

MAYOR OF LONDON

London ERDF Programme 2007-13 Annual Implementation Report 2011



EUROPEAN UNION
Investing in Your Future

European Regional
Development Fund 2007-13

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1.

Identification

Operational Programme	Objective concerned: Regional Competitiveness and Employment Eligible area concerned: London Programming period: 2007-13 Programme number: CCI 2007 UK 162 PO 006 Programme Title: London Operational ERDF Programme 2007-13
Annual Implementation Report	Reporting year: 2011 Date of approval of annual report by Local Management Committee: 30 May 2011

1. This is the fifth Annual Implementation Report for the 2007-13 London European Regional Development Fund (ERDF) Competitiveness and Employment Programme. It provides detail on the implementation of the programme to date and, in particular for the 12 months ending 31 December 2011.
2. The Operational Programme, which was approved by the European Commission on 7 December 2007, allocated €181,889,213 to London.
3. A Statutory Instrument (SI No 1398), formally designating Greater London Authority (GLA) as the Intermediate Body for the Programme, came into force on 1 July 2011. This replaced SI No 1342 which designated both the GLA and London Development Agency as Intermediate Bodies. The European Programmes Management Unit (EPMU) manages the operational delivery of the programme at the GLA.
4. In 2011 the programme activity focussed on four key areas:
 - The preparation, launch and delivery of the fifth competitive bidding round
 - Complete negotiations and issue funding agreements to Round 3&4 successful applicants
 - Ensuring current projects were delivered in compliance with ERDF monitoring and audit requirements
 - Ensuring an effective transition within Greater London Authority structures
5. The N+2 expenditure target for 2011 was exceeded.
6. A conversion rate of £1: €1.164866 has been used in this report.

2. Overview of implementation of Operational Programme

2.1. Achievement and analysis of the progress

2.1.1. Information on the physical progress of the Operational Programme

1. By December 2011, the Programme had committed €132,3m, paid 50% of its ERDF allocation to projects, with most of the programme's performance indicators on course to be achieved. 76 projects were being co-financed by ERDF – 36 under Priority 1, 29 under Priority 2, 8 under Priority 3 and 3 under Priority 4.

2.1.2. Bidding rounds

2. Launched in June and July 2010, bidding rounds 3 and 4 were concluded in April 2011. The Mayor approved seven applications to enter contract negotiations with EPMU. Another applicant was successful at the appeal stage. By the end of 2011 two funding agreements had been signed, two other applicants chose not to proceed and four applicants were in contract negotiations stage.
3. Round 5 was launched in August 2011, for Priorities 1 and 2. Approximately €32m (£27.5m) ERDF was available for commitment, €14m (£12m) and €18m (£15.5m) respectively.
4. Round 5 included an Outline Application stage and a Full Application stage. At both stages bids were scored by GLA and EPMU officers using an assessment framework and criteria approved by the Local Management Committee (LMC). A Project Selection Panel (PSC) including members of the LMC was then convened to discuss and moderate the applications. The Panel was informed in advance of the meetings about the overall scores awarded.
5. The closing date for receiving Outline Applications was 21 October 2011. 49 bids were received, requesting approx. €75.7m (£65m) ERDF. The PSC was convened on 4 November 2011 and agreed to invite 23 applicants to submit a full application, requesting a total of €29m (£24.9m). The deadline for submission of full application is 3 February 2012. An update on the outcome of Round 5 will be included in the 2012 AIR.

2.1.3. Programme-level performance indicators

6. Progress has been registered for most of the ERDF performance indicators, as the projects in receipt of ERDF have reported progress on contracted targets.
7. The table below sets out programme indicators, the OP targets and the cumulative achievements to date. Contracted projects have also reported on gender data, which is included for appropriate indicators. Figures for 2007 and 2008 are not included as these were nil returns, as reported in previous AIRs.

Table 1 – Programme indicators performance

Output Indicators		2009	2010	2011	2011 ¹			
					M	F	Disa bled	BAME
No. of businesses assisted - of which a minimum of 5% will be in the environment sector	Achievement	42	3149	6097	3871	2226	227	2897
	Target ²	15409	15409	15409	10170	5239	770	5393
	Baseline	674615	674615	674615				
No. of businesses engaged in new collaborations with the knowledge base	Achievement	2	513	650	451	199	19	219
	Target	756	756	756	499	257	38	265
	Baseline	-	-	-				
No. of businesses involved in collaboration networks	Achievement	0	620	1006	618	388	26	271
	Target	1575	1575	1575	1040	536	79	551
	Baseline	-	-	-				
No. of SMEs referred for environmental advice	Achievement	0	608	1146	701	445	49	303
	Target	1000	1000	1000	660	340	50	350
	Baseline	-	-	-				
No. of SMEs supported to achieve quantifiable improvements in their environmental performance	Achievement	0	47	495	345	150	9	217
	Target	750	750	750	495	255	38	263
	Baseline	-	-	-				
No. of SMEs engaged in the access to finance programme	Achievement	0	81	163	118	45	5	87
	Target	982	982	982	648	334	49	344
	Baseline	-	-	-				
No. of SMEs supported through the access to finance programme to improve their environmental management and performance	Achievement	0	0	0	0	0	0	0
	Target	100	100	100	66	34	5	35
	Baseline	-	-	-				
No. of SMEs with sales in new markets	Achievement	0	115	266	171	95	3	82
	Target	400	400	400	264	136	20	140
	Baseline	-	-	-				
Successful International joint ventures or contracts	Achievement	0	4	25	n/a	n/a	n/a	n/a
	Target	80	80	80	n/a	n/a	n/a	n/a
	Baseline	-	-	-	n/a	n/a	n/a	n/a
Total new or upgraded office space (metres squared)	Achievement	0	3919	1235*	n/a	n/a	n/a	n/a
	Target	5500	5500	5500	n/a	n/a	n/a	n/a
	Baseline	-	-	-	n/a	n/a	n/a	n/a
No. of SMEs using their environmental credentials or products to access new markets or supply chains	Achievement	0	9	26	19	7	1	5
	Target	100	100	100	66	34	5	35
	Baseline	-	-	-				
No. of demonstration projects showcasing latest co-generation or renewable energy technology systems	Achievement	0	0	0	n/a	n/a	n/a	n/a
	Target	5	5	5	n/a	n/a	n/a	n/a
	Baseline	-	-	-	n/a	n/a	n/a	n/a
No. of employment sites with environmental improvement programmes to address identified deficiencies in accessible open space and/or access to nature	Achievement	0	0	0	n/a	n/a	n/a	n/a
	Target	5	5	5	n/a	n/a	n/a	n/a
	Baseline	-	-	-	n/a	n/a	n/a	n/a
Area of workspace gaining BREEAM rating of 'Excellent' or equivalent (metres square)	Achievement	0	0	0	n/a	n/a	n/a	n/a
	Target	2250	2250	2250	n/a	n/a	n/a	n/a
	Baseline	-	-	-	n/a	n/a	n/a	n/a
Proportion of projects incorporating sustainable drainage systems	Achievement	0	70%	70%	n/a	n/a	n/a	n/a
	Target	100%	100%	100%	n/a	n/a	n/a	n/a

¹ Male, female, Disabled and Black, Asian & Minority Ethnic (BAME) entrepreneurs

² Targets for this and all other indicators are programme-level and not broken down on an annual basis. This applies to other performance indicators data included in this report.

(SuDS)	Baseline	-	-	-	n/a	n/a	n/a	n/a
Proportion of projects installing decentralised cogeneration or renewable energy generation technology	Achievement	0%	0%	0%	n/a	n/a	n/a	n/a
	Target	100%	100%	100%	n/a	n/a	n/a	n/a
	Baseline	-	-	-	n/a	n/a	n/a	n/a
Area of green or brown roofs created (metres squared)	Achievement	0	0	0	n/a	n/a	n/a	n/a
	Target	200	200	200	n/a	n/a	n/a	n/a
	Baseline	-	-	-	n/a	n/a	n/a	n/a
Volume of additional flood storage capacity created (metres cubed)	Achievement	0	20000	20000	n/a	n/a	n/a	n/a
	Target	500	500	25000	n/a	n/a	n/a	n/a
	Baseline	-	-	-	n/a	n/a	n/a	n/a
Length of water course restored or significantly enhanced (metres)	Achievement	0	880	1980	n/a	n/a	n/a	n/a
	Target	500	500	500	n/a	n/a	n/a	n/a
	Baseline	-	-	-	n/a	n/a	n/a	n/a
Brownfield land reclaimed and or redeveloped (hectares)	Achievement	0	0.9	0.9	n/a	n/a	n/a	n/a
	Target	5	5	5	n/a	n/a	n/a	n/a
	Baseline	3000 ha	3000 ha	3000 ha	n/a	n/a	n/a	n/a
Result Indicator		2009	2010	2011	2011			
					M	F	Disa bled	BAME
No. of jobs created - of which a minimum of 5% will be in the environment sector	Achievement	0	271	453	363	90	2	151
	Target	4016	4016	4016	2651	1365	201	1406
	Baseline	3,915,000 employed in private sector	3,915,000 employed in private sector	3,915,000 employed in private sector				
No. of jobs safeguarded	Achievement	0	272	704	503	201	8	199
	Target	5260	5260	5260	3472	1788	263	1841
	Baseline	-	-	-				
No. of businesses with improved performance	Achievement	0	980	1753	1255	498	29	503
	Target	4500	4500	4500	2970	1530	225	1575
	Baseline	-	-	-				
No. of innovation related jobs created	Achievement	0	15	25	n/a	n/a	n/a	n/a
	Target	390	390	390	n/a	n/a	n/a	n/a
	Baseline	-	-	-	n/a	n/a	n/a	n/a
No. of innovation related projects secured/undertaken, of which at least 50 will be projects secured/undertaken as a result of collaboration networks	Achievement	3	45	194	n/a	n/a	n/a	n/a
	Target	100	100	100	n/a	n/a	n/a	n/a
	Baseline	-	-	-	n/a	n/a	n/a	n/a
No. of businesses integrating new products, processes or services	Achievement	0	270	322	202	120	12	99
	Target	75	75	75	50	26	4	26
	Baseline	-	-	-				
New sales generated (£ Sterling)	Achievement	0	£42,195,491	£54,601,770	n/a	n/a	n/a	n/a
	Target euro	€ 98,000,000	€ 98,000,000	€ 98,000,000	n/a	n/a	n/a	
	Target £	£83,040,432	£83,040,432	£83,040,432	n/a	n/a	n/a	
	Baseline	-	-	-	0	0	0	0
No. of SMEs assisted under Priority Axis 3	Achievement	0	0	0				
	Target	4286	4286	4286	2829	1457	2143	1500
	Baseline	674,615	674,615	674,615	n/a	n/a	n/a	n/a
Additional capacity of renewable and co-generated energy production	Achievement	0	0	0	n/a	n/a	n/a	n/a
	Target	40	40	40	n/a	n/a	n/a	n/a

(MWh)	Baseline	-	-	-	n/a	n/a	n/a	n/a
New or refurbished buildings with environmental specification in line with the London Plan (metres squared)	Achievement	0	1878	0	n/a	n/a	n/a	n/a
	Target	5500	5500	5500	n/a	n/a	n/a	n/a
	Baseline	-	-	-	n/a	n/a	n/a	n/a
No. of new or existing businesses locating to eco-efficient, high quality work spaces	Achievement	0	0	0	n/a	n/a	n/a	n/a
	Target	55	55	55	n/a	n/a	n/a	n/a
	Baseline	-	-	-	n/a	n/a	n/a	n/a
Businesses supplied with low or zero carbon energy	Achievement	0	0	0	n/a	n/a	n/a	n/a
	Target	100	100	100	n/a	n/a	n/a	n/a
	Baseline	-	-	-	n/a	n/a	n/a	n/a
Impact Indicators		2009	2010	2011	2010			
					M	F	Disa bled	BAME
Increase in GVA	Achievement	0	0	0	n/a	n/a	n/a	n/a
	Target	€291m	€291m	€291m	n/a	n/a	n/a	n/a
	Baseline	£198.7b	£198.7b	£198.7b	n/a	n/a	n/a	n/a
Increase in London's capacity to generate de-centralised co-generated and renewable energy	Achievement	0	0	0	n/a	n/a	n/a	n/a
	Target	0.2	0.2	0.2	n/a	n/a	n/a	n/a
	Baseline	-	-	-	n/a	n/a	n/a	n/a

*This figure is lower than the 2010 figure due to a correction in output reported following the closure of a project which carried out ineligible activities.

2.1.4. Core indicators

8. DCLG and the European Commission have agreed to set annual reporting requirements against nine of the Core Indicators³. London's relevant ERDF Programme cumulative achievements are presented in the table below:

Table 2 – Core indicators

No	Core indicator	Baseline	Cumulative Achievement up to 2010	Cumulative Achievement up to 2011	Overall Final Target	Comments
1	Number of jobs created	3,915,000 employed in private sector	271	453	4,016	
2	Jobs created for men	n/a	225	363	2,651	
3	Jobs created for women	n/a	46	90	1,365	
4	Number of RTD projects	n/a	29	194	100	This core indicator is captured through the "Innovation related projects undertaken" indicator in the London OP.
6	Research jobs created	n/a	15	25	390	This core indicator is captured through the "Innovation-related jobs created" indicator in the London OP.

³ Core Indicators as defined in EC Working Document no 7, "Indicative Guidelines on Evaluation Methods: Reporting on Core Indicators for the European Regional Development Fund and the Cohesion Fund".

7	Number of projects (direct investment aid to SMEs)	n/a	n/a	1	n/a	Not a London OP target. The only relevant FEI project is the London Green Fund(see section 5.3.2)
8	Number of start ups supported	n/a	n/a	n/a	n/a	Not applicable to London OP
10	Investment induced (million €)	n/a	€6,488,277	€10,458,921	n/a	Refers to private sector match funding.

9. ERDF projects in London reported 453 jobs created by the end of 2011, or 11% of the total programme target. Women were employed in 20% of these posts, below the 34% target established in the OP. This is partly because London has a higher proportion of ethnic minority groups, some of which have particularly low female employment rates. Secondly, the overall downturn of the economic environment had a direct impact on the capacity London's businesses to grow and create jobs, despite the support received through ERDF. This also affected the targets for number of research jobs created, which in London's case is interpreted as number of innovation related jobs created. Only 6% of the targets were achieved, as 25 research jobs were reported at the end of 2011.
10. Direct investment aid to SMEs is not currently provided in London. Similarly, there are no targets in the London OP for the number of start ups supported, number of projects supporting information society and amount of investment induced (although this is captured through a subindicator as detailed in Table 2 above).
11. One of the key investment priorities in London is fostering innovation through collaboration with the knowledge base. This is reflected by the overachievement of the targets for the number of RTD projects undertaken. So far the programme targets have been exceeded by 94 units and it is expected that more targets will be reported as more Priority 1 projects reach final stages of implementation.

2.1.5. Financial information

12. As illustrated in Table 2 below, €187m total expenditure was incurred by beneficiaries in 2011. Claims for a value of €91.7m ERDF had been paid to beneficiaries by the end of 2011.
13. No advance payments from EC were made in 2011.

Table 3 - Priority Axes by source of funding (€)

2011	Expenditure paid out by the beneficiaries included in payment claims sent to the managing authority	Corresponding public contribution	Private expenditure	Expenditure paid by the body responsible for making payments to the beneficiaries	Total payments received from the Commission ERDF
Priority Axis 1	€28,251,369	€10,120,654	€4,119,101	€14,011,614	€13,554,960
Specify the Fund	ERDF				
Of which ESF type expenditure	N/A				
Of which ERDF type expenditure					
	N/A				
Priority Axis 2	€24,056,087	€5,678,778	€6,502,927	€11,874,383	€11,496,043
Specify the Fund	ERDF				
Of which ESF type expenditure	N/A				
Of which ERDF type expenditure					
	N/A				
Priority Axis 3	€132,615,357	€68,141,726	-€163,106	€64,636,737	€56,587,058
Specify the Fund	ERDF				
Of which ESF type expenditure	N/A				
Of which ERDF type expenditure					
	N/A				
Priority Axis 4 (technical assistance)	€2,295,922	€1,128,767	€0	€1,167,155	€1,161,461
Specify the Fund					
Of which ESF type expenditure	ERDF				
Of which ERDF type expenditure	N/A				
	N/A				
Grand Total	€187,218,735	€85,069,925	€10,458,921	€91,689,889	€82,799,524
ESF type expenditure in the grand total where the Operational Programme is co-financed by the ERDF	N/A	N/A	N/A	N/A	N/A
ERDF type expenditure in the grand total where the Operational Programme is co-financed by the ESF	N/A	N/A	N/A	N/A	N/A

14. During 2011, the expenditure submitted by beneficiaries in claims to the GLA increased by € 35,743,689 from € 151,475,046 to € 187,218,735. By the end of 2011, €91,689,889 ERDF had been paid to beneficiaries, an increase of €12,396,834 from the € 79,293,055 paid by the end of 2010.

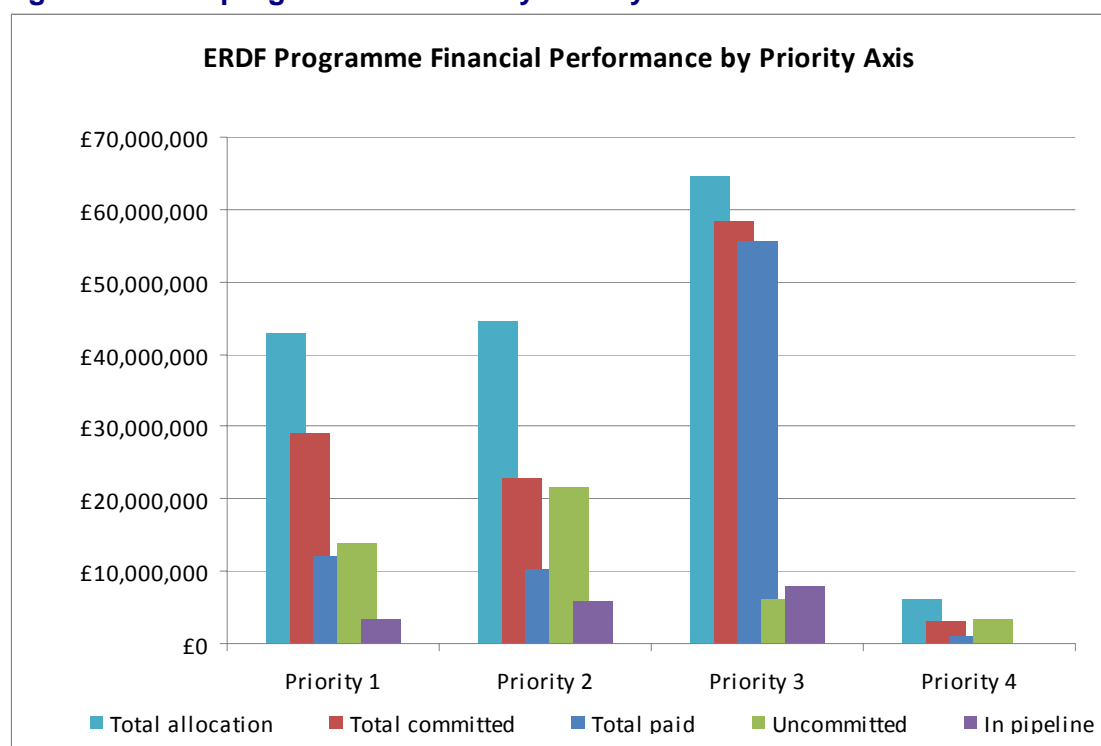
15. Table 3 and Figure 1 below outline the financial performance of the programme to date in pounds sterling. Half of the total programme allocation (or £78.7m) had been spent by the end of 2011.

Table 4 – ERDF programme finance by Priority Axis in sterling

Priority Axis	ERDF Allocation	Committed		Uncommitted		Payments	
		£	%	£	%	£	%
P1	£42,992,522	£29,107,033	68%	£13,885,489	32%	£12,028,520	28%
P2	£44,507,526	£22,972,266	52%	£21,535,260	48%	£10,193,776	23%
P3	£64,631,738	£58,497,695	91%	£6,134,043	9%	£55,488,560	86%
P4	£6,262,320	£3,033,190	48%	£3,229,130	52%	£1,001,965	16%
Total	£158,394,106	£113,610,184	72%	£44,783,922	28%	£78,712,821	50%

16. In what concerns committed expenditure, the figures are not significantly different from the 2010 AIR, as only 3 additional projects had been contracted at the beginning of 2012. As seen in Table 3, commitment levels remained high across all Priority Axes, following 4 successive bidding rounds. The figures are indicative, as they are subject to variations in exchange rates.

Figure 1. ERDF programme finance by Priority Axis



2.1.6. Information about the breakdown of use of Funds

17. 100% of funds allocated for the projects for which funding agreements were finalised before the end of 2011 were directed towards Lisbon objectives as follows⁴:

⁴ Figures are different from previous AIRs, due to variations in exchange rates.

Table 5 – Code Dimensions

Combination of codes of dimensions 1 to 5					
Code Dimension 1	Code Dimension 2	Code Dimension 3	Code Dimension 4	Code Dimension 5	Amount
Priority theme	Form of finance	Territory	Economic activity (n/a in London)	Location	
3	1	1	N/A	UK11	€ 6,305,328
3	1	1	N/A	UK12	€ 6,721,578
3	2	1	N/A	00BG	€ 56,690
4	1	1	N/A	UK11	€ 5,366,738
4	1	1	N/A	UK12	€ 3,914,520
4	1	1	N/A	00AM	€ 142,563
4	1	1	N/A	00BB	€ 146,883
4	1	1	N/A	00BG	€ 142,563
4	2	1	N/A	00BG	€ 58,408
5	1	1	N/A	UK11	€ 11,512,916
5	1	1	N/A	UK12	€ 11,530,515
5	1	1	N/A	00AM	€ 322,442
5	1	1	N/A	00AH	€ 2,098,822
5	1	1	N/A	00BB	€ 174,054
5	1	1	N/A	00BG	€ 174,054
6	1	1	N/A	UK11	€ 7,860,068
6	1	1	N/A	UK12	€ 6,771,233
6	1	1	N/A	00BG	€ 56,690
41	1	1	N/A	UK11	€ 2,228,412
41	1	1	N/A	UK12	€ 557,103
43	1	1	N/A	UK11	€ 22,284,120
43	1	1	N/A	UK12	€ 5,571,030
44	1	1	N/A	UK11	€ 13,370,472
44	1	1	N/A	UK12	€ 3,342,618
49	1	1	N/A	UK11	€ 6,685,236
49	1	1	N/A	UK12	€ 1,671,309
49	1	1	N/A	00AL	€ 1,744,637
49	1	1	N/A	00AB	€ 239,819
49	1	1	N/A	00BGGN	€ 580,905
54	1	1	N/A	00AB	€ 1,447,966
54	1	1	N/A	00AF	€ 1,689,531
54	1	1	N/A	00AR	€ 361,991
54	1	1	N/A	UK11	€ 817,684
61	1	1	N/A	00AF	€ 1,689,531
61	1	1	N/A	UK12	€ 576,893
61	1	1	N/A	UK11	€ 817,683
85	1	1	N/A	UK11	€ 793,697
85	1	1	N/A	UK12	€ 793,697
Total:					€130,620,399

Key to the above Code Dimensions:

Code dimension 1:

- 3 - Technology transfer and improvement of cooperation networks between SMEs and research institutes
- 4 - Aid for the RTD in particular in the SMEs (including access to RTD services in the research centres)
- 5 - Advanced supporting services in companies and groups of companies
- 6 - Assistance to SMEs for the promotion of environmentally products and processes
- 41 - Renewable energy: solar
- 43 - Energy efficiency, combined heat and power, control of energy
- 44 - Domestic and industrial waste management.
- 49 - Mitigation and adaptation to climate change
- 54 - Other measures to preserve the environment and prevent risks
- 61 - Integrated projects for urban/rural rehabilitation

Code dimension 2: non-refundable aid**Code dimension 3 : urban centre****Code dimension 5:**

- UKI1 – Inner London
- UKI2 – Outer London
- 00AB – LB Barking & Dagenham
- 00AF – LB Bromley
- 00AH – LB Croydon
- 00AL – LB Greenwich
- 00AM – LB Hackney
- 00AR – LB Havering
- 00BB – LB Newham
- 00BG – LB Tower Hamlets
- 00BGGN – Whitechapel Ward in Tower Hamlets

18. The projects supported by ERDF contribute to the Lisbon objectives of stimulating growth, creating jobs, making the economy greener and more innovative – the overall focus of the London ERDF programme. The ‘dimension codes’ in the table above illustrate how the funds have been committed across a broad spectrum of activity.

2.1.7. Assistance by target groups

19. The London ERDF programme has not targeted specific groups, sectors or areas. The programme is accessible across all sectors, within the parameters of the Operational Programme, national and European guidelines. The programme does have established equalities targets, however, as detailed in section 2.1.8 in this report.

2.1.8. Assistance re-paid or re-used

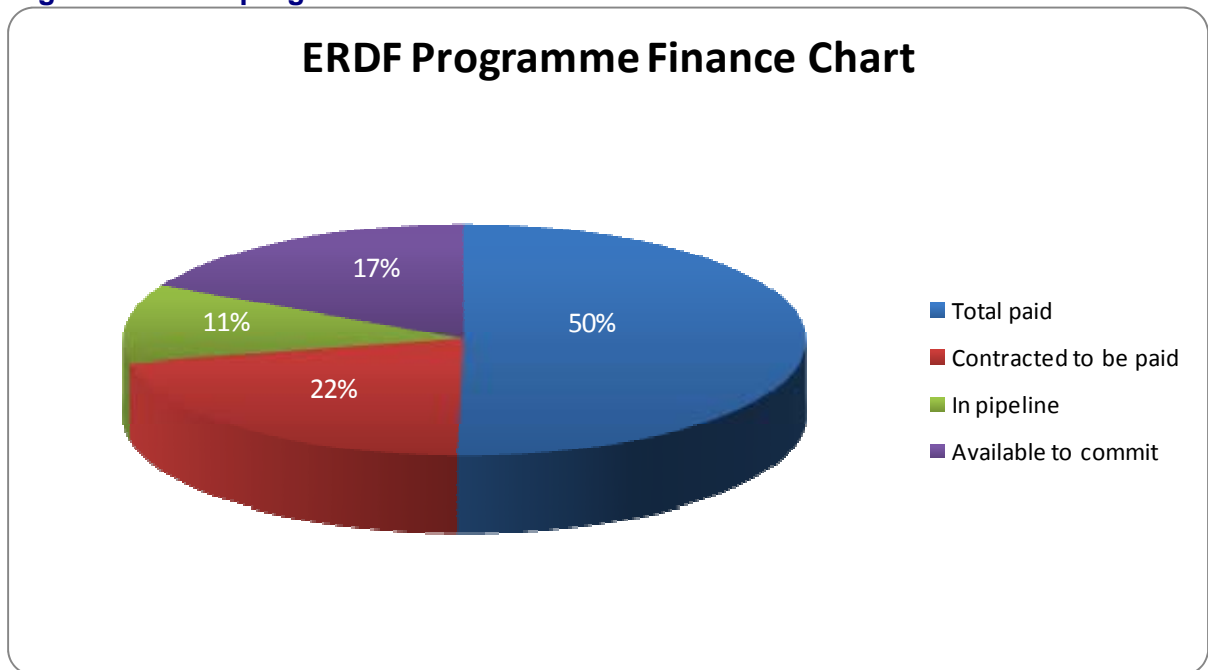
20. In line with Articles 57 and 98(2) of the Regulation (EC) No 1083/2006, by the end of 2011 €308,621 from 13 beneficiaries had been repaid or re-used following cancellation of assistance.

2.1.9. Qualitative Analysis

Financial

21. As stated at 2.1.5, by December 2011 claims to the value of €91.7 or £78.7m (50%) had been paid to beneficiaries. As seen in Figure 2 below, a further 22% or £34.8m (€40.5) had been contractually allocated to projects.
22. 17% of the total programme budget (€32m or £27.4m) remains available to be allocated to projects. A large proportion of this amount is expected to be committed through the ongoing bidding round 5 and future calls for proposals. .
23. The project pipeline value stood at £17m (or 11% of the total programme allocation) including 4 projects from bidding rounds 3&4, a proposal for a Venture Capital Loan Fund (see section 5.2.1) and the London Cable Car (see section 5.3.2). Figures are provided in pounds sterling and are indicative. Conversions to euro would be inaccurate at this stage, due to currency fluctuations for committed funds.

Figure 2 - ERDF programme Finance

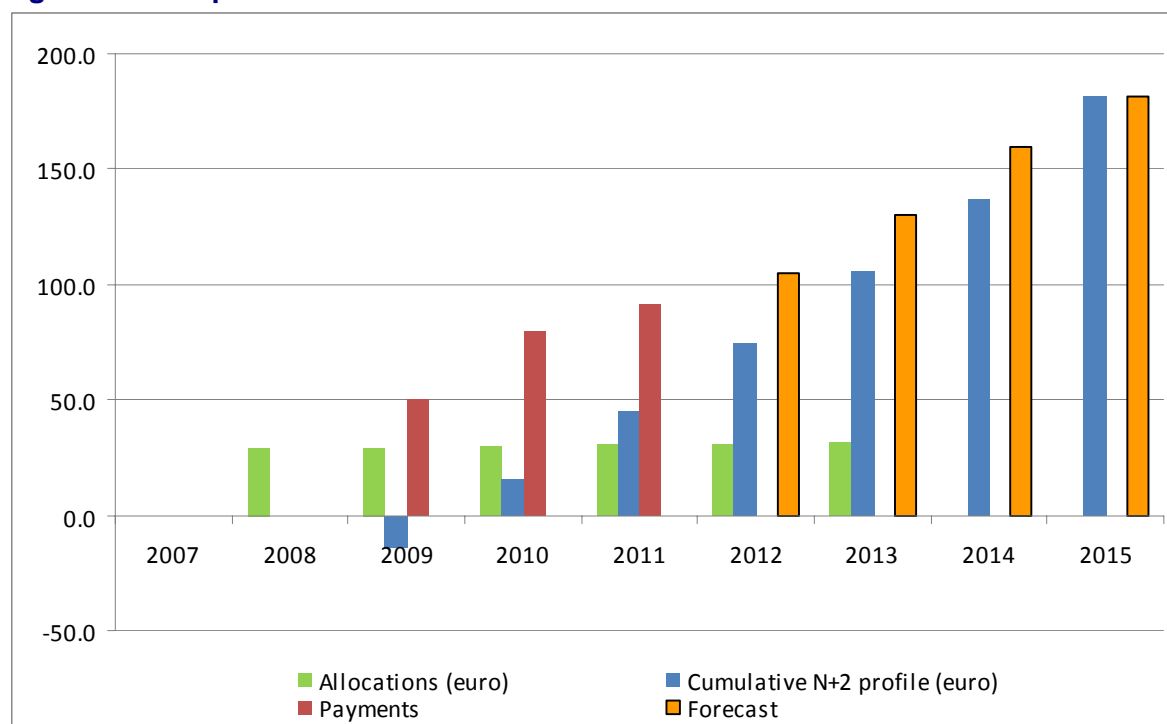


N+2 targets

24. The “N+2” expenditure target was met in 2011, as seen in Table 6 below. The programme is expected to meet its expenditure targets throughout the rest of the implementation period. This is realistically foreseen due to high levels of commitments.

Table 6 – N+2 performance

Million Euro	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Allocations	€24.5	€25.0	€25.5	€26.0	€26.5	€27.0	€27.6			€181.9
Cumulative N+2 profile			€10.8	€35.8	€61.2	€87.2	€113.7	€140.7	€181.9	
Cumulative Payments to date	€0.0m	€0.0m	€50.2	€79.3	€91.7					91.7
Forecast						105.0	130.0	160.0	181.9	

Figure 3 – N+2 performance forecast

Performance Indicators

25. Significant progress in achieving targets has been reported by ERDF projects in 2011, as many projects contracted in 2008 and 2009 reached final implementation stages. Five of 32 indicators had their programme targets met or overachieved. As stated in previous reports, project profiles suggest that the targets will be achieved by the close of the programme.

26. The Charts presented in Figures 4 and 5 below provide a visual representation of:

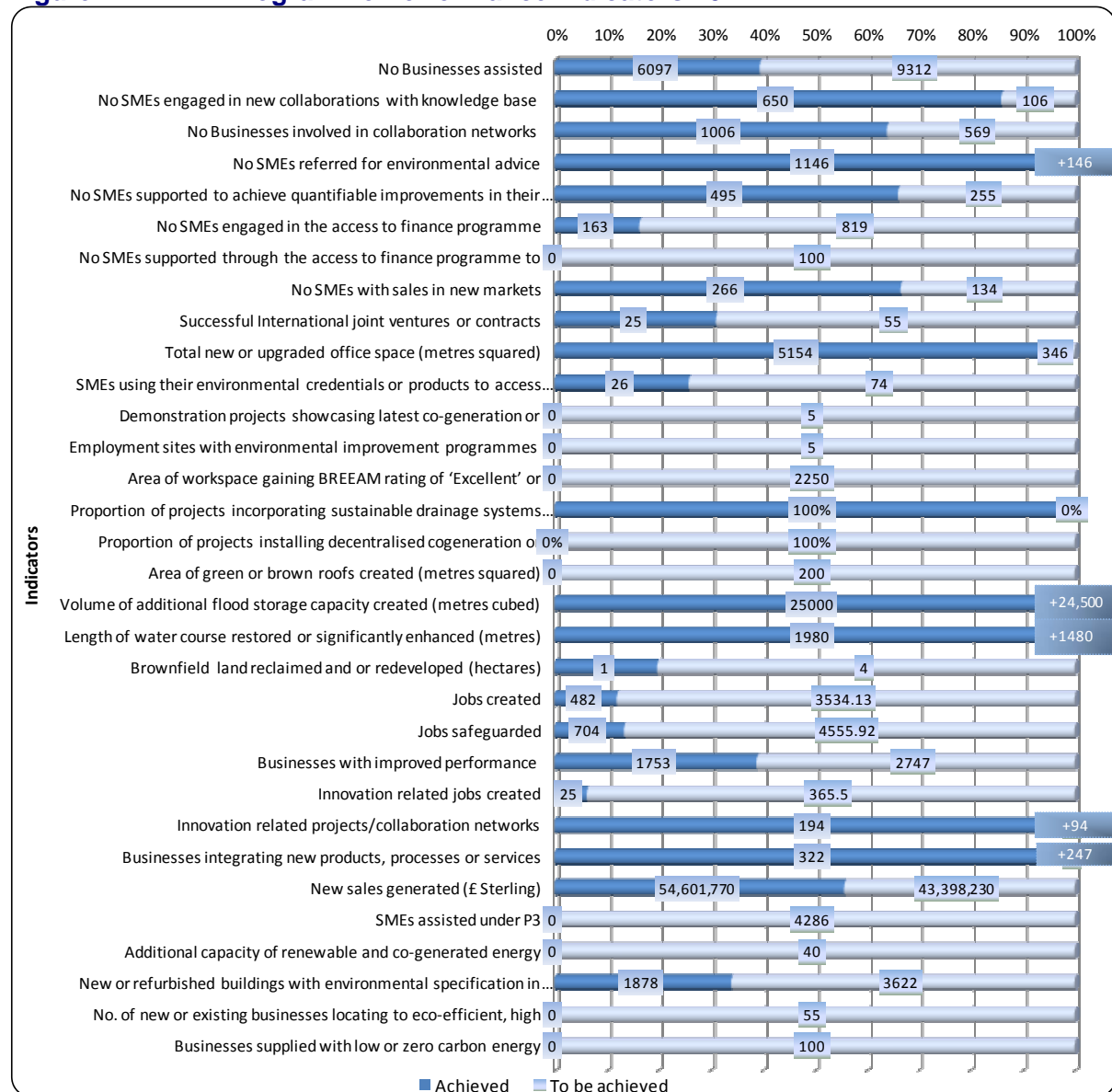
- Programme net performance in terms of targets achieved vs programme targets; and
- Programme development progress – contractual commitments vs programme targets

27. The chart below shows programme net performance in terms of outputs achieved relative to targets. Further progress was registered across all Priority Axes. For example, 6097 businesses have been assisted to date (approximately 40% of the

programme target). 9312 businesses are still to be assisted in order to meet the OP target.

28. Performance differs from one Priority to another, with Priority 2 indicators being in a stronger position than others. For example, in terms of jobs created, out of the 482 total jobs created 306 (63%) have been created under Priority 2 (see section 5.2). An explanation for this is given by the nature of activities funded by each Priority Axis. Nine Priority 1 projects are supporting SMEs to become more environmental efficient, a type of intervention which is not directly designed to generate new jobs, especially in difficult economic conditions. Further, the Priority 2 project 'Sustainable Sales Growth Challenge', which ended in 2011, reported 112 new jobs alone, a significant element of the overall Priority 2 achievement to date.

Figure 4 – ERDF Programme Performance Indicators 2011



29. For one Priority 2 indicator (SMEs supported through the access to finance programme to improve their environmental management and performance) there was no progress registered. It measures the number of SMEs actually receiving investment finance in order to improve their environmental management and performance. This indicator is being delivered by only 4 projects so far and no outputs had been reported by the end of 2011. The relatively low take-up of this target is due to changing economic circumstances which led to businesses channelling any finance raised into mainstream activities. EPMU will be closely monitoring the performance of this target and will consider any relevant conclusions of the interim programme evaluation due to be carried out in 2012.

30. There are also nine Priority 3 indicators for which no progress was reported:

- Demonstration projects showcasing latest co-generation or renewable energy technology systems.
- Employment sites with environmental improvement programmes
- Area of workspace gaining BREEAM rating of 'Excellent' or equivalent (sqm)
- Proportion of projects installing decentralised cogeneration or renewable energy generation technology
- Area of green or brown roofs created (metres squared)
- SMEs assisted under P3
- Additional capacity of renewable and co-generated energy production (MWh)
- No. of new or existing businesses locating to eco-efficient, high quality work spaces
- Businesses supplied with low or zero carbon energy

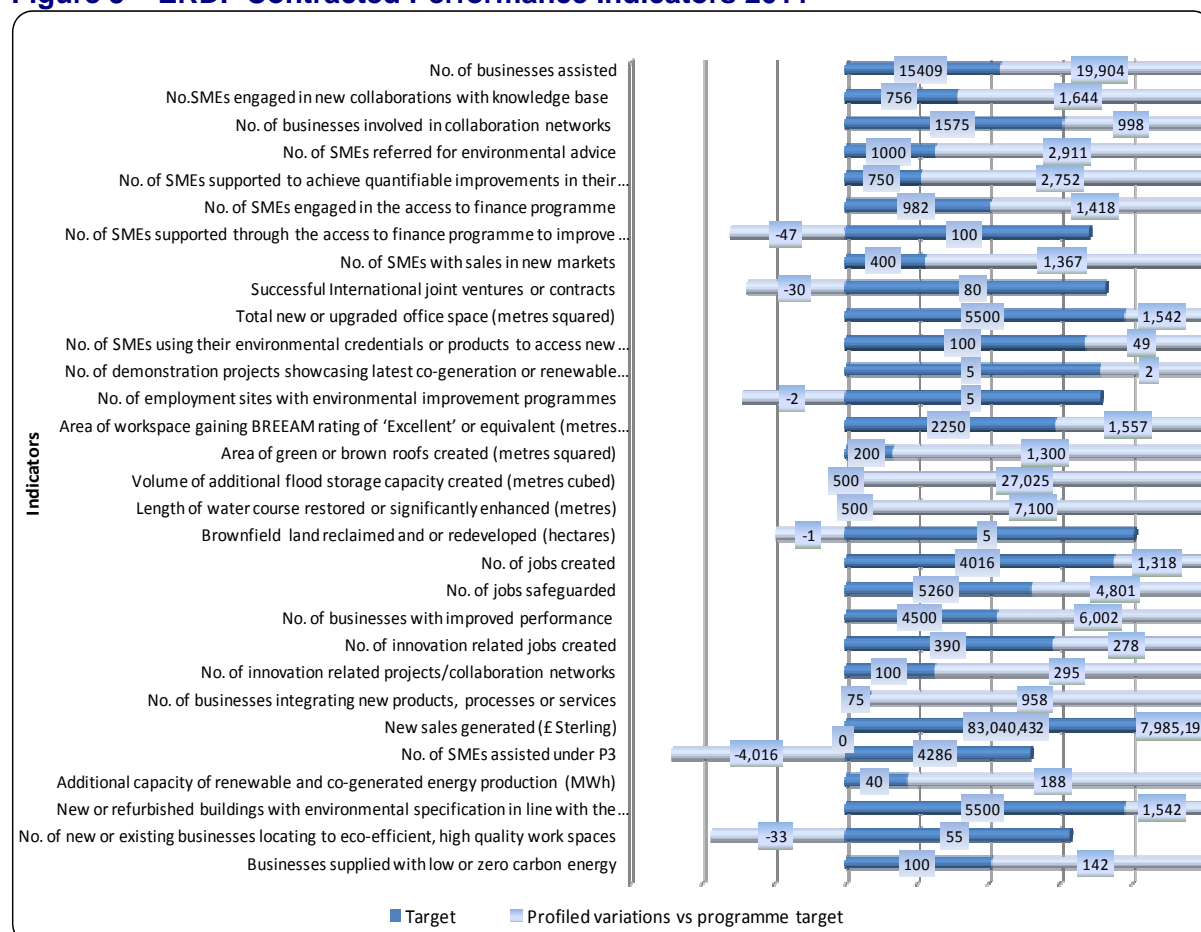
31. There are several reasons for the underperformance of the above indicators by the close of 2011. Firstly, there are only seven Priority 3 projects delivering under this priority, apart from the London Green Fund (JESSICA). Secondly, the evidence required to report these types of targets needs more time to collect, due to the nature of capital improvements. For example, the 'Ravensbourne Eco-incubator' project, which completed delivery in 2011, will be reporting against four of the above targets by the time of its final claim in 2012. Therefore, we expect to be in a much better position next year, as most of these projects will be completed. Thirdly, many of the Priority 3 targets are due to be achieved through activity funded by the London Green Fund, which will shortly be making its first investments. Lastly, as mentioned in section 5.3.1, the "No. of SMEs assisted" and "No of Jobs Created", targets are not a direct result of capital investment. In due course EPMU will consult with the LMC and European Commission on possible amendments to the Operational Programme, including revisiting the appropriateness of these performance indicators.

32. Chart no 5 below⁵ shows programme development performance by measuring programme targets vs profiled target achievements (contracted outputs). For example, regarding number of businesses assisted, by the end of 2011 the GLA had contracted 19,904 outputs, in excess of the OP target of 15,409. On the other

⁵ For LO24 (proportion of projects incorporating sustainable drainage systems) and LO25 (proportion of projects installing decentralised cogeneration or renewable energy generation technology) contracted figures are not relevant as these indicators' measurement units are relative.

hand, more projects are required to be contracted for supporting SMEs through the access to finance programme, as the OP target of 100 units assisted is falling short by 47. Reasons for some of the shortfalls are described in the above paragraphs.

Figure 5 – ERDF Contracted Performance Indicators 2011



33. The overall picture for programme development remains positive. Most targets have been over-contracted and if all projects deliver their profiled targets the programme will register significant overachievements. However, project delivery may prove to be protracted by the current economic climate and slippages are likely to occur, and the GLA is monitoring this.

34. As reported in the 2010 AIR, the programme targets for 6 indicators have not yet been met through contractual agreements with current projects. It is worth noting that five of these six indicators registered poor performance in terms of targets achieved as well. Therefore the rationale provided at par. 29-31 above is valid for 5 of these indicators.

35. In what concerns the indicator measuring “successful International joint ventures or contracts” entered into by the SMEs assisted, a further 30 units should be contracted to meet the programme target of 80. Only four projects deliver this output but it is possible the shortage to be addressed through future bidding rounds or any alternative development activities.

Cross Cutting Themes

36. The programme has two cross-cutting themes, equalities and environmental sustainability.

Equalities

37. The London ERDF Operational Programme includes targets for assisting specific equalities groups which face barriers for developing small businesses. Article 16 of EC Regulation 1083/2006 requires that the programme monitors the promotion of ERDF support to women and men. In London, the programme also targets disabled entrepreneurs and Black, Asian & Minority Ethnic (BAME) entrepreneurs. The programme has headline equalities targets: Women 34%; BAME 35% and Disabled people 5%.

38. The table below presents achieved equalities targets to date⁶:

Table 7 – Equalities targets

ERDF Programme Indicators							
Indicators	Achieved	F	%	Disabled	%	BAME	
No. of businesses assisted	6097	2226	37%	227	4%	2897	48%
No. of businesses within the region engaged in new collaborations with the knowledge base	650	199	31%	19	3%	219	34%
No. of businesses involved in collaboration networks	1006	388	39%	26	3%	271	27%
No. of SMEs referred for environmental advice	1146	445	39%	49	4%	303	26%
No. of SMEs supported to achieve quantifiable improvements in their environmental performance	495	150	30%	9	2%	217	44%
No. of SMEs engaged in the access to finance programme	163	45	28%	5	3%	87	53%
No. of SMEs supported through the access to finance programme to improve their environmental management and performance	0	0	0%	0	0%	0	0%
No. of SMEs with sales in new markets	266	95	36%	3	1%	82	31%
No. of SMEs using their environmental credentials or products to access new markets or supply chains	26	7	27%	1	4%	5	19%
No. of jobs created	453	90	20%	2	0%	151	33%
No. of jobs safeguarded	704	201	29%	8	1%	199	28%
No. of businesses with improved performance	1753	498	28%	29	2%	503	29%
No. of businesses integrating new products, processes or services	322	120	37%	12	4%	99	31%
No. of SMEs assisted under P3	0	0	0%	0	0%	0	0%

Programme targets: Women 34%; BAME 35% and Disabled people 5%.

39. Performance of equalities targets has not changed significantly since last reported in the 2010 AIR. For women entrepreneurs the situation remains unchanged, as 7 of the 12 indicators for which equalities targets have been reported are underachieving. To date the targets for supporting disabled entrepreneurs have not been met. Regarding the BAME equality group, 9 indicators are underperforming. EPMU is closely monitoring these targets but the adverse economic environment has also had an impact on the ability of project delivery partners to engage with key equality groups and effectively assist disadvantaged

⁶ The table includes only indicators for which achievements have been reported to date

entrepreneurs. As such, the client base has diminished, which impacts on target performance. The interim programme evaluation in 2012 is expected to shed more light on underperformance in this area and identify recommendations.

Environmental Sustainability

- 40. All ERDF projects are required to embrace and embed environmental objectives within their delivery. This is assessed in the project selection process, through criteria approved by the LMC.
- 41. During project implementation, checks are carried out to ensure that all partners have and apply an environmental policy. Furthermore, two of the performance indicators require that 5% of the SMEs assisted and 5% of the jobs created are within the environmental sector. As mentioned in the 2010 AIR, these targets are on course to be achieved, as evidenced by the indicator measuring businesses assisted under Priority 1. In 2011 no accurate data was collected regarding the performance of these sub-indicators. EPMU monitoring systems are currently being configured to collect this information through a dedicated data collection system.

Geographical coverage

- 42. There is no specific geographic focus for Priorities 1, 2 and 4 of the ERDF programme. Projects contracted to date support activity across London, ensuring a distribution of support across London.
- 43. The exception is Priority 3 which focuses on areas of regeneration, intensification and opportunity in line with the Mayor's London Plan⁷. While no new Priority 3 projects have been funded since the first bidding round in 2007, the Cable Car Major Project (approved by the LMC in 2011, but awaiting European Commission approval) will deliver within these specific geographical boundaries.

Partnership arrangements

- 44. The partnership principle is one of the key principles for the management of ERDF in London and appropriate partners are included in all stages of programme cycle (programme preparation, implementation, monitoring and evaluation).
- 45. A Local Management Committee or LMC (see section 3.1.11) oversees the programme implementation. The LMC is chaired by the Mayor of London or a delegated person, authorised by the Mayor and is composed of representatives from UK Government departments, the Greater London Authority (GLA) and partners representing the London boroughs, business, academic and voluntary sectors in London.
- 46. Unlike some of the other ERDF programmes in England, the London programme does not comprise formal sub-committees; instead the full LMC is consulted and ad hoc committees established as necessary.

⁷ <http://www.london.gov.uk/priorities/planning/londonplan>

47. For instance, in 2011 the LMC was consulted and informed on key programme implementation milestones and delivery issues both at the two formal meetings in 2011 and through written correspondence. The LMC approved the criteria and appraisal process for bidding round 5 and two of its members sat on the Project Selection Panel. A list of key decisions and actions taken by the LMC in 2011 is provided in Annex C.

48. In 2012 an external evaluation will be procured and LMC representatives will be invited to join the steering group.

2.2. Information about compliance with Community Law

49. No significant issues to report in 2011.

2.3. Significant problems encountered and measures taken to overcome them

50. There were no significant problems encountered in implementing the Operational Programme. However, issues encountered relating to the individual Priority Axes can be found later in this Report under the 'Implementation by Priority' in section 5.

3.

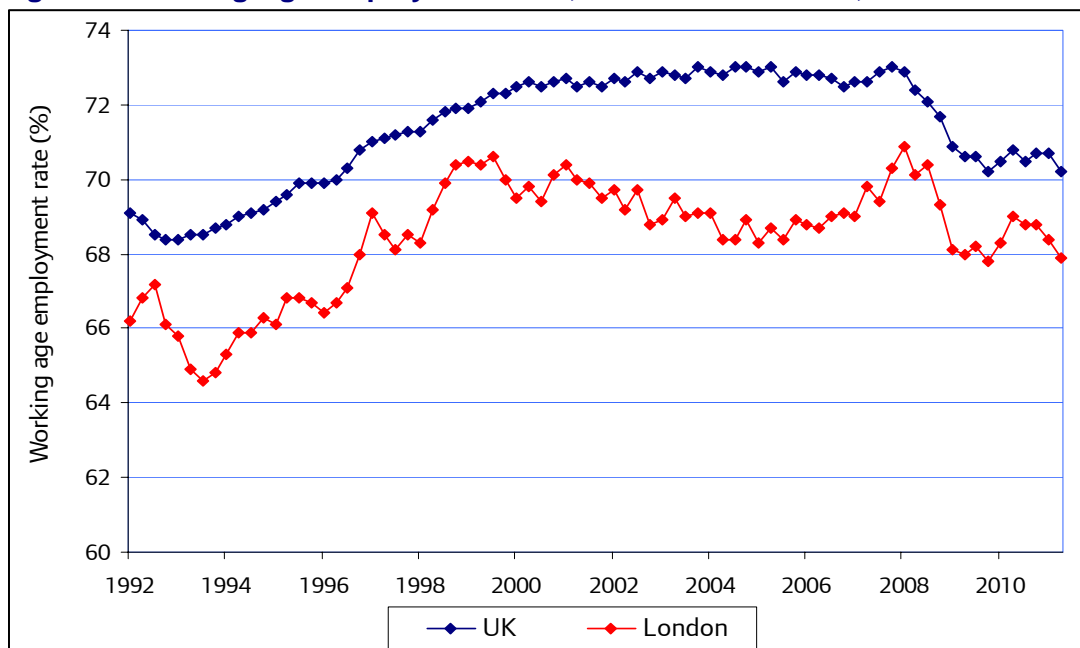
Changes in the context of the Operational Programme implementation

1. The following section highlights the key changes in economic performance for London since the 2010 AIR, drawing on information from updated London-wide baseline figures at Annex A. It highlights some of the challenges London faces, as well as some of the opportunities. Information has been gathered from a number of sources including the Office for National Statistics and GLA Economics.
2. Major policy announcements and updates with a direct bearing on the programme implementation are summarised at the end of the section.

3.1. Trends in employment

3. Fig. 7 shows that London's employment rate fell by 0.6% to 67.4% in the quarter to January 2012 compared to the UK employment rate of 70.3%. The gap between UK and London employment rates has risen to 2.9%. GLA Economics forecast that workforce jobs will increase by 0.1% in 2011, and then increase by 0.4% in both 2012 and 2013.⁸

Figure 7: Working Age Employment Rate, London and the UK, 1992 – 2011

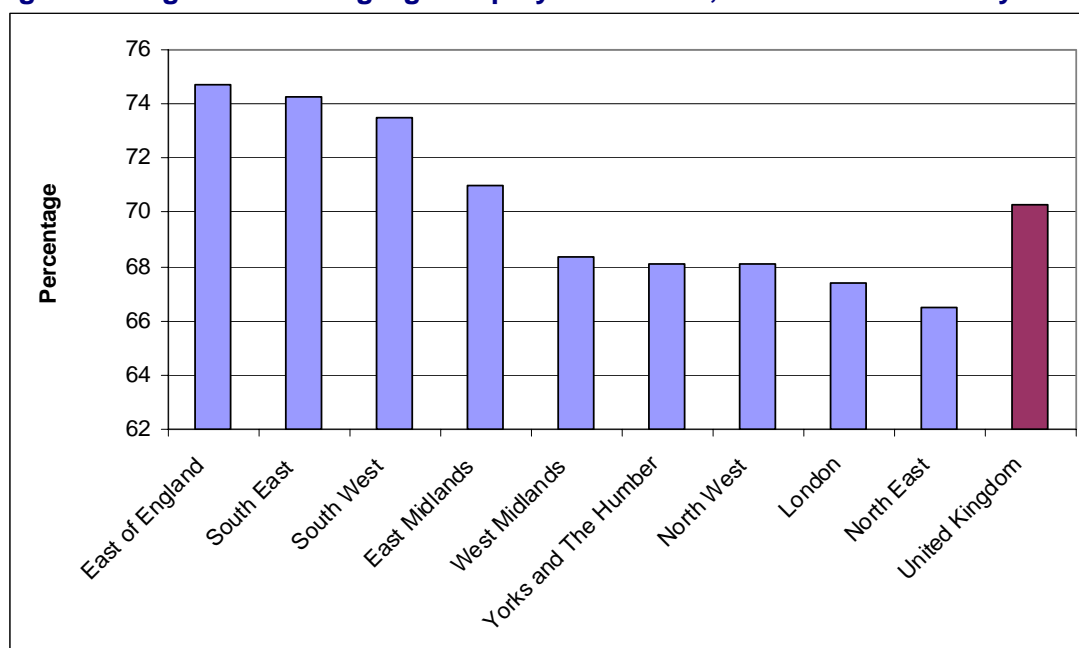


Source: Labour Force Survey, ONS.

4. London currently has the second lowest employment rate of the nine English regions; a weaker position than a year ago, as reported in the 2010 AIR. Figure 7 gives a regional comparison of employment rates and shows that the gap in employment rates between London and the UK stands at 2.9 percentage points; the gap between London and the South East is 6.9 percentage points. It should however be kept in mind that London is the only entirely urban region. Urban areas tend to have lower employment rates and higher unemployment rates.

⁸ GLA Economics, "London's Economic Outlook, Autumn 2011"

Figure 8: Regional Working Age Employment Rates, November – January 2012

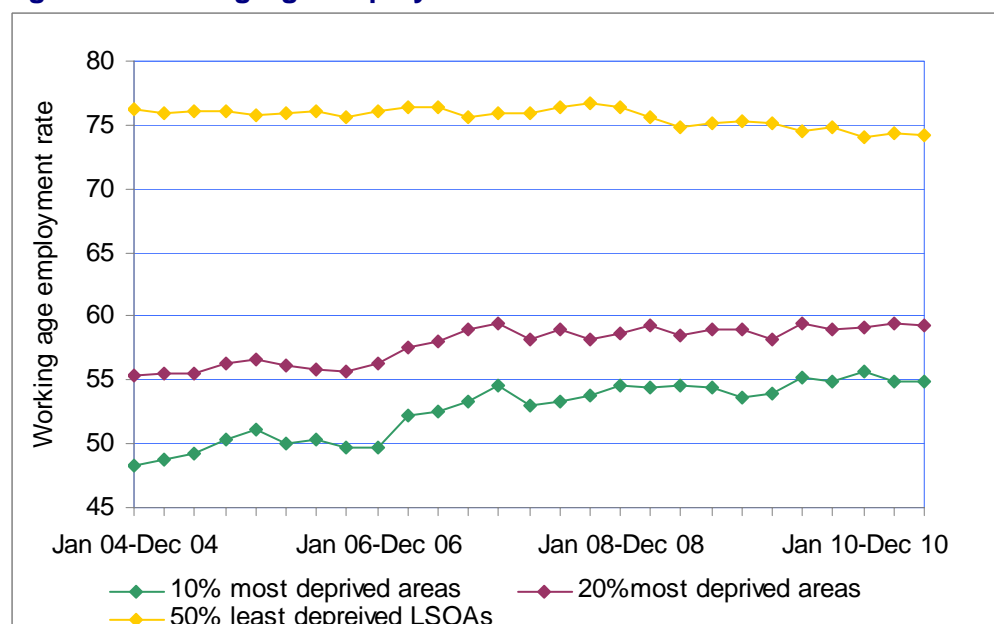


Source: Labour Force Survey, ONS.

3.2. Worklessness and deprivation

- Using Annual Population Survey data matched to Indices of Multiple Deprivation 2010 data (IMD2010), employment rates within areas in London that are amongst the most deprived Lower Super Output Areas (LSOAs)⁹ in England are shown in the following chart.

Figure 9: Working Age Employment Rates in London's most disadvantaged boroughs



Source: Annual Population Survey, ONS. IMD2010 (CLG, 2011).

⁹ There are 32,482 Lower Super Output Areas in England, of which 4,765 are in London.

6. The data shows evidence of increasing employment rates within areas which are in the 10% and 20% most deprived LSOAs in England, however the margin between the employment rates of the 10% most deprived LSOAs and London as a whole currently stands at 13.2 percentage points and 19.3 percentage points to areas in London that are amongst the 50% least deprived LSOAs in England. Overall, the chart shows that there has been an improvement in employment in the most deprived areas over the last six years.
7. Employment rates vary considerably by borough. The highest rate in 2010 was in Sutton (76.3%), followed by Richmond upon Thames, Lambeth and Wandsworth. The lowest rate was in Newham (55.3%), followed by Tower Hamlets and Westminster.¹⁰

3.3. Equalities Profile

8. The employment rates of some disadvantaged groups appear to have continued to improve slightly relative to London's overall employment rate during 2010.
9. The rate for men was 0.1% above the UK average but for women was 4.4% below and 8.5% below that of the neighbouring South East region. London has a higher proportion of ethnic minority groups, some of which have particularly low female employment rates.
10. The working age employment rate for women in London stood at 61.5% between October and December 2011, 6.0 percentage points below the rate for all London (a reduction in the gap of 1.2 percentage points from the levels reported in the 2010 AIR). Data shows that the gap between the employment rate for women and the employment rate for all Londoners has remained largely constant between 2004 and 2010. The employment rate for women with dependent children stood at 56.1% in 2010.
11. The employment rate for people aged 50 – 64 was 64.1% for London compared with 64.5% for the rest of the UK in 2010. In 2010, there were 730,000 people aged 50 – 64 in employment which accounted for 19.3% of the total workforce. For the rest of the UK, this proportion is much higher, where 26.8% of the workforce is aged between 50 – 64. London has a higher proportion of people in employment over the age of 65, with 10.2% in employment compared with 8.4% for the rest of the UK.
12. The employment rate for disabled people was 46.6% in 2010, up from 44.7% in the year to September 2009. This is significantly lower than the employment rate of non-disabled people at 72.6%; a gap of 26 percentage points. The available data shows only slight narrowing between this employment rate and that for London as a whole since the late 1990s. The employment rates of both groups are higher for the UK at 48.4% and 76.4% respectively.

¹⁰ City of London excluded from the sample due to an insignificant sample size. Source: Annual Population Survey (Jan-Dec 2010).

13. The gap in the working age employment rates for all BAME ethnic groups and all white ethnic groups was 13.2 percentage points in 2010. The employment rate gap has shown an improvement in the past few years compared with the higher levels at the start of the decade at around 19 percentage points. The overall employment rate for BAME groups in London was 59.7% compared with 72.9% for the white ethnic groups. This is the same for the UK as a whole. In the period between 2004 and 2010, there has been marginal convergence between BAME groups and white ethnic group employment rates.

3.4. Competition

14. GLA Economics forecasts that Gross Value Added (GVA) growth in London for 2011 will be 1.4%; 2.0% for 2012 and 2.4% for 2013¹¹.
15. The Global Financial Centres Report 10 (March 2011) found that London retained its position as the leading global financial centre, but Hong Kong has continued to grow in prominence, such that it has joined London and New York as the leading global financial centres; however the relationships between the three centres are believed to be mutually supportive. Risks to London cited in the report relate to potential reforms to the banking industry and the tax environment. London currently leads in all five areas of competitiveness, an improved position on that reported in the 2010 AIR.¹²
16. The “European Cities Monitor” report from Cushman and Wakefield in 2011 found that London maintained its position as the most attractive city in Europe to locate a business. London remained the leading European city in terms of easy access to markets and availability of qualified staff. London was also ranked as the leading city in terms of internal and external transport links, telecommunications and languages spoken.¹³

3.5. Investment

17. London remains a leading destination for inward investment with the highest number of new foreign direct investment projects during 2011. Between 2004 and 2011, London received a total of 2,281 projects with an estimated inward capital investment of £69.1 billion.¹⁴ London remains significantly ahead of other European cities for inward investment.

3.6. The nature of London’s business base

18. In 2010 the net business start-up rate for London stood at -1.9% compared to -0.9% in 2009. For the UK as a whole the net business start-up rate fell from -1.7% in 2009 to -2.7% in 2010. Over the most recent economic cycle London’s annual

¹¹ GLA Economics, “London’s Economic Outlook”, Autumn 2011.

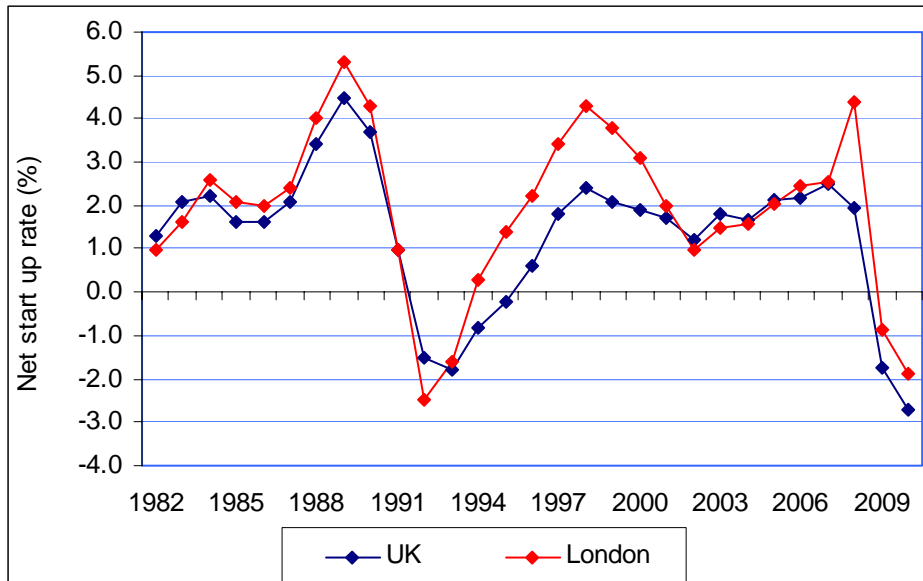
¹² City of London (2010), *The Global Financial Centres Index 8*.

¹³ Cushman and Wakefield, ‘European Cities Monitor’, (2011)

¹⁴ Data from FT Intelligence, includes all new projects and expansions of existing operations. Includes joint ventures which lead to a new physical operation. Mergers and Acquisitions (M&A) and other equity investments are not tracked.

net business start up rate has averaged 1.5% compared to 1.1% for the UK as a whole¹⁵.

Figure 10: Annual net business start up rate



Source: Department for Business, Enterprise and Regulatory Reform (dataset up to 2003); Business Demography, ONS, 2004 data onwards.

19. London registers below average business survival rates than the rest of the UK, with the lowest 5 year business survival rate of all UK regions, with 39.7%¹⁶. The highest 5 year survival rate was in Northern Ireland at 54.0%, while the UK rate was 44.4%. However, this indicator is a reflection of the highly competitive business climate in the capital.

20. The UK Innovation Survey 2009 found that the proportion of firms that are innovation-active stood at 55.8% between 2006 and 2008, a rise of 0.4 percentage points on 2004 – 2006. For the UK however, the proportion fell by 5.5 percentage points at 58.2%. The regional data shows that firms in London are less likely to be involved in product innovation than the UK as a whole, but more likely to be involved in process innovation. This is a change from the 2004 – 2006 period, where businesses in London were less likely to be involved in both these forms of innovation.

3.7. Skills

21. The National Employer Skills Survey (NESS) 2009 provides the latest set of data on London's skills. An overview of key findings were reported in the 2009 AIR, concluding that London's relative position on skill gaps had improved compared to England as a whole. London continues to have a marginally higher proportion of hard to fill and skill shortage vacancies than for England as a whole, though the magnitude is much lower compared to NESS 2007.

¹⁵ ONS Business Demography 2010; released November 2011

¹⁶ idem

22. When looking at employment numbers of skilled labour, the absolute number employed in London with at least NVQ level 4 qualifications (degree level and above) has risen from 1.35 million in 2004 to 1.89 million in 2010, though the employment rate of skilled labour has fallen by two percentage points between 2007 and 2010, to 82.8%. In 2010, the proportion of working age people qualified to NVQ Level 4 and above was 42% in London compared to 31% in the UK. In both London and the UK, the proportion of highly qualified people has risen steadily since 2004. The disparity between these proportions for London and the UK has risen steadily over the last five years from six to eleven percentage points¹⁷.

3.8. Waste

23. Due to increased recycling levels, the amount of waste produced by London's households fell by 0.2% to 3,029 thousand tonnes in 2010/11, compared with a 2.8% fall in 2009/10. Waste produced by all households in England rose by 2.7% in 2010/11. London's household recycling rate increased to 32.5% in 2010/11 from 25.5% in 2007/2008. For the previous five years, the gap between London and England as a whole has fluctuated between eight and nine percentage points.¹⁸

Table 9. Household Waste Recycling Rates

Year	London	England
2006/07	23%	31%
2007/08	26%	35%
2008/09	29%	38%
2009/10	32%	40%
2010/11	33%	41%

3.9. Energy Consumption

24. Data from the Department of Energy and Climate Change shows that total consumer energy consumption fell by 4.7% in 2009, an near identical decrease to that of the UK as a whole (-4.8 per cent). Total energy has been decreasing in the capital for the past five years.

Table 10: Total Sub-national Energy Consumption, Gigawatt Hours (GWh), 2005 – 2009

	London	UK
2005	158,000	1,728,000
2006	156,000	1,623,000
2007	152,000	1,626,000
2008	149,000	1,594,000
2009	142,000	1,518,000

Source: Department for Energy and Climate Change, Total sub-national final energy consumption, 2011.

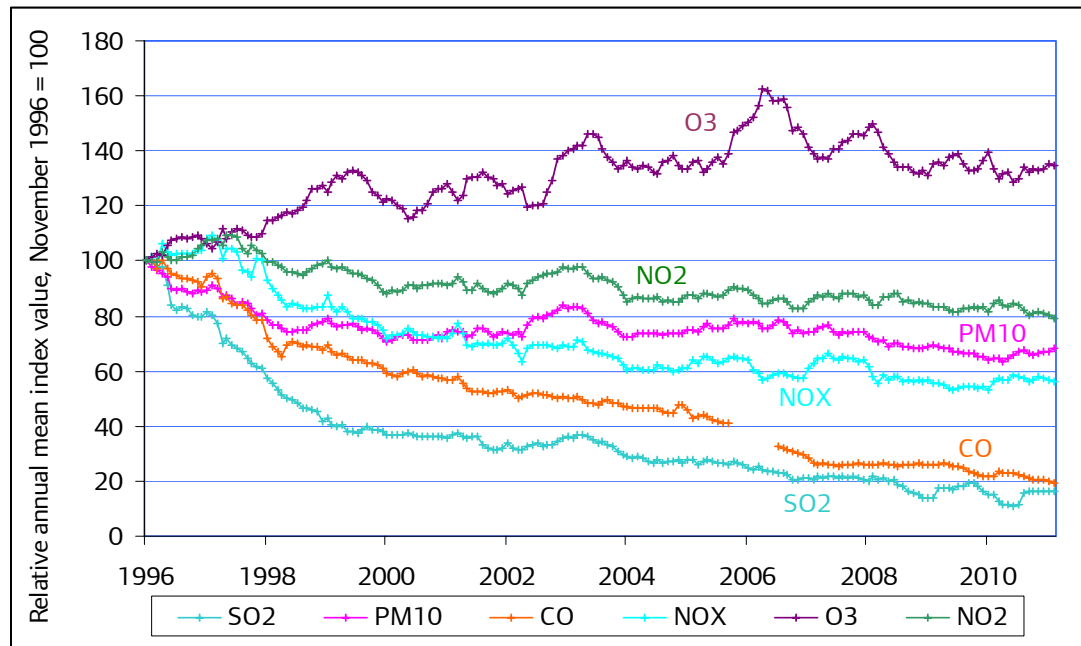
¹⁷ Annual Population Survey, 2004 – 2010. Employment Rate: number of working age NVQ4+ in employment divided by total number of working age people with NVQ4+; (in London).

¹⁸ Household Waste Recycling Rates, DEFRA, (November 2011).

3.10. Air Quality

25. Provisional air quality monitoring data from a number of sites in London to December 2011 show that concentrations of most pollutants have decreased since November 1996, with the exception of ozone (O₃). Ozone has decreased since the peak in early 2007 but remains well above the baseline level in 1996. It should be noted that formation of ozone can take place over several hours or days and may have arisen from emissions many hundreds, or even thousands of kilometres away. For this reason ozone is not considered to be a 'local' pollutant. Sulphur dioxide (SO₂) and carbon monoxide (CO) have seen the most significant reductions during the time period; however all of the pollutants except O₃ are at least 20% down on their 1996 levels. In 2011 there has also been a small up-tick in PM₁₀ concentrations (particles less than 10µm in diameter). This mainly reflects unusual weather patterns with light easterly winds bringing in larger than usual quantities of European pollution.

Figure 11: Air quality relative index value



Source: King's College London and the London Air Quality Network, (www.londonair.org.uk), (2011)

3.11. Update on programme implementation context

3.11.1. Regional governance changes

26. As previously reported in the AIR 2010, the Regional Development Agencies formally closed at the end of March 2012. Until 15 July 2011, the RDAs fulfilled the role of Intermediate Bodies for the English Operational Programmes 2007-2013 on behalf of the Department for Communities and Local Government (DCLG), the Managing Authority. They were also project sponsors for a number of ERDF co-funded projects.

27. As London is the only English region with elected regional government, it was recognised that different management arrangements should apply. A Statutory Instrument gave legal effect to the transfer from LDA to GLA on 1 July 2011. On that date, GLA became the sole remaining 'Intermediate body' in England responsible for regional implementation of the ERDF programme. On the same date, former RDA ERDF teams became part of DCLG's ERDF Managing Authority, though they remain based in the regions.
28. To ensure delivery in London, separate funding streams were agreed for the continued regional administration of London's programmes via Government grant (match funding) and ERDF Technical Assistance from Priority Axis 4. A transition programme was put in place in order to facilitate orderly transition of functions, projects and assets/liabilities to the GLA, including relevant associated knowledge, data, information and systems.
29. The physical transfer was successful and there was no disruption in payments to beneficiaries. The ERDF bank account and the website information were also seamlessly moved on GLA systems. EPMU is now part of the GLA's Resources Directorate, ensuring that there is proper separation of functions between any part of the GLA that might bid for ERDF funding. EPMU is also separate from the Communities and Intelligence Directorate, whose Assistant Director of Economic and Business Policy chairs the ERDF Local Management Committee on the Mayor's behalf.
30. In 2011 English regional ERDF Programme Monitoring Committees became known as 'Local Management Committees' (LMCs). Outside London, the ERDF LMCs are chaired by DCLG Directors. In London, the GLA will continue to chair the Committee on behalf of the Mayor. However, a DCLG Deputy Director joined the Committee, and membership was reviewed to include representatives from sub-regional partnerships across London.

3.11.2. *European level*

31. The European Commission published its legislative proposals for Cohesion Policy 2014-2020 in early October 2011. The draft regulations will be negotiated between the European Parliament and the Council, and need to be adopted by the end of 2012.
32. A 2014-2020 policy group has been set up by DCLG, with London representation. The group has been examining the new regulations and will work towards developing an implementation framework for the next round of ERDF programmes in England in consultation with stakeholders. In addition the GLA will, in consultation with key stakeholders, be developing its proposals for the 2014-20 ERDF programme.

3.12. Substantial modification under Article 57 of Regulation 1083/2006

33. No modifications were made in 2011.

3.13. Complementarity with other instruments

34. As stated in the ERDF Operational Programme, in order to maximise the impact of structural funds London should ensure an integrated approach to the ERDF and ESF programmes. The ERDF programme is centred on developing economic opportunities associated with improving the environmental performance of business activity, as well as realising the increasing opportunities associated with the expanding environment sector. The ESF programme provides the opportunity to develop capacity to meet the increasing demand for skills at all levels in the environment sector, for example in energy efficiency, building technologies, renewable energy and waste.
35. Complementarity with the European Social Fund Programme in London has been achieved through having both the ERDF Local Management Committee and the ESF Regional Committee chaired by the same representative of the Mayor's office. Meetings are held on the same day and key stakeholders are members or observers of both committees.
36. Further actions to achieve complementarity were taken when communicating with stakeholders; EPMU releases joint ERDF/ESF newsletters each quarter. As part of DG Regio's Open Days 2011, a joint event was organised at London City Hall called Europe 2020: Delivering Smart Urban Growth. The event focused on the contribution of cohesion policy and the Structural Funds to smart, sustainable and inclusive growth in London. In addition, as the wider EPMU team includes colleagues from the ESF team, there are various examples of cross team collaboration such as attendance at joint team meetings, producing joint briefings and organising joint events such as the ERDF and ESF Awards (see section 6).

4.

Monitoring arrangements

4.1. The Local Management Committee (LMC)

1. The LMC met twice during 2011, on 11 May and 16 November. Key decisions taken at the meetings in 2011 are outlined at Annex B.

1.2 Transfer of functions from London Development Agency to Greater London Authority

2. GLA became the sole Intermediate Body for ERDF in London when LDA's responsibilities for ERDF transferred on 1 July 2011. This transfer was formalised by Statutory Instrument 2011 No 1398.

1.3. Monitoring of projects

3. The monitoring of projects is undertaken in line with the ERDF monitoring strategy which was drafted by EPMU in line with national and European guidance. Updates on monitoring performance are provided for each LMC meeting.
4. The monitoring strategy is a live document and is reviewed annually. It was reviewed in autumn 2011 and a revised version agreed by the LMC on 16 November; this included changes to reflect the transfer of LDA's functions to GLA on 1 July 2011. Some revisions were also made to reflect recommendations arising from monitoring and audit visits.

1.4 Project Engagement Visits (PEVs)

5. In accordance with the monitoring strategy, projects receive a PEV within three months of receiving an ERDF offer letter. The purpose of the PEV is to ensure that beneficiaries understand the terms and conditions of the offer letter and ERDF eligibility requirements, and that they have satisfactory systems in place for managing their project. Two visits were carried out during 2011 to projects from the third and fourth bidding rounds which had entered into funding agreements during the year.

1.5 Claim checks

6. Quarterly claims for payment are required to be submitted by project providers to EPMU. These are submitted on MCIS – DCLG's on-line management and control information system for ERDF – for desk based checks by EPMU. The complexity of projects, particularly where there are multiple delivery partners, means that it can be difficult for providers to provide timely claims within one month of the end of a quarter. EPMU takes account of circumstances in deciding whether to pursue outstanding claims.
7. The MA requires a minimum of 10% expenditure in claims to be checked by EPMU. This is time consuming and can lead to further delays should claims need to be rejected because of inadequate evidence. During 2011 there were occasions where beneficiaries expressed concern about the effect of late

payment of ERDF on their cash flow. In such cases EPMU discussed possible ways forward with the lead partner, while emphasising that arrangements with delivery partners are the lead partner's responsibility.

8. Delivery of performance indicators is monitored through the claims process. The time-lag on claims means that it can be on average 1-4 months before performance indicators are recorded.

4.6. Project Progress and Verification Visits (PAVs)

9. Article 13 of the EU Regulation 1828/2006 requires a full monitoring visit to be carried out on projects. This is referred to as a Project Progress and Verification Visit (PAV).
10. 38 PAVs were carried out by EPMU in 2011. This work was supplemented by 15 visits carried out by auditors, Moore Stephens, who were commissioned by DCLG to undertake "enhanced" Article 13 visits in England. These additional visits, agreed by DCLG and the European Commission earlier in 2011, helped persuade the Commission to lift the interruption to payments imposed on DCLG as a consequence of high error rates in 2010 in a number of regions including London.
11. Issues arising from Article 13 visits included:
 - projects not proceeding in line with the ERDF application;
 - failure to adhere to conditions in the ERDF funding agreement;
 - lack of evidence of outputs;
 - lack of evidence of procurement processes;
 - inclusion of ineligible overheads;
 - lack of defrayment evidence; and
 - lack of evidence of publicity.
12. 14 of the visits carried out directly by EPMU were signed-off as completed by the end of 2011 and ten of the visits carried by Moore Stephens were classified as closed.

4.7. Article 16 audits by Audit Authority (AA) in the Department for Communities and Local Government

13. The Audit Authority undertook visits to 7 projects as part of its 2010/11 programme; 1 2011/12 audit visit commenced in November 2011.
14. Reports were received on all visits carried out in the 2010/11 programme and action plans were prepared in conjunction with project providers to deal with issues raised. In some cases further discussions were required with the AA to help clarify matters raised. Where disagreement remained issues were referred to the Managing Authority's Irregularities Panel for their decision.
15. Key findings from the Article 16 visits included:

- a. lack of evidence of full compliance with procurement requirements;
- b. eligibility of expenditure for ERDF;
- c. overhead apportionment methodology;
- d. match funding evidence;
- e. evidence of delivery of outputs; and
- f. documentation of internal ERDF processes by providers.

16. The AA's Annual Control Report gave a national error rate programmes in England for 2010/11 audits of 1.65%, subsequently amended to 1.57%.

17. During 2011 completion statements were received from the AA for 6 of the 7 projects audited in 2009/10.

4.8. Audit Authority End-to-End systems audit

18. The AA carried out an end-to-end systems audit of EPMU in September 2011 to examine compliance with key articles of the EU Regulations. Their work included re-performing three Article 13 monitoring visits undertaken by EPMU. The AA's draft report, received on 12 October, gave an unqualified opinion, with no actions requiring immediate attention. This was good news, and provided the LMC, DCLG and the EC with assurance that GLA's role as an Intermediate Body was being carried out appropriately.

4.9. Checks carried out by CLG Certifying Authority (CA)

19. EPMU submits to the CA monthly on MCIS an aggregate claim for reimbursement to cover all payments made to projects over the previous period from the 7.5% Programme advance held by GLA for EPMU (approx €13.6m). On receipt the CA carries out desk based checks on these claims from information on the MCIS system of expenditure declared by EPMU in order to ensure that transactions listed are eligible and that defrayment dates are correct. During 2011 the CA raised a few queries on transactions lists with EPMU and these were easily resolved.

20. The CA deferred a planned spot visit to EPMU in September 2011, in order to check source documentation to be obtained from project providers by EPMU, to February 2012. This was because the proposed visit would have clashed with the end-to-end systems audit by the Audit Authority.

4.10. CLG Managing Authority Quarterly Reviews

21. During 2011 the MA undertook quarterly reviews of programme performance, focusing on a wide range of topics including progress against spend and performance indicator targets, monitoring and audit issues and planned publicity events. The reviews ensured adequate communications between the MA and EPMU and identified and helped clarify key implementing issues. Issues were followed up as necessary.

22. Outside of these meetings there were frequent written and oral communications with the MA, notably to seek their advice on issues arising from Article 16 visits. The Director of European Programmes (or a deputy) attended monthly meetings of DCLG's Programme Delivery Group, at which all English regions are represented, to discuss implementation issues.

4.11. Review of project records for transfer from LDA to GLA

22. In the first half of 2011 the Managing Authority completed a review of project records held by EPMU in both hard copy and electronic form. This review confirmed that records held were in good order and were suitable for transfer to GLA on 1 July 2011.
23. Following transfer of functions from LDA to GLA, EPMU provided to the AA in July 2011 a revised description of its management and control systems for the purpose of Annex XII of the EU Regulations. A further revised description will be prepared to take into account DCLG's standardisation of ERDF processes which GLA, as the only remaining Intermediate Body in England, is adopting for the most part.

4.12. External audit certificates for projects

24. In November 2011 the LMC agreed that annual and/or final external audit certificates should not be required for ERDF projects in London unless there were exceptional circumstances. This decision followed discussions between the MA and representatives of ERDF programmes in England over the value of the assurances that audit certificates provided. EPMU's view was that these assurances were of limited value given that the auditors involved did not normally have detailed knowledge of ERDF eligibility requirements. Further, audit certificates were not an EC requirement, and lessons learned by the MA from closure of the 2000-2006 programmes had shown that requirements for certificates had led to additional delays in closing projects, with a knock-on effect on closure of programmes.

4.13. MCIS (web-based system for ERDF)

25. MCIS has generally worked efficiently and effectively for submission and processing of claims from project providers.
26. Any irregular expenditure is identified from claims checks, Article 13 or Article 16 visits is entered onto MCIS by EPMU. This allows it to be deducted from the next claim paid on the project.
27. When a project is close to closure MCIS ensures that the final 10% of payment due is withheld until all outstanding issues are resolved. One project was closed in 2011 and received its final payment.

28. Enhancements to MCIS are planned as part of the standardised arrangements for ERDF in England being introduced in 2012.

4.14. EPMU guidance

29. EPMU has continued to review and improve the written guidance it provides to project providers, taking into account issues raised during Article 13 monitoring and Article 16 audit visits. In particular, revised guidance was issued during 2011 on de minimis state aid, valuation of aid and overhead costs for revenue projects.

30. EPMU organised an event for providers on 22 June 2011 aimed at helping beneficiaries improve their understanding and ability to deliver projects effectively. The event focused on issues arising from Article 16 audit and Article 13 monitoring activity, and on preparation for project closure. It included short presentations by EPMU staff and project providers, followed by workshop discussion. The event was well attended and received positive feedback.

4.15. EPMU delivery meetings

31. EPMU delivery and associated Article 13 meetings continued to be held on a monthly basis in order that staff could be updated on programme progress and implementation issues arising, providing the opportunity for informative discussion. In 2011 the discussions focused on claims, Article 13 visit and Article 16 issues, irregularities, provider guidance, MCIS and forward planning. A representative of the MA attended most meetings held in 2011.

4.16. Standardisation process

32. In 2011 the GLA fully participated in the Managing Authority's ERDF standardisation work. Officers sat on the 'Inception to Grant Offer' workgroup and fed into the PAV, finance, MCIS and technical policy groups. From 1 April 2012, DCLG adopted a standardised approach to the management and delivery of ERDF across England. This includes the introduction of a new suite of documentation - including forms and guidance - which projects awarded funding after 1st April 2012 will be using and following. The GLA, as an Intermediate Body, can vary from the process as required.

4.17. Evaluation

33. To date, a formal independent evaluation of the London programme has not been carried out.

34. Following discussion at the LMC meeting in November 2011, it was proposed that an interim evaluation of the ERDF programme is carried out to:

- inform and support the commitment of remaining funds and

- consider the impact of the programme to date.

35. A procurement exercise will be carried out in 2012 to select a contractor who will carry out the evaluation. Key findings and recommendations will be presented in the 2012 AIR.
36. As part of the national ERDF standardisation process, the Managing Authority at DCLG set up an Evaluation Policy Group in which EPMU is represented. The aim is to establish an England-wide strategy for evaluating the 2007-13 ERDF programmes which can also feed into 2014-20 discussions. This is in addition to regions' own programme-level evaluations.
37. All ERDF funded projects are required to undertake project-level evaluation and EPMU is monitoring projects' compliance with guidance set out in the project Evaluation Toolkit. During 2011 EPMU reviewed 7 evaluation reports which were submitted by projects that finalised implementation. Project-level evaluations will be used for the overall programme-level evaluation.

4.18. National Performance Reserve

38. Not applicable to the London 2007-13 programme.

5. Implementation by Priority

5.1. Priority 1: Business innovation & research and promoting eco-efficiency. Achievement of targets and analysis of the progress

5.1.1. Information on the physical and financial progress of the Priority (qualitative analysis)

39. By the close of 2011 there were 36 live ERDF projects in Priority 1, with a combined value of £29.1m (€33.9m¹⁹) ERDF. 68% of the funding has been committed, 2% less than the amount reported as being committed in the 2010 AIR, due to financial returns from projects and variations in the exchange rate. Payments to Priority 1 projects amounted to £12m (€14m), or 28% of the financial allocation for this Priority Axis. This represents an increase of 12% from the 16% registered at the beginning of 2010. 24 projects are supported under Theme 1 (Developing a culture of innovation) and 12 projects are supported under Theme 2 (Leveraging London's knowledge base), including a new project contracted under Round 4. One project (Lightbulb Express) was closed.
40. The table below shows the cumulative progress in Priority 1 working towards indicator targets specified in the OP.

¹⁹ Figures in Euro are indicative due to variations in exchange rates.

Table 10 – Priority Axis 1 Performance Indicators

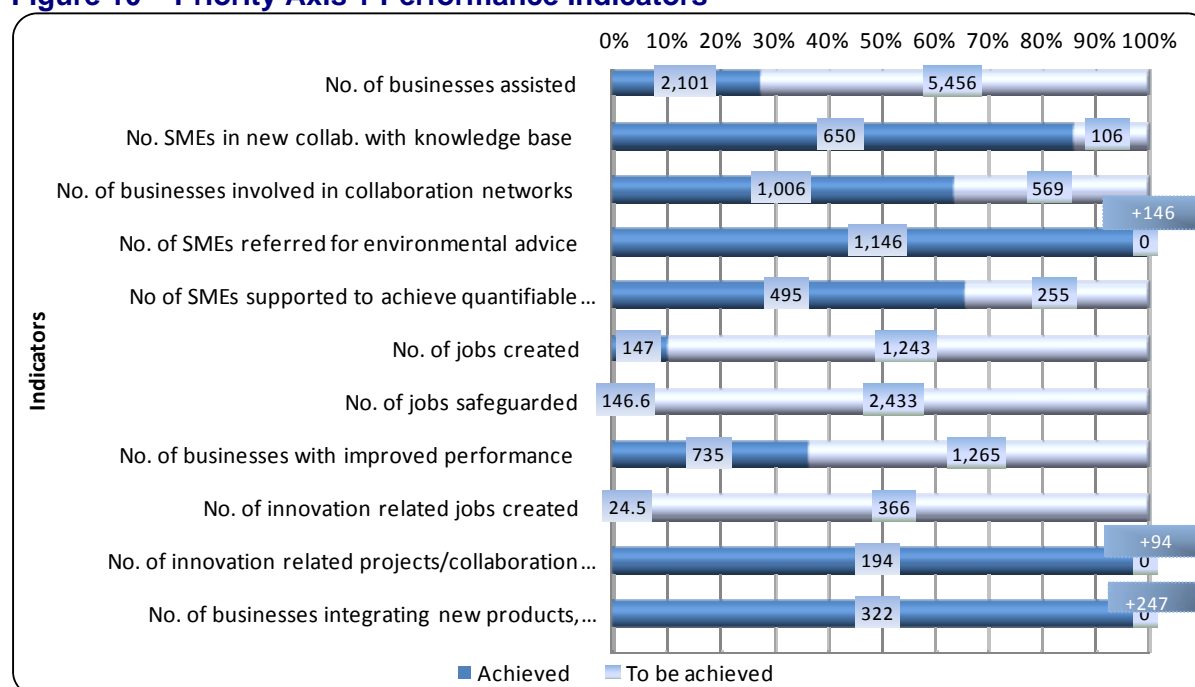
Indicators – Priority Axis 1							
Output Indicators	Target	Contracted	% Contracted of target	Achieved	% Achieved of target	Achieved 2010	% Variance Achieved 2010
O3c - No. of businesses assisted	7557	16339	216%	2101	28%	1101	91%
O3b - No. of businesses engaged in new collaborations with the knowledge base	756	2573	340%	650	86%	513	27%
LO12 - No. of businesses involved in collaboration networks	1575	4482	285%	1006	64%	620	62%
LO13 - No. of SMEs referred for environmental advice	1000	3911	391%	1146	115%	608	88%
LO14 - No of SMEs supported to achieve improvements in their environmental performance	750	3502	467%	495	66%	47	953%
Result indicators							
R1 - No. of jobs created - of which a minimum of 5% will be in the environment sector	1390	2418	174%	147	11%	35	320%
R2 - No. of jobs safeguarded	2580	4629	179%	147	6%	67	119%
LR9 - No. of innovation related jobs created	390	668	171%	25	6%	15	63%
R3 - No. of businesses with improved performance	2000	6114	306%	735	37%	305	141%
LR10 - No. of innovation related projects secured/undertaken	100	395	395%	194	194%	45	331%
LR11 - No. of businesses integrating new products processes or services	75	1033	1377%	322	429%	270	19%

41. As outlined in Figure 10, in 2011 progress was registered across all indicators with significant increases of reported outcomes. For example, the number of SMEs supported to achieve improvements in their environmental performance increased by 953% from previous year, while the number of innovation related projects undertaken increased by 331%. Three targets have been overachieved so far (see LO13, LR10 and LR11 in Table 10).

42. There has been some improvement in the jobs created and safeguarded indicators but the overall performance of these targets lags behind. This is mainly due to the wider impact of the recession on the economy in UK. However, projects are still delivering and additional outputs will be reported. Secondly, projects contracted through bidding rounds 4 and 5 will also contribute to the delivery of result indicators.

43. No allocation from Priority 1 was used in accordance with Article 34(2) of Regulation (EC) No 1083/2006.

Figure 10 – Priority Axis 1 Performance Indicators



5.1.2. Significant problems encountered and measures taken to overcome them

44. The main problems encountered with the implementation in 2011 of Priority 1 included:

- The adverse economic environment in which the programme operates, which has changed significantly from the time when the Operational Programme was approved, in 2007. The recession and the subsequent austerity measures taken by the government had a significant impact on partners' capacity to deliver.
- Delays in submitting claims continued to be registered. The complexity of projects, particularly where there are multiple delivery partners, means that it can be difficult for providers to provide timely claims within one month of the end of a quarter. Secondly, projects had difficulties in obtaining bank details and identifying when payments were actually defrayed, particularly for some larger organisations and in relation to salary information and overheads. EPMU takes account of circumstances in deciding whether to pursue outstanding claims.
- The complex ERDF compliance rules and the heavy administrative workload that ERDF entails are persistent challenges that many beneficiaries have encountered. It has been reported that this impacts on project delivery, as resources are disproportionately allocated to administrative duties rather than to direct support for businesses. Some inconsistencies in the guidance provided were also reported. These issues were tackled by regular updates to

ERDF project management guidance and by providing one-to-one advice to all project providers.

- Project slippage in terms of financial and output/results performance. To date 24 of the 36 Priority 1 projects had their project business plan changed including variations to budgets and targets. Collectively this can have an impact on the programme performance; sufficient evidence is required from the beneficiaries before changes are approved.

5.2. Priority 2: Access to new markets and access to finance. Achievement of targets and analysis of the progress

5.2.1. Information on the physical and financial progress of the Priority (qualitative analysis)

45. In 2011 one project has been contracted under this Priority. By the close of 2011 there were 29 live ERDF projects in Priority 2, with a combined value of £22.9m (€26.8m) ERDF. 11 projects are supported under Theme 1 (Access to finance), which relate to Action 1 (Financial Awareness and Investment Readiness). Action 2 (Debt finance and risk capital) is ring-fenced for a Venture Capital Loan Fund, as stated below. 18 projects are supported under Theme 2, (Access to new market opportunities).

46. €11.9m has been paid to beneficiaries or 23% of the total allocation for this Priority Axis. This represents an increase of 8 percentage points from last year.

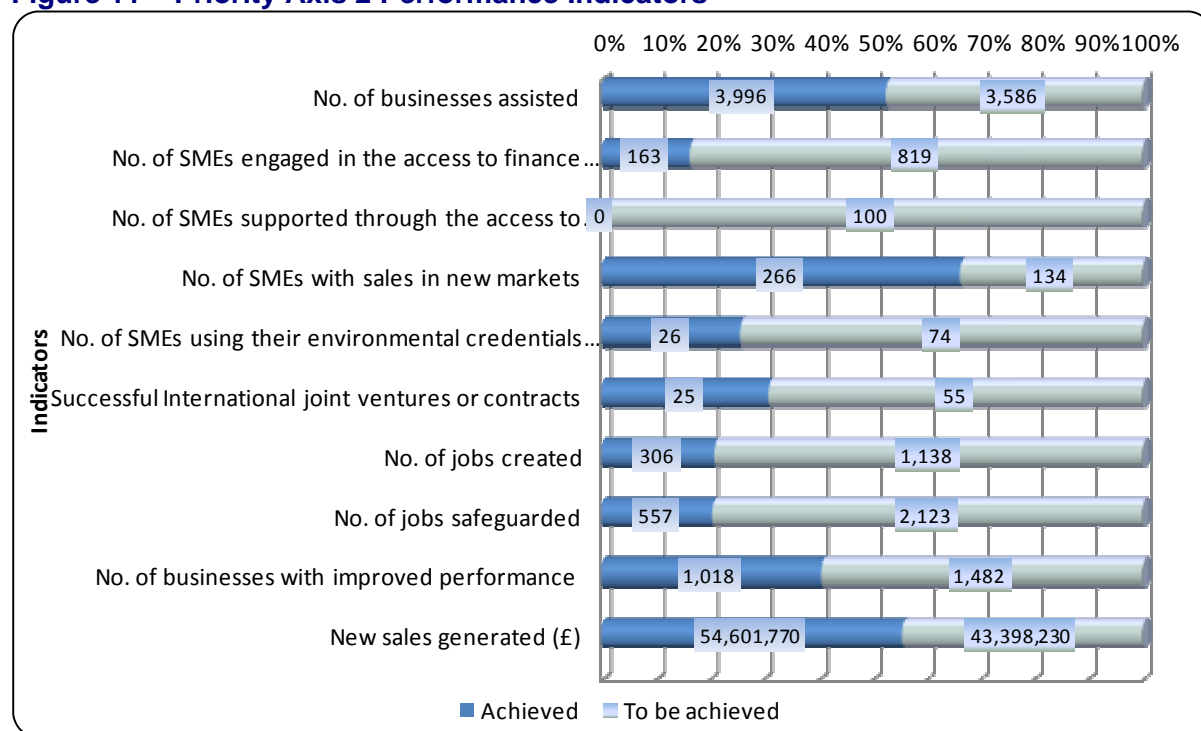
51. Progress was reported across the full spectrum of programme indicators by project beneficiaries. As seen in Table 11 and Figure 11 below, output indicators continued to outperform result indicators. For example, the businesses assisted indicator for this Priority has been achieved by more than half of the total programme target; the jobs indicators are at 21%. It should be noted however that the jobs indicator for this Priority Axis performs better than the jobs indicator under Priority 1.

Table 11 – Priority Axis 2 Performance Indicators

Indicators - Priority Axis 2							
Output Indicators	Target	Contracted	% contracted of target	Achieved	% achieved of target	Achieved in 2010	% Variance Achieved 2010
O3c - No. of businesses assisted	7582	18974	250%	3996	53%	2048	95%
Lo15 - No. of SMEs engaged in the access to finance programme	982	2400	244%	163	17%	81	101%
LO16 - No. of SMEs supported through the access to finance programme to improve their environmental management and performance	100	53	53%	0	0%	0	n/a
LO17 - No. of SMEs with sales in new markets	400	1767	442%	266	67%	115	131%

LO18 - Successful international joint ventures or contracts	80	50	63%	25	31%	4	525%
LO20 - No. of SMEs using their environmental credentials or products to access new markets or supply chains	100	149	149%	26	26%	9	189%
Result Indicators							
R1 - No. of jobs created of which a minimum of 5% will be in the environment sector	1444	1654	115%	306	21%	207	48%
R2 - No. of jobs safeguarded	2680	5432	203%	557	21%	205	172%
R3 - No. of businesses with improved performance	2500	4388	176%	1018	41%	674	51%
LR12 - New sales generated £	£98,000,000	£91,025,628	93%	£54,601,770	56%	£42,195,491	29%

Figure 11 – Priority Axis 2 Performance Indicators



47.No allocation from Priority 2 was used in accordance with Article 34(2) of Regulation (EC) No 1083/2006

Venture Capital Loan Fund Progress Update

48.London's ERDF Operational Programme stated that creation of a 2007-13 venture capital fund would be considered, subject to an evaluation of the continued need. An evaluation carried out in 2009 by Middlesex University established that the previously identified funding-gap remained in the market. In

2010, the LMC agreed to ring-fence up to £20m ERDF for the establishment of a fund to provide repayable finance for business growth and development. In December 2010, SME Wholesale Finance Ltd (SMEWFL) submitted a business plan detailing how such a fund would be established and managed.

49. An Appraisal Panel was convened on 22 December 2010 to assess the business plan, using the criteria approved by the LMC. It was agreed that £6m ERDF should be made available for a new fund and a revised proposal was submitted by SMEWFL to reflect this decision. The Appraisal Panel broadly endorsed the principles set out in the revised proposal, and confirmed that it was content for the proposal to be put to the LMC. The business plan sets out a proposal for the establishment of a co-investment equity fund; whereby match funding will be secured when an investment opportunity is identified (i.e. on a deal by deal basis). This model is being used in other English Regions and was also used under the 2000-06 ERDF programme.
50. In July 2011, the LMC endorsed the use of £6m ERDF to set up a fund to provide early stage, equity finance for high growth businesses. This was subsequently approved by the Mayor on 20 September 2011. The proposal was subsequently approved on 21 November 2011 by DCLG following consultation with the Department of Business, Innovation and Skills.
51. By the end of 2011, approximately £4.8m had been received from investments made from SMEWFL's existing loan and equity funds and this will be contributed as match funding for the new fund. Additionally, in October 2011, the LDA Board approved the use of up to £2.2m of grant funding already paid to SMEWFL for establishing the new fund, if this amount is not required by SMEWFL's existing funds.
52. In early December 2011 SMEWFL commenced the procurement exercise to select an organisation to set up and manage the fund. An update on this will be provided in the 2012 AIR.

5.2.2. Significant problems encountered and measures taken to overcome them

53. Most of the issues encountered were similar to the ones applicable for Priority 1 (see section 5.1.2). A total of 22 changes to beneficiaries business plans were requested by projects supported under Priority 2 and careful investigations were carried out before they were processed by EPMU, in order to mitigate programme performance slippage.
54. No targets were achieved under the "SMEs supported through the access to finance programme to improve their environmental management and performance". Only 4 projects are delivering this type of outputs and they have not yet reported their progress. This should be considered a temporary shortfall and will be addressed through future bidding rounds, in order to ensure target achievement.

5.3. Priority 3: Sustainable places for business. Achievement of targets and analysis of the progress

5.3.1. Information on the physical and financial progress of the Priority (qualitative analysis)

55. By the close of 2011 there were 8 live ERDF Priority 3 capital projects, with a combined value of £58.5m (€68.1m) ERDF, including JESSICA. 91% of the available ERDF was committed to date, 82% of which was accounted for by JESSICA. 86% of the P3 allocation had been spent (£55.5m).

56. One project was approved in 2011 by the LMC and the Mayor under Priority 3. The project will spend £8m ERDF to build the first cable car in London to regenerate both sides of the River Thames. As the total cost of this project exceeds €50m, it is classified as major project and must be approved by the European Commission – see section 5.6 for details.

Table 12 – Priority Axis 3 Performance Indicators

Indicators - Priority Axis 3							
Output Indicators	Target	Contracted	% contracted of target	Achieved	% Achieved of target	Achieved in 2010	% Variance Achieved 2010
O4 - Brownfield land reclaimed and or redeveloped (hectares)	5	3.80	76%	1	20%	1	0%
LO19 - Total new or upgraded floor space (metres squared)	5500	8442	153%	5154	94%	3919	32%
LO21 - No. of demonstration projects show-casing latest co-generation or renewable energy technology systems	5	7	140%	0	0%	0	n/a
LO22 - No of employment sites with environmental improvement programmes to address identified deficiencies in accessible open space and/or access to nature in employment areas	5	3	60%	0	0%	0	n/a
LO23 - Area of workspace gaining BREEAM rating of 'Excellent' or equivalent (in metre squared)	2250	3807	169%	0	0%	0	n/a
LO24 - Proportion of projects incorporating sustainable drainage systems	100%	n/a	n/a	33%	33%	33%	0%
LO25 Proportion of projects installing de-centralised co-generation or renewable energy generation technology	100%	n/a	n/a	0	0%	0	n/a
LO26 - Area of Green and Brown roofs created (in metres squared)	200	1500	750%	0	0%	0	n/a
LO27 - Volume of additional flood storage capacity created (in metres cubed)	500	27525	5505%	25,000	5000%	20000	25%
LO28 - Length of water course restored or significantly enhanced (in metres)	500	7600	1520%	1,980	396%	880	125%
Result Indicators							
R1 - No. of jobs created of which a minimum of 5% will be in the environment sector	1182	1262	107%	29	2%	29	0%

LR13 - No. of SMEs assisted	4286	270	6%	0	0%	0	n/a
LR14 - Additional capacity of renewable and co-generated energy production (MWh)	40	228	569%	0	0%	0	n/a
LR15 - New or refurbished buildings with environmental specification in line with the London Plan (metres squared)	5500	7042	128%	1878	34%	1878	0%
LR16 - No. of new or existing businesses locating to eco-efficient, high quality work spaces	55	22	40%	0	0%	0	n/a
LR17 - Businesses supplied with low or zero carbon energy	100	242	242%	0	0%	0	n/a

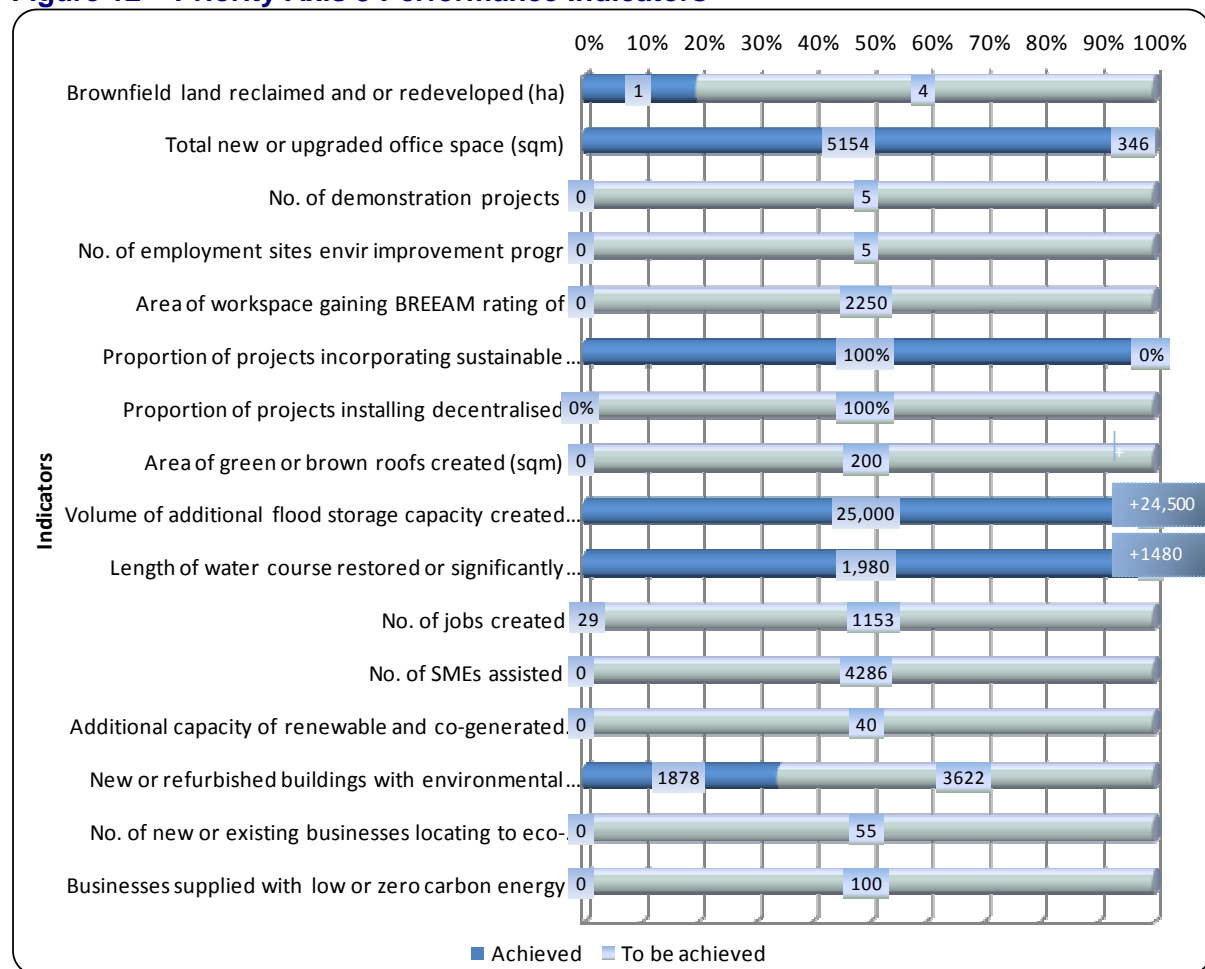
57. In terms of target achievement, further progress has been registered for three of the Priority 3 targets (see Table 12): total new or upgraded floor space, volume of additional flood storage capacity and length of water course restored or enhanced.

58. Targets contracted under Priority 3 have a comparatively weaker performance than the other Priorities. The main reason is the nature of capital projects, which take a longer time to report results. This is particularly evident for “No. of SMEs assisted” and “No of Jobs Created”, as neither is a direct result of capital investment.

59. On the other hand, as anticipated previous reports, the ‘No. of SMEs assisted’ target is unlikely to be met as this is an indirect impact of ERDF funding awarded to capital projects. Similarly, as job creation is not a direct result of capital investment, this particular target may also fall behind in later stages of programme implementation. In due course EPMU will consult with the LMC and European Commission on possible amendments to the Operational Programme, including revisiting the appropriateness of these performance indicators.

60. No allocation from Priority 3 was used in accordance with Article 34(2) of Regulation (EC) No 1083/2006.

Figure 12 – Priority Axis 3 Performance Indicators



5.3.2. JESSICA – London Green Fund

52. The London Joint European Support for Sustainable Investment in City Areas (JESSICA) Holding Fund (called the London Green Fund or LGF) was established as a block of finance within the European Investment Bank (EIB), with contributions of £50m ERDF and £50m from public sources. The key highlights during 2011 were the establishment of the two urban development funds (UDFs) and the successful leveraging of £85m from the private sector (a ratio of £1.7 private sector contribution to every £1 ERDF).

Waste UDF

53. Following the procurement exercise carried out by the EIB, an agreement was signed with the UDF manager, Foresight Group LLP, in March 2011. This saw the establishing the waste UDF, called Foresight Environmental Fund (FEF), which was officially launched by the Mayor of London at an event at the London Stock Exchange.

54. The LGF committed £35m to FEF and the fund manager is contractually obliged to use this amount to leverage at least a further £35m from the private sector. As

the time of writing this report, £25m was secured from pension funds and high net-worth individuals.

55. FEF will provide equity finance for the construction or expansion of waste to energy and recycling facilities. No investments were made by the end of December 2011; however, the fund manager is developing a pipeline of projects, some of which are nearing investment-readiness. Indeed, at the time of writing, the fund manager had signed an agreement to invest £2.5m for the construction of a plastic recycling plant. However, a further £5m is being sourced by the project sponsor to facilitate the construction.

56. It is expected that projects supported by FEF will result in the reduction of waste going to landfill and CO₂ emissions of 245,000 tonnes and 28,000 tonnes per annum, respectively. At least 100 jobs (excluding construction jobs) will be created.

Energy Efficiency UDF

57. In August 2011, the EIB signed an agreement with the preferred bidder, Amber Infrastructure Ltd, which allowed for the establishment of the Energy Efficiency UDF, called London Energy Efficiency Fund (LEEF). The LGF committed £50m to LEEF, which has enabled an additional £50m funding facility to be secured from the Royal Bank of Scotland.

58. LEEF will provide debt financing to projects involving the adaptation or refurbishment of existing public and voluntary sector buildings to make them more sustainable and environmentally friendly; and energy efficiency improvements to existing social housing. No investments were made by the end of 2011 and similarly to FEF, the fund manager is developing a pipeline of projects, some of which are nearing investment-readiness.

59. Projects supported by LEEF should result in the reduction CO₂ emissions of 46,667 tonnes per annum, and energy saving equal to or greater than 20% compared to conditions prior to the project being implemented.

Monitoring Arrangements

60. In December 2011 Article 67(2)(j), points (i)-(iv) of the Council Regulation (EC) No. 1083/2006 was amended to introduce new provisions for reporting on financial engineering instruments in the annual and final reports on implementation of operational programmes.

61. Under this new reporting mechanism the Member States should provide to the Commission appropriate information on the type of instruments put in place and on the relevant actions undertaken through such instruments on the ground.

62. To ensure the coherent reporting of the collected data and to facilitate their processing, the Commission has prepared the specific reporting templates dedicated to financial engineering instruments, which will be integrated and

operational as a part of SFC2007 Annual Implementation Report. The completed template for London Green Fund is attached in Annex E.

5.3.3. Significant problems encountered and measures taken to overcome them

63. Further to the problems identified under Priorities 1 and 2, more specific issues were identified regarding the eligibility of capital expenditure. As reported in the AIR 2010, projects have difficulties in understanding that, for the London ERDF programme, revenue costs are not eligible under Priority 3 and sought clarification on the differences between capital and revenue. EPMU provided clarifications on a one to one basis.

5.4. ESF programmes: coherence and concentration

64. Not applicable.

5.5. ERDF/Cohesion Fund programmes: major projects



First Cable Car in London

65. An application was submitted by the Transport for London (TfL) for the development of a cable car link between North Greenwich and the Royal Victoria Docks in East London. It aims to provide a new link between employment sites in two Opportunity Areas in East London on either side of the Thames: the North Greenwich Peninsula and the Royal Docks. The scheme will allow up to 34 gondolas across the River Thames and is due to open in summer 2012.

66. At the LMC in May 2011 members approved the cable car application for £8m ERDF funding and agreed, in principle, the virement of funds from Priority 4 into Priority 3.

67. The Mayor approved the £8m ERDF commitment in September 2011. As the total cost of the Cable Car exceeds €50m, it is classified as a 'Major Project' under Articles 39 to 41 of EC Regulation 1083/2006. The application was submitted to

the Commission for approval in September 2011 and is now undergoing inter-service consultation within the Commission.

5.6. Priority 4 - Technical Assistance. Achievement of targets and analysis of the progress

5.6.1. Information on the physical and financial progress of the Priority

68. 'Technical Assistance' (TA) is used to finance activities that underpin the management and administration for implementing ERDF funds in London. The funds are used to enable EPMU to manage the delivery of the ERDF programme. There has been minimal interest from external providers for accessing TA funding. Where there has been initial interest, proposals have either not been forthcoming or have been ineligible or unworkable.
69. €7.3m (£6.2m) ERDF is allocated to finance (TA) activities under Priority 4 of the Programme. 48% of the Priority 4 allocation has been committed, leaving €3.8m (£3.2m) unallocated ERDF. £1m (16%) has been spent.
70. A project for €1.5m (£1.4m) ERDF was approved by the LMC in 2008 to support the costs of EPMU to 31 December 2010. This was then extended to 31 March 2011, as reported in the AIR 2010. In July 2011 the LMC approved a new TA project which requested £1,630,784 ERDF to support the eligible costs of EPMU to manage the programme from 1 July 2011 (the date EPMU transferred to the GLA) for four years until 30 June 2015. The full project cost is £3,261,568. The Department for Communities and Local Government (DCLG) is providing the match funding of 50% for four years. DCLG is also supporting the delivery of ERDF in the other English regions.

5.6.2. Significant problems encountered and measures taken to overcome them

71. There were no significant problems encountered during 2011.

6. Information and publicity

1. This section provides an update on programme communication activities undertaken in 2011.
2. The London ERDF Programme communication objectives are set out in the Communication Plan, which is a strategic document encompassing the information and publicity measures to promote ERDF to beneficiaries, potential beneficiaries, the public and London stakeholders. It reflects the requirements of Regulation (EC) No 1828/2006 on information and publicity measures to be taken by Member States and it was approved by the ERDF Local Management Committee on the 1 April 2008 and the European Commission on 14 July 2008.
3. The Communication Plan is a live document and was last updated in May 2011, following an evaluation which took place in 2010. The results of the evaluation were included in the 2010 AIR.
4. Actions taken to date against each of the objectives set out in the ERDF Communication Action Plan are presented in the sections below. The Publicity & Communication Plan is attached at Annex C and includes an overview of achievements against targets.

6.1. The ERDF Webpages

5. The ERDF webpages remained the main communication platform used by EPMU. In July 2011 the ERDF webpages hosted on the London Development Agency website were successfully and fully transferred to the Greater London Authority website. The pages continued to be highly accessible by clicking on the EU emblem directly from the GLA homepage. The structure of the ERDF webpages was maintained.
6. Figure 13 below shows the total number of web pageviews between January and December 2011. The information collates both LDA and GLA webdata, showing a significant increase in pageviews between August 2011 and November 2011. This is mainly due to the ERDF and ESF Awards event and the launch of the fifth ERDF bidding round. The EPMU twitter account was also launched in August.

Figure 13 – ERDF web pageviews

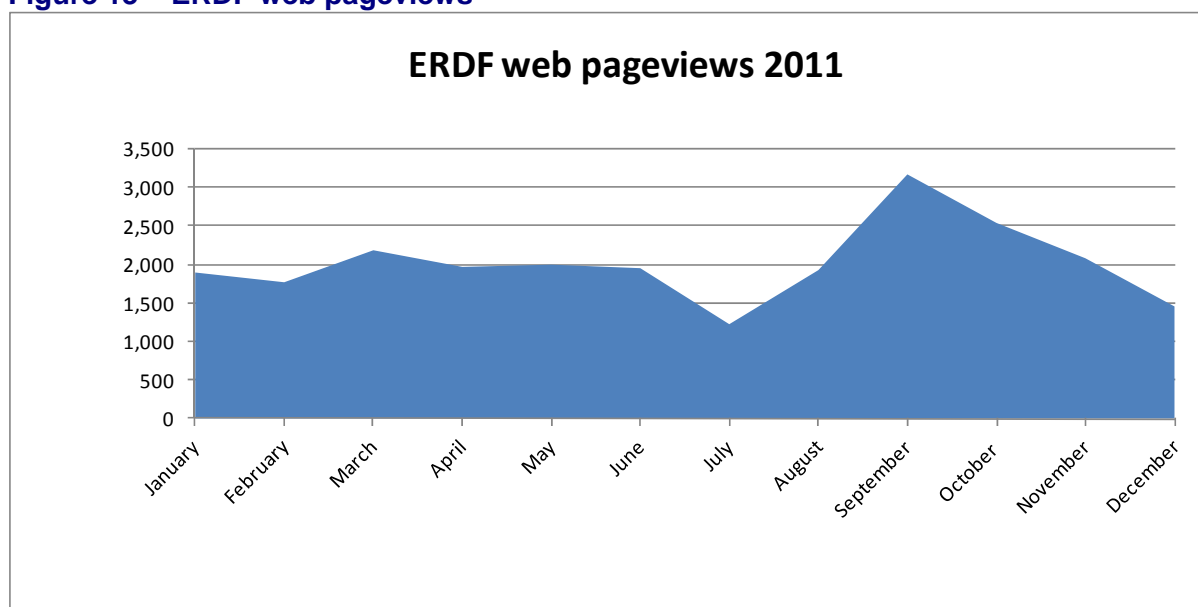


Table 14 – ERDF website sections pageviews

Webpage	Number Pageviews
Applying for funding	2,692
ERDF homepage	2,484
Project management	1,533
London ERDF/ESF Awards 2011	1,521
ERDF projects	1,133
JESSICA/London Green Fund	962

7. Table 14 presents the sections of the ERDF website which cumulated most pageviews. The section which provides information on how potential applicants can apply for ERDF was most accessed, followed by the ERDF homepage. Other highly viewed webpages include the guidance for managing ERDF projects, the ERDF/ESF Awards, project case studies and list of ERDF beneficiaries and the JESSICA webpage.
8. To ensure a high level of transparency and inform the general public about the programme progress, a list of all ERDF projects contracted to date is uploaded on the ERDF website at: <http://www.london.gov.uk/sites/default/files/ERDF%20contracts%20awarded%20as%20at%20November%202011.pdf>. The list includes the names of beneficiary organisations, the names of the projects with short descriptions, amount of ERDF awarded, geographical coverage and contact details. The information is updated regularly.

6.2. Awareness events

9. In line with Article 7.2 of Commission Regulation 1828/2006 EPMU organised at two major information activities, presenting the achievements of the Operational Programme.

ERDF & ESF Awards 2011

10. The third annual London ESF Awards and inaugural ERDF Awards were held at City Hall in November. Seven awards were presented to 22 finalists to recognise the outstanding achievements of organisations and individuals supported by the London 2007-13 ERDF and ESF programmes. Guest presenter Nikki Camal, the Azerbaijani 2011 Eurovision Song Contest Winner joined in the celebrations and presented the award for ESF Outstanding Achiever of the Year. Munira Mirza, the Mayor of London's advisor for Culture and Youth delivered the keynote speech and presented the award for ESF Young Learner of the Year. The ceremony also included a fashion show of a creative range of sustainable clothing modelled by volunteers including GLA staff. The show was organised by Ecoluxe London on behalf of the London Training and Employment Network (LTEN) who receive ERDF funding to deliver business support to BAME and female-owned SMEs within creative sectors in east and north London. For more details about the event, visit the [London ERDF & ESF Awards 2011 webpage](#). [Videos of Award winners can be viewed on the ESF Works website](#).



Fashion Show, London ERDF & ESF Awards 2011

Europe 2020 Open Days Event

11. In September 2011, the GLA hosted 'Europe 2020: Delivering Smart Urban Growth', a local DG Regio Open Days event. London-based experts and policy makers were joined by officials from the European Commission in a series of presentations and debates about the importance of a place-based approach to urban development in a wider EU context, the future of structural funds and London's role in leading the UK's economic recovery. A summary of the event and copies of the presentations and relevant documents can be downloaded here: <http://www.london.gov.uk/priorities/championing-london/london-and-european-structural-funds/latest-news>



Audience and speakers at the 2011 Open Days Event at City Hall

6.3. E- Newsletters

12. EPMU circulated 3 quarterly e-newsletters to stakeholders in 2011 in February, June and September. The newsletters included updates on bidding rounds and programme performance, scheduled events and case studies.
13. The 2010 evaluation of communication activities highlighted that the format of the e-newsletter should be revamped to make it more accessible and visually appealing. After the move to GLA, discussions have taken place with the GLA web team and an improved format (based on HTML links to website) was agreed to be implemented in mid-2012.

6.4. High-profile project visits

14. A group of Members of the European Parliament (MEPs) visited London in June 2011. The purpose of the visit was to better understand how ERDF is implemented in England and how Structural Funds programmes can be improved for the period of 2014-2020. The MEPs spent a day in London where they met Boris Johnson (Mayor of London), Baroness Hanham (Parliamentary Under Secretary of State at DCLG) members of the House of Lords and of London Government Association (LGA). They also visited the Royal Docks, which has been awarded Enterprise Zone status and which is a key regeneration area in East London.



MEPs at the GLA 9 June 2011

6.5. ERDF Networking and Information Events

61. EPMU organised an event for providers on 22 June 2011 aimed at helping beneficiaries improve their understanding and ability to deliver projects effectively. Topics covered included the move to the Greater London Authority, ERDF Programme performance, results of the Communications Survey, project closure and issues arising from “Article 13” project monitoring and “Article 16” audit visits. It included short presentations by EPMU staff and project providers, followed by workshop discussion. The event was well attended and received positive feedback.

6.6. Bidding rounds publicity

15. The launch of the fifth bidding round was publicised on the GLA website, including the application pack and instructions for potential applicants. The opportunity was also announced in the e-newsletter sent to 1800 programme stakeholders.

16. A workshop for Round 5 potential applicants was held at City Hall in November to provide guidance and facilitate partnership building. 75 people participated. EPMU officers also spoke at an external stakeholder event.

6.7. Press releases

17. Two press notices were issued in 2011, regarding progress registered by the London Green Fund, funded through JESSICA. The notices were published on the GLA website.

6.8. The RegioStars awards

18. As reported in the 2010 AIR, EPMU participated at RegioStars 2011, the annual awards for innovative projects. This is an initiative of the European Commission to celebrate the most innovative projects funded by ERDF across EU.
19. Ecovenue was the project which represented London in category 3 of this competition - Promoting sustainable energy in cities. Implemented by the Theatres Trust, Ecovenue is a theatre-specific environmental business support project for 48 SME theatre and performing arts venues across London which aims to achieve quantifiable improvements in the environmental performance of London's theatres.
20. Ecovenue was nominated as a finalist of the competition, an excellent result, given that the project was at time of submission in early implementation stage. The winners were announced during the Regions for Economic Change conference in June 2011 in Brussels. Both the project manager and the EPMU director participated at the event. Ecovenue was not a winner on that occasion, but the Jury acknowledged its merits and achievements.
21. In July 2011 EPMU submitted a RegioStars 2012 application. The London Programme is represented on this occasion by "Innovative Collaboration Networks for Smart Growth", a project led by Mazorca Projects (see Annex D for details). For a second year in a row, a London project was selected as finalist in the competition. The Jury's decision on the award winners will be announced in June 2012 at the Regions for Economic Change Conference in Brussels. An update will be provided in the 2012 AIR.

6.9. Social media

22. In 2011 EPMU set out to expand and diversify the number of communication channels used to engage with its target audience. As social media provides an accessible and cost efficient means to develop an interactive dialogue with other stakeholder organisations, in August 2011 EPMU set up a Twitter address @LondonEUfunds. As of April 2012, the account has 356 followers, is following 441 other accounts and posted 217 tweets. The content generated refers mainly to events organised, bidding rounds, meetings, news from beneficiaries and other relevant information released by partners.

6.10. Internal communications

23. In November 2011 EPMU presented the ERDF and ESF programmes to a GLA audience which included staff from various teams, interested in European funding. The presentation raised awareness of the structural funds programmes in London and generated ample interest from colleagues.

6.11. Networks and spreading good practice and awareness

24. EPMU continued to promote the ERDF programme by taking part in various policy networks. For example, EPMU continued to liaise with the London Higher Europe Group – a higher education network of Universities in London which aims at tapping into relevant EU activities and programmes. EPMU officers provided regular updates on the ERDF programme.
25. Best practice was promoted by the EPMU's officers by speaking at various conferences, symposiums, UK government seminars and other similar events in London, Brussels, and Warsaw. The European Programmes Director spoke at the Regions for Economic Change conference in Brussels in June 2011. He also spoke at an October conference in Warsaw organised by the Polish Council Presidency about effective urban instruments and cohesion policy.

6.12. Projects publicity

26. EPMU continued to monitor ERDF projects' compliance with publicity rules by ensuring that beneficiary display the ERDF logo and make reference to EU assistance in their communication activities.
27. A range of case studies have been collected from projects, which are ready to be used for future promotion activities, highlighting with specific examples the successes of the programme.

Annex A - London-wide Baseline Figures

Indicator	London baseline	Source
Number of SMEs	746,760	Business Population Estimates for the UK and the Regions (2011), BIS
Number of businesses with no employees ²⁰	575,010	
Number of businesses employing between 1-249 workers	171,750	
No of unemployed (16+), seasonally adjusted, November – January 2012)	433,000	Office for National Statistics (ONS), Regional Labour Market Statistics, March 2012
Area of brownfield or previously developed land	3,730 Hectares	National Land Use Database of Previously Developed Land, HCA, (2009)
Estimated Carbon Dioxide emissions 2009 (Kilotonnes of CO ₂)	41,637	Carbon dioxide emissions within the scope of influence of local authorities (previously National Indicator 186), DECC.
Decentralised energy installed capacity	2,097 MW	Decentralised Energy Capacity Study; Phase 1: Technical Assessment (October 2011), GLA.
Annual GVA (£) (reported at current basic prices)	£274.1 billion	ONS Regional Gross Value Added, (2010).
Total employment in private sector (headcount)	4,364,000	Business Population Estimates for the UK and the Regions (2011), BIS.
Employment in SMEs ²¹ (headcount)	2,162,000	
Stock of VAT and/or PAYE registered businesses as of 27 March 2009	394,055	UK Business (2011), snapshot of the Inter Departmental Business Register on 28 th March 2011 Office of National Statistics, Business Demography, (2010 data)
Number of business registrations in 2009	52,755	
Number of business de-registrations in 2009	60,290	
Net change during 2009	-7,535 (-1.9%)	

²⁰ These constitute sole proprietorships, partnerships based on the self-employed owner-manager and companies comprising a sole employee director.

²¹ This includes both those businesses comprising sole owners and all businesses hiring up to 249 employees.

1 year survival rates of businesses registering in 2009	88.3%	Office for National Statistics, Business Demography (2010 data)
3 year survival rates of businesses registering in 2007	59.5%	
<p>Equality profile of private business owners by majority ownership:</p> <p>Ethnicity of owners</p> <p>Disabled owners</p> <p>Gender of owners</p>	<p>White – 71% White British – 58% White other – 11% White Irish – 2%</p> <p>Black/Black British – 7% Black/Black British African – 4% Black/Black British Caribbean – 3%</p> <p>Mixed and other: 3% Mixed – other 2% Other ethnic group – 1%</p> <p>Asian/ Asian British – 12% Asian/ Asian British Pakistani – 2% Asian/ Asian British Indian – 7% Chinese – 1% Asian/ Asian British - Other 2%</p> <p>Prefer not to say - 5%</p> <p>Disabled – 8% Not disabled - 88% Prefer not to say - 4%</p> <p>Male – 67% Female – 33% Transgender – 0.24% Prefer not to say – 0%</p>	<p>Wave 3 Business Confidence Index (February 2010)</p> <p>Based on a sample of 3076 pre starts and SMEs</p> <p>Question based on respondent</p>
<p>Equality profile of business owners in the environmental sector</p> <p>Ethnicity of owners</p>	80.7% majority	<p>London Annual Business Survey, 2007.</p> <p>Based on a sample of 4527 private businesses</p>

Gender of owners	<p>white</p> <p>0% majority black</p> <p>3.4% majority Asian</p> <p>79.5% majority male</p> <p>12.2% 50:50 male/female</p> <p>5.9% majority female</p> <p>2.3% don't know/refused to answer</p>	<p>*Note: new definition of Environment sector used. Comparisons therefore should not be made to previous editions.</p>
<p>Percentage of business owners reporting problems in accessing external finance by ethnicity:</p> <p>Majority white</p> <p>Majority black</p> <p>Majority Asian</p>	<p>6%</p> <p>13%</p> <p>8%</p>	<p>Wave 3 Business Confidence Index (February 2010)</p> <p>Based on a sample of 3076 pre starts and SMEs</p> <p>Question:</p> <p><i>Q16. From the list below, please indicate which one issue is the major problem you face in running your business at the moment?</i></p> <p>List includes:</p> <p>Access to financing/credit from banks</p>

Annex B - Key decisions & actions of ERDF Local Management Committee in 2011

11 May 2011

Paper 69 – Update on EPMU transition to GLA
Paper 70 – Endorsement of ERDF Annual Implementation Report 2010
Paper 71 - Delivery update
Paper 72 – Endorsement of ERDF strategy for commitment of remaining funds
Paper 73 - London Green Fund Update

16 November 2011

Paper 81 - Programme Performance update and discussion
Paper 82 - Programme Development update and discussion
Paper 83 - Audit update (including endorsement of review of ERDF Monitoring Strategy)
Paper 84 - Article 13 programme update
Paper 85 - London Green Fund and VCLF update

Papers approved via written procedure:

Paper	Title	Issued to LMC	Approved by LMC
65	EPMU TA Project Material Change 2	28/02/2011	23/03/2011
66	London Cable Car update	20/01/2011	05/04/2011
67	Rounds 3 & 4 Mayoral Consideration	14/04/2011	14/04/2011
68	Round 3 & 4 Update	11/05/2011	11/05/2011
74	EPMU Technical Assistance Application (EPMU TA2)	28/06/2011	12/07/2011
75	VCLF Appraisal Result	04/07/2011	18/07/2011
76	A Cable Car for London	21/07/2011	04/08/2011
77	Terms of Reference – ERDF LMC	21/07/2011	04/08/2011
78	Round 4 successful appeal – Ravensbourne	21/07/2011	04/08/2011
79	Supplementary Information on A Cable Car for London	02/08/2011	04/08/2011
80	Round 5 Prospectus and appraisal process	11/08/2011	25/08/2011

Annex C – Publicity and Communication Action Plan

Objective	Actions	Results	Indicators	Milestones	2012 update
Raise awareness	Issue press releases on future calls for funding/bidding rounds	2-3 press releases (depending on no of bidding rounds)	No of press releases, advertisements	Q2 & Q3 2010 and thereafter	No press releases issued on bidding rounds x2 press releases on JESSICA
	Publish calls for proposals on website	Call published	Call published	Q2 & Q3 2010 and thereafter	1 Call published
	E-mail potential beneficiaries	emails sent	No of emails	Q2 & Q3 2010 and thereafter	Potential beneficiaries informed about ERDF new rounds through e-newsletters and direct emails
	Use partner networks to raise awareness on ERDF funding opportunities	Stakeholders aware of opportunities	No of meetings	Ad hoc- depending on calls timing	One presentation on Round 5 at a stakeholder event
	Liaise with the London European Office to a) publish links to non-ERDF calls for proposals on website (other funding section) and b) promote ERDF activity through annual DG Regio Open Days	a) Links published; b) Open Days participation	No of links	Q4 2011	Links to other funding opportunities promoted through Twitter. Liaised with LEO to organise Open Days event at City Hall.
Maximise the visibility of the ERDF achievements	Manage website content in a transparent and clear manner;	20% increase in no of page views by 2015	No of page views on website	Q4 2015	24,102 pageviews
	Upload case studies on website	5 case studies uploaded	No of case studies	Q2 2011	8 case studies published on website
	Ensure a smooth transition of the ERDF webpages from the LDA website to GLA website	ERDF pages transferred	Live ERDF content on GLA website	Q2 2011	Website transferred to new domain owned by the GLA
	Produce quarterly E-Newsletters, send to stakeholders and upload on website	24 newsletters	No of e-newsletters	Each quarter 2010 - 2015	3 e-newsletters
	Produce brochures to include case studies (including JESSICA)	Brochures produced	No of brochures	Q4 2011	No update in 2012.
	Upload e-brochures on website	Brochures uploaded	No of brochures	Q4 2011	No update in 2012

Objective	Actions	Results	Indicators	Milestones	2012 update
	Investigate use of social media tools (Facebook, Twitter) to promote the ERDF achievements (subject to GLA policy)	ERDF Facebook created, with at least 50 fans	No of fans	Q4 2011	Twitter account launched
	Purchase promotional merchandise (including JESSICA)	Promotional items purchased	No of items	Q4 2011	No 2012 update
	Promote ERDF London case studies to REGIOSTARS awards in Brussels	3 case studies sent	No of case studies	Q2 2010 - 2015	Regiostars finalist promoted in Brussels
	Distribute regular press releases, to local and regional media about ERDF success project stories and/or ERDF programme progress at each year end or at significant milestones, including funding totals and number of projects supported.	12 press releases	No of press releases	Biannually until 2015	No 2012 update
	Expand list of contacts in EPMU database to at least 1000 by end of programme	Database of 1000 contacts	No of contacts	Q4 2015	Database reached 1800 contacts
	Include London MPs and MEPs in distribution of ERDF newsletter and publicity material showcasing constituency project successes	MPs and MEPs included on list	No of MPs and MEPs	Q2 2011	8 MEPs and 73 MPs included in the ERDF distribution list
	Internal communications - Distribute regular materials about ERDF progress for GLA Staff News update	24 e-bulletins	No of bulletins	Quarterly	No 2012 update
	Organise closing event	1 event	No of events	Q4 2015	N/a
	ERDF awards ceremony in November 2011 (co-organised with ESF)	1 event	No of events	Q3 2011	Event organised.
Ensure transparency	Upload and update list of beneficiaries on website	List uploaded	Current list available on LDA website	Q1 2010 onwards	List regularly uploaded and updated.
	Produce and upload on website the Annual Implementation Reports and Final Report	7 reports uploaded	No of reports	June 2010 - 2015	AIR 2010 uploaded on website.
	Provide an update on communication activities to the PMC each year	5 reports	No of reports	Each year until 2014	One report provided.
	Produce and upload visual quarterly programme performance reports	16 reports	No of reports	Each quarter until 2014	First monthly report produced in January 2012. Charts will be uploaded on website second quarter of 2012.

Objective	Actions	Results	Indicators	Milestones	2012 update
	Carry out a second stakeholder survey on ERDF communications	1 Survey report	No of surveys	Q3 2015	n/a
	Evaluation of communication activities	1 report	No of reports	Q4 2015	Last undertaken in 2011.
Provide clear and detailed information to beneficiaries	Organise training workshops for beneficiaries	4 workshops	Feedback forms Presence lists	Q2 2010, Q4 2010, Q1 2011, Q2 2011	1 training workshop organised
	Use social media tools (Facebook, Twitter) to engage beneficiaries and facilitate online networking between them	Online posts/discussions	No of Facebook posts and 'likes' by fans	Q4 2011 onwards	No 2012 update
	Produce and upload on website clear information about the application and selection process as well as key ERDF implementation guidance documents (procurement, evaluation, communication etc). Ensure that beneficiaries are aware of guidance and any updates/modifications	Current guidance available on website	No of web hits and downloads	Q1 2010 onwards	1533 pageviews on project management website section.

Annex D – ERDF case studies

1. Innovative Collaboration Networks for Smart Growth – Regiostars 2012 Finalist

Delivery organisation: Mazorca Ltd.

ERDF contribution: €750,000 (50% of total project cost)

Hidden Art is a not-for-profit organisation that sets out to assist disadvantaged design micro-enterprises in the London area gain access to the competitive, global marketplace. It provides a dedicated network and business-to-business (B2B) platform for the designers, and supports them with training, information, and business collaboration opportunities.



Innovative Collaboration Networks for Smart Growth

aims to stimulate smart growth for the local design community in London through service innovation, collaborative networks and training. It provides the infrastructure and support to help designers, who are often sole traders, to market their products globally via the Hidden Art e-Shop, pop-up shops, international trade fairs, the company website, and press coverage.

The Hidden Art project offers an integrated support network and sets out to provide designer micro-enterprises with the resources and access normally only available to larger companies.

The project is well designed with many strong, innovative elements. It uses new social media tools to help designers and design-makers transfer their passion into products. (Regiostars Jury 2012)

Alongside the dedicated B2B platform, designers are also supported with customised guidance provided through monthly networking events and one-to-one counselling sessions. The support model focuses on offering a menu of tailored progression routes, to raise their commercialisation of knowledge skills as well as offering platforms for collaboration, production and distribution of their work.

The Hidden Art system also generates opportunities for collaboration on joint procurement bids, particularly relating to the 2012 London Olympics. Product development programmes are also organised to help participants develop their ideas into a product and get it into the marketplace.

A joint initiative between the Polymer Centre at London Metropolitan University and Hidden Art, for example, gives designers with limited knowledge about polymer-based materials the support they need to develop a concept into a design that can be manufactured and sold. This virtual network builds on and expands the existing Hidden Art network which is open to all designer-makers and currently numbers around 2000 members, of which 67 % are women.

Around 100 designers have their products featured on the Hidden Art e-Shop (www.hiddenartshop.com) and around 300 have their directory page on the Hidden Art website (www.hiddenart.com). Joint marketing collaborations, events and programmes are brokered or administered by Hidden Art to maximise commercialisation opportunities.

To date support has been provided to 450 businesses. Some 150 businesses have been involved in the collaboration networks. The project has increased confidence in the London-based designer-maker community. Role models have been created for the industry, as the case studies show a number of individuals who have succeeded to create expanding businesses through project services.

2. A Little of What You Fancy Ltd - Winner of the 2011 'Most Improved Business of the Year' ERDF Award

Project: Enabling Enterprise

Delivery organisation: HBV Enterprise

ERDF contribution: €321,503 (50% of total project cost)

Final Beneficiary: A Little of What You Fancy Ltd

HBV Enterprise is a charity based in Hackney, which is London's borough with the highest level of deprivation. With ERDF assistance, the organisation helps local SMEs to build confidence, knowledge and capacity to directly enter new markets, grow and become "fit to supply".

A Little of What You Fancy Ltd is a restaurant that was assisted to grow from a fledgling to fully established and sustainable, profitable, ethical business, which provides training and secure employment for its staff.

The project helped the business to build capacity and overcome its inability to raise finance. In just two months it raised £18,000 finance, opened a new premise and created 16 new jobs. The owner was supported to build commitment and confidence to give up work and focus full time on this enterprise. This required the development and improvement of management, finance and negotiation skills. As a result, turnover for year end June 2011 was £295,000, gross profit £208,000 (71%) and net profit £40,000 (13%).

Elaine Chambers, the director of the business is passionate, hard working and an inspiration to her staff and the local and wider business network. She said: "ERDF

support has taught me about business strategy and the importance of planning, marketing and sales. It has been very hard work to get my business where it is today. Without commitment, hard work, determination and belief instilled in me by the programme, my life business would not have changed so positively for the better [...]. I have established a sustainable and profitable growing business offering new and secure employment. To support the local economy, I am seeking out more local suppliers. They must satisfy me that they are able to provide ethically sourced quality produce as and when I require it.”

The restaurant received good reviews, which helped to raise the location’s profile and contributed thus toward local regeneration in the wider area, by attracting new businesses. <http://www.telegraph.co.uk/foodanddrink/restaurants/8352141/A-Little-of-What-You-Fancy-E8-restaurant-review.html>

The success of “ A Little of What You Fancy is an example of how much can be achieved with support provided by HBV and ERDF working in partnership to create a viable, value added SME development support project.

3. Environmental Performance of BIDs (Smart Green Business)

Project: Environmental Performance of BIDs (Smart Green Business)

Delivery organisation: Westminster City Council

ERDF contribution: €1,685,805 (50% of total project cost)

Final Beneficiary: ABTA (Association of British Travel Agents)

The project helps SMEs to improve their environmental performance and, as a result, save money. Specific project aims include improving environmental awareness, reducing waste generation, stimulating green procurement and promoting sustainable travel.

ABTA (Association of British Travel Agents) is one of the businesses assisted by the project. It has been operating for over 60 years and represents more than 5,000 UK travel agencies and tour operators including their overseas destinations.

Before the ABTA team engaged with the Smart Green Business programme some good environmental initiatives were already in place in their premises. However being in leased premises, ABTA were limited in terms of the modifications that they could make to the building themselves and additionally, as the building was new it had been built and fitted to a modern and efficient specification. The team were keen to access external expertise and identify areas where they could further improve the environmental performance of their premises and in doing so, see a reduction in operational costs.

The Smart Green Business environmental support officer (ESO) first engaged with ABTA in February of 2011, and within a month the ESO had undertaken a site visit to ABTA’s offices and developed a detailed bespoke action plan which identified the activities that ABTA’s team could take to make not only environmental improvements

but also financial savings. The plan helped ABTA identify that by following a few simple procedures and practices the business could reduce its materials consumption by approximately 70kg and its carbon emissions by over 1 tonne in the first year alone and generate a significant financial saving.

As a first step to achieving the activities and potential savings identified in the plan, the ESO helped the ABTA team shape their environmental policy which documents the commitments that the business made to improving its practices and which sets the framework for the activities to follow and ensure that there is company-wide engagement for their implementation. The report highlighted a number of 'quick win' activities, such as implementing a 'turn-off' campaign for all computer, TV, lighting and other electronic equipment, as well as some longer term initiatives such as developing and implementing a sustainable travel plan. In total the cost of implementing these activities was estimated to be just £276.

Six months on and the ABTA team are delighted with the improvements that they have been able to make and are looking forward to calculating the actual reduction in costs and carbon emissions when they undertake their 6 month review with the ESO.

Alisha Anderson of ABTA said "ABTA places sustainability at the heart of what we do. We work with our members and in destinations around the world to ensure best practice but recognise that responsibility starts at home. The Smart Green Business programme helped us refine our internal sustainability efforts and added expert assurance that we were on the right track. It gave us great recommendations on how to reduce our environmental impacts even further and explained how much money we could save by making simple low cost changes. We would highly recommend this fantastic free service to all companies, regardless of where they may be on the sustainability journey. It will give you the expertise and confidence you need to achieve real change and the tools and knowledge to make the right choices".

Annex E – JESSICA Monitoring Spreadsheet

See separate Excel document attached.