



European Union

European Structural
and Investment Funds

**European Structural and Investment Funds
2014 - 2020**

Growth Programme for England

ESI Funds Growth Programme Board

ERDF MA Programme Delivery

Purpose:

To advise the sub-committee members on progress with European Regional Development Fund (ERDF)

Programme delivery to 30 June 2018.

Recommendation(s):

That members note the current position.

Summary:

Overall Progress on Contracting

As at 30 June, 548 projects (including 5 financial instruments (FIs) with ERDF funding of £1,407m have been contracted. This represents 49% of the programme budget.

Compared to the previous quarter, to 31 March 2018, this is an increase of 30 contracted projects, for an additional £60m ERDF.

At the end of June there are 532 applications currently being assessed for £1,024m ERDF (including 2 FIs). This represents an additional 36% of the programme budget.

Overall Progress – Expenditure

The managing authority's (MA) focus remains on supporting partners to submit claims in a timely way. Cumulative claims paid by the MA total £357m to 30 June 2018, an increase of £84m from the 31 March 2018 total.

Targets and Programme Performance

At the beginning of the year, the MA advised that the n+3 target was challenging, this was further exacerbated by a change in the exchange rate which increased the target by 15%.

Whilst the target remains challenging, revised n+ 3 analyses suggests that the target will be met and exceeded.

MA contract managers have worked closely with projects to ensure that claims are

submitted on time and on profile. A continuous improvement project has also put forward suggestions to improve claim processing time, with a list of pilot projects identified. Data from quarter two claims will be closely scrutinised as these are processed to identify trends and possible areas for further improvement.

Please Note: Information relating to the PA's that WLEP deliver have been highlighted in red so that you can easily compare performance against the national position

Overall Progress by Priority Axis (PA)

The *forecasts* from projects already contracted suggest that **Priorities 1** and 7 will meet their 2018 performance framework targets across all categories of region for both expenditure and outputs. **Priority 3** continues to perform well in terms of expenditure and outputs however the forecast expenditure has dipped slightly for transition regions.

Priorities 2 and 4 are forecasting to meet all of their output targets across all categories of region. **Priority 2** is however showing a shortfall against its transition region expenditure target (44% against the target of >85%) and **Priority 4** is lagging behind on both transition and more developed region expenditure targets (26% and 47% respectively).

Priorities 5 and 8 are significantly below the performance framework expenditure targets although Priority 8 has achieved 100% of its performance reserve output targets.

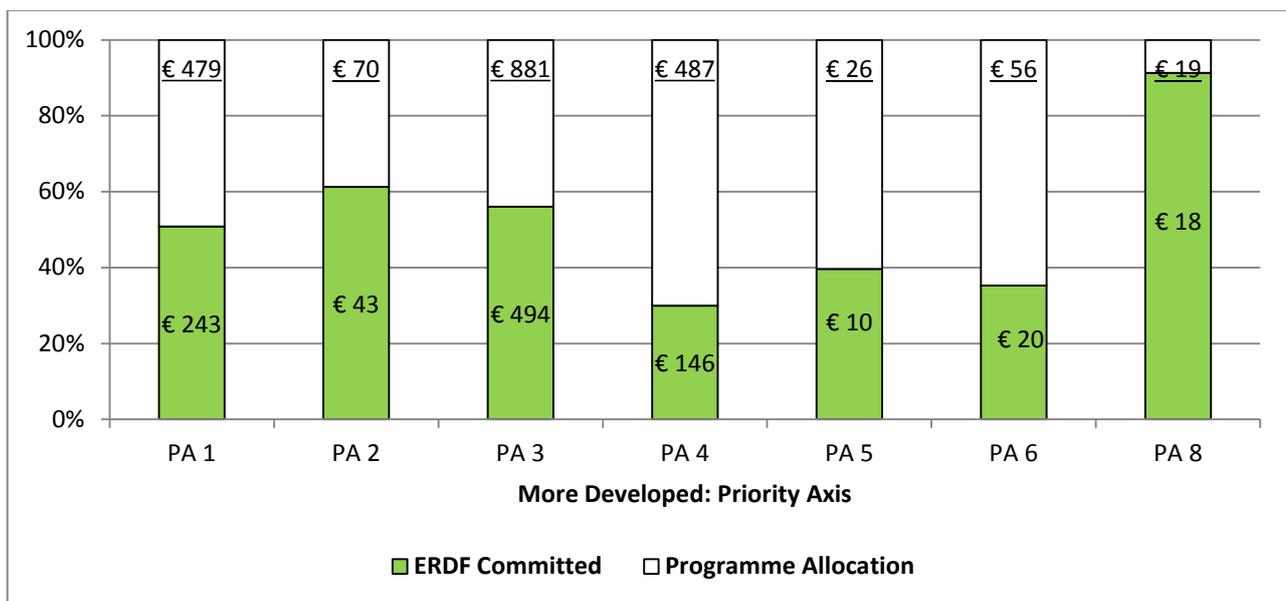
Priority 6 continues to present a mixed picture, *forecasts* indicate that less developed area expenditure and output targets will be met; transition region expenditure targets will be missed but outputs exceeded and the more developed region lagging behind on both expenditure and outputs.

Programme Budget & Contracting

By Category of Region

1. The charts & tables below show the contracted % by category of region and priority axis.

More developed region: ERDF contacted by priority axis (€m)



2. The chart shows that PA 2 and 3 have exceeded 50% funds contracted, with PA1 now 50% contracted. PA8 is now 95% contracted. PA4 stands at 30% contracted with PA6 improving from 18% contracted to 36% during the last quarter. PA5 has also shown significant improvement, increasing from 15% to 38%. Despite this improvement the low overall contracting rates still impact on the ability to achieve the 2018 performance framework targets.

N+3 Decommitment Rule

3. The European Commission (EC) will automatically decommit funds for which it has not received an acceptable payment request by the end of the third year following approval of the operational programme.
4. The England Operational Programme (OP) was approved in 2015, therefore the budget stated in our OP for this year has to be defrayed by the applicant as eligible expenditure and submitted in a payment application to the EC by 31 December 2018 (with adjustments made for pre-financing). This process then applies cumulatively to future years of the programme in the same manner.

5. The N+3 target at OP level for 2018 is €573m (or £515m @ 0.9ER). The change in the exchange rate from 0.78 to around 0.9 has meant an increase of £68m in the current 2018 N+3 target.
6. Four payment applications to the EC, totalling €245m, have now been made by the certifying authority. A further payment application is scheduled for September.
7. The 'N+3 Performance' forecast analysis (see table below) has been amended to reflect assessments from heads of teams and contract managers. It is felt that this analysis would be more accurate than simply relying on forecasts from contracted projects, which may be out of date.
8. A number of scenarios have been modelled with the table below setting out the 'realistic case'.
9. The analysis suggests that the N+3 2018 target will be met and exceeded, but this will depend on expenditure from September 2018 claims.

	N+3 Performance	Realistic case £m
A	Target @0.9 exchange rate	£515.5m
B	Gap to N+3 (Target minus total paid claims as at 30 June 18)	£91.6m
C	Actual and Estimated spend + Financial Instrument drawdown to 30 June 18	£465.0m
	Position Post June Quarter Actual and Estimated (A- C)	-£50.5m
D	Estimated spend + FI drawdown in July to Sept Qtr 18	£155.5m
E	Plus A125 held	£40.4m
	Estimate Outturn N+3 (A-C-D+E)	£145.4m

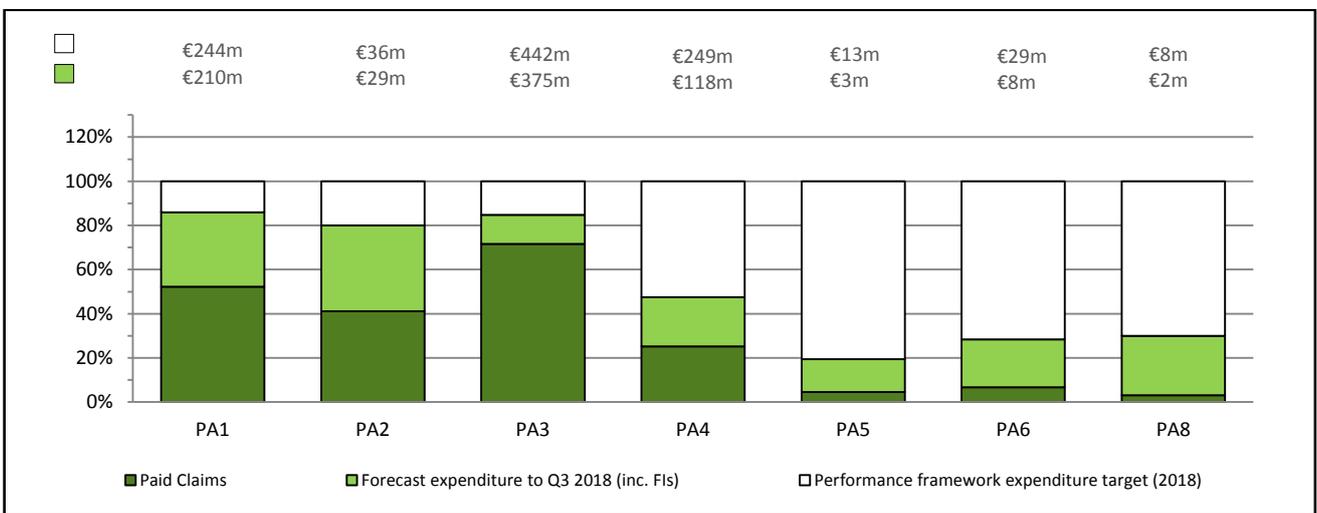
Progress against Performance Framework Expenditure Targets and Outputs

10. The targets in the charts reflect the modification targets to be achieved by December 2018. The targets are set at category of region level and by priority axis (PA). The EC deems the individual target to have been met when 85% or above has been achieved.

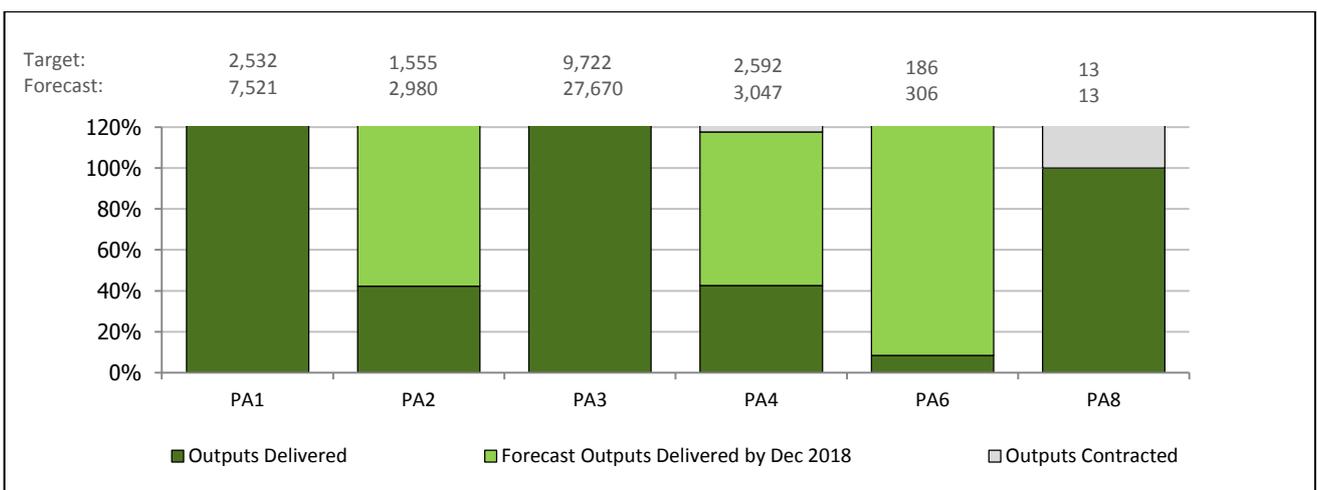
- 11. The forecast expenditure from contracted projects has been reduced by 30% for all projects except financial instruments.
- 12. The forecast outputs from contracted projects have been reduced by 20% for all projects.
- 13. The reductions are based on anecdotal evidence from the 2007-2013 ERDF programme for expenditure and output slippage rates.

More developed regions:

Forecast expenditure from contracted projects (less 30% non FIs) against 2018 targets including paid claims (€m)



Forecast performance framework outputs from contracted projects (less 20% all projects) against 2018 targets including outputs claimed



Commentary - More developed regions

- Only PA1 and PA3 are forecasting to achieve the 2018 performance framework expenditure targets. PA2 is forecasting to achieve 80% of the target however PAs 4,5,6 and 8 remain some way short.
- In terms of actual expenditure performance during the period up to 30 June, PA1 and PA3 have continued to perform strongly - rising from 43% to 52% (PA1) and from 56% to 72% (PA3)
- PA1 now joins PA3 and PA8 in meeting the performance framework output targets, increasing from below 80% to 127% during the period up to 30 June 2018. PA3 has also seen strong performance during the quarter.
- PA2 has improved significantly during the last quarter, increasing by over 20% to 42% of the performance framework output targets, but is still lagging some way short. PA4 shows a similar picture.
- PA6 remains a long way short of the performance framework output targets, having delivered only 8% to date.

Programme call schedule

14. A new call round was published during March 2018 for £334m. Additionally, further call rounds have been pencilled in for October 2018 and March 2019.