

European Structural and Investment Funds (2014-2020)  
Growth Programme for England

**Growth Programme Board September 2020**

**Progress on ESF** *(please note this paper should be printed in colour)*

**Purpose:**

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

**Recommendations:**

That the Growth Programme Board notes the current position and asks members to continue to actively encourage their LEP areas to expedite the design of Calls to draw on the ESF Reserve Fund.

Members are additionally asked to note that this abridged paper contains a high level summary of key issues and performance against key indicators. Additionally, a slide presentation, to be delivered at the meeting, will update members on progress on the key issues facing ESF; thus providing a full and detailed overview of the programme.

**Summary:**

*(N.B: The position at the last report, with ESF data to 01 June 2020, is shown in brackets for ease of comparison).*

ESF commitment, as of 03 August 2020, was £2.312 billion, 75.92% of the total ESF allocation (£2.233 billion, 73.6%).

There are 4 live calls on GOV.UK to the value of £12 million. All these Calls are for the LD Category of Region (CoR) and launched at the beginning of August, with October closing dates.

At the June GPB meeting the MA confirmed arrangements for the Reserve Fund going forward and emphasised that stakeholders and local areas are invited to submit Call Proposals where a need for support to respond directly to the impacts of COVID-19 is identified.

Since then, 25 Call Proposals have been received (24 Direct Bid, value £56.7million and 1 CFO request for funding, value £15.8 million). Of these, 4 Direct Bid Call Proposals were approved (total value circa. £10.7 million) and the calls launched, as mentioned above.

The Reserve Fund Panel met during week commencing 24th August and considered the remaining applications for funding. Of these, 10 applications were approved (£13.5M); 1 rejected (£1.5M); the CFO request (£15.8M) was not concluded and the remaining applications were deferred.

Progress towards the 2020 N+3 target has been impacted by COVID-19. The Commission has set out a response to COVID-19 and has indicated that it will consider a reduction in de-commitment where the MA can provide evidence this is due to COVID-19.

All the recruitment exercises have now been completed and successful candidates have been notified. We are currently on track to have new recruits joining the ESF MA from 1st September onwards, with the majority of candidates expected to start in October.

The final draft of the Annual Implementation Report (AIR) was endorsed by GPB members via written procedure. This will be submitted to the European Commission in advance of the end September deadline.

Final Payment Application (FPA) 15 was submitted to the European Commission on 31 July 2020 for €176 million (£156 million) total expenditure, €98 million ESF (EU amount). We anticipate reimbursement of €88 million (£79 million) to be made by the end of September 2020. This is the final payment application of the 2019-2020 accounting year.

The first Interim Payment Application (IPA) of the 2020-2021 accounting year (IPA16) is due to be submitted by the end of September 2020. The current forecast value of this is €142 million (£130 million).

### **ESF Programme Update:**

All data included in the Programme Update section is as at **03 August 2020**, unless indicated otherwise. The exchange rate used throughout the report is 0.90268, unless stated otherwise.

### **Calls and Commitment Update:**

In order to provide the Board with the latest available information, the Performance Framework data presented has different period end dates for participant and financial elements. Unlike the financial data which is available monthly, the participant data is only available on a quarterly basis.

- ESF commitment, as of 01 August 2020, was £2.312 billion, 75.92% of the total ESF allocation (£2.233 billion, 73.6%).
- In Priority Axes 1 and 2 there are 254 Direct Bid projects with commitments totalling £717.4 million (£703.4) and 157 MoUs for the National Co-Financing Organisations (CFOs) valued at £1.559 billion (£1.596 billion).
- There are 40 ESF Funding Agreements for Technical Assistance with a value of £28.6 million.
- There are 197 Full Applications in appraisal, which total £508 million.

## Update on the Appraisal of Applications:

Appraisal Caseload Performance - Summary Position					
Row	Stage of Appraisal Process	Appraisal Caseload Volumes		Appraisal Caseload Value (£m)	
		Last Report - (Data as at 9 June 2020)	Current Position (Aug 2020 data)	Last Report - (Data as at 9 June 2020)	Current Position (Aug 2020 data)
A	Unassigned	68	45	123.0	83.0
B	Appraising	64	74	183.6	164.4
C	At ESIF Committee	11	12	18.5	22.1
D	Post ESIF Action	5	1	11.5	0.5
E	<b>Appraising Sub Total (Rows B+C+D)</b>	<b>80</b>	<b>87</b>	<b>213.6</b>	<b>187.0</b>
F	<b>Grand Total in Appraisal (Rows A+B+C+D+E)</b>	<b>148</b>	<b>132</b>	<b>336.6</b>	<b>270.0</b>
G	New Decisions (Made within last 14 days)	1	3	3.0	2.1
H	Pending Decisions	18	6	26.2	37.4
I	Awaiting Funding Agreement (includes Row G)	70	59	208.3	200.9
J	Post-Appraisal Action Sub-Total	89	68	237.5	240.4
K	<b>Appraisal Totals (Rows F+J)</b>	<b>237</b>	<b>197</b>	<b>574.1</b>	<b>508.3</b>

The above table summarises the current position with regard to the appraisal of applications and gives a clear illustration of both the volume and value of applications in the different stages of the process. For ease of reference, the position at the last report is presented in an adjacent column. It can be seen that both the volume and value of applications in appraisal has increased dramatically since the last report and that those of the unassigned applications has decreased.

With unassigned applications, their number and value have decreased by approximately 33% since the last report, which shows the results of the MA's actions to improve the speed at which these are assigned to appraisers and reduce the backlog. The MA is continuing with the previously-reported decision to complete Gateway and Due Diligence checks at the point of call closure. This has ensured that where the application has not reached the required standard for a full appraisal to be undertaken, the decision can be shared at the earliest opportunity. Once the full appraisal begins the applicant is contacted to advise of the process and expected timescales to reach a funding decision. Additionally, a check of all documents is made prior to assignment. This is the Preliminary Appraisal Review Questions (PARQ) process, which has been further refined, as was highlighted in the last report. This ensures that when the project is assigned to an appraiser there is no further delay in beginning the assessment.

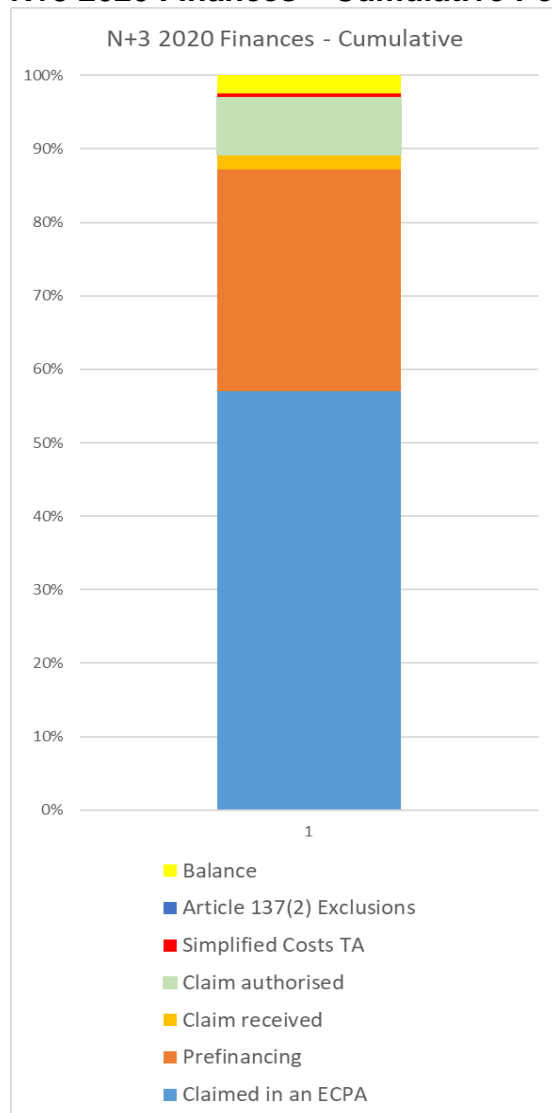
Members will also note that even though the volume of applications in post-appraisal action has dropped by c.25% since the last report, the value of those applications has actually increased slightly. This suggests that there are a smaller number of higher value applications at this stage than in the June data. This summary provides reassurance that not only are the unassigned applications being reduced, but that the appraisal team are also moving them through the process effectively.

A total of 48 Funding Agreements have been issued to Grant Recipients for signing, this includes 20 issued since the start of July. A further 25 projects have been approved and Funding Agreements are currently being drawn up for issue.

Finally, the recent recruitment process has allowed for 5 further appraisers to join the team. They will take up post in September and October.

### **Progress on N+3 Target:**

#### **N+3 2020 Finances – Cumulative Performance**



Target	€ 1,897,810,581.00	
Claimed in an ECPA	€ 1,082,992,877.00	57.07%
Prefinancing	€ 571,354,506.86	30.11%
Claim authorised	€ 149,110,704.53	7.86%
Claim received	€ 39,111,171.16	2.06%
Simplified Costs TA	€ 7,528,875.03	0.40%
Article 137(2) Exclusion	€ -	0.00%
Balance	€ 47,712,446.42	2.51%

Members will be aware that although the N+3 metric has annual targets, the Programme achievement is actually measured on a cumulative basis. The table above illustrates the cumulative performance position.

Additional points to note on N+3 are summarised below:

- The 'Simplified Costs TA' is the method used for claiming 4% of the Technical Assistance (TA) costs back from the EC. We claim 4% of the ECPA value as TA;

'Article 137(2) Exclusions' relates to approximately €14.3 million in claims that have been withheld from the Annual Accounts due to ongoing investigations (largely linked to outstanding issues with

Irregularities). These will be included in future ECPAs as the underlying issues are resolved; While we cannot yet gauge the full impact of COVID-19, it is clear that it has made achievement of the N+3 target very unlikely. We envisage that N+3 will affect our achievement of the N+3 target in the following ways:

- Quarter 1 and Quarter 2 claims are likely to be reduced in value due to a slowdown in activity;

Although the Quarter 1 and Quarter 2 claims will be paid, due to easements put in place, they may not be available for N+3 purposes as the required evidence won't be available for their inclusion in any Interim Payment Applications (IPAs) to the Commission.

This is because we are unable to obtain information from Grant Recipients, for example around Irregularities or evidence for Desk Based Evidence Checks (DBECs) and On the Spot Visits (OTSVs);

As can be seen from the table, at the point of this update being written, a gap of €47.7M remains to achieve the cumulative target. The probable impact of COVID-19 means the target is unlikely to be achieved, but the Commission guidance has made it clear that evidence from the MA's will be considered before deciding on any de-commitment

#### **ESF Claim Performance against Profile:**

### **TOTAL (ESF & MATCH) EXPENDITURE TIMELINE BY ORGANISATION TYPE**

CLAIMS SUMMARY				
Org Type	Cumulative Profile to Q1 2020	Cumulative Claims	Slippage	Percentage Claimed
Direct-Bid	£721,542,643	£496,904,262	-£224,638,381	68.87%
ESFA	£781,652,860	£905,504,591	£123,851,732	115.84%
DWP	£216,657,511	£198,313,640	-£18,343,871	91.53%
HMPFS	£283,694,293	£278,138,096	-£5,556,197	98.04%
NLCF	£258,528,099	£282,996,507	£24,468,408	109.46%
<b>TOTAL</b>	<b>£2,262,075,406</b>	<b>£2,161,857,096</b>	<b>-£100,218,310</b>	<b>95.57%</b>

Profile correct as of 03/08/20

Claims data extracted from RP1010, run date of 03/08/20

Spend includes both ESF & Match funding

The table above shows the performance of both Direct Bids and CFOs, in terms of claims against profile to Q1 2020. It can be seen that the MA's push to improve the claim rate and other measures has resulted in significant performance improvement. Members will note that the total percentage claimed figure 95.57% includes both ESF and Match funding. The claim rate for ESF only, is 94.97%.

The CFOs deliver the largest part of the Programme and are currently the strongest performers, in terms of performance against profile, as identified in the table above. The ESFA over-spend will be addressed during the current round of PCRs and they will re-profile accordingly but this will not be reflected in the figures until later in the year due to the way we will need to migrate the PCRs to ECLAIMS.

## Brief updates on each CFO are presented below:

Q1 claims for three CFOs have been checked and paid and for DWP the vast majority have been processed.

### The National Lottery Community Fund (NLCF):

As detailed in previous reports, NLCF have revised their profiles to extend provision in those areas that sought extensions and re-profiled any underspend to either release unused funds, or extend projects as appropriate. All Project Change Requests (PCRs) have been approved. There were no significant issues identified at either the last Project Management Meeting (PMM) or monthly performance telekits.

### Her Majesty's Probation and Prison Service (HMPPS):

There are no PCRs outstanding for HMPPS. There were no significant issues identified at either the last PMM or monthly performance telekits.

### DWP:

As detailed in previous reports, DWP have revised their profiles to extend provision in those areas that sought extensions and re-profiled any underspend, to either release unused funds or extend projects as appropriate. There were no significant issues identified at either the last PMM or monthly performance telekits. The migration of these revised profiles has not been completed due to technical difficulties on ECLAIMS, which we are working to resolve. As a result, the DWP CFO is showing at only 91% of profile.

### ESFA:

The ESFA have submitted their PCRs as notified to LEP areas and revised versions have now been agreed which address the issues previously referenced. MoU variation documents have been issued for signature. As the PCRs have not yet been finalised and input to EClaims, the performance against profile is showing as 115%. There were no significant issues identified at either the last PMM or monthly performance telekits.

## TOTAL (ESF & MATCH) EXPENDITURE BY PA & COR

CLAIMS SUMMARY					
Priority Axis	Category of Region	Cumulative Profile to Q1 2020	Cumulative Claims	Slippage	Percentage Claimed
1	Less-Developed	£40,853,201	£33,741,955	-£7,111,246	82.59%
1	Transitional	£308,665,460	£323,105,739	£14,440,280	104.68%
1	More-Developed	£1,159,759,276	£1,101,220,204	-£58,539,071	94.95%
1	YEI	£213,729,386	£201,912,974	-£11,816,412	94.47%
2	Less-Developed	£22,397,301	£18,058,590	-£4,338,711	80.63%
2	Transitional	£113,234,482	£135,616,975	£22,382,493	119.77%
2	More-Developed	£353,611,451	£317,884,659	-£35,726,792	89.90%
3	Less-Developed	£2,459,085	£1,585,928	-£873,157	64.49%
3	Transitional	£10,938,637	£5,718,595	-£5,220,042	52.28%
3	More-Developed	£36,427,126	£23,011,475	-£13,415,652	63.17%
TOTAL		£2,262,075,406	£2,161,857,096	-£100,218,310	95.57%

Profile correct as of 03/08/20

Claims data extracted from RP1010, run date of 03/08/20

Spend includes both ESF & Match funding

## Reserve Fund

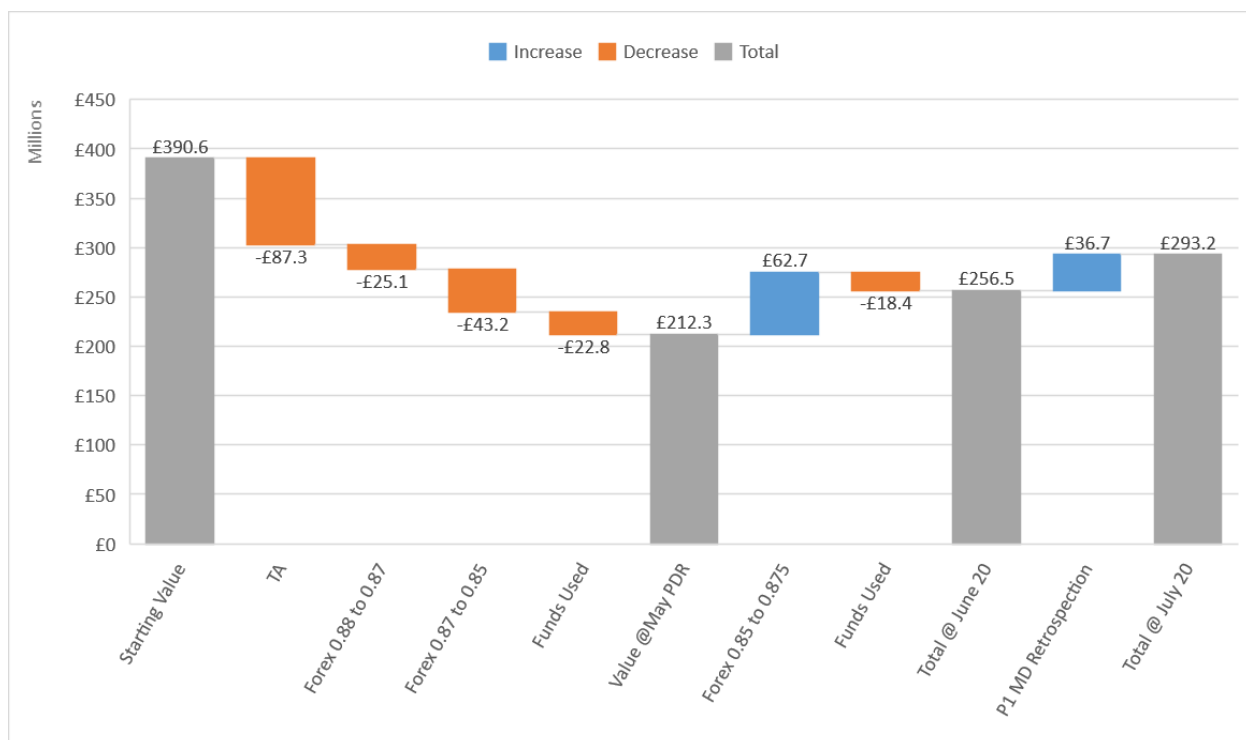
The Reserve Fund (RF) is currently the subject of a “deep dive” by the MA, the result of which will be presented to members when completed.

At the June GPB meeting we confirmed arrangements for the Reserve Fund going forward and emphasised that stakeholders and local areas are invited to submit Call Proposals where a need for support to respond directly to the impacts of COVID-19 is identified;

Since then, 25 Call Proposals have been received (24 Direct Bid, value £56.7 million and 1 CFO request for funding, value £15.8 million). Of these, 4 Direct Bid Call Proposals were approved (total value circa. £10.7 million) and the resultant Calls have been launched.

The remaining Call Proposals were considered by the RF panel during week commencing 24 August. Of these proposals, 10 were approved (£13.5M); 1 rejected (£1.5M); the CFO request (£15.8M) was not concluded and the remaining applications were deferred.

### Activity Headlines:



- Reserve Fund launch value £390m (September 2019)
- Technical Assistance value removed due to its role in supporting delivery of the Operational Programme, rather than to fund projects
- P1 MD Retrospection – This is due to the revision of an application value on the ECLAIMS system
- Reserve Fund is subject to FOREX impacts and value adjusted in line with agreed tolerances
- ‘Funds Used’ reflects increases in commitment and claims, as part of normal programme functions

## Latest values as at July 2020 - by Priority Axis and Category of Region

	CoR	£m
PA 1	L	26.9
	T	13.9
	M	55.4
YEI	T	8.8
	M	28.4
PA 2	L	15.6
	T	16.7
	M	127.5
Column Total		293.2

- The values in the table reflect the MA having taken advantage of money-movement flexibilities allowed in the existing regulation;
- The EC CRII+ easements package enables further money moves (e.g. from More Developed (MD) to Transition (T) to address COVID-19 related support);
- The Fund value is set each month.