



## Lowlands and Uplands Scotland ERDF and ESF Programmes 2007 - 2013 Programme Monitoring Committee

### REVIEW OF ESF PRIORITY 5 OUTCOME AND REVISION OF SFC PROJECT VALUE

#### 1. Purpose

- 1.1 The Committee is asked to note the progress of the Implementation of the ESF Priority 5 'Strategic Skills Pipeline' in **Section 3**, and;
- 1.2 The Committee is also asked to agree to the Scottish Funding Council's request to amend their Priority 5 bid, as outlined in **Section 4**

#### 2. Background

- 2.1 Following on from the immediate effects of the global economic crisis across Europe, we agreed with the EU Commission that this was an appropriate point to review the scope and focus of the European Social Fund Lowlands and Uplands Scotland (LUPS) Programme.
- 2.2 After considerable discussion with internal and external stakeholders, Ministers agreed to use the remaining ESF funds to kick start a Scottish Strategy which has a strategic, continuum approach to workforce skills development. The proposal was to move the remaining €62 million ESF funds into a single new "Strategic Skills Pipeline" (Priority 5) which:
  - reflects the changed economic reality at local level;
  - uses the remaining funds strategically; and
  - creates a sustainable basis for planning the use of further Scottish and/or European funding beyond 2013 in line with emerging workforce strategies
- 2.3 On this basis, the MA sought strategic applications from CPPs and a limited range of national bodies/groups for the remaining funds based on 3 year plans with ESF requested to fund parts of the first 2 years. Following revisions and feedback this resulted in 21 bids seeking almost £89 million ESF grant. 17 were CPP bids seeking £42.5 million for 2 year funding based around 3 year local strategic skills pipeline plans; 4 were complementary (not competing) national bids seeking an additional £46.5 million.
- 2.4 The process for each application was exactly the same – each bid was scored by external Advisory Group members, Scottish Government policy advisers, the Intermediate Administration Body (IAB) and the Managing Authority (MA). All 21 bids were discussed at 3 Advisory Groups for Priority 5 between 5<sup>th</sup> and 8<sup>th</sup> October 2010. As a result of the Advisory Group meetings, 8 bidders were asked for urgent additional information and amendment to their applications. However, all 21 bids were of a quality to receive funding with some additional work, and all were eligible.
- 2.5 The Programme Monitoring Committee (PMC) met on 27<sup>th</sup> October 2010 and discussed a detailed paper prepared by the MA which proposed a methodology for reducing the national

bids by one-third, and for reducing each CPP bid by a similar proportion using 2010 published statistics relevant to the participant groups targeted by Priority 5.

- 2.6 Although the PMC agreed that the methodology was fair, open and transparent, they suggested that officials were being too risk averse in calculating the overall envelope of funds available in sterling. The MA has since recalculated the individual allocations based on a Priority 5 total of £64.6 million. The PMC recommendation to Ministers was a unanimous one.
- 2.7 On 14th December 2010, The Education Secretary Michael Russell announced £64.6 Million ESF grant towards 21 strategic projects under the new Priority 5 'Strategic Skills Pipeline' in Lowlands and Uplands Scotland, ensuring a total funding package of £168 Million would be invested into Scotland's Economy. The Priority 5 funding will deliver employability and training services for the unemployed, the lowest paid and the socially deprived, ranging from early engagement through to in-work support and skills development.

### 3. Implementation of LUPS ESF Priority 5

- 3.1 The Managing Authority and the IAB (ESEP Ltd) met with Priority 5 bidders during January 2011 to discuss any amendments to their bids following the Ministerial announcement. The original P5 applications received in August/September 2010 totalled £89 Million in ESF grant requests, whereas the final allocation of funds amounted to £64.6 Million. The Managing Authority and the IAB (ESEP Ltd) agreed changes on a case by case basis and confirmed the deadline for the Stage 2 Eurosyst applications.
- 3.3 There was one exception to this process concerning the Scottish Funding Council bid whose specific request is noted at **Section 4**.
- 3.3 A further meeting was held on 14 February 2011 with the majority of the 14 partners in the Third Sector Consortium Bid and agreement was reached on the structure of their bid which will allow for a number of sub-projects within the consortium. Each sub-project will undergo a Technical & Eligibility check by the IAB (ESEP Ltd) and will be issued with an Offer of Grant letter following these checks. A consortium steering group will also monitor and ensure the progress of the sub-projects to agreed timescales and outputs/results.
- 3.4 All other Priority 5 bids are now at Stage 2 on Eurosyst and are in the process of Technical & Eligibility checks by the IAB (ESEP Ltd). There are a range of start dates for activity, ranging from 01 April 2011 to 01 June 2011. These checks will be completed in time for the start dates and Offers of Grant letters issued.
- 3.5 **TABLE A** below provides a cumulative summary of the Priority 5 project expenditure and the overall outputs/results that will be achieved following the revisions agreed with the Managing Authority and the IAB (ESEP Ltd) in January 2011. Please note the figures below are based on information provided by the 21 bids and is a cumulative figure for demonstration purposes only.

**TABLE A**

<b>Lowlands and Uplands Scotland – European Social Fund 2007-13 Programme – Priority 5 ‘Strategic Skills Pipeline’ – CUMULATIVE figures and output/results based on 21 strategic bids</b>			
Total Project Costs (£)	169,202,572.67	Net Eligible Project Costs (£)	168,266,526.49
Total Eligible Project Costs (£)	168,279,829.49	Eligible Match funding (£)	106,080,611.10
Total Non Eligible Project Costs (£)	922,743.18	Structural Funds grant required (£)	62,182,091.39**
Project Income (£)	13,303.00	Intervention Rate Required for Priority 5 (%)	36.95%
<i>**ESF grant figure based on a reduced ESF grant amount for the SFC bid (based on the lower match and ESF grant @ 30%) this will be amended to the higher ESF grant level @ 35.59% if the PMC agree to this decision**</i>			
Type	Indicator	CUMULATIVE Target	
Output	Number of participants receiving support.	105,887	
Output	Number of participants with multiple deprivations.	81,317	
Output	Number of participants in the NEET group.	29,504	
Output	Number of participants with disabilities or health difficulties.	24,649	
Output	Number of male participants without basic skills.	37,747	
Output	Number of female participants without basic skills.	21,711	
Output	Number of male participants without level 2 skills.	15,698	
Output	Number of female participants without level 2 skills.	9,724	
Output	Number of male participants without level 3 skills.	14,415	
Output	Number of female participants without level 3 skills.	7,685	
Result	Number of participants entering employment.	26,647	
Result	Number of participants entering education or training.	23,021	
Result	Number of (previously non-employed) participants in employment six months after leaving.	18,157	
Result	Number of male participants gaining basic skills.	10,512	
Result	Number of female participants gaining basic skills.	6,678	
Result	Number of participants gaining a full qualification.	19,480	
Result	Number of participants gaining a partial qualification.	15,010	
Result	Number of male participants gaining level 2 skills.	5,177	
Result	Number of female participants gaining level 2 skills.	4,462	
Result	Number of male participants gaining level 3 or above skills.	2,350	
Result	Number of female participants gaining level 3 or above skills.	2,001	
Output	Number of women in projects addressing better gender balance.	1,035	
Output	Number of men in projects addressing better gender imbalance.	624	
Result	Number of women going into gender-imbalanced sectors.	74	
Result	Number of men going into gender-imbalanced sectors.	352	
Output	Number of participants in projects addressing entrepreneurial managerial skills.	1,017	
Output	Number of participants from social enterprises.	408	
Result	Number of entrepreneurs and new managers gaining a full qualification.	215	
Result	Number of entrepreneurs and new managers gaining a partial qualification.	250	
Result	Number of participants from social enterprises gaining a full qualification.	148	
Result	Number of participants from social enterprises gaining a partial qualification.	160	

#### 4. Scottish Funding Council (SFC) – Priority 5 bid amendments

- 4.1 The October 2010 PMC agreed that the Priority 5 bid from the Scottish Funding Council (SFC) should be allocated ESF grant at a 30% intervention rate. The decision was based on the assumption that many of the P5 National bidders would be able to access additional match-funding from their own sources. The PMC asked the SFC to consider this proposal which would be for the SFC Council to decide upon.
- 4.2 Following the publication of the Scottish draft budget, the Education Secretary, Michael Russell wrote to the SFC on the 17 November 2010 setting out the Government's priorities for investment in colleges and universities in the 2011-12 financial year, in order that the SFC could make indicative allocations across teaching, research, learner support and capital spending budgets as soon as possible. The letter noted that the SFC was in the unprecedented position of having to allocate a reduced level of resource and capital across further and higher education institutions. The Government was also aware that the SFC had the added difficulty of having to plan expenditure in academic year 2011-12 which straddles the financial years 2011-12 and 2012-13.
- 4.3 The Council met on 10 December 2010 and in light of the draft budget discussions and a 9.2% reduction in SFC's college recurrent funds budget for the annual year 2011-12, the Council took the decision to keep the match funding for the ESF Priority 5 bid at the original application level of £8.4 Million for 2011-12. This was noted in the minutes of the Council meeting (SFC/10/86) available here; <http://tinyurl.com/6a3ycl3>
- 4.4 The SFC met with the Managing Authority and the IAB (ESEP Ltd) on the 11 January 2011 where the issue of the reduced match was discussed. The SFC requested that they are allowed to increase the ESF grant intervention rate from 30% to 35.59% to utilise the full Ministerial allocation of £9.28 Million while committing £8.4 Million match each year for the 2 years of the project (the 1<sup>st</sup> year's match being confirmed at this stage).
- 4.5 The SFC's request for a reduction in the grant and subsequent increase in the ESF intervention rate is noted in TABLE B below;

**TABLE B**

<b>(i) SFC Original P5 application (Aug/Sept 2010)</b>	
Expenditure	£30.6 Million
Match	£16.8 Million
ESF grant (@ 45%)	£13.8 Million
<b>(ii) PMC October 2010 request to SFC to adjust match element of project to take account of reduction in ESF grant</b>	
Expenditure	£30.6 Million
Match	£21.4 Million
ESF grant (@ 30%)	£9.28 Million
<b>(iii) SFC request (January 2011 ) to adjust project to take account of match available following draft Scottish budget</b>	
Expenditure	£26.1 Million
Match	£16.8 Million
ESF grant (@ 35.59%)	£9.28 Million

- 4.2 The SFC request reduces the overall project size from £30.6 Million to £26.1 Million with an equivalent drop in the number of additional College places (and WSUMS allocations) that

will be made available through this Priority 5 bid. The revised project will provide an estimated 2900 additional college places over the two year period targeted at specific groups (See Section 4.6 below)

- 4.3 The request from the SFC to reduce the P5 bid does mean that the College sector will be allocated a reduced amount of additional WSUMS based on the project size of £26.1 Million. The SFC have already communicated to Colleges their indicative allocations from the Priority 5 bid based on the original £30.6 Million project and will work quickly to communicate any changes in the WSUMS allocations to colleges following the PMC's decision on this matter.
- 4.4 The Scottish Budget Bill announced on the 9<sup>th</sup> February by the Cabinet Secretary for Finance & Sustainable Growth, John Swinney confirmed that the Government would make available an additional £15 million across 2010-11 and 2011-12 in funding for college bursaries and would provide a further £8 million in funding to support an additional 1200 college places in 2011-12. This funding covers both teaching and student support costs.
- 4.5 The SFC Council will discuss the Scottish Budget settlement and the additional funds for colleges on Friday 25 Feb. The proposal is that the Council allocate £6.6 million for additional SUMs and use £1.4 million for student support which is directly linked to the additional SUMs. The Council will be asked to decide if they want to allocate these funds selectively or an allocation to all colleges. If the Council does decide on an allocation of funds to all colleges this could not be used to top-up the ESF match.
- 4.6 Not all Scottish colleges are eligible for ESF and the ESF project under Priority 5 relates to specific target groups (*there will be a focus on the provision of a range of pre-employment employability Programmes, vocational training courses and "into employment" support activities by colleges servicing the LUPS areas. The main target group would be unemployed or inactive individuals with low qualifications, 16-19 year olds not in education, employment or training, school leavers and young people leaving care. The Programme will also focus on employees requiring re-skilling to match future employment needs of the local area*).

## 5. Recommendations

- 5.1 The Committee is invited to agree the following:
  - 5.1.1 The Scottish Funding Council should be invited to enter a Stage 2 Eurosyst application based on revised project expenditure of **£26.1 Million** with ESF grant of **£9.28 Million** and **£16.8 Million** match. This will mean a resulting increase in the intervention rate from 30% to 35.59%.
  - 5.1.2 The Committee is also invited to note the progress of the implementation of the LUPS ESF Priority 5 process as noted above.

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**25 February 2011**