



GPB 20201207 Item 2 (ii)

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

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

**Growth Programme Board - December 2021**

**Progress on ESF** *(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 of 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 members encourage Direct Bid (DB) projects to work with the MA to ensure that claims are submitted by the deadlines set each quarter.

As the focus shifts to ensure Projects can achieve their spend and output targets, the MA requests members support, via their networks, in stressing the importance of accurate and timely progress reports and claims.

**Summary:**

***N.B: throughout this report, ESF data is as at 01 November 2021, unless otherwise indicated.*** The position at the last report, with ESF data to 01 August 2021, is shown in brackets for ease of comparison. The exchange rate used throughout the report is 0.84373 unless stated otherwise).

ESF commitment, as of 1<sup>st</sup> November was £2.898 billion, 95.56% of the total ESF allocation (£2.856bn, 94.15%). The ESF commitment inclusive of forecasted pipeline figures is £3.01bn, 100.39% of the total ESF allocation.

**Programme Highlights as of Q2 2021:**

- ESF has helped 1,533,774 participants.
- Of these, 175,157 started employment when they left the Programme (ESF-CR04).
- 142,657 were in education or training upon leaving (ESF-CR02).

Work is ongoing to assess Project Change Requests (PCRs) and since the last report, a further 46 decisions have been made on submitted PCRs. The average time taken to complete these was 58 days and, whilst there is a small increase, it remains within the published 60-day target. We will monitor this and ensure resource is directed to where it will be most productive. Performance is being monitored on an ongoing basis to help identify any blockers preventing progression with open PCRs.

The value of the Remaining Funds (RF), including the pipeline data of Full Applications, PCRs and planned activity as of the 01 November 2021 is £67.6m, of which £42.1m relates solely to YE1 and cannot currently be moved within the Programme. Members should note that the RF value of £67.6m does not reflect 'available money'. Rather it is a projected value and the calculations used to produce this figure already assume and incorporate a level of over-programming.

Interim Payment Application (IPA)20 was accepted by the European Commission (EC) on 15 October and payment of €75.3m (£63.3m) was received on 21 October 2021.

IPA21 is due to be submitted to the EC on 17 December for the estimated value of €516m (£436m) total expenditure and €279m ESF – which will include 4% for Technical Assistance Simplified Cost Options (TASCO). Most importantly, members will note that this will be enough to meet the N+3 2021 target. We are expecting payment of around €251m (after retention) before the end of February 2022.

### **ESF Programme Update:**

*In order to provide members 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. This paper includes the latest participant data, to Q2 2021, in Table Seven.*

***N.B: throughout this report, ESF data is as at 01 November 2021, unless otherwise indicated. The position at the last report, with ESF data to 01 August 2021, is shown in brackets for ease of comparison.***

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

- ESF commitment at the 1st November was £2.898 billion (£2.856bn), 95.56% (94.15%) of the total ESF allocation
- In Priority Axes (PA) 1 and 2 there are 481 (454) DB projects with commitments totalling £1.170bn (£1.125bn) and 157 MoUs for the National Co-Financing Organisations (CFOs) valued at £1.7bn (£1.7bn)
- There are 42 ESF Funding Agreements for Technical Assistance (TA) with a value of £30.6m, and 22 projects for the digital response to COVID-19 Call, totalling £1.22m

### **Appraisal of Project Change Requests (PCRs):**

Strong progress continues to be made in the appraisal of PCRs. Table One summarises the position on key indicators, enabling members to compare against the position in the last report:

PCR Caseload Performance – Summary Position		
Stage of PCR Process	Caseload: Volume	
	Last Report 01 Aug 2021	Current Position 01 Nov 2021
PCRs Received (since last Meeting)	30	58
Days to assign to an Appraiser (average)	6.5	3.5
PCRs Unassigned	0	0
PCRs Open (MA receipt to Decision)	61	46
PCRs Closed (since last Meeting)	22	36
<b>Average days for PCR clearance</b> (MA receipt to Decision)	<b>56</b>	<b>58</b>

**Table One: Breakdown of PCR Activity as at 01 November, 2021**

### **Project Change Request (PCR) Activity:**

- We are delivering the PCR action plan set out in earlier meetings, enabling us to allow Grant Recipients (GRs) to make the changes they need to help participants in the post-lockdown environment
- The PCR caseload has increased considerably, from 30 to the current 58, an increase of 93% since the last report
- Time taken to assign to an appraiser has reduced by 3 days. Whilst this is an improvement, additional resource added to the PCR function will ensure that this number continues to drop, with a view to reducing to within 1 day to assignment. This additional resource is as a result of the movement in work from Full Appraisals, which has now concluded

Whilst there is a small increase in average days for PCR clearance (56 to 58 days), this is still within parameters and is despite some issues skewing the data, specifically:

- Two projects seeing lengthy delays due to alignment with ERDF (for which a decision is expected by the end November)
- Some RF applications being included in the data, which are more complex and take longer to process

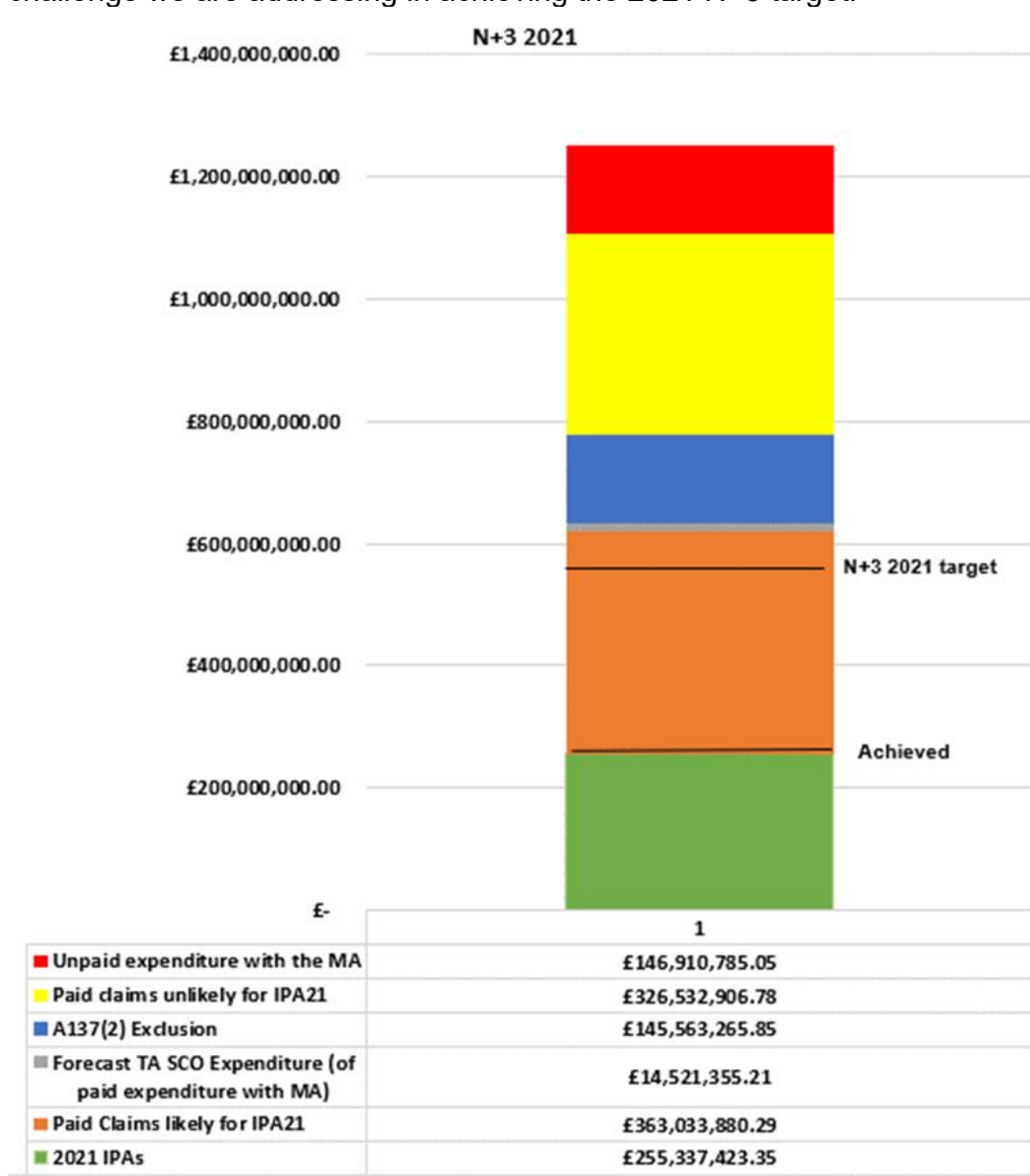
If we were to remove these outliers the average days would reduce to 40.

- A significant development has been the move to GRs submitting PCRs directly to Eclaims. This went live in September 2021. At this early stage we have received four PCRs electronically and we will therefore continue to assess the efficacy of the new arrangement in depth and refine the process as necessary.
- The MA's aspiration is that all Reserve Fund PCRs will be concluded by the time of the GPB meeting in December. We currently have 7 pending decisions and the team are working at pace to bring these to fruition over the next 2 weeks. Whilst we strive for completion within 60 days, there are additional steps to take that elongate the process when compared to Business as Usual PCRs so we will keep this process under review and learn any lessons should we repeat this exercise in the future.

**N+3 Position – Analysis and Forecast:**

Table Two effectively depicts the target that the MA still needs to achieve with factors such as pre-financing and carry-over removed. The graph gives a forecast of the final 2021 N+3 position. The figures shown are in Sterling and represent the total claim expenditure and not just the ESF value. Members will note that the actual N+3 target is ESF value only and in Euros, but displaying the data in Sterling and including the total value, gives a greater sense of the impact on the size of claims that will make a difference.

As in the last report, it can be seen that paid expenditure currently with the MA, has been split into “high and low chance” of being included in an ECPA in time to count towards the N+3 target. The area between the two black lines on the chart shows the performance gap, which is the challenge we are addressing in achieving the 2021 N+3 target.



**Table Two: 2021 N+3 Performance Forecast in Sterling (ESF and Match)**

Table Two includes the recent Interim Payment Application (IPA)20 which was submitted on 07 October 2021. The value was €156.9m (£134.5m) total expenditure and €83.6 ESF.

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- We are extremely pleased to report that we are now confident that the N+3 2021 target will be achieved. N+3 work will continue up to the planned IPA21 submission date of 17 December in order to de-risk this target. Any over-achievement of the 2021 target will contribute towards achievement of the 2022 target. The following main categories of paid expenditure are of note:
- Following excellent work from the MA and GRs, checks have been completed on the Flat Rate Procurement Penalty (FRPP) expenditure and all £194m is now with the Certifying Authority (CA) and will be included in IPA21. This expenditure is included within the orange area "Paid claims likely for IPA21" within the chart
- Following overtime from the CA, and very few errors (a tribute to our Contract Managers (CMs) and Verification Teams), we now have considerable additional expenditure ready for inclusion within IPA21, also included within the orange area. Together with FRPP expenditure, this is expected to take us over the 2021 N+3 target
- There is also £145m within Article 137.2, which requires a common interpretation of the Technical Assistance Simplified Cost Option (TASCO) between the 3 Authorities, in order to include it in any IPA, so this is currently on hold.

### **Easements and Site Visits:**

Members were advised at the last meeting of the MAs intent to reintroduce visits and this was subsequently communicated to GRs in an Action Note issued on 31<sup>st</sup> August. These visits will comprise of:

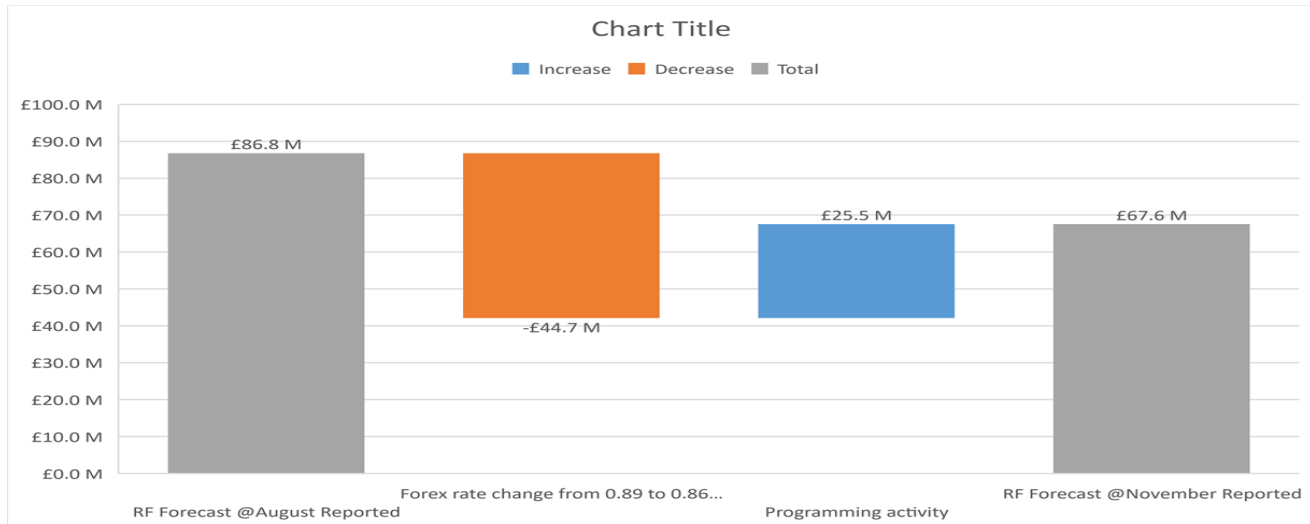
- Project Inception Visits (PIVs) - to check the systems and processes in place before projects can submit their first financial claim;
- On-The-Spot Visits (OTSVs) - to verify expenditure in claims; and
- Contract Management Review Visits

The initial face-to-face visits have been reinstated from 15 November 2021. All staff have carried out the appropriate Health and Safety training. Additionally, the prerequisite Health and Safety Assurance (COVID-19 risk assessment) questionnaire has been issued to those GRs who have been notified of a visit during Quarter 4 2021.

### **Funds Remaining to be Committed:**

The RF value reported at the last meeting was £86.8m. As members will be aware, the MA monitor the fluctuation of the Foreign Exchange Rate (Forex) and revalue the RF in accordance to any trends which are seen over a 3-month basis. The value of Sterling has increased so a decision has been taken to reduce the Forex from 0.89 to 0.86 for planning purposes. This revaluation has reduced the RF by £44.7m which, after other programming activity (including final Applications to Calls and PCR extensions), now has a remaining value of £67.6m. This is illustrated in Table Three (below).

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**Table Three: Remaining Funds Forex Revaluation**

PA	CoR	Balance
PA 1	L	-£2.5 M
	T	-£5.2 M
	M	-£37.4 M
YEI	T	£2.7 M
	M	£39.4 M
PA 2	L	£6.9 M
	T	£19.7 M
	M	£38.5 M
PA 4	L	£0.2 M
	T	£1.2 M
	M	£4.0 M
Total		£67.6 M

**Table Four: Funds Remaining to be committed, by CoR and PA**

Members will recall at the last report, we referred to plans to submit a revised Operational Programme (OP) later this year. The revisions will include revising the Programme level outputs and results targets based on actual unit costs data, as well as updating the funding position across PAs. The unit costs data continues to be collated and, having secured confirmation from the EC that we are able to submit a revised OP up to end 2022, our revised plans are now to continue gathering the data into next year, which will give us a broader basis on which to revise the outputs and results targets. This will also enable us to include any further money movements across PAs

as we continue to respond to the impacts of the COVID-19 Pandemic. The current assumption is for us to submit a revised OP by summer 2022.

### Youth Employment Initiative (YEI) Position:

YEI is ring-fenced. Therefore, any money not spent on YEI would need to be “surrendered” to the EC. However, money within the YEI category is actually YEI with ESF match on a 1:1 basis. Therefore, only the YEI element has to be surrendered in an underspend situation.

There is approximately £42.1m in YEI funding, split across the MD and T CoRs. £39.4m of this is in YEI MD (once claim rates and Forex are considered), for which there is no proven demand in YEI.

Of the £42.1m, approximately £21.05m is ESF and the budget could be moved (for example, £19.7m could be transferred to the MD CoR, and £1.35M to the T CoR). This action would alleviate the over-commitment pressure in PA1 MD and potentially allow further activity, if needed, during the remainder of the Programme. This could be either through the reserve list projects, or through further rounds of PCR extensions. However, we would need to “forfeit” the remaining portion of the YEI funds (approx. value £21.05m) as we cannot use YEI without the ESF match. Our intention is to open discussions with the YEI GRs in the MD CoR.

We are seeking views from the Board on whether the option of ‘surrendering’ the YEI portion of the allocation is something that we should investigate further. Final recommendations would be presented to the next GPB meeting in March for decision.

### ESF Claim Performance against Profile:

CLAIMS SUMMARY				
Org Type	Cumulative Profile to Q2 2021	Cumulative Claims	Slippage	Percentage Claimed
Direct-Bid	£1,176,329,762	£791,867,621	-£384,462,141	67.32%
ESFA	£1,328,862,045	£1,323,463,965	-£5,398,080	99.59%
DWP	£277,724,736	£255,846,792	-£21,877,944	92.12%
HMPPS	£324,986,868	£310,245,646	-£14,741,222	95.46%
NLCF	£354,018,091	£397,273,651	£43,255,560	112.22%
<b>TOTAL</b>	<b>£3,461,921,502</b>	<b>£3,078,697,674</b>	<b>-£383,223,828</b>	<b>88.93%</b>

Profile correct as of 01/11/21

Claims data extracted from RP1010, run date of 01/11/21

Spend includes both ESF & Match funding

### Table Five: TOTAL (ESF & MATCH) CLAIMS AGAINST PROFILE BY ORGANISATION TYPE

#### Direct Bids Update:

Table Five shows claims performance against profile to Q2 2021. The “late claims process” introduced for the Q1 2021 claims has continued to deliver improved claim submission. From the Q3 2021 claims that were submitted in early November; only 8 Direct Bid (DB) claims were late. However, a large number of projects did leave it until the eleventh hour to submit their claim, so

we will be building on this success by considering how we can more effectively influence GRs to submit their claims before the deadline. In addition, the assistance of members, through their networks would be most valuable.

Contract Mangers (CMs) are continuing to assess project performance prior to the approval of each claim. The MA is also considering how the underperformance process can be applied to drive improved project performance.

As mentioned in the last report, analysis of project under-performance within the Direct Bid projects the Programme will be assessed in tranches, depending on when the Project is due to end and this will be completed by the end of the year. This analysis will give a clearer picture of the potential funding that may be available for recycling through de-commitment as part of the Tranche based underperformance exercise.

Currently there are 60 PIVs in progress. The PIV is an important initial step in helping to ensure that the GR has in place the systems, staffing and financial arrangements necessary to enable the Project and claims to be compliant with the EC and national requirements. Until the PIV is completed, formal action points cleared and the invite to submit the first formal claim has been submitted, the Project cannot submit their first financial claim. Some of these PIVs will account for more than one quarter's expenditure which cannot yet be claimed. In addition, there are approximately 15 full applications remaining with the Appraisal Team that have been approved and in the FA stage,, which are anticipated to progress to contracts and will also require PIVs.

The more streamlined PIV process introduced in September is now delivering time savings as it gives CMs the option of conducting a full, blended or 'lite' approach to the PIV dependant on the GR position. The level of PIV required will depend on the GRs experience of managing ESF projects in a compliant manner, as well as the level of risk the project presents to the MA.

Of the 245 Q3 2021 financial claims submitted, 48 of these (19.6%) were for projects submitting their first financial claim. Approximately 80 projects have not submitted a financial claim to date, including those with PIVs still in progress, so this needs to be borne in mind when looking at Table 5 above.

### **CFO Updates:**

**The National Lottery Community Fund (NLCF):** As previously reported, work to extend Building Better Opportunities (BBO) projects is underway with the second and third batch of Projects having been approved. Work to approve the remaining batches continues.

All Q2 claims have now been approved and paid. The overspend shown in Table Five (112.22%) is predominantly due to the use of 'flat-profiling' of claims. This will be addressed as part of the 2021 PCRs and will start to be reflected in this MI in the New Year, as the new agreements are migrated to Eclaims (migration cannot be completed until after all of the Q3 claims due in December have been authorised).

**Her Majesty's Probation and Prison Service (HMPPS):** Following a short delay, agreed in advance with the MA, the Q2 2021 CFO3 claim was submitted and checks are underway. The HMPPS Project is still being impacted by the COVID-19 pandemic due to prison infection rates and lockdown restrictions. However, HMPPS CFO are confident recovery will be swift once infections reduce and restrictions are lifted. The new Resettlement Hubs Project commenced live running from Q2 2021 and that claim has also now been submitted.



Despite these difficulties, the overall spend against profile is within tolerance. However, the MA will review performance again during the Q2 2021 claims submission process and may consider seeking further assurances in the interim or more detailed discussion at the PMM to be held later in the year.

**DWP:**

A number of DWP CFO claims were delayed in agreement with the MA. As a result, the MI under-records actual expenditure to date and so the 100.98% against profile shown in Table Five is not an accurate reflection of the true performance position. Once submitted, these claims will increase spend against profile. The MA is working with the CFO to allow submission at the earliest opportunity and will review spend against profile and consider further action as appropriate. A number of poorer performing projects have stopped taking referrals and are now winding down and releasing any unused funds back to the MA. The MA has already tracked these sums when calculating any remaining funds available to the Programme.

**ESFA:** Q2 2021 claims were submitted on time and the MA will complete approval and payment by the end of November. A small number could not be submitted due to technical issues with Eclaims which will be addressed. As a result, the percentage claimed figure of 93.42% under records actual spend to date.

The ESFA continue to report that some transactions could not be included within Q2 claims due to the difficulties experienced with the completion of compliance work during the Pandemic. This should start to improve. We expect this to bring performance in line with profiles and agreed tolerances. If this is not the case, the MA will ask for a comprehensive review of any Performance Improvement Plans to be detailed in Claim Progress Reports and any plans for further improvements will be considered by the MA at that time. Again, the MA will discuss performance in more detail at the next PMM. The compliance work is returning to business as usual so we hope that these transactions will start to be included from Q4 21 and be up to date by Q2 22 at the latest.

Table Six also illustrates the claim rate, additionally broken down by PA and CoR for convenience.

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CLAIMS SUMMARY					
Priority Axis	Category of Region	Cumulative Profile to Q2 2021	Cumulative Claims	Slippage	Percentage Claimed
1	Less-Developed	£61,971,670	£49,056,737	-£12,914,932	79.16%
1	Transitional	£439,379,549	£437,724,763	-£1,654,786	99.62%
1	More-Developed	£1,678,890,881	£1,563,573,404	-£115,317,477	93.13%
1	YEI	£264,952,580	£241,293,051	-£23,659,529	91.07%
2	Less-Developed	£32,893,920	£24,378,713	-£8,515,208	74.11%
2	Transitional	£244,025,496	£205,595,738	-£38,429,757	84.25%
2	More-Developed	£685,310,557	£509,085,628	-£176,224,929	74.29%
3	Less-Developed	£2,692,965	£2,563,522	-£129,442	95.19%
3	Transitional	£11,599,478	£9,595,702	-£2,003,776	82.73%
3	More-Developed	£38,978,965	£34,664,195	-£4,314,770	88.93%
4	Less-Developed	£35,606	£35,605.81	£0	100%
4	Transitional	£175,932	£175,932.37	£0	100%
4	More-Developed	£1,013,903	£954,683.35	-£59,220	94%
<b>TOTAL</b>		<b>£3,461,921,502</b>	<b>£3,078,697,674</b>	<b>-£383,223,828</b>	<b>88.93%</b>

Profile correct as of 01/11/21

Claims data extracted from RP1010, run date of 01/11/21

Spend includes both ESF & Match funding

### **Table Six: Total (ESF & MATCH) Expenditure by PA & CoR**

#### **Priority Group Actuals Performance:**

Table Seven on page 10 illustrates 'actual performance' for sub-group by CoR and members are asked to note that this now includes Participant data until the end of Q2 2021. As explained earlier in this paper, the Performance Framework financial and participant data have different period end dates - the "Actuals" data is available once per quarter and will be included in this update when available.

**Sub-Group Performance by Category of Region:**

This table illustrates the performance picture by sub-group and CoR and shows total committed to date against the end of Programme target.

**Table Seven: Sub-Group Actuals Performance by CoR**

Outputs															
ESF-CO01 - Unemployed, including long term unemployed	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q2 21	Actual to Q2 21	% achieved to Q2 21	ESF-CO15 - Participants from ethnic minorities	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q2 21	Actual to Q2 21	% achieved to Q2 21
	M	668,560	827,853	92.80%	561,791	620,453	110.4%		M	343,547	537,692	100.04%	363,637	343,673	94.5%
	T	152,341	219,011	146.36%	154,882	222,960	144.0%		T	42,485	65,794	99.82%	43,533	42,407	97.4%
	L	19,518	20,075	45.86%	13,792	8,950	64.9%		L	869	2,230	92.89%	1,506	807	53.6%
	Total	840,419	1,066,939	101.42%	730,465	852,363	116.7%		Total	386,901	605,716	100.00%	408,676	386,887	94.7%
ESF-CO03 - Inactive	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q2 21	Actual to Q2 21	% achieved to Q2 21	O6 - Participants without basic skills	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q2 21	Actual to Q2 21	% achieved to Q2 21
	M	414,355	423,106	54.25%	275,054	224,788	81.7%		M	245,113	288,232	76.46%	183,866	187,416	101.9%
	T	102,537	115,561	76.42%	71,870	78,362	109.0%		T	67,535	91,477	91.97%	57,346	62,114	108.3%
	L	18,644	18,392	46.04%	11,059	8,584	77.6%		L	8,246	8,449	37.85%	4,262	3,121	73.2%
	Total	535,536	557,059	58.21%	357,983	311,734	87.1%		Total	320,894	388,158	78.73%	245,474	252,651	102.9%
O4 - Participants over 50 years of age	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q2 21	Actual to Q2 21	% achieved to Q2 21	ESF-CO16 - Participants with disabilities	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q2 21	Actual to Q2 21	% achieved to Q2 21
	M	265,392	299,701	75.77%	204,910	201,084	98.1%		M	290,379	355,263	84.84%	243,116	246,346	101.3%
	T	74,713	91,093	90.47%	59,622	67,591	113.4%		T	80,023	110,291	118.03%	76,328	94,452	123.7%
	L	10,154	12,112	58.79%	7,710	5,969	77.4%		L	12,473	13,579	60.59%	8,986	7,557	84.1%
	Total	350,259	402,906	78.41%	272,242	274,644	100.9%		Total	382,875	479,133	90.98%	328,430	348,355	106.1%
YEI-O12 - Participants with disabilities	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q2 21	Actual to Q2 21	% achieved to Q2 21	YEI-O9 - Unemployed participants (YEI)	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q2 21	Actual to Q2 21	% achieved to Q2 21
	M		13,309		10,306	10,380	100.7%		M		47,765		36,245	30,774	84.9%
	T		10,505		10,226	9,506	93.0%		T		40,040		38,829	36,655	94.4%
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	Total	24,310	23,814	81.80%	20,532	19,886	96.9%		Total	81,650	87,805	0.00%	75,074	67,429	89.8%
YEI-O10 - Long-term unemployed participants (YEI)	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q2 21	Actual to Q2 21	% achieved to Q2 21	YEI-O11 - Inactive participants not in education or training (YEI)	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q2 21	Actual to Q2 21	% achieved to Q2 21
	M		16,436		13,526	13,225	97.8%		M		23,336		15,373	15,095	98.2%
	T		17,441		16,908	13,981	82.7%		T		14,636		13,949	10,674	76.5%
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	Total	28,830	33,877	94.37%	30,434	27,206	89.4%		Total	28,830	37,972	0.00%	29,322	25,769	87.9%