

## Lowlands and Uplands Scotland ERDF and ESF Programmes 2007-2013 Programme Monitoring Committee

### DRAFT N+2 ACTION PLAN REPORT BY SCOTTISH GOVERNMENT

#### 1. Purpose

- 1.1 To seek the Committee's approval of an Action Plan aimed at ensuring that the Programmes achieve their various N+2 targets and improve the overall quality of programme implementation. The Action Plan is attached as **Annex 1**.

#### 2. Background

- 2.1 The previous 2000 - 2006 programming period involved the requirement to meet financial targets on an annual basis (N+2). This was a challenging requirement given that previous and current programmes were front-loaded and the time it took to build up commitment and therefore expenditure.
- 2.2 During the previous programmes operating in the LUPS area, ERDF targets were met consistently, albeit only by late November/early December each year. In the Scottish Objective 3 Programme 2000 – 2006, ESF tended to meet the annual targets earlier in each year due to the annuality of the funding awards. ERDF was however often hampered by major delays in the implementation of projects, some of which were up to 3 years late in completing and claiming back grant. Many of these should, arguably, not have retained the grant offer, and stronger compliance is planned by the Scottish Government and IAB to ensure targets are met under the new Programmes.

#### 3. 2007-2013 Programmes

- 3.1 Under the new Programmes the financial discipline on achievement of spend remains a regulatory requirement with the risk of automatic de-commitment in the event of non compliance. Article 93 of Regulation 1083/2006 details the principle of automatic de-commitment. In essence, Year 1 (2007) budget allocation requires to be paid out and declared to the Commission by 31 December of Year 3 (2009) and so on.
- 3.2 The financial table below provides indicative expenditure targets which have to be met by the end of each calendar year:

ERDF N+2 TARGETS		
Year	€ Target	Annual Target Increase €
2009 Target	50,570,825	
2010 Target	102,153,067	+51,582,242
2011 Target	154,766,953	+52,613,886
2012 Target	208,433,117	+53,666,164
2013 Target	263,172,604	+54,739,487
2014 Target	319,006,881	+ 55,834,277
2015 Target	375,957,844	+56,950,963

ESF N+2 TARGETS		
Year	€ Target	Annual Target Increase €
2009 Target	36,307,594	
2010 Target	73,341,340	+37,033,746
2011 Target	111,115,761	+37,774,421
2012 Target	149,645,670	+38,529,909
2013 Target	188,946,177	+39,300,507
2014 Target	229,032,694	+40,086,517
2015 Target	269,920,942	+40,888,248

*NB. The Regulation allows for an advance of funds in 2007 and 2008 which would lower the figures for 2009 and 2010 and increase those for 2015.*

- 3.3** Failure to meet the targets will result in a loss of grant so the implementation arrangements developed by the Scottish Government for the Programmes aim to resolve previous difficulties in meeting timeously the targets. The focus on delivery of a significant level of funding under certain priorities by the Strategic Delivery and Global Grant bodies in particular, is expected to result in early expenditure. By ensuring only those projects which have all co-finance in place and are ready to proceed immediately are approved, will further aid the achievement of N+2. In addition, as mentioned previously, stronger up-front compliance should ensure that only projects that can meet individual expenditure targets should retain grant.
- 3.4** The Committee is therefore requested to approve an N+2 Action Plan which will operate in respect of the LUPS ERDF and ESF Programmes. This is attached as **Annex 1**. Updates on progress made to achieve N+2 targets and the latest actions undertaken by the IAB and the Scottish Government as part of the Action Plan will be reported to future Monitoring Committee meetings.
- 3.5** N+2 targets will remain a key element for the new Programmes and a key area of involvement by the Programme Monitoring Committee to ensure such

For Decision



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targets are met.

#### 4. Recommendation

- 4.1 The Monitoring Committee is invited to:
- (i) note the content of this report; and
  - (ii) approve the N+2 Action Plan which is attached as **Annex 1**.

March 2008



**Lowlands and Uplands Scotland ERDF and ESF Programmes 2007-2013  
Programme Monitoring Committee**

**DRAFT N+2 ACTION PLAN**

	<b>ISSUE</b>	<b>ACTION</b>	<b>TIMESCALE</b>
<b>1</b>	<b>Promote Up-Front Compliance and Improve Overall Programme Expenditure Performance</b>		
	<ul style="list-style-type: none"> <li>♦ Ensure that all projects have an updated application form following Monitoring Committee approval.</li> <li>♦ Ensure that all application proposals are supported by work plans/schedules with clear performance milestones.</li> <li>♦ Ensure all approved applicants understand the basis for the grant award and any associated grant conditions.</li> </ul>	<ul style="list-style-type: none"> <li>♦ IAB will communicate with project sponsors outlining outstanding technical issues. Updated and fully compliant forms will be required prior to issuing of grant approval letters.</li> <li>♦ IAB will liaise with applicants regarding these work plans/schedules that should be completed prior to issuing of grant approval letters. They will enable the IAB and Scottish Government to effectively monitor progress on approved projects during implementation.</li> <li>♦ IAB will liaise with lead applicants and their partners (where applicable) prior to the submission of their 1<sup>st</sup> grant claim. This will be done to ensure that they fully understand the basis of the grant award, the national expenditure rules and any general or project-specific grant conditions.</li> </ul>	<ul style="list-style-type: none"> <li>♦ Target date for completion of this exercise for the 1<sup>st</sup> application round is 30 April 2008.</li> <li>♦ Target date for completion of this exercise is 30 April 2008.</li> <li>♦ These meetings will be undertaken prior to the submission of the 1<sup>st</sup> grant claim – target date is 31st July 2008.</li> </ul>

	ISSUE	ACTION	TIMESCALE
1	<b>Promote Up-Front Compliance and Improve Overall Programme Expenditure Performance (<i>continued</i>)</b>		
	<ul style="list-style-type: none"> <li>♦ Ensure all data from approved applications are inputted onto the new management information system €UROSYS.</li> <li>♦ Ensure all final claims for Shadow Round Projects are submitted.</li> <li>♦ Linking Future Grant Awards to compliance and performance.</li> </ul>	<ul style="list-style-type: none"> <li>♦ In preparation for 1<sup>st</sup> grant claims from 1<sup>st</sup> round applications, liaise with sponsors to ensure that key project data is inputted onto €UROSYS. Although claims from Shadow Round applications have been paid via a manual grant form, all data from these projects will also have to put onto the €UROSYS.</li> <li>♦ Liaise with sponsors of Shadow Round projects to ensure that final claims are submitted. Where implementation has varied from the originally approved application, including project size or timescale, ensure a Notification of Change form is submitted.</li> <li>♦ In appraising applications in the 2<sup>nd</sup> round and beyond, ensure that the project selection methodology takes full account of organisational performance in the delivery of earlier projects in the LUPS Programme. In addition, the Managing Authorities will consider making new approvals to particular organisations subject to them being fully compliant in terms of outstanding grant claims and progress reports on other European funded projects (both ERDF and ESF)</li> </ul>	<ul style="list-style-type: none"> <li>♦ The target date for the submission of all 1<sup>st</sup> grant claims will be 31 August 2008.</li> <li>♦ The target date for the completion of this exercise will be 31 May 2008.</li> <li>♦ Ongoing throughout the life of LUPS Programme. IAB and Scottish Government to provide an updated status report to the Monitoring Committee on approvals and on the claims position of approved projects.</li> </ul>



	ISSUE	ACTION	TIMESCALE
1	<b>Promote Up-Front Compliance and Improve Overall Programme Expenditure Performance (continued)</b>		
	<ul style="list-style-type: none"> <li>♦ Increase the number of valid grant claims submitted by applicants and reduce the time it takes to process and pay claims.</li> <li>♦ Prepare a Compliance Plan with the Managing Authority to ensure that sufficient Article 60b checks are undertaken on approved projects to give assurance to the Certifying and Managing Authorities (Target % of total approved to be confirmed by Scottish Government)</li> </ul>	<ul style="list-style-type: none"> <li>♦ IAB will work with approved applicants to ensure that grant claims are submitted on-time, technically correct and supported by transaction lists. The Scottish Government cannot pay grant claims which do not conform to this standard and this will delay payment to applicants. This will be done by both the IAB and the Scottish Government via general communication or formal seminars.</li> <li>♦ Over and above the normal technical checks undertaken when grant claims are submitted, the IAB and the Scottish Government are required to undertake additional checks on approved projects. On the spot checks on the reality of expenditure and on the progress of the project are required under Article 60b of the Commission Regulations. They will be undertaken by the IAB and involve closer scrutiny of project implementation processes and project expenditure. These are done to ensure that projects understand the rules on eligible expenditure, and to reduce the risk of ineligible expenditure being declared to the Commission by the Scottish Government as well as ensuring that projects are being implemented in line with the approved application. Additional financial checks on the reality of expenditure will be undertaken by the Managing Authorities on a sample basis.</li> </ul>	<ul style="list-style-type: none"> <li>♦ Ongoing throughout the life of LUPS Programmes.</li> <li>♦ Ongoing throughout the life of LUPS Programmes.</li> </ul>

	ISSUE	ACTION	TIMESCALE
<b>2</b>	<b>Increase quality and number of project applications received if required, in under-performing Programme Priorities</b>		
	<ul style="list-style-type: none"> <li>♦ Increase volume of projects in under-performing operational Programme priorities.</li> <li>♦ Spread examples of identified good projects.</li> </ul>	<ul style="list-style-type: none"> <li>♦ In preparation for the 2<sup>nd</sup> application round, hold seminars aimed at stimulating the interest of partners in all operational priorities of the LUPS Programme. This is aimed at answering concerns or queries from partners, increasing the number of applications received in future rounds and ensuring that the overall LUPS strategy is implemented as originally envisaged.</li> <li>♦ Where good practice in project implementation is identified, IAB will seek to liaise with sponsors with a view to showcasing these in Programme publications, including the Annual Implementation Report and as potential case studies on the ESEP website. Such good practice will also be made available to other partners in the LUPS Programme.</li> </ul>	<ul style="list-style-type: none"> <li>♦ The initial target date for these seminars will be prior to 15 August 2008 – First Stage Application deadline for the next application round. Further seminars will be arranged as required by the Scottish Government.</li> <li>♦ Ongoing throughout the life of the Programmes.</li> </ul>



	ISSUE	ACTION	TIMESCALE
<b>3</b>	<b>Improve communications on N+2 issues</b>		
	<ul style="list-style-type: none"> <li>♦ Seek PMC approval to N+2 action plan</li> <li>♦ Continue internal focus on N+2 and monitor implementation of N+2 action plan</li> <li>♦ Improve IAB staff awareness of N+2 issue</li> <li>♦ Ensure regular reporting to Scottish Government</li> <li>♦ Ensure Applicants are made aware of the latest developments</li> <li>♦ Update Monitoring Committee on the latest N+2 Position</li> </ul>	<ul style="list-style-type: none"> <li>♦ Implement agreed action plan</li> <li>♦ IAB to establish N+2 Action Group to meet regularly to review overall claims performance and identify areas of potential concern.</li> <li>♦ Hold regular staff awareness sessions.</li> <li>♦ In addition to the formal contract meetings, regular meetings are held between IAB and Scottish Government Managing Authority staff where operational issues are discussed.</li> <li>♦ IAB will communicate with applicants to set claims deadlines or undertake follow-up action.</li> <li>♦ A paper will be prepared for each Monitoring Committee meeting which provides the latest position on grant claimed and updates on actions undertaken as part of the N+2 Action Plan.</li> </ul>	<ul style="list-style-type: none"> <li>♦ Presented to LUPS Monitoring Committee on 19 March 2008.</li> <li>♦ Ongoing. However, specific meetings will be held prior to Monitoring Committee meetings to ensure that decisions are made on the most up to date information.</li> <li>♦ Ongoing.</li> <li>♦ Ongoing. IAB will also update N+2 position every month to Scottish Government to gauge progress</li> <li>♦ Ongoing</li> <li>♦ Every Monitoring Committee Meeting</li> </ul>



	ISSUE	ACTION	TIMESCALE
<b>3</b>	<b>Improve communications on N+2 issues</b>		
	<ul style="list-style-type: none"> <li>♦ Learn from Best Practice in the External Environment</li> </ul>	<ul style="list-style-type: none"> <li>♦ The IAB and Scottish Government will seek to apply best practice in the area of N+2 compliance to the LUPS Programmes where it is identified in other parts of the UK and Europe.</li> </ul>	<ul style="list-style-type: none"> <li>♦ Ongoing</li> </ul>

March 2008