

ESI Funds Growth Programme Board

ESF Programme Delivery *(please note this paper should be printed in colour)*

Purpose:

This paper will focus on the performance of the ESF Programme, reporting against all key indicators to give members a clear understanding of the overall programme position. Additionally, a slide presentation, to be delivered at the meeting, will update members on progress on the key issues facing ESF; the combination providing a full and detailed overview of the programme.

Recommendations:

The Managing Authority (MA) asks that GBP members work through their ESIFs / local / sectoral networks to get previously agreed calls published and encourage 'well performing' projects to come forward with extension proposals and to work with their local area / sector to improve performance of existing projects, where they are falling behind.

In addition, members are asked to approve the approaches set out under "Summary" below, including the proposal to move money from PA2 to PA1 in the More Developed and Less Developed regions to service forecast support needs.

Summary:

N.B: throughout this report, ESF data is as at 1st February 2021, unless otherwise indicated. The position at the last report, with ESF data to 31 October 2020, is shown in brackets for ease of comparison. The exchange rate used throughout the report is 0.88603, unless stated otherwise).

ESF commitment, as of **01 February 2021**, was £2.615 billion, 86.24% of the total ESF allocation (£2.433 billion, 80.23%). There are 94 applications to the value of £242.3 million currently being appraised.

There are 13 live calls on GOV.UK to the value of £58.5 million, with closing dates ranging from 11 March to 02 June 2021.

An Operational Programme (OP) amendment, to move funds between Categories of Region (CoRs), was submitted to the EC and accepted in December 2020. Later this year we will review and if necessary update, allocations at Investment Priority level and the output / result targets in the context of the current unit costs and the economic impact of Covid-19. This will result in a further OP amendment being submitted later in 2021.

As at 15 February, the Reserve Fund (RF) forecast value was £123.5 million. Since the last update was provided to members, a further 52 Call Proposals have been submitted. Of these, 45 were approved with a total value of £120.1 million. The Reserve Fund value will continue to fluctuate as project underspends are 'recycled' into the Reserve Fund balance.



European Union

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2014 - 2020
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The MA intends to commit remaining funding during 2021. We will continue with the Reserve Fund” Open Calls” process for those calls that have been agreed by the Reserve Fund Panel. This also applies to call proposals that have been confirmed with the LEP Lead, and are factored into remaining Programme funds.

The MA set up a Task & Finish group, comprised of PDR Committee members (representing the Core Cities, Local Government Association, Third Sector, IBs, and Mayoral Combined Authorities). The remit of the group was to consider how best to utilise the remaining Reserve Fund. As part of this work the Head of the MA wrote to ESIF Chairs in January to understand local area priorities moving forward, and how they would like to utilise the remaining funding. By far the most common request was to allow the award of additional funding to existing projects through the use of Project Change Requests (PCRs) – rather than needing a full Open Call to be published.

The MA therefore took this proposal to our internal management board, and gained agreement that we can move to extending existing well performing projects, extending their activity to the end of the Programme, without needing a corresponding open Call.

The modelling work carried out by the MA has demonstrated that this would utilise almost all the remaining Programme funds, leaving a small buffer to mitigate risk of exchange rate movements and any changes to the actual claims submitted by projects. We therefore wrote to local areas on 23 February, informing them of the plans to ring-fence the Reserve Fund for extensions. We expect to be confirming arrangements, and providing projects with the opportunity to apply for additional funding, via a published Action Note during March.

The modelling work has also indicated a need for additional funds in PA1 in both the More Developed and Less Developed regions in order to service extension requests for continuing employment related support. The modelling shows that we will need to move c£27.3m from P2 More Developed to P1 More Developed, and c£620k from P2 Less Developed to P1 Less Developed. In both cases, this does leave sufficient funding in P2 to service the expected requests in that Priority. The MA therefore seeks GPB approval to enable us to make the necessary money movements from PA2 to PA1 to service any extension requests received and subsequently approved.

In addition, we have agreed with the Task and Finish Group to launch a further Digital Inclusion Call with the aim of committing remaining PA4 money (circa £3.5m). We have started the necessary work to develop the Call and expect this to be published in the coming weeks.

Collectively, we expect the approaches set out immediately above to result in remaining Programme funds being committed during this year, albeit for the buffer to mitigate risk of overspend.

At the end of Quarter 4 2020, ESF has helped 1,366,270 participants, 150,200 of which started employment when they left the Programme.

The first Interim Payment Application (IPA)16 of the 2020-2021 accounting year was submitted to the European Commission (EC) on 28 October 2020 for €95.5 million (£86.9 million) total expenditure. We received reimbursement of €46.8 million (£41.4 million) on 11 November 2020.

IPA17 was submitted to the EC on 17 December 2020 for €230.6 million (£206 million) total expenditure, €123 million ESF (EU amount). We received reimbursement of €110.6 million (£97.5 million) on 01 February 2021.

The Annual Accounts Package for the ESF accounting year 2019-2020 was submitted on 12 February 2021 and we await their examination and acceptance by the Commission.

Despite the challenges that Covid-19 presented, the 2020 N+3 target was achieved. This was a result of the huge collaborative effort with our external partners, including the Greater London Authority, to support claim processing within the required timescales. There had been a risk that the target would not be achieved, as gathering the required evidence to support claims during the pandemic has been problematic and a general slowdown in activity had been noted. Our latest payment application (IPA17) was submitted totalling €230.6 million, which means that the target was exceeded by 0.91%.

We would like to acknowledge the support given by external partners and thank them for their contribution towards this achievement.

Our latest recruitment campaign has just ended and an additional 35 FTE joined ESFD in March 2021 and we expect them to be at full capacity by Summer 2021.

ESF Programme 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.

Calls and Commitment Update:

- ESF commitment, as of 01 February 2021, was £2.615 billion, 86.24% of the total ESF allocation (£2.433 billion, 80.23%).
- In Priority Axes 1 and 2 there are 364 (294) Direct Bid projects with commitments totalling £916 million (£771.5 million) and 154 MoUs for the National Co-Financing Organisations (CFOs) valued at £1.669 billion (£1.633 billion).
- There are 43 ESF Funding Agreements for Technical Assistance with a value of £28.9 million.

Update on the Appraisal of Applications:



Appraisal Caseload Performance - Summary Position						
Row	In Appraisal Pipeline or Being Appraised	Stage of Appraisal Process	Appraisal Caseload: Volumes		Appraisal Caseload: Value (£m)	
			Last Report (Nov 2020 data)	Current Position (2 March 2021 data)	Last Report (Nov 2020 data)	Current Position (2 March 2021 data)
A		Unassigned Applications	0	0	0.0	0.0
B		Applications Being Appraised	57	49	110.1	84.8
C		Applications At ESIF / Local Committee	21	5	52.6	17.9
D		Applications in Post ESIF / Local Action	10	1	16.3	973.3
E		Applications Being Actively Appraised Sub Total (Rows B to D)	88	55	179.0	103.6
F		Grand Total in Appraisal, including Unassigned Applications (Rows A to D)	88	55	179.0	103.6
G	In Post-Appraisal Action	Decision Made & Pending Approval	14	10	40.0	17.5
H		Awaiting Funding Agreement - FA in Production	46	12	105.9	52.7
I		Awaiting Funding Agreement - FA issued & awaiting return		17		68.4
J		Applications in Post-Appraisal Action Sub-Total (G to I)	72	39	168.6	138.7
K		Appraisal Totals (Rows F+J)	160	94	347.6	242.3

The above table summarises the position, as at **02 March 2021**, with regard to the appraisal of applications and provides members with a clear illustration of the volumes and values of applications in the different stages of the process. In considering the data, members are asked to note that this is a snapshot in time, as indicated above and that the position is constantly changing. For ease of reference, the position at the last report is presented in an adjacent column. It can be seen that the volume of applications in appraisal have decreased since the last report and members will wish to note “Unassigned” indicator is currently at zero.

- Since the last GPB meeting 30 applications to the value of £71.5 million have been received, and the Managing Authority have maintained the position as recorded at the last meeting with all assigned to appraisers and being actively worked on.
- The overall pipeline has reduced by £105.3 million, from £347.6 to £242.3 million.
- This is further broken down by half of the pipeline being approved (£121.2 million) and awaiting execution of the Funding Agreement.
- There have been decisions on 61 applications to the value of £130.8m which has led to new offers to commit funding to the value of £128 million (57 projects). The remainder is made of rejections to the value of £2.8 million (4 projects).

- Expectation is for the majority of the outstanding pipeline still under consideration (currently £121.1 million) to be completed by the middle of April. There will be some exceptions based on the date of submission, quality of application and timely responses by applicants.
- Funding Agreements to the value of £160.3 million (74 agreements) have been executed since the last board.

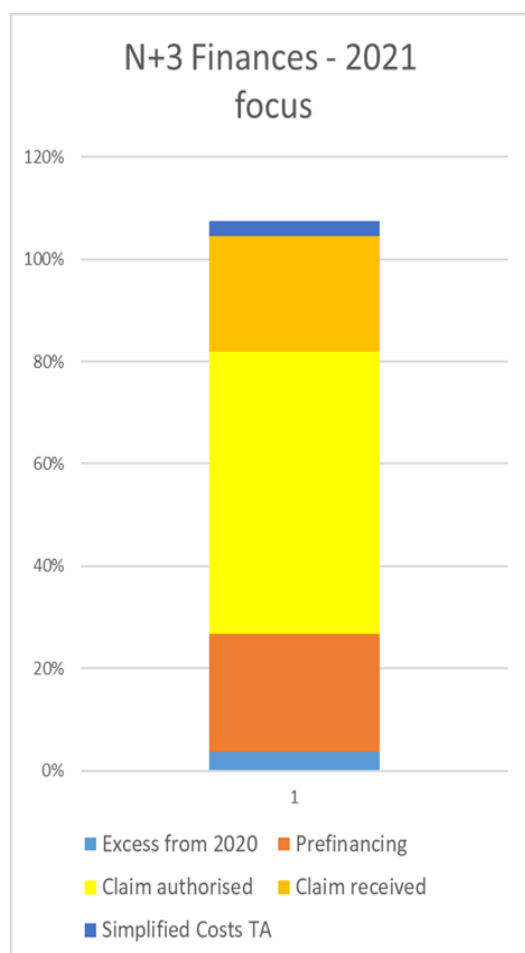
In response to feedback from stakeholders and with agreement from our internal governance board, in the coming weeks, the Project Change Request process will be used, without the need for a corresponding open Call, for existing well performing projects to apply for additional funds. This will enable support to continue to be delivered and to maximise the potential to make best use of remaining Programme funds. We intend to keep members informed on progress by providing regular Management Information updates.

The MA have been working to improve performance on bringing PCRs to a conclusion. We have produced a common themes document and have shared this with stakeholders to help understand the gaps when PCRs are submitted. We have also ensured Grant Recipients are kept informed regularly about their extension request, from receipt through to execution of the variation, as well as uplifting the level of resource devoted to PCRs to 9 in recognition of the demand and need to drive up efficiencies. We continue to review and streamline the process and have in place a plan to provide clear evidence requirements for Grant Recipients to help with this.

These and other points will help with the work connected when inviting 'well performing' projects to submit PCRs to extend their provision as referred to above. This will help in providing certainty to projects and communities.

Progress on N+3 Target:

N+3 Finances – 2021 Focus



2021	Target	€	457,021,245.00
Excess from 2020	€	17,279,438.00	3.78%
Claimed in an ECPA	€	-	0.00%
Prefinancing	€	104,595,305.22	22.89%
Claim authorised	€	252,072,663.34	55.16%
Claim received	€	103,455,376.48	22.64%
Simplified Costs TA	€	14,221,121.59	3.11%
Balance	-€	34,602,659.63	-7.57%

The table above focuses on the in-year target and provides an insight into the performance position for 2021.

- In 2020 we exceeded the N+3 target by 0.91% generating a surplus of €17,279,438;
- 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;

As can be seen from the above table, we are in a relatively strong position this early in the year in that we have sufficient pipeline to achieve 107.6% of the annual target. However, it will remain challenging to move some of these claims to a Payment Application, and the MA continues to work proactively with local areas to understand the impact of the pandemic and respond quickly with flexibilities. In addition, we have reviewed a number of internal processes and implemented a rationalisation to speed up approval of funding.

ESF Claim Performance against Profile:



TOTAL (ESF & MATCH) EXPENDITURE TIMELINE BY ORGANISATION TYPE

CLAIMS SUMMARY				
Org Type	Cumulative Profile to Q3 2020	Cumulative Claims	Slippage	Percentage Claimed
Direct-Bid	£860,814,814	£585,956,301	-£274,858,512	68.07%
ESFA	£1,043,696,063	£1,105,789,366	£62,093,304	105.95%
DWP	£250,315,578	£220,301,937	-£30,013,641	88.01%
HMPPS	£298,508,515	£291,608,022	-£6,900,493	97.69%
NLCF	£296,794,213	£330,030,552	£33,236,339	111.20%
TOTAL	£2,750,129,183	£2,533,686,179	-£216,443,004	92.13%

Profile correct as of 01/02/21

Claims data extracted from RP1010, run date of 01/02/21

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 Quarter 3 2020. It can be seen that the MA's push to improve the claim rate and other measures continues to show improvement against profile, as further claims are received. The resource situation in the MA's Contract Management function is being addressed, as reported in the summary to this report. The new trainee staff are starting to make an impact on productivity with a further tranche of staff due to start on 1st March. The Direct Bid Contract Managers now have improved reports and other tools at their disposal, to facilitate the monitoring of claim progression and are undertaking ongoing work to ensure that Grant Recipients submit claims on time. Members will note that the total percentage claimed figure 92.13% includes both ESF and Match funding. For information, the claim rate for ESF only is 90.93%.

The CFOs deliver the largest part of the Programme and are currently the strongest performers, in terms of performance against profile, as clearly shown in the table. However, when considering the relative positions against profile, Members are asked to note that any such comparison of performance will need to consider the profiling position of each organisation, as detailed below:

CFO Updates:

The National Lottery Community Fund (NLCF):



The Quarter 4 claims were submitted by the deadline and are due to be processed. The overspend is being closely monitored, but is predominantly due to the use of 'flat-profiling' of claims and will be re-profiled if the MA decides this is appropriate. At the Project Management Meeting (PMM) in February, the NLCF reported, as expected, that employment opportunities were significantly reduced and engagement during lockdown has proved challenging and suppressed numbers.

In light of the pandemic and to ensure there is continued support for individuals furthest from the labour market, NLCF have secured approval from their England Committee and the England Board to extend the Building Better Opportunities (BBO) Programme. The next stage is to present the project extensions to NLCF's internal Decision Making Panel in March after which the Fund will approach the Managing Authority (MA) with Project change Requests (PCRs) where appropriate.

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

The Quarter 4 claim was received by the deadline and the MA has started its checks for subsequent approval and payment. The HMPPS project is still being impacted by the COVID-19 pandemic due to prison infection rates and lockdown restrictions but HMPPS CFO are still confident recovery will be swift once infections reduce and restrictions are lifted. The new Resettlement Hubs project commences live running from Quarter 2 2021. There were no significant issues identified at monthly performance telekits.

DWP:

DWP have revised their profiles to extend provision in those areas that both sought extensions and met the performance criteria. This has been approved and Funding Agreements have been exchanged for signature. In other areas, where projects failed to meet the extension criteria or LEPs did not support an extension, the de-commitment of funding and project closure work continues.

Quarter 3 claims have been submitted and are being processed. The Quarter 4 claim was delayed due to PCRs and their new application taking priority over claim submission work. They are now preparing their Quarter 4 claims for submission. The recent Bi-Annual Performance Meeting did not identify any significant issues. In future all DWP Projects will be covered by a single MOU which will help to simplify the claims process.

ESFA:

The ESFA PCRs migration to ECLAIMS should be completed by the end of April. The table above still partially references their old profiles, therefore the overspend is overstated, the Quarter 2 claims were submitted on time and the MA are in the process of checking them but actual payment of the claims will be dependent on the successful migration of the new profiles. As



agreed with the MA the Quarter 3 2020 claims were a nil submission and the ESFA have submitted cumulative Quarter 4 2020 claims by the required deadline. There were no significant issues identified at either the last Bi-Annual Performance Meeting that took place on the 24th February or monthly performance telekits. When last reviewed, spend against the new profiles reflected 101%. The MA continues to work with the ESFA to see if any further expansion of their current projects would support COVID-19 recovery.

TOTAL (ESF & MATCH) EXPENDITURE BY PA & COR

CLAIMS SUMMARY					
Priority Axis	Category of Region	Cumulative Profile to Q3 2020	Cumulative Claims	Slippage	Percentage Claimed
1	Less-Developed	£49,753,540	£39,049,345	-£10,704,195	78.49%
1	Transitional	£371,581,401	£352,975,537	-£18,605,864	94.99%
1	More-Developed	£1,349,524,226	£1,264,888,509	-£84,635,717	93.73%
1	YEI	£234,653,236	£216,405,867	-£18,247,369	92.22%
2	Less-Developed	£25,043,138	£20,179,347	-£4,863,791	80.58%
2	Transitional	£157,555,835	£165,076,264	£7,520,429	104.77%
2	More-Developed	£511,180,033	£433,472,856	-£77,707,177	84.80%
3	Less-Developed	£2,463,403	£2,247,458	-£215,945	91.23%
3	Transitional	£11,043,087	£8,683,451	-£2,359,636	78.63%
3	More-Developed	£37,331,284	£30,707,544	-£6,623,740	82.26%
TOTAL		£2,750,129,183	£2,533,686,179	-£216,443,004	92.13%

Profile correct as of 01/02/21

Claims data extracted from RP1010, run date of 01/02/21

Spend includes both ESF & Match funding

The table above also illustrates the claim rate, additionally broken down by PA and CoR for convenience.