

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	City Growth and Resources
<b>DATE</b>	6 <sup>th</sup> February 2020
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Employability Pipeline
<b>REPORT NUMBER</b>	PLA/20/022
<b>DIRECTOR</b>	N/A
<b>CHIEF OFFICER</b>	Richard Sweetnam
<b>REPORT AUTHOR</b>	Stuart Bews
<b>TERMS OF REFERENCE</b>	1.2.3 Take such action as necessary to ensure that the Council's budget is always balanced

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### 1. PURPOSE OF REPORT

- 1.1 To seek approval from members to reject the offer of grant for phase 2 of the employability pipeline project from the European Social Fund, due to the Fund currently being suspended by the European Commission.

### 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Approves the withdrawal the application to the European Social Fund for grant funding made in May 2018 relating to phase 2 of the Employability Pipeline Project;
- 2.2 Instructs the Chief Executive to inform the Managing Authority of the European Social Fund of this decision in writing; and
- 2.3 Instructs the Chief Officer - City Growth, to seek to identify alternative sources of funding to support employability activity in Aberdeen.

### 3. BACKGROUND

- 3.1 Aberdeen City Council has been leading the delivery of the Progress through Positive Partnerships project, aimed at supporting people with multiple and complex needs into positive employment and training participation, since early 2017. The project is intended to be part-funded (40%) by the European Union through a European Social Fund (ESF). Each local authority in Scotland was allocated a proportionate allocation of the fund, depending on

population levels. The project and associated resource commitments were originally approved by Communities, Housing and Infrastructure Committee on 25<sup>th</sup> August 2016 (CHI/16/154), to cover what is known as Phase 1 period.

- 3.2 The initial Phase 1 project period was scheduled to conclude at the end of 2018. Committee noted in November 2018 (PLA/18/263) that the Council intended to enter into a further European Social Fund grant agreement with Scottish Government (The Managing Authority) to extend the delivery of the project until December 2022.
- 3.3. The application for additional grant funding was conditionally approved by the Managing Authority. The attached condition was that Aberdeen City Council should submit a financial claim for delivery costs first.
- 3.4 Officers were compiling the required information for this claim when the Managing Authority announced that the national programme was to enter a period of “pre-suspension” of funding as a result of the European Commission auditors having identified a number of anomalies with the Managing Authority and how they had managed the programme.
- 3.5 Officers requested further information from the Managing Authority about the audit report and were advised that this information was not being shared and that auditors had requested confidentiality.
- 3.6 The Managing Authority provided a response to the auditors, nevertheless the programme was moved into full “suspended” status. The impact of this is that claims cannot be processed by the Managing Authority for the European Social Fund programme, so Aberdeen City Council’s claim cannot be submitted.
- 3.7 CoSLA, SLAED and SOLACE have all raised their concerns about the ongoing suspension, timescales and funding implications to the Managing Authority.
- 3.8 It is not known how long the suspension will be in place for, nor how complex the issues are to resolve. It is widely agreed by officers that in order to move out of “suspended” status, further changes to the national rules, which are already complex and burdensome, will be required. As such, it is expected that officers are at least six months away from being in a position to receive a formal offer of grant and have a full understanding of the revised national rules of expenditure and the potential impact of these on delivery. In the meantime, local authorities are expected to continue to deliver programmes with no guarantee of funding or of what the retrospective rule changes will be.

#### **4. IMPLICATIONS**

- 4.1 The European Social Fund programme is time-bound and must end on 31 December 2022. Assuming a best-case scenario of six months before the suspension may be lifted, enabling the formal offer of grant to Aberdeen City Council to be issued, the procurement processes to contract delivery partners could leave as little as a year or less to deliver activity.

- 4.2 Officers experience of the European Social Fund to date has highlighted the following key points:
- The administrative requirements are unduly complex in comparison to the support being offered, and the requirement to comply with the rules has a negative impact on the resource available to support individuals.
  - The level of evidence required to prove that an individual is eligible for support is not felt to offer value for money. Many of the individuals concerned are vulnerable or do not possess the required documentation. As a result they cannot be included in the project as they will be classed as ineligible and funding rejected.
  - The match-funding and reporting requirements make the funding unattractive to training providers, resulting in difficulties in procuring appropriate services for participants.
- 4.3 These issues are not isolated to Aberdeen. Angus Council opted not accept any European Social Fund monies from the original Phase 1 offer in 2016. Aberdeenshire Council withdrew from the European Social Fund project in late 2019. It is understood by officers that several other Scottish local authorities are considering withdrawing their Phase 2 applications for funding.
- 4.4 A new employability strategy, No One Left Behind, has been introduced by the Scottish Government. It is anticipated that a number of changes will be made to the way in which employability support services are funded and delivered over a number of years, with increased requirements on local authorities to manage employability services using Scottish Government funding.
- 4.5 The initial change, introduced this financial year, has seen funding for Activity Agreements – employability support for 16-19-year-olds – and Scotland’s Employer Recruitment Incentive (SERI) merged into a new scheme which can be used to provide employability support activity for anyone of working age who is not in employment, education or training and who meets specified barrier to employment, thus opening up the funding. Those furthest from the labour market are the priority for this funding.
- 4.6 This is not additional funding, but rather a different way of using monies annually granted to local authorities to enable more people to access it. No One Left Behind funding can be used as match-funding for European Social Fund activity, but could only be used in this way to support those who meet the stringent ESF criteria and provide evidence of their eligibility.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 Withdrawing from Phase 2 would result in a loss of grant funding to Aberdeen City Council of up to £771,546, however, officers can offer no assurance that these Phase 2 monies would not also result in suspended grant claim status like Phase 1. Should this happen, the Council would have to cash-flow the project in full until such time as grant funding was released, with uncertainty around this ever being received. Officers are also aware that changes will be

made to the National Rules of Expenditure and these will be applied by the Managing Authority retrospectively. This causes a significant concern because without knowledge of the rules, officers cannot ensure compliance with the rules. Failure to comply with the rules can result in a financial penalty.

- 4.2 The grant funding is offered at a 40% intervention rate. Should Members decide that Phase 2 should proceed and be delivered, the required match funding, totalling £1,157,319, would come from Aberdeen City Council staff time, and third sector delivery bodies, should any be willing to participate in the project based upon the audit, rules and match-funding requirements.
- 4.3 Aberdeen's No One Left Behind allocation for 2019/20 is £221,339, including staff costs, and officers anticipate a similar grant agreement for the coming year. There is no match-funding requirement for these funds, however it could potentially be used as match-funding to attract funding from other bodies, and increase the overall funding pool for employability initiatives.

## 5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

## 6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Financial	ESF funding will no longer be available to support employability activity  If ACC enters into a grant agreement, and fails to satisfy the retrospectively applied rules, ACC could have a financial penalty imposed for non-compliance	H	Identify and secure alternative sources of funding  Withdraw the application for funding
Legal	N/A		
Employee	N/A		

<b>Customer</b>	ESF funding will no longer be available to support employability activity	H	Identify and secure alternative sources of funding
<b>Environment</b>	N/A		
<b>Technology</b>	N/A		
<b>Reputational</b>	Withdrawing the application may have negative public perception and may attract negative media attention.	M	Identify alternative sources of funding which enable delivery of the Council priorities.  Ensure that alternative provision is made available to project clients, to ensure continuity of support.

## 7. OUTCOMES

<b>Local Outcome Improvement Plan Themes</b>	
	<b>Impact of Report</b>
<b>Prosperous Economy</b>	SO1: 10% increase in employment across priority and volume growth sectors by 2022. The European Social Fund has criteria which dictates when an individual becomes eligible for support. This often prevents us from working with individuals who are not yet eligible, or unable to prove they are eligible per the European Social Fund rules.
<b>Prosperous People</b>	SO1: 10% increase in employment across priority and volume growth sectors by 2022. The European Social Fund imposes restrictive criteria to determine if an individual can receive support. Those requirements make it more difficult to support people and achieve desired outcomes.
<b>Prosperous Place</b>	SO1: 10% increase in employment across priority and volume growth sectors by 2022. The European Social Fund aims to support people and places. However, the restrictive nature of the funding eligibility criteria in practice make it challenging to achieve the desired results.

<b>Design Principles of Target Operating Model</b>	
	<b>Impact of Report</b>
<b>Customer Service Design</b>	Prevention and early intervention – The project funding rules restrict ACC to supporting only “eligible” individuals. In many cases this means an individual must have been out of work for at least 12 months before they can receive support. This prevents early intervention work and the fund does not help us implement this principle.
<b>Organisational Design</b>	Outcome led – The funding rules focus on evidence, both of an individual being eligible to receive support and having then received that support. This deters focus from supporting the individual and delivering positive outcomes based on their needs.
<b>Governance</b>	Informed – The report lays out the implications of the recommendation, to enable elected members to make an informed decision.
<b>Workforce</b>	Flexible & Agile – the rules of the European Social Fund are neither flexible nor agile. Rejecting the offer of grant will allow Aberdeen City Council staff to be more flexible in their approach to employability by removing the burden of the funding rules.
<b>Process Design</b>	Make it simple and intuitive – The Employability Pipeline works with a range of third sector partners delivering services. The feedback received is that the process to provide the required evidence is challenging, burdensome, and not only detracts from the delivery of outcomes but also in some cases deters potential participants from signing up. We should look to improve this by removing the burden of the rules to enable customer-friendly access to employability support.
<b>Technology</b>	The proposals in this report have no impact on technology.
<b>Partnerships and Alliances</b>	Complementarity of purpose and value added – in order to add value, we must find ways of working with our partners to enable them to see a positive impact from the joint working. This has not been the case from European Social Fund projects to date.

## 8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Required and completed
Data Protection Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

## 9. BACKGROUND PAPERS

CHI/16/154 – *European Social Fund, Employability Pipeline* – report to Communities, Housing and Infrastructure Committee, 25 August 2016, published.

PLA/18/263 – *Extending Employability Provision* – report to City Growth and Resources, 27<sup>th</sup> November 2018, published.

## 10. REPORT AUTHOR CONTACT DETAILS

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