



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

### EXCEPTIONAL PROJECT PROCEDURE – CONSIDERATION OF ESF STRATEGIC PROJECT

#### 1. Purpose

- 1.1 To advise the Committee of the recommendations from the Advisory Group arising from the appraisal of the ESF strategic project submitted under the Exceptional Project Procedure in the LUPS ESF Programme 2007-13.

#### 2. Background

- 2.1 The Exceptional Project Procedure for the 2007-13 Programmes was approved by the Programme Monitoring Committee at their meeting on 19 March 2008 and a revised version was approved by written procedure on 14 November 2008. The basis for this decision was a clear recognition that there may be special circumstances which prevent an application being submitted within the usual application deadlines. It was felt that an exceptional procedure needed to be established for such cases, particularly where projects for reasons of economic turmoil, large scale redundancy, market exploitation and private sector co-financing may be time critical. A further small revision has been made to this paper, to reflect recent circumstances surrounding project appeals and this is attached at Annex 1 for Committee approval.
- 2.2 Following discussion with the IAB and the Scottish Government Managing Authority, a Stage 1 application was submitted on 19 June 2009 under ESF Priority 2 as part of a wider skills support package from the Scottish Government to help support Scotland's economy out of recession and back to growth. This project (Innovate with an Apprentice) is a particularly vital part of these measures as it aims to recruit more people into Modern Apprenticeships by stimulating the recruitment of apprentices in the key growth industries of Life Sciences and Renewable Energy (Wind Turbine Maintenance). The project is seeking 3 year funding to provide financial incentives to employers willing to consider recruiting 2 apprentices for the cost of them only recruiting one. The Scottish Government will pay the wage costs of the second apprentice. This application cited time criticality as a factor in terms of providing an immediate response to the economic downturn and as such required to be considered under the Exceptional Project Procedure. In line with the procedure, the Stage 1 application was assessed by the IAB and the Managing Authority. As the application addressed the appropriate criteria to be considered under the Exceptional Project Procedure the applicant was



advised to submit a Stage 2 application which would be considered at the extraordinary Programme Monitoring Committee meeting on 4 September 2009.

**2.3** The Stage 2 application (attached summary at **Annex 2**) was submitted within the timescale as set by the IAB i.e. 10 July 2009. The following request for ESF funding was received under the Exceptional Project Procedure.

**2.4 Summary of ESF Priority 2 Bid received in the 2<sup>nd</sup> round:**

Project Applicant	Project Title	Total Eligible Costs (£)	ESF Request (£)	Intervention Rate (%)
The Scottish Government	ScotAction MA Support Packages	4,285,550	1,928,497	45.0
<b>Total</b>		<b>4,285,550</b>	<b>1,928,497</b>	

**2.5** The report of the Advisory Group is detailed below at Section 4 with a project recommendation.

**2.6** At section 5 of this paper there is a financial summary for ESF Priority 2 detailing the financial implications in ESF grant terms of agreeing the project recommendation.

**2.7** Overall, and subject to this Committee agreeing to the recommendations of the Advisory Group, up to £1,928,497 ESF grant will be allocated. N.B. This award may be revised downwards in the light of further information to be made available towards the end of September 2009.

### **3. Advisory Group Process**

**3.1** In the normal way, full applications were subject to technical/eligibility checks by the IAB and appraisal by the Managing Authority, the IAB Programme Managers, Advisory Group members and Scottish Government policy officials. The policy officials provided input in particular into the fit with the strategic policies of the Scottish Government. External stakeholder members of the Advisory Groups were appointed by the Scottish Government as the Managing Authority.

**3.2** The respective scores of the second stage application by the 'Virtual' Advisory Group members and the IAB Programme Managers, Managing Authority and Scottish Government policy officials were collated by the IAB and the previously agreed weighting factor applied. An average overall score was then calculated and checks were undertaken to ensure that any anomalous scores were justified and did not unreasonably affect the final score and ranking. As there was only one application under Priority 2, a Standing Advisory Group was convened to discuss the application.



This afforded the opportunity to test and validate the initial scores in an open and frank debate where Standing Advisory Group members had been selected on the basis that they had no conflict of interest in respect of the projects under consideration.

## 4. Advisory Group Reports

### 4.1 ESF Priority 2 Advisory Group Report

4.1.1 The ESF P2 Advisory Group met on 22nd July 2009 to discuss the strategic bid submitted under the Time Critical process for an ESF grant to stimulate the recruitment of apprentices in the key growth industries of Life Sciences and Renewable Energy Sectors in light of the current economic recession.

#### 4.1.2 **LUPS/ESF/2009/2/2/0051 The Scottish Government – ScotAction MA Support Packages**

The application received a total score of 37.69 following assessment by virtual Advisory Group members. In order to ensure a full discussion on the application a presentation on the project was given by Lynn Forsyth (LF), from the Economic Recovery Unit within the Scottish Government.

LF provided information and background covering the fit of the project with government economic strategy. She outlined the importance of providing individuals with the skills and training employers need in these growth sectors within Scotland, and ensuring that they are able to fully contribute to the economic growth of Scotland once we move out of the current recession.

As background she gave a labour market data update providing information on the period February to April 2009. These figures covered:

- Rising Unemployment Rates
- Employment rate falling
- Reducing Vacancies.
- Some areas which are more affected using notified redundancies statistics

The presentation also covered the purpose of this particular phase of ScotAction (Innovate with an Apprentice) and in particular the rationale for focusing on the key growth sectors of Life Sciences and Renewable Energy (wind turbine). It also highlighted the reluctance of employers to recruit new apprentices during the recession and the benefits to be gained from supporting the skills necessary for economic recovery. Advisory Group members were also advised that the project had been developed as a direct response to the views provided by relevant Sector Skills Councils, Training Providers, Unions and Employers at the recent



Apprenticeship summit on 28<sup>th</sup> April 2009 and follow up events. LF also emphasised that the aim of the project was to kick start apprenticeships in these areas and that there were no plans to seek further support for subsequent new starts.

- 4.1.3 Following the presentation the Group had an extensive and constructive discussion on the application. The Group raised a number of issues regarding the application which required further clarification before a recommendation for funding could be made.

### **Additionality**

The Group requested that a clearer explanation be provided in terms of the additionality of this support. The main concerns were around the recent Scottish Government announcement of the provision of £16m to allow 7,800 additional apprentices to be recruited during 2009/10. Advisory Group members requested further information regarding the additionality of the 120 apprentices to be supported through this project against the target of 7,800.

### **Intervention Rate**

The maximum intervention rate of 45% had been requested and in line with standard procedures further information was requested as justification that this represented the minimum amount necessary for the project to proceed.

### **Risk of Reduced Take Up by Employers**

The Advisory Group expressed concerns regarding 100% achievement. In particular there were concerns that employers may not take on Modern Apprentices (MAs) if they could get support through another route e.g. Future Jobs Fund. Therefore further information was requested regarding the likely take up of MAs and how the risks of employers not taking on MAs could be minimised.

### **Evidence of Company Involvement**

Due to the targeting of the support on the key sectors of Life Sciences and Renewable Energy, the Advisory Group requested further information regarding the extent to which companies had been consulted in the design and development of the project.

### **Expression of Interest Process**

Advisory Group members requested further information regarding the Expression of Interest Process. From the discussions this appears to be a fundamental part of the development of the project.



### Structure and Management

The Group requested further information on the structure of the project and in particular how it would be managed and evaluated. Advisory Group members also wanted reassurance that there would be equality of access and support for disadvantaged individuals.

### Project Costs

Due to the scale of funding requested the Group required further information regarding the costs involved in the delivery of the project. In particular, the Group needed to see the cost per job and a clearer explanation of the value for money that the project could achieve. In addition the Group were unclear regarding the match funding detailed in the application and requested further information i.e. is it outcome related?

4.1.4 It was finally agreed that the Advisory Group would recommend this project in principle to the Programme Monitoring Committee on 4<sup>th</sup> September 2009. However, they were not prepared to recommend that the funding requested should be offered to the project without further information and possibly a further discussion.

4.1.5 The information requested by the Advisory Group members has been sent out via written procedure (attached as **Annex 3**) and Advisory Group members have been asked to respond by 1<sup>st</sup> September 2009. Within the written procedure paper Advisory Group members have been invited to approve the following recommendations:

- That the project be approved subject to the Scottish Government agreeing to carry out an evaluation of the impact and value for money of this approach to encouraging employers to take on additional MA in these sectors.
- That the Scottish Government is asked to revise the costs prior to an offer of grant being issued in the light of the full information being available with regard to the average wage costs of apprentices (see paragraph 19 and 20 of Annex 3); and that ESEP (IAB) is given authority accordingly to reduce, but not to increase the ESF offered from that in the original application.

Advisory Group members have also been requested to indicate whether they would want to meet to discuss these recommendations or if they are content to recommend the project via written procedure.

**Advisory Group Recommendation: Recommended in principle subject to the provision of further information as detailed above at 4.1.3 and 4.1.4.**



## 5. Implications of Approving Advisory Group Recommendation

5.1 The implications of approving the Advisory Group recommendation is summarised in the table below:

Priority	Total Grant Allocation* (£)	Approved Grant Commitments to date (£)	Available Allocation (£)	Value of bids recommended for approval (£)	Remaining Balance for 3rd Round (£)
Priority 1: Progressing into Employment	100,995,419	83,089,604	17,905,815	0	17,905,815
Priority 2: Progressing through Employment	83,000,689	17,669,438	65,331,251	1,928,497	63,402,754
Priority 3: Improving Access to Lifelong Learning	35,539,591	13,614,151	21,925,440	0	21,925,440
Priority 4: Technical Assistance	5,398,419	3,020,298	2,378,121	0	2,378,121
<b>Total</b>	<b>224,934,118</b>	<b>117,393,491</b>	<b>107,540,627</b>	<b>1,928,497</b>	<b>105,612,130</b>

\* An average exchange rate of 1 EURO = £0.833333333 or £1 = 1.20 has been used.

## 6. Recommendations

6.1 The Committee is invited to:

6.1.1 agree in principle the recommendation for this extraordinary round of ESF applications as detailed at sections 4.1.4 above.

6.1.2 note and agree the Advisory Group report summarised at section 4 above;

6.1.3 note the level of commitments for each Programme Priority as detailed at section 5.1 above;



- 6.1.4 acknowledge the additional work carried out by the respective Advisory Groups in appraising this project application.
- 6.1.5 agree to the further revision to the Exceptional Projects Procedure paper as attached at **Annex 1**.

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