

ABERDEENSHIRE COMMUNITY PLANNING BOARD – 10 JUNE 2015

2014-2020 European Social Fund Allocation – UPDATE

1 Recommendations

It is recommended that the Board:

- 1.1 Notes the progress and information in the attached report and agrees to receive further updates on the funding bid in due course.**

2 Background/Discussion

- 2.1 At its meeting in November 2014, the Board agreed to receive further updates on the progress of Aberdeenshire Council's European Social Fund allocation. It should be noted that while the allocation letter was sent to Aberdeenshire Council, ESF funds are awarded to the Aberdeenshire area rather than the Council and there is an expectation that the Community Planning Partnership would be used as a vehicle to deliver or co-ordinate projects. The Tackling Poverty and Inequalities Group have developed project proposals in line with guidance from the Scottish Government.
- 2.2 A report on the application was taken to Aberdeenshire Council's Policy and Resources Committee on 23 April 2015 – report attached in Appendix 1 to this report – which approved the funding applications and the approach to match funding recommended in Paragraph 2.10.1 – “Submit applications with confirmed Council match and indicative funding from external organisations”.
- 2.3 The full bid will be submitted to the Scottish Government on 26 May 2015 and the CPP Board will be kept informed of developments.

3 Staffing, Financial and Equalities Implications

- 3.1 See Appendix 1.

Sophie Humphries, Strategic Development Officer (Community Planning)

13 May 2015

**REPORT TO POLICY & RESOURCES COMMITTEE – 23 APRIL 2015****2014-20 EUROPEAN STRUCTURAL FUNDS ALLOCATIONS****1. Recommendation****1.1 It is recommended that the Committee:**

1.1.1 Notes the provisional award of European Structural Funds to Aberdeenshire;

1.1.2 Endorses the submission of applications for European Structural Funds for employability; poverty and social inclusion; and business competitiveness projects, with Aberdeenshire Council acting as Lead Partner, as set out at 2.10.1;

1.1.3 Approves budgetary allocations as match funding to these projects and agrees to underwrite indicative partner match funding.

2. Discussion

2.1 New European funding programmes are set to run from 2014-20, many of which will be managed nationally by the Scottish Government. Negotiations have taken place between Local Government and the Scottish Government through COSLA and Scottish Local Authorities Economic Development (SLAED) over the allocation of European Social Fund (ESF) and European Regional Development Fund (ERDF) money to Councils.

2.2 These discussions have resulted in a formal provisional ESF allocation to Aberdeenshire of up to £8.05 million. A further £4.79 million of ERDF has been provisionally allocated to Aberdeen City and Shire for business competitiveness activities which complement Business Gateway services. These funds must be matched on a 40% Structural Funds to 60% other public funds ratio for a limited number of eligible activities.

2.3 Funds are available for the following purposes:

2.3.1 Up to £6.45 million to deliver an **Employability Pipeline. The concept of the Employability Pipeline is to provide an integrated approach to employability service provision in a geographical area through a seamless process of engagement with clients across different agencies.**

- 2.3.2 Up to £1.6 million to support **poverty and social inclusion** measures. Funds are available to support the provision of financial and debt advice; fuel/energy advice; and childcare.
- 2.3.2 Up to £4.79 million to provide **business competitiveness** activities. The concept is to provide additional services over and above core Business Gateway activities.
- 2.4 The above themes fit well with Council priorities and it is estimated that projects would provide support to around 1,750 residents. Projects would therefore complement the work of the Council and its partners, whilst increasing outputs and outcomes. Activities would contribute to the following Council priorities through enhancing access to employment for all by providing increased employability support, financial/money advice and childcare:
- 2.4.1 Single Outcome Agreement: Aberdeenshire will be recognised as a great place to live, work, invest with opportunity for all
- 2.4.2 Single Outcome Agreement: The unemployment rate in identified areas of deprivation in Aberdeenshire will be less than the national average
- 2.4.3 Council Plan: Improving opportunities to achieve and attain
- 2.4.4 Council Plan: Preparing for life and work
- 2.4.5 Council Plan: Enhancing community learning and participation
- 2.5 It should be noted that ESF funds are awarded to the Aberdeenshire area rather than the Council and there is an expectation that the Community Planning Partnership (CPP) would be used as a vehicle to deliver projects. Aberdeenshire Council would need to act as Lead Partner for the project as this role must be undertaken by a Legal Entity. Approval for the submission of the bid will be sought from the CPP board at the next available opportunity. The CPP's Tackling Poverty and Inequalities Strategic Group have been consulted and are supportive of the proposed allocations from the Fairer Scotland Fund budget.
- 2.6 Furthermore, ERDF funds are awarded to the Business Gateway area (i.e. Aberdeen City and Shire), hence Officers liaised with their counterparts from Aberdeen City Council on the Business Competitiveness opportunity. Aberdeenshire Council, as lead authority for the Business Gateway Service, would act as Lead Partner for this application.
- 2.7 Council Services and partner organisations have explored potential synergies between local priorities and those of the European Structural Funds programmes. This has resulted in the identification of activities and match funding which have been built into bids for funding.

- 2.8 Formal bids for ESF funds are to be submitted in May 2015. An application for ERDF funding was submitted by the deadline of 9 March 2015. Acceptance of any grant resulting from this bid will be subject to approval of this paper by Committee.
- 2.9 Before any grant awards are accepted, match funding must be committed to the projects. While the Scottish Government has advised that match funding can be provided by external partners, Aberdeenshire Council would be required to underwrite this as Lead Partner for the projects. Service Level Agreements would be drafted to ensure commitment from external partners to provide match funding, following competitive awards processes.
- 2.10 There are three options open to the Council, with the first option the Officer recommendation:
- 2.10.1 **Submit applications with confirmed Council match and indicative match from external organisations.** This would ensure that Aberdeenshire benefits from additional European investment, but would require the Council to underwrite the match funding from external partners without formal guarantees that it will be provided. The risk can be mitigated to an extent by looking at past performance of grant schemes and receiving indicative, but non-binding, commitments from partner organisations. The maximum exposure to the Council based on present information received from partners would be the full amount of ESF bid for (£2,111,746 based on present figures). However, the Council would not be committed to provide this funding in the case of a match funding shortfall until the project was fully launched. As such, the ESF funds could be returned if match funding from partners did not materialise at the first competitive grant award process at no financial risk to the Council. Furthermore, there may be an opportunity to reduce the size of the project through a 'notification of change' procedure or extend the project over a longer time frame in order to secure the full match funding required.
- 2.10.2 **Submit applications based only on confirmed match funding (i.e. from Aberdeenshire Council).** This would require additional Service commitments to participate in projects as there would be insufficient critical mass to justify the employability bid and cover the necessary administration and management costs. No external partners would receive funding which would undermine the concept of an integrated employability pipeline. The poverty and social inclusion project could go ahead with Fairer Scotland Fund match funding alone, but all external partners would have their activities funded at a rate of 100%, given that we would not be able to declare any of their own match funding at this stage. Operationally, this could create a grant dependency culture within the partners and they would have reduced buy-in to the project.

2.10.3 Do not submit applications for ESF. This is the safest option in terms of risk management but would result in less investment in Services in Aberdeenshire. There will not be another opportunity to bid for European Structural Funds until 2018 at the earliest.

2.11 The Head of Finance and the Monitoring Officer within Business Services have been consulted and are in agreement with the contents of this report. The funding opportunity will be communicated to Area Committees during upcoming presentations on wider European funding opportunities.

3. Equalities, Staffing and Financial Implications

3.1 Equalities Impact Assessments were carried out on each of the three funding applications and are set out at Appendices 1 to 3 to this report. ESF funds are targeted on social inclusion of disadvantaged groups.

3.2 There is a risk when managing European funding that if there are errors made in the management/administration of projects, grant may be recovered by the Scottish Government. Project spend also needs to be forecast accurately and managed as if a project underspends, committed match funding is used first which can lead to a disproportionate reduction in the grant drawn down. While Officers in each Service/Partner would be responsible for the management and delivery of their own activities, there is a need to co-ordinate activities across Services and partners. To manage this risk, a Project Manager and Project Administrator would therefore be required to deliver the Employability and Poverty and Social Inclusion projects. The costs of these staff are estimated to be £280,000 from July 2015 until 31 December 2018 and will be funded by ESF funding (40%) and match funding provided by Council Services and partner organisations (60%).

3.3 The Council's European Team will undertake enhanced monitoring of projects in terms of both finances and project delivery to ensure compliance with EU rules and requirements. All claims will need to be processed by the Council's European Team. This time commitment will be met within existing resources.

3.4 Existing staff involved in the delivery of employability, poverty and social inclusion and business support may find all or part of their post becomes EU-funded, which may change the way in which their jobs are undertaken (e.g. the need to record information in a certain way and be aware of EU rules and requirements).

3.5 It is recommended that Committee approve the following budget allocations from the Council's Revenue Budget for the period from 1 July 2015 to 31 December 2018:

3.5.1 £695,250 from the Business Gateway budget (Page 99, Line 27) to the Business Competitiveness project;

3.5.2 £51,602 from the Working for Families budget (Page 99, Line 23) to the Employability project;

- 3.5.3 £1,050,000 from the Fairer Scotland Fund budget (Page 107, Line 17) to the poverty and social inclusion project.
- 3.6 Additional Match funding potentially available from Partners has been identified through dialogue and analysis of similar projects before being included in the bids. While formal commitments from Partners would be desirable, this is not possible prior to submission as the Scottish Government requires that partners have to be selected following a transparent and competitive process after interventions commence, not beforehand
- 3.7 When the application is submitted, confirmed Council match funding and indicative partner match would be highlighted separately to ensure that the Scottish Government is aware that not all match has been identified. The Scottish Government has advised verbally that match funding profiles could be amended through a change to the project at a later stage, although no written confirmation has been received. There is also likely to be an opportunity to extend the project beyond 2018, which would provide a longer time frame in which to secure match funding and deliver activity in the event that there is a shortfall during the original project lifespan.
- 3.8 Officers are confident that the match funding will be provided by partners based on indicative commitments and historic data, but if the amount provided is less than expected, the Council may be liable to meet any shortfall in order to draw down the European grant. The estimated amount of partner match funding are £1,150,000 for the poverty and social inclusion project and £2,066,016 for the employability project. The maximum amount to be underwritten is the full ESF amount of £2,111,746, given that these are the only funds at risk of being withdrawn by the Scottish Government if the projects don't deliver as expected.

Stephen Archer
Director of Infrastructure Services

Report prepared by Martin Brebner, Team Manager - European Policy & Programmes
12 March 2015

TABLE 1 – OVERVIEW OF STRATEGIC INTERVENTION BUDGETS

Business Competitiveness	Total Cost	Partner Contribution	Business Gateway	European Regional Development Fund
Procured services	£1,158,750	£0	£695,250	£463,500
TOTAL	£1,158,750	£0	£695,250	£463,500

Poverty & Social Inclusion	Total Cost	Partner Contribution	Fairer Scotland Fund	European Social Fund
Grants scheme	£2,760,320	£1,150,000	£966,192	£644,128
Administration	£139,680	£0	£83,808	£55,872
TOTAL	£2,900,000	£1,150,000	£1,050,000	£700,000

Employability	Total Cost	Partner Contribution	Economic Development	European Social Fund
Grants scheme	£3,307,084	£1,984,250	£0	£1,322,834
In-house delivery	£82,600	£0	£49,560	£33,040
Administration	£139,680	£81,766	£2,042	£55,872
TOTAL	£3,529,364	£2,066,016	£51,602	£1,411,746

GRAND TOTAL	£7,588,114	£3,216,016	£1,796,852	£2,575,246
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