



**LEADER OF THE COUNCIL
CLLR PHIL DAVIES**

CABINET BRIEFING
Monday, 7 March 2016

EUROPEAN ISSUES

Councillor Phil Davies, Leader of the Council - Strategic and Policy Oversight, said:

“We are determined to do all we can to put our residents into the best possible position to find good jobs. Our vision for Wirral is based on a strong local economy and this report presents an excellent opportunity for the Council to work with colleagues throughout the City Region to support residents to improve their employability skills and opportunities to find work.”

REPORT SUMMARY

This report informs members of the successful outcome (subject to funding agreement) of the Liverpool City Region (LCR) Combined Authority application to the European Social Fund (ESF) programme to support adults and young people into employment. The report sets out the implications for Wirral and the local delivery model which includes a combination of in-house delivery and commissioned activity.

The programme, to be known as the Ways to Work programme, supports the aspirations of the Wirral Plan and specifically the following pledges:

- **PLEDGE 3: YOUNG PEOPLE ARE READY FOR WORK AND ADULTHOOD**

Specifically reducing the number of young people classified as NEET (Not in employment education or training);

- **PLEDGE 4: VULNERABLE CHILDREN REACH THEIR FULL POTENTIAL**

Specifically a commitment to ensure that every child who leaves care has the opportunity to start work, further their education or enrol on an apprenticeship;

- **PLEDGE 8: GREATER JOB OPPORTUNITIES IN WIRRAL**

Growth Plan – ‘Wirral will be a place where employers want to invest, business thrives and high quality jobs are provided and where all our residents are able to contribute to and benefit from sustained prosperity and a good quality of life’, and

- **PLEDGE 16: WIRRAL RESIDENTS LIVE HEALTHIER LIVES**

Draft Healthier Lives Plan – ‘The Department of Health estimates that health services, although important to our health and wellbeing, only contribute about 20% of our health status. The other 80% is determined by access to employment and education opportunities, our income, good housing, education, transport links and supportive social networks’.

This matter affects all Wards within the Borough.

This is a key decision requesting member approval for use of Council resources which exceed £500,000.

Appendix 1 of this report contains commercially sensitive information regarding future competitive tendering processes, the disclosure of which is not considered to be appropriate. Accordingly Appendix 1 is deemed to be exempt from disclosure under paragraph 3, Part 1 of schedule 12A of the Local Government Act 1972 (as amended).

RECOMMENDATION/S

Cabinet Members are requested to:

- Note the content of this report and welcome the Letter of Intent from DWP notifying the Liverpool City Region Combined Authority of a successful application to the 2014 to 2020 European Social Fund programme (subject to funding agreement) and agree the approach as set out in this report;
- On receipt of a funding agreement from Merseytravel, as accountable body for the Combined Authority bid, authorise the Assistant Chief Executive in consultation with the Head of Legal and Member services to finalise negotiation and accept the funds on behalf of the Council;
- Authorise the Assistant Chief Executive and Strategic Director, Families and Wellbeing to commence procurement and activity and select a supplier(s) to deliver the commissioned services as outlined in Appendix 1 of this report;
- Authorise the Strategic Director, Families and Wellbeing to commence delivery of the Intermediate Labour Market programme as outlined in paragraphs 3.9 and to 3.11 of this this report;
- Authorise the Assistant Chief Executive to respond to changes to financial allocations across the Wirral and Liverpool City Region Combined Authority Ways to Work

programme as outlined in paragraph 4.1 and 4.3 this report;

- Authorise the Assistant Chief Executive and Strategic Director, Families and Wellbeing to commence job evaluation (as appropriate) and recruitment for the new posts as outlined in Table 4 of this report.
- Waive the call-in period for the recommendations in this report owing to the time critical nature of the procurement/delivery as outlined in this report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Despite success in reducing worklessness, Wirral has persistent levels that far exceed regional and national averages. The Ways to Work programme provides services to support adults and young people into employment and as such supports a number of pledges within the Wirral Plan.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Within this report members are requested to authorise Chief Officers to finalise and accept the funding agreement for ESF investment and commence procurement/delivery of Wirral's local programme as set out in the report. Wirral's programme consists of four main elements with a mix of commissioned contracts and in-house delivery. Other options considered include:

- 2.2 **Non- acceptance of funding agreement:** In October 2015 the Strategic Director, Regeneration and Environment, gained approval, via a report to the Deputy Leader of the Council, to finalise Wirral's element of a wider Combined Authority submission for ESF investment. Should the funding agreement not be accepted the Council would not be able to maximise existing funds already allocated to support this agenda which are maximised threefold by securing the additional ESF investment. Additionally this could jeopardise the Combined Authority bid as this was submitted as a city region wide programme. The Council has instructed specialist legal advice to review the funding agreement and seek to secure acceptable terms prior to signing.

- 2.3 **In house delivery:** The Council has significant experience in commissioning services with European investment to support adults and young people into employment. Additionally, should the Council deliver this service in-house then TUPE could apply from existing suppliers. The Council could additionally have the risk of significant surplus staff at the end of the delivery period owing to the scale of the programme and the time limited nature of the funding.

- 2.4 **Procure the Intermediate Labour Market through external providers:** The 14 to19 Team has extensive experience of directly delivering this type of programme via The Wirral Apprentice programme and has strong links with local employers. This activity supports the work of the 14 to 19 Team in supporting young people leaving care and other vulnerable NEET young people. Finally the majority of funding for the activity is paid in grants to employers leaving a minimal amount of funding to administer the programme as a commissioned contract.

3.0 BACKGROUND INFORMATION

- 3.1 On 1 October 2015 the Strategic Director, Regeneration and Environment, gained authority, via a report to the Deputy Leader of the Council, to finalise details of Wirral's element of a wider Combined Authority submission for ESF in response to the Department for Work and Pensions (DWP) call for proposals in the LCR to support young people and adults into employment.

- 3.2 DWP Call for Proposals for European Social Fund (Inclusive Labour Markets)

The 2014 to 2020 European Union Structural and Investment Growth (ESIF) Programme brings together European Social Fund (ESF), European Regional Development Fund (ERDF) and part of the European Agricultural Fund for Rural Development together into a single programme for England. The ESF Programme is operated as a national programme, with investment decisions taken by DWP, as the Managing Authority, in consultation with local areas who provide advice regarding the strategic fit of submitted applications. The ESF programme is structured around 3 priority axes, namely Inclusive Labour Markets; Skills for Growth, and Technical Assistance.

- 3.3 In March 2015 DWP published their first call for commissioned projects in the LCR area under the Inclusive Labour Market priority axis which sought outline proposals for projects to support adults and young people into employment. This included additional Youth Employment Initiative (YEI) funds that the LCR has been allocated to use in conjunction with ESF to support additional young people into the labour market. The Call outlined a two stage competitive application process, in order to select applicants to be invited to submit a full application at a later date. The Call for Proposals covered the following Investment Areas:

Table 1: DWP Call for Proposals in Liverpool, City Region: Inclusive Labour Markets

PRIORY AXIS	DESCRIPTION	ESF (£)	YEI (£)	TOTAL (£)
Priority 1.1	Access to employment for jobseekers and inactive people	10,900,000	0	10,900,000
Priority 1.2	Sustainable integration into the labour market of young people (specifically those at risk of becoming NEET)	600,000	0	600,000
Priority 1.3	Sustainable integration into the labour market of young people	19,684,000	19,684,000	39,368,000
Total		31,184,000	19,684,000	50,868,000

3.4 Overview of LCR Ways to Work Programme

In May 2015 the Combined Authority submitted an outline proposal for a city region programme (Ways to Work) and was subsequently invited to submit a full application. The Investment Team worked as part of a Combined Authority team developing the bid and led on the development of the Wirral element, working with colleagues from Children and Young People. The LCR submitted a full application on 2 October 2015. Of the £50,868,000 of funds available, the LCR Combined Authority bid sought funds to the value of £29,539,693 with the total LCR bid value including match funding amounting to £42,707,132.

- 3.5 The LCR Ways to Work programme is a local intelligence-driven, comprehensive and integrated programme for young people & adults, designed to improve personal resilience & progression into sustainable employment. Workless and inactive adults and young people, including those furthest from the labour market, will access a suite of tailored products which will add value to mainstream provision, respond to employer needs & yield better outcomes. High quality Information, Advice & Guidance and transitional employment opportunities are essential components of the offer, anchored by needs-led assessment to be conducted by experienced mentors in this flexible system.
- 3.6 Merseytravel is the accountable body for the Combined Authority Ways to Work programme. It is anticipated that DWP will contract with Merseytravel directly and that each constituent Council will have an individual contract with Merseytravel. The ESF

programme has been subject to significant delay nationally, firstly in the late notification of the original call for commissioned projects, followed by further delay in the assessments of submitted applications. To date the LCR has received a Letter of Intent from DWP which has confirmed that the Combined Authority application has been successful with the funding agreement expected imminently.

3.7 The precise governance of the LCR Ways to Work programme is still being finalised by the Combined Authority. At this stage it is known that Liverpool City Council will administer the programme on behalf of Merseytravel and that funding for a central team to perform this function will be met by each constituent local authority against their proportional allocation of ESF funds.

3.8 Overview of Wirral Ways to Work Programme

The Wirral Ways to Work programme consists of four main elements of delivery with a mix of commissioned contracts and in-house delivery. Three of these will be subject to future competitive tendering processes and as such details of these are included in Appendix 1 of this report which is exempt from disclosure.

3.9 **Intermediate Labour Market Programme:** The fourth element is the Wirral Ways to Work Intermediate Labour Market (ILM) programme. This will be delivered in house by the 14 to 19 Team. The programme will provide grants to employers to provide waged job opportunities for young people. As set out by DWP all ILM's will be at least the national minimum wage for 35 hours per week and should be for additional posts in sectors where growth is expected, or in organisations providing community value. Priority consideration will be given to employers paying the Living Wage Foundation Living Wage; however this will not be a pre-requisite to avoid issues with displacement and retention following the ILM period. There will be an open call for employers which will articulate the requirement to support young people, specifically those deemed most vulnerable and this will determine the duration of the ILM opportunity:

- £5k grant for 6 month ILM;
- £10k grant for 12 month ILM aimed at vulnerable NEET young people (E.g. Care Leaver, Learning Disability, Ex-offenders);
- Additional grant payment for Living Wage employers depending on duration of ILM (£500 or £1000).

3.10 The process will include De Minimis declaration/awards notices to comply with State Aid requirements and employers will be paid in arrears at set intervals upon receipt of evidence of defrayed expenditure. Across the wider LCR Ways to Work programme there will be access to cross boundary opportunities for young people.

3.11 It is anticipated that the ILM programme will commence on 1 April 2016 however this will be dependent on the Council receiving/accepting its grant funding agreement. As this activity is funded via priority 1.3 of the ESF programme all expenditure must be defrayed and claimed by July 2018. The planning assumption is for 138 ILM opportunities to be provided and for 62 young people to gain sustainable employment following their ILM. As DWP will require additional targets for young people sustained in employment for 6 months following their time on the ILM, the engagement activity/start date for this element of the programme will be significantly front loaded.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Table 2 outlines the financial breakdown of Wirral's element of the Combined Authority submission for ESF on 2 October 2015. Due to the delays in receipt of a grant agreement from DWP, the final balance of allocations by budget category and expenditure timeline is subject to a detailed re-profiling exercise in progress at the time of writing this report. Subject to receipt of the funding agreement, this report seeks Member approval to authorise the Assistant Chief Executive to respond and make changes to financial allocations across the Wirral Ways to Work Programme as appropriate.

Table 2: Breakdown of Wirral Ways to Work Programme Costs as at 01.10.15

Category	2016 (£)	2017 (£)	2018 (£)	Totals (£)
Salaries (including Wirral contribution to Central CA Team)	240,806	309,644	200,967	751,417
Overheads	28,840	37,852	25,837	92,529
Marketing	7,800	10,400	10,400	28,600
Commissioned Services	1,341,982	1,669,208	1,239,904	4,251,094
Participant Costs (including ILM grant payments)	427,974	570,632	332,869	1,331,475
Overall Total	2,047,402	2,597,736	1,809,977	6,455,115

NB: EU Funding operates on a calendar year basis.

- 4.2 In order to receive ESF funds applicants are required to financially contribute to their total project costs by committing other eligible non-European funds. On 1 October 2015 the Strategic Director, Regeneration & Environment gained authority (Deputy Leader of the Council Report) to finalise details of Wirral's element of a the CA submission; this included authority to commit £2,126,401 of eligible non-European funds in contribution to the total project costs. Table 3 outlines the source of match funding for the Wirral Ways to Work programme.

Table 3: Source of Match Funding for Wirral Ways to Work ESF Application

Budget	Value (£)	Approx. Value per annum (£)	Period	Status
Public Health Grant allocated to tackle Worklessness	1,319,636	£479,861	01.04.16 to 31.12.18	Secured
Youth Employment Gateway Grant	207,809	£103,904	01.01.16 to 31.12.17	Secured
Investment Strategy Team Core Staff Budget	178,956	70,409	01.04.16 to 31.12.18	Secured
CYPD 14-19 Team Service Budget: Raising Participation Age strategy allocation	420,000	180,000	01.04.16 to 31.07.18	Secured
TOTAL	2,126,401			

- 4.3 It is anticipated that the funding agreement will grant ESF monies on a City Region footprint; therefore there will be potential flexibility to reallocate funding levels by authority area throughout the lifetime of the programme, subject to performance and

capacity. The process for any such reallocations will be determined in the Terms and Conditions of the funding agreement issued by Liverpool City Council on behalf of Merseytravel. This report therefore seeks additional approval from Members to authorise the Assistant Chief Executive to respond to any future financial allocations across the wider LCR Ways to Work Programme as appropriate.

5.0 LEGAL

- 5.1 At this stage the Combined Authority has not received a funding agreement from DWP and as such the exact terms and conditions are unknown. That said via previous experience of delivering European funded programmes it is known that these contracts have stringent rules and regulations, rigorous financial and audit processes and can be subject to financial clawback of funds for failure to follow procedure and/or achieve the required outputs. Audit processes adopted previously have been based on sampling and if errors are found these can then be multiplied against the scale of the bid, which can significantly increase the level of financial clawback when compared against the actual identified error. DWP themselves have cited errors in procurement as being one of the most common areas found at audit.
- 5.2 As such, Officers from the Investment Team and 14 to 19 Team met with Procurement, Finance and Legal and Member Services on 19 January 2016 to set out the detail of Wirral's programme and how this fits within the wider context of the Combined Authority programme. Following this meeting the Head of Legal and Member services agreed for specialist legal advice to support the Ways to Work programme to include advice regarding the acceptance of the funding agreement and procurement, financial and audit procedures.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 The Council will manage the Wirral Ways to Work programme through staff in the Investment Strategy and 14 to 19 teams; with any new posts appointed on a time limited basis. The table below provides the anticipated breakdown of staff. Approval for new posts will be taken through the appropriate channels and all costs will be met from Wirral Ways to Work total project costs as outlined in Table 2 of this report.

Table 4: Anticipated Staff for Wirral Ways to Work Programme ESF Application

Description of Post	Grade/Anticipated Grade	Status	Team
Contract Manager	PO 10	Existing	Investment
Project Officer	PO 2	Existing	Investment
Audit and Compliance Officer	PO 10	New	Investment
ILM Delivery Manager	PO 6	New	14 to 19
ILM Support Officer	Band G	New	14 to 19
ILM Support Officer	Band G	New	14 to 19

7.0 RELEVANT RISKS

- 7.1 Merseytravel, as accountable body, will enter into a legally binding agreement with DWP and will carry the liability to ensure that the terms of the funding agreement are met; failure to do so may result in claw-back of funds because of the failure of the Council or its subcontractors to comply with those requirements. As such Merseytravel will contract with the constituent local authorities as delivery partners and pass on this

liability. The subsequent risk (which is assessed as being high) to the Council of claw-back of funds will be mitigated by:

- The Council's previous experience in managing ESF programmes and ensuring compliance with European Union procurement, financial and audit requirements;
- Additional staff (referred to in Table 4) will be appointed to monitor closely the Council and the Council's subcontractors' compliance with EU audit requirements;
- A robust Due Diligence exercise already conducted by Compliance Officers from Liverpool City Council in advance of the full submission for ESF;
- Specialist legal advice as outlined in paragraph 5.2 of this report may succeed in passing on the risk of default to the Council's subcontractors but their indemnity to the Council will not obviate the risk of their inability to defray the cost of claw back (e.g. by reason of insolvency), and
- Compliance with State Aid regulations for the ILM programme will be met via the application of De Minimis procedures which the 14 to 19 team have extensive experience of applying via their delivery of the Wirral Apprentice Programme.

8.0 ENGAGEMENT / CONSULTATION

8.1 The Ways to Work programme supports the Wirral 2020 Plan and Wirral's Growth Plan developed via consultation with partner organisations and residents.

9.0 EQUALITY IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?
(a) Yes and impact review is attached – (insert appropriate hyperlink).

Wirral Growth Plan: <https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2014-0>

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APPENDICES

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
EUROPEAN ISSUES - 2014 TO 2020 EUROPEAN UNION STRUCTURAL AND INVESTMENT FUNDS GROWTH PROGRAMME Decision of the Deputy Leader of the Council (Partially Exempt)	1 OCTOBER 2015