



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

Growth Programme Board, September 2022

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 GPB members continue to encourage Direct Bid (DB) projects to work with the MA to ensure that claims are submitted by the deadlines set each quarter as the timely submission of claims remains a priority as we move nearer to the end of the programme.

As the focus shifts to ensure Projects can achieve their spend and output targets, the MA requests GPB members support, via their networks, in stressing the importance of accurate and timely progress reports and claims. We would also ask members to encourage projects to be open and honest about their levels of spend and outputs and submit prompt Project Change Requests (PCRs) to change these where there is variation from the agreed profiles.

Summary:

N.B: throughout this report, ESF data is as of 01 August 2022, unless otherwise indicated. The position at the last report, with ESF data to 01 May 2022, is shown in brackets for ease of comparison. The exchange rate used throughout the report is 0.87 unless stated otherwise.

ESF commitment, as of 01 August 2022 was £2.956 billion (£2.952bn), 97.48% (97.35%) of the total ESF allocation.

The ESF commitment inclusive of forecasted pipeline figures is £3.01bn, 100.24% of the total ESF allocation.

Programme Highlights as of Q2 2022:

- ESF has helped 1,803,097 participants
- of these, 228,448 started employment when they left the Programme (ESF-CR04)
- 161,341 were in education or training upon leaving (ESF-CR02)

The number of PCRs being processed in the period remains in line with the previously reported numbers, 62 versus 63. There has been a significant increase (118%) in PCRs closed, rising from 34 to 74.

The value of the Remaining Funds, including the pipeline data of PCRs, and planned activity as of August 2022, is £79.9m. Members should note that the RF calculations account for a level of overprogramming, and therefore this figure does not represent money available to be spent.

The second payment application of the calendar year (and Final Payment Application of the European Commission (EC) 2021/22 accounting year) (FPA23) was submitted on 29 July 2022 for €41m (£35m) total expenditure and €23m ESF. We currently now require claims totalling £186m (ESF & Match) in order to meet N+3 2022.

In N+3 terms, the cumulative expenditure reported in 2021/22 is €1044.6m, which is a €565m increase on the last accounting period 2020-21. We have made significant progress conducting further investigation into the Technical Assistance Simplified Cost Option (TASCO) eligibility of the £144.6m claims previously excluded under A137.2 where the TASCO 4% addition is in dispute. We expect to include the expenditure in an ECPA during 2022.

GPB members will recall we wrote to you on 27 July setting out our proposed revisions to the Operational Programme (OP) and seeking your approvals to the recommended changes. As previously reported and discussed at Board meetings, the proposed revisions focus on unit costs (to reflect the actual costs of provision), results targets, financial allocations, and output targets (to reflect the changes to unit costs and allocations). At the point of drafting this update, we are negotiating with the EC our proposal to measure the majority of results by volume, rather than by percentage. The initial response from the EC is that this would not be supported, however we have provided our colleagues in DG Emploi with further background and detail to support our recommended change and are in regular contact with our Desk Officer to secure an early resolution. Once we have agreed a final position regarding our proposals, we will formally submit our proposed changes to the EC seeking formal adoption of the revised OP.

The ESF Managing Authority are aware of the change to the status of Local Enterprise Partnerships (LEPs), and the loss of central Government grants from April 2023. We will be writing to all LEPs that are either Lead Applicants, or Delivery Partners within projects to confirm that they are still able to deliver their commitments against their Funding Agreements. Given that LEPs are lead applicants or delivery partners in only a few projects across England, the MA does not envisage significant issues in these projects completing their delivery.

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 Q1 2022, in the table on page 10.

N.B: throughout this report, ESF data is as of 01 August 2022, unless otherwise indicated. The position at the last report, with ESF data to 01 May 2021, is shown in brackets for ease of comparison.

Commitment:

- ESF commitment, as of 01 August was £2.956bn (£2.952bn), 97.48% (97.35%) of the total ESF allocation (using a planning exchange rate of 0.87)
- In Priority Axes 1 and 2 there are 502 (507) Direct Bid (DB) projects with commitments totalling £1.16bn (£1.15bn) and 157 MOUs for the National Co-Financing Organisations (CFOs) valued at £1.746bn (£1.1746bn)

- There are 42 ESF Funding Agreements for Technical Assistance (TA) with a value of £53.1 million and 20 projects for the digital response to COVID-19 Call, totalling £1.22m

Appraisal of Project Change Requests:

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 1st May 2022	Current Position 19th Aug 2022
PCRs Received (since last Meeting)	73	81
Days to assign to an Appraiser (average)	5	4
PCRs Unassigned	0	0
PCRs Open (MA receipt to Decision)	62	63
PCRs Closed (since last Meeting) – decisions in period	34	74
Average days for PCR clearance (MA receipt to Decision)	44	60

Table One: Breakdown of PCR Activity as of 19 August 2022

Project Change Request Activity:

The MA's performance in this area is summarised in Table One (above), which provides a snapshot of the position as of 19th August.

The number of PCRs being processed in the period remains in line with the previously reported numbers, 62 versus 63. There has been a significant increase (118%) in PCRs closed, rising from 34 to 74. Average clearance has risen to 60 days from 44 days.

Although the average processing time is 60 days, which remains on target, 39% of cases (29 PCRs) took longer than 60 days.

- 61% (45 PCRs) were approved within the 60 days target
- 10% (7 PCRs) were approved within 61-65 days
- 29% (22 PCRs) took 66+ days

The average days for PCR clearance is greatly impacted by 3 complex CLLD projects, which took an average of 135 days. Understanding the impact this would have on the 60-day target, the MA took the decision to work closely and extensively with the GR/business areas in an attempt to move these to a positive position. By extracting these 3 projects from the data then the average days to approve would reduce to 56.

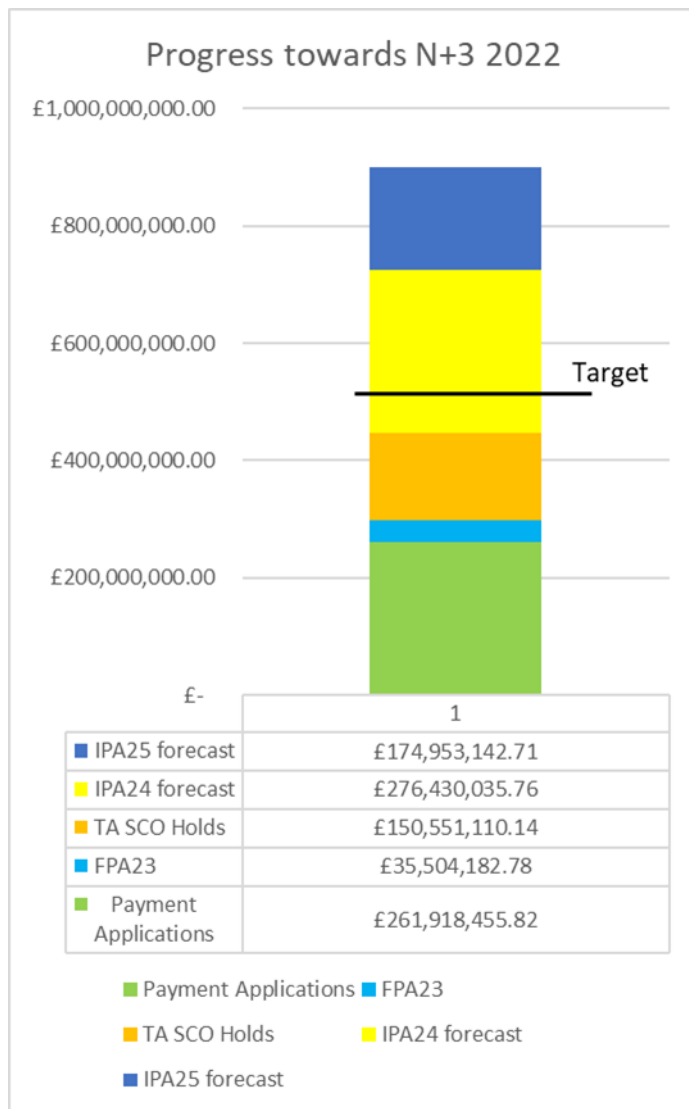
Progress on N+3 2022 Target:**Table Two: N+3 2022 Performance Forecast in Sterling (ESF and Match)**

Table Two depicts the progress towards N+3 2022. 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.

- The second payment application of the calendar year FPA23 was submitted to the EC on 29 July 2022 with a value of €41m (£35m). Payment is due by 27 September
- The ESF amount due is €23.5m, which is the increase towards the N+3 target, and we remain confident of achieving N+3 in 2022 given the large value of the forecast for IPA24 (October 2022)
- The cumulative expenditure reported in 2021/22 is €1044.6m, which is a €565m increase on the last accounting period 2020-21
- We have made significant progress conducting further investigation into the Technical Assistance Simplified Cost Option (TASCO) eligibility of the £144.6m claims previously

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excluded under A137.2 where the TASCO 4% addition is in dispute. We expect to include the expenditure in an ECPA during 2022

Funds Remaining to be Committed:

The value of the Remaining Funds, including the pipeline data of PCRs, and planned activity as of August 2022, is £79.9m. This represents a decrease from the position of £114.8m in May and includes net movements in the PCR pipeline, fluctuations in projected levels of attrition and a number of previous months' project changes going live on Eclaims.

The MA has commenced a process of recovering money from underperforming projects. The PCRs from these projects are scheduled to all be received by the end of the year. Please also note that this value includes the previously agreed 'buffer' that the MA do not intend to commit in order to protect the Department from adverse movements in the exchange rate as we move towards closure and the final payment application.

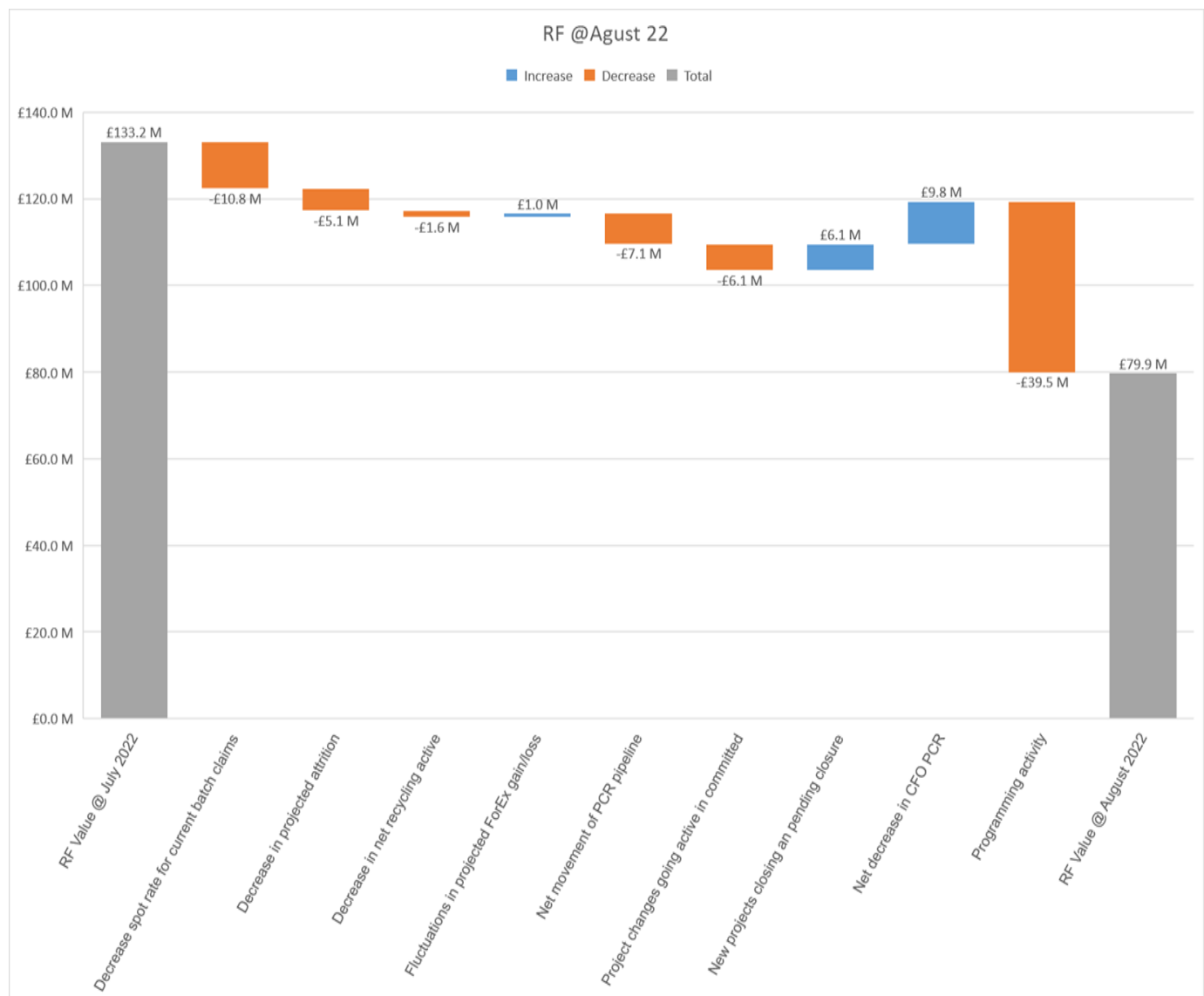


Table Three: Remaining Funds Forex Revaluation

ESF Claim Performance against Profile:

CLAIMS SUMMARY				
Org Type	Cumulative Profile to Q1 2022	Cumulative Claims	Slippage	Percentage Claimed
Direct-Bid	£1,390,797,514	£1,066,288,480	-£324,509,035	76.67%
ESFA	£1,367,317,588	£1,406,839,906	£39,522,318	102.89%
DWP	£300,341,295	£276,397,685	-£23,943,609	92.03%
HMPPS	£370,319,201	£343,576,347	-£26,742,854	92.78%
NLCF	£489,754,941	£457,883,930	-£31,871,011	93.49%
TOTAL	£3,918,414,757	£3,550,986,349	-£367,428,408	90.62%

Profile correct as of 01/08/22

Claims data extracted from RP1010, run date of 01/08/22

Spend includes both ESF & Match funding

Table Four: TOTAL (ESF & MATCH) CLAIMS AGAINST PROFILE BY ORGANISATION TYPE**Direct Bids Update:**

The MA's key priority is to ensure projects continue to achieve their spend and output targets. Contract Managers (CMs) are still holding regular discussions with projects about their performance, which has seen positive progress; the percentage claimed by Direct Bid projects at Q1 2022 increased by 4.92% from the previous quarter, from 71.75% to 76.67%.

The MA issued Action Note 087-22 to inform Direct Bid Grant Recipients (GRs) of the actions that will be undertaken by the MA to address underperformance. The Action Note clarified that due to the timescales involved, existing ESF Direct Bid projects that are not currently delivering to the level detailed within their Funding Agreement, or within the established 15% variance expenditure and or total participants, will be contacted by their CM to discuss the position and asked to submit a PCR.

In parallel with this, and to support ESFD's focus to commit all the remaining funds, Action Note 085/22 invited existing ESF projects who meet specific criteria, to submit PCRs to seek either an extension or additional funding for projects to continue until the end of December 2023.

CFO Updates:

The National Lottery Community Fund (TNLCF): All Q1 2022 claims have now been approved and paid. TNLCF have now completed the spending review with all their grant holders which has allowed them to forecast any potential underspend. The MA will now progress PCRs to decommit funds. The MA has made TNLCF aware that we would support the movement of funds between MOUs but they have confirmed that all eligible projects have now had the maximum possible extension so this is not something they can take advantage of.

Her Majesty's Probation and Prison Service (HMPPS): All Q1 and Q2 2022 claims were submitted early and have been approved and paid.

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Performance remains strong. The performance of the Resettlement Hubs is still on an upward trend as they implement recovery action following the impact of the pandemic and the delayed start to activity. HMPPS remain confident all profiles will be met by programme end.

DWP: Q1 2022 claims have been submitted and paid. A number of DWP CFO claims were delayed in agreement with the MA, these have now been submitted in line with our previous update and the MA has approved and paid all outstanding claims. This has brought DWP closer to profile as expected. A reprofiling PCR has been implemented which will be reflected in the next update.

The final claims for the MOU's which had not been extended have now been paid and full project closure activity is almost complete.

Based on additional DWP analysis it is anticipated that there will be a need to further reduce the value of the Combined extension MOU. DWP will be submitting another PCR to fully reflect anticipated performance after implementing recovery actions following the pandemic. This is expected imminently.

The last referrals to the core DWP ESF contracts took place in September 2021, DWP Match contract referrals continue through to October 2022.

ESFA: The majority of Q1 2022 claims were submitted on time and the MA has completed approval and payment of those claims. A small number could not be submitted due to technical issues with Eclaims which will be addressed imminently.

The ESFA has now completed an in-depth review at its formal performance point which started in June. Early indications are that the majority of contracts are performing well but that approximately 4% of funding currently allocated will need to be decommitted. The MA will progress the decommitment of funds with the ESFA over the coming weeks.

The MA has allocated additional resource to CFO claims approval to speed up the claims process and ensure that claims are paid within 90 days of receipt. As a result, all outstanding CFO claims have been cleared and all CFO claims are now being paid within the 90-day target.

Table five illustrates the claim rate, broken down by PA and CoR for convenience.

CLAIMS SUMMARY					
Priority Axis	Category of Region	Cumulative Profile to Q1 2022	Cumulative Claims	Slippage	Percentage Claimed
1	Less-Developed	£79,298,472	£62,086,695	-£17,211,776	78.29%
1	Transitional	£542,078,202	£512,163,073	-£29,915,129	94.48%
1	More-Developed	£1,924,395,147	£1,787,605,971	-£136,789,176	92.89%
1	YEI	£268,244,576	£261,895,681	-£6,348,894	97.63%
2	Less-Developed	£37,300,160	£30,147,359	-£7,152,801	80.82%
2	Transitional	£275,101,660	£244,956,744	-£30,144,916	89.04%
2	More-Developed	£713,367,530	£584,780,565	-£128,586,965	81.97%
3	Less-Developed	£4,041,832	£3,492,172	-£549,660	86.40%
3	Transitional	£16,704,164	£13,842,464	-£2,861,700	82.87%
3	More-Developed	£56,832,574	£48,965,184	-£7,867,390	86.16%
4	Less-Developed	£35,606	£35,605.81	£0	100%
4	Transitional	£175,932	£175,932.37	£0	100%
4	More-Developed	£838,901	£838,901	£0	100%
TOTAL		£3,918,414,757	£3,550,986,349	-£367,428,408	90.62%

Profile correct as of 01/08/22

Claims data extracted from RP1010, run date of 01/08/22

Spend includes both ESF & Match funding

Table Five: Total (ESF & MATCH) Expenditure by PA & CoR

Update on Underperformance and PCRs

At the last meeting in June, the MA confirmed the position with regard to the two main types of 'underperformance' (slippage and non-delivery), highlighting that we were considering options on how to deal with the lower-than-expected levels of performance in the Direct Bid projects across the Programme.

We have carried out extensive analysis across all projects, examining the impact of Covid-19 on the delivery of outputs and results, and the extended time it has taken projects to recover. In light of this we have been considering the formal 'underperformance' process already in place in the Programme, and how this should be applied to projects.

We have agreed that all projects (that are outside of the 15% tolerance) will be given an opportunity to 're-set' their profiles – both in terms of spend and deliverables – and are inviting projects to submit PCRs over the coming months. All projects (that are outside of the 15% tolerance, and do not currently have a PCR in train) have been divided into tranches, with each tranche having set submission dates for those PCRs, based on when the project is due to end. All tranches will be received before the end of this calendar year. An Action Note has been issued to all projects to inform them of this approach and setting out the deadlines. CMs are also in contact with all affected projects, confirming their tranche and therefore their dates to submit their PCR.

In these PCR's we are asking projects to be robust in 'telling the story' of what has occurred to date in their projects, and what activities they implemented to address some of the difficulties presented by the Pandemic, as well as what activities they will be doing going forward to try and raise their performance levels (for both spend and outputs). We are asking projects, in setting their profiles, to be realistic in what they will actually spend and deliver over the remainder of the project lifetime.

These will be assessed, with particular emphasis on the impact of the Pandemic on that project, what mitigations were put in place, and whether these were reasonable in the circumstances – and therefore whether the 'underperformance process' should apply, or whether the project should be allowed to 're-set' and move forward with a 'clean slate'.

We will be examining the expected activities to the end of the project. The MA will be challenging GRs to ensure that forecasts are realistic, based on both spend / deliverables to date, and any 'recovery' activity the project is seeking to implement. We will not be advising projects on the 'level' of outputs in order to achieve a desired unit cost, but will, instead be examining what projects themselves propose and whether that will enable the programme to meet its targets overall. In addition, we will examine the costs and deliverables from January 2022 (the point at which almost all restrictions were lifted, and projects should have returned to business as usual), to assess whether, from this point on, projects were delivering in line with expected benchmarks.

PCR's will be assessed on a case-by-case basis, based on the information provided on how the project has sought to mitigate the impact of the Pandemic. If the mitigations are robust and reasonable, and the unit costs from January 22 are back in line with expectations, then the PCR may be approved. If they are not robust or reasonable, or the project has failed to return to appropriate performance levels, then we may choose to reject the PCR and move into underperformance action.

The PCR's will be extremely important in giving the MA an accurate view on what will be spent, and what outputs and results will be achieved over the remainder of the Programme. This will inform us on the remaining (and returned) funds we have, and what level of outputs and results we need to achieve with those funds.

We are therefore asking all members, through their networks and own organisations, to highlight to GRs and projects, the importance of getting these PCR's right, making them robust and realistic, so that if / when the PCR's are approved, the organisations do not then start to slip in the months following approval of a PCR.

It should be noted that should projects start to slip (in their expenditure or their deliverables), following the approval of a PCR, we will not accept further PCR's to change the profiles again but will move to the formal underperformance process, so the profiles, as outlined in the PCR, must be achievable.

Priority Group Actuals Performance:

The table 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 Q1 2022. 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 Actuals 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.

Outputs

ESF-CO01 - Unemployed, including long term unemployed	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q1 22	Actual to Q1 22	% achieved to Q1 22
	M	668,560	873,995	107.79%	636,928	720,629	113.1%
	T	152,341	234,169	169.49%	175,606	258,202	147.0%
	L	19,518	20,719	61.97%	16,300	12,096	74.2%
	Total	840,419	1,128,883	117.91%	828,834	990,927	119.6%
ESF-CO15 - Participants from ethnic minorities	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q1 22	Actual to Q1 22	% achieved to Q1 22
	M	343,547	557,986	115.61%	404,586	397,172	98.2%
	T	42,485	69,750	119.49%	48,407	50,766	104.9%
	L	869	2,317	136.87%	1,756	1,189	67.7%
	Total	386,901	630,053	116.08%	454,749	449,127	98.8%
ESF-CO03 - Inactive	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q1 22	Actual to Q1 22	% achieved to Q1 22
	M	414,355	450,764	63.41%	306,129	262,760	85.8%
	T	102,537	126,464	91.90%	83,395	94,234	113.0%
	L	18,644	19,233	60.59%	13,934	11,296	81.1%
	Total	535,536	596,461	68.77%	403,458	368,290	91.3%
O6 - Participants without basic skills	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q1 22	Actual to Q1 22	% achieved to Q1 22
	M	245,113	294,401	86.90%	209,360	212,997	101.7%
	T	67,535	94,413	106.18%	64,613	71,706	111.0%
	L	8,246	8,906	51.45%	5,738	4,242	73.9%
	Total	320,894	397,720	90.04%	279,711	288,945	103.3%
O4 - Participants over 50 years of age	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q1 22	Actual to Q1 22	% achieved to Q1 22
	M	265,392	302,914	95.25%	222,999	252,776	113.4%
	T	74,713	96,505	115.31%	67,130	86,151	128.3%
	L	10,154	12,353	87.74%	9,231	8,909	96.5%
	Total	350,259	411,772	99.31%	299,360	347,836	116.2%
ESF-CO16 - Participants with disabilities	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q1 22	Actual to Q1 22	% achieved to Q1 22
	M	290,379	382,420	99.42%	270,090	288,704	106.9%
	T	80,023	119,381	141.34%	85,558	113,101	132.2%
	L	12,473	14,166	81.98%	10,738	10,225	95.2%
	Total	382,875	515,967	107.61%	366,386	412,030	112.5%
YEI-O12 - Participants with disabilities	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q1 22	Actual to Q1 22	% achieved to Q1 22
	M		13,454		11,116	11,312	101.8%
	T		11,671		10,900	10,512	96.4%
	L						
	Total	24,310	25,125	89.77%	22,016	21,824	99.1%
YEI-O9 - Unemployed participants (YEI)	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q1 22	Actual to Q1 22	% achieved to Q1 22
	M		47,216		38,046	32,939	86.6%
	T		46,049		40,285	40,622	100.8%
	L						
	Total	81,650	93,265	0.00%	78,331	73,561	93.9%
YEI-O10 - Long-term unemployed participants (YEI)	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q1 22	Actual to Q1 22	% achieved to Q1 22
	M		16,759		14,461	14,235	98.4%
	T		19,760		16,928	15,636	92.4%
	L						
	Total	28,830	36,519	103.61%	31,389	29,871	95.2%
YEI-O11 - Inactive participants not in education or training (YEI)	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q1 22	Actual to Q1 22	% achieved to Q1 22
	M		22,538		16,923	16,343	96.6%
	T		16,121		14,079	12,152	86.3%
	L						
	Total	28,830	38,659	0.00%	31,002	28,495	0.0%

