



**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.

#### **Recommendation:**

That the Growth Programme Board notes the current position.

#### **Summary:**

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

- The overall budget for the ERDF programme is £2.697bn.
- To date three national calls have been completed across England.
- The Programme has 522 applications worth £1.13bn ERDF, some of which have progressed to live projects. These applications represent 42% of total Programme value.
- The progress on individual Categories of Region is as follows:
  - Less Developed has applications worth £215m ERDF (63%) of allocation
  - Transition at £262m (33%)
  - More Developed at £642m (41%)
- A total of 72 projects have funding agreements in place for a value of £109m.

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

- Under Priority Axes 1-3 (Innovation, ICT, SME Competitiveness) applications form 41-47% of their allocations.
- Priority 4 Low Carbon is lower at 33%, however efforts have been made to increase the number of calls in round 4.

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

- Only five claims have been received to date from projects to date.
- 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 over the summer.

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

- The performance framework targets are set by category of region and priority. The paper provides a high level analysis of targets and profile for category of region and provides an initial view on early performance.
- The planning assumptions are to achieve targets through spend on projects by 30th September 2018. Equally spend targets have been increased by +30% to mitigate risks of timing for declarations and risk of spend being held up by audit

and assurance work.

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

- A fourth call has closed for some priorities and outcomes will be available shortly.
- The Commission's final guidance on Selection for Financial Instruments is now expected early in June and we continue to work proactively with partners to ensure delivery remains on track. A separate paper has also been provided on outputs for FIs bearing in mind these are spread across LEP areas in many cases.
- Good progress is being made on Sustainable Urban Development and Community Led Local Development

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

- In some LEP areas, a high level of applications has been received under some priorities which may lead to a shortage of funds in later years. A separate paper has been provided to GPB for consideration.
- Improvements are required in management information particularly as ECLAIMS is not yet fully functional. A new format of reporting pipeline and commitment for LEP Area ESIF sub-Committees is being rolled out across the country and an example is attached in Annex A. Further management information including information on outputs is being finalised. The GPB Performance & Dispute Resolution sub-committee will be looking at Programme level performance in more detail.
- 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.
- The Partnership review will provide feedback for delivery of the Programme and enable more effective working.

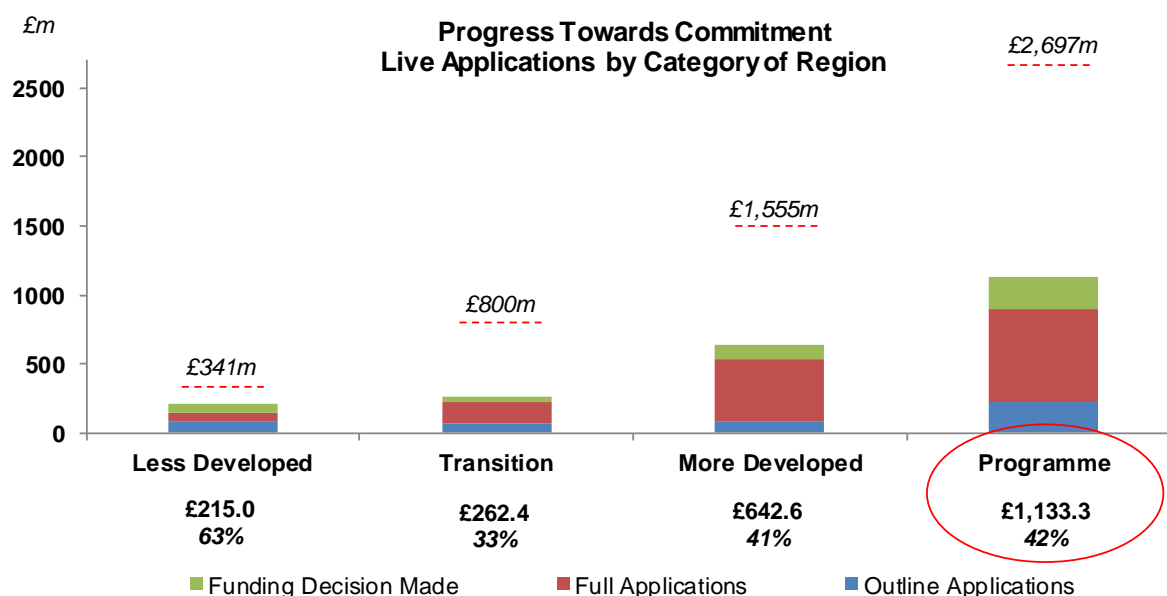
## BACKGROUND

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

The Programme continues to make good progress towards legal commitment of funds. To date there have been four rounds of national calls. The results below are compiled from the first three rounds. The April 2016 round has 76 calls amounting to £306m and results from the first set of closures of these calls are expected in mid June.

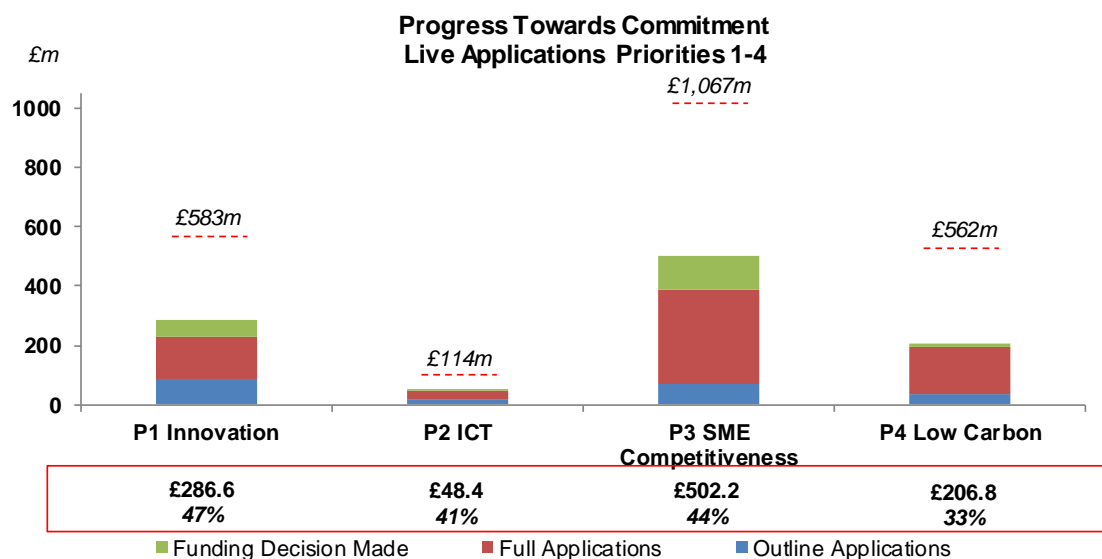
Since the last GPB report the management information analysis has been updated so that applications which are no longer progressing have been removed from the figures, giving a more accurate position of progress, as set out in chart 1 below.



**Chart 1**

1. The chart shows that we have £1.13bn 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 £2.697bn
2. Some 80% (£909.5m) 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 agreements.

## Overall Progress by Priority Axis



**Chart 2**

3. Priorities 1 to 4 account for 86 % (£2.33bn) of the allocation. Chart 2 provides an analysis of progress against each of these.
  - Priority 1 has live applications totalling £286m or 47% of the Priority's allocation.
  - Priority 2 has a 41% allocation
  - Priority 3 has a 44% allocation with a number of applications already contracted
  - Priority 4 Low Carbon indicates a lower percentage pipeline, however under the fourth round there are 20 calls in round 4, worth £112m ERDF.
4. 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.

## Overall Progress – Expenditure

5. As first funding agreements have been issued and some projects decided to start spending once they received the outline application approval the opportunity arose for these to make a first claim. However only five claims have been made to date.
6. Declarations to the EC will be made once designation of the Managing Authority is in place which is expected over the summer.

## **Targets and Programme Performance**

7. At the last Growth Programme Board members were provided with a paper on Performance management of structural funds. This set out a common framework for reporting.

### **Performance Framework Targets**

8. 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**

9. The value of the 72 live funding agreements is €136m. A total of €49m of this is in the less developed area which is a positive start for Cornwall & Isles of Scilly.

### **Target Actuals**

10. As mentioned above the expenditure is limited to date, however once claims are completed by projects for the end of the quarter to June 30<sup>th</sup> expenditure will increase.
11. 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.
12. The performance framework target is achieved by declaring cumulative spend to the EC which meets the 2018 target before 31<sup>st</sup> 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.
13. 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.

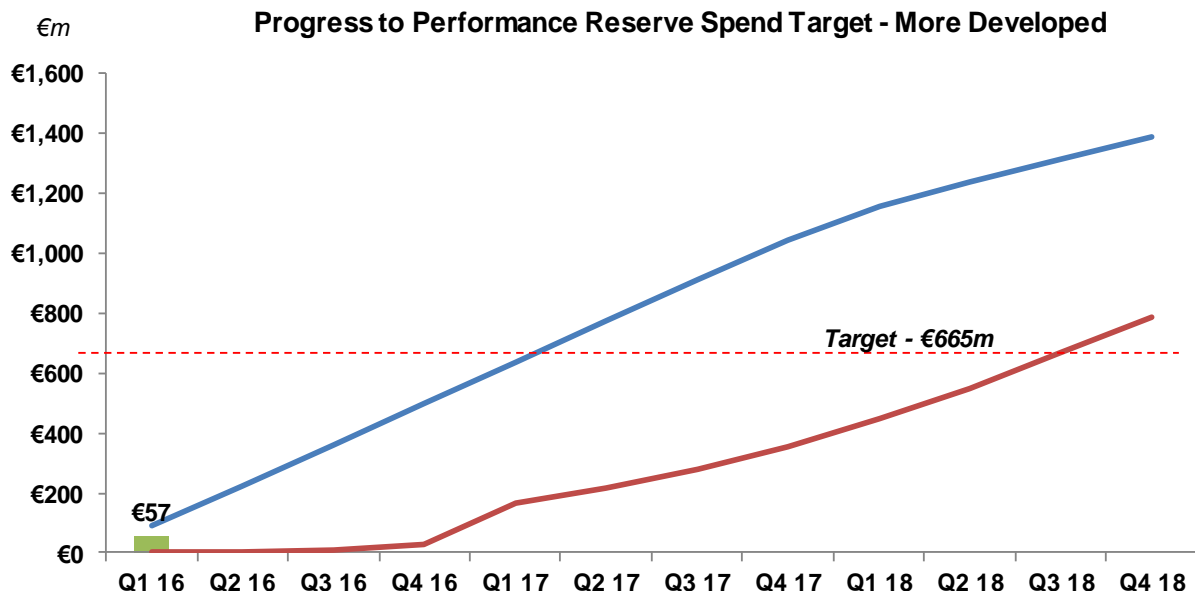
- The contracted spend profile (red line) is the spend paid by DCLG to projects. This spend must be declared to the Commission in the following quarter with a final date of the end of December 2018. So the target date for bringing forward spend on projects is the end of quarter 3 (September) 2018. This then allows the declaration to be made to the Commission in time for the December deadline.

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.

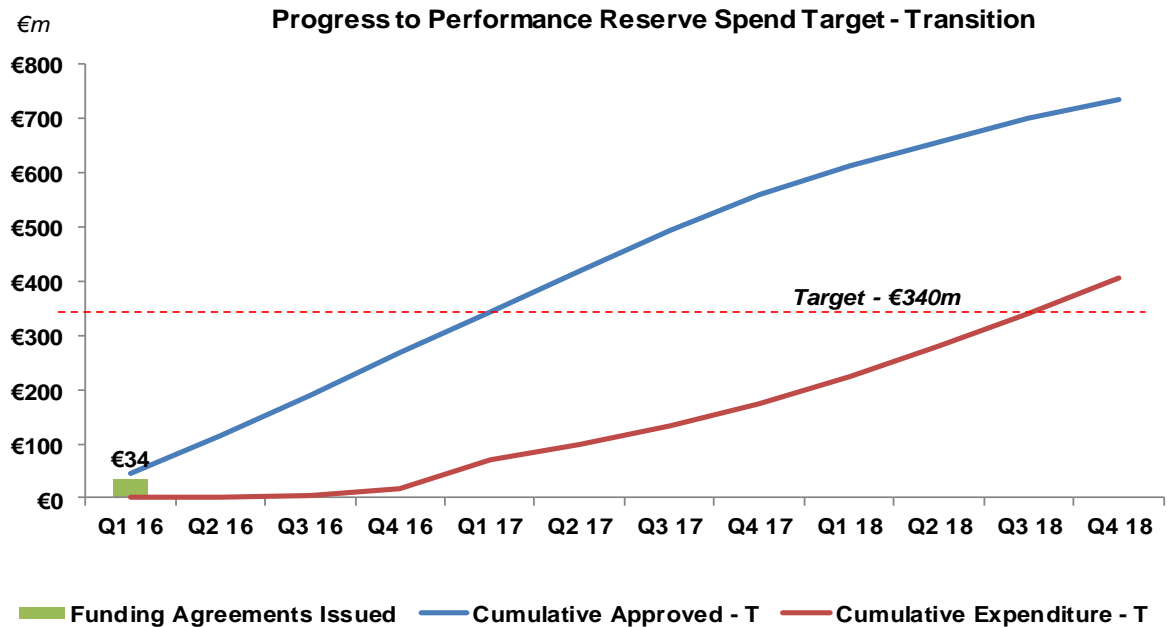
14. In the “More Developed” analysis (chart 3a) below the spend target of €665m is targeted to be achieved by Q3 2018. Contracting which commits funds needs to follow the approval profile which starts with €90m ERDF at the end of Quarter 1 2016.
15. Currently €57m of “More Developed” funding agreements have been issued, so we need to continue to progress more funding agreements.

**Chart 3**

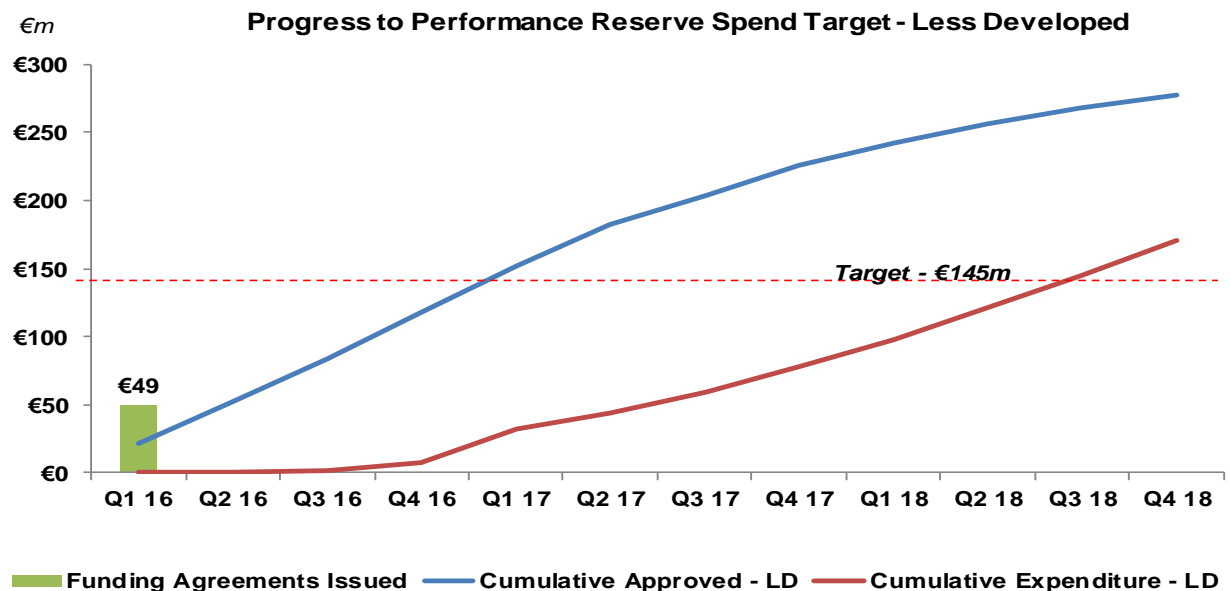
**a) More Developed - Grant Funding Agreements & Performance Reserve**



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



**b) Less developed - Grant Funding Agreements & Performance Reserve**



16. 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 B provides a picture of the major contributors

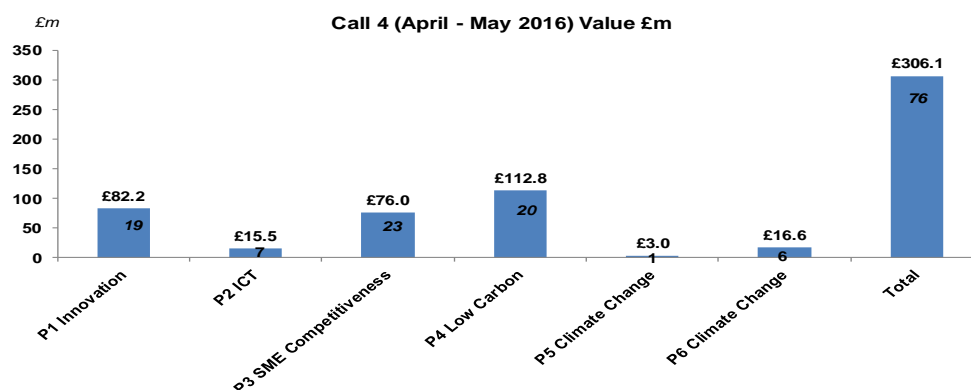
- Performance across More Developed LEP areas is spread wider from 15-85%
- For Transition, most LEP areas are around 30-35% towards their notional allocation.

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 will be considering the Programme's progress in more detail in these areas.

## **Programme Highlights and Progress**

### **Fourth Call**

17. Call 4 is now live and with some areas now closed as at the end of May; 76 calls are live worth £306m ERDF with a good level of calls on Priority 4. Call 7 will run mid-July – end September and further calls will be required from the end of 2016 onwards to continue the progress on commitment.



**Chart 4**

### **Financial Instruments**

18. The Commission's final guidance on Selection is now expected early in June. We have continued to work proactively with partners to ensure delivery remains on track. Consequently, first investments are expected during the Autumn in the Northern Powerhouse, and during the Winter in respect of the Midlands Engine and North East; other funds will start investing thereafter.

### **Community Led Local Development**

19. The 29 local areas invited to submit a Local Development Strategy are working on their submission in time for the end of August deadline.

### **Sustainable Urban Development**

20. All core cities/city regions have submitted full draft Sustainable Urban Development (SUD) strategies. DCLG is now working 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. 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.

#### Update of local ESI Funds Strategies

21. As stated in March, an update on the trends and issues arising from the update process is tabled under a separate agenda item. Following the GPB, Managing Authorities will write jointly to the local ESI Funds sub-committees confirming agreement of each ESI Funds Strategy.

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

22. In some LEP areas, a high level of applications has been received under some priorities which may lead to a shortage of funds in later years. A separate paper has been provided to GPB for consideration.
23. Understanding E Claims is not yet fully functional. Improvements to Management Information for GPB, and sub Committees is required. A roll out of finance/ commitment information is planned shortly and will be available in tabular form to LEP Area ESIF sub-committees and an example is shown in Annex A. Over the next few weeks we will be working on further improving the presentation of programme management information.
24. Managing Authority staffs have undergone intensive training on new processes and the initial use of the E Claims MI system. Further specific training on continuous Improvement has recently been implemented with an aim to improve quality and efficiency.
25. The Partnership review will provide feedback for delivery of the Programme and enable more effective working.

**31<sup>ST</sup> May 2016**  
**David Malpass**  
**Department for Communities and Local Government**

## Annex – LEP Area ESIF sub-Committee Example Performance Report

| Greater Manchester              |                | Euro value Allocation and 2018 Performance Target<br>€'000's |                        |           |               | Projects under Consideration<br>£'000's |                        |               |                   |                           | Progress at Allocation at 100%<br>£'000's |                                |                      |                              | Progress against Allocation at 94% cap<br>£'000's |                     |                      |                      | Performance Reserve Cumulative Progress and 2018<br>Target<br>£'000's |                   |                         |  |
|---------------------------------|----------------|--|------------------------|-----------|---------------|---|------------------------|---------------|-------------------|---------------------------|---|--------------------------------|----------------------|------------------------------|---|---------------------|----------------------|----------------------|---|-------------------|-------------------------|--|
| Priority Axis                   | CoR            | Notional Allocation Euro.€                                   | Target for 2018 Euro.€ | Outline £ | Outline Count | Full Application £                      | Full Application Count | Contracting £ | Contracting Count | Total Under Consideration | Notional Allocation £                     | Balance Remaining to Invest at | % at 100% Allocation | Notional Allocation £.(@94%) | Balance Remaining to Invest at                    | % at 94% Allocation | Cumulative by 2016 £ | Cumulative by 2017 £ | Cumulative by 2018 £  | Target for 2018 £ | Variance to 2018 target |  |
| P1                              | More Developed | €73,550.8  | €18,872.3              |           |               | 8,905.0                                 | 2                      |               |                   | 8,905,000                 | 57,369.6                                  | 48,464.6                       | 15.5%                | 53,927.5                     | 45,022.5  | 16.5%               | 1,602.9              | 5,339.0              | 8,905.0   | 14,720.4          | -5,815.4                |  |
| P1                              | Transition     |  |                        |           |               |   |                        |               |                   |                           |   |                                |                      |                              |   |                     |                      |                      |   |                   |                         |  |
| P1                              | Total          | €73,550.8  | €18,872.3              |           |               | 8,905.0                                 |                        |               |                   | 8,905,000                 | 57,369.6                                  | 48,464.6                       | 15.5%                | 53,927.5                     | 45,022.5  | 16.5%               | 1,602.9              | 5,339.0              | 8,905.0   | 14,720.4          | -5,815.4                |  |
| P3                              | More Developed | €81,850.0  | €21,317.8              |           |               | 18,023.8                                | 8                      |               |                   | 18,023,829                | 63,843.0                                  | 45,819.1                       | 28.2%                | 60,012.4                     | 41,988.6  | 30.0%               | 8,058.1              | 13,642.7             | 18,023.8  | 16,627.9          | 1,396.0                 |  |
| P3                              | Transition     |  |                        |           |               |   |                        |               |                   |                           |   |                                |                      |                              |   |                     |                      |                      |   |                   |                         |  |
| P3                              | Total          | €81,850.0  | €21,317.8              |           |               | 18,023.8                                |                        |               |                   | 18,023,829                | 63,843.0                                  | 45,819.1                       | 28.2%                | 60,012.4                     | 41,988.6  | 30.0%               | 8,058.1              | 13,642.7             | 18,023.8  | 16,627.9          | 1,396.0                 |  |
| P4                              | More Developed | €68,038.3  | €16,870.4              |           |               |   |                        |               |                   |                           | 51,509.9                                  | 51,509.9                       | 0.0%                 | 48,419.3                     | 3,820.7   | 0.0%                | 0.0                  | 0.0                  | 0.0   | 13,158.9          | -13,158.9               |  |
| P4                              | Transition     |  |                        |           |               |   |                        |               |                   |                           |   |                                |                      |                              |   |                     |                      |                      |   |                   |                         |  |
| P4                              | Total          | €68,038.3  | €16,870.4              |           |               |   |                        |               |                   |                           | 51,509.9                                  | 51,509.9                       | 0.0%                 | 48,419.3                     | 3,820.7   | 0.0%                | 0.0                  | 0.0                  | 0.0   | 13,158.9          | -13,158.9               |  |
| P6                              | More Developed | €5,211.0   | €1,064.2               |           |               |   |                        |               |                   |                           | 4,064.6                                   | 4,064.6                        | 0.0%                 | 3,820.7                      | 3,820.7   | 0.0%                | 0.0                  | 0.0                  | 0.0   | 830.1             | -830.1                  |  |
| P6                              | Transition     |  |                        |           |               |   |                        |               |                   |                           |   |                                |                      |                              |   |                     |                      |                      |   |                   |                         |  |
| P6                              | Total          | €5,211.0   | €1,064.2               |           |               |   |                        |               |                   |                           | 4,064.6                                   | 4,064.6                        | 0.0%                 | 3,820.7                      | 3,820.7   | 0.0%                | 0.0                  | 0.0                  | 0.0   | 830.1             | -830.1                  |  |
| Grand Total                     |                | €226,650.1   | €58,124.7              | 0.0       | 0             | 26,928.8                                | 10                     | 0.0           | 0                 | 26,928,829                | 176,787.1                                 | 149,858.2                      | 15.2%                | 166,179.9                    | 139,251.0   | 16.2%               | 9,661.0              | 18,981.7             | 26,928.8  | 45,337.3          | -18,408.4               |  |
| P9                              | More Developed |  |                        |           |               | 712.5                                   | 1                      |               |                   | 712,518                   |   |                                |                      |                              |   |                     |                      |                      |   |                   |                         |  |
| P9                              | Transition     |  |                        |           |               |   |                        |               |                   |                           |   |                                |                      |                              |   |                     |                      |                      |   |                   |                         |  |
| P9                              | Total          |  |                        | 0.0       |               | 712.5                                   |                        | 0.0           |                   | 712,518                   |   |                                |                      |                              |   |                     |                      |                      |   |                   |                         |  |
| P9 Total (For information only) |                |  |                        |           |               |   |                        |               |                   |                           |   |                                |                      |                              |   |                     |                      |                      |   |                   |                         |  |

## Annex B – Top 75% LEP Areas

|                | LEP Area                | Sum of Notional Allocation | Sum of Outline Applications | Sum of Full Applications | Sum of Contracting | Total Live Applications | % of Notional Allocation                  |
|----------------|-------------------------|----------------------------|-----------------------------|--------------------------|--------------------|-------------------------|---|
| More Developed | Greater Manchester      | £176,787,076               | £0                          | £26,928,829              | £0                 | £26,928,829             | 15%                                       |
|                | London                  | £159,125,212               | £1,028,000                  | £133,908,011             |                    | £134,936,011            | 85%                                       |
|                | Leeds City Region       | £154,946,179               | £0                          | £29,410,309              | £7,682,003         | £37,092,312             | 24%                                       |
|                | North East LEP Area     | £152,738,066               | £273,687                    | £22,367,503              | £19,930,846        | £42,572,036             | 28%                                       |
|                | G Birmingham & Solihull | £88,203,602                | 21,801.2                    | 27,531.4                 | 5,252.3            | £54,584,853             | 62%                                       |
|                | D2N2                    | £80,482,017                | 0.0                         | 18,318.0                 | 17,072.4           | £35,390,479             | 44%                                       |
|                | Black Country           | £70,769,427                | 7,165.7                     | 13,302.7                 | 5,372.4            | £25,840,776             | 37%                                       |
|                | South East              | £69,515,247                | £0                          | £24,521,315              | £3,835,973         | £28,357,288             | 41%                                       |
|                | Cheshire & Warrington   | £60,723,931                | £5,300,000                  | £15,138,926              | £0                 | £20,438,926             | 34%                                       |
|                | New Anglia              | £35,526,194                |                             | £2,878,271               | £14,745,231        | £17,623,502             | 50%                                       |
|                | Greater Cambridge       | £30,125,356                |                             | £10,657,012              | £853,970           | £11,510,982             | 38%                                       |
|                | Hertfordshire           | £27,720,622                | £0                          | £4,940,327               | £3,424,219         | £8,364,546              | 30%                                       |
|                | West of England         | £27,363,260                |                             | £10,494,859              | £3,518,331         | £14,013,190             | 51%                                       |
|                | YNYER                   | £27,263,969                | £0                          | £3,039,417               | £982,846           | £4,022,263              | 15%                                       |
| MD Total       | £1,555,570,495          | £82,476,456                | £451,960,808                | £108,161,635             | £642,598,900       | 41%                     |   |
|                |                         |                            |                             |                          |                    |                         | 75% of More Developed notional allocation |

|            | LEP Area              | Sum of Notional Allocation | Sum of Outline Applications | Sum of Full Applications | Sum of Contracting | Total Live Applications | % of Notional Allocation              |
|------------|-----------------------|----------------------------|-----------------------------|--------------------------|--------------------|-------------------------|---------------------------------------|
| Transition | Lancashire            | £124,077,857               | £917,412                    | £35,520,304              | £5,141,024         | £41,578,740             | 34%                                   |
|            | Tees Valley LEP Area  | £94,383,610                | £6,329,106                  | £17,012,935              | £4,827,001         | £28,169,042             | 30%                                   |
|            | Liverpool City Region | £94,137,358                | £6,848,282                  | £16,016,862              | £11,241,431        | £34,106,576             | 36%                                   |
|            | Sheffield City Region | £82,781,328                | £2,958,555                  | £20,844,561              | £660,752           | £24,463,868             | 30%                                   |
|            | Stoke                 | £75,276,992                | £20,649,799                 | £13,950,303              | £5,515,470         | £40,115,572             | 53%                                   |
|            | North East LEP Area   | £73,087,344                | £109,475                    | £6,312,354               | £6,476,000         | £12,897,829             | 18%                                   |
|            | Lincolnshire          | £62,225,172                | £18,302,782                 | £9,461,413               | £1,343,969         | £29,108,164             | 47%                                   |
|            | Grand Total           | £800,559,568               | £66,162,127                 | £158,827,698             | £37,389,176        | £262,379,001            | 33%                                   |
|            |                       |                            |                             |                          |                    |                         | 76% of Transition notional allocation |

|             | LEP Area                   | Sum of Notional Allocation | Sum of Outline Applications | Sum of Full Applications | Sum of Contracting | Total Live Applications | % of Notional Allocation |
|-------------|----------------------------|----------------------------|-----------------------------|--------------------------|--------------------|-------------------------|--------------------------|
| └ D         | Cornwall & Isles of Scilly | £341,228,733               | 74,665.0                    | 64,958.2                 | 75,412.7           | £215,035,975            | 63%                      |
| Grand Total |                            | £2,697,358,796             | £223,724,627                | £678,403,830             | £231,187,141       | £1,133,315,597          | 42%                      |