South East England
ERDF Competitiveness
Programme
2007-2013

CCI 2007 UK 16 2 PO 002

Annual Implementation Report 2013

EUROPEAN UNION
Investing in Your Future
European Regional
Development Fund 2007-13

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Contents

1. Identification

Operational Programme	Objective concerned	**Regional Competitiveness and Employment**
	Eligible area concerned	**South East England**
	Programming period	**2007-2013**
	Programme number (CCI No)	**CCI 2007 UK 16 2 PO 002**
	Programme title	**South East England ERDF Competitiveness Programme**
Annual Implementation Report	Reporting Year	**2013**
	Date of approval of the annual report by the monitoring committee	**20 June 2014**

1.1 This is the latest in the series of Annual Implementation Reports for the 2007-2013 South East ERDF Competitiveness Programme, produced by the South East Growth Delivery Team in the Department for Communities and Local Government. It was approved by the Local Management Committee (LMC) on 20 June 2014 in compliance with Article 67 of General Regulation 1083/2006. The AIR summarises Programme implementation and concentrates on activity during the calendar year 2013.

1.2 The South East Operational Programme (OP) was approved by the European Commission on 6 December 2007. It has a total allocation from the ERDF of €23,706,375. The Programming period commenced on 1 January 2007 and continues to 31 December 2015, the final date for expenditure to be defrayed.

1.3 The following map[1] illustrates the South East ERDF Programme area showing the constituent counties of Buckinghamshire, Oxfordshire, Berkshire, Hampshire, Isle of Wight, Surrey, East Sussex, West Sussex and Kent.

[1] Map downloaded from www.picturesofengland.com on 14 April 2014

Northants
Cambridgeshire
Warwickshire
Beds
Bucks
Hertfordshire
Essex
Oxfordshire
Greater London
Berkshire
Surrey
Kent
Hampshire
W.Sussex
E.Sussex
Isle of Wight

2. Overview of the implementation of the Operational Programme

2.1 Achievement and analysis of the progress

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

European Commission Core Indicators for ERDF

2.1 Following a review of the AIRs submitted by the English programmes for 2010, it was noted by the European Commission (EC) that the indicators reported were not those set out in their Indicative Guidelines on Evaluation Methods: Reporting on Core Indicators for the ERDF and the Cohesion Fund (Working Document No. 7).

2.2 It was stated by the Managing Authority (MA) for the English Programmes that the list of Core Indicators referred to was not finalised until late in 2009, after the submission and approval of the Operational Programme (OP) documents by the English regions. Accordingly, these indicators were not used.

2.3 The EC has requested that the English Programmes report against this list of indicators, but in recognition of the limited compatibility between the two sets of indicators has restricted the reporting requirement to the nine indicators shown in the table below.

2.4 Only the indicator *Number of gross jobs created* is relevant to the South East Programme. This indicator has already exceeded the target, with 431 jobs created against a target of 180. Projects have been requested to provide data on the gender split for the new jobs created but not all projects have collected this data and the figures in the table below for 2013 and previous years are incomplete and reflect the achievements of only some of the projects in the Programme. The South East GDT continues to work with projects on this point and has stressed the importance of collecting this information. The table below shows the available figures for men and women as reported by projects for jobs created to date.

Indicators		2007	2008	2009	2010	2011	2012	2013
1- No of gross jobs created	Achievement	0	0	5	44	202	393	431
	Target	-	-	-	-	-	-	180
2 - No of gross jobs created for men	Achievement	-	-	-	-	79	145	151
	Target	-	-	-	-	-	-	-
3- No of gross jobs created for women	Achievement	-	-	-	-	31	36	36
	Target	-	-	-	-	-	-	-
4- Number of RTD projects	Achievement	-	-	-	-	-	-	-
	Target	-	-	-	-	-	-	-
5 – No of Cooperation projects enterprises – research institutions	Achievement	-	-	-	-	-	-	-
	Target	-	-	-	-	-	-	-
7 - Direct investment aid to SMEs – number of projects	Achievement	-	-	-	-	-	-	-
	Target	-	-	-	-	-	-	-
8 - Number of start-ups supported	Achievement	-	-	-	-	-	-	-
	Target	-	-	-	-	-	-	-
10 - Investment induced (€m)	Achievement	-	-	-	-	-	-	-

Private sector only	Target	-	-	-	-	-	-	-
11 - Information Society – number of projects	Achievement	-	-	-	-	-	-	-

- ## Financial information

2.5 Unless otherwise stated, the exchange rate used in this document is £1 = €1.250509 (HM Treasury forward rate for 2013)

Priority axes by source of funding (EUR): 2013

	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
Priority Axis 1 ERDF	1,481,866	1,481,866	0	1,481,866	0
Priority Axis 2 ERDF	150,230	150,230	0	150,230	0
Grand Total	1,632,096	1,632,096	0	1,632,096	0
Total in transitional regions in the grand total	0	0	0	0	0
Total in non-transitional regions in the grand total	1,632,096	1,632,096	0	1,632,096	0

Priority axes by source of funding (EUR) – cumulative 2007-2013

	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
Priority Axis 1 ERDF	11,240,065	11,240,065	0	11,240,065	8,049,184
Priority Axis 2 ERDF	412,119	412,119	0	412,119	0
Grand Total	11,652,184	11,652,184	0	11,652,184	8,049,184
Total in transitional regions in the grand total	0	0	0	0	0
Total in non-transitional regions in the grand total	11,652,184	11,652,184	0	11,652,184	8,049,184

2.6 Two declarations were submitted to the Commission by the Certifying Authority (CA) on behalf of the South East Programme during 2013, however the July Declaration was withdrawn, and a December declaration was submitted which covered the whole year's expenditure. The declaration comprised eligible costs totalling €3,264,193 of which €1,632,096 (50%) was claimed for reimbursement. Due to the interruption of payments to the English Programmes, no funds were reimbursed by the Commission during the year.

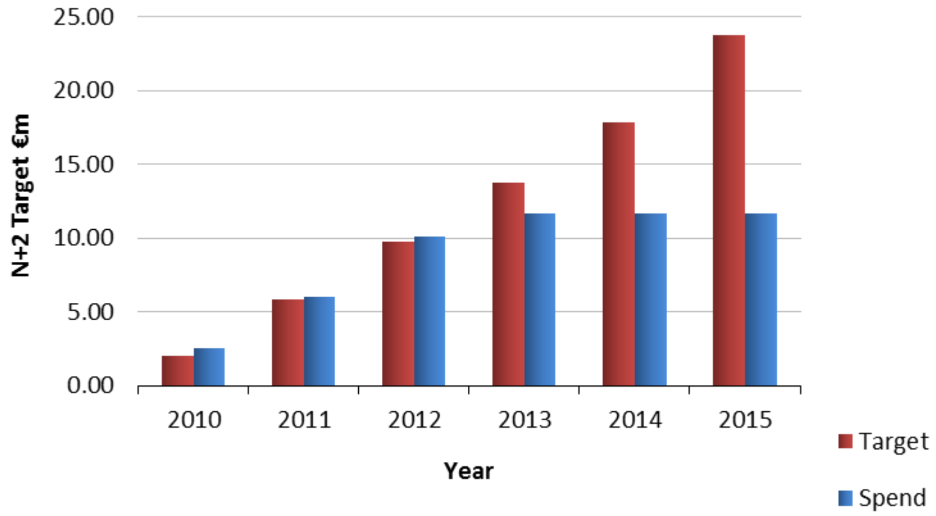
N+2 Target

2.7 The South East Programme failed to meet its N+2 target for 2013, having met all the previous years' targets. The target was €13.754 million, but the Programme could only achieve cumulative spend of €11.652 million. Given the narrow achievement of N+2 in 2012, this position was not unexpected.

2.8 Several projects finished during 2012 as they were aligned to the public sector 3 year budget cycle, but the main cause of the low level of spend in 2013 was the Programme's failure in earlier years to contract projects with sufficient levels of expenditure to meet future years' targets. In particular, bidding Round 4 in 2011 was unsuccessful. Of the 17 outline bids received, 5 were recommended to proceed to full application by the Project Selection Committee. This resulted in only two contracts being issued in December 2012 and January 2013 after protracted appraisal periods because of the complex issues presented. These two projects alone could not deliver the required levels of spend, and the situation was made worse by the failure of one of those projects to start delivery quickly and submit claims.

2.9 The LMC meeting in November 2013 discussed the reasons for failing to meet the target and why so few projects got through the selection process. The narrowly focused criteria for the bidding rounds did not assist – project proposals which were ready at the start of the Programme had to wait until they were eligible under the bidding criteria of later rounds. There were also issues around the quality of the bids, many of which the Project Selection Committee felt it could not support. Unlike other Programmes, the South East ERDF Team did not have the capacity to work with prospective bidders to develop better quality project proposals, and this had an adverse impact on the standard of the Expressions of Interest coming in. These factors resulted in too little expenditure being contracted, and the Programme needed to open a sixth bidding round in 2013 to try to achieve full commitment. By that time it was too late for those new projects to contribute the required levels of spend to meet the 2013 target.

2.10 The following chart and table depict the N+2 position of the Programme.

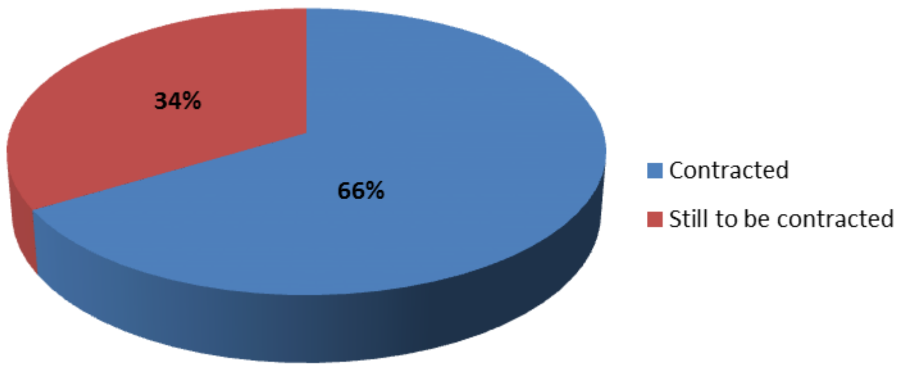


Year	N+2 target €	Declared Expenditure €
2010	2,006,054	2,293,131
2011	5,855,137	5,959,696
2012	9,770,572	10,020,087
2013	13,753,688	11,652,184
2014	17,805,836	
2015	23,706,375	

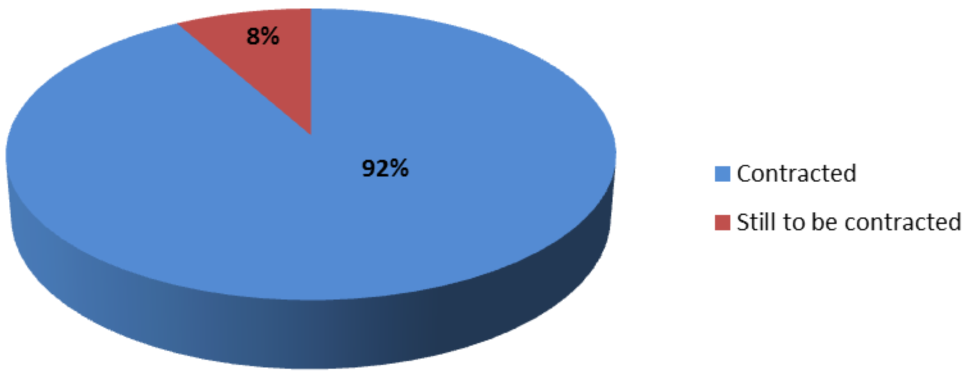
2.11 By the end of 2013 the Programme had contracted €43,706,197 of total expenditure with 32 projects. Of this the ERDF value is €21,756,908 which is 92% of the Programme allocation of €23,706,375, up from the 66% commitment level at the end of 2012. The Programme made significant progress in committing funds during 2013 - four projects from Round 5 and three projects from Round 6 were contracted during the year, with another 3 projects almost completing the contracting process at the end of 2013. Full details of these new projects are given in section 3.1.1 on Priority Axis 1.

2.12 The following charts illustrate the progress made in committing the ERDF funds during 2013.

Progress towards full commitment 2012



Progress towards full commitment 2013



2.13 The Commission requires that ERDF Competitiveness Programmes deliver a minimum of 75% of expenditure against the Lisbon categories. The South East Operational Programme is striving for a target of 92% expenditure being directed towards Lisbon categories. Of the 8% non-Lisbon activity, 4% of this is Technical Assistance and 4% will be classed as Non-Lisbon Activity. The Non-Lisbon target activity includes expenditure proposed under Categories 49 and 54. By the end of 2013 none of the Programme's expenditure fell within either of these categories.

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

2.14 The following table of information is provided in accordance with Part C of Annex II of Regulation (EC) 1828/2006.

Combination of Codes of dimensions 1 to 5					
Code Dimension 1: Priority Theme	**Code Dimension 2: Form of Finance**	**Code Dimension 3: Territory**	**Code Dimension 4: Economic Activity**	**Code Dimension 5: Location**	**Amount €**
01	00	00	00	00	0
03	01	01	21	UKJ3	716,282
03	01	03	08	UKJ3	1,206,890
04	00	00	00	00	0
05	01	01	12	UKJ4	396,763
05	01	01	21	UKJ1	1,054,576
05	01	01	21	UKJ2	236,549
05	01	01	21	UKJ3	865,385
05	01	01	21	UKJ4	982,273
06	01	01	12	UKJ1	783,157
06	01	01	12	UKJ4	289,188
06	01	01	21	UKJ	2,021,485
06	01	01	21	UKJ1	578,432
06	01	01	21	UKJ3	820,749
06	01	01	21	UKJ4	2,816,020
06	02	01	15	UKJ2	2,239,696
07	00	00	00	00	0
08	00	00	00	00	0
09	01	01	21	UKJ	567,732
11	01	01	21	UKJ4	442,748
12	00	00	00	00	0
43	01	01	12	UKJ3	442,025
43	01	01	21	UKJ1	1,954,353
43	01	01	21	UKJ4	304,989
49	00	00	00	00	0
52	01	01	11	UKJ1	2,095,686
54	00	00	00	00	0
85	01	01	00	UKJ	941,930
86	00	00	00	00	0
				Total	**21,756,908**

- ## Assistance by target groups

2.15 During 2013 the sixth round of applications was invited. This was an open bidding round designed to encourage as many bids as possible to come forward to absorb the remaining uncommitted funds in the Programme.

2.16 Further information on the bidding round is given in section 3.1.1.

- ## Assistance re-paid or re-used

2.17 A total of €19,545.89 (£15,605.39) of ERDF grant was repaid during 2013 as a result of irregularities being identified. These funds were available for recycling within the Programme.

- ## Qualitative analysis

2.18 The following table gives information on the progress the Programme has made in contracting against each indicator and the actual achievement during 2013 and the cumulative total at the end of 2013, compared against the targets set out in the Operational Programme.

2.19 All the output indicators have exceeded the original targets, both in terms of contracted values and in actual achievements. All but two of the results indicators that have reported achievements are in a similar position. This would suggest that the original quantification exercise was too cautious, and that projects have been able to deliver much more activity.

2.20 Comparing contracted values against actual achievements gives a more realistic picture of progress. All of the output indicators are performing strongly against the contracted values, and are expected to continue to deliver during the remaining period of the Programme.

2.21 Actual achievements of the results indicators are further behind the contracted values but that is to be expected at this point in the Programme as results take longer to materialise. We expect that projects will continue to report results over the next few years and that better figures will be reported at the end of the Programme. One indicator has seen a substantial reduction in the declared value – Number of businesses achieving independent environmental accreditation. This has reduced from 415 to 63 and it is likely to be the result of a tighter definition of accreditation being applied. Article 13 audits uncovered the fact that some projects were applying a loose definition of self accreditation which was ruled to be ineligible, and thus a number of ineligible declared figures have been excluded.

2.22 Progress on impacts is similar to that of results in that they take longer to come through, though impacts are even further behind. Again more substantial progress is not expected until much later in the Programme and beyond.

Programme Indicators	Original OP Target 2007-13	Contracted by end of 2013	% Contracted against original OP Target	Reported as achieved during 2013	Cumulative achievement to end of 2013	% Achieved to end 2013 against original OP Target
Outputs						
Total number of businesses involved in the Programme	2,130	19,830	931%	1,603	11,443	537%
Number of businesses assisted to improve their performance	750	9,120	1,216%	475	4,846	646%
Number of additional firms involved in business networks	800	5,474	684%	398	3,028	378%
Number of businesses within the region engaged in new collaboration with UK knowledge base	270	1,173	434%	131	636	236%
Number of businesses in the region developing R&D links with other businesses	70	851	1,216%	106	720	1,028%
Number of businesses engaged in developing sustainable mobility strategies	240	3,212	1,338%	493	2,213	922%
Number of energy efficiency demonstrator projects	10	12	120%	12	12	120%
Results						
Number of businesses improving performance	1,250	4,950	396%	129	1,911	153%
Gross new jobs created	180	966	537%	38	431	239%
Number of businesses making financial savings from improved energy and resource efficiency	550	3,912	711%	229	1,826	279%
Number of SME's reducing energy, waste	550	2,539	462%	308	1,211	220%

or water usage by 10%						
Number of businesses achieving independent environmental accreditation	100	83	83%	0	63	63%
Number of businesses increasing percentage of turnover attributable to new and improved products by 5%	110	750	682%	48	149	135%
% Reduction in road congestion and pollution levels	10% reduction on existing levels	1	10%	0	0	0%
Number of businesses tendering for public sector contracts	75	339	452%	83	148	197%
Development and dissemination of good practice expertise	Qualitative assessment	104	-	0	0	-
Number of businesses integrating new products, processes or services	2	2	100%	2	2	100%
Impacts						
Net additional employment	110	660	600%	24	311	283%
Net increase in GVA	32,000,000	128,518,964	402%	3,429,568	14,558,779	45%
Reduction in rate of growth of region's CO2 emissions (tonnes)	85,000	145,906	172%	15,551	40,937	48%

Pre-financing and interest earned

2.23 Under Article 82 of 1083/2006, each programme is allowed a proportion of its ERDF budget in advance to cash flow expenditure. Pre-financing totalling €1,777,978.13 (7.5% of the Programme's ERDF value) was received in three tranches in accordance with EC regulations.

2.24 By the end of 2013 this pre-financing had attracted interest of approximately €13,398 (£10,714), which must be used within the Programme as Public Match funding.

2.25 It is important that the Programme can track and manage interest earned on the pre-financing cash balance as it is a regulatory requirement that the Programme can report to the Commission total interest earned and confirm how the interest was spent.

2.26 The interest earned to date has not yet been spent on the Programme but it is anticipated that it will form an important part of the Technical Assistance match funding required to ensure activity, such as publicity and Programme evaluation can be completed.

2.2 Information about compliance with Community Law

2.27 The South East of England Growth Delivery Team continued to maintain and improve programme and project delivery and monitoring arrangements to ensure compliance with EC Regulations and Community law. In particular the South East GDT was concerned to ensure that ERDF supported projects complied with EU Directives on State Aid and procurement. Compliance was checked at project appraisal stage, during project monitoring, and during Article 13 audits.

2.28 All the GDTs in England adopted the standardised procedures in April 2012, which were applied to all projects. These entailed checks to ensure that projects complied with EU rules on State Aid and that they had made provisions to ensure compliance with procurement requirements. Projects are required to upload all their procurement information on to the MCIS ERDF system for reviewing. ERDF contract managers ensured that their projects were aware of these requirements during monitoring visits.

2.3 Significant problems encountered and measures taken to overcome them

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

2.4 Changes in the context of the Operational Programme implementation

National economic context[2]

2.30 The UK economy grew by 1.8 per cent in 2013. This was the fastest growth since the financial crisis when the UK experienced one of the deepest recessions of any major economy, contracting 7.2 per cent in real terms between the first quarter of 2008 and the third quarter of 2009.

2.31 The 1.8 per cent growth was better than expected. The Office of Budget Responsibility had forecast the economy would grow by 1.4 per cent at the start of the year. Indeed there were fears that there would be an unprecedented triple dip recession at the beginning of the year. Instead the economy grew by 0.4 per cent in the first quarter accelerating to 0.7 per cent in the second quarter and 0.8 per cent in the last two quarters. Gross Domestic Product is now expected to exceed the peak it reached before the recession in 2014.

2.32 The recovery in 2013 was led by consumer spending, supported by a falling saving ratio and a small rise in consumer borrowing. However, the recovery broadened out

[2] The figures reported in this section are sourced from the Office for National Statistics and Office for Budget Responsibility

during the year with strong increases in business confidence supporting the recovery in business investment. Initial estimates suggest business investment grew by 8.5 per cent in the year to the final quarter.

2.33 Housing market indicators also picked up sharply in the year. House prices increased 5.5 per cent in the final quarter of the year on the Office for National Statistic measure. However, export performance remained sluggish held back by weak demand from European Union countries and weak performance of financial services after the financial crisis.

2.34 The labour market - resilient during the crisis - continued to strengthen. UK employment figures saw quarter on quarter growth and falling unemployment in 2013. By the end of the year the employment rate had risen to 72.1 per cent and the unemployment rate had fallen to 7.2 per cent. However, the performance of the labour market varied across the UK, with some groups at a particular disadvantage including young people, disabled people, people from some ethnic minorities and older people. Underemployment, a measure of net additional hours of work desired at current wages as a percentage of the total hours of labour available, also remained high.

2.35 Earning growth remained subdued. Regular pay, excluding bonuses grew by 1.3 per cent between December 2012 and December 2013, below the rate of inflation of 2.7 per cent over the same time period. This fall in real wages remained consistent with sluggish productivity. Output per hour was just 0.2 per cent higher in the second half of 2013 than in the first half.

2.36 Productivity growth has significant implications for the long term growth performance of the economy. Increases in UK productivity will support the momentum gained in the economy in 2013 to continue in 2014.

The Regional Economy

i. Economic performance

2.37 The profile of the South East shows it to be the largest region in population terms, with the longest life expectancy. The South East contributes 15 per cent to the UK's economic output. The unemployment rate is among the lowest, and incomes are the highest outside of London. The South East is the second largest economic contributor among the regions of England and countries of the UK. Its local authorities have some of the highest levels of productivity after London. The South East is responsible for nearly 15 per cent of the UK's gross value added (GVA) in 2011. The region's headline GVA was £192.2 billion in 2011. Aside from London, the South East is the only English region that increased its share of UK GVA between 2006 and 2011. The latest sub-regional data (2011) show that a third of the region's economic output is generated in the counties and unitary authorities of Berkshire, Buckinghamshire and Oxfordshire.

2.38 In line with national trends, GVA (economic output) per head in the South East rose by 2.5 per cent between 2011 and 2012 (England's biggest increase). However this is still a long way behind London and only just above the national average; data that look at total GVA hide this as they do not take population size into account, giving the impression of stronger performance. Productivity, as measured by GVA per hour worked, was 7 per cent above the UK average in 2011. Within the region, the lowest productivity in 2011 was in East Sussex (10 per cent below the UK rate) and the highest productivity was in Berkshire (28 per cent above the UK rate).

2.39 The unemployment rate increased from 4.4 per cent in Quarter 4 2007 to 6.5 per cent in Quarter 4 2012. In all of the English regions except the South East recent data show a downward trend after Quarter 4 2011; in the South East the unemployment rate has changed little since Quarter 4 2009. The employment rate for the region's residents was 75 per cent in the year ending December 2012, compared with the UK average of 71.5 per cent. Sub-regional data for the same year shows that the employment rate ranged from 63.3 per cent in Tonbridge and Malling to 85 per cent in South Bucks.[4]

2.40 According to the South East Council's Data Dashboard Spring 2014, the total number of jobs increased by 66,000 between 2010 and 2011. Increases in population meant that job density (number of jobs per resident in an area) remained static between 2010 and 2011, still lower than 2008 and only just above the national average. Reflecting national trends, the number of unemployment claimants in the South East fell by a quarter over the last year to around 101,000. This is still considerably higher than the North East, East Midlands, East and South West when looking at actual numbers rather than percentages.

2.41 Unemployment claimant levels for under-25s are a concern. Although falling by 10,000 over the last year, there were still over 24,400 young unemployed, with above national rates in ten Districts/ Unitary Authorities. This reflects national trends with high levels of young people not in employment, education or training.

2.42 Although there was a reduction of 51,000 between 2011 and 2012, around 372,000 South East residents still have no qualifications. This is a far greater number than the North East, East Midlands, Yorkshire and Humber, East and South West, a fact masked if only percentages are examined.[3] The percentage of the region's population aged 16 to 64 that had no qualifications in 2012 was 6.9 per cent, the lowest of all the regions of England.

2.43 Gross disposable household income (GDHI) of South East residents was also the second highest, after London, at £18,100 per head and was 12.8 per cent above the UK average of £16,000. There was a wide range within the region, with GDHI lowest in Portsmouth at £12,290 per head, compared with £22,070 in Surrey.

2.44 The South East generated the second largest contribution to the UK's GVA for the information and communication sector at 23 per cent in 2010. Wholesale and retail trade and repair of motor vehicles activities accounted for 17 per cent of the UK total from this sector, also larger than the region's share of total GVA (15 per cent).

2.45 In 2010 businesses in the region spent £5.6 billion on research and development. This was 22 per cent of the UK total and the highest regional spend in the UK.[4]

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[3] South East Councils' Data Dashboard, Spring 2014 See http://www.secouncils.gov.uk/facts-figures/data-dashboard-2/current-summary/

[4] Office for National Statistics, Regional Profiles: Economy – South East, June 2013 See http://www.ons.gov.uk/ons/rel/regional-trends/region-and-country-profiles/economy--june-2013/economy--south-east--june-2013.html

2.46 Looking across the range of indictors above, there is a strong message that the South East's economic success cannot be taken for granted and appropriate policy and investment is required in skills & employability and infrastructure to help businesses and the economy grow.

ii. Socio-economic performance

2.47 The population of 8.7 million at mid-2012 was the largest of all the regions of England and countries of the UK at almost 14 per cent of the total UK population. This is projected to grow by 720,000 by 2021. Already with the largest number of older people, the South East is projected to have at least a 20 per cent increase in the number of 65+ year olds and an over 30 per cent increase in 75+ year olds in the next 10 years, well above the national average.

2.48 The South East also saw a relative increase in the number of people living in deprived areas between 2007 and 2010 compared to other parts of England, with 565,000 people living in areas classified in the 20 per cent most deprived in the country. Over 484,000 children and older people live in income deprivation in the South East, the 4th highest total in England, a fact hidden if only looking at percentages.

2.49 Continued investment and action is needed to address both the challenges, and seize the economic opportunities, of population change, as well as tackling long-term areas of deprivation.

Regional Growth Fund

2.50 The Regional Growth Fund (RGF) is a £2.6 billion fund operating across England from 2011 to 2016. It supports projects and programmes that lever private sector investment to create economic growth and sustainable employment, specifically targeted at driving employment and growth in those areas of the economy hardest hit by the loss of public sector jobs.

2.51 In the second round of RGF the South East was awarded £56 million of funding to finance four projects and four programmes for the support of SME growth by creating and safeguarding jobs. One programme also received an exceptional award to create a further 220 jobs. These include £35 million awarded to Kent County Council for the *East Kent Employment Task Force* Programme and £5.595 million for Southampton City Council's *Platform for Prosperity* project.

2.52 In the third round the South East was awarded funding of £58 million to deliver four projects and six programmes. Among them are £20 million awarded to the Thames Gateway Kent Partnership's *TIGER* project, and £2.57 million awarded to Solent LEP and Portsmouth City Council's *Isle of Wight Marine SME Business Expansion* Programme.

2.53 The Round 2 programmes and projects have been contracted to deliver 6,728 direct jobs created or safeguarded with a further 4,948 indirect jobs. The RGF funding includes themes for supporting SMEs to grow, support start-ups, offer interest free loans and provide grants under de minimis aid. Some projects were contracted to expand infrastructure or as enablers to SMEs for relocation to business sites by addressing transport and access road issues or to larger premises as part of the growth incentive.

2.54 Round 3 follows the same pattern as Round 2 contracted to deliver 3,994 direct jobs created or safeguarded and 1,547 indirect jobs.

2.55 Round 4 of the Regional Growth Fund was launched in January 2013 and the South East was awarded £33 million to deliver four projects and six programmes and to create or safeguard 1,954 direct jobs. Two contracts have not been finalised yet so the figures may change.

2.56 Round 5 of the Regional Growth fund was launched in October 2013 and decisions are expected in Spring of 2014. Round 6 will open Summer 2014.

Local Enterprise Partnerships

2.57 Local Enterprise Partnerships (LEPs) are locally-owned partnerships between local authorities and businesses and the UK Government is keen for them to play a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs. The Government sees them as key to delivering their objectives for economic growth and decentralisation, whilst also providing a means for local authorities to work together with business in order to quicken the economic recovery.

2.58 There are six Local Enterprise Partnerships in the South East Programme Area: Coast to Capital, Solent, Buckinghamshire Thames Valley, Oxfordshire, Enterprise M3 and Thames Valley Berkshire. A seventh, the South East LEP, straddles the South East and East of England Programme areas, and an eighth, the South East Midlands LEP overlaps with parts of Oxfordshire and Buckinghamshire.

2.59 in March 2013 in its response to Lord Heseltine's review *No Stone Unturned in Pursuit of Growth*, the Government announced that for the 2014-2020 funding period, the European Regional Development Fund (ERDF), the European Social Fund (ESF) and part of the European Agricultural Fund for Rural Development (EAFRD) will be combined into the European Structural and Investment Funds Growth Programme for England, with the large majority of funding allocated to Local Enterprise Partnership areas.

2.60 Each Local Enterprise Partnership area will receive an allocation of European Structural and Investment Funds for the seven year period of the European Growth Programme. The Local Enterprise Partnerships were asked to set out how they intended to use this allocation in European Structural and Investment Funds (ESIF) Strategies to be agreed with Government in 2014.

2.61 The Local Enterprise Partnerships submitted the first drafts of their ESIF Strategies in October 2013. These set out their respective business cases for the use of their ESIF allocations, including an assessment of local needs and opportunities, desired outcomes and the rationale for proposed projects and programmes. Local ESIF Teams comprising the Managing Authority Departments (DCLG for ERDF, DWP for ESF and DEFRA for EAFRD), BIS Local and other Government representatives, worked with the LEPs to help develop the Strategies and to provide further advice and guidance following the assessment of the first drafts to help improve the second drafts which were submitted for assessment in January 2014. In the case of the South East area, the South East Growth Delivery Team led the process on behalf of DCLG.

2.62 LEPs and their partners will oversee the ongoing strategic development and delivery of the ESIF Strategies, while Managing Authorities will undertake the management and administration of the European Structural and Investment Funds.

Discussions on the precise detail of the arrangements and implementation of the 2014-2020 Programme continued in to 2014.

Growth Deals

2.63 The Government's response to Lord Heseltine's review confirmed the commitment to negotiating a Growth Deal with every Local Enterprise Partnership. Through Growth Deals, a partnership between Government and LEPs, LEPs will be able to seek freedoms, flexibilities and influence over resources from Government, as well as a share of the Local Growth Fund to target their identified growth priorities as set out in their Strategic Economic Plans.

2.64 The Spending Round increases the resources under the strategic direction of LEPs to £20 billion through to 2020-21. The Single Local Growth Fund amounts to £2 billion in 2015-16 and will continue to be at least £2 billion a year in the next Parliament.

2.65 The Local Growth Fund is one of the investment options available to LEPs to fund the priorities identified in the Strategic Economic Plans. Other options include private sector investment; local authority funding; resources from the Growing Places Fund and City Deals; support from the Department for Transport's Local Sustainable Transport Fund; and match funding from other local partners. The Strategic Economic Plans will demonstrate a wider commitment to growth across local spending and decision making; create an environment which enables private investment in growth; effective collaboration on economic development activities; and maximising synergies with wider local growth programmes and EU funding.

2.66 The LEPs' investment plans for European Structural and Investment Funds for 2014-2020 sit alongside the Local Growth Fund, giving LEPs flexibility to use their Growth Deal funding on combined or complementary activities.

2.67 Draft Strategic Economic Plans were submitted by the LEPs in December 2013, with the final versions due in March 2014 and the Growth Deals are to be agreed in July 2014.

Enterprise Zones

2.68 In April 2012, 24 Enterprise Zones were open for business. The Enterprise Zones are designed to encourage the creation of new businesses and jobs, where a combination of financial incentives and reduced planning restrictions will apply, thereby promoting local and national growth. They are managed by Local Enterprise Partnerships.

2.69 Although the intention on creation of the Enterprise Zones was to align with ERDF to maximise the impact that they will have on local growth, because rate relief is being given under de minimis this may potentially restrict the ERDF funding that businesses based at these sites are able to access.

2.70 There are three Enterprise Zones in the South East Programme Area. Solent EZ officially started on 1 April 2012 and will create around 700 jobs by 2015. It is sited on 82 hectares of a decommissioned Royal Navy air field on the Gosport peninsula west of Portsmouth Harbour. It focuses on advanced manufacturing within the marine and aerospace sectors, green technologies and business services.

2.71 Discovery Park is located in Sandwich, Kent and it is a leading research and development site focusing on the life science, pharmaceutical, biotechnology, science and technology centres.

2.72 Science Vale in Oxfordshire is the site of one of the largest scientific clusters in the UK. It focuses on green technologies, advanced engineering, space sciences, medical technologies and bio-technologies.

City Deals

2.73 As a part of the City Deals, the Government has devolved new responsibilities to the core cities of Britain to give them the flexibility to attract private investment, close skills gaps and create new jobs. There were no cities in the South East Programme area in City Deals Wave 1 in 2012, but six cities submitted proposals under Wave 2 in January 2013 – Bournemouth and Poole, Brighton and Hove, Milton Keynes, Oxford and Central Oxfordshire, Reading and Central Berkshire, and Southampton & Portsmouth.

2.74 In October 2013 it was announced that Reading and Central Berkshire had been successful in its negotiations with Government on its City Deal proposal. Oxford and Central Oxfordshire followed in January 2014.

Coastal Communities Fund

2.75 The Coastal Communities Fund was announced by the UK Government in July 2011, and by February 2012 a prospectus for applicants was launched. The Fund is designed to support the economic development of coastal communities by promoting sustainable economic growth and jobs, so that people are better able to respond to the changing economic needs and opportunities of their area.

2.76 The successful bidders in the South East Programme area during the first round in 2012 include the South East Food Group Partnership Ltd, Bournemouth Borough Council, Hastings Borough Council and the Friends of the Folkestone and Marlowe Academies.

2.77 Under Round 2, the following bids were successful:

- Arun District Council for renovation work in Bognor Regis
- Hadlow College, Kent – Sustainable Energy Visitor Centre at the former Betteshanger Colliery
- Lewes District Council for regeneration work in Newhaven
- Medway Council for the regeneration of Rochester and Chatham High Street
- Ventnor Town Council for refurbishment of a Coastal Enterprise centre

2.78 Although the Fund has synergy with the objectives of the Competitiveness Programme in terms of sustainable job creation, there are unlikely to be any links with the ERDF Programme given the nature of the projects coming forward.

Operational Programme Modifications

2.79 The LMC at its meeting on 29 November 2013 agreed an amendment to the Programme's financial tables to vire €5 million from national public expenditure to national private expenditure. At the time of writing the OP, all the match funding was expected to be from public sources and it was not anticipated that private sector match funding would be secured, but where appropriate, it was intended that when opportunities for encouraging private sector match funding arose, these would be taken. In the event, a number of projects have been contracted with private sector match funding.

2.80 The amended financial table is as follows:

	Community Funding (a)	National Counterpart (b) (= c + d)	Indicative breakdown of national counterpart		Total funding (e) (= a + b)	% Co-financing rate (f) = e/a	Other funding
			National Public Funding (c)	National Private funding (d)			
Priority Axis 1	22,758,120	22,758,120	17,758,120	5,000,000	45,516,240	50	0
TA	948,255	948,255	948,255	0	1,896,510	50	0
Total	**23,706,375**	**23,706,375**	**18,706,375**	**5,000,000**	**47,412,750**	**50**	**0**

Figures are in Euros

2.81 The Commission confirmed that this change did not require a formal modification to the Operational Programme, as their main concern is any change to the overall amount of national co-financing rather than any changes between public and private co-financing, which are only indicative.

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

2.82 There has been no substantial modification detected under Article 57.

2.6 Complementarity with other instruments

2.83 It is an EU regulatory requirement (Article 9 General Regulation 1083/2006) that there is demarcation between the following funds and how they are used in South East England:

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- European Agricultural Fund for Rural Development (EAFRD)
- European Fisheries Fund (EFF)
- European Investment Bank (EIB)

2.84 Setting strategic priorities and the process for selecting applications has sought to ensure that there is demarcation between the assistance from the ERDF and the

EAFRD, the EFF, and the interventions of the EIB and other existing financial instruments (Article 9 (4) of Regulation (EC) No 1083/2006). Where an outline bid has proposed activity more properly funded by another financial instrument, then the applicant organisation has been directed to the appropriate authorities.

2.7 Monitoring arrangements

Local Management Committee (LMC)

2.85 The arrangements for setting up and running ERDF programme monitoring committees are defined in EC regulation 1083/2006 at Article 65 and the Implementing Provisions (Chapter 8 of the OP), and on the basis of associated principles, such as partnership working. In summary the responsibilities are:

- Consideration and approval of project selection criteria
- Reviewing progress towards the achievement of programme targets and Priority Axes objectives through performance implementation data
- Consistent, up-to-date management information for all projects, as required by the Managing Authority
- Consideration and approval of Annual and Final Reports on programme delivery
- Consideration and approval of programme evaluations
- Making requests to the Commission for any changes to the operational programme
- Ensuring strategic linkages with other Structural Funds, domestic programmes and wider UK economic policy

2.86 The LMC met three times in 2013, on 22 January, 14 June and on 29 November.

2.87 On 22 January the LMC considered the following issues:

- Spend and commitments levels and the final N+2 position for 2012
- Updates on the position of bidding Rounds 4 and 5
- The latest figures on Outputs, Results and Impacts
- Update on addressing issues arising from audits
- Irregularities
- Update on the South East Sustainability Loan Fund
- Proposals for bidding Round 6 and agreement for an open specification
- Update on the relocation of the South East Growth Delivery Team from Guildford to London.

2.88 On 14 June the following issues were considered by the LMC:

- The LMC received a presentation from the South East Sustainability Loan Fund Manager, followed by a discussion of the issues raised
- Discussion on progress towards full commitment
- Progress towards achieving the N+2 target
- Progress report on the Programme – indicators, audits and irregularities
- Approval of the 2012 Annual Implementation Report
- Approval of the South East Article 13 Audit Strategy.

2.89 On 29 November the LMC considered the following issues:

- Progress towards full commitment
- Position and forecast outturn for 2013 N+2 target and discussion on the possible reasons for failing to meet the target
- Progress report on the Programme – indicators, audits, irregularities and Technical Assistance
- Update on the European Structural and Investment Funds 2014-2020 and the role of the Local Enterprise Partnerships
- Approval of changes to the Programme's financial tables.

2.90 As requested by the LMC at the June meeting, regular updates were provided to the LMC in writing during the remainder of the year, setting out the latest position on N+2, given the forecast that the Programme would not meet the target.

Project monitoring

2.91 One of the main responsibilities of the South East Growth Delivery Team is to carry out checks on projects in accordance with Article 13 of Structural Funds Regulation 1828/2006. This means the Growth Delivery Team is responsible for:

- Checking compliance with offer letter conditions by carrying out on the spot checks and by conducting desk based checks on monthly and quarterly ERDF claims;
- On the spot checks (monitoring visits by Contract Managers), Project Engagement Visits (initial assessments) and Progress and Verification Visits (Article 13 audits).

2.92 A comprehensive risk based system of monitoring checks has therefore been implemented. This is recorded on the Management Information System (MCIS). The database is used to determine the frequency and timing of audits. It includes a risk rating for each project, a detailed record of issues of concern identified through the monitoring and audit process, a schedule of completed and planned visits, details of recommendations issued at audit visits and details of the amounts of expenditure verified against supporting documentation.

2.93 Monitoring consists of two separate strands of work. The Article 13 auditor has responsibility for carrying out Article 13 Progress and Verification visits and the Contract Managers and the ERDF Claims Officer have responsibility for providing day to day advice and guidance to projects, for checking and paying claims and for contract amendments.

2.94 Standardised procedures for Project Engagement Visits, Article 13 audits and desk based checks have been implemented in all Growth Delivery Teams from 1st April 2012 and are designed to ensure compliance with the Regulations at all stages of project monitoring.

Project Engagement Visits

2.95 The purpose of the Project Engagement Visit (PEV) is to explain the terms and conditions of the ERDF Offer Letter, to confirm the overall aims and objectives of the project and to verify that the project has the capacity to deliver these objectives.

2.96 PEVs were carried out during 2013 on the outstanding Round 4 project, SOREC, as well as on the four Round 5 projects contracted during the year, and two of the Round 6 projects. The remaining four Round 6 projects had PEVs conducted in 2014.

Article 13 Progress and Verification Visits

2.97 During 2013 Progress and Verification Visits (PAVs) were conducted on 11 projects:

- ZeroWISE Construction
- Remade South East Food Waste extension project
- ZeroWISE Bulky Waste
- Sustainable Routes
- Re:Start Local
- Design and Innovation for Business Sustainability
- South East Sustainability Loan Fund
- ZeroWISE Construction
- SOREC
- Low Carbon Futures
- Flash+

2.98 These visits tested a total of €1,554,436 (£1,243,043) of expenditure, of which €1,441,170 (£1,152,467) was verified as eligible. Action was taken to crystallise the irregularities on the remaining expenditure at risk (€113,266, £90,576)

2.99 Among the issues arising from the PAVs were some common themes: procurement, expenditure and defrayal evidence, recording and evidence of outputs, State Aid reporting issues, document retention, overheads and apportionment methodology, cross cutting themes, evidence of financial procedures, publicity, VAT, and closure issues. The contract managers in the South East GDT worked with the A13 auditor to rectify these deficiencies.

Audits of Operations (Article 16)

2.100 Audits of Operations are undertaken by the Audit Authority in accordance with its audit strategy and sampling method. The Audit Authority is functionally independent of the Managing Authority and has an assurance function to assess the adequacy and effectiveness of the controls in place and to assess compliance with EC regulations governing ERDF. The audits are carried out at beneficiary level and seek to determine whether or not:

- operations carried out are in accordance with the approval decisions including any conditions agreed;
- expenditure declared is supported by the accounting systems and all related documentation;
- the expenditure declared by the beneficiary is in compliance with Community and national rules; and
- the public contribution has been paid to the beneficiary in accordance with Article 80 of Regulation (EC) No 1083/2006.

2.101 The Audit Authority currently draws its audit sample over two periods (every six months), grouping all operational programmes together. The Audit Authority informs the

Managing Authority, the delivery network, and the intermediary body of the sample selected and liaises with grant recipients directly to arrange the visit and ask for preliminary information. A draft report is issued to the ERDF delivery team, who in turn share with the grant recipient. The ERDF delivery team has 20 working days to work with the grant recipient to respond formally to each of the findings. Once the responses have been accepted by the auditors, the final report is issued and an action plan is drafted with allotted responsibilities and timescales for completion.

2.102 Issues arising from Article 16 audits include:

- The lack of an audit trail to account for expenditure incurred;
- Ineligible activities, not included in the National Eligibility Rules;
- Procurement issues: inadequate advertising; incorrect uses of framework agreements; lack of documentary evidence of selection process;
- Ineligible expenditure, such as the use of notional costs;
- Incorrectly calculated overheads and apportioned costs;
- Failure to comply with Publicity requirements

2.103 In response to procurement issues raised in findings from Article 16 audits of operations, the ERDF delivery team has increased communication and engagement with projects on compliance with this regulatory control. This is also the case in respect of Article 13 management verifications.

2.104 The key principles of the programme monitoring strategy continued to be adhered to without dilution during the year.

2.105 Three Article 16 audits were carried out in 2013 on the South East Programme:

AA/SE01/13	ERDF/SE/RD2/PR2/ Ngage	Ngage Solutions Ltd	Sustainable Routes
AA/SE02/12	ERDF/SE/TA	Department for Communities and Local Government	South East ERDF Competitiveness Programme Technical Assistance
AA/SE02/13	ERDF/SE/RD3/PR1/ FLASH+	Thames Gateway Institute for Sustainability	FLASH+

2.106 A total of €981,986 (£785,269) of expenditure was tested, and of that €5,781 (£4,623) was reported as expenditure at risk.

Interruption to Payments

2.107 In May 2013 the European Commission's Interruptions Committee decided to interrupt payments to the 10 English 2007-13 ERDF programmes.

2.108 The reason for the interruption was that in the EC's view there were "serious deficiencies identified by the English Audit Authority concerning the management verifications and concerning the audit trail."

2.109 This was based on two Audit Authority systems audits, the first on Article 13 monitoring arrangements and the second on the audit trail of ERDF records transferred to BIS when the Regional Development Agencies were closed. Both audits had a "qualified major" opinion, meaning that there were material weaknesses that need to be addressed but the AA had to follow very explicit guidance from the EC on systems audit reports. The EC relies on the opinion of the Member State's Audit Authority.

2.110 Following several exchanges of correspondence during 2013 and the early part of 2014, where the Management Authority complied with requests from the Commission for more information and some assurances around Article 13 verifications, the handling of irregularities and the recording of data on the Management Control Information System, the interruption was lifted in March 2014.

End to End Systems Audit

2.111 As reported in the AIR 2012, the Audit Authority conducted an End to End Systems Audit of the South East Programme during January and February 2012 to examine the risks impacting compliance with key Articles of relevant EC Regulations (1083/2006 and 1828/2006) within the South East PDT. The objective of the audit was to ensure that the monitoring and assurance activities of the South East PDT were managed in accordance with regulations and fund actions defined by the Commission, and deliver regularity, propriety and value for money.

2.112 The audit found limited assurance that the strategic infrastructure in place in the South East GDT and inherited from the South East of England Development Agency (SEEDA) met the requirements of the EC Regulations. There were control weaknesses in two key areas: management of irregularities and management verifications of the Article 13 controls.

2.113 The audit report set out a total of 33 recommendations. By the end of 2012 significant progress had been made and all but 9 recommendations had been implemented by the South East GDT and closed by the Audit Authority, with the audit opinion lifted to "qualified with minor impact". Action on the remaining recommendations continued into 2013, and the Audit Authority tested the work undertaken in June 2013. As a result of that testing, the Audit Authority was able to close all the outstanding actions.

3. Implementation by priority

3.1 Priority Axis 1

3.1.1 Achievements of targets and analysis of progress

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

3.1 The aim of this Priority is to strengthen the business base and create significant and sustainable employment opportunities to enable SMEs to meet the challenges of competitiveness in regional, national and international markets.

3.2 Priority 1 focuses on the development of small and medium sized enterprises (SMEs) and micro-businesses. These businesses are supported by the provision of a comprehensive package of intervention, technology transfer and entrepreneurship. This will reduce unemployment levels and help grow the South East GVA.

3.3 Priority 1 has three themes within it:

- ➢ To raise levels of knowledge and innovation across all business sectors in order to support more resource efficient business practices, boosting profitability and long-term competitiveness;
- ➢ To stimulate innovation and job creation in new and emerging ecologically-driven market sectors
- ➢ To reduce the rate of growth of the Region's ecological footprint, whilst stimulating economic growth.

3.4 The following table summarises the financial progress for Priority Axis 1 at the end of 2013:

Priority Axis 1	Euros		
	Allocation	**Commitment**	**Spend**
	22,758,120	**20,814,978**	**11,240,065**

3.5 As for the physical progress of this Priority Axis the following table sets out the cumulative outputs, results and impacts figures, with the targets and achieved values.

Indicators		2007	2008	2009	2010	2011	2012	2013	2014	2015
Outputs										
Total number of businesses involved in the programme	Achievement	0	0	272	1,583	5,804	9,840	11,443		
	Target	236	472	708	944	1,180	1,416	1,652	1,888	2,130
	Baseline									
Number of businesses assisted to improve their performance	Achievement	0	0	221	1,003	2,747	4,371	4,846		
	Target	83	166	249	332	415	498	581	664	750
	Baseline									
Number of additional firms involved in business networks	Achievement	0	0	48	346	1,515	2,630	3,028		
	Target	88	176	264	352	440	528	616	704	800
	Baseline									
Number of businesses within the region engaged in new collaboration with UK knowledge base	Achievement	0	0	3	24	192	505	636		
	Target	30	60	90	120	150	180	210	240	270
	Baseline									
Number of businesses in the region developing R&D links with other businesses	Achievement	0	0	0	17	124	614	720		
	Target	7	14	21	28	35	42	49	56	70
	Baseline									
Number of businesses engaged in developing sustainable mobility strategies	Achievement	0	0	0	193	1,226	1,720	2,213		
	Target	26	52	78	104	130	156	182	208	240
	Baseline									
Number of energy efficiency demonstrator projects	Achievement	0	0	0	0	0	12	12		
	Target									10
	Baseline									

Results										
Number of businesses improving performance	Achievement	0	0	25	366	1,199	1,782	1,911		
	Target	138	276	414	552	690	828	966	1,104	1,250
	Baseline									
Gross new jobs created	Achievement	0	0	5	44	202	393	431		
	Target	20	40	60	80	100	120	140	160	180
	Baseline									
Number of businesses making financial savings from improved energy and resource efficiency	Achievement	0	0	25	292	940	1,597	1,826		
	Target	61	122	183	244	305	366	427	488	550
	Baseline									
Number of SME's reducing energy, waste or water usage by 10%	Achievement	0	0	25	193	699	903	1,211		
	Target	-	-	-	-	-	-	-	-	-
	Baseline									
Number of businesses achieving independent environmental accreditation	Achievement	0	0	0	2	161	415	63		
	Target	-	-	-	-	-	-	-	-	-
	Baseline									
Number of businesses increasing percentage of turnover attributable to new and improved products by 5%	Achievement	0	0	0	10	27	101	149		
	Target	12	24	36	48	60	72	84	96	110
	Baseline									
Reduction in road congestion and pollution levels	Achievement	0	0	0	0	0	0	0		
	Target – 10% reduction on existing levels	-	-	-	-	-	-	-	-	-
	Baseline									
Number of businesses tendering for public sector contracts	Achievement	0	0	0	0	6	65	148		
	Target	8	16	24	32	40	48	56	64	75
	Baseline									
Development and dissemination of good practice expertise	Achievement	0	0	0	0	0	0	0		
	Target – Qualitative assessment	-	-	-	-	-	-	-	-	-
	Baseline									
Number of businesses integrating new products, processes or services	Achievement						2	2		
	Target									
	Baseline									
Impacts										
Net additional employment	Achievement	0	0	5	44	161.5	287	311		
	Target	12	24	36	48	60	72	84	96	110
	Baseline									
Net increase in GVA (€)	Achievement	0	0	0	112,500	2,179,568	11,129,211	14,558,779		
	Target	€3.6m	€7.2m	€10.8m	€14.4m	€18m	€21.6m	€25.2m	€28.8m	€32.4m
	Baseline									

Reduction in rate of growth of region's ecological footprint	Achievement	0	0	0	0					
	Target	-	-	-	-	-	-	-	-	-
	Baseline									
Reduction in rate of growth of region's CO2 emissions	Achievement	0	0	196	2,483	5,734	25,386	40,937		
	Target	9,000	18,000	27,000	36,000	45,000	54,000	63,000	72,000	85,000
	Baseline									
Broad uptake of innovative actions piloted in region	Achievement	0	0	0	1	136	136			
	Target – Qualitative assessment	-	-	-	-	-	-	-	-	-
	Baseline									

3.6 The table above reflects the two new indicators which were added to the Indicator Framework in 2012 – the output indicator *Number of energy efficiency demonstrator projects* with a target of 10, and the result indicator *Number of businesses integrating new products, processes or services* with a target of 2, as well as the new quantified targets for:

- Number of SMEs reducing energy, waste or water usage by 10% - 550
- Number of businesses achieving independent environmental accreditation – 100
- Number of businesses tendering for public sector contracts - 75

3.7 The shaded impact indicators in the table denote the removal of *Reduction in the rate of growth of the region's ecological footprint* and *Broad uptake of innovative actions piloted in the region* as recommended by the Mid Term Evaluation in 2011.

- **Qualitative analysis**

3.8 By the end of 2013, a total of 31 projects were being supported or in the case of closed projects, had been supported, by Priority Axis One of the South East Programme. The 31 projects have been contracted to spend 94% of the allocation.

3.9 As reported in the 2012 AIR, the four bids received in response to Bidding Round 5 proceeded to full application stage and were appraised and contracted during 2013. Details of these projects are as follows:

Future Fit Built Assets
Applicant: South East Centre for the Built Environment
ERDF grant contracted: £673,900
The project will support 270 construction SMEs including designers, contractors, manufacturers and facilities managers. They will win at least £10 million of public sector contracts, employ 9 more people, and reduce the carbon impact of their own construction activities and the operational carbon impact of resulting built assets. The Government has recognised Construction as an enabling sector under industrial strategy, a key contributor to UK growth. The 2011 Government Construction Strategy has identified BIM and Soft Landings as key tools to reduce construction costs by 20% and positively impact on the UK's carbon reduction target by 2050.

However, only 3% of SMEs have adopted BIM or Soft Landings, deterred by contradictory advice, high initial costs, skills requirements and unclear short term opportunities.

The success of BIM and related Soft Landings depends entirely on collaboration. This project is fundamentally about the pooling of partners resources and activity – effort that can only be achieved through public sector investment.

Without the project, South East SMEs will remain seriously constrained by out-of-date working practices, construction projects will cost more, built assets will continue to consume high levels of energy and generate 45% of all carbon emissions.

FoodWISE - Sustainable approaches to Food Waste in the Hospitality Sector

Applicant: Oxfordshire County Council

ERDF grant contracted: £364,831

The FoodWISE project aims to assist 250 small to medium sized enterprises in the hospitality sector to achieve better resource efficiency and cost savings through environmental best practice. The project is a spin-off activity identified through the existing ERDF funded ZeroWISE Sustainable Food Waste Solutions project, opening up a new area of project delivery.

The project will take a ‘cradle to grave’ approach, looking at smarter methods for the procurement of food products, sustainable practices in the kitchen and the recycling of food waste to create a ‘closed loop’ activity.

SMEs will be assisted to produce sustainable purchasing plans and to adopt more efficient working techniques in the kitchen through workshops, 1:1 support and the production of a good practice guide. A network of suppliers and subcontractors to the hospitality sector will be engaged to ensure that the whole supply chain is influenced. SMEs will be encouraged to identify more sustainable routes for their waste food and trials will be carried out to enable separation of food waste and associated packaging. Fifteen case studies will be produced and 4 ‘best practice’ events will be held in order to disseminate the project’s work to the hospitality sector across the South East.

Grants for Eco Innovation

Applicant: Ngage Solutions

ERDF grant contracted: £500,000

This project will support 100 SMEs in the South East of England to commercialise an innovative ‘green’ product, service or business process, thereby accelerating the adoption and diffusion of products and services that can help reduce the CO_2 footprint of the region and stimulate the green economy.

It will achieve this goal by providing SMEs with fully-developed, early-stage green products, services or business processes that have significant potential to reduce the carbon footprint and stimulate economic growth with a grant of £2,000 to help them accelerate the adoption and diffusion of their eco-innovation.

SME beneficiaries will be able to spend this grant on a range of external suppliers that will help them accelerate the adoption/diffusion of the ‘green’ product/service/process that they have developed, including Marketing Agencies; Web Agencies; Sales Agents; Trade Show Attendance etc.

This grant will integrate with the existing national innovation support landscape, by adding value to the existing grant funding that is available through organisations such as the TSB, DECC and Growth Accelerator etc – much of which focuses on Technology Readiness Levels 1-8, rather than supporting businesses to take their innovation to market.

Low Carbon Work Space

Applicant: Ngage Solutions

ERDF grant contracted: £822,050

The Low Carbon Work Space (LCWS) project will:

- Reduce the CO_2 Footprint from Commercial Property (excluding Retail) in the South East of England by 6,070 tonnes, by July 2015, with subsequent annual savings of 476 tonnes; and
- Achieve a net increase in GVA of £5,000,000 by the cohort of beneficiary SME’s, by July 2015.

The project will achieve this by:

- Targeting SME with the potential to achieve Cost Savings/CO2/GVA improvement from implementing energy efficiency measures;
- Providing grants of up to £2,000 to 200 SMEs to implement energy efficiency installations (standalone or linked to larger renewable energy installations) based on identified need and the potential for a significant impact, which can be established through an Energy Performance Certificate (EPC) Assessment, or equivalent;
- Develop an evidence base to stimulate and inform the SME market as to the benefits/returns generated from implementing energy efficiency (and linked renewable energy) installations;

The model adopted is fully aligned to the approach being adopted through Green Deal, and fully integrated into the prevailing RHI/FIT regulations.

3.10 It was clear at the start of 2013 that these four applications alone were insufficient to achieve full commitment of the available resources, so the LMC at its January 2013 meeting approved the launch of a Bidding Round 6. It was agreed that this bidding round should have no application criteria, other than being eligible under the South East Operational Programme, in order to encourage as many outline applications as possible and to give the best possible chance of achieving full commitment.

3.11 The LMC were concerned that so few of the Round 5 bids had successfully got through the Project Selection Committee process the previous year. It was felt that the bids were not of sufficient quality to reassure the Committee and it was noted that the lack of project development resources in the South East Programme had not assisted potential applicants to address areas of concern at the outset and to submit better quality bids. The GDT was tasked with inviting the failed Round 5 bids to consider re-applying for ERDF funding and, if they were interested, to offer a project development advice session to be run by colleagues from another GDT. A number of the potential applicant organisations were interested and a series of one to one project development sessions led by project development experts from the East of England Programme were held in March and April 2013.

3.12 Round 6 was officially launched on 1 March 2013 with Outline Applications to be submitted by 30 April. Eight outline applications were received and two resubmissions from Round 5. From that pool of ten bids, seven were invited by the Project Selection Committee to submit full applications, and of the seven applications received, six proceeded to contract.

3.13 Details of these projects are as follows:

Water Advisory Team for Efficient Resource Recovery (WATERR)
Applicant: East Malling Research
ERDF grant contracted: £269,805
The WATERR project aims to assist 125 SMEs in the South East to manage and conserve water resources to improve profitability and enhance their environmental performance. The project will operate primarily in Kent, Sussex and Hampshire and businesses targeted will include tree and soft fruit growers, garden centres, plant nurseries, farm producers, irrigation suppliers and designers, technology suppliers and golf courses. These rural companies pay high costs for water supplies and often do not fully realise opportunities to make savings. The project addresses this issue by raising awareness of the environmental benefits of managing water to maximise economic gain and by providing on-site advice on conserving valuable water supplies which will help to protect the natural environment. In the absence of national and local schemes or EU subsidies, ERDF funding will be spent on providing an initial on-site review as part of an overall 12 hours of support through the project. Other support includes raising awareness of water management technologies and techniques through 12 water conservation workshops, 1:1 visits and surgeries. Baseline information will be gathered at the start of the work in order to measure reductions in water consumption per unit of production by 10% by June 2015.

Smarter Small Business Travel in the South East
Applicant: Sustrans
ERDF grant contracted: £521,655
The Smarter Small Business Travel project will implement measures to reduce the costs,

and resulting environmental impact, of small business generated journeys. A team of dedicated advisors will help innovate travel and transport practices within SMEs, providing tailored solutions that meet the needs of each business.

SMEs will be able to follow three different paths through the project according to their particular context and support requirements.

The rising costs of transport and travel can have a significant impact on a business. Almost half of SMEs (45%) are spending more than 10% of their annual budget on business travel. Drawing upon Sustrans' previous experience of businesses engagement (eg in Southampton and Cobalt Business Park) this tailored business engagement model will drive travel costs down and subsequently help improve business competitiveness.

Sustrans' team of advisors will guide SMEs through a unique 'customer journey'. This journey will assist SMEs in recognising the business case for travel behaviour change. The Sustrans Cycle to Work Standard, together with Workplace Travel Champions, will help ensure smarter, more sustainable, Small Business Travel in the South East into the future.

Low Carbon Plus

Applicant: Kent County Council

ERDF grant contracted: £1,171,308

Low Carbon Plus (LC+) is an integrated programme of financial assistance and business support to increase demand for low carbon technology, increase efficiency and grow businesses in the low carbon and environmental goods and services (LCEGS) sector in Kent and Medway.

It consists of two elements:

- Element 1: Steps to Environmental Management (STEM): This will offer advice to businesses to improve resource efficiency. This will be provided through a series of workshops, providing advice on carbon reduction measures and signposting to further sources of advice.

- Element 2: Low Carbon Plus Grants: This will offer grants of between £5,000 and £20,000 to SMEs within the LCEGS sector. All grants will be matched 50:50 with the private sector (either by the beneficiaries themselves or through loan or equity investment). LC+ Grants aim to unlock private investment in low carbon enterprises, recognising the additional risks that businesses operating in sectors using new or unproven technology present to investors.

  As part of the LC+ Grants offer, we will offer free advice to applicants on access to finance, regulatory compliance and business development, linked with referrals to a network of other support.

All beneficiaries will be encouraged to join the Low Carbon Kent Network.

South East Environmental Innovation Network (i-Net)
Applicant: The Design Programme (WSX Enterprise Ltd)
ERDF grant contracted: £619,158
The Environmental Innovation Network will foster market-led links between 3 universities with expertise in environmental / engineering fields and 150 businesses operating in or wishing to move into Low Carbon and Environmental Goods and Services (LCEGS) markets. The project will create an innovation ecosystem that encourages knowledge transfer, collaborative R&D and commercialisation projects and produces world class LCEGS companies in the SE region. Businesses benefit by accessing fast support from their network of industry leaders, Higher Educational Institutes (HEIs) and business advisers: the focus of the Environmental i-Net is to enable small businesses to access quickly and effectively the rich resource provided by universities so they can seize opportunities to create/improve new products and services, exploit new market niches, get to market quicker and grow. The Design Programme (WSX Enterprise Ltd) and their partners: Universities of Southampton, Portsmouth and Kent, and Future Solent, will provide practical business advice, highly targeted sectoral events, innovative business support mechanisms and local and sector network development. The project deliverables will be, by June 2015: • 150 SMEs will attend 10 events showcasing the expertise and innovation / knowledge transfer services available at the 3 universities • 80 SMEs will receive innovation support with specialist business development and academic staff from the universities (12 hours support) • 20 SMEs will receive more extensive support resulting in new innovation projects from which 20 case studies will be produced • 20 jobs created and safeguarded • £ 350K gross GVA • £ 280K net GVA • Online support systems and legacy products

Coordinated ReUse Makes Business Sense (CRUMBS)
Applicant: Southampton City Council
ERDF grant contracted: £335,150
CRUMBS is a test-bed programme that will improve business performance and reduce carbon emissions in Southampton through securing sustainable solutions to the management of business waste, developing the capacity of recycle-reuse-recovery organisations to expand and address market gaps, and establish a replicable model of service delivery that meets business demand elsewhere.

Cost remains the single biggest issue that prevents the private sector from proactively securing and implementing solutions to sustainable waste disposal and reducing CO_2 emissions. The CRUMBS project will provide 50 local businesses/SMEs with a range of information, advice and support services, including a regular waste collection and redistribution operation to divert a minimum 400 tonnes of surplus food, office furniture and equipment from landfill; saving 1,800 tonnes in CO_2 production by April 2015. Cost savings to business will generate growth, encourage the creation of jobs and contribute to an overall increase in regional GVA. Waste will be redistributed through a network of organisations supporting disadvantaged groups, charities and business start-ups.

Project outcomes and evidence of impact will be analysed in order to identify the critical growth factors required to achieve real and sustainable economic and environmental benefit and value through mainstreaming on practical completion.

Build Green

Applicant: City College Brighton and Hove

ERDF grant contracted: £214,098

Led by City College Brighton and Hove, working in partnership with Brighton and Hove City Council and the Chamber of Commerce, Build Green will improve the competitiveness and sustainable economic growth of South East construction and energy sector SMEs, whilst contributing to reducing the region's ecological footprint by advocating the use of sustainable energy and eco-construction practices.

Delivered in Brighton and Hove, Build Green's objectives are:

- To improve local SMEs' understanding/awareness of forthcoming construction projects and sustainable construction planning conditions, through information and awareness raising events and targeted networking for 200 SMEs
- To raise awareness of local authority procurement processes and equip local SMEs with the skills and information to tender for construction contracts, through procurement workshops and meet the buyer events attended by 200 SMEs
- To stimulate innovation by increasing knowledge and understanding of new and emerging eco-construction/sustainable energy practices, by holding expert-led awareness raising sessions, workshops and organising site visits to showcase new sustainable construction projects, attended by 200 SMEs
- To increase competitiveness and economic growth of 100 construction/energy SMEs through up to 12 hours of 1:1/group tailored business support with a focus on sustainable energy/construction practices, skills development needs and business growth

Cross Cutting Themes

3.14 The South East Programme has two cross-cutting themes that underpin all the actions undertaken as well as the approach to programme management and implementation:

- Environmental sustainability whereby actions should provide demonstrable positive environmental benefits

- Equality of opportunity whereby actions should promote equal opportunities for all and counter discriminatory practices.

3.15 These cross-cutting themes are a central part of the Operational Programme and have been reflected in the Programme's indicators and targets. They do not form a separate dimension to the delivery of the Programme. The Cross Cutting Themes are considered at every stage of the life of a project, from its development, application and delivery, to how it is monitored and evaluated.

3.16 The appraisal of projects considers the extent to which environmental sustainability and equality of opportunity objectives are integrated into project design and implementation plans.

3.17 Progress and outcomes with respect to the integration of environmental sustainability and equality of opportunity are the subject of monitoring and evaluation over the life of the Programme, and are covered by the Article 13 audit process to ensure satisfactory monitoring of environmental impacts and benefits.

3.18 The following indicators have been integrated into the Programme's indicator framework to monitor the environmental impact at a project level:

- Number of SMEs reducing energy, waste or water usage by 10%
- Reduction in road congestion and pollution levels
- Reduction in the rate of growth of the region's CO_2 emissions

3.19 On equal opportunities, data is being collected on the gender split for the indicator *Gross new jobs created* and current figures are reported on in section 2.1 of this AIR. All these indicators are included in the indicator table above in paragraph 3.5, and the Programme does not collect any further data.

Financial Engineering Instrument - South East Sustainability Loan Fund

3.20 The following information is provided as required by Article 67(2)(j) of Regulation 1083/2006. The South East Sustainability Loan Fund (SESLF) is a £4 million loan fund managed by South East Sustainability Limited (SESL). The Fund consists of £2 million of ERDF, matched with a further £2 million. The Fund is part of the ERDF South East England Competitiveness Programme 2007-13 to promote sustainable production and consumption. Finance South East (FSE) is the Fund Operator. The Fund provides match funding to existing sources of publicly funded loan finance for businesses in the South East, matching with either appropriate loan funds in the Funding Escalator or other publicly funded loan schemes for SMEs in the South East.

3.21 The Fund became active in April 2010. Twenty three loans have been approved totalling £1,866,400, but only seventeen loan contracts have been signed. The approved loans match six FSE Accelerator Fund loans, eleven FSE Commercialisation Fund loans, five Thames Valley Berkshire Expansion Loans and one Thames Valley Berkshire Commercialisation Loan.

3.22 The companies supported span a range of different sectors including:

- reduced vehicle emissions technology
- intelligent lighting controls

- domestic food waste recycling
- clean power technology
- micro renewable energy solutions
- innovative electrolyser technology
- smart parking devices
- optical measurement & inspection systems
- wireless electricity transmission
- wireless energy
- efficient electrolysers
- electro-mechanical energy storage
- advanced heat exchanger technology

3.23 Seventeen loans have been drawn down, eleven in full and six in part with total drawn down at 31 December 2013 being £804,000. Two loans have recently repaid in full (Bowman Power Group and Control Network Solutions) with four more scheduled to repay in full by the end of the first quarter of 2014. Loan repayments to 31 December 2013 total £453,000, while the Legacy Fund now stands in excess of £560,000.

3.24 The closure of the Accelerator Fund in March 2011 and the Commercialisation Fund in March 2012 with no new sources of alternative match funding available impacted on the number of loan contracts signed (the figure of 17 remained unchanged from 2012) and the achievement of output targets during the year. By the end of 2012, the Fund Operator was successful in securing £5.7 million match funding from Thames Valley Berkshire Local Enterprise Partnership. This amount is more than the project needs to spend all £2 million of ERDF by the end of 2014.

3.25 The Thames Valley Berkshire LEP match funding (two Funds) is allowing the deal flow to be progressed, with six loans approved during the year totalling £875,000. A full re-profiling of outputs, results and impacts was undertaken during 2013. This should allow the full £2 million of ERDF funding to be deployed by the end of 2014. Outputs will now be captured through to 31 December 2015, which is entirely sensible with new loans being made throughout 2014 and the inevitable delay before some loan recipients are able to generate measurable outputs.

3.26 Additional work to collect more of the results and impacts of the Fund is on-going. However with more than half of the funded companies to date being start-up/early stage it will take some considerable time before they contribute to many of the Fund's results/impacts, which further underlines the need for the re-scheduling exercise.

3.27 The indicator targets and actual achievements are set out in the following table:

OUTPUTS	**Target**	**Achievement**
Total number of businesses involved in programme	35	17
Number of businesses assisted to improve their performance	35	17
Number of businesses within the region engaged in new collaboration with UK knowledge base	13	1
RESULTS		
Number of businesses improving performance	18	6
Gross new jobs created	40	11
Numbers of businesses making financial savings from improved energy and resource efficiency	42	1
Number of businesses increasing percentage of turnover attributable to new and improved products by 5%	25	6
IMPACTS		

Net additional employment	25	11
Net increase in GVA (Million Euro)	2.4	0
Reduction in region's CO2 emissions (tonnes)	13,600	0

3.28 This report is accompanied by the FEI template as required by the Commission.

3.1.2 Significant problems encountered and measures taken to overcome them

3.29 As discussed in paragraph 2.7 the main problem encountered during the year was the achievement of sufficient spend to meet the Programme's N+2 target. Bidding Round 6 was launched in an attempt to contract further projects which might be able to start spending during the year and contribute to the Programme's expenditure. In the event activity in the new projects generally started too late to provide any significant spend, and the existing portfolio of projects failed to produce the required spend. Full details are given in Section 2.1.

3.2 Priority Axis 2 Technical Assistance

3.2.1 Achievements of targets and analysis of progress

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

3.30 Priority Axis 2 is the Technical Assistance priority for the South East Programme. Technical Assistance deals with two main areas of activity – the first is programme management; the second is programme support activities, such as staff management, implementation, monitoring and control of expenditure costs and evaluation, data analysis, research, information & publicity and other Technical Assistance support activities that may be required.

3.31 As explained in the AIR 2011, a contract was issued on 28 November 2012 to cover Technical Assistance expenditure from 1 July 2011 until 31 December 2015.

3.32 The following table summarises the financial progress for Priority Axis 2 at the end of 2013:

Priority Axis 2	Euros		
	Allocation	Commitment	Spend
	948,255	941,930	412,119

3.33 The following table shows the milestones set out in the Operational Programme, which were proposed to monitor the progress of Technical Assistance at Programme level and to be achieved by 31 December 2015:

Milestones	Target	Achievement
Events organised	20	16
Electronic newsletter published per annum	4	4

TA projects supported	**8**	**1**
Thematic evaluations undertaken	**4**	**2**

- **Qualitative analysis**

3.34 In accordance with the ERDF Operational Programme, the Technical Assistance project is being used to support the running of the programme. The project funds finance the management, monitoring, evaluation and control activities of the South East England Operational Programme, together with activities to reinforce the administrative capacity for implementing the funds. This includes funding the salaries of the staff in the South East ERDF Team from 1 July 2011 to 31 December 2015 to complete the administration of the SE ERDF Competitiveness Operational Programme. Effective administration and management of the SE ERDF Programme is crucial to the achievement of SE ERDF Competitiveness Programme achieving its objectives.

3.35 The main aim of the Technical Assistance project is to support the implementation of the Operational Programme, as defined in Chapter 8 (Implementing Provisions), and to ensure that the funds are used effectively and in accordance with the Regulations.

3.36 The primary outcome of the project is the successful implementation and delivery of the South East of England ERDF Operational Programme, the investment of its funding and achievement of its deliverables, during the period 1 July 2011 to 31 December 2015.

3.37 A Technical Assistance strategy was produced and endorsed by the LMC on 24 August 2012. Progress against this strategy is reviewed and revised annually by the LMC and the first report of Technical Assistance activity and progress was presented to the LMC at its November 2013 meeting.

3.38 The Technical Assistance project has committed all the allocated funds in the Priority Axis, with a second claim for reimbursement submitted during 2013. Further claims will be submitted during 2014.

3.39 The physical achievements noted in the milestone table above reflect cumulative activity up to 31 December 2011 and were not part funded by the current Technical Assistance project. From 1 July 2011 the South East ERDF Programme has been required to comply with DCLG Communications policy, which means that the SE ERDF Team are unable to compile electronic newsletters but are able to contribute to regular quarterly DCLG newsletters showcasing SE ERDF activity, nor are they able to hold events to the same extent as when SEEDA was the Intermediate Body.

3.40 There are no additional achievements against these milestones to report.

3.41 During the year the Audit Authority conducted an Article 16 audit of the Technical Assistance project, with its report issued on 30 September. The key issues arising from the audit were:

- Ineligible and Unsupported Claims - £424,536 of expenditure was tested, of which £420,727 was verified and £3,873 was deemed at risk. Following this finding £1,937 of ERDF was offset against Claim 2 to remove expenditure which either should not have been included in Claim 1 or which could not be supported by evidence.
- Separation of Duties – the Audit Authority recommended that the South East GDT ensured that a proper separation of duties was in place to sign off

aggregate claims for the Programme as a whole, and this point was addressed following the audit.

- Claim completion and Management Checks – following the audit the claim compilation and authorisation process followed by the GDT was fully documented.
- No Article 13 PEV / PAV visits had been undertaken – a PEV was conducted in early 2014 to address this finding.
- Staff Time Evidence – steps were implemented to ensure staff time spent on non-ERDF work is removed from salary claims.

3.42 The Audit Authority were able to close many of the findings by the end of the year, with further evidence submitted to them in early 2014 relating to the outstanding actions.

3.2.2 Significant problems encountered and measures taken to overcome them

3.43 There were no significant problems encountered in the implementation of Technical Assistance in 2013.

4. ESF Programmes: Coherence and Concentration

4.1 Not applicable.

5. ERDF/CF programmes: major projects

5.1 There are no major projects approved in this Programme.

6. Technical Assistance

6.1 See Section 3.2 Priority 2 Technical Assistance.

7. Information and publicity

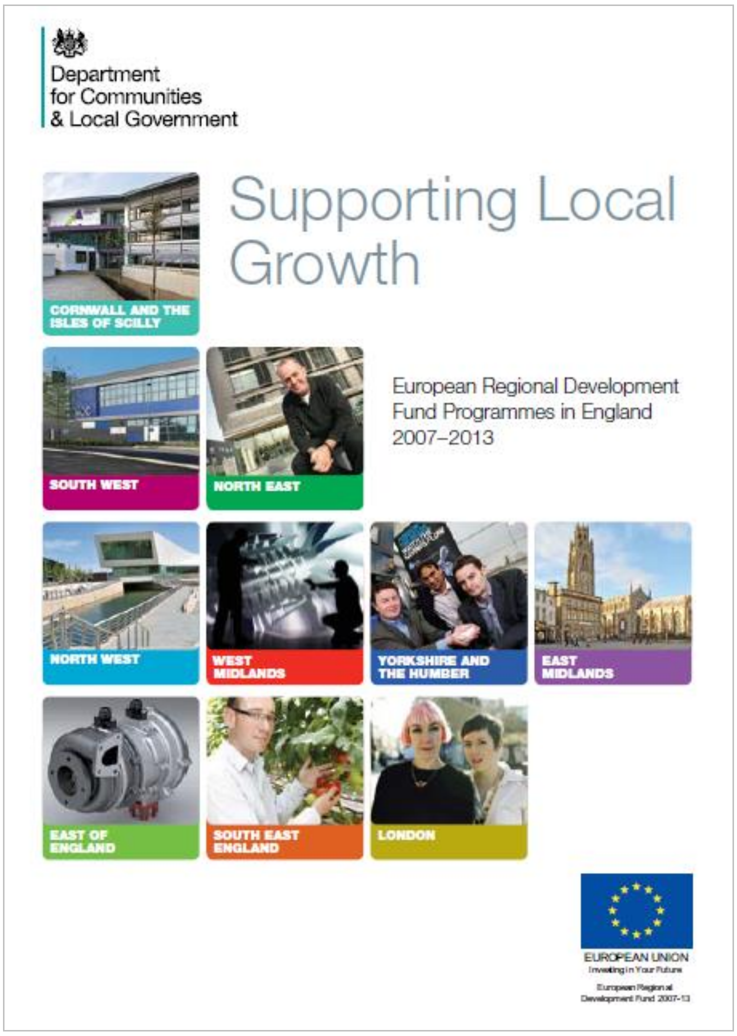
7.1 In 2011 the ERDF Programme's Managing Authority transferred from the South East of England Development Agency to the Department for Communities and Local Government. This has meant that an alternative source of match funding had to be identified in order to undertake activity to promote and publicise the ERDF Competitiveness Programme.

7.2 An ERDF Growth Delivery Team Communications Network (which the South East forms a part of) operates as the main advisory body to ensure that DCLG discharges its Managing Authority publicity responsibilities and ensures compliance with EC Regulations. The South East Growth Delivery Team contributed to the regular telekit meetings and is working as part of the network to support effective communications between DCLG Headquarters and the locally based teams to deliver effective ERDF communication activities.

7.3 Monitoring of publicity at a project level was undertaken during the year by the Article 13 auditor to ensure that projects were implementing properly the publicity requirements.

7.4 Communications activities undertaken during the year include:

- Website updates to provide up to date guidance, programme information and the announcement of the ERDF funding Round 6 in April 2013. It was not possible to hold a launch event because of budget constraints and limited resources.
- A list of ERDF beneficiaries of the South East Programme has been published on the new .GOV.UK website (see **ERDF South East list of beneficiaries May 2014** at https://www.gov.uk/erdf-programmes-progress-and-achievements)
- Participation within the DCLG ERDF Communications Network.
- Participation in the DCLG publicity activity including the One Department Day on 11 November 2013, the second annual event held at Eland House designed to enlighten all DCLG staff about the work of the Department including ERDF. The South East Programme participated in the ERDF stall with various Programme publicity materials, which was visited by various DCLG dignitaries. This event was very well attended and attracted positive feedback, and helped DCLG colleagues understand the ERDF Programmes and how various projects are delivering activity.
- Four projects supported by the South East Programme featured in the national case study booklet ***Supporting Local Growth*** published on the .GOV.UK website in April 2013: Pathway to Zero Waste, Sustainable Routes, Design and innovation for Business Sustainability and Plato: Sustain.



Cover of the national case study booklet published in April 2013

South East England

The ERDF programme value for the South East is €47.4 million (€23.7 million ERDF, €23.7 million public/private match), and priorities are innovation, technology transfer and sustainable productivity.

Pathway to Zero Waste

The European Pathway to Zero Waste (EPOW) is a partnership with the Waste and Resources Action Programme aimed at demonstrating the zero landfill approach in the South East of England. Pathway to Zero Waste, EPOW's forerunner, secured ERDF funding of £966,816 in 2010. It used the additional ERDF support to accelerate and expand delivery of many key projects, concentrating on construction and demolition waste, and to promote the outputs to a much wider audience.

Sustainable Routes

Sustainable Routes offered a grant of up to £1,000 to businesses (excluding franchises) with a turnover of at least £40,000 to cut travel costs by adopting new ways of working. ERDF funding of £941,833 ensured that businesses employing fewer than 250 people that had been trading for at least a year and were located in the South East of England (Berkshire, Buckinghamshire and Milton Keynes, Hampshire and the Isle of Wight, Kent and Medway, Oxfordshire, Surrey and Sussex) were given the opportunity to save money on travel.

Businesses who signed up benefited from a free staff survey, a personalised Travel Efficiency Plan and a match-funded grant of up to £1,000.

The project encouraged businesses to impact the bottom line, save money and help employees and the environment.

sustainable routes
Your route to a brighter future

From left to right: Tim Fenn – Green Factory Ltd, (Beneficiary of one of the Sustainable Routes grants and owner of the Velomobil), Luke Faulkner – Sustainable Routes Project Manager, Ralph Baker – Sustainable Routes Administrator and Heather Dean – Head of Business Support.

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Design and Innovation for Business Sustainability (DIBS)

DIBS works with SMEs across the South of England, helping them access the sustainable supply chains of larger organisations through £470,000 of ERDF funding. Advice covers optimising packaging impact, lifecycle analysis of the product or service, and optimisation of resources.

Epicurean Europe Ltd needed to refresh their packaging designs to meet sustainability standards for their leading clients. DIBS funded expert help which enabled them to win new business by improving their packaging designs, reducing packing waste by using lighter card, and sourcing material that could be printed on on both sides. DIBS also helped horticultural business *Eric Wall Ltd* to save the equivalent of around 306 tonnes of CO_2 and 28,000 cubic metres of water every year, as well as diverting 1,300 tonnes from landfill.

Eric Wall tomatoes

PLATO: Sustain

PLATO: Sustain is a business and personal development programme that helps SMEs to improve their business sustainability through peer group learning. Successes have included Premier Contract Supplies, which used to pay £7,000 per annum to send waste to landfill and now makes a profit from selling it. And Ellis Transport Consulting Ltd turned round two businesses after PLATO: Sustain helped them win global contracts.

Left and above: Waste recycling

For further information about ERDF achievements in South East England, see:
https://www.gov.uk/erdf-programmes-progress-and-achievements

Supporting Local Growth: European Regional Development Fund Programmes in England 2007-2013 19

*The South East case studies featured in the **Supporting Local Growth** publication*

Annex A: Case studies

The Sustainable Routes project which is being delivered by Ngage Solutions Ltd, is supported by £1.3 million of ERDF. It provides a fresh approach to working with SMEs to reduce their carbon emissions by encouraging the take up of green travel plans. The three main aims of the project are:

- To assess the triple bottom line impact (ie financial, social and environmental impacts) of an SME's business/personal travel;
- To provide SMEs with information about services which can reduce their carbon footprint, and increase their profitability and competitiveness;
- Provide SMEs with match funding of up to a maximum of £1,000 as a subsidy to encourage them to 'initiate positive action' to develop sustainable transport policies and positively influence their employee attitudes.

The project covers Milton Keynes, Oxfordshire, Buckinghamshire, and Berkshire, and offers a match-funded grant of up to £1,000 for each SME to help reduce their carbon emissions by reducing business mileage. The grant can be used for such things as consultancy on remote working infrastructure, developing flexible working policies, showers and bike racks, video-conferencing equipment and training, and LPG conversion.

SMEs are encouraged to register on the Sustainable Routes website, through which a large part of the initial engagement and benchmarking activities are delivered. Following registration, and application, SMEs are asked to provide a range of data which then automatically generates a tailored Travel Efficiency Plan (TEP) to the SME. SMEs also have the ability to engage in web-based discussions and forums to exchange ideas and knowledge transfer about sustainable travel, change their travel habits and save CO_2.

Following the implementation of the SME project, the impact of changes is benchmarked and the effectiveness of the project is evaluated. This follow-up identifies the changes implemented, the impact of that change, modal shift, the updated baseline data and identifies any further support needed. The benchmarking activity allows the development of a range of business cases to encourage more SMEs to implement a range of travel efficiency activities.

Independent consultants who evaluated the effectiveness of the project described Sustainable Routes as "a standout ERDF project. The project has been highly successful at engaging small and medium enterprises and raising awareness of the big difference that small changes in travel can make to businesses."

The Sustainable Routes project is contracted to deliver 330 new jobs, 720 businesses improving their performance and 2,800 businesses engaged in developing sustainable mobility strategies.

The following case studies showcase two SMEs which have been supported by the Sustainable Routes project and highlight the positive impacts simple solutions can have on small businesses.

1. Highcross

Highcross has expanded the shower and changing facilities at its Lakeside office buildings in Portsmouth, in a bid to encourage more people to leave their cars at home and cycle into work.

Match-funding for the new facilities was provided by Sustainable Routes, a European-funded grant scheme that assists businesses to reduce the cost of travel and lower their environmental footprint. Access to the funding was achieved with the help of Ngage Solutions Ltd, a not-for-profit company, which specialises in supporting businesses, individuals and communities, through leveraging grant funding and providing other practical solutions to meet local needs.

The opening of the brand new changing area, which includes five new showers, coincided with the business park's inaugural Bike to Work week and the formation of a Bike Users Group for Lakeside North Harbour.

Highcross and IBM also jointly fund a free shuttle bus, linking the business park with local train and bus stations, for people who want to use other sustainable ways to get to and from work.

Karen Tyrrell, sales and marketing manager at Lakeside added: "We are hoping that the opening of these additional facilities, and the recent great weather, will encourage more of our occupiers to look at greener ways of getting to work, or just take advantage of our wonderful surroundings, by going for a run at lunchtime or the start of the day."

2. C-Pro Direct

The installation of just one shower at a company in Kent has sparked a more sustainable way of thinking and saved thousands of miles in car travel.

C-Pro Direct were able to install a shower at their company headquarters thanks to a £1,000 grant from Sustainable Routes, something that has proved a resounding success.

Stella Morris, owner of C-Pro Direct, takes up the story. “We heard about the grant through the Federation of Small Businesses, and we wanted to go for it as soon as we heard about it. The grant has turned out to be a catalyst for change in our organisation.” After an application process that Stella describes as “very easy and straightforward,” C-Pro Direct had their shower installed, something that Stella is in no doubt has had a large and lasting effect. “The shower has definitely led to an increase in people cycling in to work, there’s no question about it. They just wouldn’t cycle in otherwise. The positive benefits we are seeing are such that I had no hesitation in recommending the grant to fellow businesses and friends.”

Staff at C-Pro Direct are now spending less money on petrol costs, and spending less time in the frustrating rush hour commute to and from work. With more staff than ever before cycling into work rather than driving in, the reduction in CO_2 emissions is also marked, and as healthier, more active workers can often lead to a happier, more productive workforce, C-Pro Direct and the environment are getting benefits they otherwise wouldn’t have received if it weren’t for Sustainable Routes