

The Highland Council
Planning, Development and Infrastructure Committee

18 February 2015

Agenda Item	10
Report No	DPI 7/15

Employability Services

Report by Director of Development and Infrastructure

Summary

This paper provides an update on the 2013 Internal Audit report on the Employability Service and offers a brief comment on the emerging European Social Fund Programme 2014-2020.

The work of the Employability team directly supports the Council's Programme of support for the Highland economy and specifically helps with the creation of jobs and efforts to help people who are unemployed and to assist young people who have left school to access training, education or work.

1. Background

1.1 The audit of the Employability Service was undertaken as part of the Internal Audit annual plan for 2013/14. The objective of the review was to ensure that there are appropriate controls in place for the approval, payment and monitoring of grant schemes administered by the Employability Service. In particular:

- applications are approved by the appropriate officers, and in accordance with the objectives of the relevant scheme. Member approval is obtained where necessary;
- payments to external organisations, in respect of the undernoted schemes, comply with the prescribed funding conditions and, where applicable, are supported by reports detailing performance against targets outlined in the organisation's funding application:
 - Deprived Area Funds
 - Graduate Placements
 - Create & Employ Grant Payments
- sufficient records are maintained to detail which scheme funds each client/organisation, and enable verification that payments are made from the correct scheme.

1.2 The total value of grant funding provided in financial year 2013/14, in respect of the three schemes audited, was £900,658. In addition to the Council funding, the Employability team also manage Scottish Government, and the European Social Fund (ESF) finance.

2. 2013 Internal Audit

- 2.1 The audit found that, in general, there were robust processes in place for the three grant funding schemes reviewed and substantial assurance was given. However, there are areas where the procedures could be improved in both the administration and approval of grant applications, and as a result five recommendations were made. Two of the recommendations are classified as medium priority, with the remaining three being low priority. These recommendations have been accepted by the Employability team, with agreed action due to be implemented by 30/04/15. Further information is available at **Appendix 1**.

3. European Social Fund Programme 2014-2020

- 3.1 Members will be aware from the Employability Services report to the November PDI Committee, that work is actively underway to prepare for new services post-April 2015, and for a bid for the new European Social Fund (ESF) to add value to these services. As advised in November 2014, the employability intervention within the 2014-2020 ESF Programme is entitled "Promoting Employment and Supporting Labour Market Mobility" and includes as its priorities:

- access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility; and
- sustainable integration of young people, in particular those not in employment, education or training, into the labour market.

- 3.2 Much still needs to be clarified before the Council is able to submit its first round Strategic Intervention application for ESF finance on 9 March 2015. Key issues to be clarified include:

- the unit cost payment methodologies to be used. As payment with the new ESF Programme will be outcome based, the Council will only be able to claim ESF grant money if specific outcomes are achieved. If they are not secured but activity is undertaken/paid for, then the Council will need to bear the cost 100%; and
- how Third Sector organisations will access ESF finance. Currently, unless there is a Challenge based approach approved, third sector providers will be unable to use their own resources as match funding. They will only become involved if they are successful in securing Council commissioned services.

- 3.3 Given the timelines associated with the ESF Programme, and the fact that individual stage 2 applications for each activity type to be funded will require to be submitted in April, it is envisaged that it will be late May/early June before formal ESF approval is secured. In the interim however, work will continue to review current activity, commission services, and establish new schemes for commencement early April, and thereby ensure there is no loss of momentum of activity. The implication may be that the Council will have to, in the interim, fund activity 100% if there is no opportunity to backdate ESF claims.

- 3.4 In November 2014 Members agreed to delegate authority to the Director of Development and Infrastructure, in consultation with the Chair of the Planning, Development and Infrastructure Committee, to determine the use of the current year budget and balances (to finance any ESF third sector funding shortfall), and to confirm Council match funding from the Employability budget for the new ESF Programme 2014-2020. As it transpired, grants were offered to Merkinch Enterprise (£6,250), New Start Highland (£79k), and the Shirlie Project (£34,456). These grants are for activity until the end of March 2015; they equate to the equivalent ESF finance previously secured, and will be claimed retrospectively, upon receipt of evidence of activity undertaken (as per the ESF reporting template). No confirmation of Council match funding for ESF was required.
- 3.5 Given the timelines now associated with the ESF Programme, and the need to clarify match funding in early March and possibly respond to Third Sector gap funding requests before ESF funds either become available or are not secured, Members are asked again to give delegated authority to the Director of Development and Infrastructure, in consultation with the Chair of the Planning, Development and Infrastructure Committee, to deal with these matters outwith the Committee cycle.

4. Implications

4.1 Resource

Match funding for ESF Programme activity will be secured from the Development and Infrastructure Service Employability budget.

4.2 Legal and Risk Management

The Council will carry significant legal responsibilities as Lead Agency for the programme. These will be managed within the Council's Policies and Financial Regulations.

4.3 Equalities

The Council's Employability activity, and the ESF Programme, are intended to address inequalities in employment and will link closely with other measures addressing poverty.

4.4 Rural

Scottish Government allocation methodology has recognised particular cost factors associated with provision in sparsely populated areas. The Council's approach to commissioning will need to reflect the delivery challenges of rural areas.

4.5 Climate Change, Carbon Clever and Gaelic

There are no direct Climate Change/Carbon Clever and Gaelic implications.

Recommendation

The Members are asked to:

- note the findings of the 2013 Internal Audit report on the Employability Service;
- note progress with preparations for the 2014-2020 European Social Fund Programme; and
- delegate authority to the Director of Development and Infrastructure, in consultation with the Chair of the Planning, Development and Infrastructure Committee, to confirm Council match funding from the Employability budget for the new ESF Programme 2014-2020, and respond to any interim requests for Third Sector funding if ESF funds are not secured for activity or are delayed in their availability.

Designation: Director of Development and Infrastructure
Date: 3 February 2015
Author: Andy McCann, Economy and Regeneration Manager

APPENDIX 1:

**EMPLOYABILITY SERVICE INTERNAL AUDIT
ACTION PLAN**

The Action Plan contains **5** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	2
Minor issues that are not critical but managers should address.	Low	3
Total recommendations		5

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1	Medium	5 Deprived Area Fund applications were approved by Ward Members - 4 of these would have been expected to be approved by the then Director of Planning & Development and Chair of Planning Environment & Development Committee, with the other requiring approval by the Inverness City Manager, City Leader and Chair of Inverness Common Good Fund Grants Sub-Committee.	All applications should be subject to the specified approval process for the relevant scheme.	To devise and implement a standard recording process for delegated decisions for 2014-15 DAF. To include both Area Committee decisions and any delegated decision-making agreed.	Employability Team Leader	31/03/15
3.2.1	Medium	9 of the 10 Graduate Placement scheme applications checked had no evidence of checking whether the graduate was unemployed or underemployed prior to commencing their placement.	(1) The process surrounding the checking of applications should ensure that all funding criteria are met before the application is approved.	Self-reporting and recording to be introduced.	Employability Team Leader	30/11/14
		The monthly claims and supporting documentation for 1 organisation's August 2013 claim and another organisation's July & August 2013 claims for reimbursement under the Graduate Placement Programme could not be found.	(2) The relevant supporting documentation, including monthly claims, should be retained for all grant payments.	Accepted – the missing documentation relates to early starts – verification will be undertaken as part of approvals.	Project Officer/ Economy & Regeneration Manager	30/11/14

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.1 (cont'd)		<p>No assessment was found for 2 of the 10 Deprived Area Funding applications examined during the audit.</p> <p>An organisation was approved to receive £9,000 funding from the Deprived Area Fund in financial year 2013/14. A total of £9,456 was paid to the organisation during the year, however it appears that £2,400 of this related to funding due in 2012/13.</p>		<p>The next ESF programme will have increased obligations as Lead Agency for the Council. Therefore, before the programme begins, discussions on the retention of documentation and the processing of payments will be held with Internal Audit and Business Support to agree appropriate processes and the responsibilities of each party.</p>	Economy & Regeneration Manager/ Head of Audit & Risk Management/ Head of Revenues & Business Support	31/03/15
			(3) All assessments for applications to the Deprived Area Fund should be retained.	Accepted. Check list to be introduced.	Employability Team Leader	30/11/14
			(4) The discrepancy in funding detailed above, should be investigated to ensure that the correct amount was paid to the organisation. If not, then this should be addressed.	Investigation continuing to ascertain correct action.	Employability Team Leader	30/11/14
			(5) Where there is a difference in the authorised amount to be paid and the actual amount paid, the reason for the difference should be recorded.	Accepted – file notes and recording to be improved.	Employability Team Leader	30/11/14

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.2	Low	<p>Organisations receiving Deprived Area Fund grants are requested to submit quarterly performance reports along with their invoices, however if the performance reports are not submitted payment is not withheld.</p> <p>7 of the 10 placements under the Graduate Placement Scheme examined were completed at the time of audit, however no response had been received to the evaluation questionnaire issued to the funded organisations.</p>	<p>(1) The frequency and level of detail of performance information requested should be proportionate to the level of funding and the size of the funded organisation.</p> <p>(2) The provision of performance information by funded organisations should be monitored to ensure that it is received as required by the conditions of the relevant scheme. Where there are regular difficulties in obtaining performance information, or concerns regarding the performance of an organisation, consideration should be given to withholding the next payment instalment until evidence of acceptable performance is provided.</p>	<p>To be reviewed for 2015-16 and included in approval/ claim arrangements.</p> <p>Accepted – as above.</p>	<p>Employability Team Leader</p> <p>Employability Team Leader</p>	<p>31/03/15</p> <p>31/03/15</p>
3.3.1	Low	<p>While spreadsheets detailing each organisation being funded for 2013/14 were maintained for the individual schemes reviewed, there is no overarching record detailing all organisations funded, and allowing organisations being funded from more than one scheme to be identified.</p>	<p>A composite monitoring record should be introduced to assist the Employability Service to identify organisations receiving funding from more than one Highland Council grant scheme, to ensure organisations or individuals (e.g. graduates or employment placements) are not receiving funding from more than one scheme for the same placement.</p>	<p>Noted – MIS system to be procured and will be used in conjunction with the Council's single grants process to monitor funding applications.</p>	<p>Employability Team Leader</p>	<p>30/04/15</p>

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3.3.2	Low	3 miscodings were identified in the payments reviewed during the audit, however 2 of these were identified by the monitoring process and corrected within the 2013/14 financial year.	<p>(1) The officer approving the payment should continue to verify that the correct ledger code has been used as part of the approval process.</p> <p>(2) Regular monitoring of grant payments should continue to ensure that payments are coded against the correct budget within the financial ledger.</p>	<p>Activity established and underway</p> <p>Quarterly checks to be introduced</p>	<p>Economy and Regeneration manager</p> <p>Economy and Regeneration manager/ Employability Team Leader</p>	<p>30/11/14</p> <p>30/11/14</p>