

CHANGES TO ESF AND ERDF OPERATIONAL PROGRAMMES

PURPOSE OF PAPER

1. Invite the Committee to note that:
 - since neither ESF or ERDF programmes met n+3 targets sums have been decommitted from the programmes by the EC in line with Regulations
 - the changes to programme profiles and results must be agreed with the EC by 30 June 2019

DECISIONS REQUIRED

2. To agree the approach proposed by the MA to making these changes

DECOMMITMENT AND REPROFILING

3. EC Common Provisions Regulations set out that funds not claimed from the EC by *n+3*, as set out in the current Operational Programmes, will be decommitted. The committee was informed in November 2018 that there was a possibility that the programmes would be subject to decommitment. Payment requests submitted at the end of 2018 resulted in a total decommitment of €49.77m (£42.58m @ Apr 2019 exchange rate). The split by programme is:

- ERDF Transition Region: € 6,630,170
- ERDF More Developed Region: € 16,499,408
- ESF Transition Region: € 3,563,080
- ESF More Developed Region: € 13,336,967
- YEI: € 9,745,118

4. The decommitment changes the Euro value of the programme which can be committed during the remainder of the programme period. It does not impact on the existing approved operations. Since the beginning of the 2014-2020 programmes, the value of Sterling has decreased significantly. At December 2014, the programmes were worth around £745m; after accounting for the decommitment, the programmes are now worth around £753m at May 2019 exchange rate. The programme period to date has seen significant changes in exchange rates and future changes will continue to impact on this flexibility.

5. Since last February, we have been working with lead partners to identified new operations and extensions to previously approved activity. To date £512 million has been approved (to 1 May 2019) and we currently anticipate that this will rise to £696 million, with further operations to be considered; this would represent around 93% of the revised allocation meaning that the changes do not impact on any planned funding requests.

6. The decommitment means that the revised value of the programmes are:
 - ERDF Transition Region € 104,658,615
 - ERDF More Developed Region € 347,783,180

- ESF Transition region € 76,598,544
- ESF More Developed Region € 292,603,578
- YEI € 51,014,108

7. The changes to the ESF programme have been proposed based on reviewing the current and proposed operations under the current phase of applications for extensions and new operations (see Annex A):

- A higher proportion of the decommitments have been targeted towards Priority 2 (*TO 09 - Promoting social inclusion, combating poverty and any discrimination*) and Priority 4 (*Youth Employment Initiative, More Developed region only*). This includes seeking to move ESF funds from being matched to the YEI funding, which would see a net increase in the other More Developed priorities.
- In the Transition region, this leads to small reductions in the funds available under Priorities 1 (*TO 08 - Promoting sustainable and quality employment and supporting labour mobility*) and 3 (*TO 10 - Investing in education, training and vocational training for skills and lifelong learning*).
- In the More Developed region, this leads to small increases in the funds available under Priorities 1 (*TO 08 - Promoting sustainable and quality employment and supporting labour mobility*) and 3

8. In the ERDF programme, changes have been applied consistently across the More Developed region (4.5% of the grant available) and targeted in the Transition region against Priority 2 (*TO 02 - Enhancing access to, and use and quality of, information and communication technologies*) (see Annex B). The change in the Transition region reflects changes in national programmes since 2014, which will ensure that the activity can be delivered without ERDF funding.

9. Alongside this, the changes are accompanied by proportionate changes to the programme outputs in the ESF and ERDF programmes and the ESF programme results.

10. Further changes have been proposed to the ERDF programme results:

- BERD Expenditure (PR12): Correction of errors in baseline and target in Operational Programme.
- Low Carbon (Employment and Investment): Changes to baseline, source and definition to reflect new ONS statistics, as previously noted in Programme.
- Green infrastructure (PR51): Amendment to reporting to reflect Scottish Household Survey reporting schedule.

NEXT STEPS

11. The MA will submit revised Operational Programmes to the Commission by 30 June. Copies of the proposed draft Operational Programmes are provided with these papers.

12. There are further targets this year and progress towards that is complicated by the compliance issues identified through the Early Preventative Systems Audits carried out by the EC. Until these issues are resolved it will be hard to predict the potential loss under the ESF programme.

13. The target for the ERDF programme is €93.8 million, total ERDF claims submitted to date total an estimated €66.5 million. To seek to maximise reported expenditure and minimise the risk of decommitment, the MA is working with all lead partners to review expenditure levels and resolve any issues, it is anticipated that the changes to intervention rates and activity agreed in 2017 will be reflected in claims, and indications are that capital projects funded through challenge funds will start to be completed and claimed..

Decisions Required

14. Invite the Committee to note that:
- since neither ESF or ERDF programmes met n+3 targets sums have been decommitted from the programmes by the EC in line with Regulations
 - the changes to programme profiles and results must be agreed with the EC by 30 June 2019
15. To agree the approach proposed by the MA to making these adjustments.

JPMC SECRETARIAT
31 MAY 2019

ANNEX A

Proposed Changes to ESF Programme (Table 18a)

Priority axis	Category of region	Current	Proposed	Change
1	Transition	25,051,736.00	23,938,219.00	-1,113,517.00
1	More developed	125,253,379.00	126,810,033.00	1,556,654.00
2	Transition	23,293,714.00	16,802,036.00	-6,491,678.00
2	More developed	64,992,404.00	62,526,231.00	-2,466,173.00
3	Transition	29,794,704.00	33,926,671.00	4,131,967.00
3	More developed	92,527,401.00	96,951,236.00	4,423,835.00
4		77,688,044.00	51,014,110.00	-26,673,934.00
5	Transition	2,021,470.00	1,931,618.00	-89,852.00
5	More developed	6,238,545.00	6,316,078.00	77,533.00
Total	Transition	80,161,624.00	76,598,544.00	-3,563,080.00
Total	More developed	289,011,729.00	292,603,578.00	3,591,849.00
Total		77,688,044.00	51,014,110.00	-26,673,934.00
Grand total		446,861,397.00	420,216,232.00	-26,645,165.00

ANNEX B

Proposed Changes to ERDF Programme (Table 18a)

Priority axis	Category of region	Current	Proposed	Change
1	Transition	18,732,826.00	18,732,826.00	0.00
1	More developed	92,158,056.00	87,983,952.00	-4,174,104.00
2	Transition	24,387,710.00	17,757,540.00	-6,630,170.00
3	Transition	29,045,763.00	29,045,763.00	0.00
3	More developed	124,618,308.00	118,973,986.00	-5,644,322.00
4	Transition	25,236,403.00	25,236,403.00	0.00
4	More developed	98,832,707.00	94,356,289.00	-4,476,418.00
5	Transition	11,560,528.00	11,560,528.00	0.00
5	More developed	41,532,446.00	39,651,322.00	-1,881,124.00
6	Transition	2,325,555.00	2,325,555.00	0.00
6	More developed	7,141,071.00	6,817,631.00	-323,440.00
Total	Transition	111,288,785.00	104,658,615.00	-6,630,170.00
Total	More developed	364,282,588.00	347,783,180.00	-16,499,408.00
Grand total		475,571,373.00	452,441,795.00	-23,129,578.00