

**FALKIRK COUNCIL**

**Subject: EUROPEAN STRUCTURAL AND INVESTMENT FUNDS**  
**Meeting: EXECUTIVE COMMITTEE**  
**Date: 2 DECEMBER 2014**  
**Author: DIRECTOR OF DEVELOPMENT SERVICES**

**1. INTRODUCTION AND BACKGROUND**

- 1.1 The purpose of this report is to provide an update on the European Structural and Investment Funds Programme 2014-2020 and to outline the opportunities and challenges for Falkirk Council.
- 1.2 The European Commission adopted the 'Partnership Agreement' with the UK on 29<sup>th</sup> October 2014 on the use of EU Structural and Investment Funds for growth and jobs for 2014-2020. The key aim of the EU funds is to help tackle unemployment and boost competitiveness and economic growth through support for innovation, training and education. The funds will also promote entrepreneurship, fight social exclusion and help to develop an environmentally friendly and a resource-efficient economy. The European Structural and Investment Funds (ESIF) in the UK are the:
  - European Regional Development Fund (ERDF)
  - European Social Fund (ESF)
  - European Maritime and Fisheries Fund (EMFF)
  - European Agricultural Fund for Rural Development (EAFRD)
- 1.3 Discussions on the new EU Funding Programme 2014-2020 have been ongoing for the last three years involving local authorities, partner organisations and Scottish Government, who submitted the draft Operational Programmes for both ERDF and ESF in July of this year. With the approval of the Partnership Agreement it is expected that the Operational Programme will gain final approval by the end of the year, anticipated c £1.3b of EU expenditure across the programme.
- 1.4 The new Operational Programme varies significantly from previous arrangements with funds now being targeted through investment priorities known as strategic interventions. It has been agreed that individual and groups of local authorities should be granted eligible EU monies directly from the Scottish Government and therefore will be in control of how these monies are spent. This new approach provides a more transparent process of allocating EU Funding and avoids the previous process of challenge funding and bidding to access funds. This offers a more streamlined and strategic use of resources.
- 1.5 It is important to note that the new programme of funding must be delivered through a simplified method of costing and introduces a model of outcome based payments/payments by results. In relation to funds for employability and Council inclusion, the Settlement and Distribution Group at COSLA have agreed the methodology with Scottish Government by which local authority areas will be allocated their share based on agreed indicators of need.

## 2. OPERATING OF EU FUNDING PROGRAMME 2014-2020

### Strategic Interventions

- 2.1 There are 14 strategic interventions for ESF and ERDF in the new programme (see Annex 1). Whilst the Council has an interest in a number of these interventions it has been agreed that local authorities will have a lead partner role in three:

1. Business Competitiveness
2. Employability Pipelines
3. Poverty and Social Inclusion (Enhanced Employability Pipelines)

### Lead Partner Arrangements

- 2.2 Local government has secured agreement from Scottish Government that individual Councils would take on the lead partner role for the above strategic interventions facilitated through a national standard agreement with individual area annexes. The responsibilities of the lead partner are:

- Providing, guaranteeing or ensuring the match funding required for an intervention;
- Managing the performance of all agents involved in delivering the strategic intervention;
- Verifying financial claims and ensuring that expenditure is properly defrayed on eligible activity;
- Ensuring a transparent audit trail for expenditure incurred;
- Collecting and submitting information on activity supported, including follow-up surveys to ensure the sustainability of outcomes;
- Undertaking communications and publicity activity in line with requirements to heighten the profile of EU Funds in Scotland; and
- Agreeing and implementing an evaluation plan with Scottish Government to confirm the ongoing suitability of the supported activities.

- 2.3 The national agreement will be designed in such a way that it can be entered into either by individual local authorities, or by local agreement, regional groupings of local authorities. It is likely that Councils will nominate 32 Employability Pipeline/Social Inclusion and Poverty lead partners with approximately 17 Business Competitiveness lead partners based on the current Business Gateway arrangements.

- 2.4 Work is ongoing to finalise the national standard agreement covering the three strategic interventions. This includes :

- the governing principles of funding;
- reference and links to Single Outcome Agreement, Scottish Government Economic Strategy, and relevant European strategies;
- the technical and eligibility framework for interventions (i.e. what they can, and cannot support);
- national outcomes, outputs and targets for the first four years 2014-2017;
- funding mechanisms including (unit/standard costs, flat rates, scaled funding);

- the principles of funding allocations to local areas for the relevant strategic interventions; and
- ‘menu’ of activity which can be supported and the costs associated with them.

### **3.0 CURRENT POSITION: DEVELOPMENT OF INTERVENTIONS**

- 3.1 Council officers are currently devising appropriate delivery programmes for the Falkirk area which will require to fit within the national framework’s compliance requirements operating rules and ensure a fit with local priorities. The strands of activity delivered through the EU Structural and Investment Funds will need to align with the beneficiary target groups, outputs and outcomes associated with the funding and must be capable of being delivered in a new outcome payment model of funding.

#### **Employability Pipelines**

- 3.2 It is the intention to utilise ESF to fill the gaps in existing local provision in Falkirk and add value to existing mainstream provision. The focus will be based on the principle adopted by the Council that getting people back to work is one of the best ways of lifting people out of poverty. The overarching outcome is to, “maximise the percentage of working age residents attaining and sustaining better paid secure employment.”
- 3.3 It is recognised that mainstream programmes are not the most appropriate interventions when responding to local needs, especially for the more vulnerable job seekers with multiple support requirements. It is therefore intended to utilise ESF to assist those furthest back in the labour market most likely to require additional support as well as continuing to support young people to enter and progress in employment. Target groups will include ex offenders, care leavers, workless households, people with disabilities and young people requiring additional support to enter employment. The activities will include:
- effective engagement, needs assessment and action planning;
  - advice, key worker and life skills support;
  - core skills and barrier removal; and
  - job broking and employer recruitment incentives
- 3.4 It is proposed that the ESF supported activity would commence in April 2015 to enable sufficient time to establish the management, administrative and delivery arrangements

#### **Business Competitiveness**

- 3.5 It is the intention to utilise ERDF to enable the local delivery of enhanced Business Gateway and local discretionary activity services through a flexible set of interventions – tailoring these to local circumstances and opportunities. The key objectives are to support business growth and innovation in the micro-firm and SME sectors which will dovetail into Scottish Enterprise activity ensuring no duplication of service delivery and to create a seamless approach to business advice and support through all partner organisations. The activities will include:
- advisor support
  - expert help
  - events
  - capacity building
  - financial support

- 3.6 It is proposed that the ERDF supported activity would operate from October 2015 onwards at the end of the current European funded programme.

### **Poverty and Social Inclusion**

- 3.7 Full details of this strategic intervention are not yet clear but it is the intention to utilise this ESIF to support participation in the journey towards employment including some in-work support. The activities will support other measures aimed at mitigating the impact of welfare reform and will complement existing provision through activities such as:
- support with childcare
  - money management/debt advice condition management
  - improved IT access and structured literacy, numeracy and digital inclusion support
  - targeted support for parents of 2 year olds to increase engagement in employability through childcare offer
- 3.8 It is proposed that the ESF supported activity would commence in April 2015 to enable sufficient time to establish the management, administrative and delivery arrangements.
- 3.9 Details of each of the above interventions are being developed at the present time. Once confirmed with Scottish Government and partners they will be conveyed in the Partnership Agreement for approval by Council and the government.
- 3.10 There are a number of other strategic interventions being led by national organisations and the opportunity to target these funds for support for action in the Falkirk area is being examined.

## **4.0 IMPLICATIONS**

### **4.1 Policy Implications**

The proposals are consistent with Falkirk Council's existing policies and particularly support the objectives of the Fairer Falkirk Strategy with regard to employability. The recommendations from the commission on Developing Scotland's Young Workforce and the potential changes arising from the Smith Commission will be factored into the approach to ESF to ensure an effective all age and stage local employability skills pipeline.

### **4.2 Personnel Implications**

The lead partner role will require additional management and administrative resources which will be funded from the technical assistance budget allowed for each lead partner allocation. These tasks will be in addition to current activities, especially within the employability pipeline as this is the first time Falkirk has received a broad pipeline allocation since 2007. Details of the personnel support required for delivery of the interventions will be conveyed in a future report to Executive.

#### 4.3 Financial Implications

The EU Structural and Investment Funds are anticipated to provide c £1.3B of EU funds (ERDF and ESF). Funds targeted towards the interventions being led by Councils are expected to offer c £230M of match funds. They can provide a maximum intervention rate of 45% which means that Falkirk Council will need to match-fund its allocation at a minimum 55% intervention rate to fully utilise the funds being made available 2014 – 2020. An agreement, albeit in principle only, to ring-fence available match-funding is required at this time to enable formal bids to be submitted. Should any bids be successful, final decisions on any funds to be accessed can be made when available match funding resources are confirmed.

The 2015-2020 allocation for Employability is £2,770,000 and for Poverty and Social Inclusion £720,000 totalling £3,490,000 requiring a match-finding commitment of £4,265,560 until December 2020 or £710,930 per annum. Allocations for business competitiveness have not yet been determined however, this is likely to require match funding of the existing annual Business Gateway allocation of £960,000 for the Forth Valley.

#### 4.4 Legal Implications

The Lead Partner Agreement will be reviewed by the Council's legal services and is being overseen at a national level by a representative from SOLAR (Society of Local Authority Lawyers and Administrators).

### 5.0 CONCLUSION

- 5.1 The European Structural and Investment Funds Programme 2014-2020 provides an opportunity for Falkirk Council to access additional resources to help meet the objectives of growing the economy, reducing unemployment, tackling poverty making Falkirk a more prosperous and fairer community. However, in times of budget constraints, financial challenges and reducing resources it is important to attract the maximum external funding to continue to delivery high quality diverse services.

### 6. RECOMMENDATIONS

#### 6.1 It is recommended that the Executive:-

- i) Note the proposed structure and model of delivery for the new European Structural and Investment Funds Programme 2014-2020 and agree to Falkirk Council acting as a lead partner in the strategic interventions outlined in section 2;
- ii) Agrees in principle to providing the match funding required to access the maximum allocation available to Falkirk Council, subject to final decisions on resources to be made available as part of the budget setting process;

- iii) Authorises officers to proceed and submit the proposed programme of interventions as outlined in Section 3;
- iv) Notes the management and administrative requirements involved in delivering the programme and agrees to seek technical assistance support to ensure compliance;
- v) Agree to receive a full report once the programmes and national agreement has been finalised.

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Director of Development Services

Date: 30<sup>th</sup> October 2014

### **LIST OF BACKGROUND PAPERS**

Any person wishing to inspect the background papers listed above should telephone Falkirk 01324 504446 and ask for Pamela Smith

1. Scottish Chapter of the UK Partnership Agreement
2. Draft ESF Operational Programme 2014 – 2020
3. Draft ERDF Operational Programme 2014 – 2020
4. COSLA Settlement and Distribution Group Paper – September 2014
5. Letter 27<sup>th</sup> October 2014 – Financial Allocations ESF

<b>Strategic Intervention</b>
Green Infrastructure
Sustainable Transport
Business Competitiveness
Innovation
Scotland's 8 <sup>th</sup> City – The Smart City
Next Generation Broadband Investment
Financial Engineering Instruments (access to finance)
Low Carbon Infrastructure Transition Programme
Resource Efficient Circular Economy Accelerator Programme
Developing Scotland's Workforce
Promoting Social Inclusion, Combating Poverty and any Discrimination
National Employability Programme
Employability Pipelines