



## 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**. In order to illustrate the multi-agency nature of programme implementation, this paper also breaks down the allocation of ERDF and ESF commitments to date according to the organisational type of the lead sponsor. The criteria used by the Scottish Government to define organisational type are attached for information as **Annex 2**.
- 1.2 This paper will also provide the Committee with a detailed update regarding the implementation of the 13 Community Planning Partnerships (CPP) which were supported under ERDF Priority 3 and ESF Priority 1. This is attached as **Annex 3 (i)** and **Annex 3 (ii)**. The Outline Report commissioned by the Scottish Government into the CPP model as part of the Evaluation strategy is also attached for information as **Annex 3 (iii)**.
- 1.3 Finally, a draft copy of the Hall Aitken evaluation into the Shadow Round undertaken in ESF Priority 1 in 2007 is attached for information as **Annex 4**.

#### 2. Implementation of the ERDF Programme

- 2.1 The attached ERDF parts of **Annex 1** aim to provide a range of financial information essential to monitoring the implementation of the ERDF Programme. In summary, **Annex 1 (pages 1 and 2)** provides both a summary of the approved financial plan for the ERDF Programme and details the level of project commitments made to date for each of the Programme Priorities in these different categories. This information is presented in terms of the whole Programme period. As a result, this part of **Annex 1** enables a comparison to be made between current project commitment levels and the maximum allocations in the approved financial plan for each Programme Priority. For ease of reference, the key information for the ERDF Programme is summarised below in **Figure 1**.

Figure 1: Cumulative Summary of Financial Performance in ERDF Programme

	Number of Projects approved to date	Approved Expenditure to date (£)	Approved Grant to date* (£)	Declared Expenditure to date** (£)	Grant paid to date** (£)
<b>1<sup>st</sup> Challenge Round</b>	42	221,254,008	62,866,452	19,867,871	7,787,387
<b>2<sup>nd</sup> Challenge Round</b>	40	168,580,665	64,287,125	86,243	36,653
<b>SDB</b>	2	44,444,373	19,999,967	0	0
<b>CPP</b>	13	30,465,196	11,199,346	1,638,200	627,785
<b>Global Grants Body</b>	9	10,817,045	4,233,937	0	0
<b>Technical Assistance</b>		8,411,964	4,205,982	1,493,391	746,695
<b>Total</b>	<b>106</b>	<b>483,973,251</b>	<b>166,792,809</b>	<b>23,085,705</b>	<b>9,198,520</b>

\*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.

\*\* This figure represents the value of grant claims processed by the IAB and passed to the Scottish Government for payment.

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
<b>Total</b>	<b>41.32%</b>	<b>34.46%</b>	<b>39.85%</b>

- 2.2 A review of progress to date in the ERDF Programme indicates a solid start has been made with forecast grant totalling nearly **53%** of the available programme allocation being made after two full application rounds. The overall level of ERDF grant committed to projects to date is **£166,792,809** and ERDF grant to the value of **£9,198,520** 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 well below the approved average for the ERDF Operational Programme and if continued should enable significantly more activity to be supported.
- 2.3 Notwithstanding the solid start made to the ERDF Programme overall, it should be noted that performance across all four operational priorities is mixed. Although there is a high commitment level in Priority 1 – Research and Innovation there are very low commitment levels in Priority 3 – Urban Regeneration and Priority 4 – Rural Development which will require further development work with sponsors in future application rounds to stimulate activity. An analysis of Stage 1 bids submitted in the third application round is included in Paper LUPS/09/03/05 which is also being considered at this meeting.
- 2.4 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 applications in the respective Priority. For the purpose of this report and to enable realistic comparisons and forecasts to be made, an average exchange rate of 1 EURO = £0.833333 or £1 = 1.20 has been used.

- 2.5 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. Of the **106** projects (excluding technical assistance) approved, there have been 62 different lead sponsors drawn from ten different organisational types. This is illustrated in below in **Figure 2**. In addition, many of these projects also have a number of different partners involved in their delivery. Please Note: The criteria used by the Scottish Government to define organisational type are attached for information as **Annex 2**.

Figure 2: 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	8	10,917,666	6.71%
Communities Scotland Network	1	307,380	0.19%
Further Education	4	4,022,649	2.47%
Higher Education	30	27,379,363	16.84%
Local Authority	23	15,067,130	9.27%
Local Economic Bodies	8	11,636,811	7.16%
Other	9	7,060,692	4.34%
SE/HIE Network	9	78,168,833	48.08%
Sector Skills Councils	0	0	0.00%
Tourist Organisations	6	3,736,484	2.30%
Voluntary Sector	8	4,289,819	2.64%
<b>Total</b>	<b>106</b>	<b>162,586,827</b>	<b>100.00%</b>

\*Excluding Technical Assistance Projects

## 2.6 PRIORITY 1: RESEARCH AND INNOVATION

Figure 3: Cumulative Summary of Financial Performance in ERDF Priority 1

	Number of Projects approved to date	Approved Expenditure to date (£)	Approved Grant to date* (£)	Declared Expenditure to date** (£)	Grant paid to date** (£)
<b>1<sup>st</sup> Challenge Round</b>	18	121,136,896	23,800,007	3,039,916	1,250,007
<b>2<sup>nd</sup> Challenge Round</b>	23	63,497,633	23,342,272	86,243	36,653
<b>SDB</b>	2	44,444,373	19,999,967	0	0
<b>CPP</b>	N/A	N/A	N/A	N/A	N/A
<b>Global Grants Body</b>	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>43</b>	<b>229,078,902</b>	<b>67,142,246</b>	<b>3,126,159</b>	<b>1,286,660</b>

\*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.

\*\* This figure represents the value of grant claims processed by the IAB and passed to the Scottish Government for payment.

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
<b>Total</b>	<b>45.00%</b>	<b>29.31%</b>	<b>41.16%</b>

Figure 4: Breakdown of ERDF Priority 1 Approvals by Lead Sponsor Organisation Type

Organisation Type	Number of Projects Approved	ERDF Grant Approved (£)	% of ERDF Grant Approved
Central Government Departments/Agencies	2	7,641,051	11.38%
Communities Scotland Network	0	0	0.00%
Further Education	1	379,921	0.57%
Higher Education	26	25,776,381	38.39%
Local Authority	1	459,502	0.68%
Local Economic Bodies	1	2,366,876	3.53%
Other	6	4,059,140	6.05%
SE/HIE Network	3	25,260,966	37.62%
Sector Skills Councils	0	0	0.00%
Tourist Organisations	0	0	0.00%
Voluntary Sector	3	1,198,409	1.78%
<b>Total</b>	<b>43</b>	<b>67,142,246</b>	<b>100.00%</b>

### Analysis of ERDF 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	6,360	87%	254%	269	2%	11%
Number of research networks/ collaborations supported	600	1,203	87%	200%	28	2%	5%
Number of renewable energy projects supported	150	273	87%	182%	0	2%	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 products and services developed by supported enterprises	1,800	1,575	87%	87%	4	2%	0%
Increase in turnover by supported enterprises (£m)	150	302.46	87%	202%	2	2%	1%
Number of new products and services developed by supported research networks	900	454	87%	50%	5	2%	1%
Number of gross jobs created	6,100	5,100	87%	84%	37	2%	1%
Number of net new jobs created	*	*	87%	*	*	2%	*
Increase in research/ innovation expenditure by supported enterprises	*	*	87%	*	*	2%	*

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

### Progress to Date in Implementing ERDF Priority 1

There has been strong interest in this priority to date and **87%** of the available budget has been allocated to 43 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 combined with the average ERDF grant intervention rate for these commitments being significantly below the approved average for Priority 1 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.

On the basis of the information contained in **Figure 4**, it can be seen that there has been a concentration of applications and resources in Priority 1 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.

## 2.7 PRIORITY 2: ENTERPRISE GROWTH

Figure 5: Cumulative Summary of Financial Performance in ERDF Priority 2

	Number of Projects approved to date	Approved Expenditure to date (£)	Approved Grant to date* (£)	Declared Expenditure to date** (£)	Grant paid to date** (£)
<b>1<sup>st</sup> Challenge Round</b>	19	91,620,211	35,958,495	14,636,778	5,796,723
<b>2<sup>nd</sup> Challenge Round</b>	10	86,448,005	34,481,169	0	0
<b>SDB</b>	N/A	N/A	N/A	N/A	N/A
<b>CPP</b>	N/A	N/A	N/A	N/A	N/A
<b>Global Grants Body</b>	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>29</b>	<b>178,068,216</b>	<b>70,439,664</b>	<b>14,636,778</b>	<b>5,796,723</b>

\*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.

\*\* This figure represents the value of grant claims processed by the IAB and passed to the Scottish Government for payment.

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
<b>Total</b>	<b>40.00%</b>	<b>39.56%</b>	<b>39.60%</b>

Figure 6: Breakdown of ERDF Priority 2 Approvals by Lead Sponsor Organisation Type

Organisation Type	Number of Projects Approved	ERDF Grant Approved (£)	% of ERDF Grant Approved
Central Government Departments/Agencies	2	1,048,537	1.49%
Communities Scotland Network	0	0	0.00%
Further Education	1	250,426	0.36%
Higher Education	3	1,094,053	1.55%
Local Authority	6	2,793,792	3.97%
Local Economic Bodies	6	9,181,263	13.03%
Other	2	1,891,113	2.68%
SE/HIE Network	4	52,203,067	74.11%
Sector Skills Councils	0	0	0.00%
Tourist Organisations	2	639,646	0.91%
Voluntary Sector	3	1,337,767	1.90%
<b>Total</b>	<b>29</b>	<b>70,439,664</b>	<b>100.00%</b>

### Analysis of ERDF 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	5,406	69%	2,162%	166	6%	66%
Number of individuals/enterprises receiving advice/ consultancy	11,600	27,818	69%	240%	3,047	6%	26%
Number of enterprises receiving support for e-commerce	5,700	4,865	69%	85%	420	6%	7%
Number of enterprises receiving support for energy-saving and resource efficiency	5,700	4,206	69%	74%	31	6%	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 turnover in supported enterprises (£m)	140	806.90	69%	576%	23.10	6%	16%
Number of new business starts	5,500	7,807	69%	142%	533	6%	10%
Number of e-commerce strategies developed	4,100	2,279	69%	56%	196	6%	5%
Number of enterprises implementing environmental audits and energy-saving/ resource efficiency systems	4,100	2,502	69%	61%	10	6%	0%
Number of gross jobs created	13,600	15,713	69%	116%	772	6%	6%
Number of net new jobs created	*	*	69%	*	*	6%	*
Gross value added in supported enterprises	*	*	69%	*	*	6%	*

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

### Progress to Date in Implementing ERDF Priority 2

There has been a strong interest in this Priority to date and **69%** of the available budget has been allocated to 29 projects. The majority of this allocation figure includes a number of awards to support risk capital funds in order to promote investment in SMEs in the Programme Area. These include over £46.6 million to the Scottish Co-investment Fund and the Scottish Venture Fund alone. On the basis of these existing commitments some of the approved indicators are already being forecast for full achievement. With regard to the 'Number of enterprises receiving financial support' and the 'Increase in turnover in supported enterprises (£m)' the forecast figures will exceed 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.

On the basis of the information contained in **Figure 6**, it can be seen that there has been a reasonable spread of applications between organisational types in Priority 2 with nine receiving some support. However, due to the concentration of resources on VCLF activity, over 74% of the awards have gone to the SE/HIE Network.

## 2.8 PRIORITY 3: URBAN REGENERATION

Figure 7: Cumulative Summary of Financial Performance in ERDF Priority 3

	Number of Projects approved to date	Approved Expenditure to date (£)	Approved Grant to date* (£)	Declared Expenditure to date** (£)	Grant paid to date** (£)
<b>1<sup>st</sup> Challenge Round</b>	1	221,680	88,672	2,412	965
<b>2<sup>nd</sup> Challenge Round</b>	2	4,844,830	1,586,394	0	0
<b>SDB</b>	N/A	N/A	N/A	N/A	N/A
<b>CPP</b>	13	30,465,196	11,199,346	1,638,200	627,785
<b>Global Grants Body</b>	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>16</b>	<b>35,531,706</b>	<b>12,874,412</b>	<b>1,640,612</b>	<b>628,750</b>

\*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.

\*\* This figure represents the value of grant claims processed by the IAB and passed to the Scottish Government for payment.

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
<b>Total</b>	<b>40.00%</b>	<b>36.23%</b>	<b>38.32%</b>

Figure 8: Breakdown of ERDF Priority 3 Approvals by Lead Sponsor Organisation Type

Organisation Type	Number of Projects Approved	ERDF Grant Approved (£)	% of ERDF Grant Approved
Central Government Departments/Agencies	0	0	0.00%
Communities Scotland Network	1	307,380	2.39%
Further Education	0	0	0.00%
Higher Education	0	0	0.00%
Local Authority	12	10,088,907	78.36%
Local Economic Bodies	1	88,672	0.69%
Other	1	1,110,439	8.63%
SE/HIE Network	0	0	0.00%
Sector Skills Councils	0	0	0.00%
Tourist Organisations	0	0	0.00%
Voluntary Sector	1	1,279,014	9.93%
<b>Total</b>	<b>16</b>	<b>12,874,412</b>	<b>100.00%</b>

### 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	84	15%	280%	16	1%	53%
Number of ICT and e-learning facilities supported	40	74	15%	185%	14	1%	35%
Number of childcare and other community facilities supported	30	74	15%	247%	1	1%	3%
Number of transport hub projects supported	25	2	15%	8%	0	1%	0%
Area of business space created or modified (m <sup>2</sup> )	7,500	15,138	15%	202%	0	1%	0%
Number of renewable energy and resource/energy-efficiency projects supported	90	6	15%	7%	1	1%	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	9,620	15%	1480%	1,028	1%	158%
Increase in the number of individuals gaining employment through supported e-learning/ ICT facilities	650	1,882	15%	290%	0	1%	0%
Increase in the number of individuals gaining employment through supported childcare/ community facilities	500	864	15%	173%	0	1%	0%

Number of enterprises supported	1,100	1,248	15%	113%	30	1%	3%
Number of social enterprises supported	350	211	15%	60%	0	1%	0%
Number of gross jobs created	4,500	876	15%	19%	99	1%	2%
Time saved per journey (journey time x freight/ passenger volume)	*	*	15%	*	*	1%	*
Increase in share of energy from renewable resources in supported areas	*	*	15%	*	*	1%	*
Number of net new jobs created	*	*	15%	*	*	1%	*

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

### Progress to Date in Implementing ERDF Priority 3

There has been a relatively low level of interest in this Priority to date with only **15%** of the available budget being allocated to only 16 projects. Of the projects supported to date, thirteen are from the approved Community Planning Partnerships (CPP's) and only three came through the challenge fund route. In addition to the IAB doing additional work with the partnership highlighting the scope of what can be funded through this Priority in order to stimulate interest, the current discussions taking place on the establishment of a JESSICA fund in the LUPS area and the proposed scope changes will also greatly assist the level of grant allocation in the future. 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. However, the CPP proposals in respect of ERDF are highly focused on job brokerage, ICT and incubation facilities. The target for number of job brokerage initiatives supported is hugely over target due to an unrealistic figure from one CPP who appear to have misinterpreted the indicator and further discussions are required with the IAB.

On the basis of the information contained in **Figure 8**, it can 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 organizing, resourcing and leading many Community Planning Partnerships. The multi-agency nature of the CPP structural fund bids is illustrated in **Annex 3(i)**.

## 2.9 PRIORITY 4: RURAL DEVELOPMENT

Figure 9: Cumulative Summary of Financial Performance in ERDF Priority 4

	Number of Projects approved to date	Approved Expenditure to date (£)	Approved Grant to date* (£)	Declared Expenditure to date** (£)	Grant paid to date** (£)
<b>1<sup>st</sup> Challenge Round</b>	4	8,275,221	3,019,278	2,188,765	739,692
<b>2<sup>nd</sup> Challenge Round</b>	5	13,790,197	4,877,290	0	0
<b>SDB</b>	N/A	N/A	N/A	N/A	N/A
<b>CPP</b>	N/A	N/A	N/A	N/A	N/A
<b>Global Grants Body</b>	9	10,817,045	4,233,937	0	0
<b>Total</b>	<b>18</b>	<b>32,882,463</b>	<b>12,130,505</b>	<b>2,188,765</b>	<b>739,692</b>

\*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.

\*\* This figure represents the value of grant claims processed by the IAB and passed to the Scottish Government for payment.

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
<b>Total</b>	<b>40.00%</b>	<b>36.89%</b>	<b>33.79%</b>

Figure 10: Breakdown of ERDF Priority 4 Approvals by Lead Sponsor Organisation Type

Organisation Type	Number of Projects Approved	ERDF Grant Approved (£)	% of ERDF Grant Approved
Central Government Departments/Agencies	4	2,228,078	18.37%
Communities Scotland Network	0	0	0.00%
Further Education	2	3,392,302	27.97%
Higher Education	1	508,929	4.19%
Local Authority	4	1,724,929	14.22%
Local Economic Bodies	0	0	0.00%
Other	0	0	0.00%
SE/HIE Network	2	704,800	5.81%
Sector Skills Councils	0	0	0.00%
Tourist Organisations	4	3,096,838	25.53%
Voluntary Sector	1	474,629	3.91%
<b>Total</b>	<b>18</b>	<b>12,130,505</b>	<b>100.00%</b>

### 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	8,082	28%	577%	2	2%	0%
Number of e-learning/ childcare and other community facilities supported	40	75	28%	187%	0	2%	0%
Area of business space created or modified (m <sup>2</sup> )	2,400	41,112	28%	1,713%	0	2%	0%

Number of educational access projects supported	20	12	28%	60%	0	2%	0%
Number of local transport projects supported	20	6	28%	30%	0	2%	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	805	28%	88%	7	2%	1%
Number of enterprises introducing new supply and production processes	910	326	28%	36%	39	2%	4%
Number of enterprises benefiting from supported facilities	900	1,255	28%	139%	0	2%	0%
Occupancy rates of business space by the end of the Programme	90%	100%	28%	111%	0%	2%	0%
Number of gross jobs created	1,400	1,368	28%	98%	0	2%	0%
Number of enterprises accessing higher and further education research/ training resources	*	*	28%	*	*	2%	*
Time saved per journey (journey time x freight/ passenger volume)	*	*	28%	*	*	2%	*
Increase in gross value added per employee in supported enterprises	*	*	28%	*	*	2%	*
Number of net new jobs created	*	*	28%	*	*	2%	*
Increase in turnover in supported enterprises	*	*	28%	*	*	2%	*
Increase in gross value added in supported enterprises	*	*	28%	*	*	2%	*

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

### Progress to Date in Implementing ERDF Priority 4

There has been a relatively low level of interest in this Priority to date with only **28%** of the available budget being allocated to only 18 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. However, with the GGB body fully operational and the proposed changes to the eligible activity scope of the Priority currently being progressed with the Commission it is hoped that this will be translated into more projects being developed in future application rounds.

On the basis of the information contained in **Figure 10**, it can be seen that 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.

### 3. Implementation of the ESF Programme

- 3.1 The attached ESF parts of **Annex 1** aim to provide a range of financial information essential to monitoring the implementation of the ESF Programme. In summary, **Annex 1 (pages 3 and 4)** provides both a summary of the approved financial plan for the ESF Programme and details the level of project commitments made to date for each of the Programme Priorities in these different categories. This information is presented in terms of the whole Programme period. As a result, this part of **Annex 1** enables a comparison to be made between current project commitment levels and the maximum allocations in the approved financial plan for each Programme Priority. For ease of reference, the key information for the ESF Programme is summarised below.

Figure 11: Cumulative Summary of Financial Performance in ESF Programme

	Number of Projects approved to date	Approved Expenditure to date (£)	Approved Grant to date* (£)	Declared Expenditure to date** (£)	Grant paid to date** (£)
Shadow Round	49	17,272,399	7,326,246	15,967,817	6,058,774
1 <sup>st</sup> Challenge Round	99	96,678,654	40,432,475	15,295,367	6,323,948
2 <sup>nd</sup> Challenge Round	80	69,493,777	27,985,234	0	0
CPP	13	92,414,603	38,629,238	4,805,098	2,091,639
Technical Assistance		6,040,596	3,020,298	1,080,333	540,166
<b>Total</b>	<b>241</b>	<b>281,900,029</b>	<b>117,393,491</b>	<b>37,148,615</b>	<b>15,014,527</b>

\*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.

\*\* This figure represents the value of grant claims processed by the IAB and passed to the Scottish Government for payment.

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
<b>Total</b>	<b>45.11%</b>	<b>41.64%</b>	<b>40.42%</b>

- 3.2 A review of progress to date in the ESF Programme indicates a good start has been made with forecast grant totalling over **52%** of the available programme allocation being made after the Shadow and two full application rounds. The overall level of ESF grant committed to projects to date is **£117,393,491** and ESF grant to the value of **£15,014,527** 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 ESF grant intervention rate being requested is below the approved average for the ESF Operational Programme and if continued should enable marginally more activity to be supported.
- 3.3 Notwithstanding the good start made to the ESF Programme overall, it should be noted that performance across all three operational priorities is mixed. Although there is a high commitment level in Priority 1 - Progressing Into Employment there are low commitment levels in Priority 2 - Progressing through Employment and Priority 3 - Improving Access to Lifelong Learning which will require further development work with sponsors in future application rounds to stimulate activity. An analysis of Stage 1 bids submitted in the third application round is included in Paper LUPS/09/03/05 which is also being considered at this meeting.

- 3.4 A full analysis of implementation to date in each ESF 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 applications in the respective Priority. For the purpose of this report and to enable realistic comparisons and forecasts to be made, an average exchange rate of 1 EURO = £0.833333 or £1 = 1.20 has been used.
- 3.5 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. Of the **241** projects (excluding technical assistance) approved, there have been 100 different lead sponsors drawn from seven different organisational types. This is illustrated below in **Figure 12**. In addition, many of these projects also have a number of different partners involved in their delivery. Please Note: The criteria used by the Scottish Government to define organisational type are attached for information as **Annex 2**.

Figure 12: Breakdown of ESF Approvals by Lead Sponsor Organisation Type

Organisation Type	Number of Projects Approved*	ERDF Grant Approved (£)	% of ERDF Grant Approved
Central Government Departments/Agencies	7	5,972,312	5.22%
Communities Scotland Network	0	0	0.00%
Further Education	66	19,507,592	17.06%
Higher Education	3	532,374	0.47%
Local Authority	30	37,162,290	32.49%
Local Economic Bodies	25	7,658,837	6.70%
Other	14	13,319,248	11.64%
SE/HIE Network	0	0	0.00%
Sector Skills Councils	0	0	0.00%
Tourist Organisations	0	0	0.00%
Voluntary Sector	96	30,220,540	26.42%
<b>Total</b>	<b>241</b>	<b>114,373,193</b>	<b>100.00%</b>

\*Excluding Technical Assistance Projects

### 3.6 PRIORITY 1: PROGRESSING INTO EMPLOYMENT

Figure 13: Cumulative Summary of Financial Performance in ESF Priority 1

	Number of Projects approved to date	Approved Expenditure to date (£)	Approved Grant to date* (£)	Declared Expenditure to date** (£)	Grant paid to date** (£)
<b>Shadow Round</b>	49	17,272,399	7,326,246	15,967,817	6,058,774
<b>1<sup>st</sup> Challenge Round</b>	55	53,204,842	22,058,379	10,116,237	4,130,732
<b>2<sup>nd</sup> Challenge Round</b>	49	40,004,188	15,075,741	0	0
<b>CPP</b>	13	92,414,603	38,629,238	4,805,098	2,091,639
<b>Total</b>	<b>166</b>	<b>202,896,032</b>	<b>83,089,604</b>	<b>30,889,152</b>	<b>12,281,145</b>

\*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.

\*\* This figure represents the value of grant claims processed by the IAB and passed to the Scottish Government for payment.

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

	<b>Average Grant Rate – Operational Programme</b>	<b>Average Grant Rate - Commitments</b>	<b>Average Grant Rate – Payments</b>
<b>Total</b>	<b>45.00%</b>	<b>40.95%</b>	<b>39.76%</b>

Figure 14: Breakdown of ESF Priority 1 Approvals by Lead Sponsor Organisation Type

<b>Organisation Type</b>	<b>Number of Projects Approved</b>	<b>ERDF Grant Approved (£)</b>	<b>% of ERDF Grant Approved</b>
Central Government Departments/Agencies	4	3,618,097	4.35%
Communities Scotland Network	0	0	0.00%
Further Education	38	8,732,706	10.51%
Higher Education	0	0	0.00%
Local Authority	21	34,615,451	41.66%
Local Economic Bodies	20	4,885,942	5.88%
Other	4	8,514,835	10.25%
SE/HIE Network	0	0	0.00%
Sector Skills Councils	0	0	0.00%
Tourist Organisations	0	0	0.00%
Voluntary Sector	79	22,722,573	27.35%
<b>Total</b>	<b>166</b>	<b>83,089,604</b>	<b>100.00%</b>

### Analysis of Priority 1 Indicators

#### **Outputs**

<b>Approved Indicator</b>	<b>Approved Programme Target</b>	<b>Forecast Targets to date</b>	<b>% Allocation Committed</b>	<b>% Programme Target met by Forecast</b>	<b>Actual Achieved to date</b>	<b>% Allocation Paid Out</b>	<b>% Programme Target met by Actual</b>
Number of participants receiving support	26,600	116,708	82%	439%	19,212	12%	72%
Number of participants with multiple deprivations (i.e. those who qualify for 2 or more of the target groups)	13,300	91,660	82%	689%	16,994	12%	128%
Number of participants in the NEET group	2,700	28,000	82%	1,037%	4,727	12%	175%
Number of participants with disabilities or health difficulties	5,400	26,962	82%	499%	3,414	12%	63%

#### **Results and Impacts**

<b>Approved Indicator</b>	<b>Approved Programme Target</b>	<b>Forecast Targets to date</b>	<b>% Allocation Committed</b>	<b>% Programme Target met by Forecast</b>	<b>Actual Achieved to date</b>	<b>% Allocation Paid Out</b>	<b>% Programme Target met by Actual</b>
Number of participants entering employment	8,800	37,161	82%	422%	2,530	12%	29%
Number of participants entering education or training	8,800	28,035	82%	319%	1,574	12%	18%
Number of participants gaining a partial (i.e. a completed unit towards a full qualification) or full qualification	13,200	53,685	82%	407%	1,474	12%	11%

Number of participants in employment six months after leaving	4,400	26,129	82%	594%	226	12%	5%
Number of participants who progress towards employment	*	*	82%	*	*	12%	*
Net number of participants entering employment	*	*	82%	*	*	12%	*

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

### Progress to Date in Implementing ESF Priority 1

There has been very strong interest in this Priority to date and over **82%** of the available budget has been allocated to 166 projects. Amongst this allocation figure are thirteen CPP bids approved by Scottish Ministers which have been awarded £38.6m ESF grant and over £7.3m awarded to 49 projects in the Shadow Round. A draft evaluation of the Shadow Round is attached for information as **Annex 4**. 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 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. 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.

The demand for this Priority will increase strongly as the unemployment figures rise, vacancy numbers fall, and individuals find it increasingly difficult to move into a job without retraining. More support will be needed for individuals, and also for employers still willing to take those who have been out of work for more than 6 months, and to take on apprentices whose skills in sectors such as construction will still be needed in the longer term even though they may be costly to maintain in the current market.

On the basis of the information contained in **Figure 14**, it can be seen that there has been a reasonable spread of applications and resources between different organisational types in Priority 1 with six receiving some support. Of these, the three biggest grant recipients to date have been the local authorities, the voluntary sector and the further education sector.

### 3.7 PRIORITY 2: PROGRESSING THROUGH EMPLOYMENT

Figure 15: Cumulative Summary of Financial Performance in ESF Priority 2

	Number of Projects approved to date	Approved Expenditure to date (£)	Approved Grant to date* (£)	Declared Expenditure to date** (£)	Grant paid to date** (£)
Shadow Round	N/A	N/A	N/A	N/A	N/A
1 <sup>st</sup> Challenge Round	30	28,945,937	12,311,481	3,334,464	1,391,769
2 <sup>nd</sup> Challenge Round	14	12,574,348	5,357,957	0	0
CPP	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>44</b>	<b>41,520,285</b>	<b>17,669,438</b>	<b>3,334,464</b>	<b>1,391,769</b>

\*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.

\*\* This figure represents the value of grant claims processed by the IAB and passed to the Scottish Government for payment.

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
<b>Total</b>	<b>45.00%</b>	<b>42.56%</b>	<b>41.74%</b>

Figure 16: Breakdown of ESF Priority 2 Approvals by Lead Sponsor Organisation Type

Organisation Type	Number of Projects Approved	ERDF Grant Approved (£)	% of ERDF Grant Approved
Central Government Departments/Agencies	3	2,354,215	13.32%
Communities Scotland Network	0	0	0.00%
Further Education	15	6,428,879	36.38%
Higher Education	3	532,374	3.03%
Local Authority	6	1,966,787	11.13%
Local Economic Bodies	3	1,843,606	10.43%
Other	3	888,718	5.03%
SE/HIE Network	0	0	0.00%
Sector Skills Councils	0	0	0.00%
Tourist Organisations	0	0	0.00%
Voluntary Sector	11	3,654,859	20.68%
<b>Total</b>	<b>44</b>	<b>17,669,438</b>	<b>100.00%</b>

#### 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	55,000	42,426	21%	77%	4,080	2%	7%
Number of male participants without basic skills	9,300	3,977	21%	43%	257	2%	3%
Number of female participants without basic skills	9,300	4,019	21%	43%	396	2%	4%

Number of male participants without level 2 skills	8,100	4,725	21%	58%	254	2%	3%
Number of female participants without level 2 skills	8,100	4,655	21%	57%	294	2%	4%
Number of male participants without level 3 skills	3,500	6,312	21%	180%	407	2%	12%
Number of female participants without level 3 skills	3,500	6,332	21%	181%	445	2%	13%
Number of women in projects addressing better gender balance	3,300	2,926	21%	89%	580	2%	18%
Number of men in projects addressing better gender balance	1,100	1,665	21%	151%	126	2%	11%
Number of participants in projects addressing entrepreneurial and managerial skills	4,400	9,351	21%	213%	1,342	2%	31%
Number of participants from social enterprises	4,400	976	21%	22%	157	2%	4%

### 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	20,000	27,537	21%	138%	26	2%	0%
Number of male participants gaining basic skills	3,700	948**	21%	26%	0**	2%	0%
Number of female participants gaining basic skills	3,700	7,879	21%	213%	283	2%	8%
Number of male participants gaining level 2 skills	2,500	8,266	21%	331%	174	2%	7%
Number of female participants gaining level 2 skills	2,500	6,068	21%	243%	185	2%	7%
Number of male participants gaining level 3 or above skills	700	6,605	21%	944%	21	2%	3%
Number of female participants gaining level 3 or above skills	700	5,310	21%	759%	32	2%	5%
Number of women going into gender-imbalanced sectors	1,980	2,550	21%	129%	456	2%	23%
Number of men going into gender-imbalanced sectors	660	884	21%	134%	127	2%	19%
Number of entrepreneurs and new managers gaining a partial or full qualification	3,100	4,723	21%	152%		2%	1%
Number of participants from social enterprises completing a partial or full qualification	3,100	5,136	21%	166%	0	2%	0%

Number of participants who progress into more secure or better-skilled employment	*	*	21%	*	*	2%	*
Number of companies benefiting from improved skills training	*	*	21%	*	*	2%	*
Number of social enterprises benefiting from improved skills training	*	*	21%	*	*	2%	*

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

\*\* An error occurred on the application form which meant that 1<sup>st</sup> round applicants were not asked to provide information on this indicator. Supplementary work will be required to establish this data.

### Progress to Date in Implementing ESF Priority 2

There has been a relatively low level of interest in this Priority to date and only **21%** of the available budget has been allocated to 44 projects. It is possible that the current economic turmoil, and individual concerns about the security of their current jobs is reducing the willingness in the short term of existing employees to take the time to undergo training. It is important to note that the Operational Programme amendment approved by the Programme Monitoring Committee in 2008 was agreed by the Commission in December 2008, bringing “Employees requiring reskilling to enable them to remain in the workforce” provides opportunities for strategic projects to apply for ESF to help with large scale redundancies. Other strategic projects are likely to come forward under this Priority to encourage individuals and employers to bring forward skills training while order books are slack.

However, despite the relatively low 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.

On the basis of the information contained in **Figure 16**, it can be seen that there has been a good spread of applications and resources between different organisational types in Priority 2 with seven receiving some support. Of these, the three biggest grant recipients to date have been the further education sector, the voluntary sector and Central Government Departments/Agencies.

## 3.8 PRIORITY 3: IMPROVING ACCESS TO LIFELONG LEARNING

Figure 17: Cumulative Summary of Financial Performance in ESF Priority 3

	Number of Projects approved to date	Approved Expenditure to date (£)	Approved Grant to date* (£)	Declared Expenditure to date** (£)	Grant paid to date** (£)
Shadow Round	N/A	N/A	N/A	N/A	N/A
1 <sup>st</sup> Challenge Round	14	14,527,875	6,062,615	1,844,666	801,447
2 <sup>nd</sup> Challenge Round	17	16,915,241	7,551,536	0	0
CPP	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>31</b>	<b>31,443,116</b>	<b>13,614,151</b>	<b>1,844,666</b>	<b>801,447</b>

\*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.

\*\* This figure represents the value of grant claims processed by the IAB and passed to the Scottish Government for payment

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
<b>Total</b>	<b>45.00%</b>	<b>43.30%</b>	<b>43.45%</b>

Figure 18: Breakdown of ESF Priority 3 Approvals by Lead Sponsor Organisation Type

Organisation Type	Number of Projects Approved	ERDF Grant Approved (£)	% of ERDF Grant Approved
Central Government Departments/Agencies	0	0	0.00%
Communities Scotland Network	0	0	0.00%
Further Education	13	4,346,007	31.92%
Higher Education	0	0	0.00%
Local Authority	3	580,052	4.26%
Local Economic Bodies	2	929,289	6.83%
Other	7	3,915,695	28.76%
SE/HIE Network	0	0	0.00%
Sector Skills Councils	0	0	0.00%
Tourist Organisations	0	0	0.00%
Voluntary Sector	6	3,843,108	28.23%
<b>Total</b>	<b>31</b>	<b>13,614,151</b>	<b>100.00%</b>

## 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	2,500	2,061	38%	82%	272	2%	11%
Number of projects supporting the development of new courses/materials or innovative approaches to learning	60	580	38%	967%	19	2%	32%
Number of local learning centres/ access points/ workplace initiatives supported	350	647	38%	185%	78	2%	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 trainers gaining a partial (i.e. a unit within a full qualification) or full qualification	1,600	1,205	38%	75%	34	2%	2%
Number of new courses/materials developed	800	1,371	38%	171%	59	2%	7%
Number of participants benefiting from support	9,000	39,863	38%	443%	892	2%	10%
Number of participants completing a partial or full qualification as a result of supported projects	*	*	38%	*	*	2%	*

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

### Progress to Date in Implementing ESF Priority 3

There has been a relatively low level of interest in this Priority to date and only **38%** of the available budget has been allocated to 31 projects. However, despite the relatively low 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. In particular, the indicator “number of participants benefiting from support” is substantially higher than expected since the thrust of this Priority is in supporting lifelong learning initiatives such as the development of new training materials and the innovative use of ICT in training. The training of end beneficiaries is more properly the aim of Priorities 1 and 2. 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.

On the basis of the information contained in **Figure 18**, it can be seen that there has been predominantly a concentration of applications and resources on three organisational types in Priority 3. These are the further education sector, others and the voluntary sector.

#### 4. Recommendations

##### 4.1 The Committee is invited to:

- 4.1.1 Note the position in implementing the ERDF Programme to date as detailed in Section 2 of this report and attached **Annex 1**;
- 4.1.2 Note the position in implementing the ESF Programme to date as detailed in Section 3 of this report and attached **Annex 1**;
- 4.1.3 Note the criteria used by the Scottish Government to define organisational type which are attached for information as **Annex 2**;
- 4.1.4 Note the additional information provided on the thirteen CPPs as detailed in **Annexes 3(i) – 3(iii)**;
- 4.1.5 Note the draft copy of the Hall Aitken evaluation into the Shadow Round undertaken in ESF Priority 1 in 2007 which is attached for information as **Annex 4**.

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