



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

Growth Programme Board, December 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 November 2022, unless otherwise indicated. The position at the last report, with ESF data to 01 August 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 November 2022 was £2.939 billion (£2.956bn), 96.9% (97.48%) of the total ESF allocation.

Programme Highlights as of 01 November 2022:

- ESF has helped 1,817,152 participants
- of these, 230,176 started employment when they left the Programme (ESF-CR04)
- 161,168 were in education or training upon leaving (ESF-CR02)

The number of PCRs being processed has increased from the previous report from 63 to 71. There has been a decrease in PCRs closed, reducing from 74 to 37. The average time to inform Grant Recipients has remained at 60 days.

The value of the Remaining Funds (RF), including the pipeline data of PCRs and planned activity as of November 2022, is £76.1m. 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 EC 2021/22 accounting year) (FPA23) was submitted on 29 July 2022 for €41m (£35m) total expenditure and €23m ESF. We received payment on 20 October 2022 for £18.3m or €21m after EC retention.

The third payment application of the calendar year (IPA24) was submitted on 27 October 2022 for €542m (£472m), which is the largest single payment application of the programme to date.

The ESF amount submitted was €302.4m, which means we are delighted to report that the N+3 2022 target has now been exceeded by €185m – this contributes to our next target which is the Programme Final target which needs to be met by July 2024.

In N+3 terms, the cumulative expenditure reported in 2021/22 is €1044.6m, which is a €583m increase on the last accounting period 2020-21. The 22/23 accounting year is off to a good start with €542m already being reported in IPA24, with 3 ECPAs remaining.

We have now completed work into the Technical Assistance Simplified Cost Option (TASCO) eligibility of the claims previously excluded under regulation A137.2 where the 4% TASCO addition was in dispute. All but 2 of these claims were included in ECPA24, with a total value of €162m. The 2 claims held back have a value of €8m and have outstanding irregularities rather than disputed TASCO eligibility. These issues are expected to be resolved soon and the claims to be included in the next ECPA.

On 14 November 2022, the ESF England Managing Authority formally submitted the revised 2014-2020 ESF Operational Programme to the European Commission for formal adoption in line with GPB agreement.

The changes to the Operational Programme, as per the proposals submitted to the Board in September, are

- Changes to Unit Costs
- Movement of money across Investment Priorities
- Results changes

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.

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

Commitment:

- ESF commitment, as of 01 November was £2.939bn (£2.956bn), 96.9% (97.48%) of the total ESF allocation (using a planning exchange rate of 0.87)
- In Priority Axes 1 and 2 there are 507 Direct Bid (DB) projects with commitments totalling £1.14bn (£1.16bn) and 157 MOUs for the National Co-Financing Organisations (CFOs) valued at £1.746bn

- 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 19 th Aug 2022	Current Position 21 st Nov 2022
PCRs Received (since last Meeting)	81	113*
Days to assign to an Appraiser (average)	4	3
PCRs Unassigned	0	4
PCRs Open (MA receipt to Decision)	63	71
PCRs Closed (since last Meeting) – decisions in period	74	37
Average days for PCR clearance (MA receipt to Decision)	60	60

Table One: Breakdown of PCR Activity as of 21st November 2022

*21 of the 113 are incomplete PCR's that have come into the MA. Removal of this takes the number down to 92.

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 21st November 2022.

The number of PCRs being processed in the period has increased from 63 to 71. There has been a decrease (50%) in PCRs closed, falling from 74 to 37. Average clearance remains at 60 days.

Although the average processing time remains at 60 days, 40% of cases (15 PCRs) took longer than 60 days.

- 60% (22 PCRs) were approved within the 60 days target
- 3% (1 PCR) was approved within 61-65 days
- 37% (14 PCRs) took 66+ days

The decisions and average days for PCR clearance is impacted by the nature of underperformance PCRs (which started to come into the MA from September). There were also some PCRs which were in train and belonged to projects due to have under performance addressed in the future. Understanding the impact this would have on the 60 day target the MA took the decision to revisit and address under performance rather than process as BAU and invite subsequent PCRs to address under performance. There are 4 outliers in particular that inflate the figure, each taking over 90 days to reach decision. Removing these would bring the average down to 56 days.

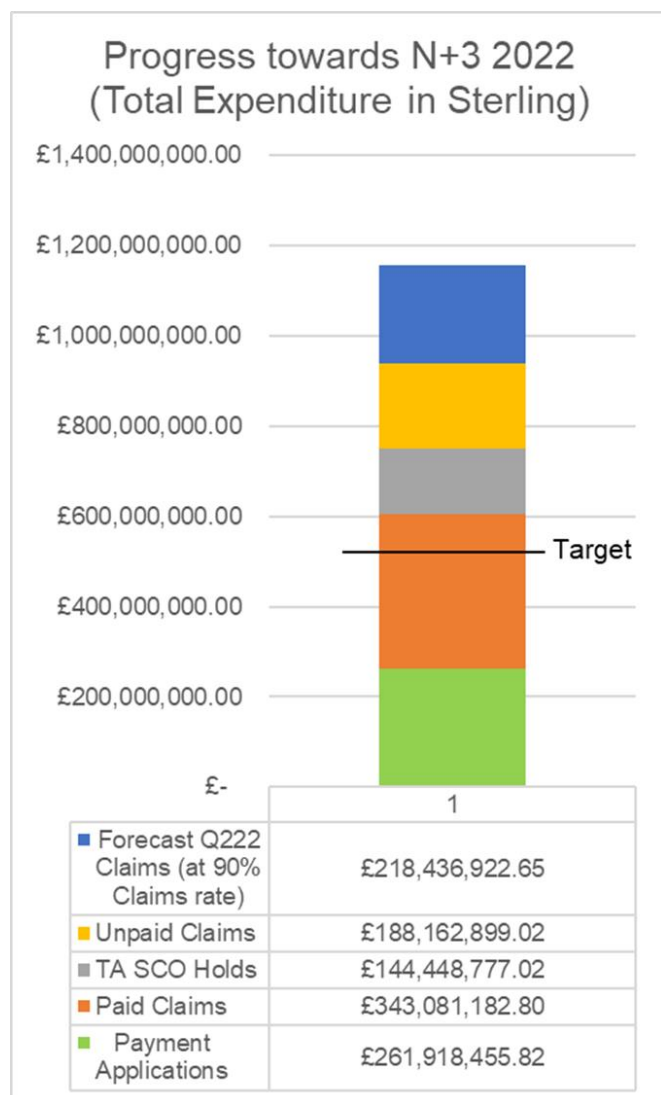
Progress on N+3 2022 Target:**Table Two: N+3 2022 Performance Forecast in Sterling (ESF and Match)**

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 third payment application of the calendar year IPA24 was submitted to the EC on 27 October 2022 with a value of €542.3m This is our largest payment application to date. The payment was received back from the Commission on the 23rd November 2022.
- The ESF amount submitted was €302.4m, which means we are delighted to report that the N+3 2022 target has now been exceeded by €185m – this contributes to our next target which is the Programme Final target which needs to be met by July 2024
- We have now completed work into the Technical Assistance Simplified Cost Option (TASCO) eligibility of the claims previously excluded under regulation A137.2 where the 4% TASCO addition was in dispute. All but 2 of these claims were included in ECPA24, with a total value of €162m. The 2 claims held back have a value of €8m and have outstanding

irregularities rather than disputed TASCO eligibility. These issues are expected to be resolved soon and the claims to be included in the next ECPA

Funds Remaining to be Committed:

The value of the Remaining Funds, including the pipeline data of PCRs and planned activity as of November 2022, is £76.1m. This represents a decrease from the position of £79.9m, last reported in August which includes net movements in the PCR pipeline and a number of previous months' project changes going live on Eclaims.

The process of recovering money from underperforming projects is now well under way. The PCRs from these projects are scheduled to all be received by the end of the year. Since the launch of Action Note 087-22, we have concluded 21 Underperformance PCRs. Remedial PCR action on a further 21 projects prior to the action note took place. Therefore, a total of 42 projects have been actioned.

Please also note that this £76.1m 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.

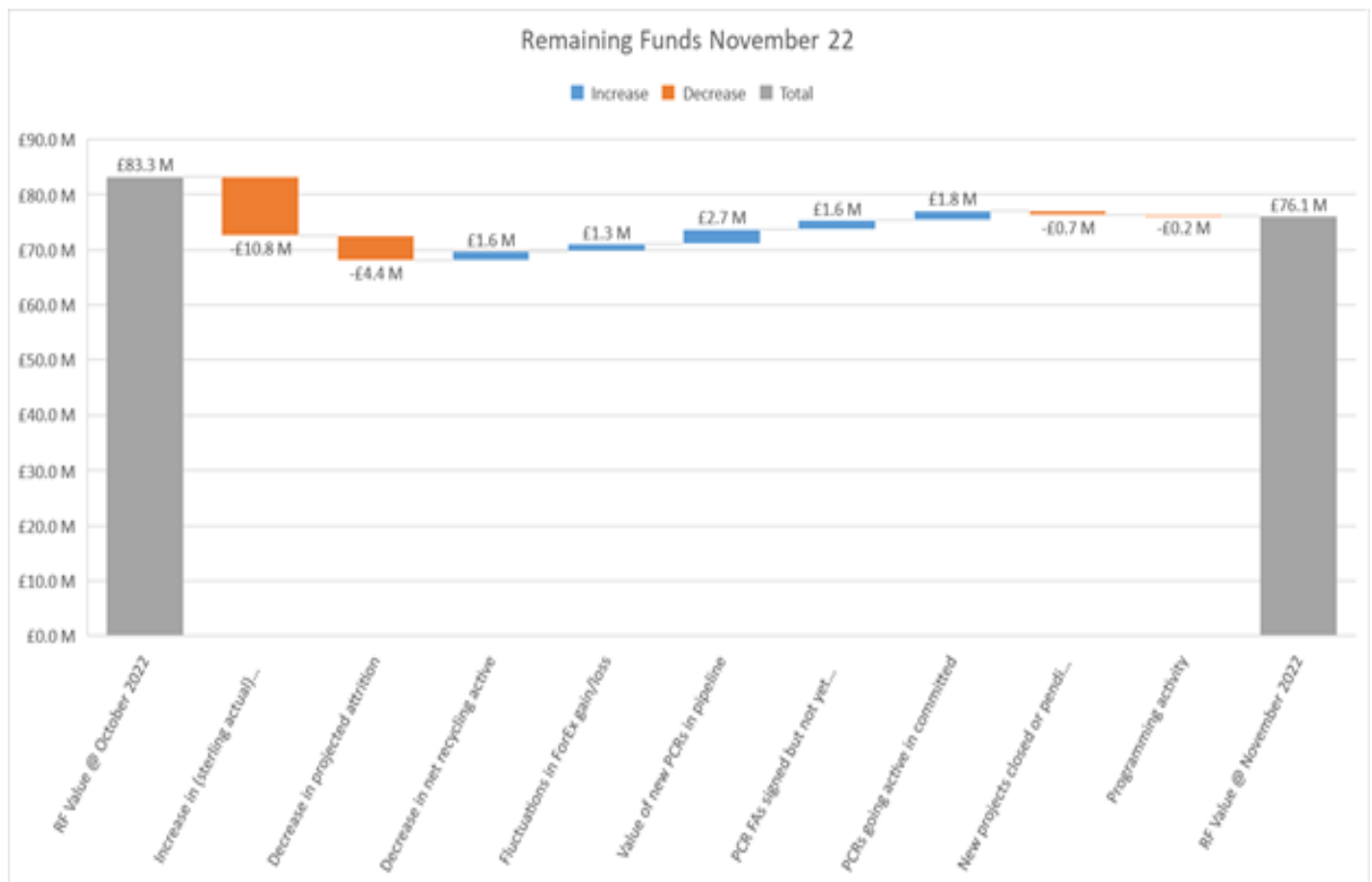


Table Three: Remaining Funds Forex Revaluation

ESF Claim Performance against Profile:

CLAIMS SUMMARY				
Org Type	Cumulative Profile to Q2 2022	Cumulative Claims	Slippage	Percentage Claimed
Direct-Bid	£1,471,007,577	£1,202,307,209	-£268,700,368	81.73%
ESFA	£1,427,141,185	£1,562,768,567	£135,627,382	109.50%
DWP	£304,729,582	£276,787,470	-£27,942,112	90.83%
HMPPS	£381,715,758	£332,590,679	-£49,125,079	87.13%
NLCF	£514,555,712	£482,582,496	-£31,973,216	93.79%
TOTAL	£4,099,034,033	£3,857,036,422	-£241,997,611	94.10%

Profile correct as of 01/11/22

Claims data extracted from RP1010, run date of 01/11/22

Spend includes both ESF & Match funding

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

Direct Bids Update:

To support the MA's continuing key priority to focus on projects to ensure they are spending their grant in time and in line with their financial and participant profiles, Contract Managers (CMs) continue to hold regular robust discussions with projects about their performance. This, together with the tranche-based PCR Underperformance activity* has seen positive progress.

*Action Note 087-22 explained that 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, would be contacted by their CM and asked to submit a PCR. Tranche 1 and 2 PCR deadlines have passed. Where projects failed to submit PCRs by their tranche deadline, they are now being advised that the MA will move to stage two of the Underperformance.

CFO Updates:

The National Lottery Community Fund (TNLCF): All Q2 2022 claims have now been approved and paid. TNLCF continue to work with their Delivery Network to spend to profile. Where projects are not showing sufficient signs of recovery the possibility of decommitment to enable the recycling of those funds has been discussed and action will be taken where appropriate.

His Majesty's Probation and Prison Service (HMPPS): Q2 2022 claims were submitted early and have been approved and paid. Performance remains strong although some contract payments have been withheld from the most recent claim which in part explains the underspend. They will be included in subsequent claims.

The performance of the Resettlement Hubs is still on an upward trend as they implement recovery action following the delayed start to activity. HMPPS remain confident all profiles will be met by programme end. However, to maximise spend and engagement, HMPPS and the MA have agreed an extension of their activity date to November 2023.

DWP: Q2 2022 claims have been submitted and approved although the majority of them were agreed as nil claims by agreement with the MA. This is something that will continue as these projects wind down and it becomes impractical to submit or approve claims as the values reduce significantly. A cumulative claim will be submitted for Q3 2023 to bring final actual spend up to date. The expected reprofiling PCR was delayed but, when implemented, will be reflected in the

OFFICIAL - SENSITIVE

next update as this will decommit funds from the CFO. 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 Q2 2022 claims were submitted with a delayed submission date by agreement with the MA. Work is well underway to check, approve and pay those claims. A small number could not be submitted due to technical issues with Eclaims which will be addressed imminently. However, these are nil claims and will not increase actual spend. The MA will progress the decommitment of funds with the ESFA over the coming weeks as reported in our last update. CFO claims continue to be 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 Q2 2022	Cumulative Claims	Slippage	Percentage Claimed
1	Less-Developed	£81,229,974	£65,286,078	-£15,943,896	80.37%
1	Transitional	£569,288,265	£537,240,416	-£32,047,848	94.37%
1	More-Developed	£2,012,797,302	£1,891,184,533	-£121,612,770	93.96%
1	YEI	£278,317,911	£269,351,470	-£8,966,441	96.78%
2	Less-Developed	£38,446,332	£32,398,047	-£6,048,284	84.27%
2	Transitional	£284,179,884	£288,861,251	£4,681,368	101.65%
2	More-Developed	£752,831,673	£704,922,411	-£47,909,262	93.64%
3	Less-Developed	£4,185,970	£3,496,517	-£689,453	83.53%
3	Transitional	£17,449,424	£13,904,746	-£3,544,678	79.69%
3	More-Developed	£59,256,859	£49,340,513	-£9,916,346	83.27%
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		£4,099,034,033	£3,857,036,422	-£241,997,611	94.10%

Profile correct as of 01/11/22

Claims data extracted from RP1010, run date of 01/11/22

Spend includes both ESF & Match funding

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