



**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 advise the Board on progress with European Regional Development Fund (ERDF) programme delivery to 31<sup>st</sup> January 2016

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

That the Growth Programme Board notes the current position and the call schedule for 2017.

#### **Summary:**

##### **Overall Progress on Contracting**

As at 31<sup>st</sup> January, 388 projects with ERDF funding of £1081m has been contracted. Compared to the previous quarter's figures, to 31<sup>st</sup> October 2016, this is an increase of 119 contracted projects, for an additional £591m ERDF. Overall, 38% of the budget has been contracted. Almost half (47%) of the ERDF funds for the less developed area has been contracted; for transition and more developed regions, 34% and 38% has been contracted respectively.

There are 192 applications in the system continuing to be assessed for £518m ERDF (including 3 financial instruments). This represents 18% of funds allocated to England.

##### **Overall Progress by Priority Axis (PA)**

Whilst good progress has been made with 38% of the programme contracted, there is a need to continue contracting at pace to support the 2018 spend and output targets, in some areas.

In addition to the four financial instruments recently contracted (£337m), a further three valued at £107m are forecast to be contracted by quarter 4, 2017.

Overall the forecasts from projects already contracted suggest the programme will meet its 2018 performance framework targets for PA1, PA2 (less developed region only), PA3, PA4 (less developed region only), PA 6 (less developed region only) and PA7. Further contracting is necessary.

Work continues with a programme modification for those priority axes where there are fundamental structural issues: PA2 (transitional and more developed regions), PA4 (transition and more developed regions), PA5, PA6 (transition and more developed regions), and PA8.

**Overall Progress – Expenditure**

Claims have been paid for £14m of ERDF. There are further claims to the value of £37m (ERDF and match) being checked for payment.

**Targets and Programme Performance**

Calls were launched for additional projects in December and January for £347m ERDF. The call window for most calls closed on 17<sup>th</sup> February and 180 applications were received requesting £290m ERDF. Further call rounds are planned in March, May, July and November 2017.

**European Claim and Information Management System (E-CLAIMS).**

The development of E-CLAIMS, the new Programme Management and Information management system, continues. Roll out to external partners is expected by quarter 2 2017.

# Programme Delivery Report

## Project approvals (31 January 2016)

1. The number of projects legally contracted total 388 for an ERDF value of £1081m. Details of approved contracted projects are available on GOV.UK at:  
<https://www.gov.uk/government/publications/european-structural-and-investment-funds-useful-resources>

## Level of Contracting

2. The ERDF 2014 to 2020 Programme value is €3628m. Using the exchange rate of €1 = £0.78 values the programme at £2830m. With £1081m contracted this represents 38% of the programme value. By category of region this represents: less developed, 47%; transition, 34%; more developed: 38%.

## Operational Programme Modifications

3. The Managing Authority is required to update the operational programme (OP) to incorporate funding arising from the Commission's recalculation of structural funds allocations on the basis of the most recent statistical data. The financial envelopes for priority axis 4 in the less developed region and priority axes 1, 3 and 5 in the transition regions will see increases and a pro-rata increase in output targets.
4. As part of its on-going review of the OP the managing authority has identified additional modifications that it would be appropriate to make at this time. The majority of the proposed changes are intended to update the assumptions behind the Performance Framework:
  - Amend Performance Framework unit cost calculations based on the application of new evidence. Priority axes 2 and 5 performance framework targets in all category of regions will be affected;
  - Amend allocations in priority axes where a better understanding of the regulatory environment during implementation has impacted on demand. The modifications under this heading will see financial envelopes amended for priority axes 1, 3, 4, 5, 6 and 8 in transition region, priority axes 1, 2, 3, 6 and 8 in more developed region, and priority axes 4, 5, and 8 in the less developed region. All changes will result in pro-rata changes in output targets; and
  - Amend text relating to the eligibility of activity under priority axis 4.

## Spend (N+3)

5. N+3 refers to the ERDF spend target required to be achieved by category of region. N+3 occurs in 2018 and annually thereafter. It is calculated as follows:

N+3	Less Developed	Transition	More Developed
2015 main allocation (€m)	116.3	273.2	537.0
Less Pre financing to 2018 (€m)	44.4	104.3	205.1
N+3 target for payment claims (€m)	71.9	168.9	331.9
Less Payment applications to	0.0	0.61	1.55

the Commission (€m)			
Current gap (€m)	71.9	168.2	330.4

6. Following designation, the certifying authority submitted a first payment application to the European Commission for €2.16m. The certifying authority plan to apply for payment 3 times per annum in 2017. (April, September, December).

### **Performance Framework Expenditure Target**

7. Forecasts are on track to achieve the expenditure targets for less developed region: PA1, PA2, PA3, PA4, PA6, PA7; transition region: PA1, PA3, PA5; more developed region: PA1, PA3
8. As set out above discussions with the European Commission on a programme modification are ongoing which will impact on the performance framework expenditure targets.
9. PA4 applications from the recent December call for transition and more developed regions need to be assessed promptly to improve contracting levels and hence support spend targets.

### **Performance Framework Indicator Targets**

10. Good progress is being made overall in the key priority axes PA1 (all regions), PA2 less developed PA3 (all regions), PA4 less developed.
11. As set out above discussions with the European Commission on a programme modification are ongoing which will impact on the performance framework indicator targets.
12. PA4 in the transition and more developed regions is a concern as in both categories of region contracting levels are behind targets. The position will be clearer when applications from the recent call have been assessed.
13. PA5 output target is set for 2023 only.

### **Financial Instruments**

14. The four financial instruments contracted for £337m are forecasting to make their first drawdown of funds by May 2017(three by March). There are 3 other financial instruments under development for £107m. These are expected to be contracted and have drawn down their first tranche of funds by December 2017.

### **Compliance**

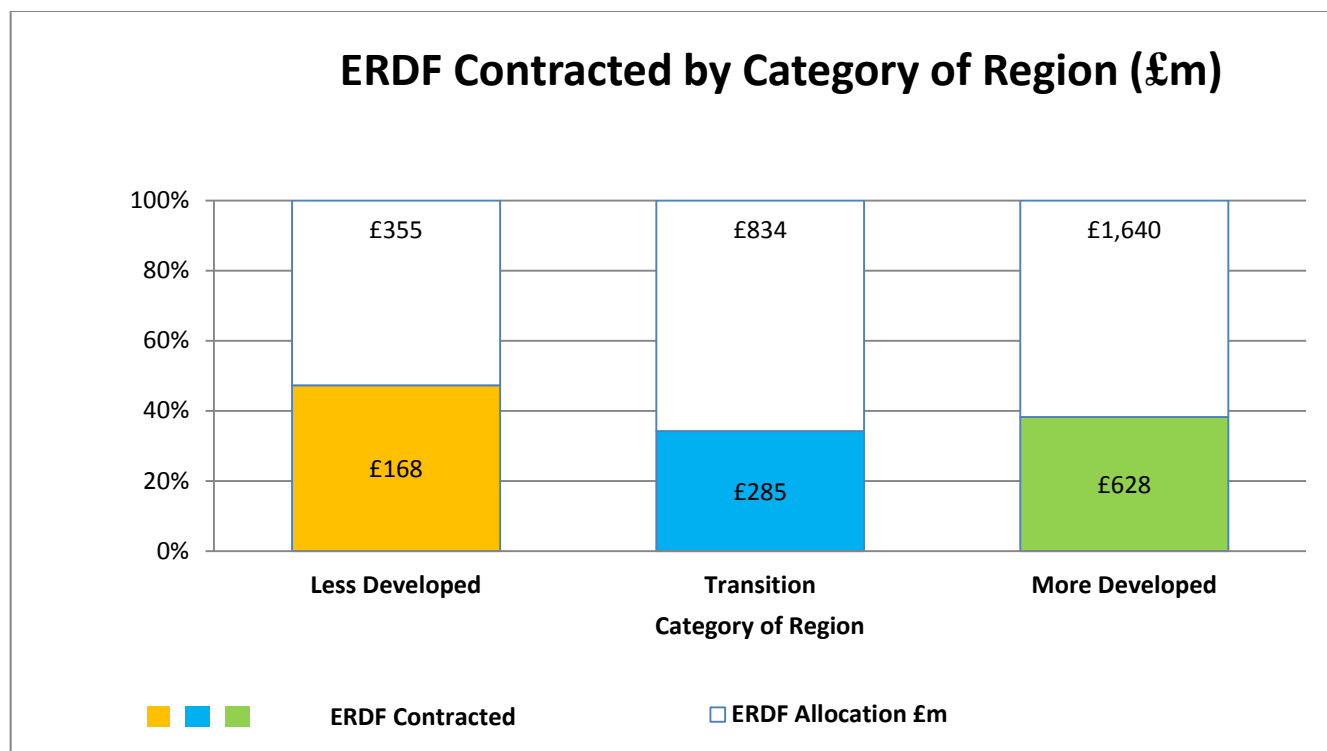
15. Since April 2016 131 on the spot verification (OTSV) visits have taken place. The total value of claims selected for testing is £29m with expenditure tested amounting to £21m. As a result £1.4m of expenditure has been identified as at risk (4.8% of expenditure tested), 309 Actions have been identified of which 215 have been closed and 94 are currently open.

### **European Claim and Information Management System (E-CLAIMS)**

16. Development of E-CLAIMS, the new programme management and information management system, is well advanced. A programme of testing with external partners is currently being planned. It is anticipated that the system will be rolled out to external applicants during the first half of this year, subject to discussions with the Governmental Digital Service.

## Programme Budget & Contracting

17. The total value of the England programme is €3,628m. Using an exchange rate of €1= £0.78 the value of the programme in sterling is £2,830m. The chart and table below shows the amount and % of ERDF funds that have been contracted by category of region compared with the programme's budget (or allocation).



18. As of 31 January 38% of the budget has been contracted. Almost half of ERDF funds for the less developed region have been contracted. For transition and more developed areas, 34% and 38% respectively.

Category of Region	ERDF Allocation £m	ERDF Contracted £m	ERDF Contracted %	ERDF Contracted & Pipeline %
Less Developed	£355	£168	47%	75%
Transition	£834	£285	34%	51%
More Developed	£1,640	£628	38%	55%
	*£2,830	£1,081	38%	56%

*\*Some reallocation expected - subject to modification.*

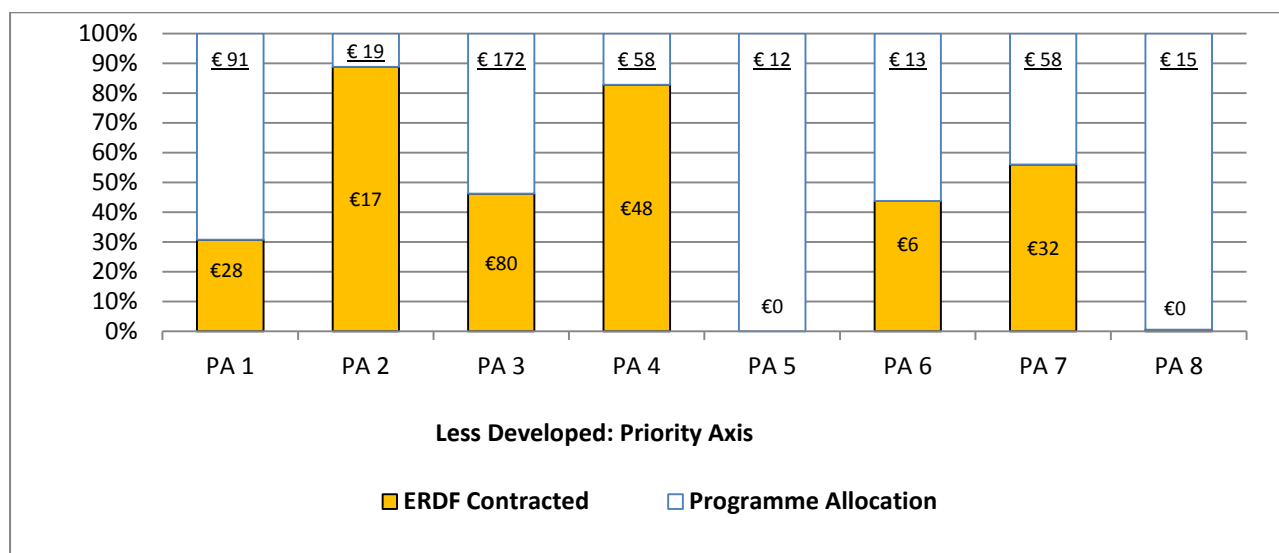
19. The impact of the contracting of four financial instruments, by 23 November, is reflected in the contract figures.

20. The ERDF value of projects contracted and applications in the system amount to 56% of the programme budget (580 projects at £1599m). With an intervention rate of 80% the less developed region is generally performing well overall.

### By Category of Region

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

#### Less Developed Region: ERDF contracted by priority axis (€m)



Category of Region: Less Developed		Programme Allocation	Programme Allocation	ERDF Committed	%
Priority Axis		€m	£m	£m	
PA1	Innovation	€ 91	£71.06	£21.91	31%
PA2	ICT	€ 19	£14.85	£13.18	89%
PA3	SME competitiveness	€ 172	£134.27	£62.13	46%
PA4	Low carbon	€ 58	£45.16	£37.42	83%
PA5	Climate change adaptation	€ 12	£9.11	£0.00	0%
PA6	Protecting the environment	€ 13	£10.02	£4.39	44%
PA7	Sustainable transport	€ 58	£45.18	£25.30	56%
PA8	CLLD	€ 15	£11.57	£0.07	1%

PA1 – in addition to the £22m contracted there is a further £14m projects with contracts in development.

PA2 - now contracted to 89% of the programme allocation.

PA3 – contracting levels are currently on target. The outcome of the December 2016 call will support the contracting position in 2018

PA4 – with its strong pipeline of projects this priority axis will soon be fully contracted.

PA5 – some concern given no projects have contracted and projects under assessment are not progressing. The issue relates to the need to complement the Environment Agency's flood plans which have been under review. Discussions are underway to consider how processing times for applications can be improved.

PA6 – whilst contracting is currently on track the application at outline needs to be processed promptly to bolster spend and outputs targets. Demarcation issues with the countryside stewardship scheme (Defra) are an issue with this priority.

PA7 - is only open to Cornwall and Isles of Scilly as the less developed region. It focuses on improvements to road networks and transport infrastructure to reduce transport costs and travel time and facilitate a shift to a low carbon, sustainable transport network. Contracting levels on track.

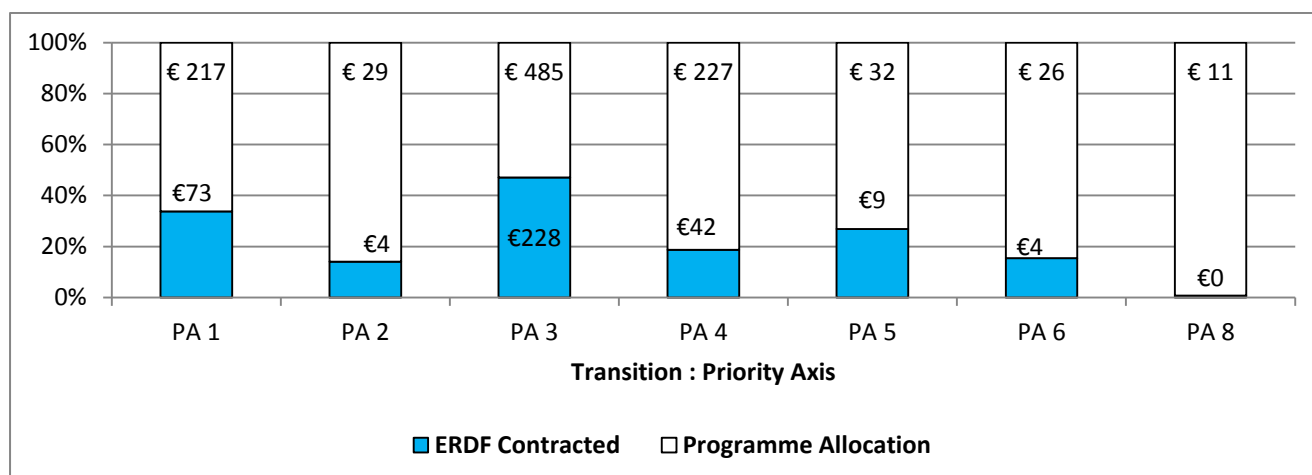
PA8 – After all applications are contracted there is expected to be an element of the operational programme allocation to this priority axis remaining. The operational programme modification will see this excess funding redistributed to other priority axes.

## **Summary**

Good progress. No real issues for the less developed region in relation to contracting levels apart from PA8 – community-led local development (CLLD) and issues emerging under PA5. Concerns are not unique to this category of region.



## Transition regions: ERDF contracted by priority axis (€m)



Category of Region: Transition		Programme Allocation	Programme Allocation	ERDF Contracted	%
Priority Axis		€m	£m	£m	
PA1	Innovation	€ 217	£169.35	£57.12	34%
PA2	ICT	€ 29	£22.24	£3.13	14%
PA3	SME competitiveness	€ 485	£378.13	£178.19	47%
PA4	Low carbon	€ 227	£177.19	£33.10	19%
PA5	Climate change adaptation	€ 32	£25.26	£6.78	27%
PA6	Protecting the environment	€ 26	£20.19	£3.11	15%
PA8	CLLD	€ 11	£8.75	£0.06	1%

PA1 – Calls to the value of £31m were issued in December and a further £10m is planned for the March calls. This is required to boost the pipeline of applications.

PA2 – The December and spring calls amount to £15m which will support contracting levels which are not enough to deliver the target

PA3 - Some regions are citing a struggle to get in quality applications and a decent response to calls. Calls to the value of £50m have/are being issued through the December and March calls which are need to improve the project pipeline.

PA4 - There remains a significant gap between the targets and actual contracting. The recently closed calls are the first major milestone to test the new eligibility guidance. This will give an indicator of how the availability of match funding for eligible projects in transition areas brings forward activity. The processing of applications need to be prioritised.

PA5 - The number of Local Enterprise Partnerships (LEPs) coming forward for calls has been delayed due to the Environment Agency having to review their flood plans following the floods in January 2015. Activity is limited to name LEPs. Lancashire and Cumbria have come forward

with calls closing in February where both areas had to have significant reviews of flood prevention priorities following the flooding events in December 2015.

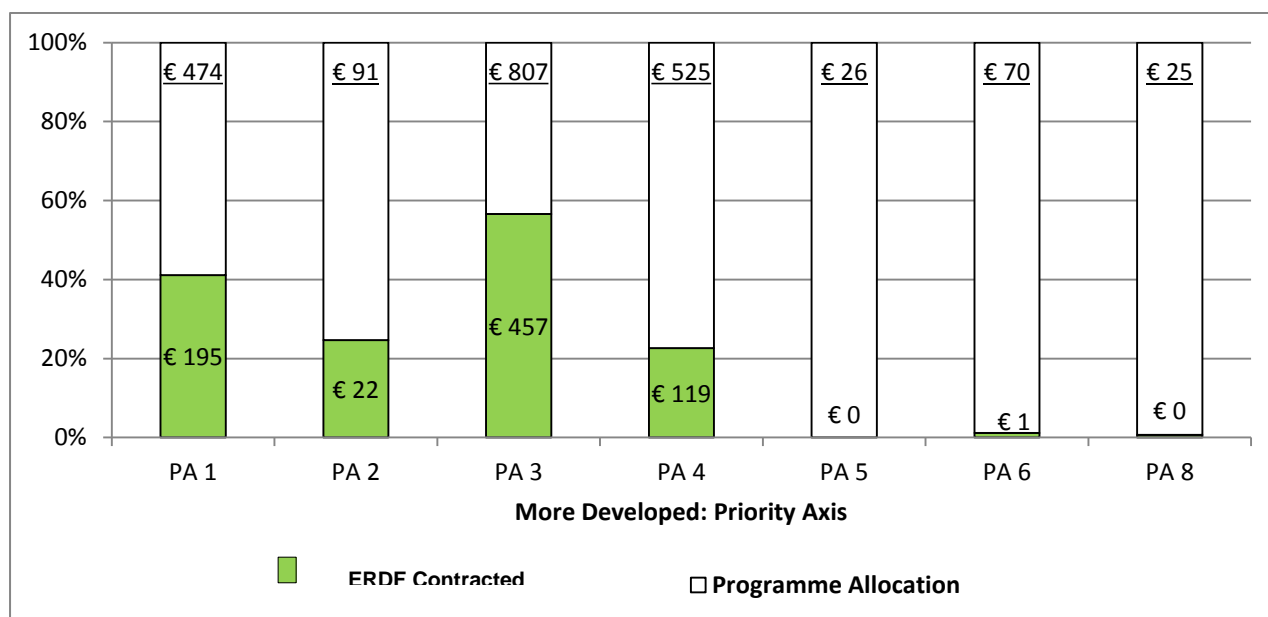
PA6 - activity in this area has been slow primarily due to the issue of demarcation, creating a level of confusion and uncertainty with only 20% of the allocation coming through as projects. As with PA5, LEPs such as Liverpool and Leeds have incorporated their allocation of PA6 in their sustainable urban development strategy's (SUDs) and once calls for SUDs come forward allocations will be met.

PA8 – After all applications are contracted there is expected to be an element of the operational programme allocation to this priority axis remaining. The operational programme modification will see this excess funding redistributed to other priority axes.

## **Summary**

Contracting levels in the transition region are insufficient. Thirty five percent of the December call value (£345m) was issued for the transition region.

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



Category of Region: More Developed		Programme Allocation	Programme Allocation	ERDF Contracted	%
Priority Axis		€m	£m	£m	
PA 1	Innovation	€ 474	£369.94	£152.23	41%
PA 2	ICT	€ 91	£70.87	£17.47	25%
PA 3	SME competitiveness	€ 807	£629.66	£356.34	57%
PA 4	Low carbon	€ 525	£409.52	£92.82	23%
PA 5	Climate change adaptation	€ 26	£20.19	£0.00	0%
PA 6	Protecting the environment	€ 70	£54.56	£0.61	1%
PA 8	CLLD	€ 25	£19.77	£0.14	1%

PA1 – calls to the value of £55m were issued in December which will support the contracting targets towards the latter end of 2017.

PA2 – contracting levels on target

PA3 – the project pipeline needs improving and calls totalling £80m have/are to be issued in December and spring. The gap is not as significant as in the transition category of region

PA4 – calls to the value of £100m issued in December. Applications submitted will need to be processed promptly to support spend and output targets in 2018

PA5 - areas have been caught up in the issue around the 2015 floods, now resolved in relation to priorities, projects should now be coming forward with new calls. The December call window saw calls issued to the value of £10m. A programme modification required to adjust expenditure and output targets

PA6 - the pipeline of applications is better than in the transition region but the issue around demarcation has caused a level of uncertainty resulting in projects not coming forward or failing at gateway. The December call window has a call value of £12m

PA8 – After all applications are contracted there is expected to be an element of the operational programme allocation to this priority axis remaining. The operational programme modification will see this excess funding redistributed to other priority axes.

## **Summary**

Similar issues to transition areas but not as pronounced. Current contracting levels are on target for PA1, PA2, PA3 although the pipeline of applications needs to be improved. The other priority axes are behind profile. The new schedule of calls will improve the position.

## N+3 Decommitment Rule

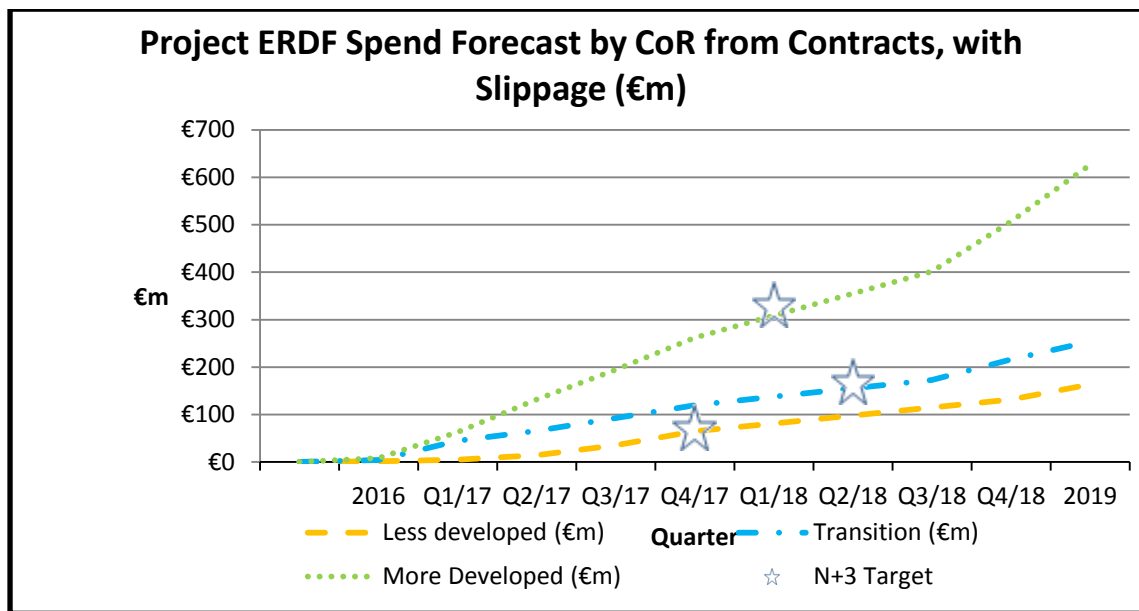
22. The Commission will automatically decommit funds for which it has not received an acceptable payment request by the end of the third year following approval of the operational programme.
23. The England OP was approved in 2015, therefore the budget stated in our operational programme in this year has to be defrayed by the applicant as eligible expenditure and submitted in a Payment Application to the Commission 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.
24. The table shows the N+3 targets we need to reach in order to prevent decommitment of funds. Targets are set at category of region level and relate to ERDF only. The target is reduced by the value of payments submitted by the certifying authority to the Commission. A first, small payment application, to the Commission, was made in December for €2.16m, by the certifying authority. Further applications for payment are scheduled for April, September and December. By the end of January, the managing authority has reimbursed claims to the value of £14m ERDF.
25. Before these claims can be accepted and declared to the Commission a number of verification checks are required.
26. N+3 is based upon the ERDF contribution towards total declared expenditure at the priority-level intervention rate rather than the value of actual payments at the project-level intervention rates.

N+3 2018	Less Developed	Transition	More Developed
N+3 target for payment claims (€m)	€ 71.94	€ 168.91	€ 331.97
Less Payment application to the Commission	€ 0.00	€ 0.61	€ 1.55
Current gap (€m)	€ 71.94	€ 168.29	€ 330.42
Indicator:			
MA level :Total eligible cost paid, per category of region, at programme level intervention rate (80%, 60%, 50%) - January 2017	€ 1.40	€ 6.81	€ 10.24

27. Claim payments are now beginning to gain momentum with an increased number being received from beneficiaries. In addition to the £14m ERDF being paid out, a further £37m (ERDF and match) is being checked prior to payment.
28. The managing authority has undertaken a review of forecast spend figures from contracted projects to provide assurance that the programme is on track to meet the N+3 target. The review has:

- looked at spend to date figures
- reduced project spend forecasts by 30% for non financial instrument projects,
- assumed that slippage will only be caught up on an average of 10% per quarter,
- assumed one drawdown from 7 financial instruments ( 4 contracted and 3 under development) to September 2018.

29. The chart below reflects the above provisos. Each categories of region will still meet their N+3 target.

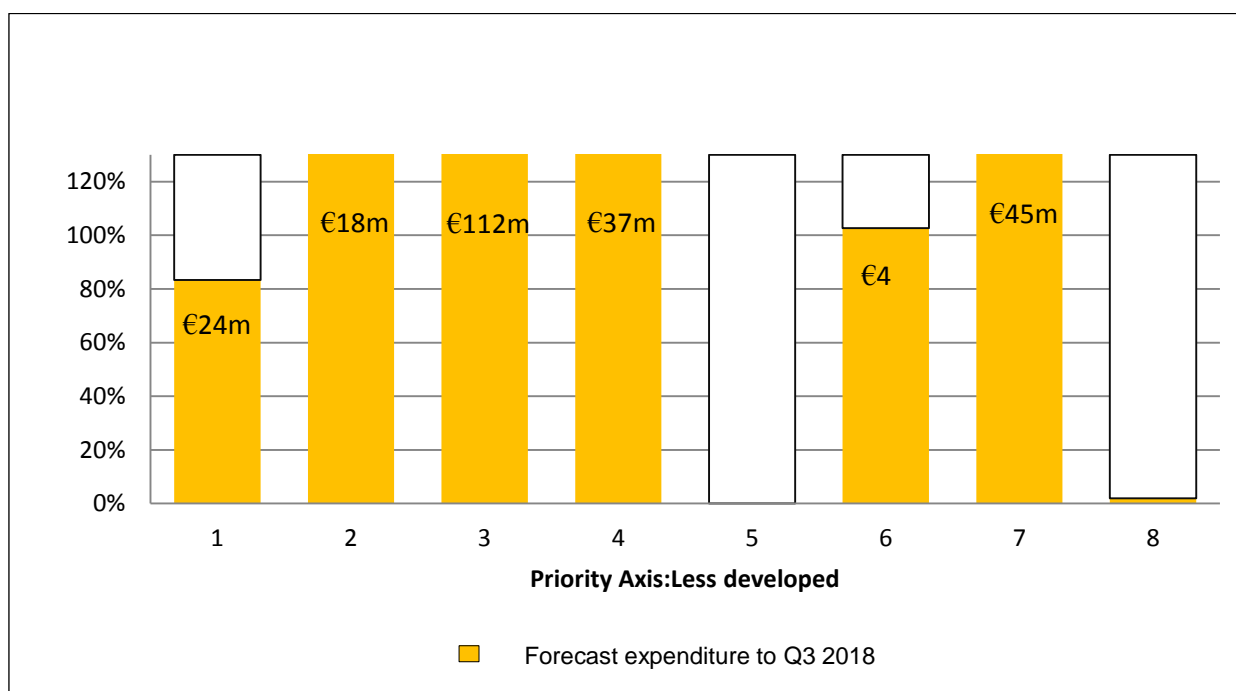


## Performance Framework Expenditure Targets

30. These have been agreed in the operational programme and set out total expenditure targets (ERDF as well as match) that need to be met by December 2018. The targets are set at category of region level and by priority axis.

31. The Commission deems the individual target to have been met when 85% and above has been achieved.

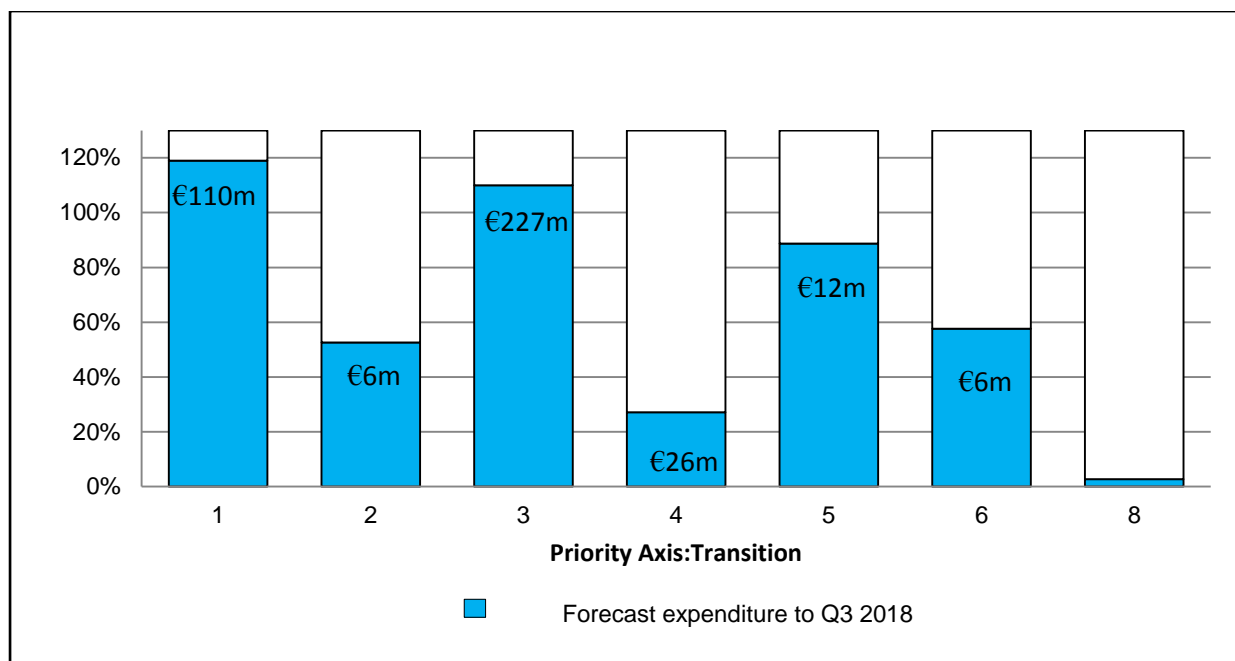
### Less developed region: forecast expenditure from contracted projects against 2018 targets (€m)



Priority Axis (PA)	Performance framework expenditure target (2018)	Total expenditure contracted	Forecast expenditure to Q3 2018	% of December 2018 Target
1	€ 29	€ 37	€ 24	83%
2	€ 6	€ 26	€ 18	291%
3	€ 55	€ 121	€ 112	204%
4	€ 18	€ 67	€ 37	200%
5	€ 4	€ 0	€ 0	0%
6	€ 4	€ 7	€ 4	103%
7	€ 18	€ 45	€ 45	244%
8	€ 4	€ 0	€ 0	2%

- PA1 - with £13m about to be contracted and a financial instrument draw down forecast towards the end of the year there are no concerns with meeting the target
- PA2, PA3, PA4, PA7 - not a concern to the level of forecast overachievement
- PA5 - low contracting levels due to review of flood plans are impacting on spend forecasts..
- PA6 – on target
- PA8 - issues to be addressed through the operational programme modification as already set out above.

#### Transition regions: forecast expenditure from contracted projects against 2018 targets (€m)



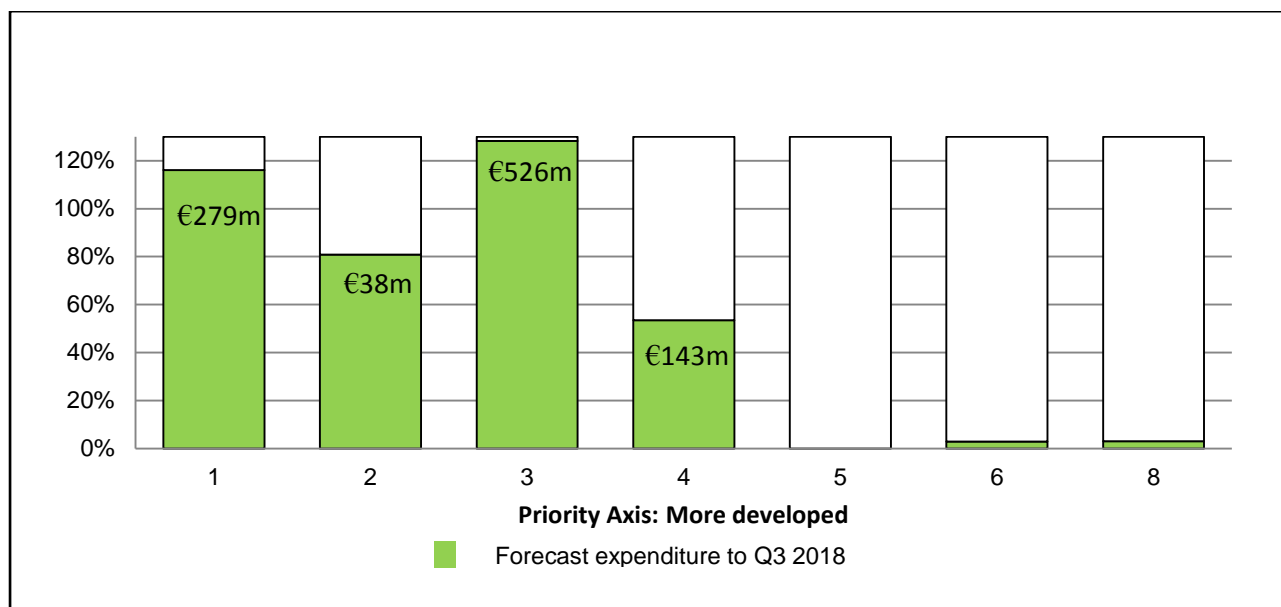
Priority Axis (PA)	Performance framework expenditure target (2018)	Total expenditure contracted	Forecast expenditure to Q3 2018	% of December 2018 Target
1	€ 92	€ 158	€ 110	119%
2	€ 12	€ 8	€ 6	53%
3	€ 206	€ 753	€ 227	110%
4	€ 97	€ 78	€ 26	27%
5	€ 14	€ 16	€ 12	89%
6	€ 11	€ 7	€ 6	58%
8	€ 4	€ 0	€ 0	3%

- PA1, PA3, PA5 - are forecasting to meet or be within 85% of the targets set.
- PA2, PA4 - slippage in contracting is reflected in the spend forecast figures.
- PA4 - applications from the December call need to be contracted rapidly to support spend.



- PA6 - given small allocation it would only take approval on a small number of projects to improve the figures. Need to process PA6 applications promptly.
- PA8 - expenditure target to be reduced through the operational programme modification.

### More developed regions: forecast expenditure from contracted projects against 2018 targets (€m)



Priority Axis (PA)	Performance framework expenditure target (2018)	Total expenditure contracted	Forecast expenditure to Q3 2018	% of December 2018 Target
1	€ 242	€ 510	€ 279	115%
2	€ 46	€ 45	€ 38	81%
3	€ 412	€ 1,663	€ 526	127%
4	€ 268	€ 377	€ 143	53%
5	€ 13	€ 0	€ 0	0%
6	€ 36	€ 2	€ 1	3%
8	€ 11	€ 0	€ 0	3%

- PA1 and PA3 - are forecasting to meet expenditure targets.
- PA2 - looks on track given value about to be contracted.
- PA4 - applications from the December call need to be contracted rapidly to support spend.
- PA5 - low contracting levels due to review of flood plans is impacting on spend forecasts.
- PA6 – limited contracting impacting on expenditure forecast due to demarcation issues. Expenditure target to be reduced through the operational programme modification
- PA8 - expenditure target to be reduced through the operational programme modification.

## Progress against Performance Framework Indicator Targets

32. As well as targets for expenditure the operational programme has also set targets for key indicators known as performance framework output targets. There is one performance framework indicator (output) for each priority axis and targets for each category of region. The tables show the current contracted position by category of region and priority axis to 31 January 2017 for 2018 performance framework outputs targets

33. When 85% of the target has been met the Commission deem the target as having been achieved.

### Less developed region: forecast performance framework outputs from contracted projects against 2018 targets

Priority Axis	Performance Framework Output	Target (2018)	Contracted Projects	Forecast to Dec 2018	% of Dec 2018 Target
PA1	Number of enterprises receiving support	109	228	99	91%
PA2	Additional businesses with broadband access of at least 30mbps	370	2,200	481	130%
PA3	Number of enterprises receiving support	499	4,243	1920	385%
PA4	Number of enterprises receiving support	74	507	99	134%
PA 6	Surface area of habitats supported to attain a better conservation status (ha)	18	98	18	98%
PA 7	Length of railway with new or enhanced signalling installation	22	43	22	102%
PA 8	Number of local development strategies agreed	4	4	4	100%

34. The table shows that contracted projects, in the less developed region, are forecasting to achieve the performance framework targets to December 2018

**Transition regions: forecast performance framework outputs from contracted projects against 2018 targets**

Priority Axis	Performance Framework Output	Target (2018)	Contracted Projects	Forecast to Dec 2018	% of Dec 2018 Target
PA1	Number of enterprises receiving support	1,370	2,848	1365	100%
PA2	Additional businesses with broadband access of at least 30mbps	2,373	0	0.00	0%
PA3	Number of enterprises receiving support	6,656	18,447	8310	125%
PA4	Number of enterprises receiving support	1,008	1,134	232	23%
PA 6	Surface area of habitats supported to attain a better conservation status (ha)	66	151	36	55%
PA 8	Number of local development strategies agreed	3	4.	4	133%

- PA1- looks healthy with the current contracted projects forecasting to achieve the 2018 output target.
- PA2 - the way PA2 is structured only the ERDF allocated to IP2a (infrastructure) investment (~ £66m) can deliver the performance outputs (P3 Businesses with access to Superfast broadband). The remaining £35m in IP2b delivers other outputs which are desirable but zero performance outputs. No projects have been contracted for this output
- PA3 - forecasting to achieve target despite challenges
- PA4 - applications received from the December call will boost numbers, although it is recognised the applications need to be processed promptly to impact the numbers.
- PA5 - is not shown in the table as the output target is set for 2023 (not 2018). The targets are to be reviewed as part of the programme modification as already set out above.
- PA6 - demarcation issues have meant limited activity. Part of modification request.
- PA 8 – the 2018 performance framework target for number of development strategies agreed already met.

**More developed regions: forecast performance framework outputs from contracted projects against 2018 targets**

<b>Priority Axis</b>	<b>Performance Framework Output</b>	<b>Target (2018)</b>	<b>Contracted Projects</b>	<b>Forecast to Dec 2018</b>	<b>% of Dec 2018 Target</b>
PA1	Number of enterprises receiving support	3,533	10,806	5339	151%
PA2	Additional businesses with broadband access of at least 30mbps	9,075	3,589	911	10%
PA3	Number of enterprises receiving support	13,290	41,155	19011	143%
PA4	Number of enterprises receiving support	2,769	3,899	839	30%
PA 6	Surface area of habitats supported to attain a better conservation status (ha)	189	0	0.00	0%
PA 8	Number of local development strategies agreed	8	13	13	156%

- PA1 again a strong position with the forecast outputs from contracted projects meeting the performance framework target
- PA2 outputs expected to be achieved from pipeline but issues in relation to 2023 Targets resulting in a modification request see page 16 for further details
- PA3 - Performance framework targets look satisfactory but other targets which are more indicative of the impact of projects are not so strong
- PA4 new calls will help address the gap
- PA5 - not shown as table shows progress on 2018 targets. PA5 targets are set to 2023.
- PA6 - pipeline should support achievement of target
- PA8 – the 2018 performance framework target for number of development strategies agreed already met.

## Programme call schedule 2017

35. The £345m December call closed on 17<sup>th</sup> February, with 180 applications received for £290m ERDF. These applications are currently being assessed by teams.

36. A schedule of further calls is planned, in 2017, as outlined in the table below:

Call window	Calls Published(tbc)	Call Closing Date (fixed calls)
March	17 March	12 May
May	15 May	7 July
July	21 July	15 September
November	17 November	12 January (2018)

## Community-Led Local Development (CLLD)

37. CLLD investment is being taken forward in 6 Local Enterprise Partnership areas. A total of 21 local areas have been invited to submit applications for ERDF investment to deliver their CLLD strategy. Applications have been received from 20 areas – 1 area will submit its application in early March.

38. Based on the applications received and the CLLD strategy for the area submitting an application in March, the total ERDF investment in CLLD will be £28.6m, leaving an overall balance in priority axis 8 of £11.2m, 28% of the OP allocation.

	Fund	ERDF			
	COR	LD	MD	T	Total
<b>LEP Area</b>					
North East		£0	£2,608,980	£1,730,703	£4,339,683
Leeds City Region		£0	£6,094,504	£0	£6,094,504
Humber		£0	£0	£2,140,800	£2,140,800
York, North Yorkshire		£0	£1,265,178	£1,459,822	£2,725,000
Greater Cambridgeshire*					
South East		£0	£4,625,387	£0	£4,625,387
South East Midlands*					
Cornwall Isle of Scilly		£8,716,000	£0	£0	£8,716,000
<b>Total</b>		<b>£8,716,000</b>	<b>£14,594,049</b>	<b>£5,331,325</b>	<b>£28,641,374</b>
<b>Stage 1 Development Funding</b>		<b>£70,000</b>	<b>£159,839</b>	<b>£64,600</b>	<b>£294,439</b>
<b>Total Stage 1 + Stage 2</b>		<b>£8,786,000</b>	<b>£14,753,888</b>	<b>£5,491,164</b>	<b>£28,935,813</b>
<b>Remaining Balance</b>		<b>£2,787,504</b>	<b>£5,015,349</b>	<b>£3,257,559</b>	<b>£11,155,652</b>
		<b>24%</b>	<b>25%</b>	<b>37%</b>	<b>28%</b>

\*Areas pursuing CLLD using only ESF

39. A number of LEP areas withdrew their interest in CLLD. The balance represents the difference between the priority axis 8 resource originally proposed in the operational

programme and the amounts identified by local areas in finalised plans. No further rounds of CLLD calls are planned. The operational programme modification will reallocate the balance to other priority axis as already set out above.

40. In comparison to the operational programme the percentage of outputs proposed in applications is greater than the percentage of funding requested; an indicator of good performance. Strong performance in the less developed and transition categories of region off setting slightly lower performance in the more developed category of region.

## Compliance

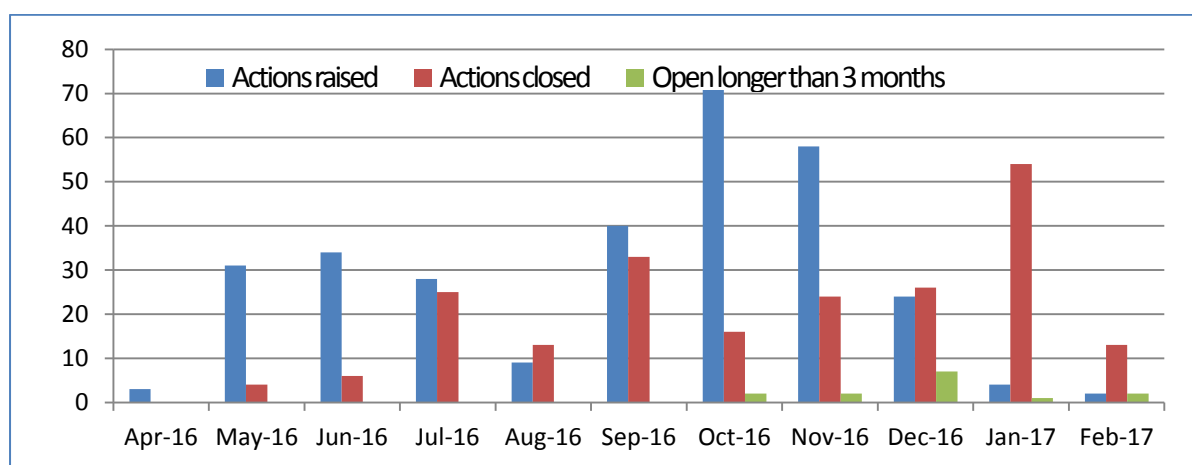
41. The Commission requires an annual schedule of first level compliance checks to be undertaken by the managing authority (MA). The general principle of the A125 on the spot verification visit (OTSV) is to test that ERDF projects and financial instruments (FIs) are delivering their contracted requirements, in accordance with the regulations as set out in the Council Regulations (EC) 1303/2013 and identify any potential areas requiring correction. The work undertaken by the Compliance team provides assurance to the Commission whilst reducing the impact of irregularities on the MA error rate.

42. Up to 31 January 17 131 OTSV visits have been undertaken. The total value of claims selected for testing amounts to £29,502,749 with expenditure tested amounting to £20,594,062 (based on data up to 31 January 2017).

	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	TOTAL
OTSV visits undertaken	1	9	11	12	9	12	22	25	19	11	131
OTSV visits closed			3	4	6	5	8	14	12	10	62
FI OTSV visits undertaken							1		1	1	3

43. 309 actions have been identified of which 215 have been closed and 94 are currently open.

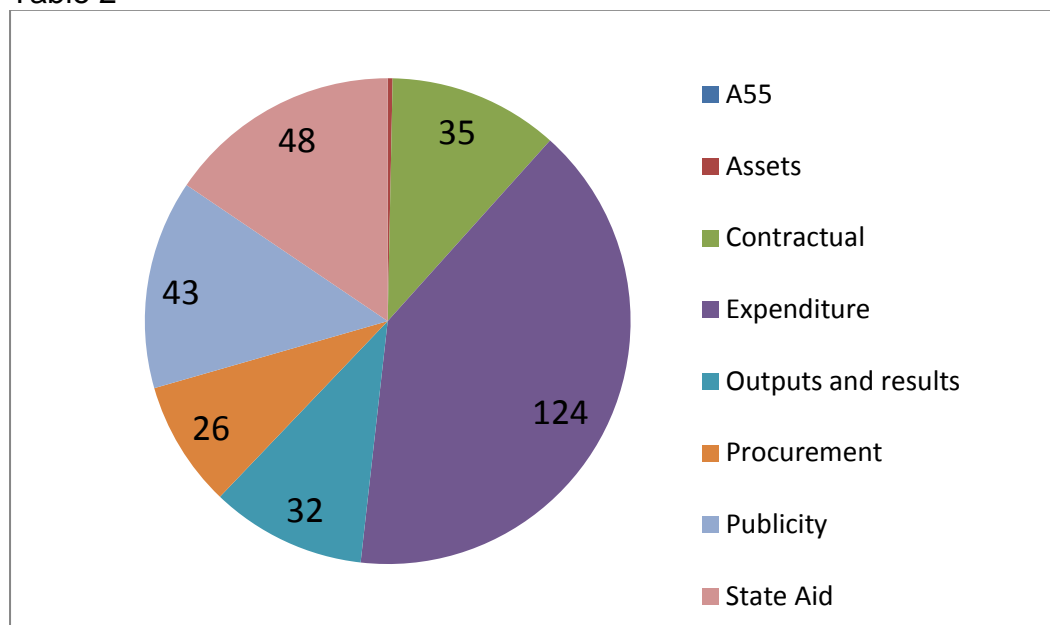
Table 1: Progress of OTSV actions



Breakdown by action type

44. In 2016 OTSV was undertaken on all claims prior to payment. In part this explains the higher proportion of actions in respect of expenditure, as limited claim checks have taken place prior to the OTSV visit. At this stage in the programme projects are also seeking to understand the rules and regulations including any changes from the previous programme.

Table 2



## E-CLAIMS (European Claim and Information Management System)

45. E-CLAIMS is the new purpose-built information management system for the English ERDF and ESF 2014 to 20 programmes. Its development is well advanced. The functionality currently available allows Growth Delivery Team (GDT) colleagues to input information in relation to the assessment and appraisal processes, as well as claim information relating to individual projects.

46. There is more work to do, such as enabling the system to pay claims, before the system can be rolled out to external partners. Further testing with external partners is currently being planned. It is anticipated that the system will be rolled out to all during the first half of the year.

47. Before the system can be rolled out the project will need to undergo what is known as a Beta Assessment with the Government Digital Service (GDS) team who oversee the development of all Government led computer systems. The project team must demonstrate that the system and governance arrangements satisfy all of the relevant conditions. The project team is working closely with GDS in preparation for the assessment which is likely to be towards the end of April.

48. A communications package will be available prior to roll out which will set out how to access the system; how it works and who to go to for support; which will be made available to all of our applicants well in advance of roll out.