Lowlands and Uplands Scotland ERDF and ESF Programmes 2007 - 2013
Programme Monitoring Committee

FINANCIAL AND PHYSICAL PROGRESS REPORT ON THE IMPLEMENTATION OF THE ERDF AND ESF PROGRAMMES

1. Purpose

1.1 To advise this Committee of the current position regarding the financial and physical implementation of the Lowlands and Uplands Scotland ERDF and ESF Programmes 2007 – 2013 against agreed Programme indicators and targets. This assessment will be done in terms of project commitments approved to date and activity already undertaken. The data has been gathered from approved project forms. The full range of financial information is summarised in the attached **Annex 1**. This paper will also advise the Committee on the current position regarding the progress made to date in achieving the approved N+2 targets for 2011 and future years. This is attached as **Annex 2**.

1.2 In addition, an analysis has been undertaken of the ERDF and ESF Programmes with regard to the progress being made by the IAB in the processing of grant claims and the completion of verification visits as specified in the agreed Management and Control Strategy. This is attached for information as **Annexes 3(i) – 3(ii)**.

2. Implementation of the ERDF Programme

Figure 1: Cumulative Summary of Financial Performance in ERDF Programme to Date

	Number of Projects approved to date	Approved Expenditure to date (£)	Approved Grant to date (£)*	Declared Expenditure to date (£)	Grant paid to date (£)
Priority 1: Research and Innovation	54	177,080,550	68,104,700	63,245,290	22,713,291
Priority 2: Enterprise Growth	42	266,023,925	105,060,664	92,684,046	36,624,141
Priority 3: Urban Regeneration	36	138,887,238	56,183,436	64,560,218	29,401,132
Priority 4: Rural Development	27	51,273,012	19,295,207	10,048,966	3,675,067
Priority 5: Technical Assistance	5	8,411,964	4,205,982	2,280,916	1,140,456
Total	**164**	**641,676,689**	**252,849,989**	**232,819,436**	**93,554,087**

*The total approved ERDF grant figure and the number of projects approved to date will change over the life of the Programme as previously announced awards to individual projects are reduced or withdrawn due to problems identified during implementation. Where this occurs, any under-spends are recycled back into the available pot for reallocation to other projects and the cumulative number and value of approvals will vary.

Figure 2: Comparison of Approved Average Grant Rate for ERDF Programme envisaged in Operational Programme with Total Grant Approved and Paid to date (%)

	Average Grant Rate – Operational Programme	**Average Grant Rate – Commitments**	**Average Grant Rate – Payments**
Total	**41.323%**	**39.404%**	**40.183%**

2.1 A review of progress to date in the ERDF Programme indicates good progress being made with forecast grant totalling nearly **75%** of the available programme allocation having been committed. The overall level of ERDF grant allocated to projects to date is **£252,849,989** and ERDF grant to the value of **£93,554,087** have been processed by the IAB and passed to the Scottish Government for payment to sponsors. With regard to the forecast commitments already made in the Programme, the average ERDF grant intervention rate being requested is still below the approved average for the ERDF Operational Programme and if continued should enable more activity to be supported than was originally envisaged in 2007.

2.2 Notwithstanding the strong performance of the ERDF Programme overall, it should be noted that performance across all four operational priorities is mixed. Although there are very high commitment levels in Priority 1 – Research and Innovation and Priority 2 – Enterprise Growth, there are still relatively low commitment levels in Priority 3 – Urban Regeneration and Priority 4 – Rural Development. This situation will require either further development work with sponsors in order to stimulate new project activity if the Operational Programme is to be implemented as currently approved, or decisions made in the future regarding resource virement between priorities in order to maximise overall commitment levels in the Programme.

2.3 A full analysis of implementation to date in each ERDF Priority is now provided in this report which seeks to assess forecast and actual performance against the approved financial and output/result/impact indicator targets. This data has been gathered from all currently approved application and grant claim forms submitted onto the EUROSYS management system. For the purpose of this report and to enable realistic financial comparisons and forecasts to be made, an average exchange rate of 1 EURO = £0.90 or £1 = 1.11 has been used.

2.4 Another important feature of the LUPS ERDF Programme 2007 - 2013 has been the genuine partnership nature of its implementation. In addition to having a good cross-section of partnership bodies represented on Programme Committees and Advisory Groups and a large representative attendance at various IAB workshops, it can also be seen in the spread of grant approvals in the Programme to date. **Figure 3** below provides a breakdown of ERDF Approvals by the Lead Sponsor Organisation type as defined on the EUROSYS management system. It should also be noted that many of these approved applications are multi-agency in design and have partnership between different organisations and between different geographical areas at the heart of their delivery.

Figure 3: Breakdown of ERDF Approvals by Lead Sponsor Organisation Type

Organisation Type	Number of Projects Approved	ERDF Grant Approved (£)	% of ERDF Grant Approved
Central Government Departments/Agencies	14	52,716,755	20.85%
Communities Scotland Network	0	0	0.00%
Further Education	7	6,651,055	2.63%
Higher Education	43	37,095,912	14.67%
Local Authority	48	37,257,660	14.74%
Local Economic Bodies	10	13,408,722	5.30%
Other	14	17,940,062	7.10%
SE/HIE Network	12	77,866,949	30.80%
Sector Skills Councils	0	0	0.00%
Tourist Organisations	6	3,520,469	1.38%
Voluntary Sector	10	6,392,405	2.53%
Total	**164**	**252,849,989**	**100.00%**

2.5 PRIORITY 1: RESEARCH AND INNOVATION

Figure 4: Comparison of Approved Average Grant Rate for Priority 1 envisaged in Operational Programme with Total Grant Approved and Paid to date (%)

	Average Grant Rate – Operational Programme	Average Grant Rate - Commitments	Average Grant Rate – Payments
Total	**37.294%**	**38.460%**	**35.913%**

Figure 5: Analysis of Priority 1 Indicators

Outputs

Approved Indicator	Approved Programme Target	Forecast Targets to date	% Allocation Committed	% Programme Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% Programme Target met by Actual
Number of Enterprises supported	2,500	7,986	82%	319%	3,436	27%	137%
Number of research networks/ collaborations supported	600	1,280	82%	213%	532	27%	89%
Number of renewable energy projects supported	150	341	82%	227%	111	27%	74%

Results and Impacts

Approved Indicator	Approved Programme Target	Forecast Targets to date	% Allocation Committed	% Programme Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% Programme Target met by Actual
Number of new products and services developed by supported enterprises	1,800	1,759	82%	98%	211	27%	12%
Increase in turnover by supported enterprises (£m)	150	342	82%	228%	23	27%	15%
Number of new products and services developed by supported research networks	900	796	82%	88%	53	27%	6%
Number of gross jobs created	6,100	5,034	82%	83%	328	27%	5%
Number of net new jobs created	*	*	82%	*	*	27%	*
Increase in research/ innovation expenditure by supported enterprises	*	*	82%	*	*	27%	*

*Not possible to establish figures from individual applications. Programme-wide figures to be confirmed at Evaluation stage

Progress to Date in Implementing Priority 1 and Key Operational Issues

There has been strong interest in this priority to date and nearly **82%** of the available budget has been allocated to 54 projects. Amongst this allocation figure are included the two SDB bids submitted by Scottish Enterprise which have been awarded nearly £20 million grant. As a consequence of this high commitment level it has resulted in some of the indicators already being forecast for full achievement. This is of course dependent on all approved commitments being fully delivered in accordance with their applications.

The average grant intervention rate for Priority 1 commitments is currently higher than the approved average designated for the priority in the revised financial tables. This factor will need to be considered by the Committee when approving new commitments in the priority in order to ensure a realignment in the average grant rate by Programme closure.

Of the projects approved to date in Priority 1, there has been a concentration of applications and resources to three organisational types. These are the SE/HIE Network, Higher Education and Others sector, all of whom are involved in the development of technology transfer and applied research initiatives with local SMEs.

There is currently **£14,794,004** ERDF grant available in Priority 1 from the original allocation for new applications.

2.6 PRIORITY 2: ENTERPRISE GROWTH

Figure 6: Comparison of Approved Average Grant Rate for Priority 2 envisaged in Operational Programme with Total Grant Approved and Paid to date (%)

	Average Grant Rate – Operational Programme	Average Grant Rate - Commitments	Average Grant Rate – Payments
Total	**40.000%**	**39.493%**	**39.515%**

Figure 7: Analysis of Priority 2 Indicators

Outputs

Approved Indicator	Approved Programme Target	Forecast Targets to date	% Allocation Committed	% Programme Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% Programme Target met by Actual
Number of enterprises receiving financial support	250	6,345	96%	2,538%	2,095	33%	838%
Number of individuals/ enterprises receiving advice/ consultancy	11,600	28,928	96%	249%	16,462	33%	142%
Number of enterprises receiving support for e-commerce	5,700	5,004	96%	88%	3,508	33%	62%
Number of enterprises receiving support for energy-saving and resource efficiency	5,700	3,311	96%	58%	2,137	33%	37%

Results and Impacts

Approved Indicator	Approved Programme Target	Forecast Targets to date	% Allocation Committed	% Programme Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% Programme Target met by Actual
Increase in turnover in supported enterprises (£m)	140	150.11	96%	107%	17.13	33%	12%
Number of new business starts	5,500	8,254	96%	150%	5,134	33%	93%
Number of e-commerce strategies developed	4,100	2,353	96%	57%	1,150	33%	28%
Number of enterprises implementing environmental audits and energy-saving/ resource efficiency systems	4,100	1,572	96%	38%	304	33%	7%
Number of gross jobs created	13,600	17,281	96%	127%	6,722	33%	49%
Number of net new jobs created	*	*	96%	*	*	33%	*
Gross value added in supported enterprises	*	*	96%	*	*	33%	*

* Not possible to establish figures from individual applications. Programme-wide figures to be confirmed at Evaluation stage

Progress to Date in Implementing Priority 2 and Key Operational Issues

There has been a strong interest in this Priority to date and **96%** of the available budget has been allocated to 42 projects. Of the £105m grant committed to date, a total of £74.45m is comprised of five awards to support risk capital funds in order to promote investment in SMEs in the Programme Area. These are the Scottish Co-investment Fund, the Scottish Venture Fund, the Scottish Investment Bank Loan Fund, the East of Scotland Investment Fund and the West of Scotland Loan Fund.

On the basis of the commitments made to date some of the approved indicators are already being forecast for full achievement. With regard to the 'Number of enterprises receiving financial support' the forecast figure, in view of the greater than anticipated investment in VCLFs, understandably exceeds the approved programme target. This is of course dependent on all approved commitments being fully delivered in accordance with their applications and all original output/impact/result planning assumptions proving realistic.

Of the projects approved to date in Priority 2, there has been a reasonable spread of applications between organisational types. However, due to the concentration of resources on VCLF activity, a majority of the awards have gone to the SE/HIE Network.

There is currently **£4,907,005** ERDF grant available in Priority 2 from the original allocation for new applications.

2.7 PRIORITY 3: URBAN REGENERATION

Figure 8: Comparison of Approved Average Grant Rate for Priority 3 envisaged in Operational Programme with Total Grant Approved and Paid to date (%)

	Average Grant Rate – Operational Programme	**Average Grant Rate - Commitments**	**Average Grant Rate – Payments**
Total	**48.000%**	**40.453%**	**45.541%**

Figure 9: Analysis of Priority 3 Indicators

Outputs

Approved Indicator	**Approved Programme Target**	**Forecast Targets to date**	**% Allocation Committed**	**% Programme Target met by Forecast**	**Actual Achieved to date**	**% Allocation Paid Out**	**% Programme Target met by Actual**
Number of job brokerage initiatives supported	30	93	61%	310%	87	32%	290%
Number of ICT and e-learning facilities supported	40	80	61%	200%	37	32%	92%
Number of childcare and other community facilities supported	30	68	61%	227%	8	32%	27%
Number of transport hub projects supported	25	7	61%	28%	0	32%	0%
Area of business space created or modified (m^2)	7,500	18,734	61%	2,320%	75	32%	1%
Number of renewable energy and resource/ energy-efficiency projects supported	90	2	61%	2%	1	32%	1%

Results and Impacts

Approved Indicator	Approved Programme Target	Forecast Targets to date	% Allocation Committed	% Programme Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% Programme Target met by Actual
Increase in the number of individuals gaining employment through job brokerage schemes	650	15,080	61%	2,320%	4,835	32%	744%
Increase in the number of individuals gaining employment through supported e-learning/ ICT facilities	650	1,987	61%	306%	316	32%	49%
Increase in the number of individuals gaining employment through supported childcare/ community facilities	500	890	61%	178%	0	32%	0%
Number of enterprises supported	1,100	1,564	61%	142%	268	32%	24%
Number of social enterprises supported	350	181	61%	52%	15	32%	4%
Number of gross jobs created	4,500	3,748	61%	83%	384	32%	9%
Time saved per journey (journey time x freight/ passenger volume)	*	*	61%	*	*	32%	*
Increase in share of energy from renewable resources in supported areas	*	*	61%	*	*	32%	*
Number of net new jobs created	*	*	61%	*	*	32%	*

* Not possible to establish figures from individual applications. Programme-wide figures to be confirmed at Evaluation stage

Progress to Date in Implementing Priority 3 and Key Operational Issues

There has been a reasonable level of interest in this Priority to date with **61%** of the available budget being allocated to 36 projects. The allocation figure for the Priority has improved in recent months with the formal approval of the JESSICA Holding Fund. In addition, the IAB has undertaken additional work with the partnership in order to stimulate interest and highlight the scope of what can be funded through this Priority, This has already been noticed in the higher number of potential projects being submitted.. It is however surprising that despite the small number of project commitments albeit at a lower average level of grant intervention, some of the approved indicators are already being forecast for full achievement. This is of course dependent on all approved commitments being fully delivered in accordance with their applications and all original output/impact/result planning assumptions proving realistic. A number of approved CPP proposals in respect of ERDF are highly focussed on job brokerage, ICT and business incubation facilities.

It can also be seen that there has been a concentration of applications and resources in Priority 3 on projects from the local authority sector. This can be explained by the key role that local authorities have in the organization, resourcing and leadership of many Community Planning Partnerships. A figure of £10m has also been ring-fenced (although not formally approved) for associated JESSICA infrastructure projects.

As a result, there is currently **£25,174,320** ERDF grant available in Priority 3 from the original allocation for new applications.

2.8 PRIORITY 4: RURAL DEVELOPMENT

Figure 10: Comparison of Approved Average Grant Rate for Priority 4 envisaged in Operational Programme with Total Grant Approved and Paid to date (%)

	Average Grant Rate – Operational Programme	**Average Grant Rate - Commitments**	**Average Grant Rate – Payments**
Total	**40.000%**	**37.632%**	**36.572%**

Figure 11: Analysis of Priority 4 Indicators

Outputs

Approved Indicator	**Approved Programme Target**	**Forecast Targets to date**	**% Allocation Committed**	**% Programme Target met by Forecast**	**Actual Achieved to date**	**% Allocation Paid Out**	**% Programme Target met by Actual**
Number of enterprises supported	1,400	6,371	42%	455%	109	8%	8%
Number of e-learning/ childcare and other community facilities supported	40	51	42%	127%	0	8%	0%
Area of business space created or modified (m^2)	2,400	66,962	42%	2,790%	0	8%	0%
Number of educational access projects supported	20	4	42%	20%	1	8%	5%
Number of local transport projects supported	20	6	42%	30%	0	8%	0%

Results and Impacts

Approved Indicator	**Approved Programme Target**	**Forecast Targets to date**	**% Allocation Committed**	**% Programme Target met by Forecast**	**Actual Achieved to date**	**% Allocation Paid Out**	**% Programme Target met by Actual**
Number of new marketing initiatives	910	151	42%	17%	35	8%	4%
Number of enterprises introducing new supply and production processes	910	301	42%	33%	66	8%	7%
Number of enterprises benefiting from supported facilities	900	600	42%	67%	34	8%	4%
Occupancy rates of business space by the end of the Programme	90%	90%	42%	100%	0%	8%	0%
Number of gross jobs created	1,400	1,278	42%	91%	1,547	8%	110%
Number of enterprises accessing higher and further education research/ training resources	*	*	42%	*	*	8%	*
Time saved per journey (journey time x freight/ passenger volume)	*	*	42%	*	*	8%	*
Increase in gross value added per employee in supported enterprises	*	*	42%	*	*	8%	*
Number of net new jobs created	*	*	42%	*	*	8%	*
Increase in turnover in supported enterprises	*	*	42%	*	*	8%	*
Increase in gross value added in supported enterprises	*	*	42%	*	*	8%	*

* Not possible to establish figures from individual applications. Programme-wide figures to be confirmed at Evaluation stage

Progress to Date in Implementing Priority 4 and Key Operational Issues

There has been a low level of interest in this Priority to date with only **42%** of the available budget being allocated to only 27 projects. This can partly be explained by delays experienced in establishing the South of Scotland Global Grants body (GGB), meaning that up until April 2009 no Priority 4 activity had been supported in this part of the Programme Area. Following the changes to the eligible activity scope of the Priority agreed by the Commission a considerable amount of proactive development work has been undertaken with the partnership in order to identify and help develop potential new funding opportunities. It is hoped that this will be translated into more mature applications being submitted in future months.

There has been a reasonable spread of applications and resources between different organisational types in Priority 4 with seven receiving some support. Of these, the two biggest grant recipients to date have been the further education sector and tourist organisations.

There is currently **£26,722,034** ERDF grant available in Priority 4 from the original allocation for new applications.

3. Implementation of the ESF Programme

Figure 12: Cumulative Summary of Financial Performance in ESF Programme to Date

	Number of Projects approved to date	**Approved Expenditure to date (£)**	**Approved Grant to date (£)***	**Declared Expenditure to date (£)**	**Grant paid to date (£)**
Priority 1: Progressing into Employment	197	273,390,120	110,327.863	127,099,976	52,008,189
Priority 2: Progressing through Employment	63	118,577,015	51,282,117	15,614,657	6,433,273
Priority 3: Improving Access to Lifelong Learning	26	25,695,507	11,257,879	11,780,185	4,971,925
Priority 4: Technical Assistance	4	6,040,596	3,020,298	1,622,193	811,096
Priority 5: Strategic Skills Pipeline	21	168,276,005	62,182,092	0	0
Total	**311**	**591,979,243**	**238,070,249**	**156,117,011**	**64,224,483**

*The total approved ESF grant figure and the number of projects approved to date will change over the life of the Programme as previously announced awards to individual projects are reduced or withdrawn due to problems identified during implementation. Where this occurs, any under-spends are recycled back into the available pot for reallocation to other projects and the cumulative number and value of approvals will vary.

Figure 13: Comparison of Approved Average Grant Rate for ESF Programme envisaged in Operational Programme with Total Grant Approved and Paid to date (%)

	Average Grant Rate – Operational Programme	**Average Grant Rate – Commitments**	**Average Grant Rate – Payments**
Total	**45.108%**	**40.216%**	**41.139%**

3.1 A review of progress to date in the ESF Programme indicates grant allocations totalling nearly **98%** of the available programme allocation having been committed. The overall level of ESF grant committed to projects to date is **£238,070,249** and ESF grant to the value of **£64,224,483** has been processed in claims by the IAB and passed to the Scottish Government for payment to sponsors. With regard to the forecast commitments already made in the Programme, the average ESF grant intervention rate being requested is below the approved average for the ESF Operational Programme and if this trend continued should enable significantly more activity to be supported.

3.2 The recent approval of projects by Ministers in ESF Priority 5 – Strategic Skills Pipeline and the over-commitment of resources which was agreed has now been fully offset by underspends and de-commitments from previously approved projects in Priorities 1, 2 and 3.

3.3 A full analysis of implementation to date in each ESF Priority is provided in this report which seeks to assess forecast and actual performance against the approved financial and output/result/impact indicator targets. This data has been gathered from all currently approved application and grant claim forms submitted onto the EUROSYS management system. For the purpose of this report and to enable realistic financial comparisons and forecasts to be made, an average exchange rate of 1 EURO = £0.90 or £1 = 1.11 has been used.

3.4 Another important feature of the LUPS ESF Programme 2007 - 2013 has been the genuine partnership nature of its implementation. In addition to having a good cross-section of partnership bodies represented on Programme Committees and Advisory Groups and a large representative attendance at various IAB workshops, it can also be seen in the spread of grant approvals in the Programme to date. **Figure 14** below provides a breakdown of ESF Approvals by the Lead Sponsor Organisation type as defined on the EUROSYS management system. It should also be noted that many of these approved applications are multi-agency in design and have partnership between different organisations and between different geographical areas at the heart of their delivery.

Figure 14: Breakdown of ESF Approvals by Lead Sponsor Organisation Type

Organisation Type	Number of Projects Approved*	ESF Grant Approved (£)	% of ESF Grant Approved
Central Government Departments/Agencies	15	44,086,453	18.52%
Communities Scotland Network	0	0	0.00%
Further Education	80	38,386,341	16.12%
Higher Education	3	513,690	0.23%
Local Authority	56	82,764,564	34.76%
Local Economic Bodies	27	11,934,847	5.01%
Other	15	16,553,435	6.95%
SE/HIE Network	0	0	0.00%
Sector Skills Councils	0	0	0.00%
Tourist Organisations	0	0	0.00%
Voluntary Sector	115	43,830,920	18.41%
Total	**311**	**238,070,249**	**100.00%**

3.5 PRIORITY 1: PROGRESSING INTO EMPLOYMENT

Figure 15: Comparison of Approved Average Grant Rate for Priority 1 envisaged in Operational Programme with Total Grant Approved and Paid to date (%)

	Average Grant Rate – Operational Programme	Average Grant Rate - Commitments	Average Grant Rate – Payments
Total	**45.000%**	**40.216%**	**41.139%**

Figure 16: Analysis of Priority 1 Indicators

Outputs

Approved Indicator	Approved Programme Target**	Forecast Targets to date	% Allocation Committed	% Programme Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% Programme Target met by Actual
Number of participants receiving support	80,400	148,618	96%	185%	103,061	45%	128%
Number of participants with multiple deprivations (i.e. those who qualify for 2 or more of the target groups	39,900	115,245	96%	289%	79,031	45%	198%
Number of participants in the NEET group	8,100	39,816	96%	492%	24,347	45%	301%
Number of participants with disabilities or health difficulties	16,200	34,409	96%	212%	20,985	45%	130%

Results and Impacts

Approved Indicator	Approved Programme Target**	Forecast Targets to date	% Allocation Committed	% Programme Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% Programme Target met by Actual
Number of participants entering employment	26,400	43,360	96%	164%	16,602	45%	63%
Number of participants entering education or training	26,400	34,859	96%	132%	12,042	45%	46%
Number of participants gaining a partial (i.e. a completed unit towards a full qualification) or full qualification	39,600	63,639	96%	161%	14,694	45%	37%
Number of participants in employment six months after leaving	13,200	30,766	96%	233%	5,962	45%	45%
Number of participants who progress towards employment	*	*	96%	*	*	45%	*
Net number of participants entering employment	*	*	96%	*	*	45%	*

* Not possible to establish figures from individual applications. Programme-wide figures to be confirmed at Evaluation stage
** The figures used for Approved Programme Target are the revised figures agreed by the Commission following the most recent virement proposal

Progress to Date in Implementing Priority 1

When operational, there was very strong interest in this Priority and after a number of recent de-commitments and changes to approved budgets over **96%** of the available revised budget is currently still allocated to 197 projects. Amongst this allocation figure are thirteen CPP bids approved by Scottish Ministers which have been awarded £52.4m ESF grant (including 2nd phase) and over £6.7m awarded to 43 projects in the Shadow Round. As a

consequence of this high commitment level combined with the average ESF grant intervention rate for these commitments being below the approved 45% average for Priority 1 as detailed in the ESF Operational Programme, all of the revised indicators are already being forecast for full achievement. This is of course dependent on all approved commitments being fully delivered in accordance with their applications. In particular, the delivery of the shadow round with its clear focus on supporting participants in the NEET groups has resulted in this indicator already being achieved.

There has been a reasonable spread of applications and resources between different organisational types in Priority 1. Of these, the three biggest grant recipients to date have been the local authorities, the voluntary sector and the further education sector.

There is currently **£4,605,008** ESF grant available in Priority 1.

3.6 PRIORITY 2: PROGRESSING THROUGH EMPLOYMENT

Figure 17: Comparison of Approved Average Grant Rate for Priority 2 envisaged in Operational Programme with Total Grant Approved and Paid to date (%)

	Average Grant Rate – Operational Programme	**Average Grant Rate - Commitments**	**Average Grant Rate – Payments**
Total	**45.000%**	**43.248%**	**41.200%**

Figure 18: Analysis of Priority 2 Indicators

Outputs

Approved Indicator	**Approved Programme Target****	**Forecast Targets to date**	**% Allocation Committed**	**% Programme Target met by Forecast**	**Actual Achieved to date**	**% Allocation Paid Out**	**% Programme Target met by Actual**
Number of participants receiving support	44,000	96,209	95%	219%	19,717	12%	45%
Number of male participants without basic skills	7,440	8,503	95%	114%	3,267	12%	44%
Number of female participants without basic skills	7,440	7,212	95%	97%	2,977	12%	40%
Number of male participants without level 2 skills	6,480	11,662	95%	180%	694	12%	11%
Number of female participants without level 2 skills	6,480	8,906	95%	137%	600	12%	9%
Number of male participants without level 3 skills	2,800	22,370	95%	799%	1,819	12%	65%
Number of female participants without level 3 skills	2,800	16,779	95%	599%	1,736	12%	62%
Number of women in projects addressing better gender balance	2,640	3,260	95%	123%	1,497	12%	57%
Number of men in projects addressing better gender balance	880	1,274	95%	145%	420	12%	48%
Number of participants in projects addressing entrepreneurial and managerial skills	3,520	23,795	95%	676%	3,519	12%	100%
Number of participants from social enterprises	3,520	5,999	95%	170%	762	12%	22%

Results and Impacts

Approved Indicator	Approved Programme Target**	Forecast Targets to date	% Allocation Committed	% Programme Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% Programme Target met by Actual
Number of participants gaining partial (i.e. a unit within a full qualification) or full qualification	16,000	67,967	95%	425%	5,593	12%	35%
Number of male participants gaining basic skills	2,960	3,932	95%	133%	588	12%	20%
Number of female participants gaining basic skills	2,960	4,072	95%	138%	756	12%	26%
Number of male participants gaining level 2 skills	2,000	16,579	95%	829%	1,094	12%	55%
Number of female participants gaining level 2 skills	2,000	12,676	95%	634%	1,498	12%	75%
Number of male participants gaining level 3 or above skills	560	17,205	95%	3,072%	801	12%	143%
Number of female participants gaining level 3 or above skills	560	13,566	95%	2,422%	913	12%	163%
Number of women going into gender-imbalanced sectors	1,584	2,834	95%	179%	1,335	12%	84%
Number of men going into gender-imbalanced sectors	528	955	95%	181%	190	12%	36%
Number of entrepreneurs and new managers gaining a partial or full qualification	2,480	6,584	95%	265%	640	12%	26%
Number of participants from social enterprises completing a partial or full qualification	2,480	2,329	95%	94%	369	12%	15%
Number of participants who progress into more secure or better-skilled employment	*	*	95%	*	*	12%	*
Number of companies benefiting from improved skills training	*	*	95%	*	*	12%	*
Number of social enterprises benefiting from improved skills training	*	*	95%	*	*	12%	*

* Not possible to establish figures from individual applications. Programme-wide figures to be confirmed at Evaluation stage
** The figures used for Approved Programme Target are the revised figures agreed by the Commission following the most recent virement proposal

Progress to Date in Implementing Priority 2

When operational, there was a fairly strong interest in this Priority and after a number of recent de-commitments and changes to approved budgets over **95%** of the available revised budget is currently still allocated to 63 projects.

On the basis of the project commitments made albeit at a lower average level of grant intervention, most of the approved indicators are already being forecast for full achievement.

This is undoubtedly due to the approved programme target figures being revised downwards in the most recent virement proposal to reflect the loss of resources to the Priority.

There has been a good spread of applications and resources between different organisational types in Priority 2. Of these, the three biggest grant recipients to date have been the further education sector, the voluntary sector and local economic bodies.

There is currently **£2,636,709** ESF grant available in Priority 2.

3.7 PRIORITY 3: IMPROVING ACCESS TO LIFELONG LEARNING

Figure 19: Comparison of Approved Average Grant Rate for Priority 3 envisaged in Operational Programme with Total Grant Approved and Paid to date (%)

	Average Grant Rate – Operational Programme	**Average Grant Rate - Commitments**	**Average Grant Rate – Payments**
Total	**45.000%**	**43.813%**	**42.206%**

Figure 20: Analysis of Priority 3 Indicators

Outputs

Approved Indicator	**Approved Programme Target****	**Forecast Targets to date**	**% Allocation Committed**	**% Programme Target met by Forecast**	**Actual Achieved to date**	**% Allocation Paid Out**	**% Programme Target met by Actual**
Number of participants who are trainers	1,750	1,873	93%	107%	2,123	41%	121%
Number of projects supporting the development of new courses/materials or innovative approaches to learning	42	575	93%	1,369%	418	41%	995%
Number of local learning centres/ access points/ workplace initiatives supported	245	570	93%	233%	248	41%	101%

Results and Impacts

Approved Indicator	**Approved Programme Target****	**Forecast Targets to date**	**% Allocation Committed**	**% Programme Target met by Forecast**	**Actual Achieved to date**	**% Allocation Paid Out**	**% Programme Target met by Actual**
Number of trainers gaining a partial (i.e. a unit within a full qualification) or full qualification	1,120	1,543	93%	138%	79	41%	7%
Number of new courses/materials developed	550	1,202	93%	219%	384	41%	70%
Number of participants benefiting from support	6,300	35,933	93%	570%	22,440	41%	356%
Number of participants completing a partial or full qualification as a result of supported projects	*	*	93%	*	*	41%	*

* Not possible to establish figures from individual applications. Programme-wide figures to be confirmed at Evaluation stage
** The figures used for Approved Programme Target are the revised figures agreed by the Commission following the most recent virement proposal

Progress to Date in Implementing Priority 3

When operational, there was a fairly weak interest in this Priority and after a number of recent de-commitments and changes to approved budgets over **93%** of the available revised budget is currently still allocated to 26 projects.

On the basis of the project commitments made albeit at a lower average level of grant intervention, most of the approved indicators are already being forecast for full achievement. This is undoubtedly due to the approved programme target figures being revised downwards in the most recent virement proposal to reflect the loss of resources to the Priority.

There has been a concentration of applications and resources on three organisational types in Priority 3. These are the further education sector, others and the voluntary sector.

There is currently **£878,049** ESF grant available in Priority 3.

3.8 PRIORITY 5: STRATEGIC SKILLS PIPELINE

Figure 21: Comparison of Approved Average Grant Rate for Priority 5 envisaged in Operational Programme with Total Grant Approved and Paid to date (%)

	Average Grant Rate – Operational Programme	**Average Grant Rate - Commitments**	**Average Grant Rate – Payments**
Total	**45.000%**	**36.952%**	**0.000%**

Figure 22: Analysis of Priority 5 Indicators

Outputs

Approved Indicator	Approved Programme Target**	Forecast Targets to date	% Allocation Committed	% Programme Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% Programme Target met by Actual
Number of participants receiving support	28,300	0	111%	0%	0	0%	0%
Number of participants with multiple deprivations	15,100	0	111%	0%	0	0%	0%
Number of participants in the NEET group	4,700	0	111%	0%	0	0%	0%
Number of participants with disabilities or health difficulties	6,400	0	111%	0%	0	0%	0%
Number of male participants without basic skills	6,100	0	111%	0%	0	0%	0%
Number of female participants without basic skills.	6,100	0	111%	0%	0	0%	0%
Number of male participants without level 2 skills	3,800	0	111%	0%	0	0%	0%
Number of female participants without level 2 skills	3,800	0	111%	0%	0	0%	0%
Number of male participants without level 3 skills	1,900	0	111%	0%	0	0%	0%
Number of female participants without level 3 skills	1,900	0	111%	0%	0	0%	0%
Number of women in projects addressing better gender balance	900	0	111%	0%	0	0%	0%
Number of men in projects addressing better gender imbalance	300	0	111%	0%	0	0%	0%
Number of participants in projects addressing entrepreneurial managerial skills	2400	0	111%	0%	0	0%	0%
Number of participants from social enterprises	400	0	111%	0%	0	0%	0%

Results and Impacts

Approved Indicator	Approved Programme Target**	Forecast Targets to date	% Allocation Committed	% Programme Target met by Forecast	Actual Achieved to date	% Allocation Paid Out	% Programme Target met by Actual
Number of participants entering employment	6,200	0	111%	0%	0	0%	0%
Number of participants entering education or training	5,700	0	111%	0%	0	0%	0%
Number of (previously non-employed) participants in employment six months after leaving.	3,200	0	111%	0%	0	0%	0%
Number of participants gaining a full qualification	8,500	0	111%	0%	0	0%	0%
Number of participants gaining a partial qualification	5,700	0	111%	0%	0	0%	0%
Number of male participants gaining basic skills	3,500	0	111%	0%	0	0%	0%
Number of female participants gaining basic skills	3,500	0	111%	0%	0	0%	0%
Number of male participants gaining level 2 skills	2,000	0	111%	0%	0	0%	0%
Number of female participants gaining level 2 skills	2,000	0	111%	0%	0	0%	0%
Number of male participants gaining level 3 or above skills	300	0	111%	0%	0	0%	0%
Number of female participants gaining level 3 or above skills	300	0	111%	0%	0	0%	0%
Number of women going into gender-imbalanced sectors	500	0	111%	0%	0	0%	0%
Number of men going into gender-imbalanced sectors	200	0	111%	0%	0	0%	0%
Number of entrepreneurs and new managers gaining a full qualification	600	0	111%	0%	0	0%	0%
Number of entrepreneurs and new managers gaining a partial qualification	500	0	111%	0%	0	0%	0%
Number of participants from social enterprises gaining a full qualification	100	0	111%	0%	0	0%	0%
Number of participants from social enterprises gaining a partial qualification	100	0	111%	0%	0	0%	0%

** The figures used for Approved Programme Target are the revised figures agreed by the Commission following the most recent virement proposal

Progress to Date in Implementing Priority 5

There has been a very strong interest in this Priority to date and **111%** of the available budget has been allocated to 21 projects. Of the £62m grant committed to date, a total of £32.351m is comprised of seventeen awards to local CPP networks with the balance being delivered through four strategic bids.

At the time of writing, not all the Stage 2 bids had been fully completed on the EUROSYS system. As a result, it has not been possible to fully estimate the forecast performance of the 21 projects against the approved programme targets for Priority 5.

There is currently a **£6,071,162** over-commitment in Priority 5 from the approved allocation. However, it should be noted that this figure has now been fully offset by underspends and de-commitments from previously approved projects in Priorities 1, 2 and 3.

4. Progress in Achieving N+2

4.1 The financial discipline of achieving spend to agreed deadlines remains a regulatory requirement for the 2007 – 2013 Programming period with the risk of automatic de-commitment in the event of non compliance. Article 93 of Regulation 1083/2006 details the principle of automatic de-commitment. In essence, the Year 2 (2008) budget allocation (minus advance payments) requires to be paid out and declared to the Commission by 31 December of Year 4 (2010) and so on. The N+2 target for 2010 was successfully achieved in the LUPS ERDF and ESF Programmes. The attached **Annex 2** outlines the indicative expenditure targets which have to be met by the end of the remaining calendar years of the Programmes and provides a comparison with current commitments and payments.

4.2 Failure to meet the targets will result in a loss of grant so the implementation arrangements developed by the Scottish Government for the Programmes aim to resolve previous difficulties in meeting timeously the expenditure targets. The focus on delivery of a significant level of funding under certain Priorities by CPPs and the Strategic Delivery Body in particular, are expected to result in early expenditure. In addition, stronger up-front compliance should ensure that only projects that can meet individual expenditure targets should retain grant

4.3 It should be noted that in order to comply with the Four Stage Post Approval Compliance Strategy developed for the Scottish Structural Fund Programmes, the Scottish Government requires the completion of 20% project expenditure checks for each grant claim received before any N+2 expenditure declaration for the ERDF and ESF Programmes is made to the Commission. With reference to **Annex 2**, the IAB have included figures for 'Grant Paid to Projects where 20% Verifications have been completed. Any ineligible expenditure identified during the verification of these claims has also been deducted. On the basis of these figures, good progress is being made in achieving the 2011 N+2 targets for both the ERDF and ESF Programmes. However, it should be noted that these figures will not become official until the ERDF and ESF Managing Authorities accept all completed verification checks from the IAB and formally declare the appropriate claim taking full account of any identified ineligible expenditure.

4.4 In demonstrating the progress being made by the IAB to achieve the N+2 target for 2011 and to highlight the key priorities over the coming months, the attached **Annexes 3 (i) and 3 (ii)** detail the latest position regarding the processing of grant claims and the completion of verification visits as specified in the agreed Management and Control Strategy. With regard to **Annex 3 (i)**, it can be seen that the level of ERDF grant included in processed grant claims currently exceeds the profiled level of forecast expenditure to 31 December 2010 on approved projects. This fact can be explained by the recent payment of the entire grant to

help establish the JESSICA Holding Fund. With regard to the ESF Programme, over 61% of the profiled expenditure to 31 December 2010 on approved projects has been processed in grant claims. As can be seen in the earlier part of this report with regard to identified underspends, not all the originally profiled ESF expenditure will be translated into actual expenditure within the original timescales. However, a key priority for the IAB is to ensure that all valid expenditure is efficiently processed in grant claims and that any changes in the value of approved applications are quickly quantified and final claims submitted. To this end the IAB are in regular contact with project sponsors to ensure that claims are submitted timeously. In **Annex 3 (ii)** it can be seen that at least 890 submitted grant claims with expenditure in both Programmes have received a 20% verification check from the IAB in line with the agreed Management and Control Strategy. Clearly, these figures can change on a daily basis as new claims are submitted by sponsors that will then require a verification check. However, at the time of writing the number of grant claims where a 20% check had not yet been completed stood at 202 over both Programmes. The verified figure for the ERDF Programme will significantly improve once the planned verification of the grant claim for the JESSICA Holding Fund is completed. As a result of all the verification work undertaken on processed grant claims, it is also reassuring to note that the current level of identified ineligible expenditure is very low. It equates to 0.69% for the ERDF Programme and 2.49% for the ESF Programme.

5. Recommendations

5.1.1 The Committee is invited to:

5.1.1 Note the position in implementing the ERDF Programme to date as detailed in Section 2 of this report and attached **Annex 1**;

5.1.2 Note the position in implementing the ESF Programme to date as detailed in Section 3 of this report and attached **Annex 1**;

5.1.3 Note the latest position on N+2 as detailed in Section 4 of this report and attached **Annex 2**; and,

5.1.4 Note the analysis of the ERDF and ESF Programmes with regard to the progress being made by the IAB in the processing of grant claims and the completion of verification visits as specified in the agreed Management and Control Strategy. This is attached for information as **Annexes 3(i) – 3(ii)**.

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