



**European Union**

European Structural  
and Investment Funds

**European Structural and Investment Funds  
2014 - 2020**

**Growth Programme for England**

## **ESI Funds Growth Programme Board**

### **Progress on ESF**

#### **Purpose:**

This paper provides a progress update to the Board on activity on the ESF Programme.

#### **Recommendations:**

That the Board notes the current position.

#### **Summary:**

- The most recent ESF call closed on 31<sup>st</sup> July 16
- The Treasury announced that projects with signed contracts or funding agreements in place before the Autumn Statement will be fully funded.
- The MA will work with Treasury to agree arrangements for ESF funding agreements expected to be signed after the Autumn Statement
- The MA has submitted 10 calls to Treasury for approval to issue
- 55% of programme budget has been committed by the MA through FAs and MoUs. 49.77% committed onward by Opt Ins.
- Future reduction in committed spend by SFA (27%) – awaiting the final outcome of procurement

## **Calls and applications update**

### **Application status**

1. For all of the application information and subsequent data contained in the paper the figures referenced include figures for the ESF MA and the Intermediate Body for London, the Greater London Authority (GLA).
2. To date, out of 77 Direct Bid full applications, to a value of £214.9m, 65 have received Funding Agreements worth £194.5 m. The remaining applications are being processed. The DWP MA will continue to issue Funding Agreements ahead of the Autumn Statement but this will depend on the quality of the full applications.
3. There are approximately 40 outline applications as a result of the last round of calls that are about to be invited to full application stage. As part of the normal course of business, the DWP MA is working towards having funding agreements in place for most of these by the Autumn Statement but the quality of applications may impact this.

4. A total of 145 MoUs amounting to £1.15 billion are now in place with our Co-Financing Organisations.

## **Progress against Performance Framework**

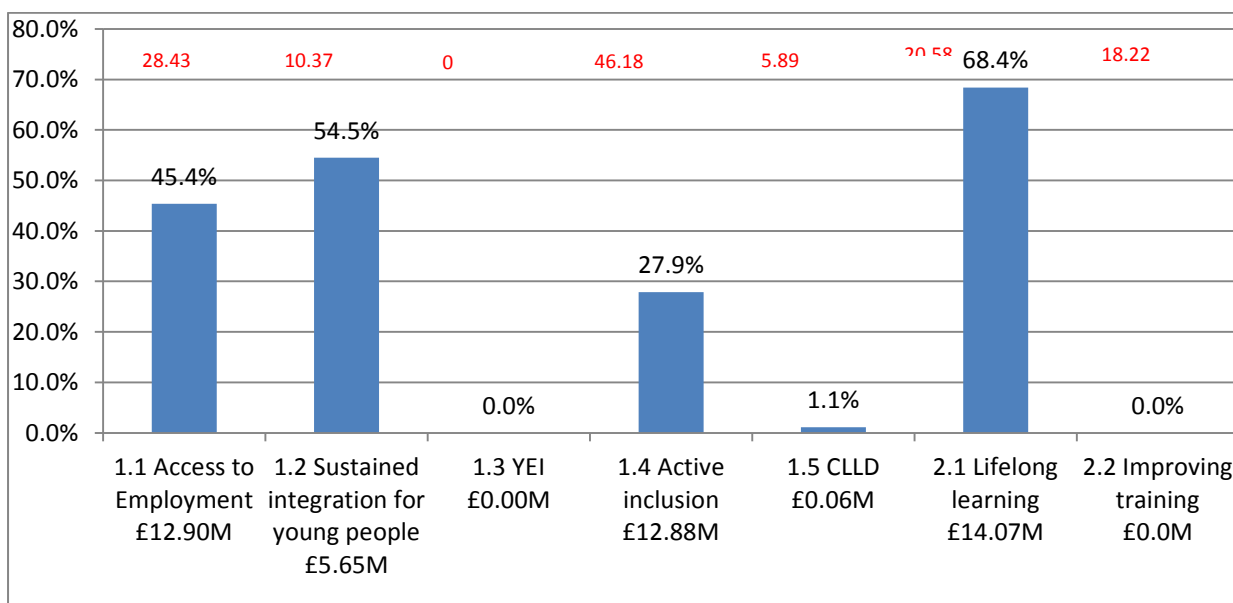
5. Commitments to date indicate a risk to achievement of the performance framework in respect of Priority Axis1. At the time of writing, there is an under-commitment of 9.42% (or cash value of £55,487,424). For the Less Developed CoR, the under-commitment is 21.01% (or a cash value of £6,958,068). A total cash value of £62,445,942.
6. To help address this, the MA is considering publishing up to 23 calls by the end of the calendar year with a potential value of £53,554,790. The MA has put forward 10 of these calls for Treasury approval with a total value of over £35m.
7. Of the 10 calls the MA has put forward so far three calls worth a total of £8,424,982 are for Priority Axis one. These are:
  - One call with a value of £6,500,000 in IP 1.4 for Greater Birmingham & Solihull
  - Two calls with a value of £1,924,982 for D2N2
8. This leaves a shortfall in PA 1 of £47,062,442. The majority of this should be addressed by take up in IP1.5 (CLLD) in the normal course of business.
9. In IP 1.5 (CLLD) projects are currently at stage 1, the development stage. Funding for this stage is being used to enable projects to develop their strategies prior to moving to stage 2. If at that stage all projects progress to the next stage, and run for the full five year cycle, there is potential for a further £40,000,000 to be committed under this Priority Axis.
10. For PA 2, the commitment level appears on course to meet the Performance Framework but IP 2.2 is relatively under committed and the MA acknowledges that there is a risk to achievement under PA2 in the remainder of the programme following the decision to change the approach to skills funding.
11. For Priority Axis 2, three calls with a value of £10,750,000 are planned in the Less Developed Region with:-
  - One call worth a total of £4,400,000 in IP 2.1
  - Two calls worth a total of £6,350,000 in IP 2.2
12. The remaining £15,917,848 is accounted for as follows:
  - One call with a value of £10,500,000 for Greater Birmingham Solihull in IP 2.1
  - Two calls with a value of £1,650,250 for D2N2 for IP 2.1
  - One call with a value of £3,767,593 for D2N2 in IP 2.2.

## The Picture by Programme Area (Category of Region)

### Less Developed

13. The bars in the chart which follows show the £45.6m which has been committed. The percentages represent the proportion of the allocation which has been committed and the amounts are the commitments by IP. The figures in red represent the allocations for each IP.

### Less Developed



14. Just over a third of the total allocation has been committed, (35.1%) although the proportion varies by Investment Priority.

15. The level of commitment reflects the fact that CLLD is at Stage 1. In the early part of the programme the LEP concentrated on the Opt-in for PA 1. A recent call for IP 1.4 value £3.9M, is currently asking successful applicants at outline stage to submit full applications. This will increase commitment in IP1.4 to 36.3 %.(increasing the overall committed spend for Less Developed COR to 38.2%).

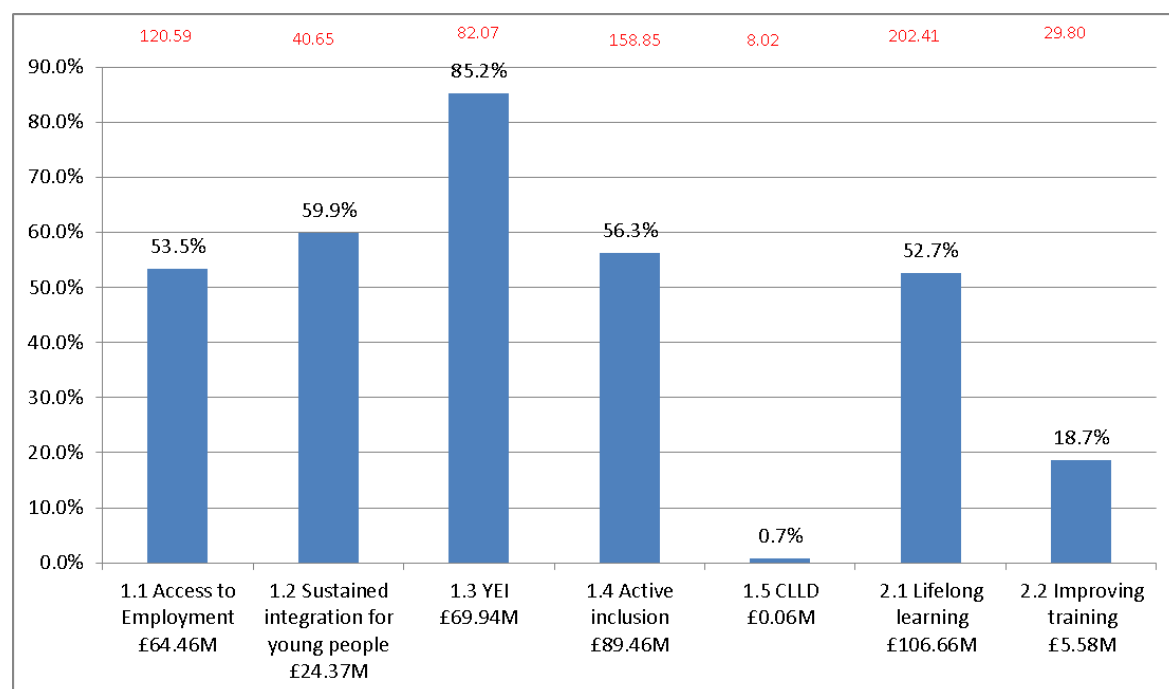
16. To raise commitment for IP 2.2, the MA has taken a joined up approach with ERDF by linking ESF calls to ERDF business support activity. The MA launched a joint call for a Creative Skills project worth £1million which is now at the final stages of the appraisal process. This has facilitated further calls (solely for ESF) to be drafted and a Creative Skill Hub call to be published which is awaiting a full application. The venture was successful in focussing attention on ESF and triggering further plans for spend particularly in PA 2.

17. Up to six calls are being developed, three of which are likely to be launched in the near future, pending Treasury approval. Of those, two are for IP 2.2 and one for IP 2.1. The ITI

team is confident that these calls will attract bids and is working with businesses to ensure wider knowledge dissemination.

## Transitional

18. The bars in the chart which follows show the £358.93m which has been committed. The percentages represent the proportion of the allocation which has been committed and the amounts are the commitments by IP. The figures in red represent the allocations for each IP.



19. In the Transitional region, over 55% of total allocation has been committed. Notwithstanding the common position on CLLD, IP2.2 is under committed owing to prioritisation of PA1 and IP2.1 activity.

20. There are two areas which appear to have a low percentage of commitment.

### Sheffield City region – 30.63%

21. Two calls under IP1.4, to the value of £1m each, closed mid-July. Outline Applications are being assessed. The value of these calls would bring the SCR total potential commitment to 31% providing they proceed in full value to Funding Agreement.

Two further calls are being developed. The approximate value of these calls would be £8-10m. This would increase the potential commitments in the LEP area to around 49% of the total allocation.

### The Marches – 24.32%

The Marches had planned to use Opt-ins for a high proportion of activity. The majority of

this was planned with the SFA over the life of the programme though this may now need to be revisited. The MA is working with the local area to identify and develop potential calls.

In addition, there appears to be a substantial over-commitment in one LEP area and commitments in another amount to more than half the allocation at this stage of the programme.

### Heart of the South West (HoSW) – 125.76%

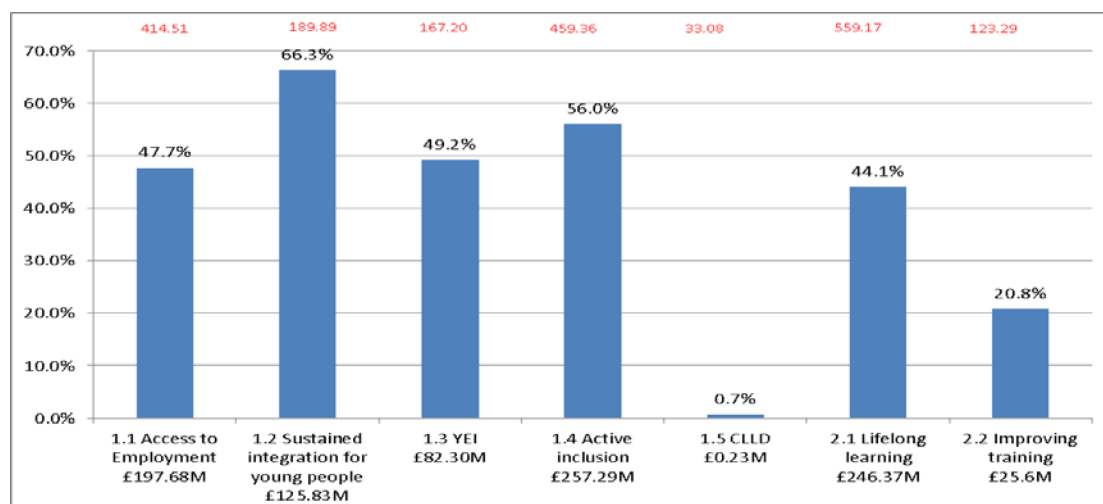
SFA is due to submit a number of change requests which will bring commitments more in line with expectations. In total for all four SFA MOUs, in respect of the total project value we will have a 26% reduction overall.

### Cumbria – 70.02%

Cumbria has utilised CFO contracts to take advantage of the match CFOs provide. SFA procurement has begun in IP1.2 for £800,000 and IP2.1 for £9,442,056 and a planned procurement in IP 1.1 of £3,333,333.

## More Developed

22. The bars in the chart which follows show the £938.31m which has been committed. The percentages represent the proportion of the allocation which has been committed and the amounts are the commitments by IP. The figures in red represent the allocations for each IP.



23. In the More Developed Region, over 48% of total allocation has been committed. Most Investment Priorities are over 40% committed with the exception of 1.5 (CLLD) and 2.2, both for the reasons set out in the Transitional section.

Lower levels of commitment are showing in five LEP areas.

### Coast to Capital – 32.5%

A call worth £1m in IP 1.2 has been developed, which will bring the commitment in IP 1.2 to

about 75% of the LEP area allocation. This call is expected to move forward for Treasury approval. Alongside this discussions are under way to develop a joint call with another LEP area in IP 2.1.

### **Coventry/Warwickshire – 29.9%**

Six calls have attracted 10 outline applications worth £10.9m. If all are successful, commitment will rise to 50%. The deadline date for full applications is 23<sup>rd</sup> September.

### **Greater Birmingham and Solihull – 22.1%**

GBS preferred to use direct bids for all provision in the area.

Outline applications worth a total of £16m have been invited to full application in the last week. Approval would bring commitment to 39%. In addition, two calls which are ready to be launched and are in the first batch to be considered by Treasury– value £17m (1.4 - £6.5m, 2.1 - £10.5m). Approval would then bring commitment to around 59%.

### **Leeds City Region – 23.6%**

Three calls closed in mid-July. Outline applications are being assessed. A further call has been developed. If approved this would bring the total potential commitment to 36% in the LEP area.

### **Worcestershire – 26.3%**

The focus has been on getting Opt-In activity off the ground. The LEP had planned to opt-in to the DWP CFO but did not pursue this route. An open call (IP 2.1) closed in May; outline assessments have been considered by the LEP area ESIF sub-Committee; and those successful at outline stage can now be invited to submit full applications. The value of successful outline applications is approximately £480k. Three calls totalling £3m will be developed over the next few weeks.

## **ESF Opt-in / Co-Financing Organisations (CFOs)**

- **BLF Applications**

- There have been 38 Big Lottery Fund MoUs. These MoUs are for £172.95m of ESF. The actual committed figure through procurement for BLF is £156,373,450. This is just short of 10% of the total value of MOUs. BLF are considering a 4th round of procurement to commit the balance of money.

- **DWP Applications**

- There have been 23 MoUs agreed with DWP. These MoUs are for £119.3m of ESF.

- The value of the procurement so far amounts to £1.8m in the Hertfordshire LEP area and £2.7m in the GCGP LEP area. Both procurements were under IP 1.1 and both went live on 22/8/16.
- The remaining contracts total £94.4m under IP 1.1. Nine are due to go live mid to late November, 11 late December/early January 17 and five by mid January 17. A further four contracts under IP1.4, worth £15.1m are due to go live mid to late January 17

- **NOMS**

- NOMS have one MoU which cover England with the exception of Cornwall and the Isles of Scilly. The MoU is for £131m of ESF.
- Current expenditure is £14.9m. NOMS has signalled to the Managing Authority their intention to submit a re-profile following the first claim, once e-Claims is operational to address the current underspend.

- **SFA Applications**

- The original MoUs totalled c£725m. The value of these has now fallen to c£520m (inclusive of admin). The majority of ITTs have closed and evaluations are under way ahead of contract award. The remaining procurement closes in early September. 88 contracts are live (Aug 16) to the value of £114m.
- There will be a need for further change requests to address the financial change. This is being done as procurement under the relevant PA is completed. This will impact both PAs and most geographies.

## **Technical Assistance**

24. Technical Assistance actions will support the delivery of priority axes within the Operational Programme across all categories of region. Article 59 (Technical Assistance of the Member States) of the Common Provisions Regulations sets out how TA can be used to aid programme implementation and evaluation. A national call for TA bids closed in October 2015.
25. In response a total of 48 TA applications were submitted with a potential value of £22.75M. 29 have been taken through to full application stage so far with total ESF requested of £8.7m. This is against a national TA allocation for this TA call of £60m.
26. As the full amount of TA resource identified in last year's call (2015) had not been taken up the TA Advisory Group meeting on the 25 May 2016 agreed that there was no immediate need for a further TA national call although it would still be possible to run targeted calls as and when required, but on the basis that there was a clear need with robust analysis to support that need.

## **Future Calls**

27. The MA intends to launch approximately 23 calls within the coming months. The MA has carefully considered the priority and urgency of these planned calls and identified ten calls

which the MA has put to Treasury for approval in line with arrangements put in place following the Treasury announcement on EU funding.

- 28. Once we have approval of the initial 10 calls the MA will look to progress the remaining 13 with Treasury.
- 29. The Government will set out arrangements for future ESF Funding Agreements expected to be signed after the Autumn Statement.
- 30. In the meantime, the MA continues to work with LEPs to prepare calls, to appraise applications and to make payments for claims. We will not be accelerating activity nor bringing forward or increasing spending commitments artificially. We expect to adhere to current, agreed, strategies and plans for the time being.

### **Designation of the Managing Authority for ESF 2014-2020**

- 31. The initial target date for designation was September/early October 2016. This has slipped slightly and is now likely to be October/November 2016.
- 32. A revised Management Control Systems Description (MCSD) was sent to GIAA for assessment on the 15th July 2016. The MA received feedback from the GIAA in early August and is in regular dialogue with the GIAA to work through the comments and finalise MCSD evidence.
- 33. As part of this process, GIAA will attend a walkthrough of the EClaims system which will also include a discussion on specific areas of the designation checklist in September.
- 34. A third phase of assessment by the GIAA will take place during September.
- 35. Work is continuing to resolve defects in the system and an updated timetable for IT development and MI reporting will be available in September.

**Mark Self**  
**DWP, ESFD**