



meeting **Cabinet**

date 10 July 2007

agenda item number

Report of the Cabinet Member for Culture and Regeneration

Participation in European Social Fund Regional Consortium

Purpose of the Report

1. The purpose of this report is to:
 - a) advise of the proposal by Lincolnshire County Council to develop a regional Local Authority consortium to act as a Co-financing Organisation (CFO) for European Social Fund (ESF) in the East Midlands; and
 - b) seek approval for Nottinghamshire County Council to decline the invitation to participate in the proposed regional consortium.

Information and Advice

2. European Social Fund (ESF) comes from the European Union and provides up to 50% grant towards activities focused on employment and skills. In England, it is distributed through a mechanism called co-financing, whereby ESF monies are matched at source by organisations and dispersed, through bidding, commissioning or competitive tendering to third parties for particular projects or programmes so that the third party receives 100% funding for the activity.
3. Cofinancing organisations (CFOs) must identify the sources of match-funding that they will use to 100% fund the projects or programmes of third parties. In the 2000 – 2006 ESF programming period, there were over 70 CFOs in England, of which only 8 were local authority CFOs. In the East Midlands, CFOs included the Learning and Skills Council (LSC), Jobcentre Plus, and Lincolnshire County Council. Nottinghamshire County Council had considered becoming a CFO early in the programming period but the lack of match-funding and risks were considered to outweigh potential benefits.
4. The new ESF programme (2007-2013) will be a national programme governed by an England (and Gibraltar) Operational Programme document that establishes national parameters. However, at sub-national level, regional ESF frameworks have been developed which set the direction for the use of ESF. The East Midlands has its own ESF Framework.

5. The national Operational Programme states that CFOs are expected to operate on a regional rather than local basis. As a result, in April 2007, Lincolnshire County Council (who is keen to continue their CFO role) approached other County and Unitary authorities in the East Midlands with an invitation to join a regional consortium to act as a CFO for ESF in the East Midlands.
6. Such a consortia would have one Accountable Body (which Lincolnshire County Council would be willing to undertake) and develop a single regional Local Authority CFO Plan, which the Accountable Body would co-ordinate and manage. This Plan would scope local authority priorities for ESF investment in the East Midlands, in line with individual authority and Local Area Agreement (LAA) objectives. The Plan would include sub-regional targeted chapters for those areas participating in the consortia. Stemming from the CFO Plan would be sub-regional prospectuses. A Memorandum of Understanding would need to be developed between participating local authorities.
7. In accordance with ministers' wishes not to have a proliferation of competing CFOs, prospective CFOs will have to show that they can make a contribution to a range of employment and/or skills priorities described in the regional ESF framework rather than in a single "niche" area. In practical terms this means that any regional Local Authority consortium would need to avoid duplicating or overlapping with the CFO plans currently being prepared in the region by the Department of Work and Pensions (DWP) / Jobcentre Plus and the LSCs. The type of activities which can be funded will also be limited by the requirement to be consistent with the regionally agreed ESF frameworks.
8. Participating in a regional Local Authority consortium CFO would give the County Council more control over the type of employment and skills activity that could be funded in those areas not covered by DWP / Job Centre Plus and the LSCs. However, the following factors mitigate against participation by Nottinghamshire County Council:
 - The end August 2007 deadline for developing and submitting co-financing plans is incredibly tight and would not permit for the gathering of qualitative underpinning information or for the development and agreement of operating mechanisms and roles / responsibilities.
 - The County Council would need to identify and make available funding to match any ESF resources. This funding would need to meet ESF match funding rules, which require associated activity attached to match funding to fit ESF priorities, provide 'additionality', and to have been competitively tendered. Identifying match funding sources that would meet such rules, and be in our gift to use as match funding, will be challenging, compounded by afore mentioned deadlines.
 - Most areas where there is scope for ESF to intervene, and are a priority for the County Council primarily but not exclusively through the Local Area Agreement, are covered by the CFO proposals of DWP / Job Centre Plus and the LSCs, leaving only very small areas of potential intervention.
 - Participation in the consortia would place an, as yet unquantified administrative and management burden on the County Council at a time

when resources in Economic Regeneration (the logical home for this activity) are stretched following significant budget reductions and reorganisation.

- European audit requirements are notoriously stringent and many organisations, including the County Council, have been in the unfortunate position of having to repay grant following an unsuccessful audit. Risk sharing within the consortia has not yet been finalised but it is anticipated that the County Council would be responsible for any funding which it matched. This coupled with the fact that Lincolnshire County Council have yet to be audited by the Commission on their CFO operations during 2000-2006 would make participation in the consortia very high risk.
9. In terms of regional coverage, so far, all three city unitary authorities, plus Derbyshire County Council, have agreed in principle to participate with Lincolnshire County Council at the initial expression of interest stage. They may withdraw prior to full CFO Plan submission in August 2007. Leicestershire and Northamptonshire County Councils have declined.
 10. ESF Division, who oversees delivery of ESF at a national level, has indicated to Lincolnshire that whilst it would be beneficial to have the whole of the East Midlands covered by a regional Local Authority consortia, there is latitude to include thematic priorities if not all local authorities wish to participate.
 11. Non-participating authorities will have a further chance to join the consortium after the first 3 years of the programme (Jan 2008 – March 2011), when a second CFO plan will be developed. This may be a more opportune time to consider the merits, or otherwise, of County Council participation in the consortia as many of the issues which mitigate against involvement at this stage will have had chance to be practically resolved.
 12. The ESF programme and the proposal being considered is of regional importance and the remit of ESF is not specifically restricted to any one County Council Portfolio. Hence, this report is brought to Cabinet for consideration.

Statutory and Policy Implications

13. This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, Crime and Disorder and those using the service. Where such implications are material, they have been described in the text of the report.

Recommendation

14. It is recommended that:

- a) the invitation to participate in an East Midlands local authority ESF consortium is declined at this juncture for the reasons set out in the report
- b) that the County Council's position be reviewed at the mid-term review of CFO arrangements when more comprehensive information will be available to make an informed decision about the benefits and disbenefits of participation.

Steve Carroll
Cabinet Member for Culture and Regeneration

Legal Services Comments

This decision falls within the delegation to Cabinet [CEH 03.07.07]

Strategic Director (Resources) Financial Comments

The financial implications are as outlined in the report. (PB 28.6.2007)

Background Papers Available for Inspection

GO-EM / employment and skills partnership - European Social Fund 2007-2013 A Framework for the East Midlands January 2008 - March 2011 Consultation Draft May 2007,

<http://www.goem.gov.uk/497296/docs/347293/347311/aframeworkfortheeastmidlands>

England European Social Fund convergence, competitiveness and employment programme 2007-2013 - Selection of Co-financing Organisations (CFOs)

http://www.esf.gov.uk/docs/CFO_application_procedure_FINAL.pdf

Electoral Division(s) Affected

All