



Worcestershire ESIF Sub-Committee

Agenda Item 4: ERDF Performance Management

Purpose:

To provide the ESIF Sub-committee with management information to show progress against spend and output targets at the LEP area level

Recommendations:

That members of the sub-committee note:

Allocations

1. The performance management information now reflects the allocation adjustments that have been made as part of the Operational Programme modification.
2. For Priority Axis 1 (Innovation), the total amount currently under consideration represents 92% of the total allocation at 100% (2023 target). This leaves £357k left to allocate before the end of the programme. To date, 19 of the 30 C1 2018 Performance Framework Output Targets have been achieved.
3. For Priority Axis 2 (ICT), the total amount currently under consideration represents 90.9% of the total allocation at 100% (2023 target). This leaves £112k left to allocate until the end of the programme. No Performance Framework Output Targets have yet been achieved.
4. For Priority Axis 3 (SME Competiveness), the total amount currently under consideration represents 99.99% of the total allocation at 100% (2023 target). This leaves £1k left to allocate until the end of the programme. To date, 122 of the 196 of the C1 2018 Performance Framework Output Targets have been achieved.
5. For Priority Axis 4 (Low Carbon), the total amount currently under consideration represents 95.4% of the total allocation at 100% (2023 target). This leaves £298k left to allocate until the end of the programme. The C1 and C34 2018 Performance Framework Targets have been achieved.
6. For Priority Axis 6 (Environment), the total amount currently under consideration represents 88.4% of the total allocation at 100% (2023 target). This leaves £163.2k left to allocate until the end of the programme. No Performance Framework Output Targets have yet been achieved.

7. The total amount of ERDF currently under consideration across all Priority Axes represents 96.6% of the total allocation at 100% (2023 target). This leaves £931k left to be allocated in the LEP until the end of the programme.

7. The total amount of ERDF claimed to date across all Priority Axes is £11.16m. This leaves a balance of £2.71m to be claimed to meet the 2018 Performance Framework Target.

Background

8. This paper explains the four sets of spend and output targets which will be used to measure the effective delivery of the European Regional Development Fund Operational Programme. The associated annex provides a management information report to show current progress against the associated LEP level spend and output targets. **The report reflects the position of the pipeline at 31st May 2018**

Spend and output targets

9. There are four main sets of spend and output targets which will be used to measure performance. They are:
- N+3 targets which are measured annually from 2018 across each category of region across the whole programme;
 - Output targets in the Performance Framework measured at Priority Axis level in 2018 and 2023;
 - Spend targets in the Performance Framework measured at Priority Axis level in 2018 and 2023; and
 - Output and result targets at Investment Priority level which will be measured in 2023.
10. The Commission will be measuring achievement of these targets at the level of England, as this is the level of the Operational Programme. However, as delivery is through the 39 LEP area level notional allocations, achievement across England will depend upon effective delivery at the LEP level. As a consequence, N+3 and performance framework spend and output targets have been set at the LEP area level against which progress will be measured. These are set in proportion to the targets at national level.

N+3 targets

11. N+3 targets require allocated funds to be spent by applicants (and claimed by the Managing Authority from the Commission) by the end of the third calendar year after they were allocated from the EU budget. Achievement will be measured annually at programme and category of region level from 2018. If national N+3 targets are not met then the EU will de-commit underspend for the relevant category of region from the Operational Programme. This will reduce the amount of funding available for new projects to come forward.

12. LEP level N+3 targets were communicated on 10th February 2016 and will be included in future iterations of the management information report.

Performance framework targets

13. There are three types of performance framework targets: output, implementation steps (milestones); and spend targets. These are measured at the end of 2018 and the end of 2023. They are measured for each category of region at priority axis level.
14. Achievement of the Performance Framework spend and output triggers the release of the Performance Reserve, which is 6% of the notional allocation in each Priority Axis in each Category of Region. The Performance Reserve targets must be met by the end of 2018 and are assessed and confirmed as having been met in discussion between the European Commission and Member State between January-August 2019.
15. All LEP area notional allocations already include the 6% Performance Reserve. As we will not know whether or not we qualify for the Performance Reserve in each Priority Axis in each Category of Region until August 2019, commitment at the LEP level has therefore been capped at 94% of notional allocations per Priority Axis and Category of Region. This cap is shown within the management information reports.

Priority Axis Investment Priority targets

16. There are two targets at this level, output and results targets. These are provided in the Operational Programme at Investment Priority level under each Priority Axis. Although there is no direct reward or sanction for achieving these, the Commission may consider failure to meet these targets as symptomatic of failure in the general management and control of the programme and may act as appropriate in response.
17. Only outputs in the Performance Framework trigger the release of Performance Reserve. There is one output listed for each priority axis under the Performance Framework. Outputs that do not contribute to the Performance Framework are also important as they help deliver the full range of activities agreed in the ERDF Operational Programme and provide an indication of the type of outputs that the programme is seeking to achieve under each priority axis. The Commission will hold the Managing Authority to account for the delivery of these programme outputs at programme closure.

How performance will be measured

18. At this stage, the priority for all LEP areas is to ensure that they meet the priority axis level Performance Framework targets in 2018 as failure to do so will put at risk release of the performance reserve under the relevant priority axis for all LEP areas in that category of region.
19. For information, we also provide forecast performance against the 2023 targets, although partners will note that the majority of projects are only being funded for three years (up to end of 2019), and a second phase of projects will therefore be contracted later on in the programme cycle to

ensure support is available throughout the seven year programme lifecycle. It is not therefore advisable to commit the whole 94% at this stage.

20. All financial targets are set in euros within the operational programme. The sterling value of the targets will therefore fluctuate with the exchange rate. DCLG will update the LEP level allocations and targets twice a year to reflect fluctuations in the exchange rate.
21. The attached management information reports provide forecasts against the performance framework targets based on the current suite of projects selected under the Worcestershire LEP allocation.
 - **Annex 1** provides summary of progress against Notional Allocations at 100%
 - **Annex 2** provides a summary of progress against financial performance targets
 - **Annex 3** provides a summary of slippage by PA, as of the end of Q3 2017
 - **Annex 4** provides a summary of progress against output performance framework targets

Current Performance – Key Messages

Progress against Notional Allocations at 100% – ERDF Only (Annex 1)

23. Of WLEP's total allocation, 96.6% is currently under consideration or contracted. If all current applications are taken forward, then this will leave just over £931.7k to allocate across all PAs to achieve the 100% allocation target.

24. For PA1 (Innovation), the total amount currently under consideration is £4.11m – 92% of the allocation.

25. For PA2 (ICT), the total amount currently under consideration is £1.13m – 90.9% of the allocation.

26. For PA3 (SME Competiveness), the total amount currently under consideration is £13.59m – 99.99% of the allocation.

27. For PA4 (Low Carbon), the total amount currently under consideration is £6.14m – 95.4% of the allocation.

28. For PA6 (Environment), the amount currently under consideration is £1.25m – 88.4% of the allocation.

Progress against financial Performance Framework targets – Total Eligible Costs (Annex 2)

29. To successfully deliver the required 2018 target, each Priority Axis must achieve at least 85% of the target values at a national level. This would result in the 6% performance reserve being released. Below 85% will result in the performance reserve not being released to the Priority Axis. Below 65% could result in the European Commission suspending payment to a Priority Axis by Category of Region.

30. For PA1, the cumulative contracted to spent by Q3 2018 is £2.75m. This represents 120% of the 2018 Performance Framework Target (£2.28m). To date, £1.98m has been claimed with an additional £763k forecasted to be claimed by Q3 2018.

31. For PA2, the cumulative contracted to be spent by Q3 2018 is £285k. This represents 45% of the 2018 Performance Framework Target (£633k). To date, £16k has been claimed with an additional £268k forecasted to be claimed by Q3 2018. The priority is not forecasted to achieve the Framework Target.

32. For PA3, the cumulative contracted to spent by Q3 2018 is £11.45m. This represents 165% of the 2018 Performance Framework Target (£6.94m). To date, £7.63m has been claimed. An additional £3.82m is forecasted to be claimed by Q3 2018.

33. For PA4, the cumulative contracted to be spent by Q3 2018 is £3.67m. This represents 112% of the 2018 Performance Framework Target (£3.29m). To date, £1.53m has been claimed with an additional £2.14m forecasted to be claimed by Q3 2018.

34. For PA6, there is no cumulative contracted to be spent by Q2 2018. The project will have to claim £721k by Q3 2018 to meet the Performance Framework Target.

35. For all Priority Axes, the cumulative contracted to be spent by Q3 2018 is £18.16m. This represents 131% of the 2018 Performance Framework Target (£13.87m). To date, £11.16m has been claimed with an additional £6.99m forecasted to be claimed by Q3 2018.

Slippage Position to the end of Q1 2018 (Annex 3)

36. For PA1, there is a 30.75% variance between actual certified claims (£1.45m) and contracted profile (£2.01m). The Priority Axis has underspent by £645k as of the end of Q1 2018.

37. For PA2, there is a 100% variance between actual certified claims and contracted profile (£34.5k). The next claim submission will include costs defrayed in Q1 2018.

38. For PA3, there is a 25.51% variance between actual certified claims (£6.85m) and contracted profile (£9.19m). The Priority Axis has underspent by £2.35m as of the end of Q1 2018.

39. For PA4, there is a 52.04% variance between actual certified claims (£1.08m) and contracted profile (£2.25m). The Priority Axis has underspend by £1.17m as of the end of Q1 2018.

40. Overall, there is £4.26m in underspend – a 31.12% variance between actual claimed (£9.44mm) and contracted profile (£13.70m). This is above the Managing Authority's 15% tolerance threshold.

41. Meetings have been held with all projects that have shown slippage of over 15% for two consecutive quarters. In most cases, Project Change Requests have been submitted to amend the spend profile. However, there is likely to be a few instances where projects will have made a request to de-commit some of their grant award.

Progress against Output Performance Framework Targets (Annex 4)

42. To successfully deliver the required 2018 target each priority axis must achieve at least 85% of the target values at a national level. This would result in the 6% performance reserve being released. Below 85% will result in the performance reserve for not being released to the priority axis. Below 65% could result in the European Commission suspending payment to a priority axis by category of region.

43. For PA1, the contracted indicators to be delivered by Q3 2018 are 45 C1 Outputs. This exceeds the 30 C1 Performance Framework Target. To date, 19 C1 Outputs have been achieved.

44. For PA2, the contracted indicators to be delivered by Q3 2018 are 15 C1 Outputs. This exceeds the 5 C1 Performance Framework Target. To date, no C1 Outputs have been achieved.

45. For PA3, the contracted indicators to be delivered by Q3 2018 are 960 C1 Outputs. This exceeds the 196 C1 Performance Framework Target. To date, 122 C1 Outputs have been achieved.

46. For PA4, the contracted indicators to be delivered by Q3 2018 are 338 C1 and 3695 C34 Outputs. This exceeds the 44 C1 Performance Framework Target. There is no target for C34 Outputs. To date, 134 C1 Outputs and C34 285 have been achieved.

47. There are currently no contracted Outputs for PA6 at this time. The Love Your Rivers Full Application will be issued a Funding Agreement in due course. The project will need to achieve 6 C23 Outputs by Q3 2018 to meet the Performance Framework Targets.

March 2018 Calls

48. Calls for PA3 and PA4 launched in March. Below is a list of the applications that came forward.

49. These will be reviewed at the ESIF Sub-Committee in due course.

LEP Area	Status_calculated	Project	Priority Axis	SumOfedrf	SumOftotal
Worcestershire	Outline	Worcestershire SME Growth Programme	3	£1,280,000	£2,560,000
Worcestershire & the Marches	Outline	Low Carbon Opportunities Programme Extension 2019 - 2022	4	£1,721,487	£3,333,953
Worcestershire	Outline	Public Sector Energy Programme (PEP)	4	£1,412,685	£2,876,000
Worcestershire	Outline	Worcestershire Business Central – Growth Hub	3	£300,000	£600,000

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