



WEST MIDLANDS ERDF LOCAL MANAGEMENT COMMITTEE 2007-13

27 September 2012

Item 3: Programme Spend Position

Objective:

- i To report on progress against the 2012 spend target (N+2).

Recommendation:

- i **To note that progress against the 2012 spend target (N+2) is being affected by a combination of factors including slippage across a number of projects in delivery, delays in newly contracted projects achieving significant expenditure (in particular grant funding mechanisms) and potential loss of the JESSICA mechanism with anticipated spend of £5m in 2012.**

1. Background

- 1.1 This paper summarises the progress of the programme against its 2012 ERDF spend target (N+2) of some £142m.
- 1.2 The N+2 target is the minimum cumulative spend which must be achieved across the programme at December each year. Failure to meet the N+2 target results in de-commitment of the deficit from the programme. To date spend targets have been exceeded.
- 1.3 At the beginning of 2012 it was reported to the LMC that there was enough contracted and anticipated spend to meet this years' target. However a combination of factors, in particular slippage being reported by projects in delivery, the lag between projects being contracted and realising substantial expenditure and risk that the JESSICA mechanism with identified spend of £5m for 2012 will not be progressed, has significantly reduced the anticipated headroom and current forecasts suggest that there is little margin for further slippage.
- 1.4 All contracted and pipeline projects have been asked to provide revised forecasts of expenditure up to end November 2012 and to identify further slippage now to enable a realistic assessment of the overall spend position. Forecasts are being monitored on a monthly basis, with particular focus on projects with significant spend.
- 1.5 Any potential clawback of grant also needs to be factored in, as this will be deducted from expenditure declarations made to the Commission.





Department for Communities and Local Government

2. **Headline Spend Data**

2.1 The following table sets out the headline data on spend performance against the 2012 expenditure target

2.2

	Current as at 13/9/12 (£m)	Forecast (£m) to Nov 2012
2012 Spend Target	142	
Claims paid	116.1	
Claims in office	7.68	
Shortfall against target	-18.22	
Projects: in delivery		20.8
Major project		4
Projects: pre-contract		8.4
Position against target		+14.98
Potential clawback	4.277	
Position against target		+10.7

2.3 The current forecast is that the 2012 spend target will be exceeded by some £10.7m. However this assumes that expenditure forecasts provided by projects in delivery and pre-contract are accurate and does not take account of the risk that the JESSICA mechanism will not drawdown £5m this year.

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Date: September 2012

