



European Union

European Structural
and Investment Funds

**European Structural and Investment
Funds
2014 - 2020
Growth Programme for England- ERDF
Item 2(i)**

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

Growth Programme Board, March 2023

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 February 2023, unless otherwise indicated. The position at the last report, with ESF data to 01 November 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 February 2023 was £2.945 billion (£2.939bn), 97.12% (96.9%) of the total ESF allocation.

Programme Highlights as of Q3 2022:

- ESF has helped 1,949,721 participants
- of these, 244,160 started employment when they left the Programme (ESF-CR04)
- 172,917 were in education or training upon leaving (ESF-CR02)

The number of PCRs received since the last report sees a significant increase from 63 to 154. The number being processed also increases from 65 to 112, this is attributed directly to the

increased volumes due to underperformance activity. There has been an increase in PCRs closed, from 23 to 75. Average clearance time has risen from 58 days to 60 days. This is still within the 60-day target.

The value of the Remaining Funds (RF), including the pipeline data of PCRs and planned activity as of February 2023, is £128.4m. This represents an increase from the position of £76.1m reported at the meeting in November. 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 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. We received payment for this on 21 November 2022 of £235m ESF (€272m) after EC retention.

The fourth and final payment application of the calendar year (IPA25) was submitted on 16 December 2022 for €237m (£205m). We received payment for this on 28 December 2022 of €116m ESF (£102m) after EC retention.

The first payment application of the 2023 calendar year is scheduled to be submitted in April 2023 (value not yet known).

The 2022 cumulative N+3 target was €2.82bn. Following focussed activity by the Programme, claims of €713m exceeded the 2022 N+3 target by €315.7m. or 11.2%.

In November 2022, the ESF England Managing Authority submitted a revised 2014-2020 ESF Operational Programme to the European Commission for formal adoption in line with GPB agreement. The European Commission approved the revisions and adopted the revised OP on 16 December 2022.

The revised Operational Programme was published on GOV.UK on 06 February 2023. The revisions are:

- updated unit costs to reflect current economic conditions
- revised the way results targets are monitored to make them more transparent (changing from percentage to volume targets in many cases)
- moving funds between Categories of Region from relatively low demand areas to higher demand areas to ensure demand is balanced across the programme and reduce the risk of both over and underspends

The Annual Assurance Package was submitted to the EC on 14 February 2023, with a Residual Total Error Rate of 0.318%, well within the limit of 2%.

Formal closure of the 2007/2013 ESF Programme took place on 22 November 2019. To comply with EC Regulations, we were required to keep documents available for 3 years. This Audit Retention period is now coming to an end and the MA had expected to confirm that the retention period had now been reached and all relevant documentation could be destroyed. However, there is an ongoing legal enquiry into the retention date for some records and as such the date of retention cannot be confirmed at this time. Therefore, all documents relating to the ESF 2007 to 2013 programme should be retained. All interested parties, such as former Grant Recipients, will be notified to confirm when any information they hold can also be destroyed.

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 Q3 2022, in the table on page 8.

N.B: *throughout this report, ESF data as of 01 February 2023, unless otherwise indicated. The position at the last report, with ESF data to 01 November 2022, is shown in brackets for ease of comparison.*

Commitment:

- ESF commitment, as of 01 February was £2.945bn (£2.939bn), 97.12% (96.9%) of the total ESF allocation
- In Priority Axes 1 and 2 there are 507 Direct Bid projects with commitments totalling £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 £51.1 million and 20 projects for the digital response to COVID-19 Call, totalling £1.22m

Appraisal of Project Change Requests:

The MA has received an increase in PCRs submitted as work to release additional funding and recycle underspends continues. 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 17 Oct 2022	Current Position 10 Feb 2023
PCRs Received (since last Meeting)	63	154
Days to assign to an Appraiser (average)	3	12
PCRs Unassigned	0	15
PCRs Open (MA receipt to Decision)	65	112
PCRs Closed (since last Meeting)	23	75
Average days for PCR clearance (MA receipt to Decision)	58	60

Table One: Breakdown of PCR Activity as of 10 February 2023

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 10 February 2023.

The number of PCRs received since the last report sees a significant increase from 63 to 154, this increase can be directly attributed to underperformance related activity. The number being progressed has increased from 65 to 112 with an increase in PCRs closed, from 23 to 75. Average clearance time has risen from 58 days to 60 days.

Although the average processing time achieves the 60-day target, 46% of cases (35 PCRs) took longer than 60 days.

- 54% (40 PCRs) were approved within the 60 days target
- 3% (2 PCRs) were approved within 61-65 days
- 43% (33 PCRs) took more than 66 days

The average days for PCR clearance were impacted by issues in obtaining sufficient information from Grant Recipients relating to underperformance criteria. The unassigned figure of 15 includes 10 PCRs which were submitted outside of the tranche windows. The MA has agreed to progress these rather than reject due to the value of the proposed decommitment values.



Table Two: Progress towards the Final Programme Target

- Table Two depicts the progress towards the Final Programme target the figures shown are in Euros and represent the ESF value

OFFICIAL - SENSITIVE

- The 2022 cumulative N+3 target was €2,82bn. Following focussed activity by the Programme, claims of €713m exceeded the 2022 N+3 target by €315.7m. or 11.2%
- All IPAs are included in the table up to and including the fourth and final payment application of the calendar year (IPA25) which was submitted on 16 December 2022 for €237m (£205m). We received payment for this on 28 December 2022 of €116m ESF (£102m) after EC retention.

Funds Remaining to be Committed:

The value of the Remaining Funds, including the pipeline data of PCRs and planned activity as of February 2023, is £128.4m. This represents an increase from the position of £76.1m reported to the last meeting in December.

From November to January the funds rose from £76.1m to £104.0m, primarily due to the increased number of PCRs to address underspend issues. From January to February the funds rose further from £104.0m to the current £128.4m. This was due to the updated Forex rate used in the model, which has been changed to align with recent trends in the value of the pound. This further rise was again due to underspend-related PCRs still being processed.

Please also note that this £128.4m value includes the previously agreed £20m '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.

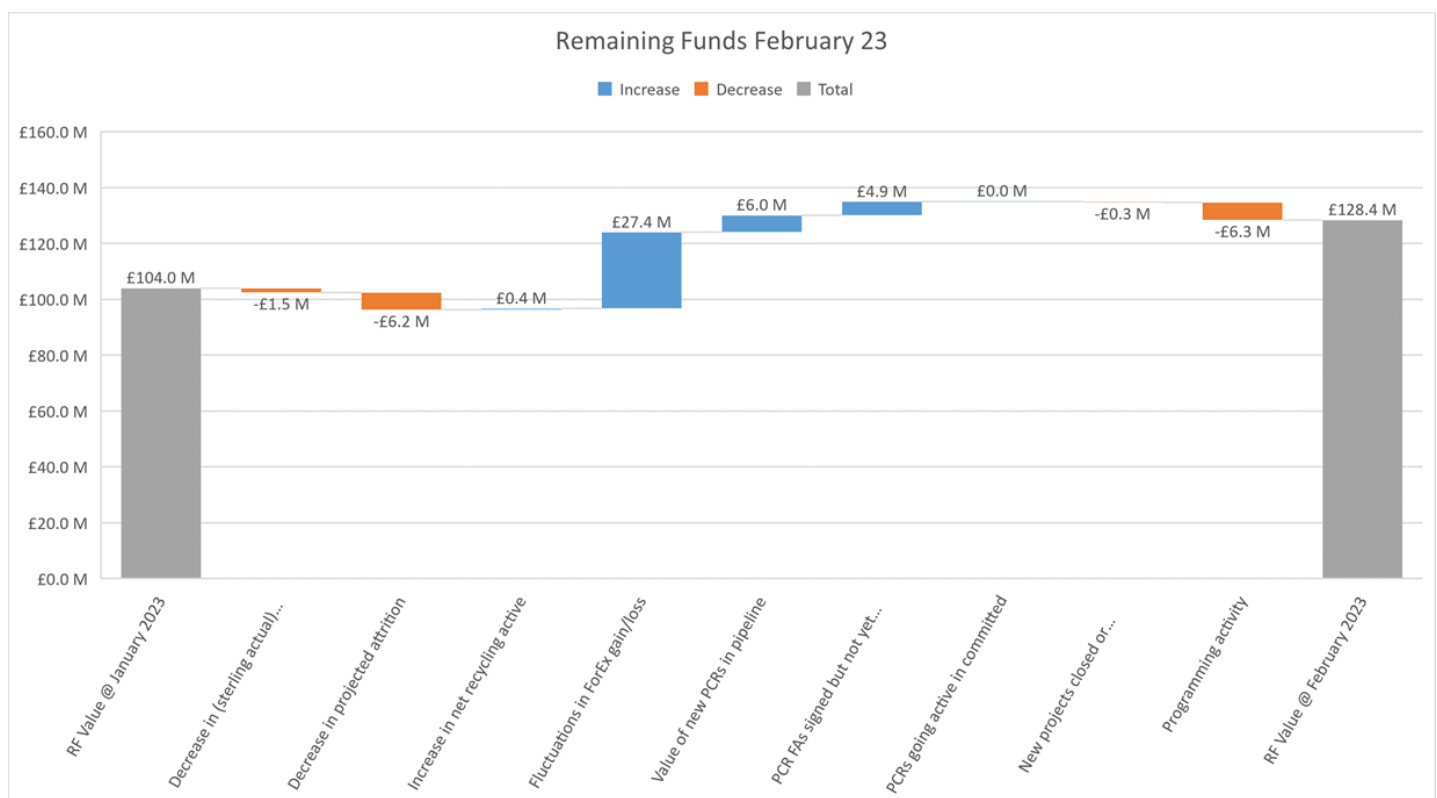


Table Three: Remaining Funds Forex Revaluation

ESF Underspend: FAST-CARE Proposal

The MA is in the final stages of developing a call for Fast-Care. Final details are being worked

through and Ministerial approval sought. Subject to sufficient applications, this call could account for a significant proportion of the ESF underspend.

Current planned allocation is up to £150M, this is under constant review and the position may change.

We continue to explore other options to use any further underspend with the primary focus being on impacting the lives of those who are more vulnerable in England's communities

ESF Claim Performance against Profile:

CLAIMS SUMMARY				
Org Type	Cumulative Profile to Q3 2022	Cumulative Claims	Slippage	Percentage Claimed
Direct-Bid	£1,568,538,431	£1,281,230,292	-£287,308,139	81.68%
ESFA	£1,456,204,815	£1,562,707,892	£106,503,077	107.31%
DWP	£311,518,307	£279,547,765	-£31,970,542	89.74%
HMPPS	£393,117,591	£407,823,745	£14,706,154	103.74%
NLCF	£538,495,740	£504,852,404	-£33,643,337	93.75%
TOTAL	£4,267,759,102	£4,036,162,097	-£231,597,005	94.57%

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

Direct Bids Update:

In August 2022, the MA published Action Note 087/22 which explained that as the 2014-2020 ESF Programme is nearing its end, a key priority for the MA is to focus on projects to ensure they are spending their grant in time and in line with their financial and participant profiles. Existing ESF Direct Bid projects that were not currently delivering to the level detailed within their Funding Agreement, or within the established 15% variance expenditure and or total participants, were contacted by their Contract Manager (CM) and asked to submit a Project Change Request. The PCRs were undertaken through a tranche-based approach with tranche timings being determined by project end dates. Therefore, those projects with earlier end dates will be in the earlier tranches and contacted in the first instance. Timescales for submission, subject to tranche were between 01/09/22 and 09/12/22. 209 projects have submitted PCRs to address their Underperformance; appraisal action is ongoing.

The percentage claimed by Direct Bid projects at Q3 2022 decreased by 0.48% from the previous quarter, from 82.16% to 81.68%. It is anticipated that this decrease will be addressed via the aforementioned PCRs. Analysis is being undertaken on the Q4 2022 claims to understand how the ongoing PCRs will address underperformance within the Q4 2022 claim.

CFO Updates:

The National Lottery Community Fund (TNLCF): All Q3 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 is being taken where appropriate.

His Majesty's Probation and Prison Service (HMPPS): Q3 2022 claims were submitted, have been approved, and paid. Performance remains strong with the previous underspend being

eliminated. Reviews are ongoing with CFO3 Hubs providers to maximise participant engagement, with delivery extended to November 2023.

DWP: Q3 2022 claims have been submitted and approved. The expected reprofiling PCR was delayed but, when implemented, will be reflected in the next update. The last referrals to the core DWP ESF contracts took place in September 2021, DWP Match contract referrals continued through to October 2022.

ESFA: The majority of Q3 2022 claims were nil claims by agreement with the MA. The majority have been approved with a small number of outstanding queries to be addressed. A small number could not be submitted due to technical issues with E-Claims. 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 months 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 Q3 2022	Cumulative Claims	Slippage	Percentage Claimed
1	Less-Developed	£87,066,135	£69,107,902	-£17,958,233	79.37%
1	Transitional	£595,217,217	£567,389,040	-£27,828,178	95.32%
1	More-Developed	£2,088,411,909	£2,002,669,575	-£85,742,334	95.89%
1	YEI	£285,167,570	£275,424,584	-£9,742,986	96.58%
2	Less-Developed	£40,452,727	£34,717,920	-£5,734,807	85.82%
2	Transitional	£298,780,487	£297,723,418	-£1,057,069	99.65%
2	More-Developed	£787,406,682	£720,395,120	-£67,011,563	91.49%
3	Less-Developed	£4,330,108	£3,500,862	-£829,246	80.85%
3	Transitional	£18,194,685	£14,124,875	-£4,069,809	77.63%
3	More-Developed	£61,681,144	£50,058,363	-£11,622,781	81.16%
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		£4,267,759,102	£4,036,162,097	-£231,597,005	94.57%

Profile correct as of 01/02/23

Claims data extracted from RP1010, run date of 01/02/23

Spend includes both ESF & Match funding

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

Priority Group Actuals Performance:

The table on page 8 illustrates 'actual performance' for sub-group by CoR and members are asked to note that this now includes Participant data until the end of Q3 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 Q3 22	Actual to Q3 22	% achieved to Q3 22
M		668,560	684,837	118.52%	706,148	792,345	112.2%
T		152,341	221,508	178.58%	189,474	272,049	143.6%
L		19,518	20,682	67.25%	18,048	13,125	72.7%
Total		840,419	927,027	128.21%	913,670	1,077,519	117.9%
ESF-CO15 - Participants from ethnic minorities	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q3 22	Actual to Q3 22	% achieved to Q3 22
M		343,547	441,072	129.74%	442,155	445,732	100.8%
T		42,485	67,088	128.59%	52,997	54,632	103.1%
L		869	2,315	147.11%	2,019	1,278	63.3%
Total		386,901	510,475	129.66%	497,171	501,642	100.9%
ESF-CO03 - Inactive	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q3 22	Actual to Q3 22	% achieved to Q3 22
M		414,355	360,546	69.32%	330,782	287,248	86.8%
T		102,537	122,380	99.71%	92,684	102,241	110.3%
L		18,644	18,885	66.45%	15,795	12,389	78.4%
Total		535,536	501,811	75.04%	439,261	401,878	91.5%
O6 - Participants without basic skills	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q3 22	Actual to Q3 22	% achieved to Q3 22
M		245,113	234,548	101.44%	228,328	248,646	108.9%
T		67,535	90,403	115.42%	69,765	77,950	111.7%
L		8,246	8,890	56.81%	6,851	4,684	68.4%
Total		320,894	333,841	103.24%	304,944	331,280	108.6%
O4 - Participants over 50 years of age	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q3 22	Actual to Q3 22	% achieved to Q3 22
M		265,392	252,212	104.95%	238,921	278,534	116.6%
T		74,713	91,600	124.31%	72,675	92,879	127.8%
L		10,154	12,283	95.95%	10,485	9,742	92.9%
Total		350,259	356,095	108.82%	322,081	381,155	118.3%
ESF-CO16 - Participants with disabilities	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q3 22	Actual to Q3 22	% achieved to Q3 22
M		290,379	313,937	109.46%	299,767	317,854	106.0%
T		80,023	113,754	153.10%	93,420	122,515	131.1%
L		12,473	14,117	91.19%	12,133	11,374	93.7%
Total		382,875	441,808	117.99%	405,320	451,743	111.5%
YEI-O12 - Participants with disabilities	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q3 22	Actual to Q3 22	% achieved to Q3 22
M			10,561		11,753	11,975	101.9%
T			7,958		11,201	11,021	98.4%
L							
Total		24,310	18,519	94.59%	22,954	22,996	100.2%
YEI-O9 - Unemployed participants (YEI)	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q3 22	Actual to Q3 22	% achieved to Q3 22
M			38,430		40,655	34,462	84.8%
T			34,090		42,929	41,772	97.3%
L							
Total		81,650	72,520	0.00%	83,584	76,234	91.2%
YEI-O10 - Long-term unemployed participants (YEI)	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q3 22	Actual to Q3 22	% achieved to Q3 22
M			14,638		15,017	14,879	99.1%
T			15,631		18,312	16,101	87.9%
L							
Total		28,830	30,269	107.46%	33,329	30,980	93.0%
YEI-O11 - Inactive participants not in education or training (YEI)	CoR	Whole Programme Target	Committed	% achieved of overall target	Committed to Q3 22	Actual to Q3 22	% achieved to Q3 22
M			15,075		18,780	17,231	91.8%
T			14,996		15,063	12,773	84.8%
L							
Total		28,830	30,071	0.00%	33,843	30,004	0.0%

ESF 2014-2020 Programme - Analysis and evaluation of the programme achievements in respect of equality

Summary of key findings

- The programme is on course to meet or exceed participation targets for all equality groups and other groups associated with labour market disadvantage, with the exception of young people and lone parents. Targets have already been exceeded for participants identifying as having black or minority ethnic backgrounds, those reporting being disabled or having a health condition and the over 50s.
- Long term results indicators collected from the six-month leavers survey show that on average 4 in 10 (around 40%) ESF and YEI participants who were inactive or unemployed on joining the programme, were employed six months after leaving (see Table Six). For other groups of interest this result ranges from 30%-37%, with disabled participants/those with a health condition least likely to be in employment at six months (30%) and women (37%) and those identifying as BAME (37%) most likely. This still represents a notable achievement in the context of programme targets for this indicator (34% in More Developed, Transition regions and 31% for Less Developed regions).
- The employment gap remains widest for disabled participants/those with a health condition (30% compared with 47% for non-disabled/no health condition) but is much narrower by gender (37% female, 41% male) and ethnicity (37% BAME, 40% white). Those aged 55 and over are also much less likely to be in employment at six months than younger people (32% of 55+ compared with 40% of under 55s). Domestically, older workers are more commonly categorised as 50 and over; using this measure the gap would be slightly narrower.
- The Youth Employment Initiative has performed strongly with 44% of participants in employment at six months. This result shows little difference between males (46%) and females (43%) and those identifying as white (45%) or BAME (43%). However there remains a stark difference between YEI participants with reporting being disabled or having a health condition (34%) and those without (50%).
- In contrast to the employment indicator, the indicator measuring improved labour market status for those already in work on joining shows that gender, ethnicity and disability are much less of a barrier to progression to those already in employment.
- Evidence from qualitative research suggests outreach activity has been an important factor in meeting participation targets. There was evidence of some disconnect between health and employment services, alongside the prevalence of mental health barriers which appear to have been increasing even before Covid-19. The often multiple and overlapping nature of barriers was emphasised by project staff, reinforcing the need for more personalised, tailored and flexible support and offering a range of services.

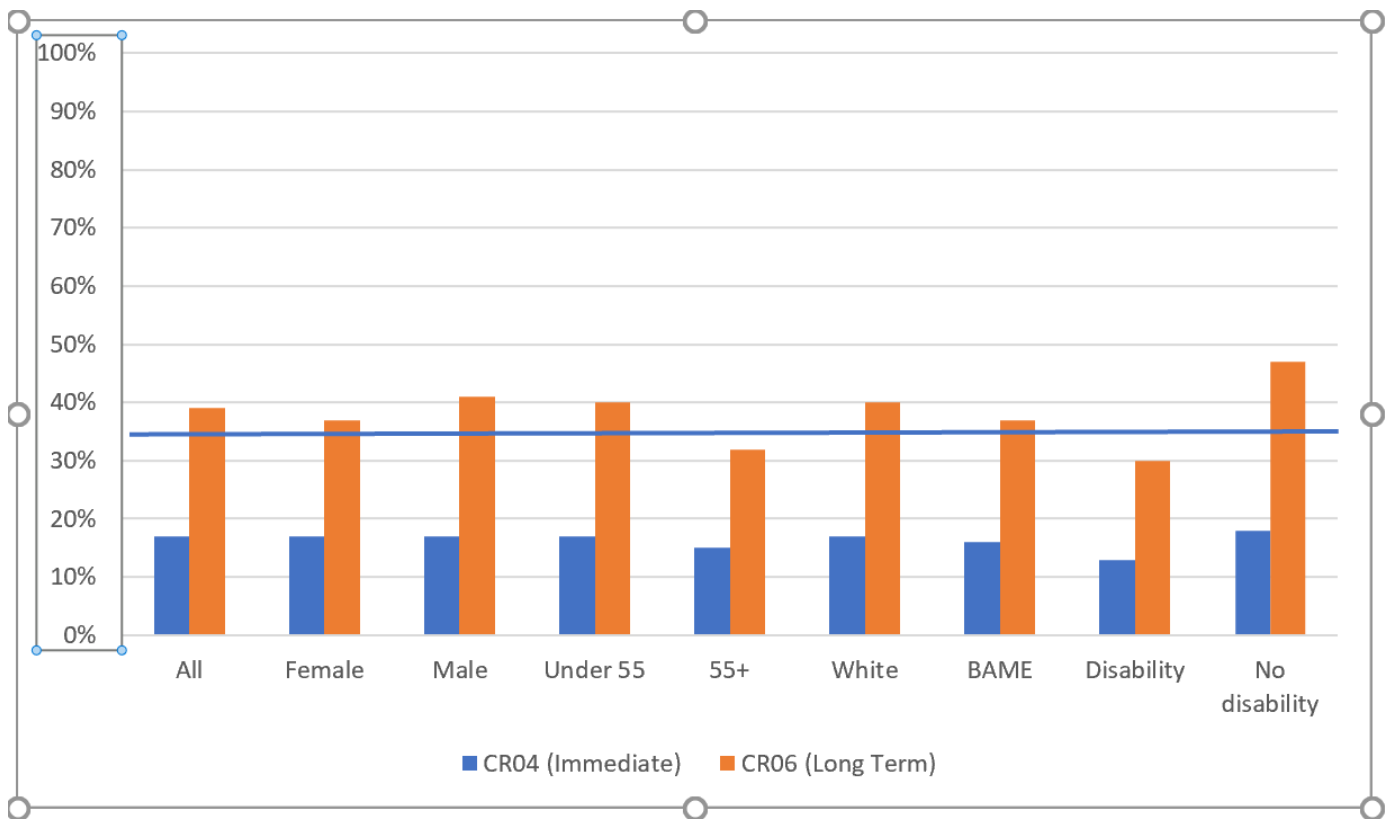


Table Six: Comparison of CR04 and CR06 immediate and long term (six month) results indicators by equality characteristics

Notes

- **CR04:** Leavers moving from unemployed/inactive to in employment, including self-employment, on leaving (Source MI)
- **CR06:** Leavers moving from unemployed/inactive to in employment, including self-employment, six months after leaving (Source: Leavers Survey)
- The blue line represents the long-term results target of 34% for MDC / Transition Regions.

Cross Cutting themes

The Equality and Diversity and Sustainable Development Mainstreaming reports are produced each year by the Managing Authority. The Programme Management Office (PMO) have responsibility for completing the reports this year. As per the normal annual cycle, the draft reports will be shared with PNSC and GPB ahead of submission to the EC on 31 July 2023.