%
No of projects funded	9

⁶ The East of England Low Carbon Innovation Evidence Base, November 2009, Innovas Solutions Ltd in partnership with K Matrix and AEA for the East of England Development Agency set out a number of sectors for future focus. This includes biofuels, bioenergies, crop development, low carbon vehicles, recovery and recycling and carbon capture and storage, offshore wind energy and building technologies

No of pipeline projects	1
No of withdrawals	4
Largest ERDF contribution	£8m (LCVCF)
Smallest ERDF contribution	£44k (LC Proof of Concept Form)
Average ERDF intervention rate	39.5%
Total leverage achieved	£42.7m

- 5.40 An analysis of each of the bidding rounds for ERDF funding shows that 27 project concepts have been submitted under Priority Axis 2 and of these 13 have been invited to submit a business case (44% of projects). A number of the business cases are being developed or are being considered, however of those submitted, none have been declined.

Table 5-13 Bidding Round Analysis: Priority Axis 2	
No of project concepts submitted	27
No of projects resubmitting concepts	8
No of projects invited to develop business case	13
Success rate at concept stage	44.4%
No of projects approved	9 (one pipeline)
Success rate at business case stage	100%
No of projects withdrawn (at concept stage)	3
No of projects withdrawn (beyond concept stage)	4
No of projects commissioned	1

- 5.41 An analysis of the project concept submissions by type of applicant shows that there is a good mix of applicants the highest number from the private sector (9).

Table 5-14 Type of Applicant (all projects): Priority Axis 2	
Local Authority	2
HEI/FEI	1
EEDA	4
Public sector (other)	3
Private sector	9
Voluntary / community sector	4
Total	23

Contribution to Aims and Objectives

- 5.42 An analysis of the committed projects contribution to the **priority axis indicative activities** has also been carried out and this shows that:

- In the main, the projects which have been supported are access to finance / venture capital projects (with six out of the eight projects which have been supported falling within this category) and three of these are aligned to business start-up activities.
- Four of the projects which have been supported provide support for resource efficiency.
- One of the projects which have been committed and one which is in the pipeline show a strong alignment with networking and cluster development activities
- One of the projects which have been supported is aligned to renewable energy supply chain projects

- Only one of the projects which have been supported is specifically aimed at social enterprises.

Table 5-15 Contribution to Priority Axis Indicative Activities		
	Total Fit	
	<i>Committed</i>	<i>Pipeline</i>
Access to Finance / Venture Capital	6	1
Business Start-up Programme	3	0
Networking and Cluster Development	1	1
Renewable Energy Supply Chain	1	0
Support to Social Enterprises	1	0
Support for Resource Efficiency	4	1

5.43 An analysis of the committed projects contribution to the **Lisbon Categories** has also been carried out and this shows that:

- There is a strong alignment with Lisbon category 06 – SME's and promotion of environmentally friendly products and processes. There is also a strong alignment with 08 – other investments in firms.
- There are potential gaps in terms of supporting Lisbon Categories 09-stimulation of research, innovation and entrepreneurship; and potentially 07 – research and innovation - investments.

Table 5-16 Contribution to Lisbon Categories		
	Total Fit	
	<i>Committed</i>	<i>Pipeline</i>
06 – SME's and promotion of environmentally friendly products and processes	5	1
07 – research and innovation - investments	3	0
08 – other investments in firms	6	1
09 – research and innovation other	0	0

Key Points and Potential gaps

5.44 As explained above, this priority axis has seen over 90% of funds already allocated to projects. A significant share of funding has gone towards access to finance type activities. Although these activities are clearly necessary for the future success of the SME base in the region and have associated market failure issues, this has meant less funding devoted to other types of enterprise and business development activities. Going forward, it would be desirable for the remaining funds (and any additional funds following agreed virements from PA1 and PA3 to PA2) to be allocated in a more focussed manner, possibly via commissioning or targeted calls for project bids. In particular, the following areas are worthy of consideration in order to ensure that the funded projects address the range of objectives of

the priority axis as fully as possible:

- **Supply chains and procurement.** The development of successful and economically viable supply chains tied to low carbon activity will be an important activity if the benefits of low carbon economic growth are to be fully embedded in the region. Therefore, projects that support the development of SMEs that can operate within these supply chains will be important. Supply chains tied to renewable energy and bio-renewables, as well as sub-sectoral activity in areas such as low carbon vehicles are worthy of consideration here. In addition, small scale energy generation and projects around district heating which may be funded via PA3 could benefit from having 'partner' supply chain development projects forming under PA2.
- **Social enterprise.** Social enterprise as a form of business model is important in the region for a number of reasons. Firstly, low carbon products and services are often associated with social or community enterprise forms of business activity, sometimes in association with ethical consumption. Also important is the possibility of demonstrator projects emerging via PA3 which could be owned and managed using social enterprise models or similar structures such as community development trusts. This might include, for example, small scale energy generation projects and district or community-wide heating networks that utilise waste heat or energy. The extent to which these can feature within new residential developments will also be interesting to explore. Again the development of partner projects under PA2 that support a sustainable production or consumption project under PA3 would be worth considering as this may help to identify and illustrate good practice in this form of economic development.
- **Intensive Knowledge Transfer activities:** investigate opportunities for more intensive KT opportunities. For example, this could involve extending the full KT programme or looking at particular sector specific support in target growth sectors linked to low carbon economic growth – particularly where there are specific regional HEI strengths.

- 5.45 Some consideration should also be given to additional sectors worthy of support via PA2. This might include elements of the region's manufacturing or advanced engineering sectors. In addition, low carbon approaches to supporting sectors which may not be highly carbon intensive but which account for large shares of employment in the region might also be looked at within this priority axis. This might, for example, include elements of the business services or leisure related sectors.

Table 5-17 Potential gaps in activities		
Aims and Objectives	Indicative Activities	Lisbon Categories
<ul style="list-style-type: none"> • Social Enterprise • Sector Growth 	<ul style="list-style-type: none"> • Networking and Cluster Development • Renewable Energy Supply Chain Support to Social Enterprises 	<ul style="list-style-type: none"> • 09-stimulation of research, innovation and entrepreneurship • 07 – research and innovation - investments

- 5.46 These gaps should be considered when supporting projects going forward.

Recommendation 23: where feasible and worthwhile, support projects which address gaps in the current portfolio of projects under Priority Axis 2. A gap analysis which has examined the extent to which projects have met the aims and objectives for that particular priority axis, the indicative activities and Lisbon categories as set out in the OP document has identified a number of gaps, which could provide opportunities for the future. Under **Priority Axis 2**, the key gaps are:

- **Supply chains and procurement:** the development of successful and economically viable supply chains tied to low carbon activity will be an important activity if the benefits of low carbon economic growth are to be fully embedded in the region.
- **Social enterprise:** these are important since low carbon products and services are often associated with social or community enterprise forms of business activity, sometimes in association with ethical consumption. Also important is the possibility of demonstrator projects emerging via PA3 which could be owned and managed using social enterprise models or similar structures such as community development trusts (e.g. small scale energy generation projects and district or community wide heating networks that utilise waste heat or energy).
- **Networking and Cluster Development:** investigate opportunity to develop R&D oriented clusters of business activity in sectors closely aligned to the low carbon agenda, especially those, identified within the Low Carbon Innovation Evidence Base document. Also explore clustering and networking opportunities amongst businesses that would support activity funded under PA3 such as renewable energy production and consumption, district heating and off-shore energy.

As well as other activities identified in the Operational Programme document, these gaps should be considered when supporting new projects. Where it is considered appropriate the ERDF team could consider supporting projects within these areas through marketing, targeted bidding rounds or commissioning.

- 5.47 In Section 3 of the report, we indicated that 92.2% of the total funding available had been committed towards priority axis 2. Above, we have identified a number of gaps and opportunity areas which could be supported if additional funding was made available for priority axis 2. The implications for funding to be diverted from priority axis 3 to priority axis 2 is considered below.

Key Recommendation 24: support virement proposals for Priority Axis 2. Funds available within Priority Axis 2 should be increased by an amount in the region of £5 million. There are three key reasons for this proposal: the funding available under this priority is close to being exhausted currently; a significant volume of funding has gone into SME finance projects, meaning that the overall range of activity funded to date is relatively limited; and, there appears to be continuing demand for project activities that would fall under this axis. The delivery of these activities will help considerably in supporting the increased competitiveness of the regional business base. We recommend that funding within PA2 is increased via a virement of funds specifically from PA3.

The case for funding to be diverted from PA3 to PA2

If £5m was diverted from Priority Axis 3 as proposed, this would impact on the funds available in the following way:

- **PA1:** £18.3m remaining

- **PA2:** £1.8m would increase to £6.8m
- **PA3:** £21m would be reduced to £16m

Priority Axis 2 is focused on stimulating enterprise and supporting successful businesses by overcoming barriers to business creation and expansion. The case for additional funding towards Priority Axis 2 activities can be summarised as follows:

- Demand for business support activities and particularly SME finance supported under PA2 has been greater than originally anticipated at the start of the programme. There also continues to be interest for projects to be supported under this priority axis.
- The recession has impacted negatively on the East of England economy and in the light of this there is a need to support the regional business base. The number of unemployed residents in the region increased by 43,000 between 2005/06 and 2008/09 and the number of Job Seekers Allowance claimants more than doubled between May 2008 and 2009. Since the latest data available on VAT registrations is for 2007, it is currently not possible to understand fully how the recession has impacted on businesses in the region. However, the sharp increase in unemployment suggests that there will at least be some stagnation of the business base. Between 2004 and 2007, the number of VAT registrations in the East of England increased by a lower rate than nationally (an increase of 10% for the East of England compared to 11% for England and Wales), which suggests that the region was underperforming compared to national levels prior to the recession. In the light of the recession, there continues to be a need to stimulate enterprise and support successful businesses.
- The competitiveness of the region will be improved by raising business formation rates specifically in some parts of the region which are underperforming. Luton, Thurrock and Peterborough for example all have business densities below the national average. Funding towards priority axis 2 will therefore be important in supporting businesses in underperforming areas (as well as other parts of the region).
- The East of England Low Carbon Innovation Evidence Base⁷ identifies a number of opportunity sectors (such as biofuels and crop development). In order to support these sectors which have been identified as being important to the East of England's low carbon offer, business support is likely to be required and this should be supported under PA2.
- Funding towards Priority Axis 2 activities will help to reinforce and embed some priority axis 3 activities such as supply chain activities and procurement relating to renewable energy and other low carbon sectors.
- There is a need to support supply chain activities in relation to renewable energy. This is a key priority within the UK Low Carbon Transition Plan (page 61). The Office for Renewable Energy Deployment (ORED) has been established to implement the Governments Renewable Energy Strategy with one of its five responsibilities being to overcome supply chain blockages and promote business opportunities in the renewable sector in the UK.
- Social enterprises may also be an appropriate business model for certain types of activities such as small scale energy generation projects and district or community-wide heating networks that utilise waste heat or energy.
- The funding for Priority Axis 2 activities is nearly exhausted. Even with the additional funding of £5million, the overall balance would still be low in comparison to Priority Axes 1 and 3 and as such this virement of funds would not have a significant impact on the balance of the programme overall. This is largely due to the fact that the original allocation was lower than the allocations towards the other priority axes.

⁷ East of England Low Carbon Innovation Evidence Base, November 2009. Research commissioned by the East of England Development Agency and part funded by the ERDF Competitiveness Programme 2007-2013

In terms of making the case for funding to be directed from **Priority Axis 3**—which is focused on promoting sustainable development, production and consumption—the main arguments in favour of this are as follows:

- The strong focus which this priority axis has on sustainability issues are addressed de facto by virtue of the programmes low carbon focus.
- There has been an increasing policy focus towards supporting low carbon activities nationally (New Industry New Jobs, Low Carbon Industrial Strategy, Low Carbon Transition Plan) and alongside this an increase in funding available at a national level to support these activities. The increased emphasis on the issues supported under PA3 is greater than originally anticipated and as a result, the gap in supporting these activities (compared to others under PA1 and PA2) is not likely to be as significant.
- Finally, there are also two requirements identified under Priority Axis 3, which could be better supported under priority axis 2. Funding is currently available for flagship business space, however in the light of the recession softer business support activities are more urgently required compared to physical workspace. Furthermore, support for social enterprises would be better funded through PA2.
- The main requirement for funding under priority axis 3 in the future is for demonstrator projects and based on market interest in these types of activities to date, the funding which would be available (£16m) is likely to be sufficient to meet future needs.
- This priority axis currently has access to the greatest level of funding compared to the other two priority axes.

Priority Axis 1 focuses on promoting innovation and knowledge transfer with the intention of improving productivity. Given the impact of the recession on the East of England, it is felt that supporting these activities will be important in ensuring the competitiveness of the region. Smart Growth, that is developing an economy based on knowledge and innovation is one of three priorities at the heart of the Europe 2020 strategy, which further emphasises the importance of these activities at a European level, reinforcing our decision to retain funding for this priority.

Priority Axis 3

Overview

- 5.48 To date, seven projects have received ERDF Competitiveness funding under priority Axis 3. This commitment represents 20% of the total allocation under Priority Axis 3 or £6.9 million. The largest project in ERDF Competitiveness funding terms is the Pathfinder Innovation Centres for Sustainability project (£2.3m) and the Southend EcoHub is the smallest (£0.3m).
- 5.49 There are twelve projects in the pipeline, which increases the ERDF Competitiveness funding committed to £20.8 million, equivalent to 60% of the total allocation. This is largely as a result of the recent housing call which has been extremely successful. This received interest from DECC and the Retrofit for the Future programme. The call was focused on ensuring new and innovative approaches to energy efficiency in social domestic housing - thirteen applications were received and of these six bidders have been invited to submit applications and a full business plan.

Table 5-18 Priority Axes 3: Summary	
Programme Allocation (original)	£44.3
Programme Allocation (at March 2010)	£38.6
Project commitment	£17.7m (46%) (£7.8m contracted or 20%)
No of projects funded	7
No of pipeline projects	10 (1 approved – no offer, 9 – pipeline)
No of withdrawals (approved projects)	0
Largest ERDF contribution	£2,256,667 (Pathfinder Innovation Centres for Sustainability)
Smallest ERDF contribution	£307,224 (Southend EcoHub)
Average ERDF intervention rate	37%
Total leverage achieved	£37.2 private £5.5 public

- 5.50 An analysis of each of the bidding rounds for ERDF Competitiveness funding shows that 45 project concepts have been submitted under Priority Axis 3. This is the highest number under each of the Priority Axis. Of these, 20 have been invited to submit a business case (44% of projects submitting a concept). A number of the business cases are being developed or are being considered, however of those submitted none have been declined.

Table 5-19 Bidding Round Analysis: Priority Axis 3	
No of project concepts submitted	45
No of projects resubmitting concepts	15
No of projects invited to develop business case	20
Success rate at concept stage	44%
No of projects approved	7
Success rate at business case stage	100% (3 projects awaiting decision)
No of projects withdrawn (at concept stage)	5
No of projects withdrawn (beyond concept stage)	1
No of projects commissioned	1

- 5.51 An analysis of the project concept submissions by type of applicant shows that there is a good mix of applicants (more so than under any of the other priority axis) with the highest number from Local Authorities (11) the public sector (11) and the private sector (10).

Table 5-20 Type of Applicant (all projects): Priority Axis 3	
Local Authority	11
HEI/FEI	5
EEDA	0
Public sector (other)	11
Private sector	10
Voluntary / community sector	8
Total	45

Contribution to Aims and Objectives

- 5.52 An analysis of the committed projects contribution to the **priority axis aims** shows that:

- **Low carbon communities:** only one committed project which has been supported demonstrates a strong fit to this priority axis aim and none of the pipeline projects.

- **Low carbon construction / physical:** three of the committed projects demonstrate a strong fit with this priority axis aim. Going forward there is likely to be more projects demonstrating a closer fit with the priority axis aim. Eight of the pipeline projects demonstrate a strong fit this priority axis aim.
- **Sustainable Consumption:** three of the committed projects demonstrate a strong fit with this priority axis aim. Four of the pipeline projects demonstrate a strong fit with this priority axis aim.

5.53 An analysis of the committed projects contribution to the **priority axis indicative activities** has also been carried out and this shows that:

- There is a good mix of sustainable consumption projects, renewable energy demonstrator/exemplar projects and exemplar demonstrator energy efficiency solutions.
- There has been less activity in terms of the following areas: key strategic developments linked to clean tech and the renewable energy sector; flagship business space; initiatives within communities which support low carbon economic growth and support for social enterprises.

Table 5-21 Contribution to Priority Axis Indicative Activities						
	Strong Fit		Weaker Fit		All Fit	
	<i>Committed</i>	<i>Pipeline</i>	<i>Committed</i>	<i>Pipeline</i>	<i>Committed</i>	<i>Pipeline</i>
Sustainable Consumption	2	2	5	9	7	11
Key strategic developments linked to clean tech and renewable energy sector	0	0	2	1	2	1
Renewable energy demonstrator or exemplar projects	1	7	3	3	4	10
Exemplar demonstrator energy efficiency solutions	2	7	2	2	4	9
Flagship business space	1	2	0	0	1	2
Initiatives within communities which support low carbon economic growth	1	0	1	0	2	0
Support for social enterprises	0	1	0	0	0	1

5.54 An analysis of the committed projects contribution to the **Lisbon Categories** has also been carried out and this shows that:

- There is a strong alignment with Lisbon category 06 – SME's and promotion of

environmentally friendly products and processes. There is also a strong alignment with 43 – energy efficiency.

- There are potential gaps in terms of supporting Lisbon Categories 09-stimulation of research, innovation and entrepreneurship; 39 – renewable energy wind; 40-renewable energy – solar; 42-renewable energy: hydroelectric, geothermic and others.

5.55 It is important to bear in mind that all capital build/retrofit projects have to reach BREEAM excellent/very good as a standard and as such they are likely to have high levels of energy efficiency, often using renewable energy.

Table 5-22 Contribution to Lisbon Categories						
	Strong Fit		Weaker Fit		All Fit	
	Committed	Pipeline	Committed	Pipeline	Committed	Pipeline
06 – Assistance to SME's for the promotion of environmentally friendly products and processes	4	3	1	1	5	4
09 – Stimulation of research innovation and entrepreneurship	0	1	0	0	0	1
39: Renewable Energy: wind	Many of the projects supported will align with these Lisbon Categories to some extent. However, this is difficult to assess from the project documentation.					
40: Renewable Energy: solar						
42: Renewable Energy: hydroelectric, geothermic and others						
41 – Renewable Energy: biomass	1	1	0	0	1	1
43: Energy efficiency, CHP	3	7	2	3	5	10

Key Points and Potential gaps

5.56 Two of the projects which have been supported - Rev-Active and Resource Efficiency East-provide assistance to SMEs promoting environmentally friendly products and processes. The latter project will however have ceased supporting businesses once Rev-Active has started and both use slightly different approaches to targeting and supporting businesses (for example Rev-Active makes use of thermal imaging). Nevertheless, care should be taken to ensure that there are synergies between these business support projects and others which have been supported under priority axis 1 and 2. The risk is that there may be duplication of activities and there could also be confusion amongst SME's.

5.57 Four out of the eight committed projects involve construction of physical projects, with the aim varying from project to project. One of these is the Adnams Bio Energy Plant which is an

exemplar for energy efficiency solutions which could have national significance. The Pathfinder Innovation Centres will provide exemplar buildings demonstrating low carbon technologies across two centres (one a retrofit and one a new build). The Centre for Disability Studies will similarly demonstrate low carbon technologies and provide a HQ for Disability Essex whilst the Southend Eco Hub will also provide space for eco-businesses. Going forward, the focus should be on supporting capital projects where these are exemplar or demonstrator projects which can have regional or wider significance (such as Adnams).

- 5.58 Some of the projects do have the potential to be nationally or internationally significant (Adnams Bio Energy Plant in particular, and Rev-Active which will test the potential for thermal imaging to be applied), which is positive.
- 5.59 The indicative activities specified in the Operational Programme document for priority axis 3 often make it difficult to correlate funded projects with the indicative activities and there is significant overlap between the activities. These could be revised to either (i) provide a more prescriptive range of activities or (ii) provide more general headings which offer less overlap.
- 5.60 A summary of the gaps identified above is provided in the table below.

Table 5-23 Potential gaps in activities		
Aims and Objectives	Indicative Activities	Lisbon Categories
<ul style="list-style-type: none"> Low Carbon Communities 	<ul style="list-style-type: none"> Key strategic developments linked to clean tech and the renewable energy sector; Flagship business space; Initiatives which support low carbon economic growth Support for social enterprises 	<ul style="list-style-type: none"> 09-stimulation of research, innovation and entrepreneurship; 39 – renewable energy wind; 40-renewable energy – solar; 42-renewable energy: hydroelectric, geothermic and others

- 5.61 The key opportunities for additional projects under this priority axis are as follows:
- Demonstrator projects, which test new techniques and technologies and which have the potential to be of national or international significance. These could offer new approaches to renewable energy (including wind, solar, hydroelectric, geothermic CHP and others). This would build on successful ideas which are currently being developed such as the Adnams Bio Energy plant and would ensure that the programme offers the most significant strategic impact.
 - There may be a requirement for one or more flagship business space projects, however only where there is a clearly identified need and where there is a clearly defined project.
 - Low carbon communities: projects which support local jobs and business growth in a manner which generates low carbon outcomes. This could include transport projects amongst others.
 - There is potentially a need for social enterprise projects, although it is more likely

that this should be supported under PA2.

Recommendation 25: where feasible and worthwhile, support projects which address gaps in the current portfolio of projects under Priority Axis 3. A gap analysis which has examined the extent to which projects have met the aims and objectives for that particular priority axis, the indicative activities and Lisbon categories as set out in the OP document has identified a number of gaps, which could provide opportunities for the future. Under **Priority Axis 3**, the key gaps are:

- **Clean technology / renewable energy demonstrator projects.** Demonstrator projects which test new techniques and technologies and which have the potential to be of wider significance (both national and international). These could offer new approaches to clean technology and renewable energy (including wind, solar, hydroelectric, geothermic, CHP and others). This would build on successful ideas which are currently being developed such as the Adnams Bio Energy projects.
- **Flagship business space.** There may be a requirement for one or more flagship business space projects, however only where there is a clearly identified need and where there is a well defined project. However, it may be that projects which support businesses can be funded under PA2. Whilst this would not be a physical project, it may be that revenue support could help to develop key sectors.
- **Low carbon communities.** Projects which support local jobs and business growth in a manner which generates low carbon outcomes. This could include transport projects amongst others.
- **Social Enterprise.** These projects could be supported under PA2.

As well as other activities identified in the Operational Programme document, these gaps should be considered when supporting new projects. Where it is considered appropriate the ERDF team could consider supporting projects within these areas through marketing, targeted bidding rounds or commissioning.

Key Recommendation 26: support proposals for £5 million of PA3 funding to be diverted towards PA2 activities. In line with key recommendation 24, **funds for PA3 should be reduced by £5 million.** Funds available within Priority Axis 2 should be increased by an amount in the region of £5 million. Further information about the rationale for this move are set out on pages 91 to 93 of this report.

6. Match Funding

Introduction

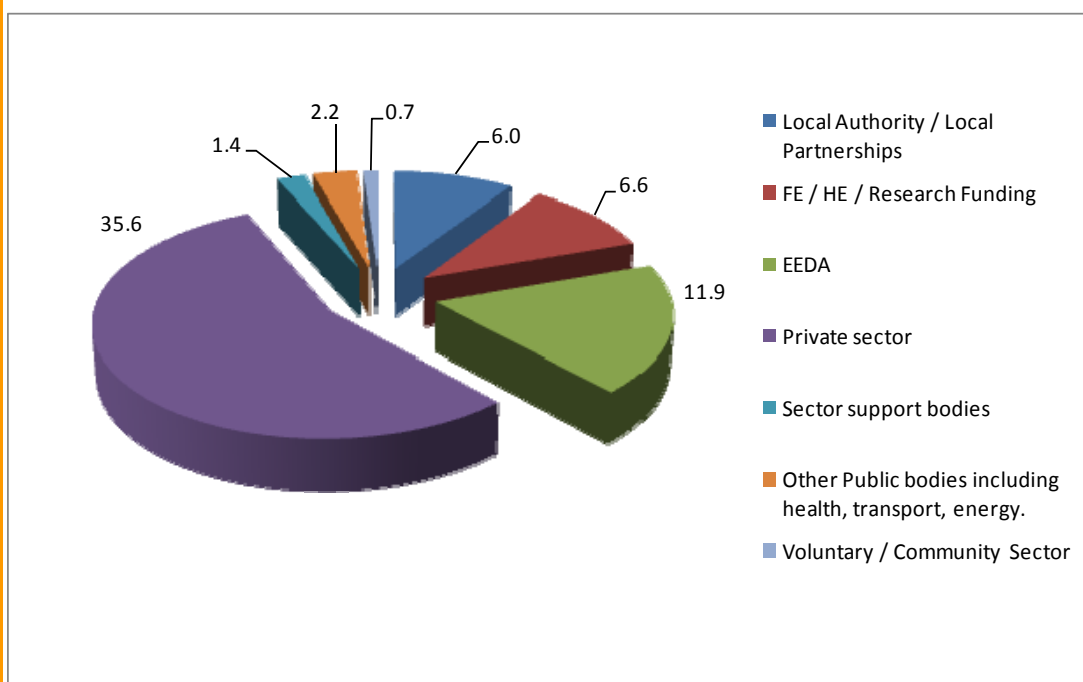
- 6.1 This chapter reviews sources of match-funding currently available to the Programme and those sources likely to be available during the remainder of Programme period, in order to illustrate the scale of resource available from a range of public sector sources. This analysis is informed by a desk-based review of potential funding streams and their alignment/eligibility with ERDF.
- 6.2 This chapter will cover:
- A summary of where match funding has been drawn from for contracted projects to date in the 2007-13 programme.
 - Detailed information on key funding sources, their focus and level of alignment with ERDF, types of interventions that they fund, and the opportunities or constraints affecting their likelihood for increased utilisation for ERDF match going forward.
 - Quantifying the potential scale of eligible public sector match funding over the remainder of the programme.
 - Conclusions for each programme priority axis, drawing out the key match funding sources for that priority and steps that may need to be taken to unlock new sources or draw further funding from existing sources, as the programme progresses.

Match Funding Sources for the Programme to date

- 6.3 The table and pie chart below shows the sources of match funding by priority area for contracted projects to date.

Table 6-1: Match Funding for Contracted Projects to Date by Source and Priority Axis (£m)						
Source	Match Funding for Contracted Projects to Date (£m)					% of Total Match
	PA1	PA2	PA3	PA4	TOTAL	
Local Authority / Local Partnerships	2.1	1.5	2.4	0.0	6.0	9%
FE / HE / Research Funding	3.8	0.5	2.4	0.0	6.6	10%
EEDA	2.5	5.3	2.7	1.4	11.9	19%
Private sector	6.0	26.2	3.4	0.0	35.6	55%
Sector support bodies	0.5	0.9	0.0	0.0	1.4	2%
Other Public bodies including health, transport, energy.	1.6	0.0	0.5	0.0	2.2	3%
Voluntary / Community Sector	0.0	0.2	0.5	0.0	0.7	1%
Totals	16.5	34.6	11.9	1.4	64.4	100.0%

Figure 6-1: Match Funding for Contracted Projects to Date by Source (£m)



6.4 The analysis of match funding sources for projects contracted to date show a number of interesting findings:

- Private sector funding is by far the main match funding source for projects to date, making up 55% (£35.6m) of match secured by all projects. The majority of this is under Priority Axis 2, with a significant portion (£12m) coming from the Low Carbon Venture Capital Fund.
- EEDA funding makes up just under one fifth of the match funding to date, and a funding contribution from EEDA is incorporated into the majority of projects contracted to date. EEDA match funding has mainly supported projects under Priority Axis 2, however has also made significant contribution to the other Priority Axes.
- The other two major sources of match funding to date are funding from Local Authorities / Local Partnerships, making up 9% of match funding to date, and which is mainly focused on Priority Axes 1 and 3, and Further and Higher Education / Research funding, making up 10% of match funding to date which has mainly supported projects under Priority Axis 1, but also those under Priority Axis 3.
- Other match funding sources have included Sector support bodies for construction, digital content and renewable energy; other regional and national bodies including DECC, NHS and the Highways Agency; and Voluntary and Community Sector organisations.

Information on Key Funding Sources

Local Authority Sources

- 6.5 Local authorities, as much of the public sector, are currently facing significant uncertainty over future budgets, and are widely anticipating spending cuts. Through Area Based Grants, some local authorities receive allocations of LEGI and Working Neighbourhoods Fund amounts, however out of the 52 local authorities in the region, only Norwich City and Great Yarmouth Borough Councils receive these funds, and no allocations are provided at present for post-2011. Local Authorities also have capital budgets which may be committed to ERDF-eligible projects in certain cases, however these again will be under additional pressure in the coming years.
- 6.6 **Local Enterprise Growth Initiative (LEGI)** funding is focused on increasing productivity and economic potential in deprived communities through enterprise and investment programmes. The fund was allocated to certain local authorities through a restricted bidding process, so currently only two authorities in the region receive this funding. These are Norwich City Council and Great Yarmouth Borough Council (allocated respectively £1.8m and £1.6m in 2010-11). The programme gives local authorities the autonomy to fund the most appropriate local solutions for their areas. Funding has currently been allocated up to 2011, but is uncertain after this period. This funding stream relates mainly to Priority axis 2 of the ERDF Competitiveness Programme.
- 6.7 **Working Neighbourhoods Fund (WNF)** is focused on community-led approaches to increasing employment in more deprived areas, and is the successor programme to the Neighbourhood Renewal Fund. The fund is allocated to certain authorities linked to levels of deprivation, so from 2010-11 only one authority in the region will receive this funding - Great Yarmouth Borough Council (allocated £2.6m for 2010-11). The funding similarly gives autonomy to local authorities to target in the most suitable way locally. WNF allocations have also been made to 2011 but not beyond at this stage. This funding stream similarly relates primarily to Priority axis 2 of the ERDF Competitiveness Programme.
- 6.8 The principal local authorities across the region have also taken a lead in their area to pull together local level plans showing alignment of the ERDF Competitiveness programme to their local objectives and co-ordinating key local projects that align to ERDF. They are likely however to struggle to find significant sums of additional funding to support ERDF-eligible projects going forward, particularly given anticipated further cuts in the coming years.

HEI / FEI and other Research Sources

- 6.9 HEI / FEI participation in ERDF meets two complementary rationale for institutions; meeting corporate objectives in relation to innovation, knowledge transfer and spin outs, which has reputational and financial benefits to the institution; and contributing to economic regeneration objectives, helping to raise the competitiveness of the region.

University Core funding (HEFCE grant)

- 6.10 The Higher Education Funding Council for England (HEFCE) distributes public money to universities and colleges in England. While much of this funding is ineligible for ERDF match,

elements around spend on new facilities, and working with business on innovation / R&D programmes that increase University contributions to local economies could be. HEFCE allocates funding directly to Universities, from which spend decisions are made. Funding allocations have been made up to 2011⁸, after which it is unclear how funding levels may change. This funding will mainly align with Priorities Axis 1.

Science Research Investment Fund (SRIF)

- 6.11 The Science Research Investment Fund provides capital funding to universities, for the maintenance and development of state of the art laboratories and equipment. Amongst other aims, the fund seeks to contribute to the financial sustainability of University research activities and infrastructure, and promote collaborative partnerships between Universities and industry. The Fund is awarded on a formula basis linked to research excellence and volume, with each University submitting proposals demonstrating how the funds will be used. Universities can then spend against these agreed proposals. Funding allocations have been made up to 2011, however funding levels are unclear after this time. This funding will mainly align with Priorities Axis 1.

Higher Education Innovation Fund (HEIF)

- 6.12 The Higher Education Innovation Fund is now in its fourth round with funding allocations having been made up to 2011. The Fund aims to support and develop knowledge exchange activities which result in economic and social benefit to the UK. Universities received indicative funding allocations and had to submit proposals for how this funding would be used, so Universities can spend against these agreed proposals. Funding allocations have been made up to 2011, however funding levels are unclear after this time. This funding will mainly align with Priorities Axis 1.

Research Council Funding

- 6.13 The seven UK Research Councils are the bodies through which the Government invests in science and research in order to advance knowledge and generate new ideas which can be used to create wealth and drive improvements in quality of life. The applied research and technology transfer objectives, common to all of the Research Councils, link primarily to Priority Axis 1 in the ERDF Competitiveness Programme. Each Council operates a range of grants and funding schemes to distribute their funding.

Research Institutes

- 6.14 Research institutes, primarily branches of HEIs, have a broad focus on low carbon research, including sustainable energy, sustainable construction/engineering, biofuels, agriculture and microbiology. The level of research funding that these receive ranges between £770k at Anglia Ruskin University and £260m at the University of Cambridge. This research feeds into industry through the generation of new techniques and technologies, and therefore these research institutes are well positioned to act as match funders. The research objectives are likely to contribute to Priority Axis 1 and 3.

⁸ In January 2010, the government announced a £19m reduction in HEFCE funding for general institutional requirements and for the research base (including the science budget).

International Research

- 6.15 A number of International associations exist with low carbon objectives. These associations, such as the EERA (European Energy Research Alliance) or IIED (International Institute for Environmental Development), bring research institutes together in an attempt to tackle broader objectives. EERA, for example, hopes to accelerate the development of new energy technologies by implementing joint research programmes. Partners include: the Centre for Atomic Energy - France, ECN - Netherlands, the Energy and Sustainable Economic Development - Italy, The Helmholtz Association - Germany, and the National Laboratory for Sustainable Energy – Denmark; aligning with Priority Axes 1 and 3. Conversely, the IIED is more focused on policy development in developing nations, and therefore aligns much more closely with Priority Axes 1 and 2.
- 6.16 Other institutes include the Foundation for Research, Science and Technology in New Zealand, the UNSW Climate Change Research Centre in Australia, the International Test Centre for CO2 in Canada, the Center for International Climate and Environmental Research in Canada, and the California Climate Change Research Center in the USA.

EEDA

- 6.17 The EEDA Corporate Plan 2008-11 (June 2009 update) sets out its activities under five major headings (with two additional headings around Strategy & Intelligence and Partnerships, Advocacy & Communications). The five major headings cover:
- **Business Support** – focused on enabling businesses to access publicly-funded business support services, to survive and grow, and to catalyse demand-led skills provision across the region. Interventions funded under this include: Business Link East, Train to Gain Brokerage, MAS, Innovation & Design Advisory Service, Take IT On IT support, Resource Efficiency East, East of England International, East of England Tourism, Olympic Business Plan delivery and the Regional Business Support Information System. This aligns primarily with ERDF Priority Axis 2, but also with parts of Axis 1 of the Competitiveness Programme.
 - **Science, Innovation and High Level Skills** – focused on building on the region's science base and increasing the commercial exploitation of ideas. Interventions funded under this include: Access to finance, Key cluster, sector and technology programmes & networks, Knowledge transfer (innovation vouchers; KTP/KEEP), Enterprise Hub network, Science Park Programme, HE Expansion Programme, AUEE network support and Foundation East (regional CDFI). This aligns to ERDF Priority Axes 1 and 2 of the Competitiveness Programme.
 - **Regional Infrastructure** – focused on prioritising and enabling increased investment in regional infrastructure. Interventions funded under this include: Regional infrastructure Fund, Integrated spatial investment packages, Integrated development programmes / MAAs, ACEE prospectus and Transport and planning 09-11 deliverables. This may have some alignment with ERDF Priority Axis 3 of the Competitiveness Programme.
 - **Sustainable Economy** – focused on improving the resource efficiency of businesses and individuals in the region, reducing their carbon intensity and supporting

investment and growth in the sustainable energy, environmental and land-based sectors. Interventions funded under this include: Renewables East, Water resource management, Carbon capture and storage, Regional food infrastructure marketing and logistics, Developing EEDA as an exemplar carbon neutral organisation and Building rural community capacity. This shows strong alignment to ERDF Priority Axis 3 of the Competitiveness Programme.

- **Economic Participation** – focused on improving employability and increasing economic opportunities for individuals to participate in the region's economy. Interventions funded under this include: work with Migrant workers, BME Task force, Regional third sector capacity building and Economic Participation sub-regional programmes. This may have some alignment with ERDF Priority Axes 2 and 3 of the Competitiveness Programme.

Other Major Public Sector Sources

Housing – HCA and Housing Associations

- 6.18 HCA funding in the East of England region is targeted at tackling issues including housing demand and affordability, regeneration and renewal. In particular their priorities for the region are to: work with partners to create places and communities through capital investment; deliver integrated solutions for new affordable housing and maximise opportunities to increase housing supply; and increase housing supply through strategic housing projects, regenerating new towns, developing brownfield land and investing in infrastructure. Relevant HCA investment in the region in the coming years includes:
- **Norwich Single Conversation**, which will see £8m invested in the City, creating a supply of new homes and jobs over a 12-year period.
 - **Harlow Gateway**, to provide around 590 housing units, of which approximately a third will be affordable / first-time buyers' homes, and brand new leisure facilities.
 - **City Beach, Southend on Sea**, to regenerate the seafront and and City Beach area and boost tourism.
 - **Cambridge Challenge**, delivering 3,300 new affordable homes across three strategic growth sites, including the new Northstowe settlement.
 - **Carbon Challenge**, a zero-carbon pilot project in Peterborough (the second in the country) which will provide 344 new homes, of which 35 per cent will be affordable, while meeting Level 6 of the Code for Sustainable Homes.
- 6.19 The HCA funding that may align to ERDF objectives will be primarily capital funding, and is most likely to align to Priority Axis 3 of the Competitiveness Programme.
- 6.20 Approximately 18 Housing Associations operate within the region. Key projects that may be of relevance include: the development of Arbury Park, near Cambridge, led by Gallagher Estates in collaboration with Bedfordshire Pilgrims Housing Association to provide 900 new homes; the £26m QEII East & North Herts NHS Trust development, where Origin Group and construction company Durkan are providing 213 new homes for key workers, with local

employment and training; and the East Thames Group who are undertaking significant work in the Thames Gateway. Funding in this area is likely to align with Priority Axis 3.

Health - NHS

- 6.21 The East of England Strategic Health Authority is the strategic body overseeing the work of all NHS bodies across the region. It oversees an annual regional budget of £8.1bn and focuses on three main priorities: Delivering a better patient experience; improving people's health; and reducing unfairness in health. The NHS in the East of England is the lead on sustainable procurement and low carbon across all regions. It is also now a member of the region's European Partnership. Closer working with the NHS could therefore increase the potential for match funding towards ERDF.
- 6.22 Two key areas for potential alignment with ERDF funding are in major capital build projects which could align with elements of Priority Axis 3, and healthcare innovation spend, which could align with Priority Axis 1.
- 6.23 With regard to healthcare innovation, the region received £2m in 2009-10 and will receive £5m in each of the following four years through the Regional Innovation Fund. This has already been used to match ERDF funding for the SBRI project, and there is significant scope in this funding to look for further match funding opportunities. SHAs now also have a legal duty to promote innovation and encourage more rapid adoption of innovation throughout health services.

Environment – Environment Agency

- 6.24 The principal aims set out by the Environment Agency are to protect and improve the environment, and to promote sustainable development. With a £1.1bn budget annually (across England and Wales), their work includes: protecting people from flooding; working with industry to protect the environment and human health; helping business use resources more efficiently; taking action against those who don't take their environmental responsibilities seriously; looking after wildlife; helping people get the most out of their environment; working with farmers to build their role as guardians of the environment and helping to improve the quality of inner city areas and parks by restoring rivers and lakes.
- 6.25 The Agency is a key knowledge source that provides guidance to businesses on key environmental topics such as energy efficiency, reducing greenhouse gas emissions and waste and water use reduction. Advice and guidance is also tailored to specific sectors of the economy. There is strong alignment in this work to the indicative activities listed under ERDF Priority Axes 2 and 3 of the Competitiveness Programme.

Transport

- 6.26 A large number of transport organisations operate in the region. The most abundant are bus operators, ranging in size from locally based independent operators to franchises of national operations, such as the Arriva Group or First Group.
- 6.27 Several train franchises also run services through the region. The National Express Group operates the c2c service and National Express East Anglia, London Midland feed from the east midlands into the region, and First Capital Connect link Bedford with London.

- 6.28 The region is home to two of the UK's busiest air terminals; London Luton Airport and London Stansted Airport. London Luton is home to Thomson Airways, EasyJet and Monarch Airlines. London Stansted, home to haulier airlines Titan Airways and Global Supply Systems. The smaller airports of Norwich, Cambridge and Southend are home to SaxonAir Charter, Scot Airways, and Janes Aviation respectively.
- 6.29 A small number of private firms also operate ferry services. S.N. Kingston Marine Services run a small service from the Norfolk coast, and Lower Thames & Medway Passenger Boat Company operate in the Thames Gateway from Thurrock.
- 6.30 Any links to ERDF funding from any of the transport operators in the region are likely to align with priority axes 1 or 3.

Technology Strategy Board

- 6.31 The Technology Strategy Board (TSB) was established by BIS in 2007 to drive forward innovation. Their role is to stimulate technology-enabled innovation in the areas which offer the greatest scope for boosting UK growth and productivity. They invest in a number of programmes and projects to achieve this, many of which are relevant to the Competitiveness Programme. For example, in January 2010 they announced a £15m call for projects which help to reduce emissions from power stations and CO2 intensive industries. It is often the case for bidding rounds that the lead applicant will need to be a private sector organisation and as such it is sometimes not seen as being a particularly appropriate opportunity for the Competitiveness Programme. Any links to ERDF funding are likely to align with priority axes 1 or 3.

Recommendation 27: discuss with central government the potential for relevant national funding to be used as match funding. Certain national funding such as TSB are currently problematic as match funding to support the Competitiveness Programme. This appears to be a missed opportunity given the potential contribution which the programme could make to supporting national agendas. The ERDF team should work closely with Departments such as BIS and DECC to assess the potential for synergies and flexibilities rule where this will lead to opportunities to enhance the East of England Competitiveness Programme and support national objectives. Further discussions may be required in terms of other funding such as the Strategic Investment Fund and other opportunities (from DECC, DfT and BIS) as they arise.

Strategic Investment Fund

- 6.32 The Strategic Investment Fund (SIF) was announced in the 2009 budget to strengthen innovation, job creation and growth. It is a two year time limited fund set at £750 million. The funding mainly supports businesses or expert led bodies (such as the Technology Strategy Board) and recent calls have supported low carbon technologies. Any links to ERDF funding are likely to align with priority axes 1 or 3 of the Competitiveness Programme.

Other National Opportunities

- 6.33 Given the increased focus on low carbon activities by the government, there may be additional funding opportunities which arise from DECC, DfT and BIS. The recent budget announced billions of pounds investment in low carbon activities such as a Green Investment Bank to support green infrastructure projects. Following on from the May 2010

elections there may be changes to the types of programmes which come forward to support low carbon activities if there is a change in Government.

Private Sector Sources

- 6.34 A significant number of multinational organisations have chosen the East of England as a base for their UK headquarters or operational divisions, due to a large pool of labour and links to London and Europe. These include:
- The European research centre of GlaxoSmithKline in Stevenage,
 - BT's global innovation and development centre in Ipswich,
 - The European technical innovation centre of Nissan in Cranfield, and
 - Unilever's food/beverage consumer research centre in Sharnbrook.
- 6.35 Though the levels and likelihood of these organisations, and others, participating as match funders is unknown, the potential for investment in promoting Low Carbon development exists as a substantial resource, with investments in R&D ranging from £3.7bn at GSK to £380m at BT. The alignment with the Priority Axes is broad, but would likely cut across all three.

Utilities Companies

- 6.36 Utilities suppliers are not an obvious source of match funding, though their role in promoting Low Carbon development has the potential to have significant impact. The continued research and development concerned with renewable energy sources has created a number of industry links to existing HEIs and FEIs, such as CRed at UEA.
- 6.37 The East of England is home to eight utilities companies; Anglian Water Services, British Waterways, Green Energy UK, Cambridge Water Company, Veolia Central and Veolia East Water, CPS Fuels, and Essex and Suffolk Water. It is likely that any involvement from utilities companies would align with PA3.

Voluntary / Community Sector Sources

- 6.38 Voluntary / community sector organisations do not have a straightforward funding structure, and clearly can cover a broad spectrum of objectives, some of which may align with elements of the ERDF Competitiveness programme. Potential future match funding opportunities are likely to come from either a) matching grants that VCS organisations have received from other sources, which might be most likely to align to Priority Axis 3 e.g. for social enterprises supporting low carbon / recycling activity; or b) matching capital funding from VCS organisations (or grants / loans from sources such as the Community Asset Fund or Future Builders Fund) for greener capital build schemes. With the tighter economic climate, funding for VCS organisations is likely to be particularly limited however in the coming years.

Quantifying Potential Scale of Public Match Funding Resource

Sources of Evidence

- 6.39 The overview funding analysis is drawn from Public Expenditure Statistic Analyses (PESA) - Country and Regional Analysis. This analysis is done by each Government department with all public funding broken down to country and regional level spending, wherever this is identifiable.
- 6.40 This still gives relatively broad categories of spend however, and information is not publicly available to show what each budget line contains, in order to clearly trace key match funding sources back to this data. There is a risk that due to miscoding of spend in this analysis work, that the data will not show the full picture of all match funding sources. The EEDA funding in particular can be broken down in further detail (using figures from the EEDA Corporate Plan 2008-11 [June 2009 Update]), enabling us to draw out more detailed information that is not easily identified in the PESA figures.

Assumptions on Scale of Resource Available

- 6.41 The data presented includes all budget lines that show clear potential to align and be matched against the ERDF Competitiveness Programme priorities (PA1-3), where the budget lines are of a significant value (generally those over £1m annually).
- 6.42 For the overview analysis from PESA data, this focuses primarily on those budget lines categorised as economic affairs (in particular the sub-categories 'enterprise and economic development' and 'science and technology'). The analysis also draws some of the budget lines from the sections on environment protection; housing and community amenities; health; and education.
- 6.43 The PESA data that we have used draws on the reporting back of expenditure or anticipated expenditure from seven government departments (as they were at the time of the production of the 2009 analysis): BERR, DCLG, DCMS, DEFRA, DIUS, Dept. for Transport, Dept. of Health. For the data on EEDA spend, the figures include all anticipated expenditure for the region.
- 6.44 We have reviewed the key funding streams, their aims, and the focus of their expenditure, and used this to identify alignment with ERDF Competitiveness Programme Priority axes and make broad estimates of the proportions of their spend that may be eligible for match funding against ERDF. These figures are based on 0, 20%, 40%, 60%, 80% or 100% eligibility estimates.
- 6.45 The majority of funding sources only provide figures for anticipated expenditure up to 2011. To give indicative figures up to 2014, we have therefore taken the 2010-11 figure as the figure for 2011-12, 2012-13 and 2013-14. Given the current economic and political climate, there are likely to be cuts in public spending over this period and so this assumption is unlikely to hold. We have therefore added additional analysis to show the total match funding figures under 10%, 25% and 50% spending cuts in these budgets.

Estimates of Resources

6.46 The following tables show the estimates of total public sector funding that may be eligible to match fund against the ERDF operational programme.

- Table 6-2 gives an overview of all ERDF-eligible public funding, using figures from the Public Expenditure Statistical Analyses (PESA) for the region, presenting the overall picture, and then relating these figures to the ERDF Competitiveness Programme Priority Axes (PA1-3).
- Table 6-3 gives a further breakdown of ERDF-eligible funding available through EEDA, similarly presenting the overall picture and then relating these figures to the ERDF Priority Axes (PA1-3).

Table 6-2: Eligible public sector funding in the region, by key budget lines							
	Planned Spend (£m)		Projected Spend Plans (£m)			Assumed % eligible out of total	ERDF Priorities
	2009-10	2010-11	2011-12	2012-13	2013-14		
Primarily PA1							
Research Councils	59.2	63.7	63.7	63.7	63.7	20%	1
Higher Education Innovation Fund	3.0	3.4	3.4	3.4	3.4	40%	1
Higher education funding council Capital Grant	14.2	7.4	7.4	7.4	7.4	20%	1
Science Research Investment Fund	11.4	7.7	7.7	7.7	7.7	40%	1
Science and Technology Facilities Council	5.6	5.3	5.3	5.3	5.3	40%	1
Innovation in Support of Knowledge Transfer	22.0	22.7	22.7	22.7	22.7	80%	1
Primarily PA2							
RDA	69.4	48.2	48.2	48.2	48.2	60%	1,2,3
Rural Economy	1.3	1.3	1.3	1.3	1.3	20%	2,3
Enterprise Fund	3.3	3.3	3.3	3.3	3.3	80%	2
Non ring fenced Business Growth	1.1	1.1	1.1	1.1	1.1	80%	2
Sustainability and Renewable Energy	2.4	2.3	2.3	2.3	2.3	20%	2,3
Primarily PA3							
Waste Reduction	2.8	2.8	2.8	2.8	2.8	20%	2,3
Reduced Greenhouse Gas Emissions	0.6	0.6	0.6	0.6	0.6	20%	2,3
International Mitigation Climate Change	3.4	7.0	7.0	7.0	7.0	20%	2,3
HCA community development and social housing programmes	73.3	24.2	24.2	24.2	24.2	20%	3
Thames Gateway (Direct Funding)	11.4	11.4	11.4	11.4	11.4	20%	3

Growth Areas New Growth Points & ECO Towns	3.3	3.6	3.6	3.6	3.6	20%	3
National Lottery Distribution Fund Expenditure on Environmental Protection	0.7	0.7	0.7	0.7	0.7	20%	3
Total eligible public sector funding in the region, by ERDF Priority Areas.							
	Planned Spend (£m)		Projected Spend Plans (£m)		Total 2009-14 (£m)		
	2009-10	2010-11	2011-12	2012-13	2013-14		
Priority 1	125.9	122.2	122.2	122.2	122.2	615	
Priority 2	50.8	34.3	34.3	34.3	34.3	188	
Priority 3	111.8	60.1	60.1	60.1	60.1	352	
TOTAL	288.5	216.6	216.6	216.6	216.6	1,155	
TOTAL given 10% cuts after 2011	288.	216.6	194.9	194.9	194.9	1,090	
TOTAL given 25% cuts after 2011	288.5	216.6	162.5	162.5	162.5	993	
TOTAL given 50% cuts after 2011	288.5	216.6	108.3	108.3	108.3	830	
Total ERDF Annual Commitment	14.1	14.4	14.7	15.0	15.3	74	

- 6.47 Table 6-2 shows the indicative figures for eligible match funding from our analysis. This suggests that there is up to £1.2bn of ERDF-eligible match funding in the region between 2009-14, which needs to be matched against £74m of ERDF (as profiled in the Operational Programme). This means that the Programme needs to successfully match £1 out of every £16 of available eligible public funding, in order to secure the match funding for the programme. Even given a very bleak scenario of 50% in these budgets post-2011, there would be £830m of ERDF-eligible match funding in the region, meaning that the programme would need to successfully match £1 out of every £11 of available eligible public funding.
- 6.48 A key finding from this analysis is that the available eligible public match funding for Priority Axis 2 appears to be the smallest at around £188m over 2009-14, compared with £352m for Priority Axis 3 and £615m for Priority Axis 1.
- 6.49 Clearly this analysis is based on a broad range of assumptions for which we have made our best assessments. The key assumptions around the proportion of available funding that is ERDF-eligible and the alignment of funds by ERDF priority are set out in the table, and variations to these could have significant impacts on the analysis. Nevertheless this analysis provides a useless indicative overview. Further commentary on these findings, by Priority Axis, is set out in the Conclusions section below.

Table 6-3: Eligible EEDA funding in the region, by Corporate Plan Theme							
EEDA Theme	Planned Spend (£m)		Projected Spend Plans (£m)			Assumed % eligible out of total	ERDF Priorities
	2009-10	2010-11	2011-12	2012-13	2013-14		
Business Support	27.6	25.1	25.1	25.1	25.1	60%	1, 2
Science, Innovation and High-Level Skills	12.4	10.0	10.0	10.0	10.0	60%	1, 2
Regional Infrastructure	4.8	3.3	3.3	3.3	3.3	20%	3
Sustainable Economy	10.1	9.5	9.5	9.5	9.5	60%	3
Economic Participation	5.5	2.3	2.3	2.3	2.3	20%	2, 3
Strategy and Intelligence	0.0	0.0	0.0	0.0	0.0	0%	-
Partnerships, Advocacy and Communications	0.0	0.0	0.0	0.0	0.0	0%	-
Total eligible EEDA funding in the region, by ERDF Priority Areas							
	Planned Spend (£m)		Projected Spend Plans (£m)			Total 2009-14 (£m)	
	2009-10	2010-11	2011-12	2012-13	2013-14		
Priority 1	10.2	8.5	8.5	8.5	8.5	44	
Priority 2	32.5	27.7	27.7	27.7	27.7	144	
Priority 3	17.7	14.0	14.0	14.0	14.0	74	
TOTAL	60.5	50.2	50.2	50.2	50.2	261	
TOTAL given 10% cuts after 2011	60.5	50.2	45.2	45.2	45.2	246	
TOTAL given 25% cuts after 2011	60.5	50.2	37.7	37.7	37.7	224	
TOTAL given 50% cuts after 2011	60.5	50.2	25.1	25.1	25.1	186	

6.50 Table 6-3 shows the major potential of EEDA as a match funding source for the ERDF competitiveness programme with up to £261m of available ERDF-eligible funding between 2009-14, the majority of this (£144m) aligning to Priority Axis 2. Even given severe spending cuts post-2011, this would remain a major funding source, with up to £186m of eligible match funding available over 2009-14 under the 50% funding cuts scenario.

6.51 Again, further commentary on these findings, by Priority Axis, is set out in the Conclusions section below.

Conclusions

6.52 The review of match funding highlights a number of important conclusions for the

programme going forward. We outline these conclusions below – looking at the programme overall and then for each of the Priority Axes.

General Conclusions

- 6.53 The Operational Programme anticipated that the ERDF competitiveness funding would be more than 50% match funded by public sector funding, which the programme has not achieved to date, due to the high proportion of private sector match achieved. As Table 6-4 shows, the total match funding makes up 61% of total projects costs, however this 61% comprises 27% public sector match and 34% private sector match.

Table 6-4: ERDF Match funding for contracted projects to date by public / private sector.		
	Amount (£m)	Proportion of total
ERDF Funding Allocated	40.8	39%
Public Sector Match	28.9	27%
Private Sector Match	35.6	34%
TOTAL	105.2	100%

- 6.54 Generally the key funding partners are as anticipated in the Operational Programme – including EEDA, local authorities and funding through Universities and Colleges. There has been no match funding in contracted projects to date from HCA (successor to English Partnerships) however, which was a key source indicated in the Operational Programme, and which according to our analysis of future funding appears to remain a key opportunity.
- 6.55 The future review of available eligible match funding highlights that there are plenty of opportunities for match funding from the public sector, with the programme only required to successfully match £1 out of every £16 of available eligible public funding, in order to secure the match funding for the programme. Even under cuts of 50% to these budgets post-2011, the programme would only need to match £1 out of every £11 of available eligible public funding. Given the success in securing private sector match, however, even this level is not required.
- 6.56 The scale of match funding opportunities should give confidence to the programme management that they can maintain a strong strategic focus for the programme, rather than having to weaken some of the key principles in order to secure match funding going forward e.g. around genuine low carbon approaches, region-wide impact, focus on exemplar projects. That said, these principles will contribute significantly to some of the barriers to match funding set out below.
- 6.57 Going forward the analysis highlights a different picture for different potential public match funding partners:
- **Local Authorities** – the region attracts little LEGI / WNF funding, and as yet there is no indication that this will continue post-2011. There are likely to be key capital fund projects, however these are also likely to be scaled back in the coming years as local authorities face spending cuts. They will however remain a key partner, helping to co-ordinate bids at a local level.
 - **Universities / Colleges** – the analysis shows that universities and colleges are strongly placed to access a wide range of funding sources with potential alignment

to the programme, with HEIF funding in particular a very relevant opportunity. Match funding from these sources has been fairly limited to date, suggesting that there may be obstacles to address in order to unlock the opportunities here. Bids from universities and colleges are also likely to be further reduced as funding cuts kick-in and they consolidate efforts on their core roles of teaching and research.

- **EEDA** – there is strong alignment between the ERDF competitiveness programme and EEDA's corporate plan themes – particularly around business support; science, innovation and high level skills; and sustainable economy. Our analysis suggests that there is up to £261m of available eligible match from EEDA between 2009-14. Given that only £12m match has come from EEDA to date, there would appear to be significant further opportunities for match funding. EEDA are also likely to need to continue to play a strategic role in helping to develop key projects and bring stakeholders together.
- **Other Public sector sources** – our research has highlighted key opportunities to access match funding in several areas of the public sector, including major house-building projects supported through HCA, NHS Regional Innovation Funding, Environment Agency business guidance work, emissions reductions and efficiency increases in transport operations. These budgets are likely to be affected by budget cuts in the coming years, which may affect levels of match funding available, but equally may increase interest in seeking external funding to boost their programmes.

6.58 Despite the significant levels of potential match funding available, there are concerns amongst stakeholders that there will not be sufficient match for the programme. The concerns are not unfounded, however the real issue is around obstacles to securing and utilising match funding, rather than the existence of eligible match funding itself. We highlight a number of key obstacles below:

- **Bidders lacking motivation to apply** – for many potential bidders, the complexity of ERDF competitiveness funding and timescales for approval are a significant demotivator to applying.
- **Bidders unable / unwilling to align projects with ERDF objectives** – the tight requirements of ERDF funded projects, both around eligibility and around required outputs and results, can skew the focus of a project, and many bidders are unwilling to make their projects fit these requirements.
- **Impractical bidding timescales** – where available match funding needs to be spent within a specific timescale there may not be sufficient time to secure ERDF funding, in order that the available match can be defrayed within its own required timescale.
- **Already-contracted projects** – in many cases the available public funding set out in our analysis will be contracted over a number of years, in which case it will not be possible to secure ERDF funding against this, due to ERDF funding regulations, without re-contracting.
- **ERDF Management wishing to maintain a balanced portfolio of projects** – Clearly to maintain a balanced portfolio, the ERDF management will need to limit allocations

to certain types of projects, and thus certain sources of funding will only be valuable up to a limit e.g. only a small proportion of the £24m annual funding from HCA (2010-11 onward), which will be largely capital build funding, is likely to be appropriate for match funding for the ERDF competitiveness programme.

- **ERDF Management's interpretation of 'Low Carbon', 'Region-wide impact' and 'Exemplar projects'** – these principles are not tightly defined in the programme guidance, and the flexibility in applying these will impact on the potential for particular projects and new match funding to be used as match.

- 6.59 These issues and the restraints on match-funding which is expected going forward, point to the need for a greater range of funding sources to be targeted in the future.

Recommendation 28: review the potential for a broader range of funding sources to be used as match funding. Going forward, given increasing public sector spending cuts, there is a need to be more creative when identifying match funding opportunities. A broader range of sources are likely to be necessary, for example funding from Housing Associations, Transport Providers, Health organisations and utilities companies, could be used where this is relevant to specific organisations. Other sources may include international bodies (such as overseas research institutes specialising in low carbon).

Priority Axis 1

- 6.60 The review of match funding to date shows that match for PA1 has been fairly evenly spread from a range of sources. It is perhaps surprising however that less than 25% of this has come from HE / FE institutions and that £8.8 million from the private sector when none was forecast.
- 6.61 Looking forward, the analysis shows that there are significant research and innovation funding streams available, with Universities in particular being major stakeholders in order to access these. The indicative funding available through the Research Councils appears high, however even if a smaller proportion of this were eligible as match funding, there remains major scope for match funding in this Priority Axis⁹.
- 6.62 Addressing the obstacles to securing and utilising these sources, engaging closely with Universities in particular, is likely to be a critical factor in securing future match funding in PA1.

Priority Axis 2

- 6.63 The majority of match funding secured to date in this priority axis is from the private sector (over 75%), although there is also a significant proportion from EEDA (15%).
- 6.64 This largely reflects the future view of match funding aligned to PA2, which shows that PA2 has the lowest level of available eligible public match funding of the three main priority axes, and that the match funding that is available is mostly sourced through EEDA.
- 6.65 On this basis, it is likely that the majority of match funding under PA2 going forward will

⁹ NB that fundamental research is not eligible under the ERDF programme

continue to be through EEDA or the private sector.

Priority Axis 3

- 6.66 Match funding to date for PA3 is spread fairly evenly across different funding sources, in particular local authorities, universities and colleges, EEDA and the private sector.
- 6.67 The high level of available eligible public match funding for PA3 reflects a range of opportunities for matching PA3, however these sources will not necessarily be traditional sources of match funding for ERDF. They may thus require additional work from EEDA to promote the programme opportunities, engage stakeholders and support project development that will meet project aims as well as Operational Programme objectives.

7. Summary of Recommendations

- 7.1 Throughout this report, we have developed a number of recommendations in response to issues identified during this study. The key recommendations are summarised below under a number of headings, which relate to each section of this report. In order to prioritise some of the key recommendations, a number of these are highlighted as such and referred to as a **Key Recommendation**.

Context Review

- 7.2 **Recommendation 1: Ensure synergy with key strategies and programmes.** There is need to continue to ensure that there are strong synergies between the East of England ERDF Competitiveness Programme and relevant strategies and programmes. This should include the European Social Fund (ESF) programme and the ERDF Territorial Cooperation Programmes.
- 7.3 **Recommendation 2: continue dialogue with the European Commission to maximise opportunities for the programme to have wider significance.** There are opportunities for the East of England ERDF Competitiveness Programme to have wider significance beyond the UK. The focus should be on influencing European policy and in securing tangible benefits for the programme. Following on from our discussions with the European Commission, a number of opportunities have been identified most notably:
- Draw on the information in the Strategic Energy Technology Plan (SET-Plan)¹⁰ and on SETIS (the SET-Plan information system)¹¹ to inform future project opportunities, ensuring (where possible) synergies with European priorities for investment.
 - Examine the potential to join the SMART Cities initiative, through continuing dialogue with key individuals in the Commission.
 - Examine the potential for collaboration with the European Commission on developing an agreed mechanism for measuring carbon reduction across individual projects funded through this programme.
 - Continue dialogue with key individuals within the Commission to identify other opportunities for synergy and communicate the impact of the programme with the commission (e.g. through a case study about the programme within the 5th Cohesion Report).
- 7.4 **Key Recommendation 3: consider the potential to direct some funding towards transnational activities.** The ERDF team should consider the potential to direct some funding (up to a small amount to be agreed) towards transnational activities. This may be particularly worthwhile where it opens up opportunities for the East of England to develop links with regions which are more advanced in their low carbon capabilities and where lessons can be

¹⁰ http://ec.europa.eu/energy/technology/set_plan/set_plan_en.htm

¹¹ <http://setis.ec.europa.eu/>

learned and shared between regions through complementary approaches or joint action. The ERDF team should carry out discussions with the European Commission in the first instance to understand their requirements and balance this with the potential advantages which could be gained from trans-national projects. *Refer to pages 38 and 39 for further justification.*

- 7.5 **Recommendation 4: continue meaningful dialogue with UK central government to identify opportunities for synergy and added value.** The East of England ERDF Competitiveness Programme should develop stronger links with national government departments (BIS, DECC). This is particularly true given the focus of the programme on low carbon economic growth, which is closely aligned to evolving national government policy. For example, examine the potential to utilise Technology Strategy Board (TSB) (and other) funding to support the programme or opportunities for the programme to support the 'New Industry New Jobs' agenda. Where there are opportunities for more meaningful representation by central government on governance groups, this should also be pursued.
- 7.6 **Key Recommendation 5: maintain the current low carbon focus of the Competitiveness Programme.** Our recommendation is that the focus of the ERDF Competitiveness Programme should not change in the light of the recession and the change in policy focus. In fact, the programme theme – towards low carbon economic growth is even more relevant with the low carbon sector being cited as being important to economic recovery.

Programme Performance

- 7.7 **Recommendation 6: monitor and put in place measures to address the issue of actual spend being below profiled spend for some projects.** There is a significant variation in the performance of some projects in terms of actual spend to date against planned profile spend for the same period. There are a number of reasons for this, including projects taking longer to get underway than originally planned and for some, the recession has also been an issue (for example making it difficult to agree match funding). Going forward it is important that this situation is monitored by the ERDF monitoring team. PIG will also undertake a scrutiny function of extreme cases. The ERDF team should consider the potential to apply financial penalties or a reduction/withdrawal of funding in extreme cases. EPSG could be used to help enforce this and to ensure that partners deliver against spend and output profiles.
- 7.8 **Recommendation 7: continue the momentum of the Competitiveness Programme through targeted bidding rounds / commissioning amongst other actions identified here.** It is important that the momentum and interest in the Competitiveness Programme is continued and increased going forward to ensure that bidding rounds continue to attract a large number of good quality applications. This report sets out a number of recommendations around awareness raising and the potential to support successful projects across the region, and this should assist in generating interest. Going forward, we would recommend that the ERDF team takes a more targeted approach to funding projects, including more targeted bidding rounds/commissioning of projects (focusing on opportunities identified in Section 7 of this report). This approach has worked well to date and should continue into the future.
- 7.9 **Recommendation 8: continue to ensure that project deliverers are aware of reporting requirements and challenges on outputs and results.** Facilitators and appraisers need to continue to make sure that projects are aware of the challenges and requirements in

reporting on outputs and results (identified in Section 3 of this report) to ensure that project business plans are realistic and achievable. This can be achieved by carrying out discussions with key individuals responsible for monitoring and implementation and ensuring regular dialogue with them. Facilitators should also consider each projects contribution of the programme total targets to ensure that these are achievable.

- 7.10 **Key Recommendation 9: re-profile outputs and results.** There are a number of targets where the ERDF Competitiveness Programme is likely to over achieve and others where it will significantly under achieve. There is a need therefore to re-profile the output and results targets (drawing on the recommendations set out in Section 3) to ensure that the programme can achieve a realistic yet suitably stretching range of targets. *Refer to page 53 for further justification.*
- 7.11 **Recommendation 10: identify a suitable measurement framework for monitoring carbon reduction in relation to the programme.** Commission work to review the systems and measurements for carbon reduction available, to identify whether a suitable measurement framework(s) could be utilised for the programme. This should also assess whether a target/or targets could be set against which success can be measured. This will need to be carried out in association with relevant organisations and networks such as the RDA Network, EEDA, DECC and the European Commission.

Systems and Structures Assessments

- 7.12 **Recommendation 11: use the next review of the local authority ERDF plans to support local areas to focus on viable projects.** Working with the local authority facilitator, Local Strategic Partnership Plans will be regularly reviewed. Reviews of local authority ERDF plans (in Autumn 2010) could be used as an opportunity to encourage local areas to focus on only a few, perhaps more viable or realistic projects, and to work these up in terms of some initial details that could then be translated into a project concept if appropriate.
- 7.13 **Recommendation 12: prepare case studies and a series of events to disseminate targeted messages about the programme.** There is a need for greater awareness raising to raise the profile of the programme as fully as possible and more importantly disseminate targeted messages about the programme. For example, there is a need to develop and disseminate case studies on successful projects. This can be used to demonstrate 1) potential role of certain types of organisations such as the third sector 2) examples of projects which are 'regionally significant' or 'exemplar' in order to clarify the meaning of these terms (see recommendation 15 below) 3) different approaches to low carbon projects and how this is relevant to different geographical locations. These case studies could be targeted through existing networks and used to support dedicated events. The ERDF team should also develop a programme of targeted and specific events with partners to further raise the profile of the ERDF Competitiveness Programme. This should highlight the achievements of the programme to date, clarify key messages (similar to above) and identify future opportunities to generate interest. There is also a need to work with EEDA's sub-regional teams and the Local Authority facilitator for European programmes which has recently been recruited to raise awareness of the programme.
- 7.14 **Recommendation 13: communicate key messages about the programme to clarify how they can be meaningful to a range of areas.** In line with recommendation 12 above, there is

a need to ensure that potential bidders have a good understanding of the meaning of certain key terms where there is currently some confusion. For example, regional significance: case studies could be used to show that projects do not need to operate across the region necessarily to be regionally significant. Instead, they can test programmes in one part of the region before rolling out to other parts of the East of England. Furthermore, projects can develop techniques which can have significance for the region as a whole. Exemplar: again, case studies can be used to demonstrate the different interpretations of an exemplar activity. For example, projects which demonstrate new techniques / technologies which can be applied across the region or are nationally or internationally successful. The term 'demonstrator' instead of 'exemplar' should also be used.

- 7.15 **Recommendation 14: ensure meaningful engagement with a wide range of businesses.** There is a need to ensure that a wide range of businesses are fully engaged with the programme to ensure that support is tailored to their needs and to maximise opportunities for knowledge transfer and R&D. The ERDF team should work closely with key organisations such as Enterprise Hubs and business intermediary organisations to ensure that they are engaged. For example, they should be encouraged to attend key events to disseminate information about the Competitiveness Programme (whilst ensuring that their expectations about the programme are managed). The focus should be on business sectors and locations which have the highest carbon emissions or the greatest opportunities for R&D in low carbon activities. Further research may be required to identify these.
- 7.16 **Recommendation 15: consider the potential for EPSG members to work with PIG to review specific programme issues.** Given the wide ranging representation on the group, there is an opportunity for EPSG to make a more meaningful contribution to the overall programme. Consider the potential for EPSG members to provide a more influential role for the programme, with responsibility for considering issues identified in this report. A key focus should be on how the overall programme can be improved. Issues could include spend and output monitoring, promotion and commissioning, the potential for additional targeted bidding rounds/commissioning of projects, alternative sources of match funding (building on this report); and, representation from central government on key management groups. They should do this through working closely with PIG. Issues could include the potential for additional targeted bidding rounds/commissioning of projects; alternative sources of match funding (building on this report); and, representation from central government on key management groups. They should do this through working closely with PIG. There would also be benefits in PIG reporting at EPSG to ensure better synergy between performance improvement and programme monitoring of the ERDF Competitiveness Programme.
- 7.17 **Recommendation 16: consider potential for representation from central government on PIG.** This programme has potential to contribute significantly to the national agenda on sustainability and there are opportunities for synergy and added value with other national programmes and policies. Consider the potential for representation from central government (e.g. BIS) on PIG to ensure greater alignment with national policy and programmes. The group may also wish to consider adopting an independent chair for the Group (from for example BIS). This recommendation will require support from other PIG members.
- 7.18 **Recommendation 17: refresh attendance at CDG and consider the potential to develop a more formalised referral panel of experts.** Attendance at CDG is an issue and the

membership of the group should be reviewed to ensure better attendance and to 'refresh' the group. There is a particular issue with ensuring involvement from environmental specialists. Given the broad range of projects which are being supported, the ERDF team should seek to develop a more formalised referral panel of experts which are called upon as required to comment on project applications.

Project Reviews and Gap Analysis

- 7.19 **Recommendation 18: ensure a good understanding of market failure principles.** A good understanding of market failure principles should more effectively be embedded within the business planning process, ensuring that projects (and the ERDF team) consistently apply the key principles.
- 7.20 **Recommendation 19: ensure objectives are SMART.** Projects need to more clearly set out SMART objectives which are linked to outputs and outcomes. Project guidance could clearly state that objectives are required (currently applicants are asked to state the outcomes they expect to result from projects) which could assist in addressing this issue.
- 7.21 **Recommendation 20: ensure synergies between existing projects and those already supported through ERDF.** Continue to ensure that projects which are supported do not duplicate existing activity. Where similar projects are supported (and these should be kept to a minimum), there should be clear synergies between projects and any new schemes should build on what is already available at present. This can be achieved by ensuring that applicants and facilitators carry out consultations with key partners at the project development stage.
- 7.22 **Recommendation 21: continue to liaise with BIS on 'Solutions for Business' issues.** Work closely with BIS to ensure that priority projects which have regional significance can be supported and aligned with the Solutions for Business agenda (in particular ICT projects where there are difficulties aligning this with the Solutions for Business Products).
- 7.23 **Recommendation 22: where feasible and worthwhile, support projects which address gaps in the current portfolio of projects under Priority Axis 1.** A gap analysis which has examined the extent to which projects have met the aims and objectives for that particular priority axis, the indicative activities and Lisbon categories as set out in the OP document has identified a number of gaps, which could provide opportunities for the future. Under **Priority Axis 1**, the key gaps are:
- **ICT Solutions:** there is a need potentially for more sector specific solutions given that the generic TakeITon service is widely encompassing.
 - **Knowledge Network Support:** there is a need to investigate knowledge network support needs, particularly for target growth sectors¹² linked to low carbon economic growth.

¹² The East of England Low Carbon Innovation Evidence Base, November 2009, Innovas Solutions Ltd in partnership with K Matrix and AEA for the East of England Development Agency set out a number of sectors for future focus. This includes biofuels, bioenergies, crop development, low carbon vehicles, recovery and recycling and carbon capture and storage, offshore wind energy and building technologies

- **Intensive Knowledge Transfer activities:** investigate opportunities for more intensive KT opportunities. For example, this could involve extending the full KT programme or looking at particular sector specific support in target growth sectors linked to low carbon economic growth – particularly where there are specific regional HEI strengths.
- 7.24 As well as other activities identified in the Operational Programme document, these gaps should be considered when supporting new projects. Where it is considered appropriate the ERDF team could consider supporting projects within these areas through marketing, targeted bidding rounds or commissioning.
- 7.25 **Recommendation 23: where feasible and worthwhile, support projects which address gaps in the current portfolio of projects under Priority Axis 2.** A gap analysis which has examined the extent to which projects have met the aims and objectives for that particular priority axis, the indicative activities and Lisbon categories as set out in the OP document has identified a number of gaps, which could provide opportunities for the future. Under **Priority Axis 2**, the key gaps are:
- **Supply chains and procurement:** the development of successful and economically viable supply chains tied to low carbon activity will be an important activity if the benefits of low carbon economic growth are to be fully embedded in the region.
 - **Social enterprise:** these are important since low carbon products and services are often associated with social or community enterprise forms of business activity, sometimes in association with ethical consumption. Also important is the possibility of demonstrator projects emerging via PA3 which could be owned and managed using social enterprise models or similar structures such as community development trusts (e.g. small scale energy generation projects and district or community wide heating networks that utilise waste heat or energy).
 - **Networking and Cluster Development:** investigate opportunity to develop R&D oriented clusters of business activity in sectors closely aligned to the low carbon agenda, especially those, identified within the Low Carbon Innovation Evidence Base document. Also explore clustering and networking opportunities amongst businesses that would support activity funded under PA3 such as renewable energy production and consumption, district heating and off-shore energy.
- 7.26 As well as other activities identified in the Operational Programme document, these gaps should be considered when supporting new projects. Where it is considered appropriate the ERDF team could consider supporting projects within these areas through marketing, targeted bidding rounds or commissioning.
- 7.27 **Key Recommendation 24: support virement proposals for Priority Axis 2.** Funds available within Priority Axis 2 should be increased by an amount in the region of £5 million. There are three key reasons for this proposal: the funding available under this priority is close to being exhausted currently; a significant volume of funding has gone into SME finance projects, meaning that the overall range of activity funded to date is relatively limited; and, there appears to be continuing demand for project activities that would fall under this axis. The delivery of these activities will help considerably in supporting the increased competitiveness of the regional business base. We recommend that funding within PA2 is

increased via a virement of funds specifically from PA3. *Refer to pages 91 to 93 for further justification.*

7.28 **Recommendation 25: where feasible and worthwhile, support projects which address gaps in the current portfolio of projects under Priority Axis 3.** A gap analysis which has examined the extent to which projects have met the aims and objectives for that particular priority axis, the indicative activities and Lisbon categories as set out in the OP document has identified a number of gaps, which could provide opportunities for the future. Under **Priority Axis 3**, the key gaps are:

- **Clean technology / renewable energy demonstrator projects.** Demonstrator projects which test new techniques and technologies and which have the potential to be of wider significance (both national and international). These could offer new approaches to clean technology and renewable energy (including wind, solar, hydroelectric, geothermal, CHP and others). This would build on successful ideas which are currently being developed such as the Adnams Bio Energy projects.
- **Flagship business space.** There may be a requirement for one or more flagship business space projects, however only where there is a clearly identified need and where there is a well defined project. However, it may be that projects which support businesses can be funded under PA2. Whilst this would not be a physical project, it may be that revenue support could help to develop key sectors.
- **Low carbon communities.** Projects which support local jobs and business growth in a manner which generates low carbon outcomes. This could include transport projects amongst others.
- **Social Enterprise.** These projects could be supported under PA2.

7.29 As well as other activities identified in the Operational Programme document, these gaps should be considered when supporting new projects. Where it is considered appropriate the ERDF team could consider supporting projects within these areas through marketing, targeted bidding rounds or commissioning.

7.30 **Key Recommendation 26: support proposals for £5 million of PA3 funding to be diverted towards PA2 activities.** In line with key recommendation 24, funds for PA3 should be reduced by £5 million. Funds available within Priority Axis 2 should be increased by an amount in the region of £5 million. Further information about the rationale for this move are set out on pages 91 to 93 of this report.

Match Funding

7.31 **Recommendation 27: discuss with central government the potential for relevant national funding to be used as match funding.** Certain national funding such as TSB are currently problematic as match funding to support the Competitiveness Programme. This appears to be a missed opportunity given the potential contribution which the programme could make to supporting national agendas. The ERDF team should work closely with Departments such as BIS and DECC to assess the potential for synergies and flexibilities rule where this will lead to opportunities to enhance the East of England Competitiveness Programme and support national objectives. Further discussions may be required in terms of other funding such as

the Strategic Investment Fund and other opportunities (from DECC, DfT and BIS) as they arise.

- 7.32 **Recommendation 28: review the potential for a broader range of funding sources to be used as match funding.** Going forward, given increasing public sector spending cuts, there is a need to be more creative when identifying match funding opportunities. A broader range of sources are likely to be necessary, for example funding from Housing Associations, Transport Providers, Health organisations and utilities companies, could be used where this is relevant to specific organisations. Other sources may include international bodies (such as overseas research institutes specialising in low carbon).

Appendix A Aide Memoire

EEDA ERDF Evaluation - Aide Memoire for Strategic Stakeholders

Overview of EEDA's ERDF Evaluation

- 1.1 Regeneris Consulting has been commissioned by the East of England Development Agency (EEDA) to carry out a formative evaluation of the East of England ERDF Competitiveness Operational Programme. This will inform improvements to the delivery of activities at project and programme levels and will inform future funding allocations made to the programme. The specific objectives of this assignment are to make recommendations on:
- The extent to which the programme strategy and focus as set out in the OP document is relevant to socio-economic conditions and consistent with key policies.
 - The initial progress which the programme is making toward achieving its objectives as set out in the OP document.
 - Progress towards achievement of programme indicators (outputs and results) including any early issues in relation to targets and deliverability.
 - The quality and effectiveness of the programme's implementation and management, including identification of any weaknesses in systems or processes.
- 1.2 **The purpose of our discussion with you is to inform this evaluation and specifically to help us to make recommendations under each of the areas above.**

Overview of EEDA's ERDF Competitiveness Programme

- 1.3 The East of England's ERDF allocation between 2007-2013 is approximately €110 million (currently about £94 million). Under this programme, ERDF aims to strengthen the competitiveness and attractiveness of all region's in the UK, promote employment and economic growth through promotion of the knowledge economy and investment in human resources.
- 1.4 The ERDF Competitiveness Programme for the East of England will support **low carbon economic growth** until 2013; this is the over-arching theme, which guides the programme. Projects must also support one of three priority axis, which are:

Priority	Projects Supported
Priority Axis 1: promoting innovation and knowledge transfer with the intention of improving productivity.	Projects will be encouraged to address key market failures including weak demand from businesses for engagement with the research base.
Priority Axis 2: stimulating enterprise and supporting successful business by overcoming barriers to business creation and expansion.	Projects will improve access to finance, support the development of social enterprises, promote business start-up among under-represented groups (including women) and help to develop the clean technologies and renewable energy clusters.
Priority Axis 3: ensuring sustainable development, production and consumption.	Projects will be encouraged which support low carbon approaches in both business and communities across the region.

Strategic Stakeholders (EEDA and Non EEDA)

Involvement in EEDA ERDF Competitiveness Programme

- 1) What input, if any did you have into the design and development of the Operational Programme?
- 2) What type and extent of engagement have you had with the programme to date? Have you been satisfied with this engagement? How could it be improved?
 - Correspondence: what form did it take and who sent it? Do you receive regular information? Is this useful to you?
 - Seminars/workshops and events: how useful have these been and what was the outcome?
 - Strategic discussions about ERDF funding or directly applying for ERDF funds? What was the project and was this successful?
 - Prepared sub-regional plans for bidding for ERDF funding. Can you provide an overview of the key priorities?

Programme Strategy and Focus

- 3) How relevant do you think the Operational Programme is to the needs of the region:
 - Have the needs and capacity of the region as expressed in the OP changed? If so, what are the key issues and opportunities for the region now?
 - In particular, we are interested to understand what you think are the key needs and challenges resulting from the recession?
 - What are the key policies which you think will impact on the Operational Programme going forward?
- 4) The East of England's ERDF Competitiveness Programme has a very specific focus on **low carbon economic growth**? What do you understand to be the definition of towards low carbon economic growth? Do you think this will be beneficial for the region (and your area) or has this presented any issues for the programme? Going forward, what are the opportunities and challenges for the East of England in supporting this objective?
- 5) What do you consider to be the key opportunities and challenges for the region in supporting the programmes three **priority axes**?
 - **PA1:** Promoting Innovation and Knowledge Transfer with the intention of improving productivity.
 - **PA2:** Stimulating enterprise and supporting successful business by overcoming barriers to business creation and expansion.
 - **PA3:** Ensuring sustainable development, production and consumption.

- 6) Linked to this, we are particularly interested to understand what you consider to be the key opportunities and barriers to supporting business growth in key sectors such as **renewable energy, environmental technology and clean tech innovation**?
- 7) Do they think that the agreed **horizontal priorities** – equality of opportunity and environmental sustainability – are being integrated successfully into the programme?
- 8) How well configured do you think the programme itself is to meeting the region's (and your area's) key challenges and opportunities? Are there any strengths to the programme or any major gaps or weaknesses?

Levels of Engagement and Synergy with other Programmes

- 9) How well aligned do you think the Operational Programme and ERDF interventions are to:
 - Your own organisations/departments areas of work and objectives?
 - Existing programmes and initiatives at a local, regional and national level (e.g. ESF, National indicators, NINJ, Governments low carbon skills policy)?

What opportunities are there for better complementarity in the future?

- 10) Do you think there has been sufficient engagement with key organisations and individuals across the region to ensure ownership across East of England? In particular, has there been sufficient effective engagement with:
 - Further and Higher Education
 - Research Institutes
 - Business Support organisations such as Chambers of Commerce and Enterprise Hubs
 - Top tier Local Strategic Partnerships
 - Regeneration agencies and vehicles
 - Local Authorities
- 11) How much influence do you think that you personally are (or will be) able to exert over the Operational programme? Are there sufficient opportunities for you to influence the programme? How could engagement be improved?
- 12) A key issue going forward will be to ensure that there is sufficient match funding to support the ERDF Competitiveness Programme in the future. Are you aware of any particular opportunities for match funding?

Questions for CDG / PIG / EPSG Representatives

Check in advance whether individual is on any of these groups and whether these questions are appropriate.

- 13) What role do you currently play in the partnership overseeing the Operational Programme? (For example, are you on the CDG, PIG, EPSG)?
- 14) When were you appointed to the group and what was the process of appointment?
- 15) Do you have a specific role / responsibility on the Group? If so, what does this entail and how closely does this relate to your area of expertise? Do you receive adequate support to carry out this role?
- 16) Is the overall role and remit of the group clear to you?
 - If yes, what is the role and remit? Is it appropriate? How well do you think the group carries out this role?
 - If no, why not? What clarity is required?
- 17) Are you aware of the relationships between EPSG and the sub-committees (CDG, PIG, Equality Group and Environmental Sustainability Group)? Is the relationship clear and appropriate?
- 18) How effective is the group's role / input in the following process:
 - Reviewing concepts and recommending approval of projects (CDG)
 - Commissioning projects (EPSG)
- 19) Does EEDA's ERDF team provide you with sufficient information to aid decision making?
- 20) Is the Partnership size and structure and composition appropriate and adequately inclusive? For example, is the balance right between public, private and community sectors? Do partners have the right skills and experience? Is the size of the group conducive to effective debate/decision making?
- 21) What wider role outside the Partnership do you play in championing the OP? Do you receive adequate support to carry out this role?
- 22) Do you think that both the Partnership (and yourself) is able to exert sufficient influence and authority over the programme? Are there any additional powers that you think the Partnership should have?
- 23) Are there any other strengths of the Partnership or areas of concern which need to be addressed?

Performance and Quality and Effectiveness of the Programme's Implementation and Management

- 24) Are you aware of any early evidence of added value from the OP in the region? That is are there any additional benefits which have been brought about by this

programme which would not have been delivered without it?

- 25) Do you think that the programme has been innovative? Are you aware of any exemplar or innovative projects/activities resulting from the programme? How would you define an exemplar or innovative project?
- 26) What are your views on the programme's management/governance arrangements? Are you aware of any ways in which the management / governance arrangements could be improved?
- 27) If you have bid for ERDF funding, do you have any views on how the bidding and application process could be improved? Have you found the decision making process to be transparent and clear, and have you received sufficient feedback?

Future Focus and Lessons Learned

- 28) Finally, do you have any other views on the strengths and weaknesses of the programme and how this can be improved?
- 29) What other opportunities are there for the ERDF Competitiveness Programme going forward that have not been explored to date? We are particularly interested in opportunities to maximise and add value to the programme to benefit the region as a whole.
- 30) Can you point to any specific opportunities for wider impact within the UK and/or other European member states, resulting specifically from the programme?
- 31) To date, ERDF projects have been supported through open bidding rounds, commissioning routes and targeted open bidding rounds (e.g. recent support for energy efficiency in social housing). Going forward, are you aware of any specific opportunities to support projects through commissioning routes and targeted open bidding? What are these?

Appendix B List of Consultees

1. In order to inform this evaluation, we have spoken to a wide range of stakeholders. A full list of consultees is provided below.

	Name	Organisation
EEDA and ERDF Team	Andy Luff	Head of European Structural Funded Programme
	Howard Partridge	ERDF Facilitator
	David Morrall	Director of Europe and International Activities
	Malcolm Cross	Manager – Programme Management
	Astrid Jenkins	ERDF Project Appraisal Officer
	Jonathan Reynolds	Sustainable Development Manager
	Alastair Rhind	ERDF Facilitator
	Simon Hannah	ERDF Finance and Compliance Manager
	Martin Haindl	ERDF Monitoring Manager
	Michelle Burdett	ERDF Facilitator
	Jeff Laidler	Manager of Energy and Environment
	Carole Edwards	Manager – Skills and Infrastructure
	Yvonna Brandstatterova	Business Development Executive
	Marco Cereste	EEDA
	Alison Webster	EEDA
	Paul May	EEDA
Non-EEDA Stakeholders	Andrew Poulton	Cambridge LSP
	Laura Church	Luton LSP
	Liz Beadle	Thurrock LSP
	Gill Eden	Bedfordshire LSP
	Guy Mills	Cambridgeshire LSP
	Mark Mitchell	COVER
	Mike Barnes	GO-East
	James Heslam	Hertfordshire CC
	Jason Middleton	Norfolk LSP
	Julia Upton	Environment Agency
	John Shaw	Business Link
	Chris Allix	Essex LSP
	Adrian Harris	Southend LSP
	Jason Joseph	Suffolk LSP
	Nick Burfield	EERA
	Tina Ellis	Jobcentre Plus & Skills and Competitiveness Partnership
	Andy Stewart	BIS
	Tim Hutchings	East of England Business Group/Chamber of Commerce
	Zoe Manning	University of Essex
	James Beal	Renewables East
Project	John Hall	Constructing Excellence East Coop Ltd.
	Maureen Wilcox	Thurrock Council
	Martin Grant	Cranfield University
	Jan Pinkerton	EEDA
	Dr John French	University of East Anglia
	Anne Blackwood	NHS East of England

	Dr Tony West	Association of Universities of the East of England
	Dr Chris Harrison	University of East Anglia
	Laurie Hayward	Screen East
	Trevor Conway	EEDA
	Antony Gough	Renewables East
	Mark Stanton	Breckland Council
	Steve Sharratt & Lynn McGoff	Adnams Bio Energy Limited
	Ms Esin Esat	Bedford College
	Syrie Cox	Southend YMCA
	Richard Boyd	Disability Essex
Others	Iris Anderson	DECC
	Hergen Haye	DECC
	Petar Stojic	BIS
European Commission	Agnes Lindemans	Head of Unit
	Agnes Kelemen	Policy Analyst
	Daniel Mouque	Evaluation
	Ángel Rubianes	
	Maud Skaringer	Policy Analyst
	Mathieu Fichter/Enrique Costa	Policy Analyst
	Jakub Koniecki	Secretariat General
	Thomas McClenaghan	Secretariat General
	Inigo Sabater	Deputy Head of Unit – Energy
	Anastasios Nychas	Deputy Head of Unit - Environment
	Ieva Zalite	Desk Officer

Appendix C Baseline Paper

Summary

- 1.5 The period 2008-10 since the publication of the Operational Programme has seen a major raft of new national and regional policy and strategy documents, some of which were well-advanced and anticipated at the time of writing the OP, as well as others which were not.
- 1.6 Much of the relevant strategy and policy in this period is significantly influenced by response to the recession and planning for the economy post-recession. The other factor of major note across the review is the increased focus on environmentally sustainable development, taking account of climate change imperatives, and the economic opportunities provided by environmental goods and services markets.

National

- 1.7 At a national level, the Government published *New Industry, New Jobs*, its strategic vision for the recovery from recession and long term economic development, and a number of linked successive documents detailing how this will be delivered and the wider impacts (including Going for Growth, Jobs of the Future, and the UK Low Carbon Industrial Strategy).
- 1.8 Following on from the Climate Change Act, the Government published the UK Carbon Transition Plan, setting a roadmap to 2020 for the transition to a low carbon economy. Eco-towns plans have also advanced, with Rackheath, Norwich named in the PPS1 eco-towns supplement as one of the four eco-towns that will be developed.
- 1.9 There have also been several key papers setting out the Government's policy approach going forward, around innovation (Innovation Nation, 2008); enterprise (Enterprise: Unlocking the UK's talent, 2008); skills (Skills for Growth: National Skills Strategy, 2009); Universities (Higher Ambitions, 2009) and digital infrastructure (Digital Britain, 2009).

Regional

- 1.10 At a regional level, the 2008-31 Regional Economic Strategy has been published. Much of this had been anticipated in writing the initial OP, in particular there is now a stronger emphasis on low carbon economic growth. The EEDA Corporate Plan 2008-11 was also updated in 2009, and has reallocated resources in light of the recession, reduced budgets, and new national policy.
- 1.11 The European Social Fund 2007-13 regional framework was also revised in 2009, taking account of changing priorities in the recession, as well as to changing national policy, including a stronger focus on key growth sectors highlighted in *New Industry, New Jobs*.
- 1.12 Bringing together an action plan for the Regional Economic and Spatial Strategies, the East of England Implementation Plan has also been drafted and will be published early in 2010, setting out the key actions for strategic development of the region.

Local

- 1.13 The review has also analysed the ERDF Plans compiled by each of the top-tier local authorities in the region. The strategic links and potential projects were compared across the three Operational programme Priority Axes, with the following headline findings:

Priority 1: Innovation, Knowledge Transfer, Productivity

- Most of the authorities expressed local objectives linked to innovation / research / R&D / knowledge transfer.
- Types of projects mainly focus on capital development of new University facilities, improving ICT use amongst SMEs and helping to broker links between businesses and knowledge-based institutions.

Priority 2: Enterprise and Business Growth

- Most authorities expressed local objectives linked to entrepreneurship / cluster development / encouraging start-ups / access to finance.
- Types of projects mainly focus on enhanced or targeted business support, encouraging entrepreneurship and greener businesses.

Priority 3: Sustainable development, production and consumption

- All authorities expressed local objectives linked to carbon reduction / environmental sustainability / energy efficiency / water efficiency.
- Types of projects mainly focus on low carbon constructed enterprise centres, facilities for waste reduction, supporting carbon reduction in businesses and energy demonstrator projects.

Overview of National Policy Alignment with ERDF

- 1.14 The table overleaf shows the fit of the new national strategies and policies against the existing Operational Programme. Overall there is a strong fit with many of the policy developments in 2008-10 echoing the types of aims and objectives of the Operational Programme.
- 1.15 A number of comments are made where there are gaps, or where there may be new opportunities in policy / strategy announcements for the ERDF Competitiveness Programme to build on.

Table 2-1 National Policy / Strategy alignment with ERDF				
Policy / Strategy	Axis 1: Innovation	Axis 2: Enterprise	Axis 3: Sustainability	Additional comments
New Industry, New Jobs				
Going for Growth				Plan emphasises global trade / export markets which OP is not strong on.
Low Carbon Industrial Strategy				Supports all axes although more national level actions.
Low Carbon Transition Plan				Possibly opportunities for greening businesses which the OP could address
PPS1 Eco Towns				Possible opportunities for Axis 3 projects through Rackheath devt
Building a Low Carbon Economy – Unlocking Innovation and Skills				
UK Environmental Transformation Fund Strategy				New ETF funding as possible match.
Digital Britain				Possibly a stronger emphasis on importance of digital connectivity for business than in OP
Innovation Nation				Possibly a stronger emphasis on developing spatial cluster strengths in support of innovation.
Enterprise – Unlocking the UK's talent				More emphasis on earlier stages of encouraging enterprise skills / culture than in OP.
Jobs of the Future				Sets out actions for sector devt for low carbon economy but also other growth sectors which are not currently included in the OP
Higher Ambitions				Re-emphasises economic role of Universities even in tighter economic climate.
Skills for Growth				Skills strategy - complements OP aims.

National Government Strategy and Policy

Building Britain's Future: New Industry, New Jobs (NINJ), 2009

- 1.16 The paper sets out a strategic vision for the UK's recovery from the recession and long-term economic future. It highlights a number of key trends that will shape the post recession economy, including: rising incomes in developed and developing countries; increased demand for low carbon goods and services and for greater energy and resource efficiency; new technologies driving consumer and business demand; and demographic changes.
- 1.17 Two key elements are highlighted as critical to maintaining comparative advantage for the UK economy:
- Ensuring that the economy is driven by high levels of skills and creativity, continuing to be an economy driven by the creation and exploitation of knowledge.
 - Focusing on technological change where this is reshaping industries and demanding high levels of innovation, skills and investment. These will include increased digital communications and a range of low carbon technologies and new processes in chemical, automotive, aerospace and other industries. It is highlighted that businesses attempting to innovate in these areas are likely to face particular challenges of finance, and the need to sustain development programmes over the long timeframes required to commercialise new technologies.
- 1.18 The paper goes on to set out the ways in which Government will support businesses and employees in responding to these challenges and building new sources of competitive strength. This focuses on:
- adapting and strengthening general competitiveness in innovation, skills, finance, infrastructure and access to global markets;
 - using its role and influence in the market in new and more strategic ways;
 - using a new approach to targeted interventions to ensure that Britain continues to retain and develop strengths in high-value areas of global growth or rapid and fundamental technological change.

Going for Growth

- 1.19 The Going for Growth paper, builds on NINJ, and sets a framework for response to the post recession economic challenges based around seven priority areas: enterprise, knowledge, people, infrastructure, open and competitive markets, industrial strengths, and Government and the market. The accompanying action plans sets out 12 key priorities:
- Making it easier to start a business
 - Finance for business growth
 - Expanding into export markets

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- Transforming knowledge into economic growth
- Incentives to innovate
- Identifying and meeting priority skill needs of the modern economy
- A more strategic approach to planning policy and creating the infrastructure of the future
- Opening up global trade and enhancing EU competitiveness
- Getting regulation right
- Investing in areas of strength
- Selling out strengths abroad and attracting inward investment
- A more strategic approach from Government.

UK Low Carbon Industrial Strategy, 2009

- 1.20 This strategy is one of a suite of strategies building on the New Industry, New Jobs paper, and outlines both the scale of potential opportunities provided by the transition to a low carbon economy, and the programme of government action for assisting British based firms in seizing these opportunities.
- 1.21 The strategy sets out three key principles for a positive environment for low carbon business:
- a long-term strategic approach from government that sets stable frameworks for businesses and consumers;
 - a pragmatic approach to the role of both markets and government in making the transition to low carbon quickly and effectively, recognising that the need to progressively increase the cost of carbon, encourage low carbon innovation, remove barriers to market for some low carbon technologies and adapt to inevitable climate change, will require intelligent intervention from government;
 - a recognition that government has a responsibility to ensure British-based companies and people are equipped to compete for the new demand created by global climate change policies.
- 1.22 The strategy also sets out a range of investments from the £405 million for low carbon industries and advanced green manufacturing announced in the 2009 budget. Key investments include:
- Up to £120 million to support the development of a British based offshore wind industry.
 - Up to £60 million for a package of measures which will help accelerate the development and deployment of wave and tidal energy in the UK

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- Capital investment of up to £15 million in order to establish a Nuclear Advanced Manufacturing Research Centre consisting of a consortium of manufacturers from the UK nuclear supply chain and universities.

UK Low Carbon Transition Plan, 2009

1.23 This White Paper sets out the Government's route map for the transition to a low carbon economy in the period up to 2020. The plan discusses carbon reductions across five main categories: power and heavy industry; transport; homes and communities; workplaces and jobs; and farming, land and waste. The key plans and announcements from the document include:

- For the first time, all major UK Government departments have been allocated their own carbon budget and must produce their own plan.
- Getting 40% of the UK's electricity from low carbon sources by 2020 with policies to:
 - Produce around 30% of UK electricity from renewables by 2020 by substantially increasing the requirement for electricity suppliers to sell renewable electricity.
 - Fund up to four demonstrations of capturing and storing emissions from coal power stations.
 - Facilitate the building of new nuclear power stations.
- Clarifying that Ofgem, in its job to protect consumers, both current and future, should help tackle climate change and ensure security of supply.
- Making homes greener by:
 - Channelling about £3.2 billion to help households become more energy efficient by increasing the current programme by 20% between 2008 and 2011 and then extending it to the end of 2012.
 - Rolling out smart meters in every home by the end of 2020.
 - Piloting "pay as you save" ways to help people make their whole house greener, with the savings made on energy bills used to repay upfront costs.
 - Introducing clean energy cash-back schemes so that people and businesses will be paid if they use low carbon sources to generate heat or electricity.
 - Opening a competition for 15 towns, cities and villages to be at the forefront of pioneering green innovation.
- Helping more vulnerable people by:
 - Creating mandated social price support at the earliest opportunity with increased resources compared to the current voluntary system. The

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Government is minded to focus new resources particularly on older pensioners on the lowest incomes.

- Piloting a community-based approach to delivering green homes in low income areas, helping around 90,000 homes.
- Increasing the level of Warm Front grants so most eligible applicants can receive their energy saving measures without having to contribute payment themselves.
- Helping make the UK a centre of green industry by supporting the development and use of clean technologies.
- Transforming transport by cutting average carbon dioxide emissions from new cars across the EU by 40% on 2007 levels, supporting the largest demonstration project in the world for new electric cars, and sourcing 10% of UK transport energy from sustainable renewable sources by 2020.
- The first ever formal framework for tackling emissions from farming.
- Producing a longer term roadmap for the transition to a low carbon UK for the period 2020 to 2050 by Spring 2010 and a vision for a smart grid.
- Setting out the Government's assessment of the outlook for energy security.

Planning Policy Statement 1 (supplement): Eco Towns

- 1.24 Rackheath, Norwich was announced in 2009 as an eco-town location, a key part of Government plans supporting targets around housing growth and reduction of CO₂ emissions.
- 1.25 The PPS outlines that eco-towns are required to have provision for at least 5,000 homes, have sustainable transport links to a higher order centre and be in close proximity to existing or planned employment opportunities.
- 1.26 The document sets out eco-town standards around zero-carbon status, climate change adaptation, homes, employment, transport, healthy lifestyles, local services, green infrastructure, landscape and historic environment, biodiversity, water, flood risk management, waste, master-planning, transition, and community & governance.

Building a Low Carbon Economy – Unlocking Innovation and Skills, 2008.

- 1.27 The paper sets out the Government commitment to developing a low carbon economy, and identifies four key challenges that need to be met:
- **Setting a long-term policy framework.** To encourage the confidence for businesses to invest and enable the timely development of innovative products and services to speed the transition to a low carbon economy, policies need to be long term, clear, consistent and credible.

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- **Policy must positively support innovation.** Creating the conditions that allow innovation to flourish, by removing barriers and other disincentives and through support for research, development and demonstration. Supply-side innovation measures need to be complemented by demand side policies to drive innovation to meet new, low-carbon resource efficient needs.
- **The economy, and workforce need the right skills.** Drawing on the talent and creativity of people and ensuring that the economy has the skills it needs to be successful – vital in the short term, with some industries in this sector already reporting skill shortages, but also in the longer term , in aiming for a world-class skills base.
- **Partnership is essential.** Delivering this agenda requires collaboration between government, business, trade unions, education institutions and others.

UK Environmental Transformation Fund: Strategy, 2008

- 1.28 This document sets out a strategy for the UK element (as opposed to the international element) of the Environmental Transformation Fund, a new initiative to bring forward the development of new low carbon energy and energy efficiency technologies in the UK.
- 1.29 The ETF is designed to bridge a current gap in investment in technology innovation in the low carbon energy sector, which has been relatively low from the private sector. Without this fund, the risk is that new energy technologies are unlikely to be developed and deployed at the pace necessary to avoid dangerous climate change, or at an acceptable cost.
- 1.30 The strategy outlines the core mission of the ETF as bringing new and sustainable technologies to market, by funding programmes and activities that:
- Will reduce carbon emissions, or have the potential to reduce carbon emissions in the longer term, through the use of technology.
 - Will accelerate development and deployment of low-carbon energy and energy efficiency technologies.
 - Will contribute to building of UK skills and capacity in the demonstration and deployment of low carbon technologies.
 - Will ensure coherent delivery of BERR/Defra funding and other related publicly funded bodies.
- 1.31 The strategy sets out in more detail how the fund will add value and how it fits into the wider UK innovation landscape.

Digital Britain, Final Report, 2009

- 1.32 The Digital Britain report sets out a programme of action to achieve the following:
- complement and assist the private sector in delivering an effective modern communications infrastructure, built on new digital technologies;

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- support the creative industries in the digital age, enabling delivery of a wider range of quality content, including public service content, within a clear and fair legal framework;
- ensure that people have the capabilities and skills for the digital economy, and that all can participate in digital society;
- government to continue to modernise and improve its service to the taxpayer through digital procurement and the digital delivery of public services.

Innovation Nation, 2008

1.33 The White Paper sets out the Government's approach to making the UK an 'innovation nation'. The key factors set out to deliver this aim include:

- The important role of Government in creating the conditions for innovation, creating the demand for innovation, and supporting growth of business innovation
- Maintaining and strengthening the strong UK's research base
- Attracting R&D intensive businesses from outside the UK
- Supporting activity to encourage people to be more innovative
- Delivering innovation in public services
- Strengthening spatial cluster strengths that help to foster innovation.

Enterprise – Unlocking the UK's talent, 2008

1.34 This paper sets out progress of the UK over the last ten years in developing enterprise, as well as the challenges that lie ahead, including continued globalisation. It sets out five key enablers which will shape Government enterprise policy over the coming years:

- Culture – seeking to reduce fear of failure, inspiring young people around enterprise and encouraging more women's enterprise
- Knowledge and Skills – including enterprise education, targeted skills for enterprise among women and business support and mentoring
- Access to finance –building on the initiatives already in place
- Regulatory Framework - building on its targeted net reduction in the regulatory burden of 25 per cent by 2010
- Business innovation - reinforcing the role of innovation as a driver of enterprise.

Jobs of the Future, 2009

- 1.35 This paper outlines where new jobs could be created in the future as a result of expected growth and emerging global trends. The paper sets out the anticipated opportunities that this will create and what the Government can do to help British-based businesses thrive and deliver sustainable economic growth and jobs.
- 1.36 The plan particularly sets out the context and Government approach to supporting the following key sectors:
- The Low Carbon Economy
 - Advanced Manufacturing
 - Life Sciences
 - Digital Economy and Creative Industries
 - Business and Professional Services
 - Care Sector
 - Retail Sector
 - Tourism, Hospitality and Leisure.

Higher ambitions: the future of universities in a knowledge economy, 2009

- 1.37 The paper sets out the successes of British higher education, and the challenges of maintaining the progress made. The document sets out a range of proposals under six key areas:
- Ensuring that all those who have the ability to benefit can get access to higher education
 - Supporting universities in making an even bigger contribution to economic recovery and future growth
 - Strengthening the research capacity of universities, and its translation into economic impact
 - Promoting excellent teaching for all students in higher education, with universities competing to attract students on the basis of the excellent service they provide
 - Further strengthening the role of universities at the heart of communities and shared intellectual life, and as one of the key ways in which people engage with the wider world
 - Ensuring that universities continue to maintain excellence, even under tighter public financial constraints.

Skills for Growth – National Skills Strategy, 2009

- 1.38 The strategy sets out a plan for developing skills across England, to ensure that the country is prepared for the industries of the future – in particular high-tech, low carbon driven growth.
- 1.39 The strategy sets out a broad range of proposals under six main headings:
- Promoting skills for economic prosperity
 - Expanding the apprenticeship system to build a new technician class
 - Ensuring the system responds to demand from businesses, while better supporting key sectors
 - Empowering all adults to equip themselves for future jobs
 - Raising recognition among business of the value of investing in workforce skills to improve productivity
 - Improving the quality of provision within a simpler skills system

EEDA Strategy and Policy

Regional Economic Strategy, 2008-31

- 1.40 The regional economic strategy's vision for the East of England is:
- 1.41 By 2031, the East of England will be:
- internationally competitive with a global reputation for innovation and business growth
 - a region that harnesses and develops the talents and creativity of all
 - at the forefront of the low-carbon and resource-efficient economy.
- 1.42 and known for:
- exceptional landscapes, vibrant places and quality of life
 - being a confident, outward-looking region with strong leadership and where communities actively shape their future.
- 1.43 Eight RES Goals:
- **Enterprise** - Improving business performance and a stronger culture of entrepreneurship
 - **Skills for Productivity** - Developing skills for the changing economy
 - **Innovation** - Realising the value of innovation by bringing ideas to market

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- **Digital Economy** - Accelerating the use of digital technologies in public services, society and commerce
- **Resource Efficiency** - Benefiting from a low-carbon, low-resource economy
- **Economic Participation** - Opportunity for all in the sustainable economy
- **Transport** - A transport system that fully supports sustainable economic growth
- **Spatial Economy** - Sustainable places that attract and retain the people and investment necessary for a world-class economy

1.44 Six headline ambitions:

- Annual growth in real workplace based GVA per capita of 2.3 per cent and GVA per worker of 2.1 per cent between 2008 and 2031
- Employment rate for the working population of 80 per cent and for the 16-74 population of 70 per cent by 2031
- Over 40 per cent of adults qualified to at least level 4, 68 per cent of adults qualified to at least level 3 and over 90 per cent of adults qualified to at least level 2 by 2020 and maintained to 2031
- A rise in lower-quartile earnings to 60 per cent of average earnings by 2031
- End-user CO2 emissions in 2031 that are 60 per cent below 1990 levels
- Per capita consumption of water by households in 2030 that is 20 per cent below 2008 levels, or 120 litres/head/day (l/h/d).

1.45 As the ERDF Operational Programme highlights, the changes in the revised 2008 RES (which were anticipated changes at the time of writing the OP) has a stronger focus on low carbon economic growth, which is now a clear focus of the vision and a key part of the RES goals and the headline ambitions.

East of England Implementation Plan, February 2010

1.46 The East of England Implementation Plan sets out how the region is working together to deliver the vision and priorities set out in the Regional Spatial Strategy (RSS) and the Regional Economic Strategy (RES).

1.47 The plan sets out a number of headline targets for the region:

- CO2 emissions that are 60% lower than their 1990 level by 2013, equivalent to a 2.25% annual average reduction between 2005 and 2031
- Domestic water consumption at 120 litres per head per day by 2030/31

7.33 The plan comprises 29 programmes classified under seven themes. The key programmes are summarised below:

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- 7.34 Housing: increase the efficiency and effectiveness of existing homes. Measures include the development of a regional retrofitting for resource efficiency programme.
- 7.35 Transport: managing transport in growing and congested urban areas. Measures include investigation and delivery where appropriate of a regional demand management programme in growing urban areas.
- 7.36 Utilities: developing low carbon energy sectors. This includes regional low carbon electricity, heat, transport fuels and Community energy solutions, including the Anglian GOWarm Fuel Poverty Programme. This will lead to increased GVA, reduced CO2 emissions and enhanced capacity of the region's renewable sector and supply chain. Other programmes include: delivering required water and waste water infrastructure; achieving better water efficiency; upgrading regional broadband speed and access; providing required waste infrastructure.
- 7.37 Enterprise, Innovation and Business Support. The plan outlines five programmes which are: developing key business support products and services; business finance; international and inter-regional trade, investment and collaboration; strategic investments in innovation; ICT and the workplace.
- 7.38 Skills and Employability. There plan outlines three programmes which are: leadership and high level skills; skills for business; integrated employability offer.
- 7.39 Green Infrastructure, Landscape, Heritage, Flood and Erosion Risk Management and the Coast. The focus is on four programmes which are: flood and erosion risk management; integrated coastal management; natural and historic environment; delivering green infrastructure.

EEDA Corporate Plan, July 2009 Update

- 1.48 The Corporate Plan 2008-11 was updated in 2009 detailing revised investment priorities, influenced by key developments since its initial publication, including:
 - The need to provide businesses with a revised package of support and increase resources to respond to redundancy in light of the recession.
 - Reductions in the Single Budget from that set out in the approved corporate plan 2008-11.
 - The need to respond to new or evolving Government policies, such as New Industry, New Jobs (NINJ).
 - The Public Value Programme, Operational Efficiency Programme and results of evaluation of RDA impact which provide new evidence on the effectiveness of different forms of intervention.
- 1.49 The main changes are to levels of resourcing within and across programmes, in particular to priorities for capital investment.
- 1.50 The revised plan also highlights refocused priorities for the ERDF Competitiveness Programme over the course of the Corporate Plan period (2008-11). These are outlined as:

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- Delivery of N+2 targets
- Design and implementation of a comprehensive evaluation programme
- Flexing European programmes to assist individuals and businesses in dealing with the effects of the recession
- Delivering a Low Carbon Venture Capital Fund, with £8 million of pump priming through ERDF, targeted to SMEs and businesses with high growth potential.

Other Regional Strategy and Policy

European Social Fund 2007-13 - Revised East of England Framework, 2009

- 1.51 The Revised Framework has been published in order to take account of the impact of the recession on the employment and skills landscape in the region and sets the direction for investment in the region's priorities for 2011-2013, helping to ensure ESF funds are aligned to greatest need, and complement and add value to domestic funding for employment and skills.
- 1.52 The changes to the programme have responded both to the recession and to the policy development in the interim since first publication, thus the revised framework includes a stronger emphasis on interventions in key growth sectors as highlighted in NINJ.
- 1.53 The two national ESF priorities are:
- Priority 1: Extending Employment Opportunities
 - Priority 2: Developing a Skilled and Adaptable Workforce.
- 1.54 Under each of the national priorities, the Revised Framework sets out key regional priorities, drawn from the East Of England Implementation Plan. These are:
- 1.55 Priority 1: Extending Employment Opportunities
- Removing barriers to participation
 - Integrating employment and skills
 - Developing adult and young people's employability skills
 - Enhancing redundancy support
 - Influencing employer's recruitment practices
 - Linking graduates with local job opportunities
- 1.56 Priority 2: Developing a Skilled and Adaptable Workforce.
- Increasing individual and employer demand for skills

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- Enhancing the region's economy-led and responsive skills offer
- Developing skills for recovery and competitive advantage
- Preparing young people for work
- Influencing employer's working practices
- Enhancing redundancy support
- Improving access to higher education in areas with low participation rates
- Expanding workforce-orientated higher education provision
- Developing progression routes to high-level skills
- Developing the leadership and management skills within SMEs

East of England Implementation Plan (Draft), 2009

- 1.57 The Implementation plan provides a combined action plan for the Regional Economic Strategy and the Regional Spatial Strategy in the East of England. This sets out how the region will deliver the long term ambitions of these two plans, covering economic growth, housing and affordable homes, employment, skills, the environment and more efficient use of resources.
- 1.58 The tables below outline the programmes under each of the headings

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Table Number and Programme Title	Links Between Programmes and Themes						
	Housing	Transport	Utilities	Enterprise	Skills	Culture	GI
Housing Programmes							
Table 5: Skills for Planning, Delivering and Managing Sustainable Communities	•		•	•	•	•	•
Table 6: Strategic Development and Research Unit	•	•	•		•		
Table 7: Large Sites for Housing, Employment and Mixed Uses	•	•	•				•
Table 8: Monitoring and Intelligence	•						
Table 9: Strengthening the Links between Housing and Local Strategic Partnerships/ Local Area Agreements	•			•	•	•	•
Table 10: Innovative Approaches to the Joint Commissioning of Affordable Housing	•		•		•		•
Table 11: Short term Response to the Credit Crunch and Recession	•			•	•		
Table 12: Rural Exceptions Sites	•		•		•		
Table 13: Improving Energy Efficiency in Existing Stock	•		•	•			
Transport Programmes							
Table 14: Congestion-busting Measures, Particularly in Fast-growing and Larger Urban Areas		•					
Table 15: Developing Passenger Links of High Economic Value	•	•		•	•		
Table 16: Improving Connections to International Gateways		•		•	•		
Table 17: Addressing Key Inter-urban Constraints	•	•		•			
Table 18: Transport Interventions to Facilitate Sustained and Sustainable Transport and Jobs Growth		•		•			
Table 19: Addressing Access to Town Centres, Particularly in Priority Regeneration Areas	•	•		•	•		
Table 20: Improving Access to Key Services in Rural Areas	•	•		•	•	•	
Table 21: Sustained Shift of Freight from Road to Rail		•					•

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Table Number and Programme Title	Links Between Programmes and Themes						
	Housing	Transport	Utilities	Enterprise	Skills	Culture	GI
Table 22: Development of Innovative Mechanisms for Funding Transport Interventions		•					
Utilities: Energy							
Table 23: Regional Low Carbon Electricity	•		•	•			•
Table 24: Regional Low Carbon Transport Fuels Programme		•	•	•			•
Table 25: Regional Low Carbon Heat Delivery	•		•	•			•
Table 26: Sustainable Engineering: Technology and Skills Transfer			•	•	•		
Table 27: Carbon Capture and Storage: Regional Supply Chain			•	•			
Table 28: Community Energy Solutions	•		•		•		
Table 29: Regional Resource Efficiency Promotion	•	•	•	•	•	•	
Utilities: ICT							
Table 30: Regional Broadband Improvement			•	•			
Table 31: Business ICT engagement			•	•	•		
Table 32: Use of ICT to Support Flexible Working			•	•	•		
Table 33: Real Time Information Systems			•	•	•		
Table 34: Intelligent Transport Systems		•	•				
Table 35: Regional ICT Skills			•		•		
Utilities: Water							
Table 36: Domestic Water Efficiency	•		•				
Table 37: Non-household Water Efficiency (including agriculture)			•				•
Table 38: Long-term Water Investment Planning	•		•				•
Table 39: Regional Water Monitoring			•				
Utilities: Waste							
Table 40: Development of Waste Recovery and Disposal Infrastructure			•				
Table 41: Immediate Waste Infrastructure			•				
Table 42: Skills in Waste Management and Planning			•		•		
Enterprise, Business Support and Innovation							
Table 44: Integrated Business Support				•	•		
Table 45: London 2012 Olympics and Para Olympic Games				•	•	•	
Table 46: Starting and Growing a Business				•	•		
Table 47: Financial Support for Business			•	•			
Table 48: Expanding Provision of Key Business Support Products and Services				•			
Table 49: International Trade, Investment and Collaboration		•		•			
Table 50: Knowledge Transfer and Networks				•	•		
Table 51: Enterprise Hubs			•	•	•		
Table 52: Third Generation Science Parks			•	•	•		
Table 53: Innovation in Key Sectors (Energy and Environment, Life Sciences and Healthcare)			•	•	•		
Skills and Employability							
Table 55: Leadership and High Level Skills	•			•	•		
Table 56: A Demand-led Skills System				•	•		
Table 57: Skills for Key Sectors and Clusters				•	•	•	
Table 58: An Integrated Employment, Skills and Economic Participation Offer				•	•		
Table 59: Creating an Environment for a Thriving Third Sector				•	•	•	
Table 60: The role of Migrant Workers in the East of England's Economy				•	•		
Culture, Creativity and the Visitor Economy							
Table 61: Delivering Growth in the Region's Cultural and Creative Economy				•	•	•	

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Table Number and Programme Title	Links Between Programmes and Themes						
	Housing	Transport	Utilities	Enterprise	Skills	Culture	GI
Table 62: Developing Skills and Creativity for Life					•	•	
Table 63: Creative Places and Sustainable Communities	•			•	•	•	•
Table 64: Growing and Sustaining the Visitor Economy		•		•	•	•	•
Table 65: Promoting the Region Through Culture		•		•	•	•	•
Green Infrastructure, Heritage, Flood Risk and Coastal Environments							
Table 66: Flood Risk and Climate Change Adaptation	•		•			•	•
Table 67: Flood and Coastal Risk Management - Current	•		•	•		•	•
Table 68: Flood and Coastal Risk Management - Futures	•		•	•		•	•
Table 69: Integrated Coastal Management	•	•	•		•	•	•
Table 70: Regional Significant Landscapes, Habitats and Green Infrastructure		•	•		•	•	•
Table 71: Restoring Habitats Consistent with Biodiversity Action Plan Targets			•			•	•
Table 72: Sustaining Investment in Green Infrastructure	•	•				•	•
Table 73: Maintaining the Distinctiveness and Improving the Quality of Urban Places	•	•				•	•
Table 74: Understand the Role of the Natural Environment in Relation to RES/RSS Outcomes and Impacts							•

Review of Local Authority ERDF Plans

- 1.59 Each top-tier local authority in the region has compiled a local plan outlining their proposed approach to ERDF funding. The tables below look at the strategic linkages (drawn from expressed linkages to local sustainable community strategy aims / objectives or other locally developed priorities) and proposed projects (drawing out those that are better developed / larger projects) within each of the three ERDF priority axes.

Priority 1: Innovation, Knowledge Transfer, Productivity

Priority 1: Innovation, Knowledge Transfer, Productivity		
Local Authority	Relevant Local Aims / Objectives	Main potential programmes that could be funded
Suffolk	Suffolk will have the most innovative and diverse economy in the East of England	Virtual Distribution Hub (bring together local food and drink producers and suppliers to manage their distribution and supply).
Norfolk	To improve the transfer of knowledge from current, world-class research groups into the business community.	Low Carbon Innovation Centre (UEA). In-Crops (alt / non-food crops supply chain development) ICT for SME's Knowledge & Innovation Networking Systems (KINS). Norfolk Centre for Environmental Knowledge
Bedford	-	Zero Carbon Marston Vale Innovation Park (Phase 1 comprising a zero carbon innovation centre)
Central Bedfordshire	-	Fast track development of green businesses with high growth (Universities of Beds and Cranfield University) Investing in Communication Technology - encourage businesses to move towards the forefront in use and application of IT as a specific means to tackle carbon footprint.
Hertfordshire	-	U-Invest (mechanism for EE Universities to use intellectual & physical assets / expertise to build entrepreneurial businesses that will directly contribute to the low carbon economy)
Greater Cambridge	Encouraging global success in entrepreneurship, research and development and business growth across the high tech cluster	High tech manufacturing campus (Low carbon advanced manufacturing) Low Carbon Creative Industries Incubator South Fens Phase II – R&D low carbon Innovation Park
Peterborough	Encourage commercialisation across the region's research and development base Support wider application and take up of ICT Encourage demand from businesses to engage with HEIs to stimulate knowledge transfer	-
Southend	To increase competitiveness and enable a prosperous local	Digital Gallery for Southend

Priority 1: Innovation, Knowledge Transfer, Productivity		
Local Authority	Relevant Local Aims / Objectives	Main potential programmes that could be funded
	economy To increase innovation, collaboration and knowledge transfer partners	
Thurrock	Invest in our local economy to create diverse employment opportunities	World Class Logistics (Axis 1 and 2) Knowledge Thurrock (improve engagement between knowledge providers and employers)
Essex	We want to be a leader in environmental technology and in helping our businesses to reduce their carbon footprint.	Chelmsford Technology and Business Park Incubator

Priority 2: Enterprise and Business Growth

Priority 2: Enterprise and Business Growth		
Local Authority	Relevant Local Aims / Objectives	Main potential programmes that could be funded
Suffolk	-	Low Carbon Business Promotion Network
Norfolk	To develop a cluster of low carbon/clean technology companies. To create an environment to enable long-term business ambition and encourage entrepreneurship. To deliver a high quality customer focused business support service To optimize the current and future capabilities and opportunities associated with the regional Energy sector grouping	BIGE II (To develop the Sustainable Environment lead group in Norfolk and Pilot environmental IAG through the Business Link East chain) BIC+ / SES (Entrepreneurs Support scheme with an emphasis upon low carbon / sustainable processes. Best Start. Social Enterprise Scheme)
Bedford	Encourage high value added inward investment, the retention and development of local companies and the establishment of new start-up enterprises Improve the general business environment (the supply and quality of infrastructure, premises and services) in order to foster enterprise, encourage investment and sustain economic growth)	-
Central Bedfordshire	Growing our economy, raising our profile, increasing jobs, skilled motivated and entrepreneurial workforce	First Steps to Green Enterprise (encouraging entrepreneurship) Eco technology Open Innovation Networks Sustainable Markets and procurement (local markets opened & accessed by third sector and social enterprise - emphasis on green procurement / ICT /recycling.)
Hertfordshire	-	EASIER (Environmental assistance to 100 SMEs)
Greater Cambridge	Encouraging business growth and economic development which will underpin a growing and sustainable sub-regional economy	-
Peterborough	Improve access to finance for SMEs, particularly those engaged in low carbon activities Support the development of social enterprises, particularly those	-

Priority 2: Enterprise and Business Growth		
Local Authority	Relevant Local Aims / Objectives	Main potential programmes that could be funded
	<p>engaged in low carbon activities</p> <p>Promote business start up including among under-represented groups</p> <p>Support development of high growth, high value-added businesses</p> <p>Develop clean technologies and renewable energy clusters in the region</p> <p>Encourage uptake of management and operational practices that will reduce carbon footprint</p>	
Southend	<p>To reduce levels of deprivation</p> <p>To strengthen the voluntary and community sector</p> <p>To increase enterprise creation and business sustainability</p> <p>Help them raise their aspiration and achievement</p> <p>Ensure they have the opportunity they need for inclusion</p>	Stimulating enterprise & supporting successful business by overcoming barriers to business creation and expansion
Thurrock	<p>Improve access to and use of alternative and sustainable modes of transport</p> <p>Invest in our local economy to create diverse employment opportunities)</p> <p>Conserve and improve our environment</p>	<p>Sustainable Prosperity - "Thurrock – The Green Economy"</p> <p>Sustainable Environmental Park</p> <p>Grays Enterprise and Environmental Business Centre</p>
Essex	<p>We want a competitive economy which is an international leader rather than a follower.</p> <p>We want to be a leader in environmental technology and in helping our businesses to reduce their carbon footprint.</p> <p>We want to build on the Essex entrepreneurial spirit by helping companies to start up, innovate and grow.</p>	Enhancing the international competitiveness of Environmental Technology & Solutions (manufacturers in Essex, Suffolk and Norfolk)

Priority 3: Sustainable development, production and consumption

Priority 3: Sustainable development, production and consumption		
Local Authority	Relevant Local Aims / Objectives	Main potential programmes that could be funded
Suffolk	Suffolk will be the county with the smallest carbon footprint in England	Next Generation Rural Broadband Blueprint Low Carbon Business Park Blueprint
Norfolk	To increase the number of businesses that integrate environmental sustainability into their business planning and supply chain. The promotion of sustainable construction techniques and their effective application.	Less is More (Business sustainability) Norfolk Zero Waste Centre (Single point for commercial & domestic waste recycling & reuse. Based on a USA model, pilot scheme for the UK) Headroom (Light Industrial Units / move on space for SME's with growth potential. Focus on the commercialisation of local R & D. Hurricane Way Enterprise Centre (carbon neutral) Supporting Growth of the Environmental Product & Technology sector
Bedford	Minimise carbon emissions and adapt to the impacts of climate change focussing on transport, business and housing Reduce our dependence on fossil fuels	Exemplar hub for not-for-profit SME sector (a retro-fit building fitted to high environmental standards with small office units / business support services).
Central Bedfordshire	Protecting and enhancing our environment, green infrastructure and spaces, promoting sustainable housing growth, and preparing for climate change'	Social Enterprise and Multi Use space (Provide eco-efficient site for Social Enterprise incubation and start up space) BER Project (delivering modern facility which will transform rubbish that cannot be recycled into energy, thereby offsetting the use of fossil fuels.) Supporting sustainable business development in the county
Hertfordshire	Traffic and Congestion – a reduction in the overall levels of traffic and traffic congestion in the county Energy Consumption – a reduction in the amount of energy consumed in the county by households and businesses through premises and transport in particular Water Efficiency – a reduction in the amount of water consumption in the county	Bright Green Herts (SMEs from across the county will be given the opportunity to purchase SMART metering equipment for half its normal cost and to benefit from better information and control over their energy costs) Regional Low Carbon Developments Initiative
Greater	Creating a high quality place to live, work and visit	Combined heat and power plant at Northstowe

Priority 3: Sustainable development, production and consumption		
Local Authority	Relevant Local Aims / Objectives	Main potential programmes that could be funded
Cambridge		International Business and Training Centre for Sustainable Enterprise Regional centre of Excellence in MMC and Mass Market Renewables Low Carbon Manufacturing Hub Ramsey Low Carbon Enterprise Centre Low Carbon Rural Regeneration Model
Peterborough	Work with communities in urban and rural areas to support jobs and business growth with low carbon outcomes Support development of low carbon approaches to construction and refurbishment of properties Promote the efficient use of resources and minimisation of waste in the region	-
Southend	Create a cleaner, and greener Southend; To reduce carbon emissions and minimize the impact of climate change; To increase recycling in the Borough and significantly reduce level of waste going to landfill	
Thurrock	Well planned quality housing and sustainable developments Conserve and improve our environment	Regional Social Enterprise Hub Renewable Energy and CHP Demonstrator Project Carbon Neutrality Project Waste Technology Centre
Essex	We want to create the right conditions in which people and businesses can flourish.	Charfleet Green Business Initiative Built Environment Centre of Excellence Basildon Wat Tyler County Park: Green Design & Sustainable Land Use Centre University of Essex Business Innovation Centre Disability Essex (exemplar, low carbon construction social enterprise centre - assists newly disabled people to start up their own businesses).

Data Review Update

Area and Demographics

Key Points

The region's population grew by 165,000 people (3%) between 2005 and 2008 outstripping the national growth rate of 1.9%. Recent growth has been concentrated in the south of the region. Working Age Population has increased by 85,000 people since 2005, although there has been a decline in the proportion of the region's total population that are of working age. 16% of the region's population live in rural areas, four times the proportion for England and Wales as a whole. The region remains less ethnically diverse than nationally, although concentrations of ethnic minority populations exist in Essex and Luton

Implications for ERDF Competitiveness Programme

The trend towards an ageing population was recognised in the OP. The continuation (and slight worsening of this trend) underlines the importance of maximising economic activity rates and business productivity in the region.

Current Demography

- 1.60 The rate of population growth in the East of England has continued to be greater than nationally. The region's population grew by 165,000 people (3%) between 2005 and 2008 outstripping the national growth rate of 1.9%. Recent growth is concentrated in the south of the region; growth in Essex and Hertfordshire accounts for 45% of the total.

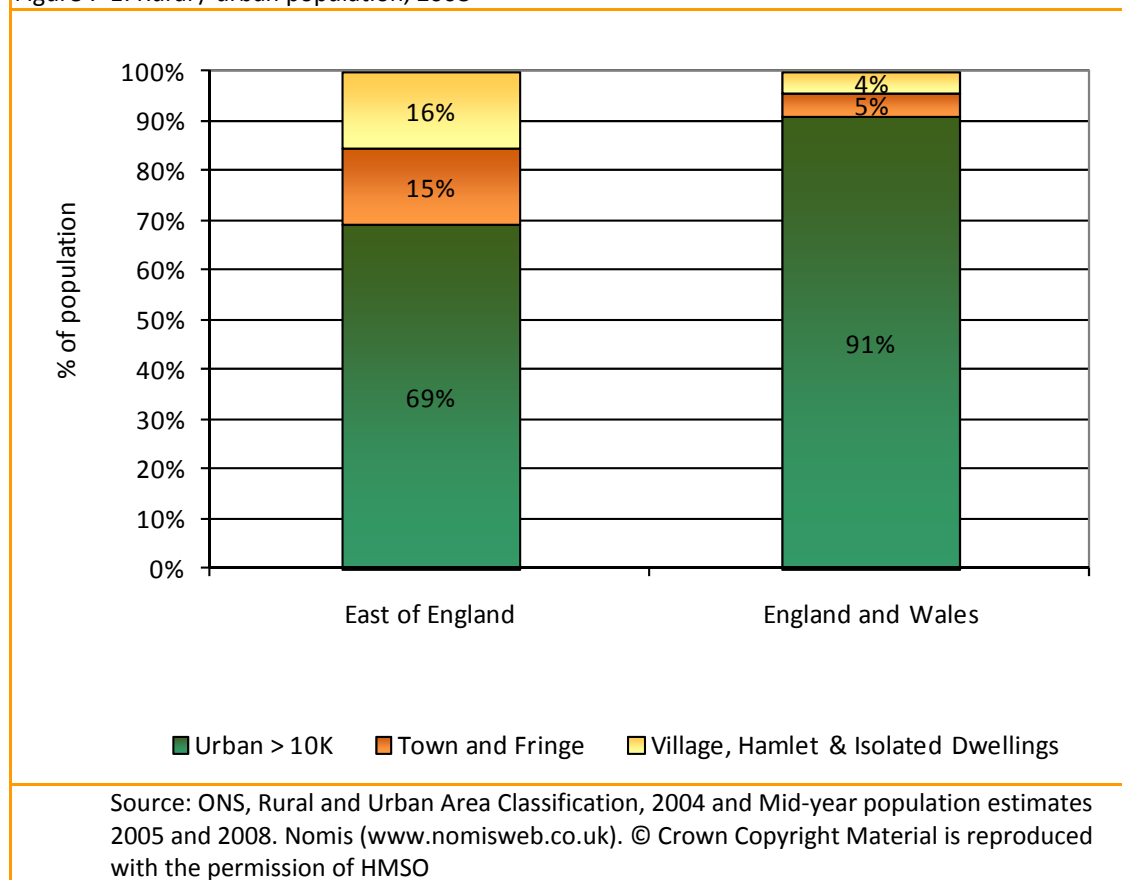
Table 7-1: Resident Population Trends 1985-2008 (000s)						
Area	1985 (000s)	1995 (000s)	2005 (000s)	2008 (000s)	Absolute change 2005-08 (000s)	% change 2005-2008
England and Wales	49,860	51,270	53,420	54,440	1,020	1.9%
East of England	4,965	5,205	5,565	5,730	165	3.0%
Essex	1,225	1,270	1,350	1,395	45	3.3%
Hertfordshire	985	1,000	1,050	1,080	30	2.9%
Norfolk	720	765	825	850	25	3.0%
Cambridgeshire	475	525	585	605	20	3.4%
Suffolk	625	650	695	715	20	2.9%
Central Bedfordshire	215	225	245	255	10	4.1%
Luton	165	180	185	190	5	2.7%
Southend-on-Sea	155	165	160	165	5	3.1%
Thurrock	125	135	150	150	0	0.0%
Bedford	130	135	155	155	0	0.0%
Peterborough	145	160	165	165	0	0.0%
Source: Mid-year population estimates (1985 – 2008). Nomis (www.nomisweb.co.uk). © Crown Copyright Material is reproduced with the permission of HMSO						

- 1.61 The proportion of the region's population living in urban areas has remained unchanged since the last OP was published. Although the majority (69%) of the region's population live

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in SOAs classified as urban¹³. This is a much smaller proportion than nationally (91%). The proportion of the region's population living in rural areas (16%) is four times the national average.

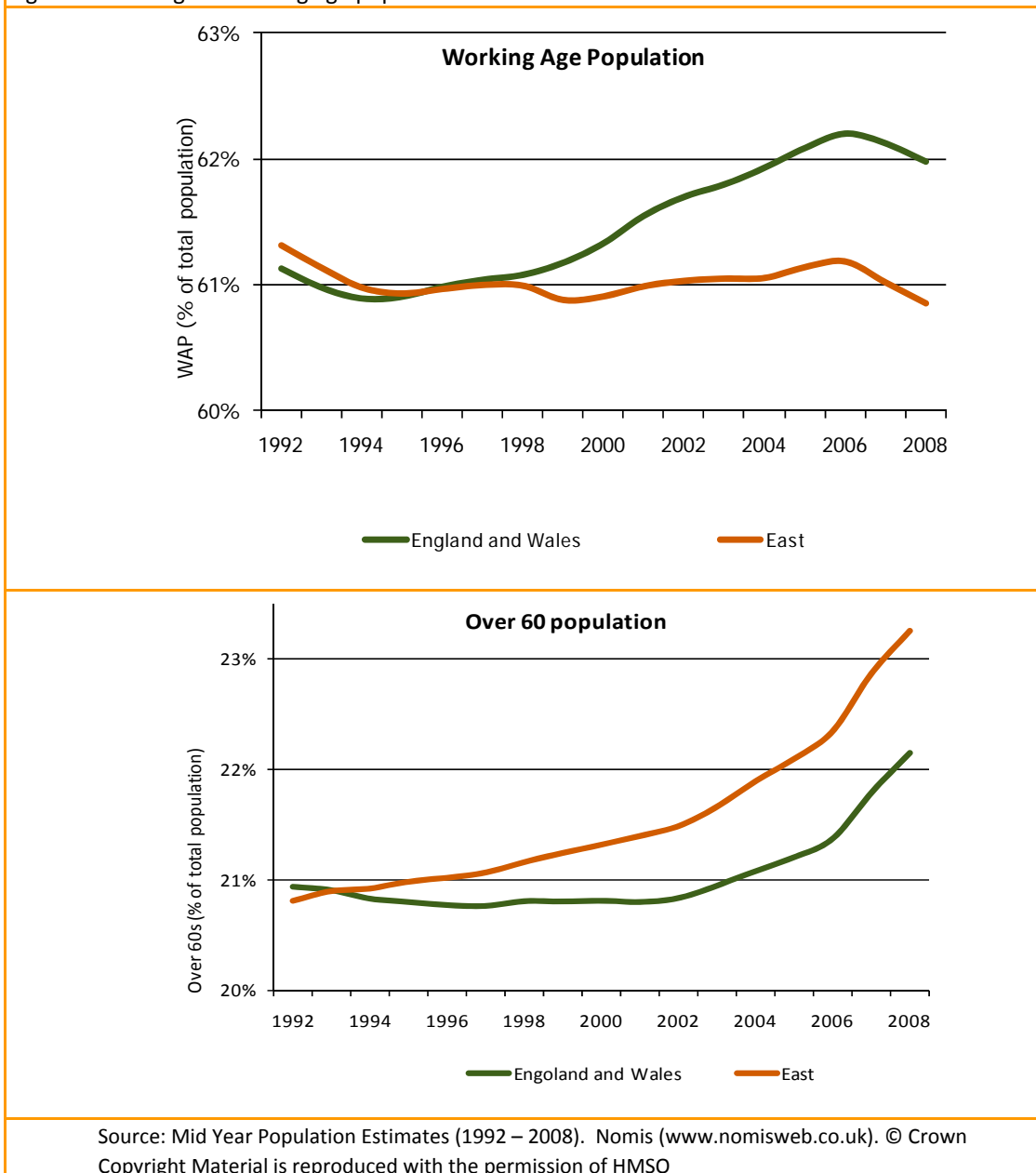
Figure 7-1: Rural / urban population, 2008



- 1.62 The East of England is following national trends towards an ageing population. Almost a quarter of the region's population (23%) are aged 60 or older. This is a slightly higher proportion than nationally (22%) and the gap between the two looks set to widen in future years. Recent growth rates in the over 60s age group have been greater in the East of England than nationally; the number of over 60s has increased by 8% between 2005 and 2008, compared to 6% for England and Wales as a whole.
- 1.63 The trend towards an ageing population is reflected in the proportionally smaller WAP in the East of England; 61% of the region's residents (3.5 million people) are of working age compared to 62% nationally.
- 1.64 Figure 7-2 shows that the gap between the East of England's WAP and the rest of the country has been growing since the late 1990s. While the proportion of the East of England's WAP that is of working age has remained relatively stable, it has grown nationally. Since 2005, there has been a sharp decline in the WAP proportion both nationally and regionally in spite of there being absolute increases in the number of working age residents. This is a reflection of significant growth in the over 60 population.

¹³ According to ONS Rural Urban Classification, 2004

Figure 7-2: Change in working age population



- 1.65 The previous OP used Census data to explore the ethnic make up of the region's population, concluding that the region is less ethnically diverse than the country as a whole. More recent data from the Annual Population Survey echoes this finding. The 2008/09 APS indicates that 6% of the region's 16+ population belong to an ethnic group, compared to 11% nationally. This equates to 290,000 people.
- 1.66 In absolute terms, the region's ethnic population is growing faster than nationally. Since 2004/05 the ethnic population has grown by 41% in the East of England, compared to 27% nationally although the proportion of the total population that is made up by ethnic minorities has only increased by 1.6 percentage points in East of England compared to two nationally. There are significant concentrations of ethnic minority residents in Luton, where 42% of the population are of ethnic origin. A quarter of the region's ethnic minority population live in Essex.

Employment and Skills

Key Points:

The East of England continues to enjoy much higher rates of economic activity than nationally. 82% of the region's WAP are economically active compared to 79% nationally. This proportion has remained unchanged since the OP was published, although there have been significant changes at the sub regional level.

The recession has had a marked impact on levels of unemployment in the region. The number of unemployed residents in the region increased by 43,000 between 2005/06 and 2008/09 and the number of Job Seekers Allowance claimants more than doubled between May 2008 and May 2009. The impact on the region's unemployment rate has not been as large as nationally. The rate increased by 1.4 percentage points (to 6%) compared to two nationally, which brought the national rate up to 7.2% for England and Wales.

It is difficult to judge the sectoral impact on employment. The most up to date data sources do not yet cover the period over which significant job losses have occurred.

Implications for ERDF Competitiveness Programme

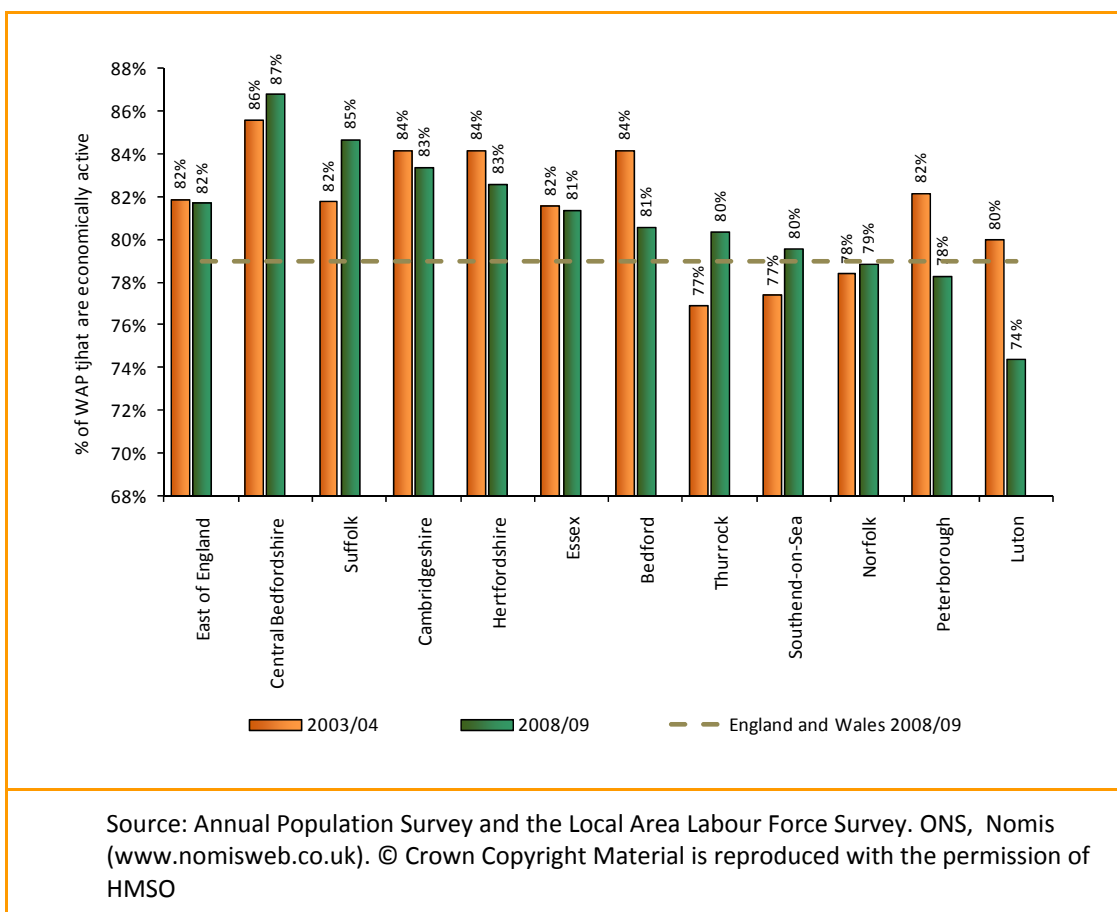
The region's employment rate has not been as badly affected by the recession as elsewhere in the UK and Claimant Count data indicates that the growth in unemployment has halted and the number of claimant has started to level off. Although, a large number of new jobs will need to be created to allow the claimant rate to return to its Jan 2008 level of 1.7%.

It is unclear how the recession has affected the number of businesses in the region, although the sharp increase in unemployment suggests there will be, at the very least some stagnation in the business base (or a net loss of businesses at worst). Recovering growth in the region's business base (in absolute number of businesses and in terms of employment) should be a focus for the programme.

- 1.67 The overall rate of economic activity in East of England (82%) has remained unchanged since the publication of the OP. The region still enjoys much higher rates of economic activity than nationally although stability at the regional level masks some interesting sub-regional trends.
- Significant improvements in Thurrock and Southend-on-Sea (the worst performing sub regions in 2003/04) have pushed economic activity rates above the national average and improved their ranking within the region.
 - Very large decline in economic activity rate in Luton – a six percentage point drop has reduced the rate of economic activity to 74% of the working age population. This is due to an increase in the size of these sub-regions' WAPs as opposed to an absolute decline in the number of economically active residents. The absolute number of economic active residents has actually increased in these boroughs.
 - Central Bedfordshire and Suffolk have seen significant increases since 2003/04. Their economic activity rates are 87% and 85% respectively.

Figure 7-3: Economic Activity of Working Age Population, 2008

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Economic Activity of Working Age Population						
	2003/04		2008/09		Change 2003/04 – 2008/09	
	Number (000s)	% WAP	Number (000s)	% WAP	Number (000s)	Percentage points
England and Wales	25,221	79%	26,443	79%	1,222	0%
East of England	2,695	82%	2,814	82%	119	0%
Thurrock	69	77%	77	80%	8	4%
Suffolk	336	82%	354	85%	18	3%
Southend-on-Sea	75	77%	75	80%	-	2%
Central Bedfordshire	129	86%	139	87%	10	1%
Norfolk	372	78%	389	79%	17	1%
Essex	649	82%	677	81%	28	0%
Cambridgeshire	292	84%	314	83%	22	-1%
Hertfordshire	523	84%	543	83%	20	-2%
Bedford	84	84%	78	81%	-6	-4%
Peterborough	80	82%	80	78%	0	-4%
Luton	86	80%	88	74%	2	-6%

Source: Annual Population Survey and the Local Area Labour Force Survey, ONS, Nomis (www.nomisweb.co.uk). © Crown Copyright Material is reproduced with the permission of HMSO

Unemployment

1.68 The recession has had a large impact on unemployment in the East of England. The region's

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working age unemployment rate¹⁴ increased from 4.6% in 2005/06 to 6% (2008/09). This represents an additional 43,000 unemployed residents. The region has not been as badly affected as the country as a whole, where the unemployment rate increased by two percentage points to 7.2% between 2005/06 and 2008/09.

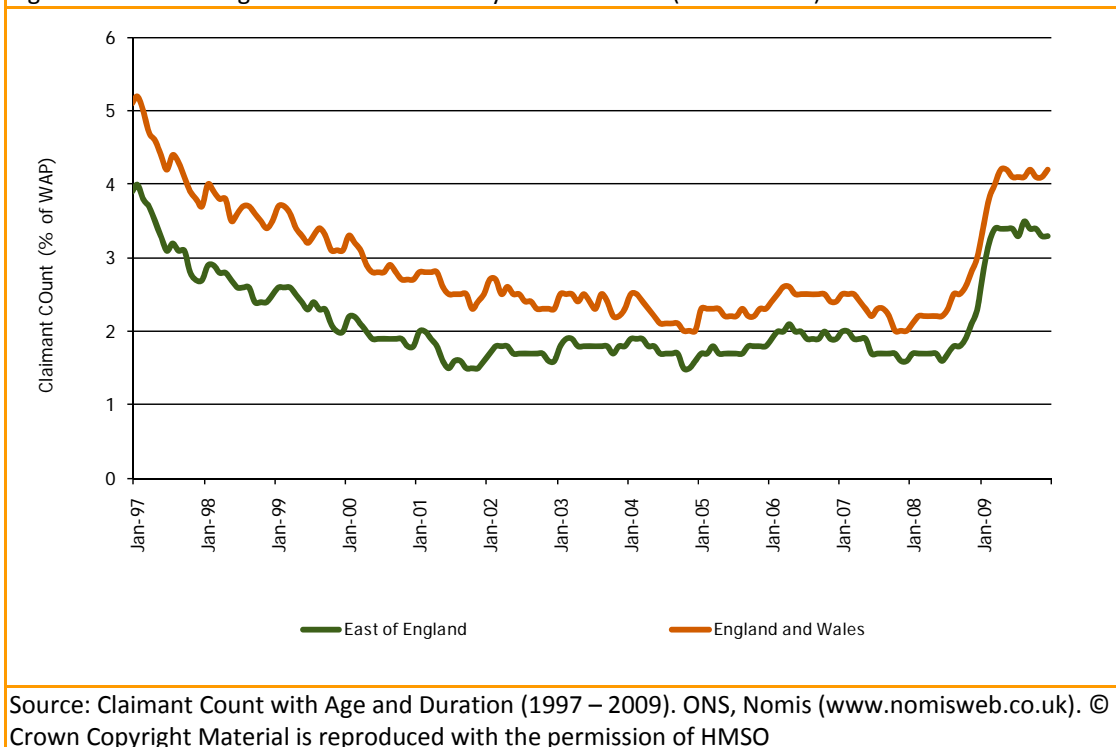
- 1.69 Between May 2008 and May 2009, the absolute number of East of England residents claiming Job Seekers Allowance (JSA) more than doubled. There are currently 113,600 JSA claimants in the region, representing 3.3% of the working age population. This is a significant proportion but lower than the England and Wales average of 3.9%.
- 1.70 Table 7-2 shows that there has been an absolute increase in JSA claimants across all sub-regions although the increase has been particularly acute in Central Bedfordshire and Hertfordshire whereas Norfolk and Luton have not been as badly affected.

Table 7-2: Recent change in number of JSA claimants				
	Number of claimants May 2008	Number of claimants May 2009	Absolute change 2008-09	% change 2008-09
England and Wales	715,920	1,320,080	604,160	84%
East of England	56,590	113,650	57,060	101%
Central Bedfordshire	1,710	4,570	2,860	167%
Hertfordshire	8,080	18,460	10,380	128%
Essex	12,550	27,360	14,810	118%
Cambridgeshire	4,540	9,290	4,750	105%
Thurrock	2,030	4,080	2,050	101%
Peterborough	2,770	5,470	2,700	97%
Southend-on-Sea	2,430	4,660	2,230	92%
Suffolk	7,050	13,110	6,060	86%
Bedford	2,160	3,970	1,810	84%
Luton	3,190	5,680	2,490	78%
Norfolk	10,080	17,010	6,930	69%
Source: Benefit claimants – Job Seekers Allowance (2008 -09). ONS, Nomis (www.nomisweb.co.uk). © Crown Copyright Material is reproduced with the permission of HMSO				

- 1.71 The impact of the recession on new benefit claimants is shown in Figure 7-1. The region's claimant count has been increasing steadily since the start of 2008, peaking at 120,000 claimants (3.5% of WAP) in August 2009. The East of England's low claimant rate relative to the national average before the onset of the recession has meant that it has not risen to the level experienced nationally (currently more than 4% of WAP), although proportionally, the number of claimants in the region has actually increased by a greater amount. The number of claimants in the East of England has doubled since Jan 2008, compared to an increase of 88% nationally.
- 1.72 Recent trends indicate that the claimant count is starting to level off, although the number of claimants will need to reduce by half before the claimant rate returns to its Jan 2008 level of 1.7% of WAP.

¹⁴As measured in the Annual Population Survey

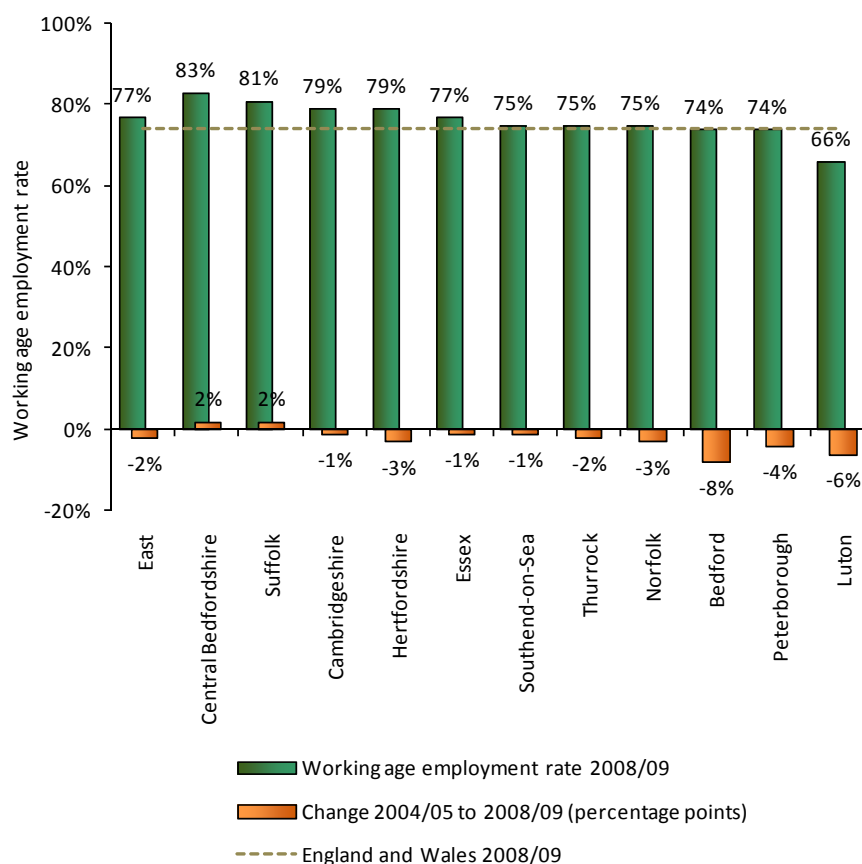
Figure 7-4: East of England Claimant Count by claim duration (1997 – 2009)



Employment

- 1.73 The recession has impacted on employment rates differently across the region. The Sub-regions that were performing well (Central Bedfordshire and Suffolk) have actually seen increases in the proportion of WAP that are employed, whereas the less well performing sub regions have slipped further behind the regional average. The employment rate in Luton is particularly low at 66% of WAP following a decrease of six percentage points between 2004/5 and 2008/09. The employment rate in Bedford has also been particularly badly affected; a loss of eight percentage points since 2004/05.
- 1.74 In spite of the impact of the recession, the employment rate in the region remains slightly greater than that of the national average and only one of the East's sub regions has a lower rate (Luton).

Figure 7-5: Change in employment rate 2004-05 to 2008/09



Source: Annual Population Survey and the Local Area Labour Force Survey, ONS, Nomis (www.nomisweb.co.uk). © Crown Copyright Material is reproduced with the permission of HMSO

Sectoral Structure of Employment

Contrary to the picture of rising unemployment and increasing benefits claimants, ABI analysis shows that the number of jobs supported by the region's business base has actually increased by 58,000 since the 2007 OP was produced. However, the most up to date ABI data is for 2008 and will not reflect the changes taking place during 2008 and 2009 as a result of the recession. It will only be possible to start to assess the sectoral impact of the economic downturn on once the 2009 ABI data is published (December 2010)

- 1.75 2008 ABI data indicates that the region's business base supports 2.4 million jobs. The most important sectors in the region, in terms of creating jobs were wholesale and retail and real estate, renting and business. These sectors account for 38% of total employment between them (a similar proportion to nationally).
- 1.76 2008 data indicates that the construction sector has continued to be important to the regional economy. Employment in this sector had risen since 2004 and accounted for 5% of

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the region's employment. It is not clear whether the difficult conditions for the construction sector throughout 2008 have allowed this trend to continue.

- 1.77 There is a large concentration of employment in agriculture, hunting and forestry (the location quotient of this sector is 1.5) although the 10,000 people employed in this sector account for a very small proportion of the region's jobs (0.4%).

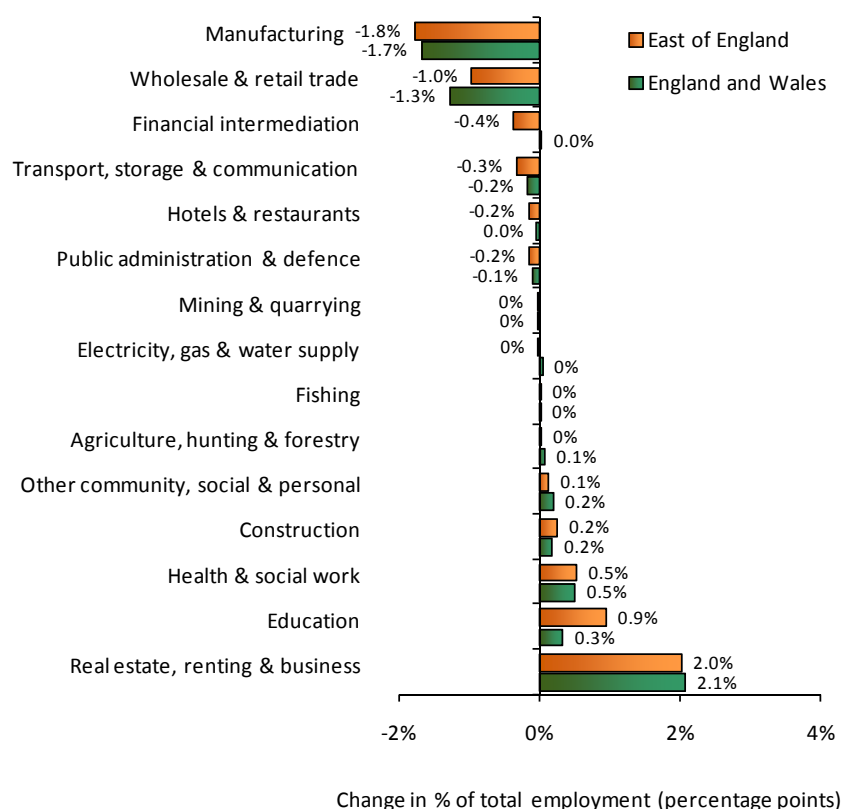
Table **Error! No text of specified style in document.**-1: Sectoral Structure of Employment in East of England, 2008

Sector	England and Wales		East of England		LQ vs England and Wales
	Number employed	% of total	Number employed	% of total	
G : Wholesale and retail trade	3,873,500	17%	452,700	19%	1.1
K : Real estate, renting & business activities	4,304,150	19%	440,100	19%	1.0
N : Health and social work	2,723,900	12%	266,800	11%	0.9
D : Manufacturing	2,337,100	10%	245,800	10%	1.0
M : Education	2,166,000	9%	233,900	10%	1.0
H : Hotels and restaurants	1,545,650	7%	145,900	6%	0.9
I : Transport, storage and communication	1,373,750	6%	144,750	6%	1.0
F : Construction	1,063,850	5%	128,400	5%	1.2
O : Other community/social/personal service	1,220,400	5%	115,600	5%	0.9
L : Public administration and defence	1,201,900	5%	103,850	4%	0.8
J : Financial intermediation	937,500	4%	71,100	3%	0.7
A : Agriculture, hunting and forestry	65,750	0.3%	10,250	0.4%	1.5
E : Electricity, gas and water supply	88,500	0.4%	7,400	0.3%	0.8
C : Mining and quarrying	26,400	0.1%	1,550	0.1%	0.6
B : Fishing	1,550	0.01%	200	0.0%	1.2
Column Total	22,929,850	-	2,368,200	-	-

Source: Annual Business Inquiry Workplace Analysis (2008) ONS, Nomis (www.nomisweb.co.uk). © Crown Copyright Material is reproduced with the permission of HMSO

- 1.78 Recent changes in the sectoral structure of the region's economy broadly reflect those which have occurred nationally in the same period. These include;
- Continued decline in employment in the manufacturing sector. The 1.7 percentage point decrease in the proportion of the region's jobs in the manufacturing sector equates to an absolute loss of 31,500 manufacturing jobs in the region. This is in line with the 1.8 percentage point decline nationally.
 - Small loss of jobs in the wholesale and retail trade. A loss of 5,000 jobs in this sector (or 1 percentage point proportional loss) is of a similar order to that which has occurred nationally.
 - Increased employment in real estate, renting and other business activities. An actual increase of more than 60,000 jobs in this sector which equates to 2 percentage points (similar to nationally).

Table 7-3: Change in sectoral Structure of Employment in East of England, 2004 – 2008



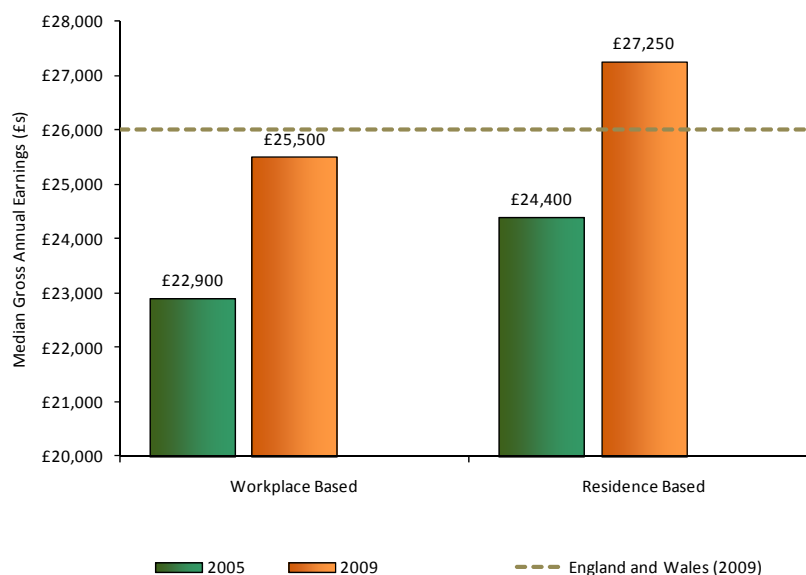
Source: Annual Business Inquiry Workplace Analysis (2004 and 2008) ONS, Nomis (www.nomisweb.co.uk). © Crown Copyright Material is reproduced with the permission of HMSO

Earnings

1.79 Median workplace based earnings are slightly lower than nationally at £25,500 per annum, although workplace based earnings are significantly greater at £27,250 per annum. This suggests that the region's business base created relatively low value jobs and that the area is home to a significant number who commute to higher paid employment outside of the region. Two sub regions stand out in particular;

- Hertfordshire: median annual residence based earnings of £31,600 (workplace based in £28k). Most likely to be commuters to London
- Central Bedfordshire: £30,300 residence based but just 24,700 workplace based. Likely to be commuters to Cambridge

Figure 7-6: Median Gross Annual Earnings for full time employees (2005 and 2009)

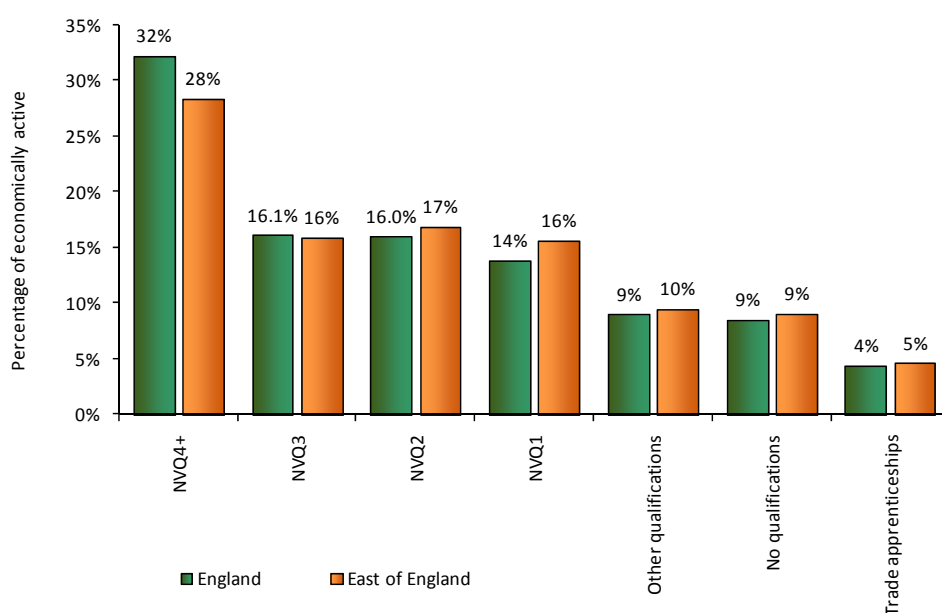


Source: Annual Survey of Hours and Earnings (2005 and 2009) ONS, Nomis (www.nomisweb.co.uk). © Crown Copyright Material is reproduced with the permission of HMSO. Note: Full time employees = those working 30 hours per week or more

Skills

- 1.80 There has been little change in the skills profile of the East of England's residents since the OP was published. The proportion of the region's economically active population with high level qualifications remains below the national average; 28% of the region's economically active residents are qualified to NVQ level four or above compared to 32% nationally. This is an improvement on 2003/04, when just 25% of the region's population were qualified to this level. However, this increase has not closed the gap with the rest of the country.

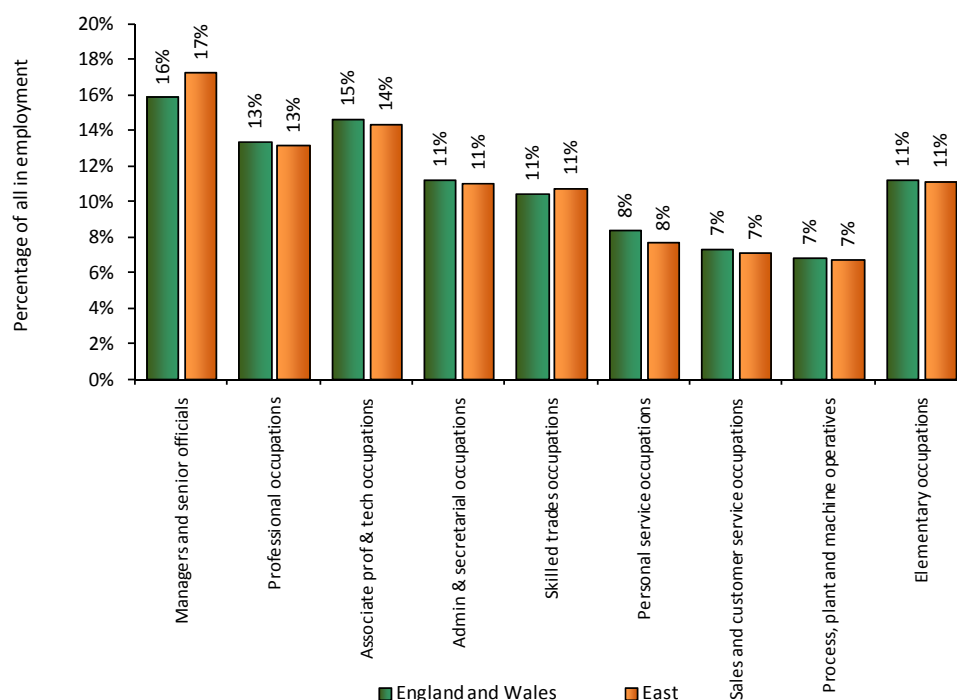
Figure 7-7: Level of qualification of economically active people, 2008



Source: Annual Population Survey, 2008. ONS, Nomis (www.nomisweb.co.uk). © Crown Copyright Material is reproduced with the permission of HMSO

- 1.81 Figure 7-1 shows that the broad occupational make up in the East of England reflects the national picture. There is significant demand for higher level skills in the region; 44% of the region's employed residents are employed in SOC groups 1 to 3 (which includes managers and senior officials, professional occupations and associate, professional and technical occupations). This is the same proportion as nationally and is one percentage point more than in 2004/05. A slightly larger proportion of the region's employed residents are employed in the first SOC group (managers and senior officials) than nationally.

Figure 7-8: Occupational groups of those in employment, 2008



Source: Annual Population Survey, 2008. ONS, Nomis (www.nomisweb.co.uk). © Crown Copyright Material is reproduced with the permission of HMSO

Competition and Enterprise

Key Points:

The region enjoys a high business density in relation to the rest of the country and has some particularly strong sub-regional performers especially Hertfordshire

The number of businesses and regional; business density has continued to rise in the East of England. Although the latest available data does not fully reflect the impact of the recession.

In spite of a strong business density, the region's GVA per head is slightly lower than nationally, although some sub-regions (notably Peterborough and Hertfordshire) perform very strongly in terms of GVA.

Entrepreneurial activity rates are slightly lower in the East of England than nationally, although the region's rates have increased between 2005 and 2006, while nationally the rate has declined slightly. The annual number of new business formations in East of England increased between 2004 and 2007, although the impact of the recession is not likely to be fully reflected until the 2008 VAT registrations and deregistrations figures are released in December 2010.

Business Density and Business Stock

- 1.82 In spite of the recession, the number of businesses in the East of England and the region's business density has continued to increase. Between 2004 and 2008, the number of businesses in the region increased by almost 22,000 (10%), the same proportion as nationally. The region's business density is now 712 businesses per 10,000 working age residents, 41 businesses per 10,000 working age residents greater than the national average.

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- 1.83 There is significant variation in business density at the sub-regional level, although only three of the region's 11 sub regions have business densities below the national average (Peterborough, Thurrock and Luton). Hertfordshire's business density of 811 is particularly high. It is almost 100 businesses per 10,000 residents greater than the regional average and 140 businesses per 10,000 residents.
- 1.84 Business density has grown in all sub-regions, although it has been minimal in Luton, which has a particularly low business density of 481. Thurrock has had a particularly high rate of growth (13%) between 2004 and 2008.

Table Error! No text of specified style in document.-1: Business Stock and Business Density in East of England and Sub-regions, 2000 - 2008

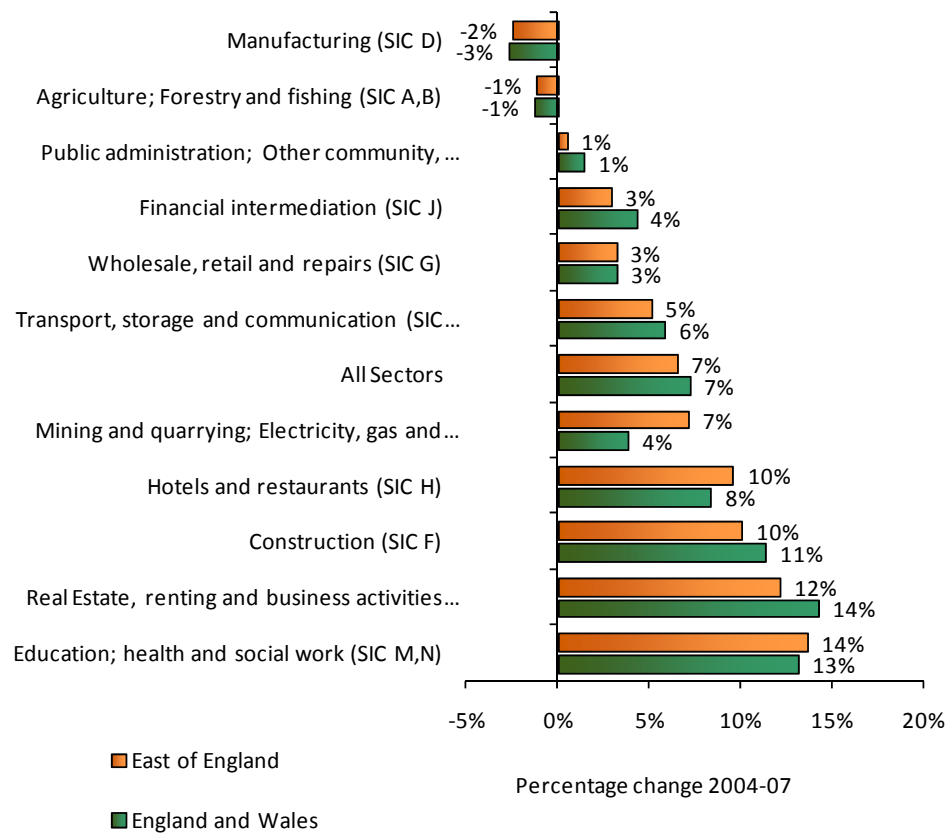
	2000		2004		2008		% change 2004- 2008
	Number	Per 10,000 WAP	Number	Per 10,000 WAP	Number	Per 10,000 WAP	
England and Wales	1,995,250	624	2,067,500	629	2,264,550	671	10%
East of England	218,750	668	226,450	673	248,200	712	10%
Hertfordshire	48,650	765	48,850	756	54,050	811	11%
Suffolk	27,600	693	28,100	691	30,500	724	9%
Central Bedfordshire	10,000	689	10,500	685	11,600	722	10%
Cambridgeshire	23,400	669	24,800	679	27,500	718	11%
Essex	52,350	661	54,850	676	60,400	716	10%
Bedford	5,600	620	6,050	636	6,650	691	10%
Southend-on-Sea	7,400	785	6,350	680	6,700	683	6%
Norfolk	28,200	604	30,850	638	33,500	672	9%
Peterborough	5,400	561	6,000	594	6,500	640	8%
Thurrock	4,100	464	4,400	475	4,950	521	13%
Luton	5,950	516	5,700	491	5,850	481	3%

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Note: Original OP used VAT registrations data to calculate business density. This is currently only available to 2007, so ABI data has been used to ensure the most up to date reflection of changes in the region's business base can be identified.

- 1.85 VAT registration data echoes the picture in ABI. Figure 7-9 shows that there has been an overall growth of 7% in the size of the region's VAT registered business base between 2004 and 2007; an increase of the same magnitude as nationally. The change in sectoral make up of the business base during this period reflect national patterns. Most notably,
- Large percentage growth in the number of education, health and social work businesses at the regional and national level. Although this sector accounts for only 2% of the region's total business base.
 - The large increase in the presence of real estate, renting and business activities is more significant. This sector now accounts for 32% of the region's businesses.
 - Continued decline in the number of manufacturing and agriculture businesses, although these sectors remain significant and account for 14% of the business base between them.

Figure 7-9: Change in Sectoral composition of VAT registered Business Base 2004-07



Source: VAT registrations and deregistration 2004-07. ONS, Nomis (www.nomisweb.co.uk). © Crown Copyright Material is reproduced with the permission of HMSO

Table 7-4: Percentage stock of VAT registered businesses at the end of year 2007.

	Agriculture Forestry Fishing	Mining Quarrying, Electricity Gas Water	Manufacturing	Construction	Wholesale Retail	Hotels Restaurants	Transport Storage Communications.	Financial Intermediation	Real Estate Renting Business	Public Admin, Other services	Education Health and Social Work
England	6%	0%	8%	12%	20%	7%	4%	1%	33%	8%	2%
East of England	6%	0%	8%	15%	19%	6%	5%	1%	32%	7%	2%
Bedfordshire	5%	0%	7%	13%	19%	6%	4%	1%	34%	7%	2%
Cambridgeshire	9%	0%	8%	13%	17%	6%	5%	1%	34%	7%	2%
Central Bedfordshire	5%	0%	8%	17%	18%	5%	5%	1%	34%	6%	2%
Essex	5%	0%	8%	18%	19%	6%	5%	1%	31%	6%	1%
Hertfordshire	2%	0%	7%	13%	18%	5%	4%	1%	41%	8%	2%
Suffolk	0%	0%	9%	16%	24%	7%	6%	1%	30%	5%	2%
Norfolk	13%	0%	8%	14%	21%	8%	4%	1%	24%	6%	2%
Luton	4%	0%	9%	12%	22%	6%	4%	1%	33%	6%	2%
Peterborough	1%	0%	8%	15%	24%	9%	4%	1%	33%	6%	1%
Southend-on- Sea	11%	0%	8%	13%	18%	7%	6%	1%	27%	8%	2%
Thurrock	1%	0%	7%	20%	22%	6%	12%	0%	25%	5%	1%

Source: VAT registrations and deregistration 2007. ONS, Nomis (www.nomisweb.co.uk). © Crown Copyright Material is reproduced with the permission of HMSO

GVA

- 1.86 Workplace based GVA per head in East of England is £19,100. This is approximately £1000 per head lower than the UK average. However, comparison with the national average is skewed by particularly high GVA per head figure in London (£33,700). The East of England performs well in comparison to the national average excluding London of £18,000. The region's GVA has also grown by a slightly greater rate between 2004 and 2007 than that which occurred nationally.

Table 7-5: Regional GVA per head (£) Workplace basis				
	2001	2004	2007	% change 2004-07
UNITED KINGDOM	£15,350	£17,900	£20,450	14%
London	£23,900	£28,700	£33,700	17%
South East	£16,300	£18,950	£21,250	12%
Scotland	£14,050	£16,500	£19,250	17%
East of England	£14,100	£16,650	£19,100	15%
South West	£13,850	£16,200	£18,250	13%
East Midlands	£13,500	£15,750	£17,600	12%
West Midlands	£13,500	£15,300	£17,050	11%
North West	£13,200	£15,150	£16,950	12%
Yorkshire and The Humber	£13,050	£15,100	£16,650	11%
Northern Ireland	£11,950	£14,050	£15,850	13%
North East	£11,700	£13,700	£15,450	13%
Wales	£11,550	£13,250	£14,850	12%

Source: ONS Headline1 Gross Value Added per head at current basic prices

- 1.87 Within the region, there are significant variations at the sub regional level. Peterborough and Hertfordshire perform very well in comparison to regional and national averages (although Table 7-6 shows that Hertfordshire's performance relative to the UK has dropped slightly between 2001 and 2007). The downturns in performance in Thurrock, Southend, Luton and Bedfordshire that were noted in the 2007 OP have continued over recent years. GVA per head in these regions continues to be below the national average.

Table 7-6: Sub regional GVA per head (£) Workplace basis UK = 100			
	2001	2004	2007
UNITED KINGDOM	100	100	100
East of England	94	95	96
Peterborough	117	124	135
Hertfordshire	121	119	119
Cambridgeshire CC	99	99	106
Luton	106	108	106
Suffolk	86	87	88
Bedfordshire CC	91	91	87
Essex CC	81	84	85
Norfolk	80	83	83
Southend-on-Sea	84	84	79
Thurrock	82	82	79

Source: ONS

International Trade

- 1.88 Table 7-7 shows that the East of England's strong international trade presence has continued since the 2007 OP. It has retained its 9% share of all export trade and is the fourth ranked region nationally for the proportion of the UK's total export trade. In terms of trade within the EU27, the East of England has the second largest share (after the South East)

Table 7-7: Percentage Share of export trade with EU and Non EU Countries, 2007.					
	% of All Export Trade	% to EU27	% to Europe excl. EU27	% to Non EU (RoW)	% Share of Population
South East	15%	15%	19%	15%	14%
North West	10%	9%	7%	11%	11%
London	10%	7%	17%	14%	12%
East of England	9%	10%	7%	9%	9%
East Midlands	7%	7%	5%	8%	7%
West Midlands	7%	7%	7%	7%	9%
Yorkshire and the Humber	6%	5%	5%	7%	9%
Scotland	6%	5%	9%	8%	8%
South West	5%	5%	4%	4%	9%
North East	4%	4%	7%	4%	4%
Wales	4%	4%	2%	4%	5%
Northern Ireland	3%	3%	1%	2%	3%
England	73%	69%	78%	79%	84%
Unallocatable trade	14%	19%	10%	7%	-
UK	100	100	100.00%	100.00%	100.00%

Source: UK Trade Info, Regional Trade in Goods, downloaded 2010.
<http://194.238.54.166/TableViewer/tableView.aspx> Also, Mid year Population Estimates, downloaded Nomis, 2010.

Entrepreneurship

- 1.89 Total entrepreneurial activity (as measured by the percentage of working age adults who are either setting up or have been running a business for less than 42 months) is slightly lower than the national average (5.8%) in the East of England (5.7%). The TEA rate dropped by 1.6 percentage points in the East of England between 2004 and 2005 (there was a drop nationally in this period). The rate appears to have recovered slightly between 2005 and 2006, increasing by 0.3 percentage points while the national rate has dropped a further 0.2 percentage points in the same period.

Table 7-8: Total Entrepreneurial Activity (TEA) in the UKJ regions (% of adult population)					
	2002	2003	2004	2005	2006
South West	5.1	6.8	6.8	6.9	7.6
South East	5.3	7.9	7	6.9	6.2
East Midlands	6.1	5.5	5.9	5.5	6.1
London	5.6	10	7.3	8.3	6
East of England	4.6	5.4	7	5.4	5.7
Wales	3.6	6.8	5.5	5.3	5.5
West Midlands	4.9	6.6	5.2	5.4	5.3
North West	4.3	4.7	4	4.6	4.9
Yorkshire and Humber	3.9	4.2	4.5	5.7	4.5
North East	2.9	3.8	5	3.8	4.4

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Scotland	4.3	5.5	5.2	5.8	4.2
Northern Ireland	3.3	5.3	5	4.8	3.7
UK	5.4	6.4	6.3	6	5.8

Source: Global Entrepreneurship Monitor, 2006
http://www.london.edu/assets/documents/facultyandresearch/GEM_UK_Full_Report_2006.pdf

New business Formation

- 1.90 Rates of new business formation have increased markedly since the OP was published in 2007. At this time, business formation in the region had stalled following nine consecutive years of growth. Growth has been regained between 2004 and 2007; the number of new business formations in 2007 (almost 20,000) was 10% greater than the number in 2004.
- 1.91 Thurrock has performed particularly well during this period, increasing the number of new business registrations by 29%. Thurrock was one of the few sub regions to have a significant increase in the number of new registrations between 2000 and 2004.

Table Error! No text of specified style in document.-1: VAT registrations 2000-07

	2000	2004	2007	% change 2004 - 07
England and Wales	163,100	167,800	186,700	11%
East of England	17,600	17,950	19,700	10%
Thurrock	350	350	450	29%
Bedford	450	450	550	22%
Cambridgeshire	1,900	1,850	2,200	19%
Hertfordshire	4,100	4,100	4,850	18%
Luton	400	450	500	11%
Peterborough	400	450	500	11%
Essex	4,350	4,700	4,950	5%
Central Bedfordshire	850	950	1,000	5%
Norfolk	2,150	2,100	2,200	5%
Southend-on-Sea	700	550	550	0%
Suffolk	2,050	2,100	2,050	-2%

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- 1.92 Between 2000 and 2004, the construction sector saw the largest gains in VAT registered businesses. While construction has remained a growth sector (11% increase in Vat registrations between 2004 and 2007), real estate, renting and business activities have overtaken as the largest growth sector. More than 40% of new business registrations in the East of England were in the Real estate, renting and business activities sector. This is a similar proportion to nationally (44%). Unfortunately, VAT registration data for 2008 is not currently available so it is not possible to assess the impact of the recession on rates of new business formation.

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Table Error! No text of specified style in document.-1: Sectoral composition of VAT registrations 2004-07

	England and Wales			East of England		
	2004	2007	Change 2004-07	2004	2007	Change 2004-07
Real Estate, renting and business	63,215	81,800	29%	6,695	8,425	26%
Wholesale, retail and repairs	32,155	31,055	-3%	3,205	3,000	-6%
Construction	20,415	23,115	13%	2,670	2,975	11%
Hotels and restaurants	17,710	16,180	-9%	1,595	1,630	2%
Manufacturing	9,040	9,215	2%	985	995	1%
Public administration	10,125	9,830	-3%	1,075	980	-9%
Transport, storage and comms	8,075	7,750	-4%	960	920	-4%
Agriculture; Forestry and fishing	3,050	3,025	-1%	350	345	-1%
Education; health and social work	2,160	3,020	40%	250	285	14%
Financial intermediation	1,695	1,565	-8%	140	135	-4%
Mining and quarrying; power	145	165	14%	10	20	100%
All sectors	167,785	186,720	11%	17,935	19,710	10%

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Innovation and Research

Key Points:

The region has some very valuable knowledge assets including the University of Cambridge. A large concentration of highly rated researchers, although these are largely concentrated in a handful of institutions

The region's business base already performs well on innovation indicators. The majority of them are classed as innovation active.

Implications for ERDF Competitiveness Programme:

The strength of the region's knowledge base provides an opportunity for the region to (i) attract knowledge intensive industries into the region and (ii) enable improved productivity through innovation in businesses already present in the region.

Research Base

- 1.93 The East of England has a strong research base. The 2008 Research Assessment Exercise (RAE) shows that a quarter of Category A staff submitted for the assessment were rated as 4* . Ten % of the UK's 4* rates researchers are working at institutions within the East of England.

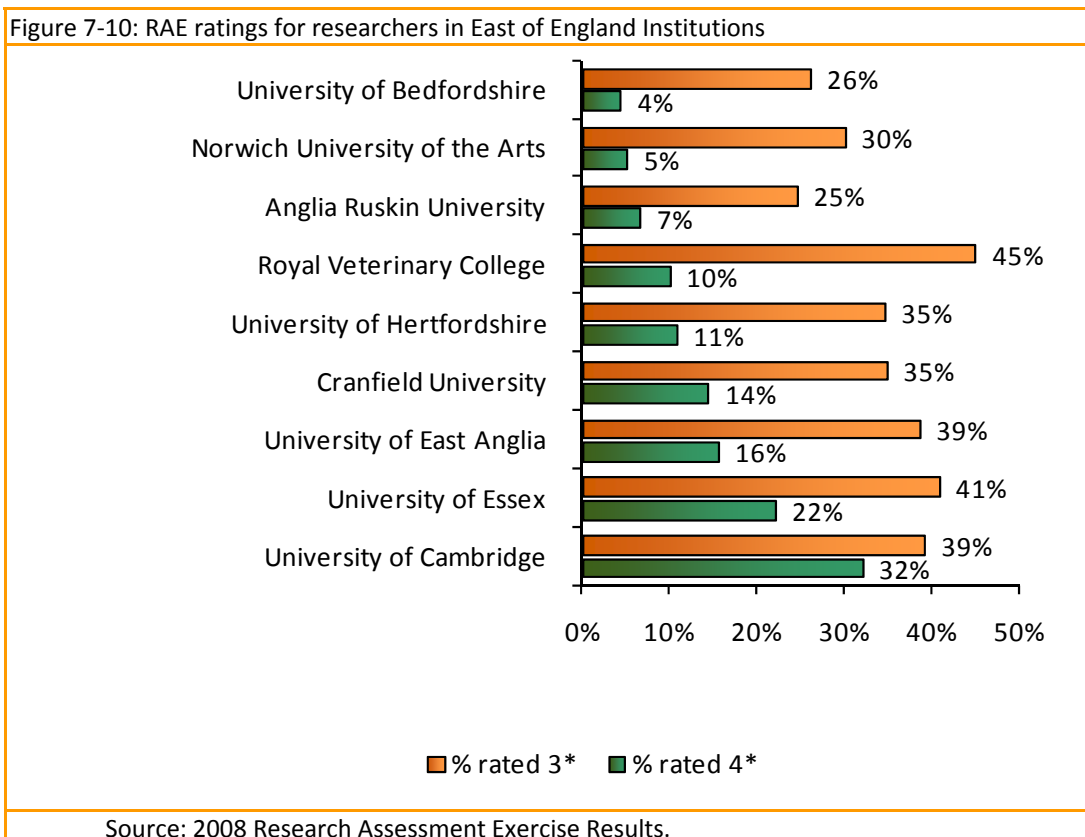
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Table Error! No text of specified style in document.-1: University researchers in the UK and East of England (2008 RAE)

	UK		East of England		East of England % share of UK total
	No	%	No	%	
FTE Category A staff submitted	52,409	-	3,505	-	7%
Number rated 1*	5,915	11%	250	7%	4%
Number rated 2*	17,160	33%	1,005	29%	6%
Number rated 3*	19,485	37%	1,344	38%	7%
Number rated 4*	9,133	17%	872	25%	10%
Number unclassified	716	1%	35	1%	5%

Source: 2008 Research Assessment Exercise Results.

- 1.94 The majority of the region's 4* rated researchers are located in a small proportion of the Knowledge Based Institutions in the region. Between them, the University of Cambridge and University of Essex employ more than half of the region's top rated researchers.



- 1.95 There has been a significant increase in the proportion of the region's businesses classified as innovation active between 2005 and 2007. Currently, 69% of the region's businesses are classed as innovation active (according to the 2007 DIUS Innovation Survey). This is a larger proportion than nationally (64%) and 14 percentage points greater than in 2005.
- 1.96 The region performs particularly well on the innovation related expenditure indicator; 61% of businesses make innovation related investments – an increase of nine percentage points since 2005.

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Table Error! No text of specified style in document.-1: Business Innovation 2005 and 2007

Region	Innovation active	Product innovator	Process innovator	Innovation-related expenditure	Either product or process innovators	Both product and process innovators
UK	64%	22%	12%	55%	26%	9%
East of England	69%	27%	13%	61%	30%	9%
East Midlands	68%	25%	12%	59%	28%	9%
North West	67%	23%	11%	58%	25%	9%
South West	66%	25%	12%	56%	27%	9%
Yorkshire and Humber	65%	20%	12%	57%	25%	8%
Wales	65%	21%	12%	54%	24%	9%
South east	64%	23%	11%	56%	26%	9%
West Midlands	64%	24%	14%	54%	28%	10%
East England (2005)	55%	26%	17%	52%	33%	11%

Source: DIUS, UK Innovation Survey 2007 and DTI innovation Survey 2005

Relationship between economic growth and carbon emissions

Key Points:

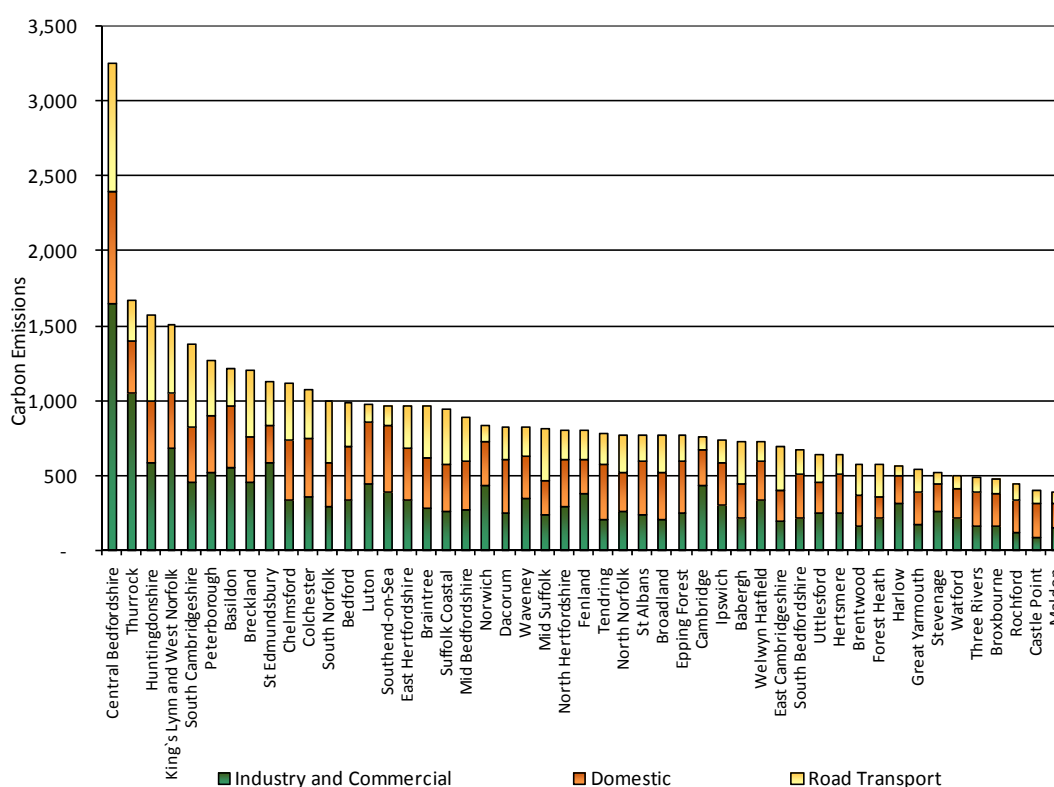
There is a close correlation between economic output and carbon emissions. Analysis indicates that the East of England sub regions with the largest GVA have greater carbon emissions
38% of the region's emissions are linked to industry and commercial activities.
At the local authority level, Thurrock and Bedfordshire have the largest emissions and account for 12% of the regional total.

Implications for ERDF Competitiveness Programme:

While there is a relationship between the size of an area's business and employment base and the level of carbon emissions, there are other influencing factors. The sectoral make up of the business base appears to be important. This implies that economic growth created by the ERDF Competitiveness Programme does not have to result in increased carbon emissions providing that the sectoral focus of growth is outside of carbon intensive industries.

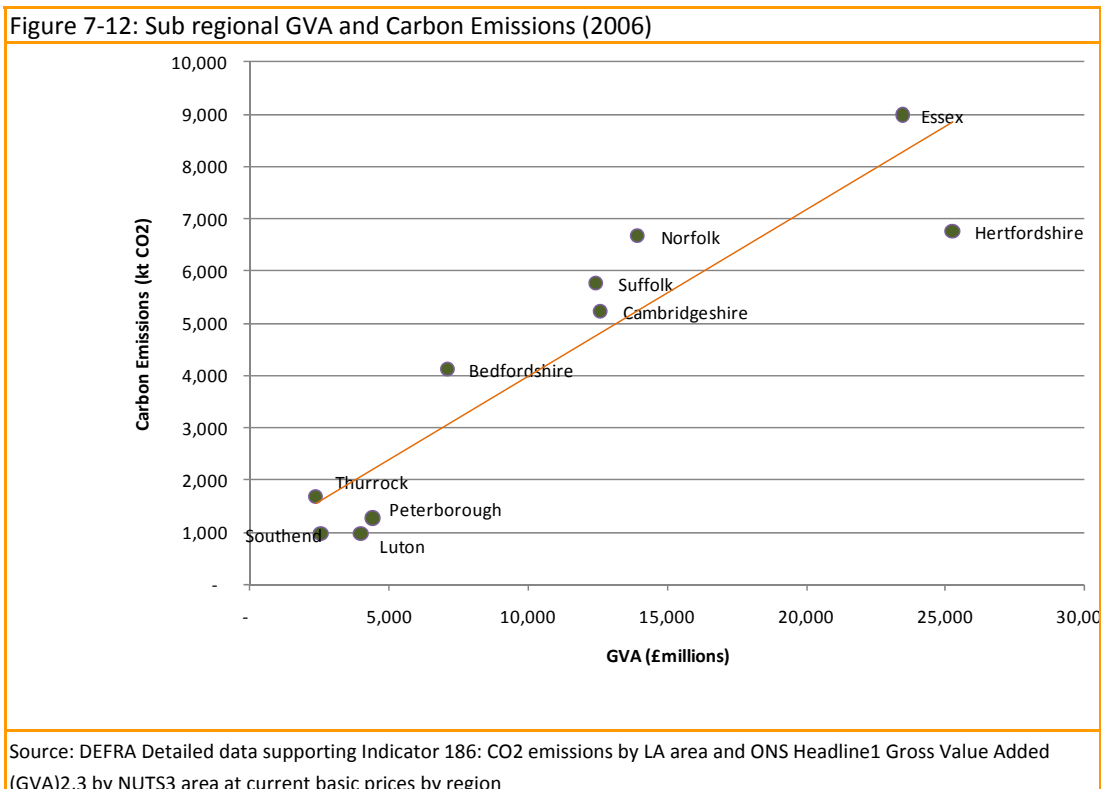
- 1.97 A total of 5,607 kt CO₂ was emitted by East of England businesses, road users and residents in 2006. 12% of this total was attributable to the local authorities of Thurrock and Bedfordshire. Figure 7-11 shows the variation in total emissions by local authority. In those authorities with high total emissions (such as Central Bedfordshire and Thurrock, which together account for 12% of the regional; total), there is a very significant industrial and commercial element to the emissions. 63% of the total in Thurrock and 51% in Central Bedfordshire is from industrial and commercial sources compared to a regional average of 38%.

Figure 7-11: East of England carbon emissions by local authority area



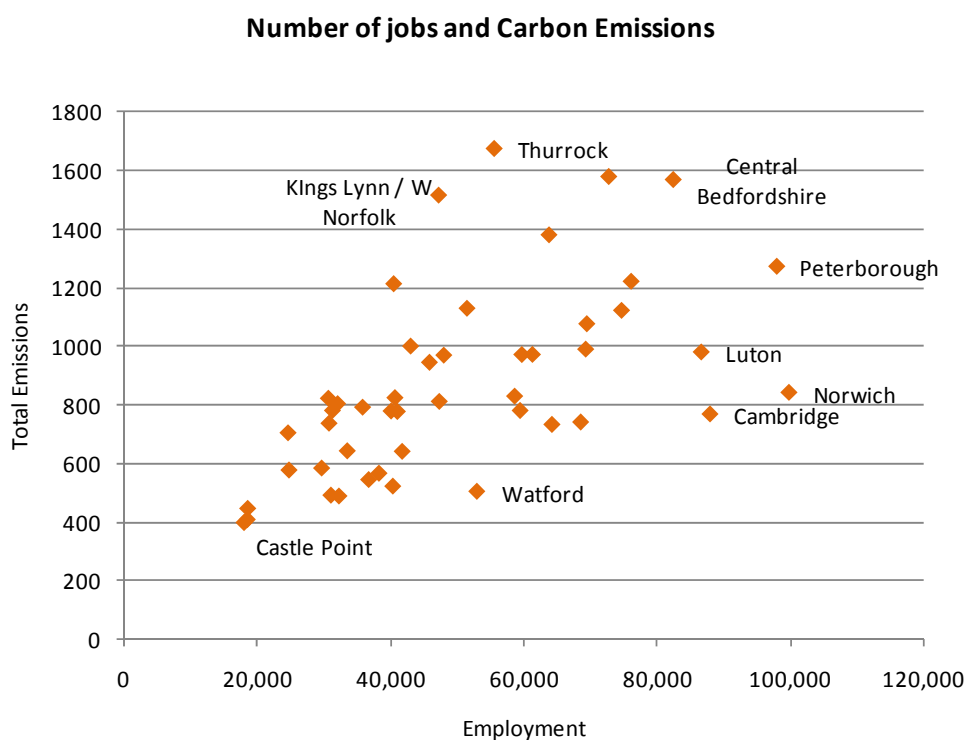
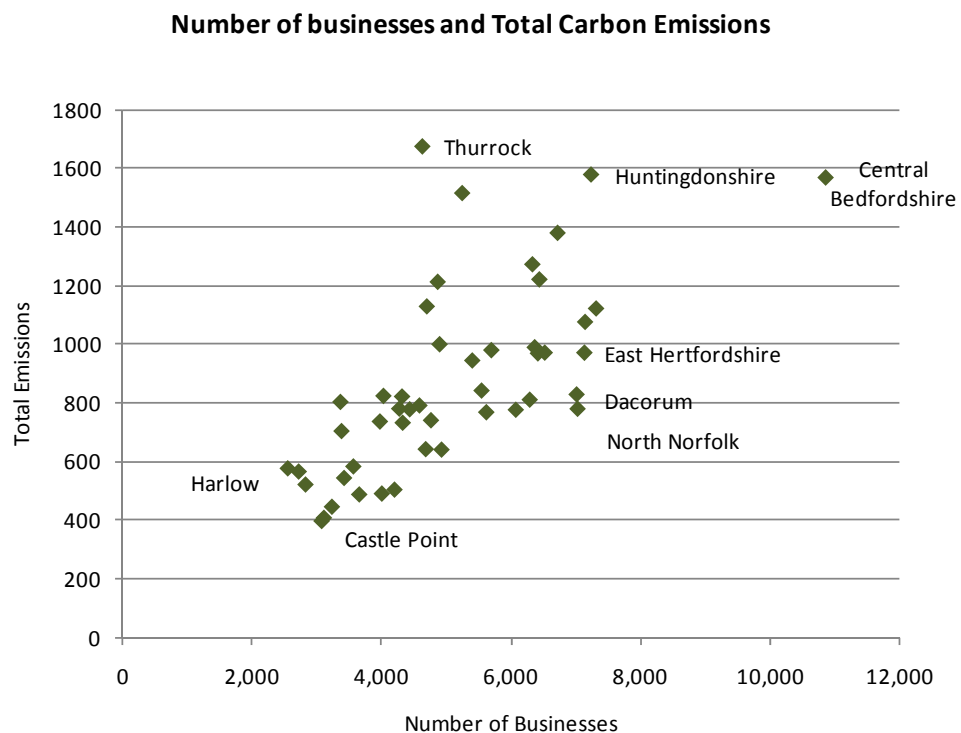
Source: DEFRA Detailed data supporting Indicator 186: CO2 emissions by LA area

- 1.98 There is a clear relationship between economic prosperity and carbon emissions as shown in Figure 7-12. Sub region's with greater GVA have corresponding high carbon emissions. Essex and Hertfordshire in particular, have very high levels of GVA, although Hertfordshire is a slight outlier is so much as its emissions are low in comparison to its GVA, which is the greatest of all the sub regions. Hertfordshire's carbon emissions are of a similar scale to Norfolk's but the sub-region's GVA is almost double.



- 1.99 At the local authority level, the number of businesses and employment is linked to carbon emissions as shown in Figure 7-13. These charts indicate that there is a clear relationship between the absolute number of businesses and jobs supported within the local authority and the amount of carbon emitted.
- 1.100 Central Bedfordshire, Huntingdonshire and Thurrock have the largest total carbon emissions although the size of their business bases varies significantly. Thurrock's particularly high emissions and relatively small business and employment base is likely to be linked to its port function and strong base of transport and logistics companies.
- 1.101 North Norfolk, Dacorum and East Hertfordshire also have significant business bases (of a similar scale to Huntingdonshire) but their emissions are much lower. These areas are predominantly rural. For example, 48% of North Norfolk's LSOAs are classified as rural compared to 19% in Huntingdonshire.

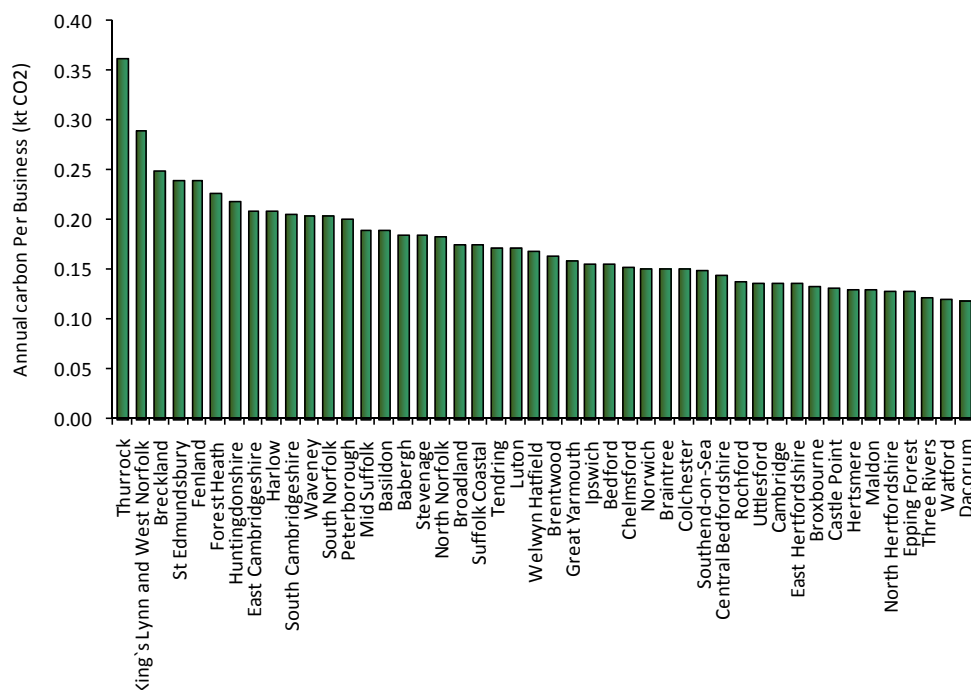
Figure 7-13: Businesses, employment and carbon emissions, East of England Local Authorities



Source: DEFRA Detailed data supporting Indicator 186: Per capita CO2 emissions by LA area and Annual Business Inquiry

- 1.102 The average carbon emissions per business shown in Figure 7-14 indicate that other factors, outside the absolute size of the business base are important in determining the level carbon emissions for a local authority area. The sectoral composition of the business base is likely to be a key driver. For example, Thurrock's relatively high per business carbon emissions is likely to be linked to its large base of transport and logistics companies whereas Cambridgeshire's relatively low emissions per business may reflect the concentration of knowledge intensive business and relative lack of any heavy industry.

Figure 7-14: Annual Carbon Emissions per business, 2006



Source: DEFRA Detailed data supporting Indicator 186: Per capita CO2 emissions by LA area and Annual Business Inquiry

Appendix D Project Reviews

lxxiv. Further detail on the project reviews is provided below.

Project Review Assessment Criteria

2. Projects have been assessed against the following criteria (summarised in the table below. In order to inform our assessment, we have used key project documents (such as the business case) in the first instance and following on from this we have carried out a detailed discussion with the Project Lead to test our findings and fill any gaps in our analysis.

Assessment Criteria						
Is there a clearly articulated and evidenced market failure rationale for the project? Does this link to the stated rationale under each PA (see below)?	No	Unclear	Limited	Satisfactory	Strong	Very Strong
Are the project objectives clearly stated?	No	Unclear	Limited	Satisfactory	Strong	Very Strong
Do the project objectives coincide with those of its priority axes (see below – please specify)?	No apparent fit	Potential but partial fit	Limited fit	Reasonably good fit	Good fit	Compelling fit
Do the project objectives coincide with the programme theme: towards low carbon economic growth. <i>Does the programme consider and clearly articulate how economic growth can be achieved in a manner consistent with low carbon objectives?</i>	No apparent fit	Potential but partial fit	Limited fit	Reasonably good fit	Good fit	Compelling fit
Is there a clear link to the Lisbon Categories of support under the relevant Priority Axes (see below – please specify)?	No	Unclear	Limited	Satisfactory	Strong	Very Strong
Are the project objectives realistic in the light of:	Unrealistic and unachievable	Very ambitious and risky	Too easy	Fairly balanced	Well balanced	Stretching but achievable

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<ul style="list-style-type: none"> • Baseline economic conditions • Recent changes in economic conditions • Changing policy context 						
Is it clear what activities the project will be delivering? Is the programme delivering what it set out to do (as far as planned at this stage)?	No	Unclear	Limited	Satisfactory	Strong	Very strong
Do the project activities (which are being delivered, if relevant) show a good fit with and contribution to its objectives?	No apparent fit	Potential fit	Limited fit	Average fit	Good fit	Compelling fit
Is the project (which is being delivered) an exemplar for others or does it demonstrate innovation? Is there potential for wider impact within the UK and /or other European member states?	No	Unclear	Limited potential	Average potential	Good potential	Very Strong potential
Is it clear how the activities are linked to, complement and add value to mainstream interventions? If relevant, is the project making these links in practice? <i>(Assessor may need make own assessment based on available evidence)</i>	No	Unclear	Limited	Satisfactory	Strong	Very Strong
Is there evidence of how the project will contribute to SAV: Strategic Leadership, Influence, Leverage, Synergy and	No	Unclear	Limited	Satisfactory	Strong	Very Strong

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Engagement? If relevant, is the project making a positive contribution to SAV. <i>(Assessor may need make own assessment based on available evidence)</i>						
Overall, what scale of contribution (e.g. to targets) will the project make to the relevant priority and programme objectives? Specify progress to date.	Little or none	Some but limited and / or indirect	Potentially if well delivered	Reasonable degree of impact and return	Good degree of impact and return	High strategic impact
Does the project have a clear and robust evaluation plan? If relevant, are the necessary processes being put in place now for effective evaluation later.	No	Unclear	Limited	Satisfactory	Strong	Very Strong
How well embedded are the CCTs in the project (and delivery if relevant)?	No	Unclear	Limited	Satisfactory	Strong	Very Strong
Other Observations and Comments <i>(NB any other relevant observations and comments which arise from the consultation/review)</i>						
Recommendations <i>(NB any project or programme recommendations which arise)</i>						

Appendix E Gap Analysis

Priority Axis 1

Project Name	Cost	ERDF	Project Reference	Applicant	Brief Description	Contribution to Axis Aims		
						Supply of KT Potential	ICT usage	Demand for KT
BEST East	£5m	£2m	71/09	Constructing Excellence East (Coop) Limited	The project aims to demonstrate that networking for innovation ideas can assist SMEs in a construction supply chain to innovate and deliver efficiency and environmental improvements around carbon, cost, water and waste. Up to thirty council-led or private construction projects from across the region will take part in the programme, with an average of 30 eligible supply chain organisations in each. Each organisation will receive a minimum of two days support mostly on a 'one to many' approach.			
InCrops	£4m	£1.2m	07/08	University of East Anglia	This is a regional knowledge transfer project that has been designed to establish a distributed enterprise hub in Alternative and Non food Crops and to promote the use of low carbon biorenewables derived from plants in our economy, to promote innovation and technology transfer and the development of products to enhance business opportunities, productivity and growth especially in the low carbon environmental products and processes sector. The core team (to be set up by this project) will be based at the University of East Anglia, but with a range of partners in research centres across the region making up the distributed delivery structure.			
Knowledge Thurrock	£510k	£190k	45/08	Thurrock Council	The Knowledge Thurrock project will deliver a programme of employer engagement with HE institutions in order to bring about behavioural changes within local businesses. It will match Innovation Associates (undergraduate or graduate students openly selected from the four HE partners) to SMEs in order to assess and identify opportunities for more innovative ways of working and improvement in processes within the chosen company. An academic supervisor from one of the HE partners will mentor the Innovation Associate throughout the six-week placement, and will provide support to the business.			

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Project Name	Cost	ERDF	Project Reference	Applicant	Brief Description	Contribution to Axis Aims		
						Supply of KT Potential	ICT usage	Demand for KT
Low Carbon SKTPs	£7.1m	£2.8m	65/09	Assn of Universities for the East of England.	The LowC-SKTP project aims to lever Higher Education Institution (HEI) expertise in low carbon technologies to SMEs in the region through effective knowledge transfer. In total 331 individual LowC-SKTPs will be delivered with projects ranging between 4 and 10 months in duration. The overall LowC-SKTP project will be managed by AUUE but will be delivered by three players: an industry partner, the knowledge base partner and an Associate (a graduate specifically recruited for the individual Low-C SKTP project) who will transfer the knowledge the company is seeking into the business via the individual SKTP project. Projects will be classified as low carbon if they seek a 10% reduction in carbon emissions.			
Small Business Research Initiative	£2m	£800k	48/08	Health Enterprise East Ltd	The project aims to stimulate the public sector to procure technology that meets strategic needs, provide a mechanism for competition between technologies, involve SME's in the public sector procurement process, and assist early stage technology companies to cross the funding gap. The regional pilot will ensure that the new solutions generated also reduce the carbon footprint of healthcare provision. The project will involve open competition to select 8 technologies from the region's SMEs that address three strategic unmet needs of healthcare in the region. These will be funded to feasibility stage, with 4 of the 8 companies then contracted to develop their technology to market readiness in the second phase of the project.			
Sustainable Design-Led Innovation	£2m	£820k	63/08	Cranfield University	The aim of the SDI project is to increase the proportion of innovation active enterprises in the East of England by stimulating them in the area of low carbon business innovation activities (products, services and systems). SDI will use a multi-faceted approach, intended to help SMEs: (1) identify new and emerging market opportunities; (2) reduce the carbon footprint of products or services; (3) raise SME levels of knowledge and understanding through networks and knowledge transfer; (4) Engage SMEs with the University sector, namely the Centre for Competitive Creative Design (C4D); and (5) measure performance and impact of sustainable products. SDI seeks to address the gap which the EEDA and ERDF funded-ISBSP programme leaves by providing ongoing knowledge transfer through resources which can be accessed at a time and level which suits the business (most inputs will be through online resources).			

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Project Name	Cost	ERDF	Project Reference	Applicant	Brief Description	Contribution to Axis Aims		
						Supply of KT Potential	ICT usage	Demand for KT
TakeITon	£5.1m	£2.0m	79/09	EEDA	This project widens the scope of EEDA's existing TakeITon programme, which aims to help businesses in the region boost their performance and lower carbon emissions through better use of Information and Communication Technologies. Research undertaken by BMG on EEDA's behalf in 2008 highlights four specific obstacles which limits SMEs from taking full advantage of ICT: 1. Lack of awareness; 2. Limited enthusiasm; 3. Difficulty procuring IT; and 4. Difficulty using IT.			
i10	£630k	£190k	13/08	University of Cambridge	The project aims to enhance regional knowledge transfer and link businesses to HEI expertise and facilities. As a partnership of all 11 HEIs in the region, i10 encourages business-HEI collaboration through a range of initiatives, including the AskI10 online enquiry service. The project plans to extend its current services to include a specific low carbon focus in its engagement with businesses. The main output of this project is the promotion of a new 'Taster Scheme', intended to encourage and introduce SMEs to engage with HEIs for work on low carbon issues.			
Low Carbon Environmental Programme	£553k	£221k	30/08	PERA	The purpose of this project is to build on an existing EEDA project which uses Framework Programme 7 as a tool to stimulate SMEs into accessing the opportunities to help with the R&D and commercialisation of new products, processes and services. This project will focus on the low carbon priorities within the FP7 programme, namely Energy; Novel Manufacturing Processes / ICT; Environmental Technologies; and Recycling.			
Pipeline Projects								
Low Carbon Innovation East	-	£860k	49/08	UEA	Low Carbon Innovation East (LCIE) will maximise the opportunity that low carbon development offers to the region by stimulating innovation, entrepreneurship and low carbon economic development. It will offer real operational benefit to a large number of SMEs as well as connecting them to large scale strategic development. The programme will also offer a resource which supports other SME interventions in the region, offering additionality and real outcomes.			
Chelmsford	-	£1.5m	85/09	Essex County	Chelmsford Innovation Centre aims to create a core stimulus for a Clean Technologies cluster			

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Project Name	Cost	ERDF	Project Reference	Applicant	Brief Description	Contribution to Axis Aims		
						Supply of KT Potential	ICT usage	Demand for KT
Innovation Centre				Council	in Essex, to be developed alongside BAE Systems' Advanced Technology Centre at Great Baddow, Chelmsford. Chelmsford Innovation Centre will focus on low carbon products and services requiring advanced technologies (e.g. sensor systems, electronic processing and inter-connection, energy recovery and power storage) to be applied across the range of Environmental Goods and Services sub-sectors. The project will be further informed and link closely with the findings from EEDA's clean tech evidence base which is currently underway.			
STEM UEN	-	£760k	86/09	NCGE	Science, Technology, Engineering and Maths (STEM) capability is crucial for the long term competitiveness of the UK economy. However, the UK has been experiencing a fall in young people choosing to study STEM subjects, and business leaders say there is a critical shortage of graduates with numerical skills. This will severely hamper the UK's ability to compete and the move to a low carbon economy. The STEM-UEN is a tripartite partnership between industry, Higher Education Institutions (HEIs) and the public sector. It is one of four UENs to be established by the NCGE as part of the UK Government's Enterprise Strategy.			
East of England Sea Green	-	£1.6m	91/09	School of Engineering, Cranfield University	<p>This project is concerned with creating an expertise base, supply capability and the start of a production capacity among businesses in the East of England in the field of bio-fuel production from micro algae. Cranfield University has developed a design called Sea Green for the large-scale production of bio-fuels from marine micro-algae using ocean based systems.</p> <p>The Sea Green project will also capture CO2 from the atmosphere and seas at the same time and lock it away. This will result in a "carbon negative" approach to producing carbon-sustainable liquid transport fuels that would serve as a direct replacement for fossil fuels. Translating the technology innovation into pilot and production plants in the East of England region would contribute directly to the low carbon economic growth objectives of the region.</p>			
Low Carbon Innovation Route Map	-	£690k	94/09	Norfolk County Council	This project seeks to increase the productivity of SMEs in the engineering and manufacturing sectors in the East of England through low carbon innovation. Reach will be region wide through working with delivery and strategic partners located across the region including WDP Consulting in Cambridge, University of Hertfordshire etc			

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Project Name	Cost	ERDF	Project Reference	Applicant	Brief Description	Contribution to Axis Aims		
						Supply of KT Potential	ICT usage	Demand for KT
Innovation Martlesham	-	£500k	09/027	Suffolk County Council	The project will deliver specialist innovation support and encourage knowledge transfer to SMEs in the East of England with a focus on use of ICT for low-carbon economic development, from a base (the Innovation Hub) on Adastral Park, BT's R&D facility at Martlesham near Ipswich. The project will enable the management of Martlesham Innovation Hub to increase its efforts to: encourage the formation of new companies in ICT, with special emphasis on low-carbon applications; provide innovation and growth support for existing SMEs, both on Adastral Park and throughout the sub-regional cluster; nurture the right mix of tenants for the Innovation Hub by networking widely and interacting with regional centres of excellence in entrepreneurship; and manage the Innovation Hub as a centre for open innovation and related activities including initiatives on diversity and equality.			

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Priority Axis 2

Project Name	Cost	ERDF	Project Reference	Applicant	Brief Description	Contribution to Axis Aims					
						Access to Finance	Social Enterprises	Start-up	High Growth Businesses	Sector Growth	Low Carbon Business Practices
Envirotrade	£750k	£350k		East of England International Ltd	This project aims to enhance the international trade strategy of companies providing low carbon products and services. The project targets environmental technology SMEs to support them in obtaining a large market share of new or expanding overseas markets.						
Low Carbon Proof of Concept	£118k	£47k	02/08	EEDA	The purpose of this project is to provide grant funding to SMEs within the East of England that are looking to develop low carbon products and processes, to support research into a business idea from concept and ascertain commercial viability. The funds will be used to test the viability of an innovative business idea by undertaking an independent market feasibility study. The low carbon focus of this project will enable businesses to develop products which adhere to a low carbon agenda.						
Low Carbon Grant for R&D	£670	£270k	03/08	EEDA	The purpose of this project is to provide SMEs within the East of England with support to finance research and development into low carbon innovative products and processes to stimulate their business and encourage them to proceed in a number of ways, from helping to develop a low-cost prototype to facilitating the development of a new technology. There are four types of projects which can be funded – micro, development and exceptional development projects, which can receive capital funding, and research projects, which can receive revenue funding.						
Integrated	£4.4m	£1.8m	32/08	EEDA	Brings together specialised business support for the manufacturing,						

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Project Name	Cost	ERDF	Project Reference	Applicant	Brief Description	Contribution to Axis Aims					
						Access to Finance	Social Enterprises	Start-up	High Growth Businesses	Sector Growth	Low Carbon Business Practices
Specialist Business Support Programme					innovation and design sectors into one integrated service which recognises the region's concerns around the environmental pressures that businesses exert. Although business support services being offered by EEDA include providing specialist advice to SMEs engaging in low carbon related activities, currently there is no specific focus on the sectors which will be covered through this programme.						
EASIER	£780k	£312k	37/08	University of Hertfordshire	The EASIER Project aims to apply psychological techniques within businesses to enhance behavioural flexibility and improve environmental sustainability. The overall aim of the project is to reduce carbon emissions in participating SMEs by 10% (aspiring to 20%) over a three and a half year period. The approach aims to change mindsets in order to develop and apply behaviours and thinking necessary to produce maximum economic benefit.						
Low Carbon Digital Content Investment Fund	£10.3m	£3.6m	47/08	Screeneast	The Low Digital Content Project aims to establish, manage and implement a sector-specific low carbon venture capital fund for the film, television and computer games sectors within the region. The project is split in two phases - Stage 1, which is a gateway for all participating SMEs, is a business support programme of up to 10 workshops, which include carbon reduction and business planning topics. Stage 2 is the Investment Fund, which is modelled on a co-investment vehicle where public and private investors are brought together to carry out individual investment projects.						
Financing Emerging Clean Technology	£14m	£5.5m	52/08	EEDA	The project offers two types of grants – Proof of Concept, which supports businesses to assess customers' needs and ascertain commercial viability; and Grant for R&D, which encourages businesses to carry out research and development work on						

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Project Name	Cost	ERDF	Project Reference	Applicant	Brief Description	Contribution to Axis Aims					
						Access to Finance	Social Enterprises	Start-up	High Growth Businesses	Sector Growth	Low Carbon Business Practices
Businesses					innovative products and processes. The funding allocated in each case is proportionate to the level of complexity of the project. There are five types of projects which can be awarded funding – proof of concept, micro, research, exceptional research and development projects.						
TGSE Leading a Low Carbon Economy	£6.4m	£2.5	73/09	Thurrock LSP	This project aims to help SMEs throughout the sub-region of South Essex to reduce carbon emissions by providing advice on how to reduce emissions and/or grant funding for investment in low carbon technologies. The project consists of three main stages: (i) engagement & awareness (which will focus on raising awareness among SMEs of environmental issues), (ii) diagnostics & assessment (which will focus on identifying opportunities to reduce the carbon emissions of individual SMEs) and (iii) carbon reduction solutions (which will deliver customised support to help SMEs to reduce their emissions). The project also includes targeted programmes to support new business start-ups and to develop a social enterprise culture.						
Low Carbon Champions					The aim of Low Carbon Champions (LCC) is to develop a blueprint of success for low carbon champion initiatives that can be implemented throughout the region. Employees from within the business will be developed into Low Carbon Champions. 1-2 Carbon Champions will be developed in 75 SMEs in one county, over 3 years, with the end goal being the development of a model (a blueprint of success), and its dissemination, that can guide further projects throughout the region.						

Priority Axis 3

Project Name	Cost	ERDF	Project Reference	Applicant	Brief Description	Contribution to Axis Aims		
						Low Carbon Communities	Low Carbon Construction / Physical	Sustainable Consumption
Rev-Active	£3m	£1.3m		Breckland Council	The project uses thermal imaging to identify high/inefficient energy users in businesses between Thetford and Norwich, covering 2,500 firms. Businesses will be contacted and 1,000 firms targeted to join a network disseminating information on energy efficiency. 500 firms will be selected to receive more intensive support including an environmental assessment and action plan. 300 firms will be offered a grant to support intervention to become more efficient and the outcomes verified. The scheme will be tested in another part of the East of England, with the potential to roll out nationwide.			
Adnams Bio Energy	£3m	£0.8m		Adnams Bio Energy Ltd	Development of an Anaerobic Digestion facility to treat 12,500 tonnes of food waste per year to divert it from landfill. This will act as a demonstrator, as the first AD facility to inject gas into the grid. Biogas will also be used for vehicle fuel. A visitor centre will be located on the site to disseminate information about green issues. Adnams brewery will use facility as well as other firms.			
Southend Eco-Hub	£0.8m	£0.3m		Southend YMCA	A dilapidated historic building will be refurbished and retrofitted to create an eco-efficient building achieving BREEAM very good. Five managed workspace units will be provided for young, disadvantaged eco-entrepreneurs. A business manager will provide support and an Eco Hub Handbook will provide a toolkit for tenants and other businesses seeking to improve their energy efficiency.			
Centre for Disability Studies	£2m	£0.8m		Disability Essex	The project will construct the Centre for Disability Studies to Passivhaus and BREEAM 2009 Excellent standards. DE will disseminate the learning outcomes and benefits of the low carbon building and passivhaus approach to existing businesses and networks. Open days will be held during and post construction to disseminate info.			
Resource Efficiency East	£2.1m	£0.6m		Renewables East	A thirty month project to assist businesses in the East of England improve efficiency through reducing use of energy and other resources. The project provides access to			

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					co-ordinated advice, guidance and support to businesses on e.g. electricity consumption, power usage, waste reduction. The project delivers an improved resource efficiency diagnostic tool , a CRM facility to manage leads and actions plans for 315 businesses. Grant funding will allow 200 companies to purchase items to improve resource efficiency.			
Pathfinder Innovation Centres for Sustainability	£5.6m	£2.3m		Bedford College	Two centres will be constructed, one in Cambridge and one in Dunstable to BREEAM excellent standard. A centre in Bedford will be refurbished to BREEAM very good. The buildings will be used to demonstrate the use of low carbon technologies, provide information and support to businesses on adopting new technologies and promoting low carbon business activities and house project related admin, research and development. A virtual hub will showcase zero carbon construction initiatives, assist businesses and raise awareness of cost efficient low carbon technologies across the supply chain.			
Business Smiles	£2m	£0.8m		Suffolk CC	The project provides a free travel planning advice service and consultancy support for 160 SMEs to enable them to deliver a package of transport initiatives. The project will also provide more convenient access to journey information through mobile ticketing and digital technologies and will use 'i-trace' software' to monitor changes in transport behaviour and evaluate the success of individual travel plans. The transport initiatives delivered will include discounted travel tickets, an incentive scheme and a salary sacrifice scheme. The project aims to achieve a 10% mode shift away from the car for each business assisted and to save each SME around £10,000 per annum. The project will be delivered in Ipswich and St Albans.			?
Pipeline Projects								
Low Carbon Development Initiative (LCDI)	£2.3m	£0.9m		Renewables East	LCDI will overcome early-stage development risks which are stopping the progress on delivering low carbon new housing and commercial developments by developing programme-wide arrangements and site specific proposals for low carbon housing/commercial developments. Two developments have been identified as the first two projects to be supported by the LCDI programme. The Northstowe development with 10,000 homes in Cambridgeshire is expected to be an exemplar of sustainability and zero-carbon growth. The promoters are aiming for a 20% renewable energy targeting while exploring possibilities of going over 50%. Similarly, Maylands Business Park has an aspiration to be a low carbon business park. There are significant opportunities for reducing net emissions to zero through exploiting the resources of the area and rebrand Maylands as the place for leading businesses to locate. The project will also undertake an outreach activity, which is aimed at a broad range of industries and stakeholders, and will			

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					engage local business, academic and research groups in the region and nationally as well as low carbon industry participants. A site specific SPV will be created for each project.			
Taking Low Carbon to Enterprising Communities					<p>Theatre Resource specialises in delivering arts and educational services for disabled people and other socially excluded groups and is embarking on a major capital development (funded) to establish the National Centre for Disability Arts and Social Inclusion (NCDASI) due to complete in early 2011.</p> <p>Theatre Resource seeks to establish a new social-enterprise to deliver low carbon and sustainable support and ancillary services for the project. This operational model will be rolled out and replicated across a number of business sectors regionally. ERDF funding will:</p> <ul style="list-style-type: none"> • Accelerate the development of the core social-enterprise exemplar and demonstrate ways of implementing low carbon operations across a range of market areas. • Support sectors from both supply and demand side to demonstrate low carbon working into targeted sectors. • Organise dissemination activities and consultancy support to facilitate the replication and roll out of the model across the region. • Create and encourage social-enterprises that are consistent with lower carbon economic growth and enhance sustainable procurement and resource use efficiency among businesses and communities. 			
National Centre for Anaerobic Digestion					The project will create a National Centre of Excellence (NCE) for Anaerobic Digestion (AD) incorporating a full-scale anaerobic digestion demonstration facility. This will facilitate transparency and innovation in AD design, operation, maintenance, biogas upgrading and residue management stimulating SME growth and commercial adoption of AD in the Eastern Region.			
Renewable Energy in High Density Accommodation					To address the issues of adapting current low carbon renewable energy technology to the demands of high density accommodation and the tenants residing there. This project will focus on high density social housing in Peterborough and will identify and install the most suitable renewable energy technology on each of the apartment blocks to tackle the joint issues of fuel poverty, suffered by many tenants and climate change, through the reduction in CO2 emission from CKH's property portfolio			
Anglia GOwarm					Anglian GOwarm (AGW) will present a menu of practical measures which can be retrofitted to existing social housing stock, including: Air-to-air heat pumps (currently going through MCS accreditation); Retrofit double glazing (internal			

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					installation, fits into existing casements); water meters and saving devices; Alongside physical measures AGW will also provide a: Comprehensive performance monitoring package for the installed measures; Full and ongoing support package to residents who benefit from the measures (via face to face, telephone, electronic and printed communications); Full and ongoing support package to recipient RSLs; amongst other support.			
Low Carbon Retrofit East of England					Broadland Housing Association will develop a model for low carbon retrofit of social housing that will help to transform businesses and reduce carbon emissions from existing housing stock across the East of England region. It will use an exemplar demonstration project of 11 refurbished social housing properties in Norfolk as the centrepiece for a programme of sophisticated monitoring, tenant engagement, behaviour change promotion, use of renewable energy technology, supply chain development and retrofitting knowledge dissemination. The properties will be refurbished to an ultra low carbon standard (60% and 80% carbon emissions reductions) using the whole house approach.			
Really Smart House - Norfolk					The project aims to retrofit a number of properties in south Norfolk with a carbon reducing package of interventions based on a concept of the ReallySmartHouse. The common definition of a Smart House has been one that utilises control systems to integrate the technology within the home with the primary goal of home automation. The plan is to deploy similar principals combined with new, innovative technologies to affect user behaviour and reduce energy waste.			
SMART Life retro-fit for businesses					The project SmartLIFE Retro-fit for business will investigate solutions towards affordable low carbon social housing in the East of England. The project will address the core elements of economic growth, measured change in CO2 and energy use reduction. The component activities will include retrofitting approximately 14 non-traditional style houses built in the late 1940s that were subsequently cladded by Fenland District Council.			
Eco Home Project					The Eco Home project will renovate the existing Southend-on-Sea YMCA (SYMCA) housing stock supporting vulnerable homeless people (including young homeless people) through the use of new and innovative technologies supporting new carbon ways to generate energy from multiple sources.			
Eastern Wind Energy Group					The EWEG project has two primary goals: 1) To establish a supply chain predominantly in the East of England with the capability to design, develop, test and supply components into the wind turbine market. 2) To allow the companies within the consortium the platform to break into this low carbon growth industry			

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					and showcase their products to manufacturers worldwide.			
Green Business Innovation Centre					G-BIC will nurture small businesses through the provision of business space and business support with a particular focus on low carbon initiatives. The overall aim of the project is 'to build a regional centre of excellence that will stimulate new business and business growth to operate in a greener culture'. The focal point for delivery will be a land-mark building which will utilise the latest environmentally friendly technologies. The applicant intends that this building will act as a demonstrator for low carbon technologies and business practices which will ultimately encourage adoption and behaviour change by other small businesses in the region.			
Grosvenor House					The aim of the project is to refurbish and transform an unused 1980's town centre office building in Luton into a showcase for environmental technologies which will also serve to provide workspace and business support to start up businesses and SMEs. The Breeam very good standard retrofit, covering an area of 600 square metres over four floors is intended to create visible see and touch technologies, an environmental knowledge transfer resource centre and energy efficient accommodation for an estimated 30 SMEs. Workspaces are intended to be flexible to maximise on space and to easily adjust to users' needs. The project will also encourage SMEs to complete environmental self-audits, green their marketing messages, consider environmentally sound logistics, delivery mechanisms, packaging and transport, develop strong environmental policies and provide access to templates and policy guidance.			

The background is a complex collage of various images. It includes architectural details like window frames and glass panes, some reflecting the sky and others showing greenery. There are also abstract shapes, some in shades of blue, green, and white, creating a layered, geometric effect. The overall composition is modern and artistic.

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