

## Item 9

Date: 12<sup>th</sup> June 2020

Subject: ESF 2014-2020 Programme Update (June 2020)

Report of: Cllr Sean Fielding, GMCA portfolio lead for Employment, Skills and Digital.

Report to: Scrutiny going forward to June 2020 GMCA

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### **Purpose:**

The purpose of this report is to provide members with an update on Greater Manchester's European Social Fund (ESF) allocation within the ESIF 2014–2020 programme and how delivery activity, where possible, is being shaped to respond to challenges presented by COVID-19.

### Key points to note:

- GM is approaching full commitment of its £162.8m ESF allocation. The ESF Managing Authority (DWP) requires all of its ESF contracts to be in place by December 2020. Contracted activity is able to continue until December 2023 under the HM Treasury Guarantee.
- As a result of COVID-19, The ESF Managing Authority is seeking agreement with the EC on structural flexibilities, in particular, match funding requirements, to support the ESF programme. Some practical steps have already been applied to ensure ESF delivery could continue during lockdown, e.g. use of e-signatures.
- GMCA has received a MoU for its £42m ESF GM Skills for Growth Programme. Market engagement and initial procurement activity is underway taking account of likely COVID-19 recovery requirements. The programme will look to support over 25,000 GM residents and 2,750 businesses and be complementary to the devolved Adult Education Budget and other ESF programmes.
- Prior to COVID-19 delivery and performance on live GM ESF contracts has been relatively strong, however with some underperformance on Education & Skills Funding Agency (ESFA) contracts which may be impacted further by the Department's response to COVID-19.

### **Recommendation(s):**

- To note progress in committing Greater Manchester's ESF allocation and attempts to repurpose and apply flexibilities in response to challenges presented by COVID-19.
- To note the intention to proceed to procurement with the GM Skills for Growth ESF programme

- To note the status of the final CFO application for Youth Opportunity Programme - at appraisal stage with the ESF MA at present - and delegate authority to the GMCA Chief Executive and Treasurer of GMCA for design sign off following development in conjunction with areas/partners.

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## 1. Background

The European Social Fund (ESF) 2014-2020 programme supports activities which increases labour market participation, improves youth employment for hard to reach groups, promotes social inclusion and develops the skills of the potential and existing workforce.

The GM LEP received an ESF allocation of £162.8m to support a minimum of 137,000 GM residents. GM has worked with the ESF Managing Authority (DWP) and national 'opt-in' organisations to secure ESF funding which supports GMS priorities whilst meeting objectives set out in the GM ESIF Investment Plan.

Arrangements put in place included GM securing its own ESF Co-financing status in 2016, which initially supported the Working Well programme. This has provided GM with the ability to move away from nationally commissioned programmes instead procuring and contract managing targeted provision based on local evidence of need and demand.

All ESF funded projects and programmes must be committed by December 2020 with contracts running potentially up to December 2023. The original HM Treasury Guarantee to honour ESIF funded contracts once the UK leaves the EU has been strengthened to cover both a deal / no deal scenario.<sup>1</sup> This commitment to 2023 helps to ensure continued service provision whilst details behind proposed successor funding such as the UK Shared Prosperity Fund begin to emerge.

The ESF Managing Authority (DWP) informed all LEPs that any uncommitted allocations identified by December 2019 would be placed into an ESF Reserve Fund. This Fund will prioritise LEP areas who have not fully committed their ESF allocation and require confirmed match funding. As of November 2019, national ESF commitment was £2.14bn (71% of its allocation).

## 2. GM ESF Commitments

GM will have committed its full ESF allocation once its pipeline programmes are approved during 2020. These commitments (see Table 1.1) have been made through a combination of two national ESF 'opt-ins' – the Education & Skills Funding Agency (ESFA) and the National Lottery Community Fund (NLCF) - and our own GMCA ESF co-financing arrangements.

**Table 1.1 – Current GM ESF Commitment Position by Priority Axis and Investment Priority (IP) as at May 2020.**

Priority Axis 1 - Inclusive Labour Markets	GM Allocation (£m)	Contracted to Date (£m)	Pipeline (£m)	%vs allocation

<sup>1</sup> <https://www.gov.uk/government/publications/the-governments-guarantee-for-eu-funded-programmes-if-theres-no-brexit-deal/the-governments-guarantee-for-eu-funded-programmes-if-theres-no-brexit-deal>

IP1.1 Access to Employment	£30.02	£36.32	-	121%
IP1.2 Sustainable Integration of Young People	£26.96	£15.55	£11.85	102%
IP1.4 Active Inclusion	£34.31	£35.26	£2.10	109%
<b>PA1 Total</b>	<b>£91.29</b>	<b>£87.13</b>	<b>£13.95</b>	<b>111%</b>

Priority Axis 2 – Skills for Growth	GM Allocation (£m)	Contracted to Date (£m)	Pipeline (£m)	%vs allocation
IP2.1 Enhancing Equal Access to Lifelong Learning	£52.08	£19.82	£32.00	99%
IP2.2 Improving the Labour Market Relevance of Education & Training Systems	£19.44	£0.00	£10.00	51%
<b>PA2 Total</b>	<b>£71.52</b>	<b>£19.82</b>	<b>£42.00</b>	<b>86%</b>

Greater Manchester ESF TOTAL	GM Allocation (£m)	Contracted to Date (£m)	Pipeline (£m)	%vs allocation
<b>PA1 + PA2 TOTAL</b>	<b>£162.81</b>	<b>£106.95</b>	<b>£55.95</b>	<b>100%</b>

**NB:** The ESF Managing Authority (DWP) enabled LEP's who opted in to ESFA's second round of ESF contracts to commit up to 115% against the relevant Priority Axis.

The current pipeline relates to three GMCA co-financing proposals.

- £42m ESF Skills for Growth Programme (IP2.1/2.2) approved by the ESF MA who have issued a MoU to GMCA.
- £11.85m ESF Youth Opportunity proposal (IP1.2) which will respond to the reduction and prevention priorities within the GM NEET agenda. Submitted in December 2019 this is with the ESF MA for appraisal.
- C£2.1m extension to the current Working Well CFO (IP1.1/1.4) to continue provision to 2023 and include additional Working Well programmes.

**Outputs / Outcomes:** The committed/pipeline contracts are currently profiled to support 181,127 individuals (132% of ESF allocation) and if delivered will exceed ESF outcome targets around progression into employment, education, training and achievement of skills qualifications.

### 3. ESF MA response to COVID-19

As elsewhere, the delivery of ESF programmes will be impacted by COVID-19 for an unknown period of time. The ESF MA have been seeking agreement with the EC to enable flexibilities to be applied which aids both delivery and continues to support the most disadvantaged residents.

The ESF MA has agreed some practical steps in response to COVID-19<sup>2</sup>, e.g. allowing e-signatures, amending/repurposing contractual models where possible. As yet there is no formal confirmation of more structural changes such as relaxing contractual targets, match funding requirements or how the ESF MA will use its uncommitted allocation (c£200-250m), through its Reserve Fund mechanism, to support eligible COVID-19 recovery activity.

<sup>2</sup> <https://www.gov.uk/government/publications/european-structural-and-investment-funds-coronavirus-covid-19-response/european-social-fund-2014-to-2020-programme-questions-and-answers-on-covid-19-response>

## 4. GM ESF delivery performance and potential impact of COVID-19

To the end of March 2020, cumulative performance across all ESF contracts illustrates actual spend of £54.9m (82% of cumulative target). 68,200 individuals have engaged on programmes (90.6%) with recorded progression outcomes - into employment, education and training and skills qualifications - at 67% of their cumulative target.

Key delivery and performance issues, risks and actions broken down by contracts within 'opt-in' / co-financing organisations is set out below. This also highlights the different approaches being taken by co-financing organisations in responding to COVID-19 challenges in supporting residents and delivery providers.

### 4.1 ESFA Round 1 contracts (2016-2019)

In 2016, ESFA contracted six ESF contracts<sup>3</sup> on behalf of GM. The original contracted values (plus administration costs) was nearly £36m. Due to underperformance this reduced to £30m, with the actual expenditure expected to be c£26.2m. These programmes have now closed with identified underspend recommitted under ESFA Round 2 contracts and within GMCA co-financing proposals.

### 4.2 ESFA Round 2 contracts (2019-2021)

ESFA procured four ESF contracts on GM's behalf which started delivery in April 2019 and would initially run until July 2021.

- IP1.1 – Skills Support for the Unemployed (total contract value - £9.9m)
- IP1.2 – NEET (£7.8m)
- IP1.4 – Community Grants (£4.9m)
- IP2.1 – Skills Support for the Workforce (£9.9m)

Prior to COVID-19, ESFA and the ESF MA agreed to extend provision until 2023 for strongly performing contracts. These revisions are still to be finalised. To the end of March 2020, contract performance was satisfactory for three of the four contracts. GMCA has been working with the NEET contract provider and ESFA to explore options to improve delivery and performance.

These contracts will play a key role in GM's COVID-19 recovery activity with enhanced interest in skills support services over recent months and the Community Grants programme launching a digitally focused bidding round in early May.

A potential risk to sustained delivery is that ESFA is currently offering few flexibilities to contracted providers beyond an advanced payment provider relief scheme - <https://www.gov.uk/government/publications/esfa-esf-provider-relief-scheme> - which may result in concerns over the financial viability over some of their payment by results contracts. GMCA will continue to work with ESFA and providers to understand and mitigate the risk of any contracts terminating early.

### 4.3 National Lottery Community Fund – Building Better Opportunities (ESF)

The Motiv8 programme (IP1.4) is the sole NLCF ESF contract operating in GM and continues to meet its cumulative profile targets. NLCF have extended the contract in both funding and duration which now see over 3,500 participants supported with more than 25% progressing into EET.

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<sup>3</sup> ESF contracts procured / contracted on behalf of Greater Manchester in 2016: Skills Support for the Workforce (IP2.1), Higher Skills for Disadvantaged Individuals (IP2.1), CEIAG (Adults) (IP1.1), CEIAG (Young People) (IP1.2), Start and Grow a Business (IP1.1) and Skills for Employment (IP1.4) programmes.

NLCF has extended its national co-financing MoU until March 2023. However, if the Motiv8 programme continues to perform then its likely contractual expenditure / outputs will be met significantly sooner. GM continues to liaise with NLCF to understand its future plans with existing contracts and its response to COVID-19.

#### **4.4 GMCA Co-Financing Programmes**

##### **i) GM Working Well ESF CFO (existing):**

**The GM Working Well ESF CFO** (IP1.1/1.4 - £32.7m) has been operational since 2016 and covers a number of GM Working Well programmes. Against its original cumulative profile to March 2020, the ESF contract has supported nearly 23,500 GM residents (85% of target) and more than 4,400 job starts (81%). ESF expenditure of £16.2m is 82% of cumulative target.

The Working Well Expansion has supported more than 3,000 residents into employment (24% of starts) exceeding its original targets. The current underspend (and associated output performance) relates to lower than contracted expenditure / outcome performance on the Working Well Work & Health Programme (WHP).

GM is outperforming DWP and London contracts with the first cohort of completers achieving a 45% job start rate. Prior to COVID-19, stakeholders were undertaking a review of the assumptions that underpinned the original business case, delivery to date and options to maximise performance and expenditure for the remainder of the programme.

As a result of COVID-19, DWP and GM have agreed to vary contracts with providers to move from a payment by results to cost model for 2020/21. This provides stability to both the provider and residents accessing the service. The ESF MA have agreed this approach.

To mitigate some of the potential underspend and meet contractual targets, GMCA is extending its ESF CFO until late 2023 to maximise WHP support and also including new Working Well programmes (Early Help and Specialised Employment Service). Discussions are underway to develop potential services in response to the expected high levels of unemployment as a result of COVID-19. This may include a further call on ESF funding within the existing Working Well ESF contract.

##### **ii) GM Skills for Growth ESF CFO (newly approved):**

The £42m GM Skills for Growth ESF CFO Application (IP2.1/2.2) has now been approved and a MoU has been issued by the ESF MA. Match funding will be provided by is awaiting the formal MoU from the ESF MA.

**Annex 1** below sets out GM's programme approach which has been through CEX Investment Group, Skills & Work Executive and ESAP. Market engagement took place prior to COVID-19 lockdown and initial procurement activity is underway although there is no obligation to proceed at this stage. GMCA will continue to assess and monitor how any emerging ESF flexibilities are likely to impact on the delivery of this programme.

Greater Manchester's Skills for Growth Programme will deliver an innovative and employer led approach to understanding the skills needs of employers and their current and future workforce. It aims to create a shift in the skills system, improving dialogue and understanding between business and skills providers. Working with continuous feedback it will ensure that GM has the talent pipeline required to meet employer needs across our frontier and foundational sectors, providing residents with the skills they need to achieve high quality, well paid technical roles.

By gathering intelligence around skills gaps in both large and small employers, and matching this against existing GM skills provision the programme will be able to highlight gaps in our current skills landscape then work to resolve these through evidence based commissioning of required skills delivery. Throughout all employer interaction, engaging them in the wider skills and employment landscape through initiatives like the Good Employment Charter and Bridge

GM will ensure a more effective and joined up skills and employment system with clear progression pathways from education into high quality employment opportunities.

**An approach to Covid 19 recovery will be embedded in the approaches to intelligence gathering and commissioning delivery.**

In its totality, the programme will support projects that make skills, education and training provision more responsive to the needs of the economy so that employers' skills needs are more effectively met. It will build capacity and broker opportunities for work placement & internships, which support the GM Mayors ambition. The programme will enhance relationships between employers and providers of education in order to encourage employers to play a more active role in shaping the skills and employment system.

Contract activity is anticipated to start in late 2020 and last until autumn 2023 with tailored provision complementing both immediate work to support COVID-19 recovery activity, devolved Adult Education Budget provision and existing programmes such as the ESF Skills Support for the Workforce.

GMCA will manage this programme following the same ESF compliant procedures and processes in operation for the existing GM Working Well CFO.

**iii) Youth Opportunity ESF CFO (at appraisal stage):**

GMCA submitted an £11.85m ESF co-financing application (IP1.2) in December 2019 which will look to respond to GM's strategic ambitions to reduce and prevent NEET and support up to 6,000 of GM's most disadvantaged young people. Match funding will also be provided by the devolved Adult Education Budget.

A summary of the Programmes intention is set out in **Annex 3** and will be developed with LA's & partners and look to complement existing ESFA, Princes Trust and LA support for NEET contracts. In particular it will consider the impact of COVID-19 on this cohort and also take into account young people's experiences and support where possible the Young Person Guarantee.

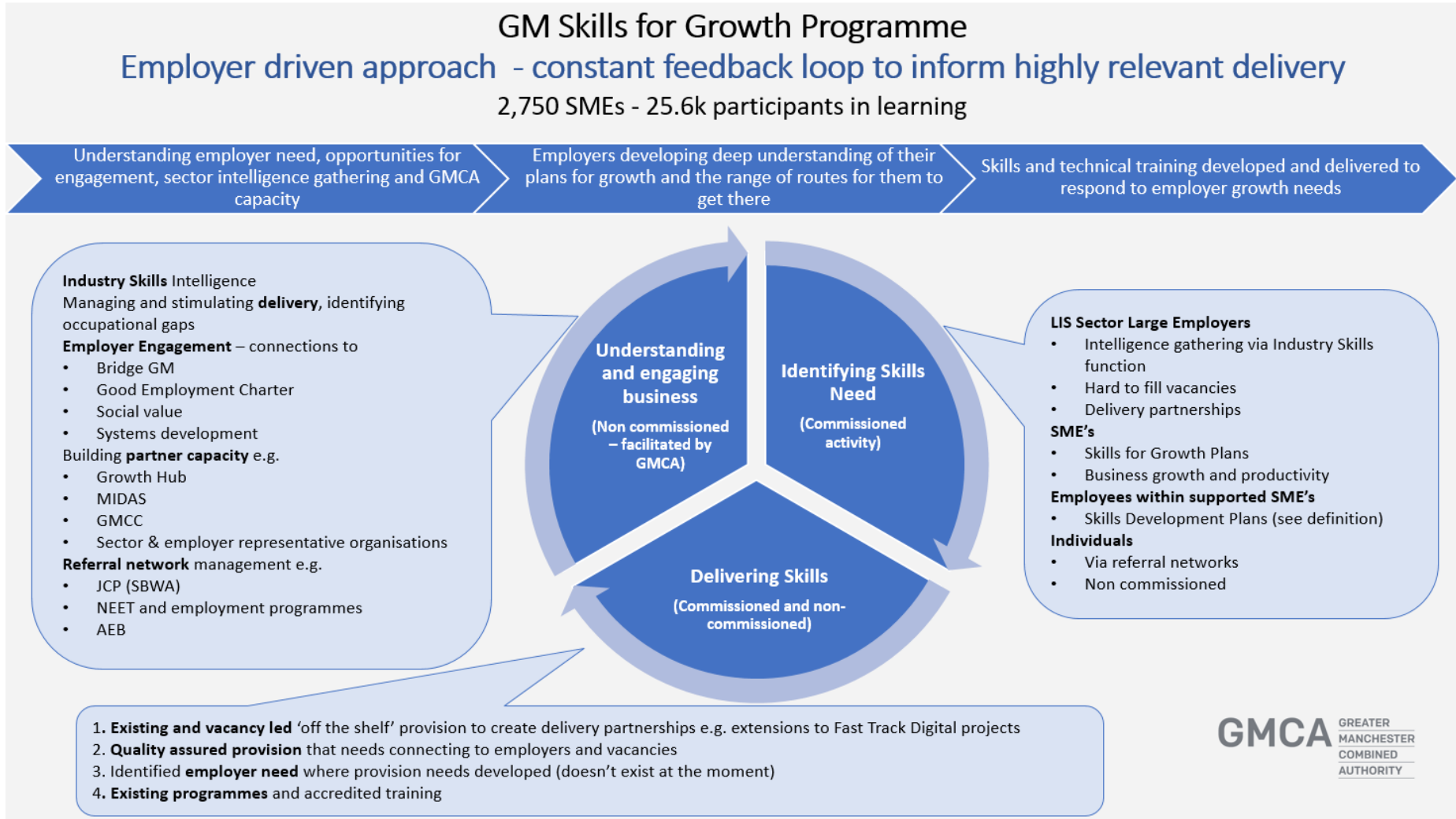
The appraisal of this application by the ESF MA has been delayed and is likely to impact on the anticipated start date of early 2021. Depending on the delivery and performance of other NEET contracts in response to COVID-19 and wider ESF flexibilities, GM could look to modify and/or extend this contract providing any formal agreements are made with the ESF MA by December 2020.

GMCA will continue to closely monitor, support and challenge ESF contracts to ensure GM young people receive the maximum support possible until the programme ends in 2023.

**5. Recommendations / Next Steps:**

See front of report.

**Annex 1: GM Skills for Growth Programme – Proposed Approach**







## **Annex 2: Summary of Youth Opportunity Programme**

Supporting our young people to be socially and economically prosperous is a key priority for the city-region, but whilst good progress is being made to reduce disadvantage and inequality within our education and skills system, we know there are too many young people experiencing structural and systematic barriers, which limit their ambitions, achievements and aspirations.

Young people are our future workforce and they are critical to achieving our ambitions set out in the Local Industrial Strategy. Therefore, we must ensure they are equipped with the skills and opportunities needed to contribute to the growth and future prosperity of Greater Manchester. We expect this programme to do this by helping to:

- Supporting a 'youth guarantee' post Covid-19
- Reduce NEET – Greater Manchester continues to have a higher proportion of young people not in education, employment or training (NEET) when compared to national and regional averages
- Close the disadvantage gap – deprivation and disadvantage continue to be strongest determinants for low attainment and NEET in GM
- Address sub-regional variances – significant discrepancies exist between the best and worst performing areas of GM, including access to suitable and effective support and provision
- Address skills gaps – local employers continue to highlight significant gaps in young people's skills and preparedness for work
- Raise hope and aspirations – hope and optimism for the future continues to be a concern for a significant number of our young people

### **DELIVERY:**

GMCA will procure and contract the services of delivery organisations who can deliver a responsive package of interventions and innovative approaches, tailored to the needs of the identified participants and beneficiaries. The programme will be delivered across the entire GMCA area.

The programme will be delivered by organisation(s) who can demonstrate that they can deliver across all ten local authority areas; have a proven track record of delivering programmes of similar size and scale; and have the capacity to deliver provision immediately upon contract commencement.

### **BENEFICIARIES:**

The programme will work with a minimum of 6,000 young people aged 15 to 25 who are either:

- Those at higher risk post Covid 19
- not in education, employment or training (NEET);
- considered to be at risk of becoming NEET, based on pre-determined risk factors and/or characteristics;
- disengaging from mainstream education;
- disengaged from mainstream and/or statutory support services

Risk factors include, but are not limited to:

- being in care / a care leaver
- having a learning difficulty or disability
- having been permanently excluded from mainstream education
- attending (or previously attended) alternative provision because of issues with behavior, attendance or educational attainment
- known to youth offending or probation
- substance misuse
- gang membership
- Those at risk of choosing a life of crime
- Those young people who are at risk of exploitation