



**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 March 2017.

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

That the Growth Programme Board note the current position and the updated call schedule.

#### **Summary:**

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

As at 31 March, 421 projects with ERDF funding of £1141m have been contracted. Compared to the previous report to 31<sup>st</sup> January 2017, this is an increase of 33 contracted projects, for an additional £60m ERDF. Overall, 40% of the programme budget has been contracted. Over half (52%) of the ERDF funds for the less developed region has been contracted; for transition and more developed regions, 35% and 40% have been contracted respectively.

Following closure of the December call in February there are 303 applications currently being assessed for £706m ERDF (including 3 financial instruments). This represents 25% of funds allocated to England.

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

Whilst good progress has been made with 40% of the programme contracted, there is a need to continue contracting at pace to support the 2018 spend and output targets in some areas.

The draft programme modification targets for performance framework expenditure and outputs have been reflected in the report presented. Overall the forecasts from projects already contracted suggest the programme will meet its 2018 performance framework targets for PA1 (all regions), PA3 (all regions), PA4 (less developed region only), and PA7.

Taking account of the proposed programme modification, delivery risks remain for PA4 (transition/more developed), PA6 (transition/more developed) and PA5 / PA8 (all categories of region) and PA2 (less developed). Discussions are ongoing with the Commission regarding the final modification proposals including further consideration for

PA2, PA4 and PA5. A formal submission is expected by the managing authority in late June.

### **Overall Progress – Expenditure**

The managing authority has reimbursed claims to the value of £78m, of which £55m came from two financial instrument draw downs.

### **Targets and Programme Performance**

The March call closed for most applications on 12<sup>th</sup> May and 60 applications were received requesting £86m ERDF. Further call rounds in 2017 are intended in June, September and November.

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

The development of E-CLAIMS continues. Full roll out to external partners is expected during quarter 3.

# 1. Programme Delivery Report

## Project approvals (31 March 2017)

1. The number of projects legally contracted total 421 for an ERDF value of £1141m. 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 £1141m contracted this represents 40% of the programme value. By category of region this represents: less developed 52%; transition 35%; more developed 40%.

## Operational Programme Modifications

3. The proposed modification includes:
  - Adding in the additional funding arising from the MFF mid-term review (Transition and Less Developed Regions)
  - Amending Performance Framework unit cost calculations based on the application of new evidence or the correction of errors made in the original calculation (PA2 and PA5);
  - Amending allocations in Priority Axes where a better understanding of the regulatory environment during implementation has reduced demand (PA6 and PA8) and redistributing that funding;
  - Amending text relating to the eligibility of activity under PA4.
  - Changes to narrative in the Operational Programme to ensure it reflects changes to business processes. Specifically in relation to:
    - The role of Intermediate Bodies (as already agreed by the Growth Programme Board); and
    - The role of local ESI Funds Sub-Committees.
4. Further modifications are also under consideration at the time of writing:
  - PA2 – Decrease level of funding under IP2b as there will be issues of absorption.
  - PA4 – Amend text under to increase the scope for more activity to be under taken.
  - PA5 – Increase the areas where PA5 investments can be made.

## 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 the Commission (€m) by March 2017	0.0	0.61	1.55
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(May, September, December).

## Performance Framework Expenditure Target

7. Taking into consideration the draft modification amendments, the position is:
- Forecasts are on track to achieve the expenditure targets for less developed region: PA1, PA2, PA3, PA4, PA6, PA7; transition region: PA1, PA3, more developed region: PA1, PA3
  - Delivery risks remain for PA4 (transition/more developed), PA6 (transition/more developed) and PA5 / PA8 (all categories of region),
8. As set out above, discussions with the European Commission on a programme modification are ongoing. The proposed modified targets (as of 30 March) are reflected in this report.

## Performance Framework Indicator Targets

9. Taking into to consideration the draft modification amendments, the position is:
- Good progress is being made overall in the key priority axes PA1 (all regions), PA3 (all regions), PA4 less developed.
  - The proposed changes to less developed PA2 outputs (an increase) creates challenges as current contracted projects are not forecasting to meet the revised figure and there are no projects in the pipeline. Data in relation to the new performance framework target for PA2 (transition and more developed regions) is still being collected - number of enterprises receiving support. Early indicators are that the target for transition regions should be achieved whilst for more developed regions the targets will be challenging to achieve.

- PA4 in the transition and more developed regions is a concern as in both categories of region contracting levels are behind targets, similarly for PA 6.
- PA5 output target is set for 2023 only.

## **Financial Instruments**

10. The programme has four financial instruments contracted for £337m. Two of these made their first drawdown of funds in March (the two others are expected in May/June). There are 3 other financial instruments under development for £107m. These remain on track and expect to be contracted and have drawn down their first tranche of funds by December 2017.

## **Compliance**

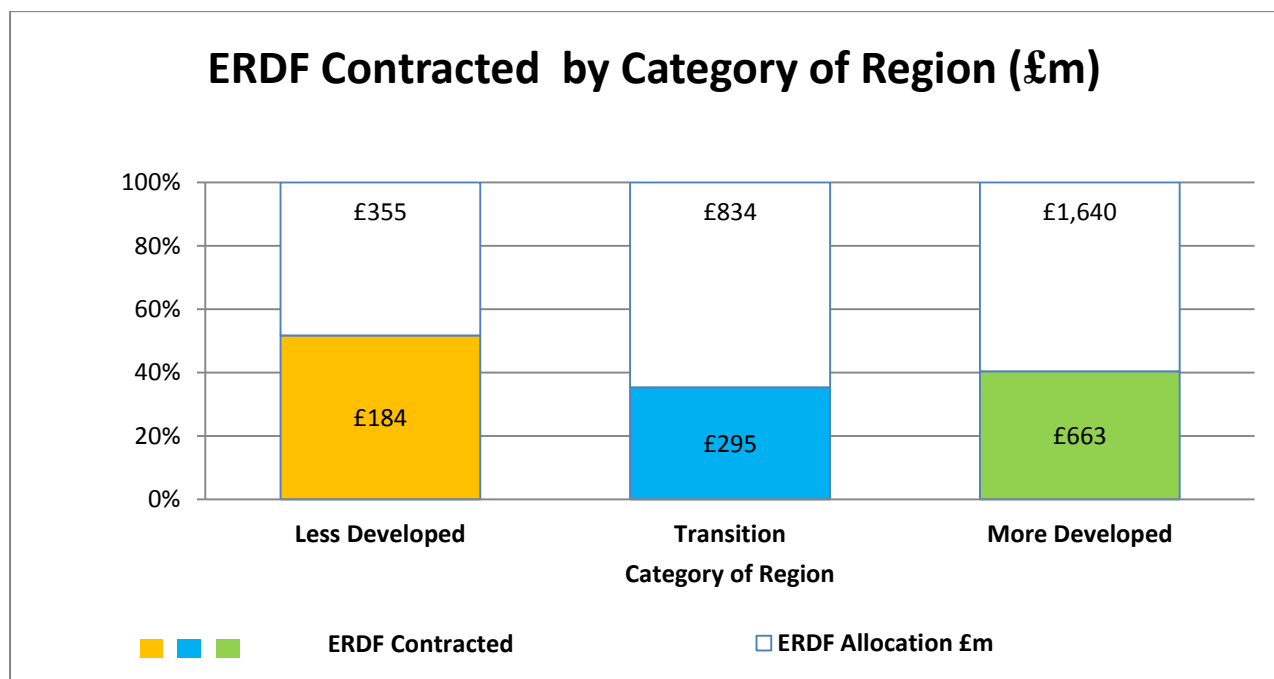
11. In 2016, 142 on the spot verification (OTSV) visits were undertaken. The total value of claims selected for testing was £32.5m. As a result, £1.9m of expenditure has been identified as at risk. One payment application was submitted in 2016; 100% of claims within this were tested through OTSV.
12. Delivery of the 2017 schedule of OTSV visits commenced in February. To date 15 OTSV visits have been undertaken, £6.4m of claims selected for testing. The amount identified as at risk currently stands at £0.76m.

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

13. Development of E-CLAIMS, the new programme management and information management system, is well advanced. A programme of testing with external partners using the live system is currently in place and a pilot group of both ERDF and ESF applicants has been identified. This pilot group will be using the system in real time over the next 3 months. Feedback will be used to inform the continued build of the system.

## 2. Programme Budget & Contracting

14. 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).



15. As of 31 March 40% of the budget has been contracted. Over half of ERDF funds for the less developed region have been contracted. For transition and more developed areas, 35% and 40% of funds have been contracted respectively.

Category of Region	ERDF Allocation £m	ERDF Contracted £m	ERDF Contracted %	ERDF Contracted & Pipeline %
Less Developed	£355	£184	52%	79%
Transition	£834	£295	35%	60%
More Developed	£1,640	£663	40%	65%
	*£2,830	£1,141	40%	65%

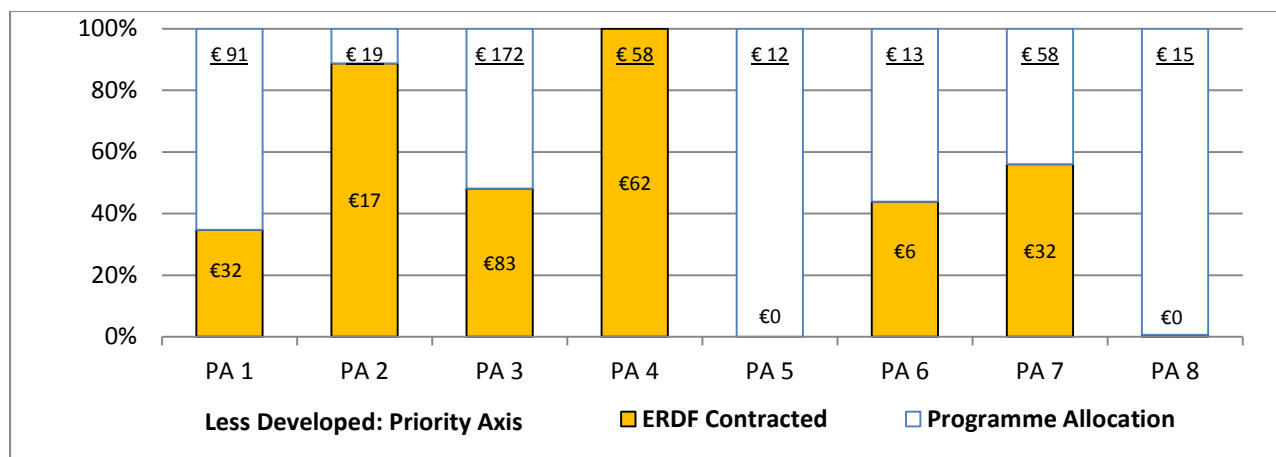
*\*Some reallocation expected - subject to modification.*

16. The ERDF value of projects contracted and applications in the system amount to 65% of the programme budget (724 projects at £1847m). With an intervention rate of 80% the less developed region is generally performing well overall.

## By Category of Region

17. 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 Contracted	%
Priority Axis		€m	£m	£m	
PA1	Innovation	€ 91	£71.06	£24.64	35%
PA2	ICT	€ 19	£14.85	£13.18	89%
PA3	SME competitiveness	€ 172	£134.27	£64.65	48%
PA4	Low carbon	€ 58	£45.16	£48.02	106%
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 £24m contracted there is a further £11m of projects with contracts in development.

PA2 - contracted to 89% of the programme allocation. No further project applications in the pipeline.

PA3 – contracting levels are currently on target.

PA4 – with its strong pipeline of projects this priority axis is now fully contracted against the original programme allocation. The draft programme modification will look to transfer additional funds into PA4 less developed

PA5 – no projects have been contracted. There is a project for £2m with a contract in development, and no other pipeline projects. This represents a significant delivery risk. The issue relates to the need to complement the Environment Agency's flood plans which have

been under review. Work will be undertaken with the EA to understand how project expenditure can be maximised to meet the 2018 target.

PA6 – whilst contracting is currently on track against forecast, the applications at full application stage need to be processed promptly to support the expenditure target. Outputs remain a concern. Demarcation issues with the countryside stewardship scheme (Defra) remain 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 are on track.

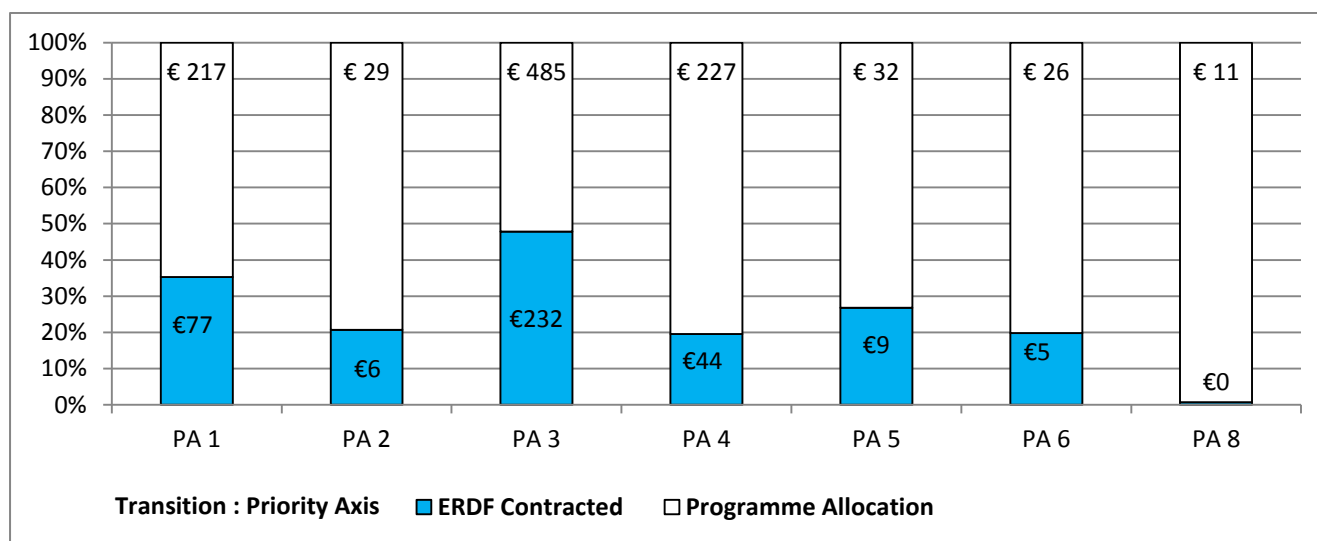
PA8 – After all applications are contracted there is expected to be an element of the programme allocation remaining. The operational programme modification will see this excess funding redistributed to other priority axes.

## **Summary**

Good progress overall. No real issues for the less developed region in relation to contracting levels apart from PA8 – community-led local development (CLLD) and under PA5. These 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	£59.80	35%
PA2	ICT	€ 29	£22.24	£4.61	21%
PA3	SME competitiveness	€ 485	£378.13	£180.85	48%
PA4	Low carbon	€ 227	£177.19	£34.58	20%
PA5	Climate change adaptation	€ 32	£25.26	£6.78	27%
PA6	Protecting the environment	€ 26	£20.19	£4.00	20%
PA8	CLLD	€ 11	£8.75	£0.06	1%

PA1 – contracting levels are on tracking to support 2018 performance framework and output targets.

PA2 – contracting level is below target this in turn will impact on the 2018 performance framework expenditure targets.

PA3 – despite some concern with contracting levels the PA is forecasting to achieve the 2018 performance expenditure and output targets.

PA4 - There remains a significant gap between the targets and actual contracting. The low contracting levels are impacting on achievement of the 2018 performance framework targets. This is a significant delivery risk given the size of the programme budget allocated to the PA. The draft programme modification will not impact on the position; action planning is underway to identify mitigations that support improved performance under this PA.

PA5 – contracting levels are on track compared to forecast however 2018 performance expenditure targets look unlikely to be achieved. Discussions underway with the Environment Agency who are match funders to consider actions to address the issues.

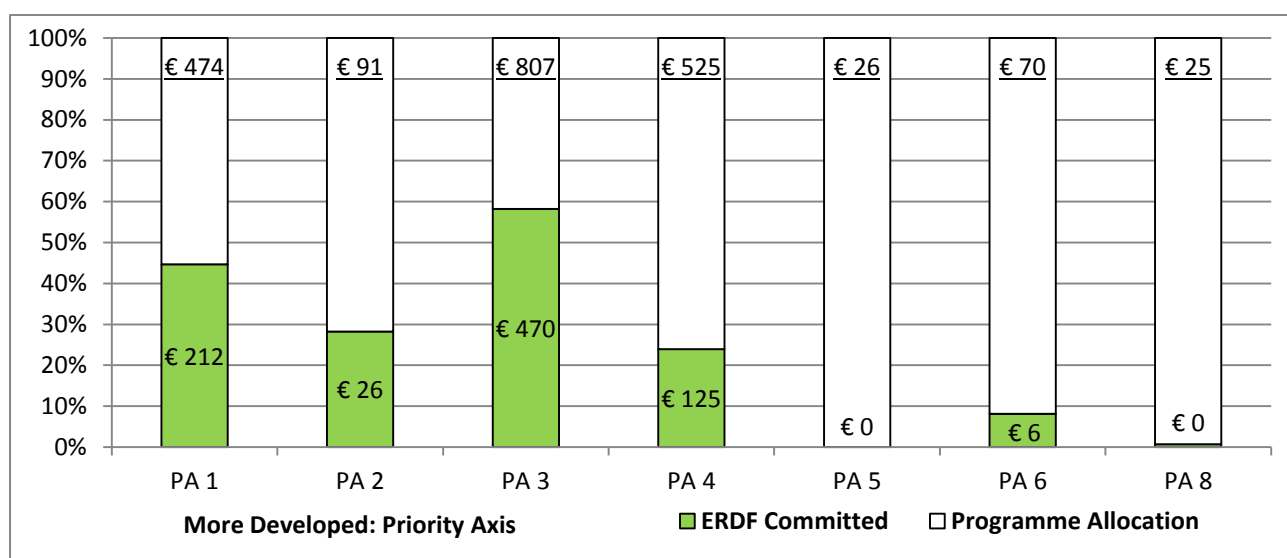
PA6 – contracting levels are behind forecast. Activity in this area has been slow primarily due to the issue of demarcation, creating a level of confusion and uncertainty with only 20% of the allocation coming through as projects. There are limited projects in the pipeline. Action planning is underway to identify mitigations that support improved performance under this PA.

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

## **Summary**

Contracting levels in the transition region are currently insufficient, in relation to achieving 2018 performance framework targets for PA2, PA4, PA6 and PA8.

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



PA1 – contracting rates on target thereby support 2018 performance framework targets.

PA2 – contracting levels on target.

Category of Region:	More Developed	Programme Allocation	Programme Allocation	ERDF Contracted	%
Priority Axis		€m	£m	£m	
PA 1	Innovation	€ 474	£369.94	£165.19	45%
PA 2	ICT	€ 91	£70.87	£20.04	28%
PA 3	SME competitiveness	€ 807	£629.66	£366.60	58%
PA 4	Low carbon	€ 525	£409.52	£97.89	24%
PA 5	Climate change adaptation	€ 26	£20.19	£0.00	0%
PA 6	Protecting the environment	€ 70	£54.56	£4.43	8%
PA 8	CLLD	€ 25	£19.77	£0.14	1%

PA3 – contracting levels on target against forecast. Currently there is a strong pipeline of applications.

PA4 – contracting levels behind target which will impact on achieving 2018 performance framework targets. The draft programme modification makes no amends to more developed regions targets. Action planning is underway to identify mitigations that support improved performance under this PA.

PA5 – no contracts in place. The pipeline has been boosted by recent calls however at this stage there are concerns that the Environment Agency plans for delivery are not sufficiently prioritised to enable us to deliver quickly enough for on 2018 targets. Action planning is underway to identify mitigations that support improved performance under this PA.

PA6 –contract levels below target. The draft modification does not improve the position. Action planning is underway to identify mitigations that support improved performance under this PA.

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. Current contracting levels are on target for PA1, PA2 and PA3. The other priority axes are behind profile. The proposed programme modification will not address these issues relating to achieving 2018 performance framework target. Action planning is underway to identify mitigations that improve contracting rates for underperforming priorities.

### 3. N+3 Decommitment Rule

18. 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.
19. 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.
20. 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 May, September and December. By the end of March, the managing authority has reimbursed claims to the value of £78m ERDF.
21. Before these claims can be accepted and declared to the Commission a number of verification checks are required.
22. 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)	€ 72	€ 169	€ 332
Less Payment application to the Commission to March 2017	€ 0.00	€ 0.61	€ 1.55
Current gap (€m)	€ 72	€ 168	€ 330
Indicator:			
MA level :Total eligible cost paid, per category of region, at programme level intervention rate (80%, 60%, 50%) less payment applications already made - March 2017	€ 3	€ 64	€ 78

23. At the managing authority level, the figures have been boosted with the draw down in March from two financial instruments. However we need to increase the rate of expenditure in the coming months. The slower rate has been primarily caused due to :
  - Applicants not submitting all claims in line with quarterly profiles

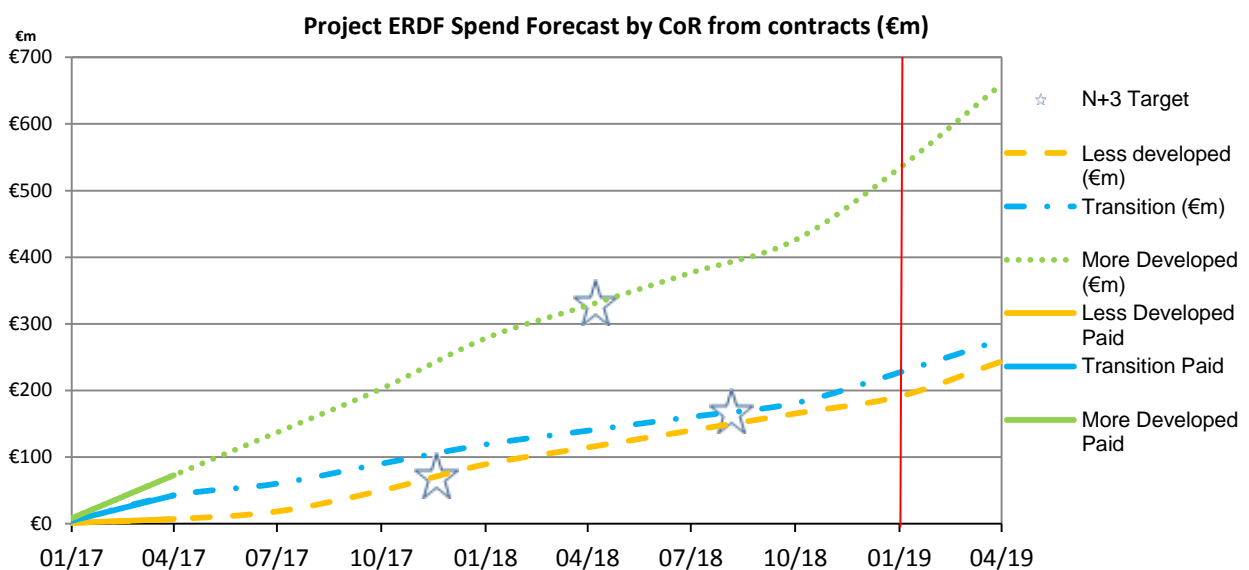
- Some less efficient manual processes for claims checking as we await the MI solution and accounts interface.
- Some technical issues with E-CLAIMS.

24. The accounts interface is nearly complete and E-CLAIMS technical fixes are partially completed although we are yet to secure the process of electronic claims through E-CLAIMS from applicants. GDT staff are proactively working with applicants on improving their submission rate.

25. The managing authority is planning to undertake a further review of forecast spend figures from contracted projects in May. The current N+3 forecast analysis:

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

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



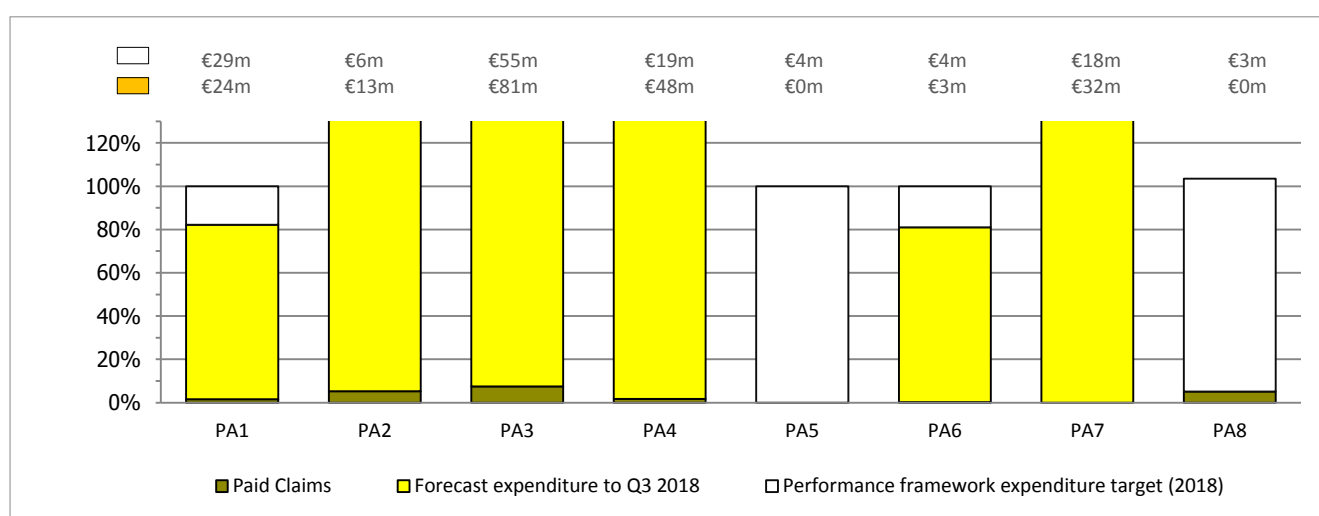
#### 4. Draft Modified Performance Framework Expenditure Targets

27. The targets in the charts reflect the draft modification targets to be achieved by December 2018. The targets are set at category of region level and by priority axis.

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

29. The forecast expenditure from contracted projects has been reduced by 30% for all projects except financial instruments. The reduction is based on anecdotal evidence from the 2007-2013 ERDF programme on project expenditure slippage rates.

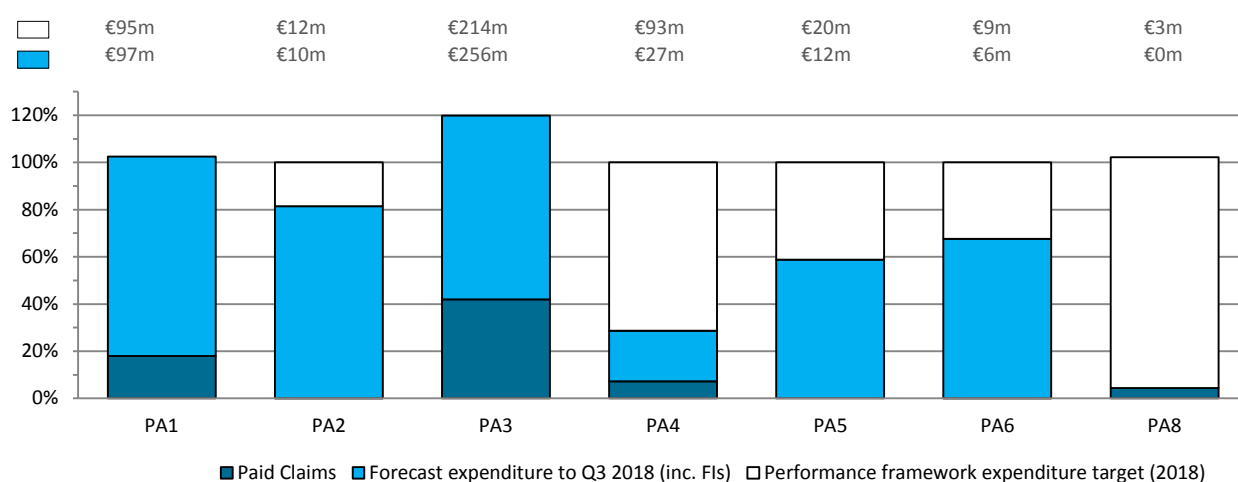
**Less developed region: forecast expenditure from contracted projects (less 30% non FIs) against 2018 targets including paid claims (€m)**



Priority Axis (PA)	Original expenditure target (2018)	<b>Draft Modified</b> Performance framework expenditure target (2018)	Total expenditure contracted	Forecast expenditure to Q3 2018 minus 30% plus FIs	% of <b>modified</b> December 2018 Target
1	€ 29	€ 29	€ 41	€ 24	82%
2	€ 6	€ 6	€ 26	€ 13	206%
3	€ 55	€ 55	€ 125	€ 81	147%
4	€ 18	€ 19	€ 90	€ 48	248%
5	€ 4	€ 4	€ 0	€ 0	0%
6	€ 4	€ 4	€ 7	€ 3	81%
7	€ 18	€ 18	€ 45	€ 32	171%
8	€ 4	€ 3	€ 0	€ 0	2%

- PA1 - with £15m 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 – zero contracts in place due to review of flood plans. This has impacted on spend forecasts. Working with Environment Agency to try to fast track applications
- PA6 - below target but £2m at full application stage which should be promptly processed to help support achieving the spend target.
- PA8 - delivery risk as draft programme modifications expenditure targets look ambitious as no delivery projects contracted.

**Transition regions: forecast expenditure from contracted projects (less 30% for non FIs) against 2018 targets including claims paid (€m)**

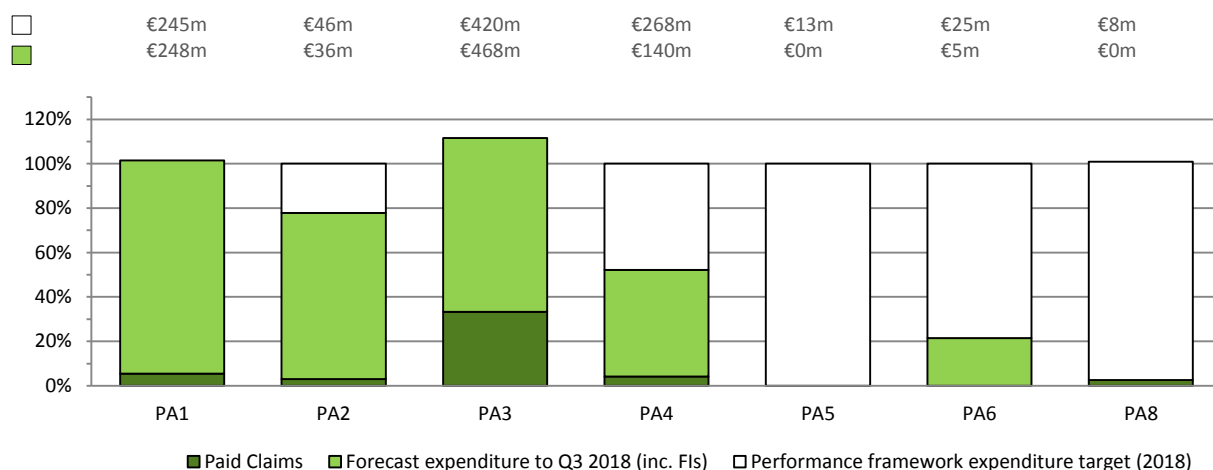


Priority Axis (PA)	Original expenditure target (2018)	<b>Draft Modified</b> Performance framework expenditure target (2018)	Total expenditure contracted	Forecast expenditure to Q3 2018 minus 30% plus FIs	% of <b>modified</b> December 2018 Target
1	€ 92	€ 95	€ 162	€ 86	90%
2	€ 12	€ 12	€ 12	€ 6	52%
3	€ 206	€ 214	€ 800	€ 176	82%
4	€ 97	€ 93	€ 84	€ 18	19%
5	€ 14	€ 20	€ 16	€ 9	42%
6	€ 11	€ 9	€ 10	€ 6	68%
8	€ 4	€ 3	€ 0	€ 0	2%



- PA1 & PA3 - forecasting to meet or be within 85% of the targets set
- PA2 & PA4 - slippage in contracting is reflected in the spend forecast figures. Significant delivery risk.
- PA5 - Delivery risk exists. Prompt processing of applications required to support expenditure targets and joint working with the Environment Agency.
- PA6 - given small allocation it would only take approval on a small number of projects to improve the position however there would still be a gap in reaching the performance framework expenditure target. Need to process PA6 applications promptly.
- PA8 - expenditure target to be reduced through the operational programme modification however large looks ambitious given the where applications are in the system (full application stage). Once contracted these projects will have little time to meet the proposed modification targets.

**More developed regions: forecast expenditure from contracted projects (less 30% for non FIs) against 2018 targets including claims paid (€m)**



Priority Axis (PA)	Original expenditure target (2018)	<b>Draft Modified</b> Performance framework expenditure target (2018)	Total expenditure contracted	Forecast expenditure to Q3 2018 minus 30% plus FIs	% of <b>modified</b> December 2018 Target
1	€ 242	€ 245	€ 545	€ 216	88%
2	€ 46	€ 46	€ 55	€ 32	69%
3	€ 412	€ 420	€ 1,642	€ 396	94%
4	€ 268	€ 268	€ 397	€ 113	42%
5	€ 13	€ 13	€ 0	€ 0	0%
6	€ 32	€ 25	€ 11	€ 5	19%
8	€ 11	€ 8	€ 0	€ 23	275%

- PA1 and PA3 - are forecasting to meet expenditure targets.
- PA2 – is underperforming however £3m about to be contracted
- PA4 - applications need to be contracted rapidly to support spend, however there remains a significant delivery risk. There is no programme modification planned.
- PA5 - significant delivery risk. Zero contracts in place levels due to review of flood plans is impacting on spend forecasts. Action plan to address issues under development including fast tracking applications and bringing forward expenditure.
- PA6 – limited contracting impacting on expenditure forecast due to demarcation issues. Expenditure target to be reduced through the operational programme modification but not sufficient to bridge the gap; further review necessary.
- PA8 - expenditure target to be reduced through the operational programme modification. However this still looks ambitious given the where applications are in the system (full application stage). Once contracted, these projects will have little time to meet the proposed modified targets.

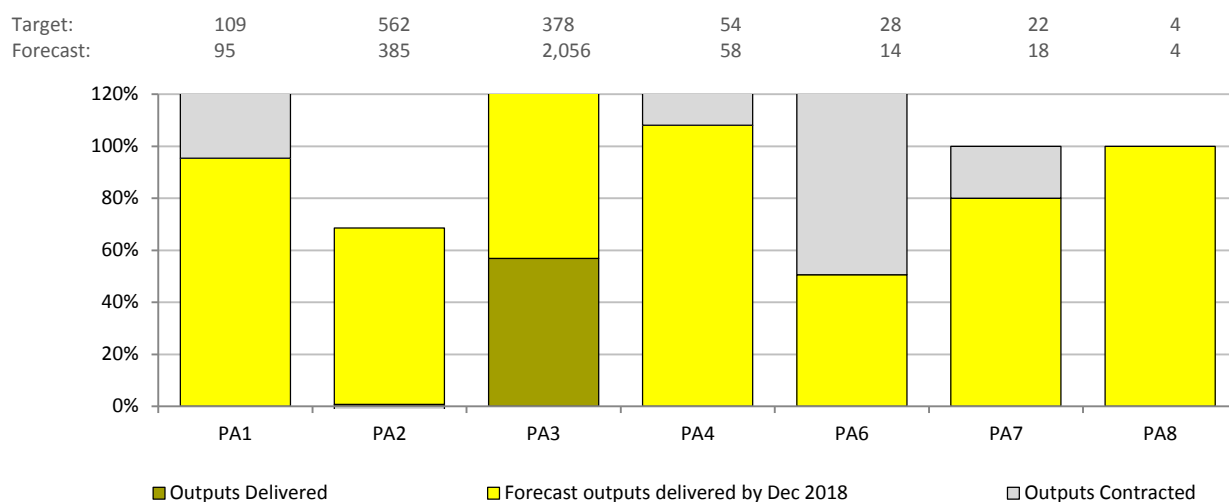
## 5. Progress against Draft Modified Performance Framework Indicator Targets

30. 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.

31. The tables show the current contracted position by category of region and priority axis to 31<sup>st</sup> March 2017 for the draft modified 2018 performance framework outputs targets. The forecast outputs from contracted projects have been reduced by 20% for all projects. The reduction is based on anecdotal evidence from the 2007-2013 ERDF programme on output slippage rates.

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

### Less developed region: forecast draft modified performance framework outputs from contracted projects less 20%) against 2018 targets with outputs delivered

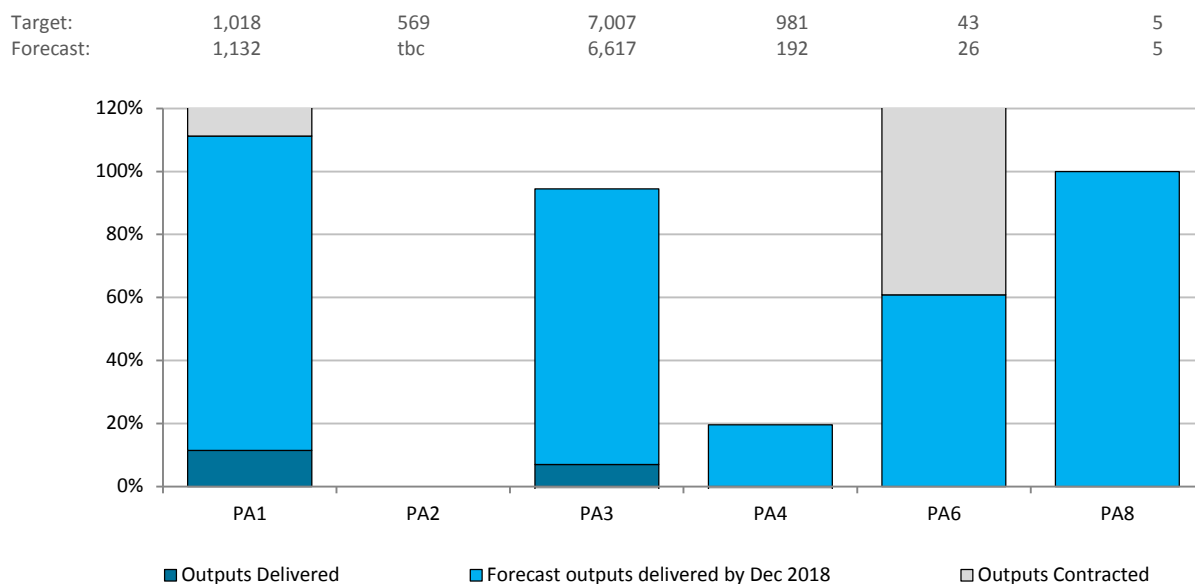


Priority Axis (PA)	Performance Framework Output	Original Target (2018)	Draft Modified Target (2018)	Contracted Projects	Forecast to Dec 2018 (-20%*)	% of modified Dec 2018 Target
PA1	Number of enterprises receiving support	109	100	294	95*	95%
PA2	Additional businesses with broadband access of at least 30mbps	370	562	2,220	385*	69%
PA3	Number of enterprises receiving support	499	378	6224	2056*	544%
PA4	Number of enterprises receiving support	74	54	387	58*	108%

PA 6	Surface area of habitats supported to attain a better conservation status (ha)	18	28	98	14*	50%
PA 7	Length of railway with new or enhanced signalling installation	22	22	43	22	100%
PA 8	Number of local development strategies agreed	4	4	4	4	100%

33. The table shows that contracted projects in the less developed region are forecasting to mainly achieve the draft modified performance framework targets to December 2018. The exception is PA2, as the increased modified target looks unlikely to be absorbed by contracted projects. There is no pipeline of project applications. For PA6 the target has increased by 10 hectares via the proposed modifications which looks ambitious, again there is no pipeline of projects.

**Transition regions: forecast draft modified performance framework outputs from contracted projects (less 20%) against 2018 targets with outputs delivered**

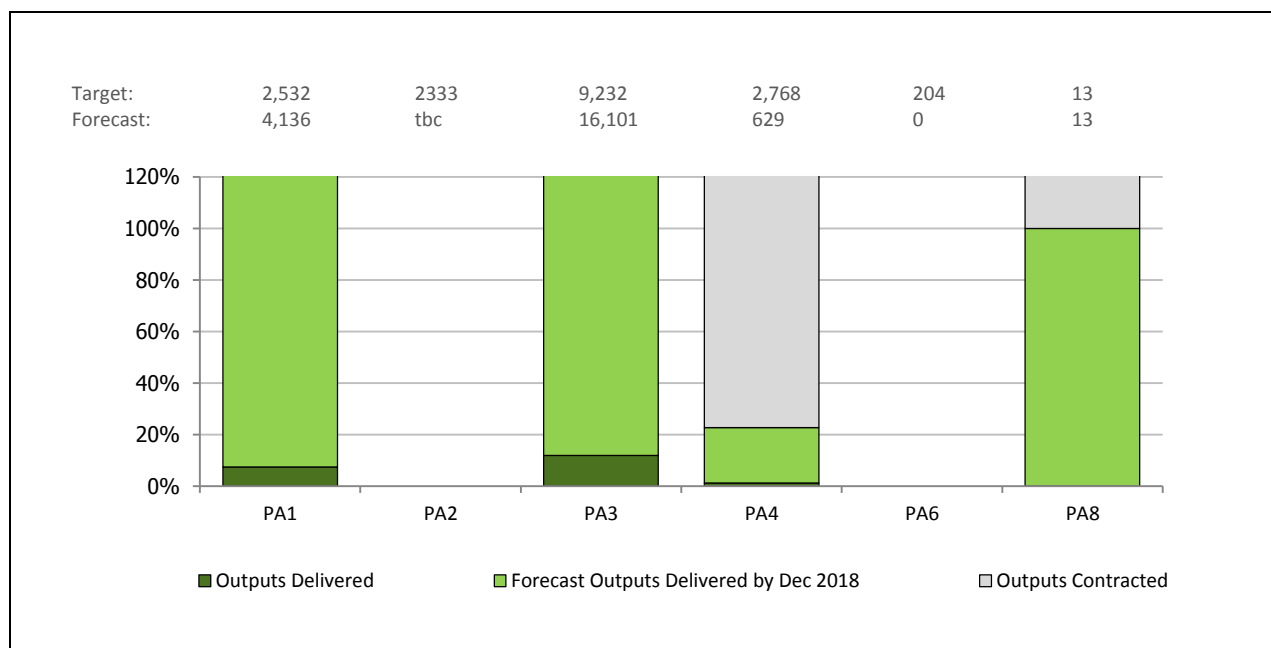


	Performance Framework Output	Original Target (2018)	Draft Modified Target (2018)	Contracted Projects	Forecast to Dec 2018 (-20%*)	% of modified Dec 2018 Target
PA1	Number of enterprises receiving support	1,370	1018	1496	1365*	111%
PA2	Number of enterprises receiving support (this is a new PF target previously was additional businesses with broadband etc.)	n/a	569	tbc	tbc	tbc
PA3	Number of enterprises receiving support	6,656	7007	8359	6617*	94%
PA4	Number of enterprises receiving support	1,008	981	180	192*	20%
PA 6	Surface area of habitats supported to attain a better conservation status (ha)	66	43	132	26*	61%
PA 8	Number of local development strategies agreed	3	5	5	5	100%

- PA1- looks healthy with the current contracted projects forecasting to achieve the 2018 output target.

- PA2 – the proposed draft modification changes the performance framework target from additional businesses with broadband access of at least 30mbps to businesses receiving support. Data is currently being collected but early indicators are this is achievable from contract projects
- PA3 - forecasting to achieve target despite challenges.
- PA4 – currently underperforming; represents significant delivery risk.
- 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. Achieving the draft modification performance framework output target looks challenging despite being reduced.
- PA8 – the 2018 performance framework target for number of development strategies agreed already met.

**More developed regions: forecast draft modified performance framework outputs from contracted projects (less 20%) against 2018 targets and outputs delivered**



Priority Axis	Draft Modified Performance Framework Output	Target (2018)	Draft Modified Target (2018)	Contracted Projects	Forecast to Dec 2018 (-20%)	% of modified Dec 2018 Target
PA1	Number of enterprises receiving support	3,533	2533	10147	4136	163%
PA2	Number of enterprises receiving support (this is a new PF target previously was additional businesses with broadband etc.)	n/a	2333	tbc	tbc	tbc
PA3	Number of enterprises receiving support	13,290	9232	38587	16101	174%
PA4	Number of enterprises receiving support	2,768	2768	3,229	628	23%
PA 6	Surface area of habitats supported to attain a better conservation status (ha)	189	204	0	0	0%
PA 8	Number of local development strategies agreed	8	13	13	13	100%

- PA1 again a strong position for this priority with the forecast outputs from contracted projects forecasting to meet performance framework target
- PA2 the proposed draft modification changes the performance framework target from additional businesses with broadband access of at least 30mbps to businesses receiving support. Data is currently being collected. Some early indicators suggest this is achievable from contract projects (and projects close to contracting) but remains challenging.
- PA3 - Performance framework targets look satisfactory but other targets which are more indicative of the impact of projects are not so strong.
- PA4 significant delivery risk.
- PA5 - not shown as table shows progress on 2018 targets only. PA5 targets are set to 2023.
- PA6 – with no projects contract the achievement of the increased programme modification target creates a significant delivery risk
- PA8 – the 2018 performance framework target for number of development strategies agreed already met.



## 6. Programme call schedule

34. The £191m March call closed on 12<sup>th</sup> May with 60 applications received for £86m ERDF. These applications are currently being assessed by teams. A schedule of further calls is planned, as outlined in the table below. Further call windows are being considered for 2018.

Call window	Calls Published(tbc)	Call Closing Date (fixed calls)
June 2017	30 June	8 September
Sept 2017	22 September	10 November
Nov 2017	17 November	12 January 2018

## Community-Led Local Development (CLLD)

35. 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. All applications have been received and are progressing through the appraisal and approval process.

36. Based on the applications received the total ERDF investment in CLLD will be £29.1m, leaving an overall balance in priority axis 8 of £10.9, 27% of the OP allocation.

	Fund	ERDF			
	COR	LD	MD	T	Total
<b>LEP Area</b>					
North East		£0	£2,606,580	£1,730,703	£4,337,283
Leeds City Region		£0	£6,094,505	£0	£6,094,505
Humber		£0	£0	£2,309,936	£2,309,936
York, North Yorkshire		£0	£1,417,000	£1,308,000	£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>£14,743,472</b>	<b>£5,348,639</b>	<b>£28,808,111</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>£14,903,311</b>	<b>£5,508,478</b>	<b>£29,102,550</b>
<b>OP Allocations</b>		€ 14,837,826	€ 25,345,176	€ 11,216,312	€ 51,399,314
<b>Sterling value at €1 = £0.78</b>		£11,573,504	£19,769,237	£8,748,723	£40,091,465
<b>Remaining Balance</b>		<b>£2,787,504</b>	<b>£4,865,926</b>	<b>£3,240,245</b>	<b>£10,988,915</b>
		<b>24%</b>	<b>25%</b>	<b>37%</b>	<b>27%</b>

\*Areas pursuing CLLD using only ESF

38. 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.

39. 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

40. The Commission requires an annual schedule of first level compliance checks to be undertaken by the managing authority (MA). The general principle of the Article 125 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 Common Provisions Regulation (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.

Visits Undertaken (2016 OTSV Schedule)	Value of claims selected for testing	Amount Tested	At Risk	At Risk %
142	£ 32,477,128	£ 22,678,584	£ 1,973,904	6.08%

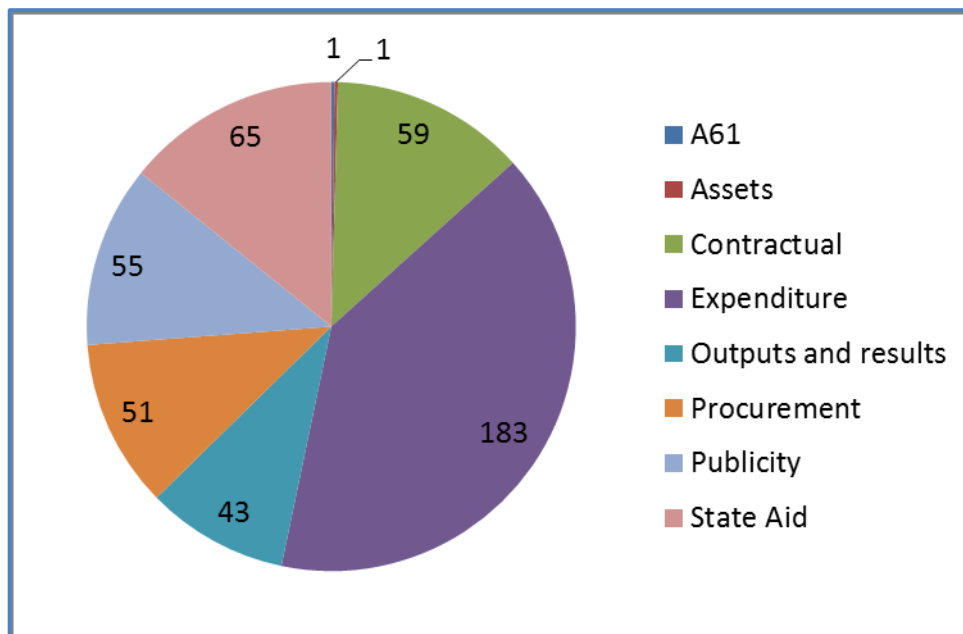
Visits Undertaken (2017 OTSV Schedule)	Value of claims selected	Amount Tested	At Risk £	At Risk %
15	£6,393,067	£1,864,818	£765,545	11.97%

### Progress on OTSV visit actions

	Number of actions raised	Number of actions closed	Actions open	Actions open more than 3 months
<b>2017</b>	49	6	43	0
<b>2016</b>	409	296	113	42

41. 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.

42. Actions to date broken down by category



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

43. 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.
44. There is more work to do, such as enabling the system to pay claims, before the system can be rolled out to all external partners. Further testing with external partners is currently being planned as noted above. It is anticipated that depending on the outcome of the pilot group work more applicants may be brought onto the system to test further. There will be a full system roll out later on in the year.
45. 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 applicant's well in advance of a full roll out.

## Summary

46. In summary the progress on performance of ERDF is as follows :
47. **N+3:** On target in all areas , although the rate of expenditure needs to increase in line expectations from contracting
48. **Performance Framework Targets:** Here we are progressing well in the priority axes with the greatest budgets (PA1 and PA3) with the exception of priority 4.

49. On priority 4 a significant amount of actions have already been taken. We are seeking a programme amendment and looking to have some more flexibility in the activity to assist making a revised PF target.
50. On other priorities PA2, PA5, PA6 and PA8 some modifications are proposed together with further actions regarding output definitions and work with partners (i.e. Environment Agency and Local Authorities to meet targets).