
**Manchester City Council
Report for Resolution**

Report to: Economy Scrutiny Committee – 12 October 2016

Subject: Potential Impact of the EU Referendum on funding from the European Social Fund (ESF) for skills and social cohesion

Report of: Strategic Director (Development)

Summary

This paper sets out some background to the European Social Fund and its history over the past 20 years in Manchester. The paper provides details of the ESF strategies and investments over this period including the most recent developments following the EU Referendum vote and subsequent Government announcements related to the current and future status of ESF investments in the City and across Greater Manchester.

Recommendations

Members are asked to note and comment on the report.

Wards Affected: All

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- 1) 2014-20 GM ESIF Investment Plan Summary
- 2) 2014-20 GM ESIF Investment Plan
- 3) Report to MCC Economy Scrutiny Committee, August 2014
- 4) Reports to Resources & Governance Scrutiny Committee, June & Sept 2016

1.0 Introduction

- 1.1 Following the EU referendum vote on 23rd June 2016, there has been a high degree of uncertainty on the implications of the vote on the 2014-2020 European Structural Investment Funds programme (comprising European Regional Development Fund and European Social Fund) nationally and locally.
- 1.2 Greater Manchester's ESIF allocation for the programme period is €413.8m (£322m at January 2016 exchange rates), and Greater Manchester prudentially planned for two phases of ESIF projects 2014-2018 and 2018-2022. Within this programme £145m is allocated for activities under the European Social Fund (ESF) programme.
- 1.3 On 13th August, a statement was released by the Chancellor of the Exchequer which set out Government's intention that in the short term all ESIF projects that can be under contract by the 2016 Autumn Statement (to be made late November 2016) will be fully funded. This put significant amounts of ESIF funding in Greater Manchester at risk. A further statement has now been made by the Chancellor on 3rd October 2016 confirming that the government will guarantee EU funding for structural and investment fund projects signed after the Autumn Statement and which continue after we have left the EU provided they offer value for money and are in-line with domestic strategic priorities.

2.0 Background

- 2.1 The European Social Fund was created in the founding Treaty of Rome in 1957 and is the oldest of the EU Structural Funds.
- 2.2 Over the period 1997- 2007, the City of Manchester benefitted from ESF directly into projects developed and delivered in the City. The 1997-1999 ESF programme for NW England outside Merseyside was worth around £270m and the 2000-2006 Objective 3 ESF programme was worth £250m to NW England outside Merseyside. Projects had objectives related to skills and employment support and equality including gender equality.
- 2.3 From 2007 to 2013, when the previous period of ESF programmes ended, the programmes in England were delivered with national co-financing. As a result, the visibility of what activities were funded is less clear.
- 2.4 The ESF Priorities provided the structure for the North West ESF Plan which focused on:

Priority 1: Extending Employment Opportunities:

- o Improving employability and skills of unemployed and economically inactive people;
- o Tackling barriers to work faced by disadvantaged groups: people with disabilities and those with health conditions; lone parents; older

- workers; BME communities; people with low skills; and those living in deprived communities; and
- o Reducing the number of young people who are not in education, employment of training (NEET).

Priority 2: Developing a Skilled and Adaptable Workforce

- o Reducing the numbers of people without basic skills and Level 2 qualifications and training to Level 3 to address intermediate skills shortages; and
- o Provide higher level skills training in small enterprises (up to 50 workers) and training trainers to deliver ESF services.

Much of the activity targeting disadvantaged groups and the economically inactive was delivered by Co-Financed activity of the Department for Work and Pensions.

Some of the key activities identified for ESF support included engagement of people through community projects and volunteer activities; support for the most disadvantaged to gain sustainable employment and; retraining people at risk from redundancy.

There are no detailed figures readily available at Greater Manchester or City of Manchester level for this period but we do know that c.£80m was allocated to DWP for their non-Merseyside activity across the North West over the 2007 to 2015 period.

2.5 Current ESF objectives for the period 2014-20 across the 27 member States under the EU2020 Strategy are:

- **Employment** - 75 percent of the population aged 20-64 should be in employment.
- **Social inclusion** - 20 million less people across the EU should be at risk of poverty.
- **Education** - The share of early leavers from education and training should be under 10%; and at least 40% of 30-34 year-olds should complete third level education.

Specific recommendations related to ESF for the UK are to:

- step up measures to address youth unemployment;
- increase the quality and duration of apprenticeships
- strengthen the provision of advanced and intermediate technical skills
- enhance efforts to support low-income households and reduce child poverty by ensuring that the Universal Credit and other welfare reforms deliver a fair tax- benefit system with clearer work incentives and support services

- Accelerate the implementation of planned measures to reduce the costs of childcare and improve its quality and availability.

2.6 The UK Government developed an ESF Operational Programme for the period 2014-20 and this forms part of the current ESIF programmes alongside the European Regional Development Fund (ERDF) programme.

2.7 As part of that process, Greater Manchester developed its own ESF plan which focussed on Skills, Employment & Social Inclusion and Supporting Reform

This strategy acknowledges that GM partners are making significant investments to support job creation and enable as many GM residents as possible to benefit from the future economic growth of the city region. The ESF strategy also recognises that GM has a considerable way to go. The city region has a comparatively low skilled workforce, which accounts for the bulk of the difference in productivity between GM and the UK average, despite an education and skills system that works for many.

More than 20% of GM's ESF allocation has been identified for Social Inclusion activities. Approximately half of this will be embedded into the mainstream priorities of skills, employment and inclusion, including a theme for social innovation/enterprise and the remainder allocated to support the employment and skills aspects of the public service reform agenda.

3.0 Current Position for ESF in Manchester

3.1 The Greater Manchester ESF allocation for 2014-2020 is c.£145.2million (subject to exchange rate fluctuations).

3.2 Despite delays to the programme launch, the Greater Manchester ESIF team have worked with the national Co-Financing Organisations or CFOs, (Skills Funding Agency and the Big Lottery Fund) to develop, procure and manage ESF contracts on behalf of Greater Manchester which reflect our priorities in the ESIF Investment Plan. To date this covers seven contracts (six with the SFA, one with the BLF) totalling £39.6m. It is worth noting that SFA contracts will conclude in March 2018, with the exception of the Skills for Employment programme which is July 2019. The BLF contract is expected to finish in December 2019.

3.3 In addition, Trafford Council, on behalf of the GMCA, has secured CFO status. This status enables Greater Manchester to apply for a significant proportion of its ESF allocation in one or more 'block' requests which GM is then able to match with locally available funding (this will largely use devolved skills budgets) to commission activity which is 100% funded. This places Greater Manchester in control of the processes of commissioning, contracting and managing ESF activity. This is activity which was previously done at regional and national level by the Skills Funding Agency and DWP, and was felt to be too remote from local needs, experience and knowledge.

The table below shows the current state of the GM ESF programme in terms of activity contracted, currently being assessed for approval and planned for future activity.

Table 2: Greater Manchester ESF Allocation		
Total ESF allocation: £145.2m		
Contracted	£39.6m	27.3% of total ESF allocation
Under assessment	£32.7m	22.5% of total ESF allocation
Future calls	£72.9m	50.2% of total ESF allocation
Total at risk	£145.2m	72.7% of total ESF allocation

- 3.4 The ESF programmes links directly to the GM devolution Agreements in that GM has committed to utilise ESF to invest alongside devolved adult education budgets and the future Work & health programme adding significant value to those programmes. Under Skills for Growth, Greater Manchester plans to commission follow-on skills programmes post-2018 once the Adult Education Budgets were devolved and could be utilised by GMCA as match funding. This remains an urgent priority and there may be an opportunity for Greater Manchester to submit a further proposal to draw down a significant proportion of the funding allocation for future calls, subject to identification of match funding and GMCA approval.
- 3.5 Following the Chancellors announcement on 3rd October, Officers will work with GM colleagues to determine how much of the remaining £72.9m can be progressed through calls for projects.

4. Next Steps

- 4.1 The UK Government are starting to now set out a timetable for the UK to trigger Article 50 and commence the process for leaving the EU. If the current timetable to trigger Article 50 by March 2017 is met, we can assume the UK could then leave the EU towards the end of 2019.
- 4.2 With the Chancellor making a statement that ESIF, including ESF funds can continue to be committed and spent up to the point that the UK leaves the EU, officers will work to assess what impact this has on our future ESF programme and how much of the remaining ESF funding can be committed to projects in the period up to the UK leaving the EU.
- 4.3 A key consideration for the city will be what substitute programmes are put in place once the UK has left the EU. The ESF is currently a key programme aimed at providing funds to address social exclusion, a key policy priority for the City Council. A key consideration for the city will be what substitute programmes are put in place once the UK has left the EU. The ESF is currently a key programme aimed at providing funds to address social exclusion, a key policy priority for the City Council. As the process of negotiation gets underway it will be important to understand what the Government's proposals are in this respect and to make the case for a

continued funding programme designed to achieve similar objectives to the ESF in future.