

## **ESF LUPS CHANGES TO THE OPERATIONAL PROGRAMME – BACKGROUND AND APPLICATION PROCESS FOR PRIORITY 5**

### **Background to Proposed Amendments**

Our ESF programme was designed before the recession and the structure has not been revised despite facing significantly changed economic realities. The Fraser Report in 2009 considered the fit of the ESF programme with the socio-economic situation in the immediate economic downturn and moving into recovery, against the socio-economic situation at the time when the programme was planned. While the Report found that there was still a broad fit, it recommended that the remaining funding for the Lifelong Learning Priority 3 be moved into the Employability Priority 1 – a recommendation approved by the Programme Monitoring Committee (PMC) and carried through in time for the 3<sup>rd</sup> Round awards.

A year further on, our economy now has fewer jobs, much higher unemployment and much greater competition for the jobs that are available. Recovery is expected to be very modest over the coming years with a “jobless recovery” forecast in the short term as unemployment levels continue to rise. The latest figures published showed a continuing increase in unemployment. Those most marginalised in the labour market with the least to offer employers, such as multiply disadvantaged groups and young people entering the labour market for the first time, are experiencing particular difficulties. Such groups have been further marginalised in the recent crisis and, with little forecast improvement our young people will remain particularly at risk of missing out on a reasonable start in working life. Getting people into work remains the most urgent priority for the Scottish Government and for our society, but, in addressing this, ESF has to look towards the future skills requirements of a prosperous economy.

A refreshed Skills Strategy for Scotland is being prepared to take account of future needs and opportunities. This confirms seven priority sectors with potential to help the Scottish economy grow. These are: universities, creative industries, energy, financial and business services, food and drink, life sciences and tourism. There are also a number of core (or enabling) sectors in Scotland (including manufacturing, construction and retail) without which it would be difficult for our economy to grow. In addition, the European Commission has set out its “New Skills for New Jobs” (NSNJ) Initiative to better anticipate skills needs, up-skilling and better matching of skills and jobs. ESF can be key to ensuring that the NSNJ initiatives and Scottish Strategies are drawn together by encouraging activity giving the greatest value added for the remaining ESF funding in the 2007-2013 programme, as well as a lasting legacy well beyond the end of this programme by working with other funders on transition planning to take us into the 2014-2020 period.

With such changed economic realities it is no surprise that we have seen significant over-subscription for ESF Priority 1, which reflects a real need for intervention. Similarly, in Priority 2, there is little demand for workforce development skills; employers have found it hard enough to minimise redundancies, let alone find the additional resources to develop current employees further or to allow workers time off to develop transferable skills. The last 2 years has been a time fully occupied

dealing with the immediate global economic crisis, but now is the time to concentrate on the creation of new access structures and plan for the future.

### **Socio Economic Context**

At the start of the current programme in 2007 (ILO) unemployment in Scotland stood at 5.2%. The rate published in June has risen again to 8% which is now above the UK rate. The number of individuals unemployed has increased from 138,000 at the start of 2007 (Dec-Feb) to 212,000 in the latest figures (Feb-Apr 2010). The increase in unemployment has not been even across Scotland. The increase has generally been greatest in the areas where unemployment was already high, so the consequence of the downturn has been to widen spatial inequality (weaken territorial cohesion between local authority areas). The local authority areas in which the proportion of the population who are claimant unemployed has increased most are: North Lanarkshire, South Lanarkshire, North Ayrshire, and Midlothian (followed by West Lothian, Glasgow, Renfrewshire, and East Ayrshire). As an illustration of the increased concentration, in January 2007 North and South Lanarkshire accounted for 12% of the claimant unemployed in Scotland and 12% of the working age population. In early 2010 they accounted for 15% of the claimant unemployed. (Claimant unemployment provides the best measure of short term changes at a local level). Glasgow continues to have the greatest concentration of claimant unemployed: 17% of the claimant unemployed but only 12% of the working age population. The "Spatial targeting" within the LUPS ESF programme therefore remains inherently correct, and there is an even stronger argument that it should continue to be the focus for most or all of the remaining funds. No changes are proposed in the spatially targeted areas.

The most recent information for school leaver destinations shows the likelihood of increased youth unemployment with a further increase in the number of young people leaving school and college this summer. However, again the picture is far from even. Midlothian, North Ayrshire and West Lothian give particular cause for concern because of a high claimant count unemployment rate for 18 -24 year olds, a high proportion of school leavers going into unemployment, and above average increases in claimant count to size of population.

### **Programme Monitoring Committee and Ministerial Decisions**

The PMC discussed options for changes to the Operational Programme at the March 2010 meeting. A more detailed options paper was then discussed with the European Commission on 22 April, and presented to the PMC on 27 May 2010 at an additional meeting. At this meeting, the PMC recommended to Scottish Ministers that an amendment should be made to the LUPS Operational Programme to prepare a new Priority 5 Strategic Skills Pipeline. They also agreed there would be no further challenge round for Priority 1, 2 or 3 and that all unallocated funding should be moved into the new Priority 5 (approximately €62 Million).

Ministers considered this and asked for a steering group of partners to look further at the detail of implementation and the new indicators and targets for such a Priority.

This Group met first on 5 June and again to agree a final position on 29 June. The Head of the LUPS ESF Managing Authority and the Head of the European Structural Funds Division met Mr Jim Mather, Minister for Enterprise, Energy and Tourism later that day. He agreed that a submission should go to the Commission seeking the change to the Operational Programme to vire the remaining un-allocated funds into a new Priority 5 Strategic Skills Pipeline. This request was sent to the Commission on 14 July 2010.

### **Priority 5 Strategic Skills Pipeline**

The main focus of the new Priority 5 will be the linking of needs and opportunities at local level and this will be done largely, but not exclusively, through CPP bids to fund local strategic skills pipelines. Complementary (not competing) national bids would be accepted from SFC, STUC, SDS, and a consortium of national Third Sector organisations where a local approach to address certain groups' needs (such as ex-offenders) would be too complex and where best value could be demonstrated by a national approach complementing the local plans.

None of these national bids will compete with the local bids, nor would they undermine the participation of the key stakeholders in the local bids, particularly the College and Third sector organisations in these partnerships. This should help to make progress on the wider agenda of improving the general coherence of local partnerships and genuine collaboration at that level.

### **Application Timetable**

Priority 5 Strategic Skills Pipeline applications will only be accepted from the following partnerships/organisations:

- LUPS CPPs
- Scottish Funding Council
- Scottish Trades Union Congress
- Skills Development Scotland
- A consortium of National Third Sector Organisations

ESF challenge fund bids that wish to be considered for future ESF support will only be able to access ESF through a CPP or a National bid. Challenge fund bids should contact their local CPP at the earliest opportunity to discuss how their Organisations work fits with a local Strategic Skills Pipeline and what ESF support they would want in the future. To help with these discussions, the Scottish Government has organised a 'Facilitated Strategic Skills Pipeline Partnership Event' on 03 September 2010 (Glasgow) where Organisations can meet with CPPs to highlight the work they are currently doing in the local area and how it fits with the Strategic Skills Pipeline.

### **Stage 1 Application in a word document giving essential criteria**

Applications are not being submitted via the Eurosys system at this stage. Once it is appropriate to do so, applicants will be advised on entering appropriate information on Eurosys.

### **Stage 2 “Outline” Application in a word document with excel annexes providing detail relating to a Priority 5 Strategic Skills Pipeline**

This will cover in sufficient detail to allow an Appraisal Group to score it and provide feedback on the basis of the appraisal criteria which will follow covering the Strategic fit, Evidence of Demand, Need for Grant for specific elements/activities in the pipeline, Structure and Management, partnership, Horizontal Themes, Outputs/Results/Impact/Evaluation, past Performance, Innovation/Value Added, and funding package.

### **Stage 2 “Complete” Application which is the pipeline to be delivered – full details and breakdown of costs**

#### **Timing**

<b>20<sup>th</sup> August</b>	<b>Stage 1 to be submitted to ESEP</b>
3 <sup>rd</sup> September	Facilitated events with National/CPP bids
6 <sup>th</sup> September	Feedback to Applicants on Stage 1 bid
14 <sup>th</sup> September	Standing Advisory Group general information session
<b>24<sup>th</sup> September</b>	<b>“Outline” Stage 2 Bids to be submitted on pro-forma with detail</b>
27 <sup>th</sup> September	Stage 2 Bids to be sent to Virtual Advisory Groups for scoring
4 <sup>th</sup> October – 8 <sup>th</sup> October	Standing Advisory Group meetings to discuss Stage 2 Bids.
27 <sup>th</sup> October	PMC Discussion on Outline Stage 2 Bids
<b>30<sup>th</sup> November</b>	<b>“Complete” Stage 2 Proposals submitted</b>

#### **Project Duration/ Start & End Dates and Funding**

- Plans/Applications are requested covering a total of **3 years**. Approval at this stage will be given for the first 2 years of the plan only. The 3<sup>rd</sup> year of activity/costs will be considered for approval later, subject to satisfactory delivery and available funds.
- All pipelines for Priority 5 should have an official start date between 1<sup>st</sup> January 2011 and 1<sup>st</sup> October 2011 (inclusive). This will ensure that all bids can be funded for up to 36 months as indicated above.
- The application should illustrate the entire Strategic Skills Pipeline available to clients and indicate how each of the phases/activities are being funded.
- Within the application, start dates for various activities/different partners may be phased.

- The application needs to clearly show which phases/activities require ESF funding.

### **Continuation of currently funded ESF bids**

- All CPPs currently receiving ESF support have now agreed any changes to their current end dates with SG and there will be no further extension requests considered. After the currently agreed end date any remaining ESF must be declared as an under spend.
- The end date of current activity should be taken into account when developing new bids but other partner activity, or new CPP activity may start any time after **01/01/11**.
- Any other organisation with approved ESF activity for 2011 or 2012 is encouraged to become part of partnership developing a new local strategic skills pipeline bid for the same period, providing they can demonstrate that the activity they will be delivering fits within the pipeline, and that the cost of delivery is not being claimed through both bids.
- Where an organisation currently has a bid funded by ESF for 2011 or 2012, but **in addition to this** plans to deliver part of the eligible ESF activity in a strategic skills pipeline for the same period, they must demonstrate that
  - there is no duplication of activity between the bids
  - they are providing additional match funding for the strategic pipeline bid
  - there is sufficient demand for both projects
  - they have the capacity to deliver the outcomes in both projects.
  - the activity would be new or the result of a new partnership
- Where an organisation is currently delivering an ESF project and the funding ends in 2010 or 2011 they will be encouraged to become part of a local strategic skills pipeline bid where their activity fits with the pipeline, even where they do not intend to seek further ESF funding.

### **Geographical Coverage**

At Stage 1 the lead applicant must indicate the geographical coverage for the Plan and where it covers more than one geographical area whether it covers spatially targeted and non-spatially targeted areas.

### **Flexibility**

An indication of whether the flexibility to provide an activity available only in spatially targeted areas in a non-spatially targeted area is likely to be requested should be given at Stage 1, and a strong case for this will be required when submitting the 2<sup>nd</sup> stage outline application.

–*The draft Operational Programme Section states:-* Priority 5 geographically focused applications covering the spatially targeted areas will have the option to request the 10% flexibility previously applied in Priority 1 of the Operational Programme, where a strong case can be made for this.

- *The current section of the Operational Programme on Priority 1 states: -* Where projects covered beneficiary groups that overlap with similarly deprived bordering data-zones in other Local Authorities, up to 10% of the project award could be in the neighbouring data-zone.

### Example of where 10% could apply

'A' and 'B' have overlapping beneficiary groups and bordering data zones. 'A' is spatially targeted and 'B' is not.

Example 1: - 'A' has proposed a strategic skills pipeline which includes some activity for people with health issues which is at Stage 1 of their pipeline. They can spend 10% of the ESF awarded to that activity on extending it to 'B'. However, any Stage 4 and 5 activity which 'B' wants to receive ESF towards has to be part of a joint application with 'A'.

Example 2:- 'A' has a pipeline with activity to increase the skills of low paid workers in the meat industry. They could put in a joint application with 'B' to undertake this activity jointly as part of a strategic skills pipeline which covers 'A' and 'B' because of links in the jobs market for highly skilled butchers. OR they each put in separate applications as this covers a Stage 5 activity which 'B' can bid for anyway.

### **Size of Bid**

At Stage 1 applicants should provide an estimate of the total cost of the Plan, and the cost of stages 1 to 3 and 4 and 5, as well as the cost of the ESF eligible activity and the grant intervention rate. An indication of the match funding sources will also be required. A full breakdown of match funding sources, eligible costs etc will be required on submission of the Outline Stage 2 application.

### **Other relevant Priority 5 documents**

1. Appraisal Mechanism
2. Application Stages – Information Requirements – Stage 1
3. Application Stages – Information Requirements – Stage 2

### **ESF LUPS Managing Authority**

Version Date	Updated by
29 July 2010	Pearce Stewart
04 Aug 2010	Pearce Stewart