

North Lanarkshire Council Report

Finance and Resources Committee

approval noting

Ref LMCM/EW

Date 12/03/20

European Social Fund Payments Suspension Update

From Lizanne McMurrich, Head of Communities

Email mcmurrichl@northlan.gov.uk **Telephone** 01236 812338

Executive Summary

On 14th November 2019 the Scottish Government wrote to lead partners of ESF (European Social Fund) employability programmes advising that the Scottish ESF programme would move into suspension from 15th November 2019. The Scottish Government has written to lead partners intimating that as a consequence the European Commission would not pay out claims for reimbursement submitted by the Scottish Government. In turn the Scottish Government would not pay out on claims submitted by lead partners. Nationally, COSLA has been in discussion with the Minister for Trade, Investment and Innovation, suggesting that, given that the Scottish Government is confident that the suspension will be lifted, then they should underwrite the ESF employability programmes.

Recent correspondence from the Scottish Government, attached as Appendix 1, indicates that they will be releasing claims already verified and awaiting payment which would allow backdated claims to start being submitted. They have also indicated in discussions with COSLA that, after some further work, the suspension will be lifted in May/June 2020 which will allow future claims to be paid. However, until the suspension from the European Commission is formally lifted there is no guarantee of future claims being paid.

This report therefore details the outstanding claims awaiting payment and the future expenditure that is at risk if the suspension is not lifted.

Recommendations

It is recommended that the Finance and Resources Committee:-

- (1) note the recent correspondence from the Scottish Government (see Appendix 1);
 - (2) authorise the continued match funding of the programme;
 - (3) Monitor the Scottish Government's progress in lifting the suspension, with the proviso that if it is not lifted by June 2020, an options appraisal exercise will be undertaken by the Head of Communities and reported to Committee.
-

The Plan for North Lanarkshire

Priority Improve North Lanarkshire's resource base

Ambition statement (21) Continue to identify and access opportunities to leverage additional resources to support our ambitions

1. Background

- 1.1 Unemployment in North Lanarkshire has dropped steadily since its last high in 2012, a result of the financial crisis of 2008. In that period the job market has recovered though many of the mid-level jobs lost in the recession have never been replaced. In addition increased job insecurity, part time working and underemployment have become features of the new labour market. While there is currently enough employment in North Lanarkshire and its surrounding areas to sustain higher employment rates (Table 1 below illustrates) there are a number of unemployed residents who would not be able to take advantage of an offer of employment without additional support to prepare them. Most often this is due to lack of recent or any work experience, health, criminal convictions or lack of skills.

Table 1 – Employment Rates in North Lanarkshire

Year	North Lanarkshire		Scotland
	No. Unemployed residents	Rate	Rate
2012	19,600	11.3%	7.9%
2019	7,100	4.0%	4.1%

Therefore, the Council's employability programme is targeted at those people who have barriers to entering employment as those who are job ready or have substantial recent work experience can access employment readily and without Council investment.

- 1.2 The cornerstone of the Council's employability support to residents is its EU funded programme which has a funding agreement with the Scottish Government until December 2022. In North Lanarkshire the programme is led and co-ordinated by the Council's employability team (24.4 fte) which also provides the key function of engaging employers onto the programme. Routes to Work Ltd (52.04 fte) are funded to provide specialised case worker support to unemployed residents as well as support with accessing vocational training and the short term costs associated with moving from benefits to employment such as childcare and travel. They also provide in-work support for up to 6 months for those participants that require it. The external funding team (6fte) within Enterprise and Communities are also funded through ESF to provide a compliance and verification role.
- 1.3 The programme is co-funded by the Council and EU with 46% of funding coming from the EU and has an annual cost of around £4.5 million. The annual Council match funding is £2,540,600, of which £293,000 supports the Council's Modern Apprenticeship programme. This leaves £2,247,600 for EU programme match funding and this, alongside EU grant, funds the 82.44 fte staff delivering the programme as well as the other costs associated with training for participants, wage subsidies to employers, childcare, and vocational qualifications.
-

2. Report

2.1 Current Position

2.1.1 In terms of the current suspension Table 2 below contains the most recent North Lanarkshire figures submitted to COSLA as part of a national exercise to gauge the current and future exposure implications of the suspension.

Table 2 – Financial Implications of the Suspension

	Figures entered are the expected grant funding values	£'000
A	ESF spend claimed but not received (these claims have been submitted to the Scottish Government)	£606
B	ESF expenditure incurred but not claimed (claims awaiting submission)	£3,157
C	ESF expenditure not incurred but expected to be spent by 31.3.20	£545
D	Does all of the above expenditure relate to the 2019/20 financial year?	No, from April 2018
E	Value of potential ESF exposure beyond 31 March 2020	£5,869

2.1.2 In the period since the Scottish Government letter of 13 January 2020, attached as Appendix 1, the figure in row A of table 2, £606,000, has been paid to the Council. This therefore allows the Council to submit its next claim for verification by the Scottish Government. This will generate a payment within row B of table 2 of £2.3 million and once this is settled a claim for the remainder of that amount will be submitted.

2.1.3 While it will take time for the Scottish Government to process the backlog of claims it is clear that their initial decision not to pay partners for work already undertaken has been reversed and external funding due to the Council will be secured. It is expected this will cover the outstanding amounts in rows B, C and D of table 2.

2.2 Future Position

2.2.1 As detailed in row E of table 2, future potential ESF exposure from April 2020 until December 2022 is around £5.9 million and this is dependent on the suspension by the European Commission being lifted. In the period from February 2020 until April 2020 the Scottish Government are gathering information from partners on staffing costs to present to the European Commission and the Council's external funding team will be fully engaged in providing this information. Scottish Government have expressed confidence that this exercise will produce the desired result; however, if it does not then the implications of this for the Council will require re-evaluation. It is therefore proposed that if this is the case an options appraisal of potential future actions to protect the Council's employability programmes and funding is undertaken and presented to Committee.

3. Equality and Diversity

3.1 Fairer Scotland

Assessment not required at present.

3.2 Equality Impact Assessment

Assessment not required at present.

4. Implications

4.1 Financial Impact

None.

4.2 HR/Policy/Legislative Impact

There are no HR/ Policy or legislative impacts.

4.3 Environmental Impact

No environmental impacts.

4.4 Risk Impact

The risk management of North Lanarkshire's externally funded employability programmes is incorporated within Council's risk register which is reviewed on a regular basis. The risk associated with the suspension of EU funds is recorded on the register.

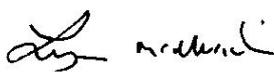
1. Measures of success

1.1 The Scottish Government continue to process payments for previous employability activities eligible for EU support.

1.2 The suspension of EU funds is lifted by the European Commission in a reasonable timescale.

6. Supporting documents

6.1 Appendix 1: Letter from the Scottish Government of 13 January 2020.



Lizanne McMurrich
Head of Communities

Minister for Trade, Investment and Innovation
Ivan McKee MSP



Scottish Government
Riaghaltas na h-Alba
gov.scot

T: 0300 244 4000
E: scottish.ministers@gov.scot

Councillor Steven Heddle
COSLA Environment and Economy Spokesperson

By email

13 January 2020

Dear Cllr Heddle

Given the considerable sums involved with the ESF suspension, as we discussed on Friday, my officials are undertaking an urgent schedule of mandatory 'Article 125 On-the-spot' visits to lead partners, and they are also separately, gathering 'simplified unit cost' evidence to substantiate Scottish Government claims to the European Commission for ESF reimbursement. I know you will agree that these actions are essential to ensure the lifting of the suspension and minimise future financial risk. It will be in both our interests for all lead partners to cooperate fully and urgently in these exercises, and I look forward to continued dialogue to get these issues resolved quickly.

Moving forward, I therefore want to confirm our intention to resume European Social Fund payments of all verified, eligible claims. My officials will continue to check all expenditure claims with the utmost rigour and in line with all regulatory requirements as referred to in the terms and conditions of the grant offer letters, in order to mitigate the risk of further audit challenges.

Lastly you said you would let me know if you would like to issue a joint communication to local authority lead partners.

Ivan McKee

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

