



**European Union**

European Structural  
and Investment Funds

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

**Growth Programme for England**

## **ESI Funds Growth Programme Board**

### **ERDF Programme Delivery**

#### **Purpose:**

To provide the Board with progress on European Regional Development Fund (ERDF) programme delivery to date and next steps following the referendum result.

#### **Recommendation(s):**

That the Growth Programme Board notes the current position.

#### **Summary:**

##### ***Overall Progress on Commitment***

- The overall budget for the ERDF programme is £2.704bn.
- To date four national calls have been completed across England.
- The Programme has 594 applications worth £1.6bn ERDF, some of which have progressed to live projects. Including seven Financial Instruments, these applications represent 58% of total Programme value as of 31/07/16
- The progress on individual Categories of Region is as follows:
  - Less Developed has applications worth £255m ERDF (75%) of allocation
  - Transition at £408m (51%)
  - More Developed at £913m (58%)
- A total of 130 projects have funding agreements in place for a ERDF grant value of £222m

##### ***Overall Progress by Priority Axis***

- Based on the current management information, in general the forecast commitment position across most Outputs is on track. The notable exceptions are PA2 - ICT More Developed Areas and PA6 More Developed and Transition Areas.
- On pace of contracting, some issues are now beginning to emerge. This is particularly true for More Developed and Transition Areas. Absence of calls contributes to the gap. The position is notable under PA3 for More Developed and Transition Areas.
- On PA4, Less Developed forecast commitment is well above profile but More Developed and Transition areas are behind with gaps in the latter particularly concerning. Without future calls and assuming the Performance Reserve is a key driver, PA4 is a concern. Revised eligibility guidance has been issued by the MA in July 2016 which would apply to future calls.

### ***Overall Progress – Expenditure***

- Eight claims have been received to date from projects.
- No declarations have been made to the European Commission so far. These will be made once designation of the Managing Authority is in place, which is expected in the autumn.

### ***Targets and Programme Performance***

- The performance framework targets are set by category of region and priority.
- The planning assumptions are to achieve targets through spend on projects by 30 September 2018. Due to expected slippage in project spend forecasts, timing risk associated with declarations and spend held up by audit work the MA is overcommitting. This overcommitment will support achievement of the 2018 spend targets.

### ***Programme Highlights and Progress***

- The referendum result led to a pause in the processing to contract of applications. Following the lifting of this six week pause there is expected to be a jump in the number of legal contracts being signed.
- The Treasury has announced that all contracts signed by the time of the Autumn Statement will be honoured. Importantly this will allow financial instruments to progress with five year project timescales.
- Applications received from the April call have been asked to submit full applications by no later than 30 September.
- Discussion on future calls pre and post the Autumn Statement are underway.

### ***Issues and Areas for Improvement***

- Improvements are underway in collecting, streamlining and quality assuring management information particularly as ECLAIMS is not yet fully functional. The GPB Performance & Dispute Resolution sub-committee is looking at Programme level performance in more detail. The group met last month.
- As noted at the last meeting further specific training on continuous improvement has recently been implemented with an aim to improve quality and efficiency. As a result the full application form and associated appraisal document have been streamlined.

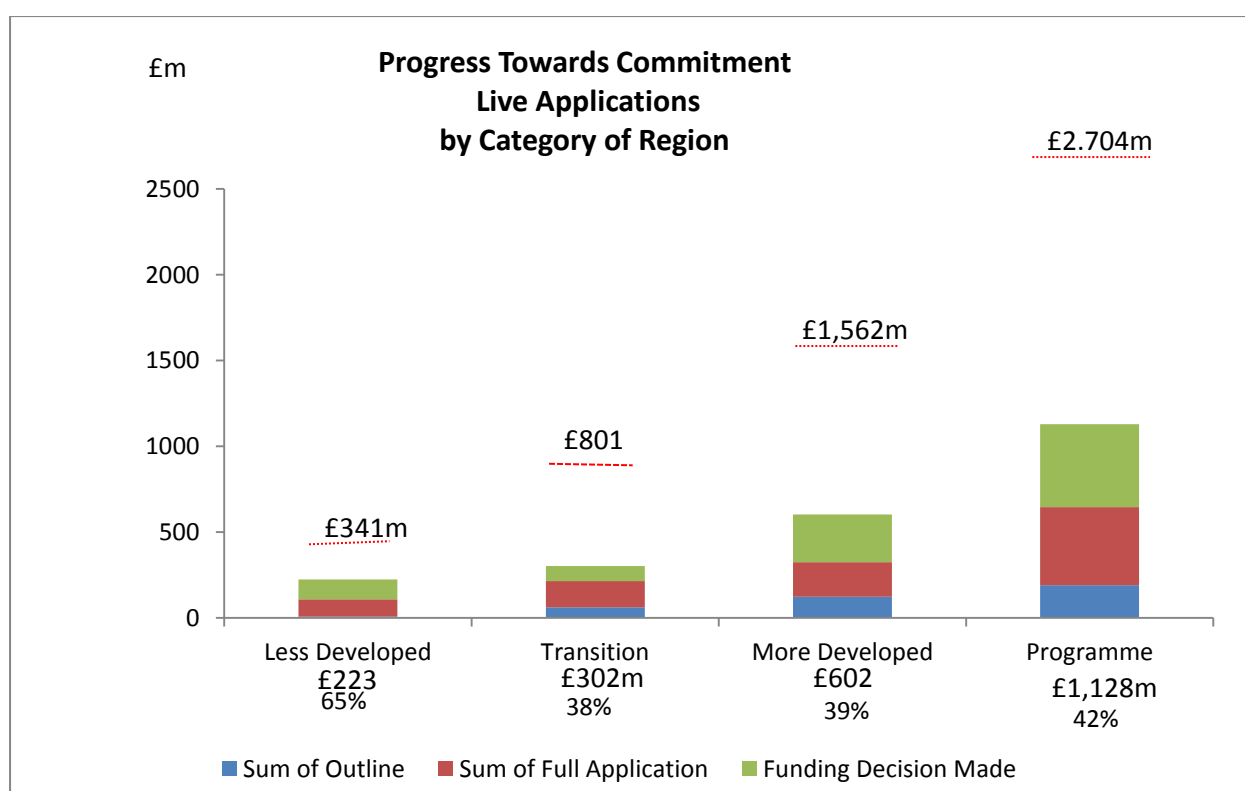
## Background

1. The 2014 to 2020 European Structural and Investments Funds Growth Programme was launched in 2015 and sees a national European Regional Development Fund programme with investment spread across a number of Categories of Region (CoR - Less Developed, Transitional and More Developed) and Priority Axes (PAs). This paper sets out progress on delivery of the Operational Programme across England.

## Overall Progress on Commitment of Funds

2. The Chart below show progress towards commitment by category of region excluding financial instruments as of 31<sup>st</sup> July 2016.

**Chart 1**



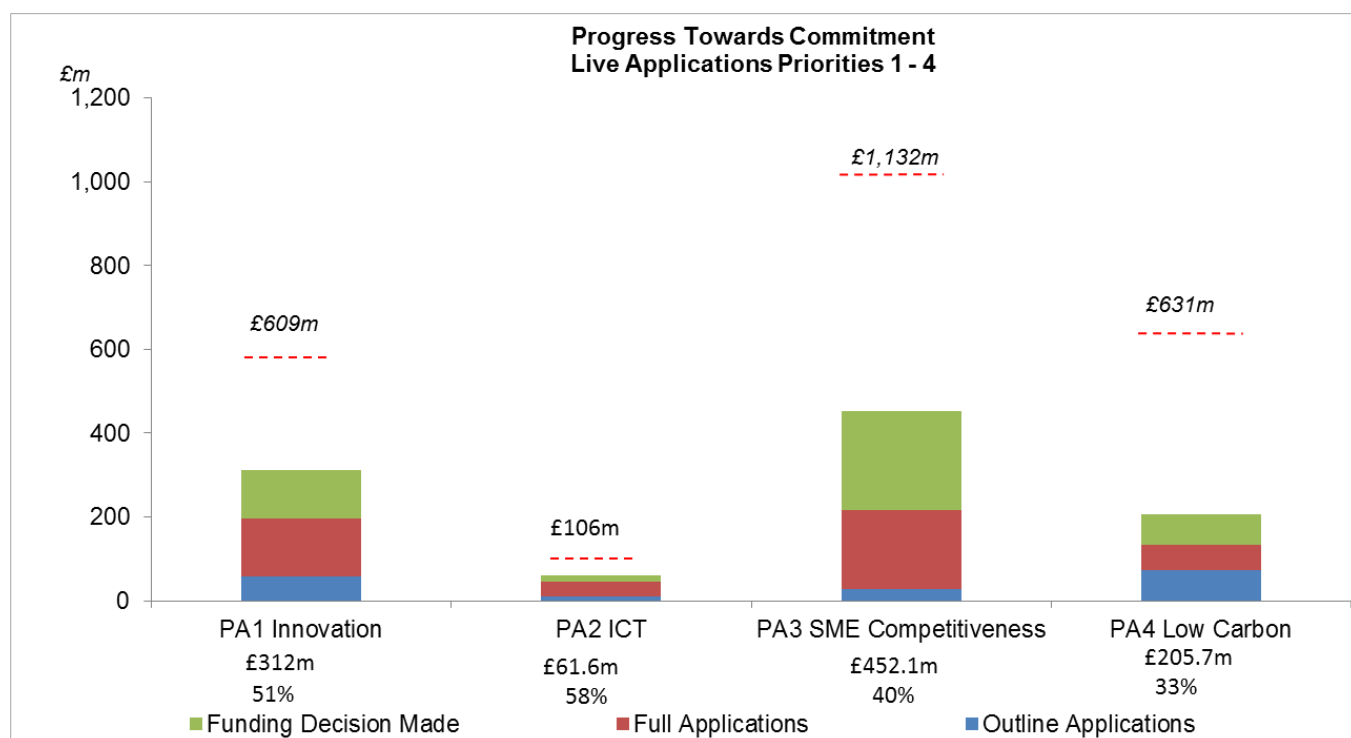
3. The chart shows that we have £1.12bn of live applications either at the Outline stage, Full application stage, or where a funding decision has been made. This amounts to 42% of the total Programme allocation of £2.704bn.
4. Some 83% (£938m) of these live applications are either at Full Application or the stage where a funding decision has been made. So here is a high level of confidence that these projects will result in commitments through funding agreement.

## Overall Progress by Priority Axis

5. Chart 2 below shows progress towards commitment for priorities 1, 2, 3 and 4.

6. Priorities 1 to 4 account for 91% (£2.48bn) of the allocation. The chart provides an analysis of progress against each of these.
- Priority 1 has live applications totalling £312m or 51% of the Priority's allocation.
  - Priority 2 has a 58% allocation
  - Priority 3 has a 58% allocation with a number of applications already contracted
  - Priority 4 Low Carbon has an allocation of 40%.
7. In addition to the above c£500m (€640m) of Financial Instruments are currently being considered which are not included in the above figures and will make a significant contribution to progress against programme targets and outcomes.

**Chart 2**



### Overall Progress - Expenditure

8. To date eight claims have been paid. Applicants are working with GDT colleagues to resolve outstanding issues relating to expenditure or from compliance visits, prior to submission of claims.
9. Declarations to the EC will be made once designation of the Managing Authority is in place which is expected in the autumn.

### Performance Framework Targets

10. The first set of key expenditure targets for the performance framework of the national Operational Programme to be achieved by December 2018 are:

Category of Region	ERDF Target (€)
More Developed	€665m
Transitional	€340m
Less Developed	€145m

## Project Profile

11. The value of the 130 live funding agreements is €222m.

## Target Actuals

12. As mentioned above the expenditure is limited to date, however once claims are completed by projects and processed, for the end of the quarter to 30 June expenditure will increase.

13. The performance framework targets are by category of region and priority area. To simplify the picture the following charts provide a high level analysis by category of region.

14. The performance framework target is achieved by declaring cumulative spend to the EC which meets the 2018 target before 31 December 2018. Each chart defines the progress required.

- The red line indicates the required cumulative expenditure over time.
- The blue line defines the commitment require in contracted projects. Clearly there is a lag between contracting and expenditure for ERDF projects which on average run over a three year period.
- The red dotted line indicates the target for the performance framework.

15. Importantly the plans to meet targets have considered declaration and assurance risks. The target defined is +30% above the actual agreed Operational Programme Performance Reserve spend target. Why?

- Because “spend” in this context is defined as monies paid to projects and claimed from the Commission, i.e. “declared”. Project spend subject to audits or assurance checks which are not concluded cannot be included in declarations to the EC.
- The contracted spend profile (red line) is the spend paid by DCLG to projects. This spend must be declared to the Commission in the following quarter with a final date of the end of December 2018. So the target date for bringing forward spend on projects is the end of quarter 3 (September) 2018. This then allows the declaration to be made to the Commission in time for the December deadline.

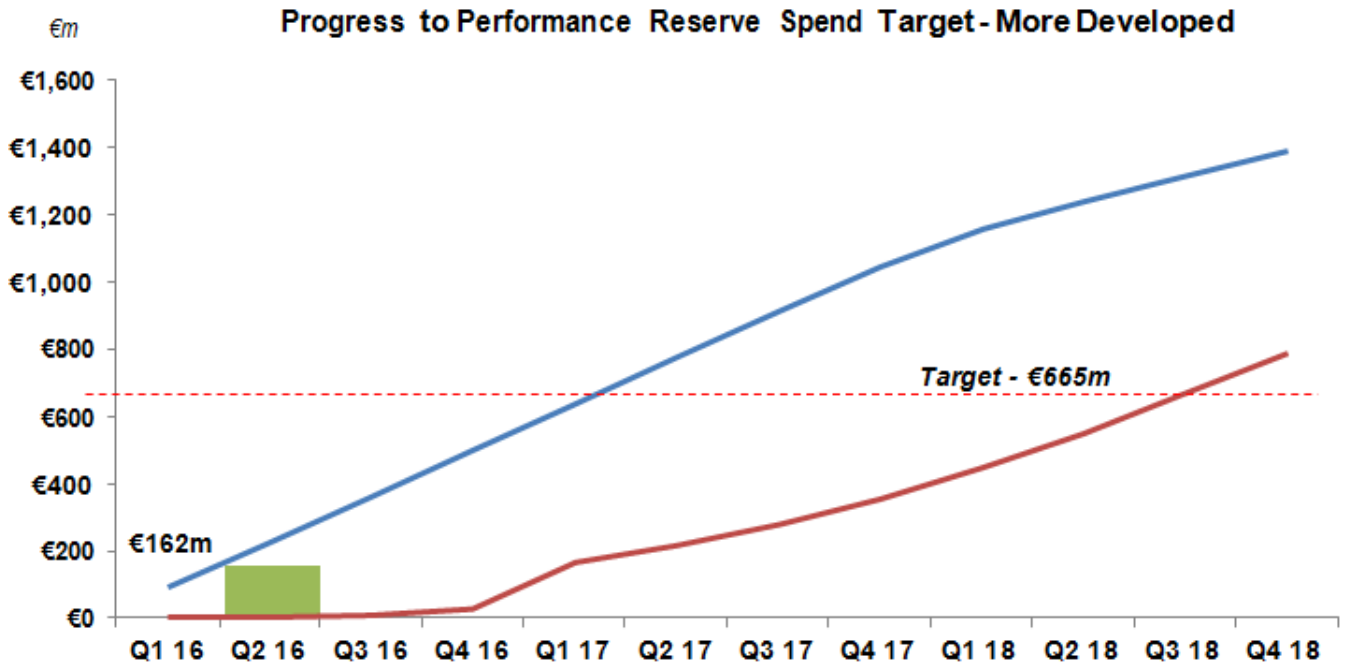
16. Our experience from 2007-13 shows that 25% of total spend paid to projects falls into these categories so the target to aim for in 2018 has a 30% safety margin built into it to ensure it is achieved.

17. In the “More Developed” analysis (chart 3a) below the spend target of €665m is targeted to be achieved by Q3 2018.

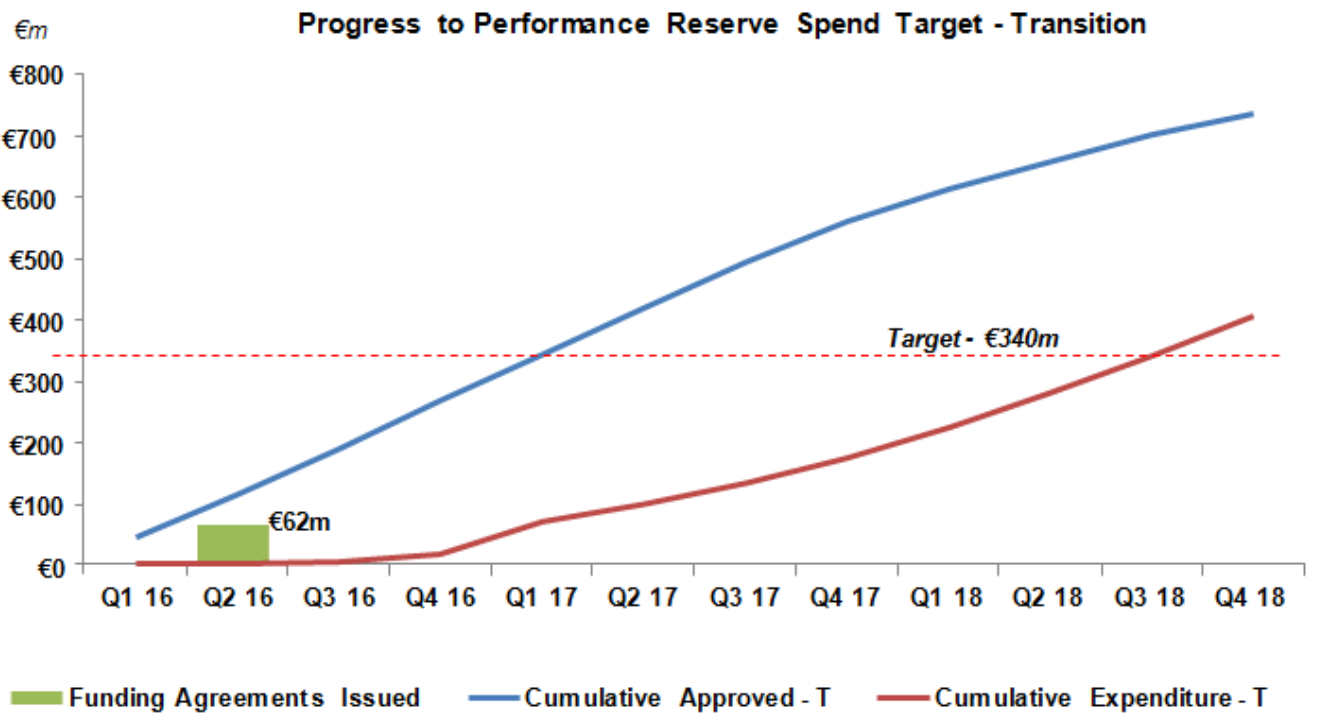
18. Currently €162m of “More Developed” funding agreements have been issued. In addition there are a further £193m with a decision to invest.

**Chart 3**

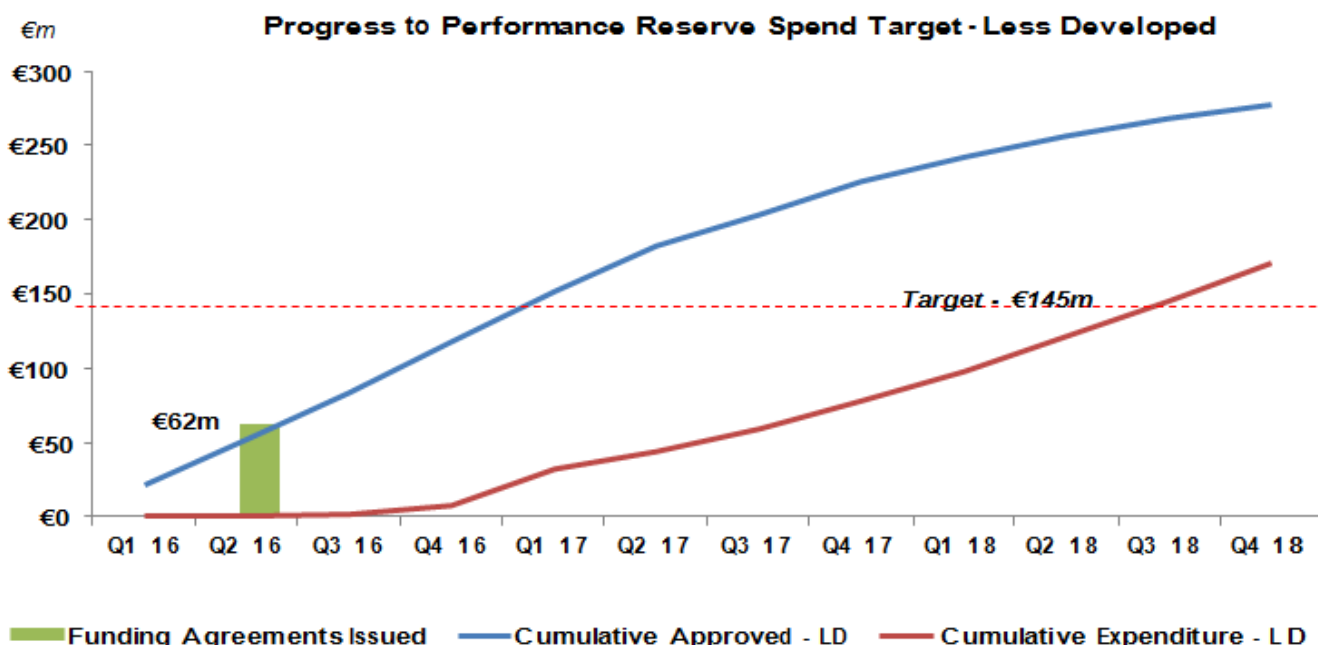
**a) More Developed – Grant Funding Agreements and Performance Reserve**



**b) Transition – Grant Funding Agreements & Performance Reserve**



### c) Less Developed – Grant Funding Agreements & Performance Reserve



19. A more detailed understanding of progress may be considered from live applications across those LEP areas that make up the significant proportion of each Category of Region's notional allocation. Annex A provides a picture of the major contributors

- Performance across More Developed LEP areas is spread wider from 15-85%
- For Transition, most LEP areas are around 30-35% towards their notional allocation.

20. It should be noted however that no Financial Instrument information is included in the data and these are collectively worth c£500m ERDF (i.e. Greater Manchester has significant FIs). The GPB Performance & Dispute Resolution sub-committee consider the Programme's progress in more detail in these areas.

## Programme Highlights and Progress

### HM Treasury Announcement

21. Following the referendum result there was a pause in the issuing of contracts. That pause was lifted in August with the announcement:

- All multi-year projects with signed contracts in place and projects in the system to be signed in the ordinary course of business before the Autumn Statement will be fully funded, even when these projects continue beyond the UK's departure from the EU.
- The government will continue to work with Local Enterprise Partnerships and other relevant stakeholders to put in place arrangements for considering those ESIF projects that might be signed after the Autumn Statement, but while we still remain a member of the EU.

## **Financial Instruments**

22. The Commission's final guidance on FI Selection was received at the end of July. We are checking that it still causes us no problems. Following the referendum result we have continued to work proactively with partners to ensure delivery remains broadly on track. Consequently, following the Chancellor's announcement on ESIF, the Northern Powerhouse Investment Fund's funding agreement is expected to be signed in September. Whilst the Greater Manchester Urban Development Fund and Midlands Engine Investment Fund's funding agreements are due to be signed in October. Others will follow thereafter.

## **Community Led Local Development**

23. The 29 local areas invited to submit a Local Development Strategy are working on their submission in time for the end of August deadline. The national CLLD assessment panel is scheduled to meet on 17 October to review and agree successful stage 1 CLLD strategies.

## **Sustainable Urban Development**

24. All core cities/city regions have submitted full draft Sustainable Urban Development (SUD) strategies. DCLG continues to work with each core city/city region to finalise and approve these strategies as part of the process for designating an Urban Authority in each case as an Intermediate Body.

25. SUD Intermediate Bodies will begin to carry out their new delegated tasks to select projects that fit local priorities from June onwards, once they are formally designated. The SUD sub-group of the GPB is now being set up to support this important part of the ERDF Operational Programme in England.

## **Issues and Areas for Improvement**

26. New and improved management information was presented to the GPB Performance & Dispute Resolution sub-committee last month. We will look to build on and continually improve our reporting.

27. Managing Authority staff have undergone intensive training on new processes and the initial use of the ECLAIMS MI system. Further specific training on Continuous Improvement has recently been implemented with an aim to improve quality and efficiency.

**David Malpass**

**Department for Communities and Local Government**

**31 August 2016**



## Annex A – Top 75% LEP AREAs by notional allocation
