

Report

Report to:	Finance and Corporate Resources Committee
Date of Meeting:	2 June 2021
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Update on Delivery of the European Social Fund Programme 2014 to 2020
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide an update on progress with the delivery of the European Social Fund (ESF) Programme 2014 to 2020

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) note the contents of this report; and
- (2) note that the ESF element of the Programme remains under suspension but grant claims can be submitted and will be reimbursed by the Scottish Government.

3. Background

- 3.1. The Scottish European Structural and Investment Funds Programme 2014 to 2020, approved by the European Commission (EC), sets out a broad approach to the development of the Scottish economy using European Union (EU) Structural Funds.
- 3.2. For management and monitoring purposes, the original approval through to 31 December 2019 was called Phase 1 and, from 1 January 2020 to 31 March 2023, the extended period, Phase 2. Although the UK has now left the European Union, the UK Government has provided a guarantee to fund approvals which are agreed within the current 2014 to 2020 EU funding cycle. This report sets out progress with the delivery of the South Lanarkshire Works 4 U (SLW4U) Strategic Intervention Programme Phase 2.
- 3.3. In addition to the grant funding, South Lanarkshire Council is required to provide a level of match-funding to support delivery of the Programme. As well as this match-funding requirement, the grant award also sets out required levels of engagement and specific outputs and outcomes that should be achieved.
- 3.4. The Programme receives ESF support to add value and achieve additional outcomes to delivery initiatives for which the Council has responsibility for developing and implementing.

- 3.5. SLW4U (delivered by Community and Enterprise Resources, Finance and Corporate Resources, Education Resources and external contractors) is a five stage employability pipeline that provides an integrated group of projects aimed at moving people towards employment, with a particular focus on the multiple disadvantaged and those with the most severe barriers to employment opportunities.
- 3.6. South Lanarkshire Council was awarded £6.3 million by the Scottish Government on 21 January 2020 to deliver the SLW4U Programme for the phase beginning on 1 January 2020 through to 31 March 2023. This grant was awarded at an increased intervention rate of 46.11%.

The grant award for this Phase is detailed in Table 1 below:-

	Funding
Phase 2 - Approved Eligible Expenditure	£13.7m
Phase 2 - Approved Eligible Grant (Grant Rate of 46.11%)	£6.3m
Phase 2 – Match Fund by South Lanarkshire Council	£7.4m

Table 1: Phase 2 Grant

4. Progress with Claims

- 4.1. The SLW4U Programme consists of a number of employability projects delivering a range of interlinked and progressive activities. Each project's progress is monitored against approved targets which informs the Programme's overall performance.
- 4.2. As the Programme progresses, periodic claims are submitted by South Lanarkshire Council to the Scottish Government. These seek interim payments against the total grant award based on engagement with a sufficient number of participants along with evidence of the delivery of target outputs and outcomes that were set out in the grant award. At the date of writing this report, claims have been checked by Funding and Compliance through to 31 December 2020 and are ready for submission.
- 4.3. Table 2 shows Grant paid and pending to date:

Expenditure/Grant	Approval	Paid to Date	Pending	Total Claimed	%
Total Expenditure	£21.5m	£3.5m	£8.6m	£12.1m	56
Total Grant	£9.9m	£1.6m	3.9m	£5.5m	

Table 2: Phase 1 and 2 Claims

- 4.4. With regards to Participant engagements, current data shows that 6,166 local individuals have been supported through the Programme to date. This represents 67.5% of the total target number of participants that should have been supported on conclusion of the Programme in March 2023. A further 500 participants have been involved in the EU employability programme during the COVID 19 pandemic and are not included in these figures as our external contractors continue to gather eligibility evidence. Practical limitations in the extent to which we could meet with participants to gather the required evidence has delayed passing these files to Funding and Compliance for verification and remains an area of work in progress.

- 4.5 Each participant's data is verified ahead of reporting to ensure that evidence of eligibility is retained. To date, 3,019 have been confirmed as eligible with a further 1,000 anticipated to be confirmed as eligible once documentation has been received from our external contractors. The remaining 2,147 require further review to confirm we can fully evidence eligibility. Whilst eligibility criteria will be met for some of these, it is anticipated that not all will have the required evidence to allow inclusion in the participant data returned to the Scottish Government.

Target Outputs	Target	Claimed/Pending	%
Unemployed/inactive (multiple barriers to employment)/ Employed (multiple barriers in the labour market)	9,141	4,019	44.2%

Table 3: Target Outputs to date

- 4.6. Plans are being put in place to meet the targets set by the Programme which will be challenging but are considered to be achievable through robust management by 31 March 2023.
- 4.7. There is a requirement to also report Results in terms of the 'highest outcome' achieved by each Participant on leaving the Programme. These are reported at the end of the Programme to ensure data is correct. A summary of these will be included in future ESF update reports to this Committee.
- 4.8. It is important to highlight that the operating environment in which the Programme is being delivered is not that which was anticipated at the time of grant award. The Scottish Government published guidance to Lead Partners, delivery bodies and representative organisations to address some of the difficulties being experienced as a result of the global COVID-19 health pandemic and to acknowledge that there will now be very different and reduced programme activities, models of delivery and working arrangements. It also clearly recognised that evidence of activity and outputs, achievement of targets and milestones, staffing levels and arrangements will all be severely impacted for the duration of COVID-19 and possibly beyond.
- 4.9. As a result, on 29 January 2021 the Scottish Government applied to the EC to invoke 'force majeure' in both the ESF and ERDF programmes based on the ongoing impact of COVID-19 on implementation and rate of spending. The Commission subsequently confirmed that the application had been successful allowing the re-phasing of the Programme to ensure vital funds are retained to support the long-term social and economic recovery of Scotland from the pandemic through to 2023.

5. Suspension

- 5.1. In November 2019, South Lanarkshire Council were advised that the ESF programme had been formally suspended, at a Scotland wide level by the EC, following a pre-suspension period that initially started in February 2019. This suspension applied to all Public Bodies in Scotland in receipt of EU ESF and ERDF funding and was not specific to South Lanarkshire Council. Routine audit work undertaken by the EC had identified issues with elements of the ESF programme which led, in turn, to the EC suspending further payments pending resolution of the issues that had been identified.

- 5.2. In December 2020, the Council were advised that the ERDF suspension had been lifted. The ESF suspension however remains in place and the Scottish Government continues to work with the EC to reach a resolution. Claims can continue to be submitted, which will be reimbursed by the Scottish Government following verification.

6. Employee Implications

- 6.1. There are a number of internal and external employees involved in managing and delivering EU assisted activity for the Council.
- 6.2. These costs are met by either Council budgets or EU grant funding reclaimed from the Scottish Government.

7. Financial Implications

- 7.1. There are no financial implications arising directly from this report. Although the EC suspension of payments remains in place, the Scottish Government is continuing to collect information required to have the ESF suspension lifted and remains committed to achieving a successful outcome. In the interim, claims can be submitted and, once verified, reimbursed by the Scottish Government.

8. Climate Change, Sustainability and Environmental Implications

- 8.1. There are no specific implications for climate change, sustainability or the environment within this report.

9. Other Implications

- 9.1. The UK Government announced plans for a UK-wide 'Levelling Up' agenda and funding including the future replacement of EU Funds in the Budget on 3 March 2021. The launch of the UK Community Renewal Fund is intended as a pilot programme to test ideas for a UK Shared Prosperity to commence operation in 2022. The UK Government have maintained their commitment to the Shared Prosperity Fund being funded to a scale similar to that of EU funds. The UK Levelling Up Fund is new capital money and is additional to any Shared Prosperity Scheme funding.
- 9.2. Bids to the UK Community Renewal Fund will be appraised and the outcome of this process reported to Committee once concluded.
- 9.3. The deadline for bid submissions is 18 June 2021.

10. Equality Impact Assessment and Consultation Arrangements

- 10.1. Equality impact assessments have been carried out on different elements of EU employability service programmes since 2016 and a whole service assessment was completed in 2020/2021.

Paul Manning

Executive Director Finance and Corporate Resources

14 May 2021

Link(s) to Council Values/Ambitions/Objectives

- ◆ Getting it right for children and young people
- ◆ Promote economic growth and tackle disadvantage

Previous References

- ◆ European Social Fund Programme 2014 to 2020, Finance and Corporate Resources Committee, 28 October 2020

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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