

ESFA European Social Fund Provider Relief Scheme COVID-19 Response

Policy Document

May 2020

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Summary and purpose

ESFA recognises that training providers are faced with enormous challenges in continuing to deliver education and training during this period of uncertainty as a result of the coronavirus outbreak. In line with the Cabinet Office Procurement Policy Note 02/20 (PPN 02/20) – dated March 2020, the ESFA are introducing advance payment measures in the form of a European Social Fund (ESF) Provider Relief Scheme, which must be repaid.

PPN 02/20 provides guidance for the ESFA as the contracting authority for the ESFA ESF contracts to take action to continue to pay contractors at risk due to COVID-19 on a continuity and retention basis, which can include advance payments if necessary. ESF contracts are critical to the delivery of the ESF Programme. They are unique in that they are procured on an open and competitive basis by the ESFA and co-financed to meet the ESF Programme requirements. These contracts are not eligible for support from other relief schemes. The services can only be delivered by the contractor (or their subcontractors who must be selected through stringent processes), in the eligible geographic area and therefore this scheme is niche to ESFA ESF contractors.

The purpose of the ESF Provider Relief Scheme is to retain capacity within organisations who are currently contracted to deliver ESFA ESF programmes and to support economic recovery post-outbreak.

This scheme will provide relief payments to ESF providers in the form of repayable advances ahead of actual delivery, to support the cashflow of providers with a demonstrated financial need.

Expiry or review date

This document will be updated to reflect any changes that are made to the scheme and will be reviewed during June 2020. If you have this document in a saved, offline or hard copy format, you are advised to check on gov.uk to ensure that you are using the most up to date version of the publication.

Who is this policy document for?

This document is primarily aimed at senior leaders of eligible

ESFA ESF funded delivery organisations, who hold contracts for services which have been procured in accordance with the [Public Contract Regulations 2015](#) and commenced delivery on or after 1 April 2019.

Key points

- ESF contractors should continue to deliver education, training and support as per the contract. This may include to existing learners and/or employers or to new learners and/or employers
- PPN 02/20 sets out information and guidance for public bodies on payment of their suppliers to ensure service continuity during and after the COVID-19 outbreak. PPN 02/20 allows ESFA to put in place short term financial measures to support ESF contractors cash flow during this time, based on an assessment of need
- we will calculate a total relief cap for each ESF contract where support is requested from the scheme. Where ESF contractors hold more than 1 ESF contract, the relief cap will be calculated and applied to each contract supported
- the relief cap will be determined at contract level based on the lower of the following:
 - your monthly average earnings based on actual earnings data from October 2019 to March 2020, multiplied by 3; or
 - the contract level costs ESF contractors submit as part of stage 2 in the application process
- this is known as the total relief cap. The monthly relief cap payment will be the total relief cap divided by 3
- payments under this scheme cannot total more than 25% of your annualised contract value over the 3-month period. In addition, a cap of 90% of the current total contract value will be applied, taking account of actual reported delivery on the contract and relief payments being sought. This is due to the contracts running until 2021, and an expectation that new starts will continue until December 2020

- the ESF Provider Relief Scheme will apply to activity undertaken in April, May and June. April activity will be paid in June; May's activity will be paid in a further payment in June and June's activity will be paid in July. Any actual delivery reported in the monthly data submission will be deducted from the monthly relief cap advance payment
- the advance payment made through this ESF Provider Relief Scheme will be paid on top of the payment claimed via the ILR and Supplementary Data (where appropriate). The total of the 2 payments will not exceed the calculated monthly relief payment, unless reported delivery exceeds this value. In this case, you will only receive payment for reported delivery
- this is an advance payment scheme, which requires ESF contractors to repay all advance payments received. Each contract will have a repayment plan which will commence in October 2020. This will be subject to review in line with any further COVID-19 developments
- all funding paid and activity claimed through the ILR and Supplementary data (where appropriate), must be eligible as per the contract
- where the ESF contractor is claiming other funds from wider business support measures, this offer cannot be used to cover the same costs, for example, funding claimed through the ESFA Post-16 Provider Relief Scheme. In some circumstances, other support measures may be more appropriate, and details of those schemes can be found on gov.uk: [Coronavirus \(COVID-19\): financial support for education, early years and children's social care](#) published on 17 April 2020
- in cases where ESF contractors have furloughed staff who are required to deliver the contract, the ESF contractor will be eligible for support from this scheme but must take those staff off furlough. Further details can be found in the [Coronavirus Job Retention Scheme guidance](#) published on 26 March 2020
- to be eligible for support, ESF contractors must deliver education and training provision and meet the ESF Provider

Relief Scheme's eligibility criteria set out in the Scheme Eligibility section of this document

- ESF contractors who apply and are offered support through the ESF Provider Relief Scheme will be required to accept additional terms and conditions of funding in accordance with the change control clauses contained in the contracts and agreed by both parties. The Model Interim Payment Terms attached to PPN 02/20, adapted as required, will be used as the basis for the contract variations

Terminology

Where this policy document refers to 'we' this should be taken to mean the ESFA.

Use of the term 'ESF contractor' in this document should be taken to mean any provider type who holds a direct contract to deliver ESFA ESF contracted provision that is eligible to benefit from this support package as set out in this policy document.

Where we refer to 'scheme' this should be taken to mean the ESF Provider Relief Scheme.

Use of the term 'relief cap' is the maximum level of advance payment available through this scheme.

Scheme eligibility

To be eligible to receive funding from the scheme, your organisation must have an ESFA ESF contract that commenced on or after 1 April 2019. Part 1 of the application will identify at organisation level if you have a financial need to access the scheme. You must pass Part 1 of the application process.

In addition, applicants intending to seek support from this scheme must also meet the following requirements:

- have delivered under the relevant contract during the 6 months ending March 2020 and submitted ILR/Supplementary data (where appropriate), in respect of this delivery

- plan to deliver education, training and support under the contract during April, May and June 2020
- have not furloughed the staff required to deliver the contract. However, you are eligible to apply to the scheme if it is your intention to take those staff off furlough to deliver the contract for the period in which you are applying for relief

Please note, government guidance states that when a furloughed employee returns to work, they must be taken off furlough. For the purposes of the scheme this means that any employee who will be involved in the delivery of the contract, must be withdrawn from any claim for furlough when they return to work. All employees engaged in the delivery of the contract covered by the scheme must be paid by you in accordance with their agreed contract of employment. We reserve the right to check your records submitted to HMRC to ensure no double funding is taking place. Where there is evidence of double funding, we will recover any funding paid under this scheme.

- your eligible contract for services with the ESFA is not under notice of termination
- you will continue to submit claims for delivery through ILR and Supplementary data (where appropriate), throughout the period covered by the scheme

Terms and conditions of the scheme

ESF contractors will need to meet several conditions in order to claim advance payment under the scheme, under the terms of both the application and the associated contract for services:

- meet **all** of the scheme eligibility criteria
- ESF contractors are expected:
 - to continue to deliver training, education and support as described in your contract for services and the relevant funding rules, including guidance on easements and flexibilities issued as a result of COVID-19
 - to engage new learners and/or employers, where it is safe to do so, as described in your contract for services

and the relevant funding rules, including guidance on easements and flexibilities issued as a result of COVID-19

- to progress learners into positive outcomes where it is safe to do so, and where described in your contract for services and the relevant funding rules, including guidance on easements and flexibilities issued as a result of COVID-19
- provide declarations as follows:
 - the costs included in the application are not included in any other form of income or business support scheme and will realistically allow the ESF contractor to provide essential services for the duration of the scheme
 - the continuation of education and training will be maintained during the duration of the scheme as required by the contract for services and the relevant funding rules, including guidance on easements and flexibilities issued as a result of COVID-19
 - that delivery has been redesigned, as necessary, to meet and respond to the challenges of COVID-19
 - that you will be able to engage with new learners and/or employers where it is safe to do so
 - that learners who have had their start dates delayed, will be provided with support to enable them to maintain their commitment to learn once it is safe to do so
 - that you will continue to progress learners to appropriate destinations, as required by the contract for services and the relevant funding rules including guidance on easements and flexibilities issued as a result of COVID-19
 - have sufficient staffing to continue to deliver this contract and any directly employed furloughed staff delivering the contract must have been withdrawn from any claim for furlough
 - continue to pay subcontractors in line with your subcontractor agreement, where appropriate
 - you acknowledge that the monthly relief payments are repayable and that you will accept the repayment plan proposed by the ESFA

- submit a schedule of expected costs in respect of the planned delivery at contract level
- continue to submit an ILR and Supplementary Data return (where applicable), on time each month
- not apply for or secure funding from the coronavirus Job Retention Scheme for staff funded under this scheme
- continue to pay subcontractors and awarding organisations in accordance with their existing obligations
- an application must be submitted on behalf of the ESF contractor by someone with the authority to request the funds, such as the Chief Executive Officer or Finance Director

Further information

We will issue further information about the scheme, including the application for funding, supporting application guidance, and associated contractual terms and conditions.

We will consider if there is a continuing need for this support before the end of June 2020, in line with any further Cabinet Office guidance.

Annex 1 - ESF Provider Relief Scheme – Payment & Repayment Methodology

1. Purpose / introduction

To explain the ESF Provider Relief Scheme process for ESF contractors, in response to COVID-19.

2. Key points:

Average payments per month based on the last 6 months payments have been calculated. Payments in April 2020 have been excluded for the purpose of the calculation of the 6-month average, due to the potential effect on reporting from ESF contractors since the start of COVID-19. Whilst it is recognised the full effect may not have been seen across the whole sector until March and reflected in payments made in April, for fairness and accuracy, a steady state in time was used.

Therefore, the monthly average calculation is based on payments in the months October 19, November 19, December 19, January 20, February 20 and March 20. This figure has been multiplied by 3, in order to determine the total average amount expected to be paid across the scheme period.

In addition, and in line with the requirements of the Cabinet Office PPN 02/20 notice, a cap of 25% of the annualised contract value will be applied to any payments made during this 3-month relief payment period. The annualised value for ESF contracts has been calculated by taking the current contract value, divided by 27 months of profiled delivery and multiplying the result by 12. This provides a consistent calculation for all contracts, irrespective of profiling methods used at the outset of contracts.

This will be further capped at 90% of your current total contract value, taking account of actual reported delivery on the contract and relief payments being sought. It is not expected any providers will receive cumulative payments which exceed 90% of the total contract value, during, or at

the end of this 3 month scheme. This is due to the current contracts having an end date of July 2021 and an expectation there will be new starts delivered until December 2020. By allowing providers to draw down funds which exceed 90%, this could create a significant risk of a gap in provision before the launch of any successor programme.

Applications will need to provide a breakdown of anticipated costs over the 3-month period (part 2 of your application). The lower of the contract application costs or 3 months at the 6 month average payments will be used as the maximum overall payments for the scheme – this is the Final Total ESF Contract Relief Cap.

Example:

Total Contract value - £1,080,000

Total payments for October 2019 to March 2020 -
£79,364.04

6 Month average payments per month - $£79,364.04 / 6 =$
£13,227.34

3 months payments @ 6-month average - £39,681.72
(£13,227.34 *3)

Provider application costs over 3-month period - £47,000

Final total ESF contract relief cap - £39,681.72
Monthly relief cap - £13,227.34

Contract to date Paid- £114,929

Remaining total contract value - £965,071 (£1,080,000-
£114,929)

Total contract value Cap @ 90% - £972,000
(£1,080,000*90%)

12 month annualised contract value @ 25% Cap - £120,000
*((£1,080,000/27)*12)*25%)*

Note that the total and annualised contract value caps will be applied on a monthly basis at the point of calculating actual payment.

3. Monthly payment calculation steps

ESFA will extract values from ILR and Supplementary Data (where appropriate), reported to calculate contract actual earnings in the month.

Any actual delivery reported in the monthly data submission will be deducted from the monthly relief cap advance payment. We will take into account the caps and maximum values set out in this scheme prior to payment. Payments will be made to eligible ESF contractors as follows:

1. April relief payment (based on April activity returned at the beginning of May) will be made in June 2020.
2. May relief payment (based on May activity returned at the beginning of June) will be made by a further payment in June 2020.
3. June relief payment (based on June activity returned at the beginning of July) will be made in July 2020.

4. Repayment process

There will be no recoveries of the monthly relief advance payment under this scheme, until the October 2020 payment (made in October based on September activity). Any extension to this scheme will require the associated movement of recovery dates.

It is our intention that repayment will take place from October 2020 to March 2021 in 6 equal instalments, with the following exception:

- where the value of the actual earnings in a month is less than the repayment amount, we will recover an amount up to 50% of the value of the monthly

earnings

We will review the recovery position on a monthly basis, to ensure that debts are recovered in the shortest period without causing hardship to any ESF contractors.