



25/06/2020

**To: Growth Programme Board (GPB) and Performance and Dispute Resolution (PDR) national sub-committee**

## **European Regional Development Fund (ERDF) Update and Response to COVID-19**

Since our last letter to you on 8 April 2020, we have continued to work across government, with you and our wider partnerships, and with the European Commission to develop further measures in response to COVID-19. This written update provides you with further information on progress and builds on the verbal updates provided at recent GPB and PDR meetings.

### **Progress to Date and CRII+**

In developing our COVID-19 response, we have introduced a range of flexibilities to support projects with implementation and ensured that payments continue to flow to those who are experiencing delivery difficulties at this time. Overall, we are pleased to say that we have maintained the volume of payments made by our teams, which will be subject to further verification later in the year.

We also wanted to make you aware of how the ERDF Programme is responding to two specific flexibilities provided by the European Commission in its Coronavirus Response Investment Initiative (CRII) and CRII+ regulations:

- **Greater flexibility to fund more of a project's costs (the 'intervention rate')**  
This is an emergency measure that enables us to fund up to 100% of a project's costs for a limited period. In most cases, match funding remains in place and will continue to be vital for ERDF projects. This flexibility means we can now fund a limited range of projects at a higher intervention rate, specifically COVID-19 response activities that address priorities across the country (eg. the Reopening High Streets Safely Fund described below) or business support projects that are wholly reliant on SME match funding.
- **Businesses experiencing short-term financial difficulties may be classified as Undertakings in Difficulty (UiD).** UiD were previously ineligible for ERDF support. EU regulations have now been permanently changed to allow ERDF to support UiDs where this is allowed under State Aid rules. We have updated our guidance and rules on this, which will enable more businesses to access important support at the current time.

## **New Priorities and Responding to the Impact of COVID-19**

Since the start of the COVID-19 crisis, we have been engaging with many of you and other stakeholders to consider how we can best respond quickly and effectively to the economic impacts of Covid-19. We wrote to you in May to explain the **£50 million Reopening High Streets Safely Fund** being rolled out across England, to help councils support their high street businesses and local businesses with advice and extra social distancing measures, as towns and cities start to reopen.

Further work is underway to develop a bespoke package of support for Visitor Economy businesses to help them adapt and improve their resilience. We are also developing other plans for providing further targeted support to businesses and communities in response to COVID-19, building on our strong record of funding business support and advice.

As we continue to work with our partners to move forward the ERDF project pipeline, we are also prioritising projects that provide immediate assistance to urgent Covid recovery needs. We expect that all projects in the pipeline will make a good contribution to local recovery plans.

We are now reviewing plans for utilising remaining unallocated ERDF funding, including the mechanisms by which we bring these to fruition. During June and July, we are developing investment options and will provide further information on our plans as they develop. Our considerations include:

- Available resource, taking account of new COVID-19 commitments such as the Reopening High Streets Safely Fund, and pipeline attrition (which will release money to a variable timescale);
- Ongoing need to manage foreign exchange fluctuations which can have a significant impact as the programme approaches full commitment;
- Addressing emerging recovery funding requirements, such as additional business support, sectoral or thematic needs;
- Alignment with other government initiatives and local recovery plans to support the economy;
- Capacity to administer and operate calls for proposals (both within MHCLG and potential applicants), as well as timing of approvals.

As we have discussed, the current circumstances and remaining programme timescale mean that we no longer expect to launch England-wide Reserve Fund calls for proposals and will instead be using more targeted and rapid ways of funding remaining activities, such as through a commissioning model.

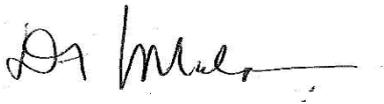
## **Updates and Developments**

At the end of March we created a [COVID-19 ESI Funds page](#) on GOV.UK to provide the latest information on our response and key information for grant recipients

delivering ERDF projects. This houses a Q&A which we continue to update regularly. This is supported through our [programme bulletins](#) and [Twitter](#) profile ensuring messages are widely shared with our partners.

We will continue to keep you updated with progress on our activities, including investment options for remaining unallocated ERDF. We want to take this opportunity to thank you again for your support to ensure that ERDF delivers for our communities during this period and beyond.

Yours sincerely,



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