

Greater Manchester Combined Authority

Date: Friday 25th November 2022

Subject: Greater Manchester European Social Fund (ESF) Co-Financing Programme Update

Report of: Councillor Eamonn O'Brien, Portfolio Lead for Education, Skills, Work, Apprenticeships and Digital and Joanne Roney, Portfolio Lead Chief Executive for Education, Skills, Work and Apprenticeships and Digital.

Purpose of Report

To provide an update on GMCA's three European Social Fund (ESF) Co-financing contracts noting key progress, challenges and risks including the end financial position alongside recommendations to ensure Greater Manchester can maximise its use of remaining ESF programme before it closes in December 2023.

Recommendations:

GMCA is requested to:

1. Note the progress made in relation to the GMCA ESF Programmes.
2. Agree that the GMCA Chief Executive and GMCA Treasurer, in consultation with the Lead Member and Lead Chief Executive for Education, Skills, Work, Apprenticeships and Digital (and subject to considerations around any conflicts of interest which might arise), be granted continued delegated authority to take forward the final ESF commissioning, including the procured element, to contract award where required.
3. Agree that the Chief Executive Officer, GMCA & TfGM and GMCA Treasurer ensure that the GMCA continues to comply with all of its obligations in relation to the Greater Manchester European Social Fund Co-Financing Programme, including its obligations to retain records relating to the use of ESF monies for the required period following the end of this Programme in September 2023.

Contact Officers

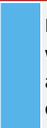
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Equalities Implications:

Impacts Questionnaire				
Impact Indicator	Result	Justification/Mitigation		
Equality and Inclusion	G	The ESF co-financing programmes support access to skills and employment opportunities for some of our most disadvantaged residents including young people who are not in education, employment or training and those facing barriers to work through health & disability.		
Health				
Resilience and Adaptation	G	Upskilling residents and tackling skills gaps supports individuals, businesses and GM's labour market to become more adaptable and resilient.		
Housing				
Economy	G	The programmes support young people and adults into education, training and work, reducing the risk of long-term unemployment/ economic activity and delivering systemic benefits to the economy. They also address the need for upskilling and retraining to support progression in work and career change to our priority sectors in GM where there is skills need. Our employer-led approach to gathering and responding to employer intelligence has already seen to support inward investment and job creation.		
Mobility and Connectivity				
Carbon, Nature and Environment				
Consumption and Production				
Contribution to achieving the GM Carbon Neutral 2038 target				
Further Assessment(s):	N/A			
	Positive impacts overall, whether long or short term.	 Mix of positive and negative impacts. Trade-offs to consider.	 Mostly negative, with at least one positive aspect. Trade-offs to consider.	 Negative impacts overall.

Climate Change Impact Assessment and Mitigation Measures:

Carbon Assessment				
Overall Score	<input type="text"/>			
Buildings	Result	Justification/Mitigation		
New Build residential	N/A			
Residential building(s) renovation/maintenance	N/A			
New Build Commercial/Industrial	N/A			
Transport				
Active travel and public transport	N/A			
Roads, Parking and Vehicle Access	N/A			
Access to amenities	N/A			
Vehicle procurement	N/A			
Land Use				
Land use	N/A			
No associated carbon impacts expected.	 High standard in terms of practice and awareness on carbon.	 Mostly best practice with a good level of awareness on carbon.	 Partially meets best practice/ awareness, significant room to improve.	 Not best practice and/ or insufficient awareness of carbon impacts.

Risk Management

The purpose of this report is for GMCA's Education, Work and Skills Directorate to highlight the key risks on three ESF Co-financing contracts and next steps and recommendations for managing these risks. Risk management is referenced in paragraphs 1.5, 2.3, 3.8, 3.11 and 5.4 of this report.

Legal Considerations

GMCA's Education, Skills and Work Directorate will continue to work with legal support to ensure all legal requirements and agreements are complied with and completed throughout the remainder of the ESF programme.

Financial Consequences – Revenue

N/A

Financial Consequences – Capital

N/A

Number of attachments to the report: 0

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

- GMCA Report: Progress update covering Education, Work & Skills activity over past 12 months along with specific recommendations for key programmes, 24/09/2021
- GMCA Report: European Social Fund (ESF) 2014-2020 Programme Update (June 2020), 26/06/2020
- GMCA Report: ESF Co-Financing Organisation – Approval of Working Well and Work & Health programme bid, 27/01/2017
- GMCA Report: ESF Co-Financing Organisation Update, 29/01/2016

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution?

Yes

Exemption from call in

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

N/A

GM Transport Committee

N/A

Overview and Scrutiny Committee

N/A

1. Background

- 1.1 GMCA secured ESF Co-financing Organisation (CFO) status from the ESF Managing Authority (DWP) back in 2016. This enabled Greater Manchester to apply for a significant proportion of ESF 2014-2020 allocation available to GM. This equated to £86m in one or more 'block' requests and placing themselves in control of processes to commission, contract and manage ESF activity. Other ESF provision has and is being delivered in Greater Manchester through contracts with Education & Skills Funding Agency (ESFA), National Lottery and the HM Prison and Probation Service.
- 1.2 Key ESF Co-financing conditions include that GMCA must have confirmed match funding in place - noting that ESF funding is claimed down based on actual expenditure in arrears – and that all ESF eligible activity must conclude by late 2023 when the ESF 2014-2020 programme formally closes.
- 1.3 GMCA secured three ESF CFO contracts. Firstly in 2017, up to £32.7m ESF was secured to enable more residents to access Working Well programmes, primarily through the Working Well Work & Health programme since January 2018. DWP funding agreed through the Devolution Deal Agreement provides the necessary match funding.
- 1.4 With concerns over whether ESFA (Education & Skills Funding Agency) would stop its ESF provision and a wider lack of available match funding, GMCA presented proposals to shape and align skills provision locally which resulted in two further ESF CFO contracts being secured. Up to £42m was secured for the ESF Skills for Growth Programme (approved in Summer 2020) and up to £11.85m for an ESF NEET and Youth Unemployment Programme (approved in Summer 2021). The devolved Adult Education Budget provides match funding for both these contracts.
- 1.5 This report provides a summary of key progress and challenges encountered and the key risks faced by these three ESF CFO contracts, notably regards financial end position. It then presents next steps and recommendations.

2. ESF Working Well

2.1 The commissioned Working Well programmes – especially the WW Work & Health Programme - have continued to successfully provide key worker support to unemployed Greater Manchester residents with health & disability conditions. The objective has been to support residents towards sustainable employment. ESF funding of up to £32.7m (ESF PA1.1/1.4) has been used to maximise the number of GM residents accessing Working Well programmes.

Current position:

2.2 ESF CFO eligible expenditure to the end of September 2022 was £23.8m (74% of total contract value) and has achieved its target of supporting 33k GM residents. Employment Outcomes of around 30% means GM is performing slightly above the national Work & Health Programme position but all are below initial contractual expectations (40-45%). There have been notable increases in employment outcomes seen both during and after the COVID pandemic period.

2.3 The WHP payment by results outcome model means that less ESF expenditure than forecast has been drawn down to date. However, the extension of ESF activity by 12 months until September 2023 will enable GM to maximise positive employment outcomes and expenditure claimable under ESF and reduce the risk of financial underspend.

2.4 It is worth noting that GMCA and DWP are in the final stages of agreeing an extension to the WW Work & Health Programme for a further two years – with referrals running until October 2024 and the programme running until Summer 2025. Whilst the extension is beyond the timeframes of this ESF contract, it will create a challenge for GMCA in trying to maximise funding drawdown of all available DWP and ESF funding.

Next Steps / recommendations

2.5 GMCA will continue to maximise performance and financial drawdown on this contract with the contract end spend position likely to be £30-31m against the original contract value of £32.7m.

3. ESF Skills for Growth

- 3.1 Greater Manchester's ESF Skills for Growth Programme has been delivering an innovative and employer led approach to understanding the skills needs of employers and their current and future workforce through the creation of intelligence reports. These are then used to commission delivery to address the needs identified that can't be met within the current skills system.. The programme set out to create a shift in the skills system, improving dialogue and understanding between business and skills providers. The aims of the programme are to create progression routes for those working in GM and support growth for the business' in our region.
- 3.2 The original £42m programme proposal was planned across two ESF priority areas mainly focussed on Level 3+ provision to ensure it complements our devolved AEB activity:
- Up to £10m to commission a provider(s) to undertake and complete projects with more than 2,750 SME's in Greater Manchester that will support them to identify their skills needs, access existing provision and feed skills gap intelligence (ESF PA2.2)
 - Up to £29.2m to commission skills delivery provision based on the iterative intelligence gathered around employer needs and lack of provision available. Supporting more than 25,000 individuals, who are in work to gain key skills and progress (ESF PA2.1)
 - Funding to support the resourcing of the programme including projects, performance and contracts and employer intelligence teams within GMCA (to a maximum of 10% of total costs).
- 3.3 The programme faced some early challenges; a delay with the MoU being signed off and the ongoing effects of Covid on our economy. With business' struggling to survive their attention has been focused on more immediate issues than upskilling their workforce. Despite supporting the intelligence reports employers were not in a position to release their staff for training due to more urgent matters like staff absence or recruitment challenges.
- 3.4 GMCA has undertaken significant market engagement with providers and has launched 21 commissions over the last two years using its Flexible Procurement

System. However only 11 of these reached contract award stage due to a combination of reasons including:

- A lack of quality and/or eligible bids from providers;
- Many providers not bidding due to ESF funding requirements;
- The introduction of other national/local funded programmes such as DfE funded Skills Bootcamps – which providers have found more suitable to bid for.

3.5 GMCA has continued to work with the provider market to understand issues and approved a further six contract awards in October 2022 through a final commissioning round focussed on innovation.

Current Position:

3.6 Despite these initial challenges, the total committed expenditure on the ESF Skills for Growth Programme is currently £30m - £25.7m to the end of September 2022 with a further £4.3m forecast from the latest contract awards. This is 71.5% against the original contract value of £42m.

3.7 The SME contract (up to £7m) is on track to support more than 3,000 SMEs by March 2023 with businesses subsequently informing 11 Sector Skills Intelligence reports across frontier and foundation sectors ([Current skills gaps in Greater Manchester](#)) and also shaped plans for the commissioning of skills delivery provision to meet the contracted ESF targets.

3.8 GMCA officers are working with providers and stakeholders to maximise performance and where necessary instigate performance management measures. The pipeline forecast against the original ESF targets suggests c.82% of individuals will be supported (21k residents) individuals and 110% of SMEs (3,000) could be achievable by September 2023 set against an overall programme expenditure of £24m.

3.9 Whilst both the committed and pipeline forecast scenario don't equate to maximum drawdown, if the forecast delivery is achieved this will offer better value for money than the original contract value and minimises risk of financial clawback.

Next Steps

- 3.10 GMCA is discussing options with the ESF Managing Authority (DWP) on how it can best utilise its remaining ESF funding. The intention is to align with the scope of the original bid but introducing some more flexible routes to market and ideas aligned with GM's strategic need relating to the current economic climate. The ESF Managing Authority will have to agree to any changes through a Project Change Request (PCR).
- 3.11 This PCR will also include a reprofile down to £30m as the ESF MA is currently strengthening performance management and reviewing current contracts. This reprofile will ensure that GMCA can maximise its committed contract drawdown.
- 3.12 The key risk involved will be the ability to stand up, deliver and conclude activity by September 2023 at a time when the ESF Managing Authority (DWP) is seeking to reduce the value within uncommitted and/or underperforming contracts.
- 3.13 If further and/or changes to can be agreed with the ESF Managing Authority progressed, GMCA are asked to renew the delegated authority granted to the Skills for Growth Programme in June 2020 - further renewed in September 2021.

4. ESF NEET and Youth Unemployment Programme

- 4.1 Greater Manchester's ESF NEET & Youth Employment programme is delivering a personalised support programme which mitigates the impacts on: those young people most affected by the Covid-19 pandemic; those who are experiencing disadvantage, and those not engaged with other provision.
- 4.2 It is delivered through a comprehensive engagement and transition offer that will enable these young people to successfully engage in a positive learning or work destination and develop the skills and confidence to continue into a sustainable career pathway.
- 4.3 ESF funding of £10m was commissioned across two lots; one focusing on young people aged 15-19 and one focusing on young people aged 18-24 years and has been operational since January 2022. Both successful providers have involved young people in co-design of the delivery models, and have ongoing youth voice mechanisms to inform their outreach and engagement strategies.

4.4 Critical success factors identified for the programme are:

- 6000 young people to be supported
- A minimum of 45% of all participants to progress into defined education, work or skills outcome
- A minimum of 80% of all participants to complete support with an end of programme discussion and completion of exit template

Challenges

4.5 The original ESF CFO application outlined a programme of three year's duration commencing during late 2020. Delays to appraisal and approval of the programme and delays due to the COVID-19 pandemic meant that procurement needed to respond to changes in demand for support for our most disadvantaged young people.

4.6 As a result the duration of the programme has been reduced from 36 months to 20 months, however at the point of commissioning we retained the original target of supporting 6,000 young people across GM.

4.7 Due to the focus on targeting our most disengaged young people, not accessing other support programmes, providers have been struggled to balance meeting the required delivery profiles whilst also delivering a high quality bespoke individual focused support mentoring offer with additional wraparound support as defined in our specification. This has been noted in the Lot 2 programme with engagement of 18-24 year old "hidden" NEET being difficult to identify and engage.

Current Position

4.8 Despite the challenges outlined above, £2.8m has been drawn down to the end of September 2022.

4.9 The Lot 1 provider is on track to engage and support 3,000 young people through the life of the programme and realise its original budget. The Lot 2 provider has built a strong relationship with Job Centre Plus and Local Authorities to support identification of 18–24-year-olds in receipt of benefits or known to services but has encountered significant challenges in identifying "hidden" NEET, which makes up 50% of the target cohort.

GMCA officers are working with the Lot 2 provider to maximise performance and have instigated preliminary performance management measures. The latest delivery flightpath suggests they could support up to 2,400 GM residents – contractual target is 3,000 - being supported with c£4.2m ESF expenditure forecast to be spent.

Next Steps

- 4.10 Final starts to the programme were originally profiled to end on 30th April 2023. Discussions are underway with both providers to extend this window to enable a wider number of young people to engage with the programme.
- 4.11 This action will also help to mitigate potential gaps in support pending the start of UKSPF delivery in 2023 and reflects additional evidence now available through delivery to date of the likely period of support required by young people to achieve a successful outcome.
- 4.12 Therefore, to maximise these successful outcomes – primarily progressions into formal education - GMCA would look to extend the current ESF delivery completion date by one month from 30th September to 31st October 2023.
- 4.13 These proposed changes will lead to a Project Change Request (PCR) being submitted to the ESF Managing Authority.

5. Summary

- 5.1 GMCA has worked extensively to ensure it is able to utilise ESF Co-financing to support as many GM residents to gain positive outcomes including entering into sustainable employment and achieve qualifications to help them progress.
- 5.2 As detailed above, there have been significant challenges which have impacted on the delivery of our ESF contracts. Nevertheless, if the current forecast position is realised across the three ESF co-financing contracts, then a combined 59,400 GM residents will have received support through our ESF funded programmes against an original target of 64,000 (92%). Whilst also over performing on SME's supported against a target of 3,000.

- 5.3 The maximum ESF expenditure at this stage is likely to be c£71.5m against total contracted value amounting to £86.6m (82.5%). In comparison, the UK evaluation of its ESF 2007-2013 programme shows it spent £2bn of its £3bn allocation (67%).
- 5.4 GMCA is asked to note the progress, challenges and issues/risks on these programmes and the impact on maximising ESF funding investment.