



## I Financial Issues

# Auto Decommitment

### Background

At the beginning of each calendar year ERDF-funding is automatically committed by the European Commission. As the North Sea Programme was approved in 2007, the first year of commitment was 2007. If this ERDF-funding is not spent within three years of the year when it is committed (N+2, where N is the year of commitment) the unspent part is automatically taken back or 'decommitted' by the Commission.

The first year of potential decommitment is, thus, 2009. In practice this means that all projects that do not meet their spending targets as described in the Contract risk having parts of their grant decommitted. Decommitted funding is lost – permanently.

### Guidance

The decommitment rule (also known as the N+2 rule), applies **only** on programme level and not on project level. Consequently, funding set aside in a project budget for one particular year cannot be spent by a project up to 2 years after the year stated in the budget. If funds are unspent by the end of a budget year, they are in principle lost if the programme as a whole is subject to decommitment.

Thus, projects that do not meet their spending targets are in real danger of losing their ERDF grant. The only way to avoid decommitment is to meet the spending targets as described in the Contract.

If a Lead Beneficiary finds him/her self in a situation where significant deviations from the approved spending plan are expected, the Lead Beneficiary must immediately inform the programme secretariat of the expected deviation and the reasons for these deviations. Projects must therefore focus on meeting their annual spending targets. If these targets are met, there is absolutely no risk of decommitment.

Applicants are therefore strongly advised to prepare a detailed costed workplan before completing sections 7.1 and 7.2 of the applications form. This provides the best possible basis for estimating actual expenditure and the timing of this expenditure and will result in realistic spending targets that the project can meet.

### References

- Council Regulation (EC) No.1083/2006, Article 93.