

# Highlands and Islands

## European Social Fund 2007 – 2013 Programme:

CCI: 2007UK051PO001

## 2014 Annual Implementation Report



**EUROPE & SCOTLAND**  
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Investing in your Future



**The Scottish Government**  
Riaghaltas na h-Alba

# TABLE OF CONTENTS

1. IDENTIFICATION	4
1.1 Criteria	4
1.2 Ministerial Foreword	5
2. OVERVIEW OF IMPLEMENTATION	6
2.1 Achievement and analysis of Programme progress	6
2.1.1 Information on the physical progress of the Operational Programme	6
2.1.2 Financial information	8
2.1.3 Commitment	10
2.1.4 Breakdown of use of the funds	10
2.1.5 Assistance by target groups	10
2.1.6 Assistance repaid or re-used	12
2.1.7 Qualitative Analysis	12
2.2 Compliance with Community Law	20
2.2.1 The Compliance Team	20
2.2.2 Compliance and Monitoring 2014	20
2.2.3 Article 60b Checks	21
2.2.4 Irregularities	21
2.3 Audit Authority View of Programme	22
2.3.1 System Audits	22
2.3.2 Audits of Operations	26
2.4 Competition Policy and State Aids	27
2.5 Public Contracts	27
2.6 Changes in the Context of the Operational Programme Implementation	27
2.7 Socio-Economic Context	27
2.8 Policy Development	28
2.9 Substantial Modifications under Article 57 of Regulation (EC) No. 1083/2006	31
2.9.1 Amendments made to the ESF Operational Programme	31
2.10 Complementarity with Other Instruments	31
2.10.1 European Regional Development Fund	32
2.10.2 European Investment Bank	32
2.10.3 European Agricultural Fund for Rural Development	32
2.10.4 European Fisheries Fund	33
2.10.5 Co-ordination between LUPS and Highlands & Islands Programmes	33
2.11 Monitoring Arrangements	33
2.11.1 Programme Monitoring Committee	33
2.11.2 Managing Authority Action	34
2.11.3 On-going Evaluation Activity	34
2.11.4 National Performance Reserve	35
3. IMPLEMENTATION BY PRIORITY	36

3.1	Achievement and analysis of progress	39
3.1.1	Priority 1 Increasing the Workforce	39
3.1.2	Priority 2 Investing in the Workforce	42
3.1.3	Priority 3 Improving Access to Lifelong Learning	46
4.	COHERENCE AND CONCENTRATION	49
4.1	Scottish and UK National Reform Programmes	49
4.2	European Employment Strategy	50
4.3	Contribution to Youth Employment	50
5.	TECHNICAL ASSISTANCE	52
5.1	Use of Technical Assistance	52
5.2	Use of Technical Assistance	52
6.	INFORMATION AND PUBLICITY	54
6.1	Scottish Communication Plan	54
6.2	Publicity and Information	54
Annex A	Breakdown of expenditure against Lisbon Codes	56

# 1. IDENTIFICATION

## 1.1 Criteria

<b>OPERATIONAL PROGRAMME</b>	<b>Objective Concerned:</b> Convergence
	<b>Eligible Area Concerned:</b> Highlands and Islands of Scotland
	<b>Programming period:</b> 2007 – 2013
	<b>Programme Number:</b> CCI: 2007UK051PO001
	<b>Programme Title</b> Highlands and Islands of Scotland: European Social Fund Programme 2007 – 2013
<b>ANNUAL IMPLEMENTATION REPORT</b>	<b>Reporting Year:</b> 2014
	<b>Date of Approval of the Annual Implementation Report by the Monitoring Committee:</b> 24 June 2015

## 1.2 Ministerial Foreword

This Annual Implementation Report presents the activities for the Highlands and Islands ESF Programme in 2014.

During 2014 Scotland's economy experienced positive growth accompanied by a sustained improvement in the labour market, indicating that recovery was indeed starting to have an impact; there have also been encouraging signs that business confidence is improving.

The Economic Recovery Plan continues to play an important role in this, seeking to front-load spending to help build recovery by supporting activities that will improve the long term competitiveness of the economy and support labour mobility. This meant that by the end of 2014, this ESF Programme was fully committed. Indeed, our positive approach to the use of the funds and willingness to over-programme augurs well for high levels of outturn against commitments and stakeholders ability to achieve desired outcomes.

2014 saw the culmination of the majority of projects from the 2007 – 2014 programme, where we are now in a position to reflect on achievements encompassing the three Highlands and Islands ESF Priorities. Our Community Planning Partnership focused on a number of employability related projects which tackled multiple barriers to employment throughout the Highlands of Scotland. It has successfully adapted and reacted to the changing landscape of support for employability activity making it an effective intervention within the area assisting in producing excellent outcomes. Many smaller voluntary sector projects throughout the programme area have also been instrumental in generating a positive impact, reducing barriers to employment of those furthest from the labour market.

Elsewhere, a healthy spread of individuals have gained recognised qualifications particularly in the upper advanced levels of the Scottish Qualifications framework. It is testament to a positive working relationship between colleges and businesses throughout the area. Fuelling the positive results, was a large, successful project based in Caithness and Sutherland. This activity sought an innovative programme of support, retraining and redeployment for members of the Dounreay Workforce and the wider community whose employment was threatened by the decommissioning of the Dounreay nuclear plant. A significant cohort from the area who were supported on the project exited with gaining a full/part recognised qualification. This emphasises the positive impact such projects had in utilising ESF within the programme area.

The Programme achieved its N+2 expenditure targets and was fully committed by the end of 2014.

The ESF fund will continue to support both training and employability in the new 2014-2020 Programme with a renewed focus on those furthest away from the labour market who suffer from multiple barriers to employment. To further strengthen our commitment, we will focus not only on unemployment but also on the those issues which contribute to the causes of poverty and discrimination, such as lack of child-care and a need for greater financial inclusion. We were only able to achieve this, by working jointly with our stakeholders which brought together expertise from both policy makers and the Third Sector.

We look forward to working in partnership both across government and with our external stakeholders to ensure that we use these funds productively and, where we can make can make the greatest impact.

**Keith Brown**  
**Cabinet Secretary for Infrastructure, Investment and Cities**



## 2. OVERVIEW OF IMPLEMENTATION

### 2.1 Achievement and analysis of Programme progress

This section examines the progress made during the year in implementing the Highlands and Islands ESF Operational Programme. It has been reviewed from a range of different financial and physical perspectives and the data have been extracted from the EUROSYS online application and claims system. The financial tables in Section 2.1.2 highlight expenditure paid out by the project beneficiaries and included in payment claims sent to the Managing Authority. The remainder of this section highlights the physical information of the Operational Programme.

#### 2.1.1 Information on the physical progress of the Operational Programme

The physical progress against the indicators and targets contained within the Operational Programme are detailed within Chapter 3. The table below details progress against each of the 3 Priorities to the end of 2013, from commitments made under Rounds 1 – 7, inclusive. This includes the Operational Programme target, the forecast targets from committed projects and the actual achievements to date.

Indicator Name	Type	Target	Forecast	% Target Met by Forecast	Actual	% Target Met by Actual
Number of participants receiving support.	Output	10,930	38,494	352%	33,801	309%
Number of participants with multiple deprivations.	Output	1,400	12,152	868%	10,700	764%
Number of participants entering employment.	Result	1,000	5,340	534%	4,180	418%
Number of participants entering education or training.	Result	1,000	3,677	368%	1,771	177%
Number of participants gaining a partial or full qualification.	Result	4,960	37,742	761%	3,435	69%
Number of participants in employment six months after leaving.	Result	500	6,622	1324%	4,188	838%
Number of male participants without basic skills.	Output	1,130	1,982	175%	1,687	149%
Number of female participants without basic skills.	Output	1,130	1,588	141%	1,688	149%
Number of male participants without level 2 skills.	Output	1,130	1,782	158%	593	52%
Number of female participants without level 2 skills.	Output	1,130	1,259	111%	487	43%
Number of male participants without level 3 skills.	Output	430	2,479	577%	2,033	473%
Number of female participants without level 3 skills.	Output	430	1,760	409%	1,277	297%
Number of male participants gaining basic skills.	Result	440	1,917	436%	1,290	293%
Number of female participants gaining basic skills.	Result	440	1,686	383%	1,131	257%
Number of male participants gaining level 2 skills.	Result	350	2,501	715%	840	240%
Number of female participants gaining level 2 skills.	Result	350	1,804	515%	757	216%
Number of male participants gaining level 3 or above skills.	Result	90	4,048	4498%	1,481	1646%
Number of female participants gaining level 3 or above skills.	Result	90	3,702	4113%	1,941	2157%
Number of women in projects addressing better gender balance	Output	850	2,471	291%	2,578	303%
Number of women going into gender-imbalanced sectors after six months.	Result	510	75	15%	29	6%
Number of participants in projects addressing managerial skills.	Output	370	3,415	923%	1,931	522%
Number of participants in projects addressing continuing professional development.	Output	480	4,458	929%	4,519	941%
Number of participants gaining level 6-10 skills.	Result	340	355	104%	64	19%
Number of participants from social enterprises.	Output	850	1,034	122%	600	71%
Number of participants from social enterprises gaining a partial or full qualification.	Result	600	738	123%	412	69%
Number of participants who are trainers.	Output	850	439	52%	456	54%
Number of projects supporting the development of new courses/materials or innovative approaches to learning.	Output	30	52	173%	50	167%
Number of local learning centres/access points/workplace initiatives supported.	Output	120	183	153%	183	153%
Number of trainers gaining a partial or full qualification.	Result	600	381	64%	338	56%
Number of new courses/materials developed.	Result	300	323	108%	419	140%
Number of participants benefiting from local learning centre/access point/workplace initiative support.	Result	2,800	2,076	74%	1,478	53%

It was identified that the EUROSYS Management System was incorrectly reporting against projects that had been offered a grant but were thereafter withdrawn or decommitted. An

exercise was undertaken in early 2015 to remove these achievements that had previously been reported in error; the above figures reflect a more accurate picture.

## 2.1.2 Financial information

### 2.1.2.1 Payments to Project Sponsors

Priority	Fund scope	Expenditure paid out by the beneficiaries included in payment claims sent to the Managing Authority	Corresponding Public Contribution	Private Expenditure	Expenditure paid by the body responsible for making payments to the beneficiaries	Total payments received from the Commission	% of Allocation Paid
(1) Increasing the Workforce	ESF	€32,226,914.40	€32,226,914.40	€0	€20,947,494.16	€16,965,484.04	84%
(2) Investing in the Workforce	ESF	€25,999,997.00	€25,999,997.00	€0	€16,899,998.05	€15,454,393.41	113%
(3) Improving Access to Lifelong Learning	ESF	€9,959,219.70	€9,959,219.70	€0	€6,473,492.81	€5,386,838.39	77%
(4) Technical Assistance	ESF	€1,873,800.16	€1,873,800.16	€0	€1,217,970.10	€1,005,976.06	80%
<b>Grand Total</b>		<b>€70,059,931.26</b>	<b>€70,059,931.26</b>	<b>€0</b>	<b>€45,538,955.32</b>	<b>€38,812,691.89<sup>1</sup></b>	<b>92%</b>

<sup>1</sup> Still awaiting payment of Payment Request 7 (see table below)



### 2.1.2.2 Payment Received from European Commission

The table below shows the payments requested and received<sup>2</sup> under the Highlands and Islands (H&I) ESF 2007 – 2013 Programme. The H&I ESF N+2 target was met by the end of 2014.

H&I ESF CCI 2007UK051PO001		Taken from EC Declarations			Taken from EC Receipts				
Payment Request No	Date	Expenditure Declared	Cumulative Expenditure	EC Declaration Community Support Requested	Community Support Received	Date Received	Sterling Received	Cumulative Sterling Received	Exchange Rate
2% Advance	07/12/2007	N/A	N/A	N/A	€ 1,043,003.90	07/12/2007	£753,361.72	£753,361.72	0.7223
3% Advance	29/02/2008	N/A	N/A	N/A	€ 1,564,505.85	29/02/2008	£1,184,330.93	£1,937,692.65	0.7570
2.5% Advance	28/04/2009	N/A	N/A	N/A	€ 1,303,754.88	28/04/2009	£1,166,860.61	£3,104,553.26	0.8950
1	09/09/2009	€ 394,754.68	€ 394,754.68	€ 197,377.34	€ 197,377.34	30/12/2009	£177,383.02	£3,281,936.28	0.8987
2	22/12/2009	€ 1,586,386.40	€ 1,981,141.08	€ 793,193.21	€ 793,193.21	10/02/2010	£694,915.69	£3,976,851.97	0.8761
3	17/12/2010	€ 14,240,163.42	€ 16,221,304.50	€ 8,742,211.88	€ 8,742,211.88	31/08/2011	£7,725,387.77	£11,702,239.74	0.8836
4	16/12/2011	€ 20,739,881.10	€ 36,961,185.60	€ 14,291,991.33	€ 14,291,991.33	26/07/2012	£11,190,114.79	£22,892,354.53	0.7829
Rejected 5	18/12/2012	€ 11,865,642.82	€ 48,826,828.42	€ 7,712,668.82					
Revised 5	26/06/2013	€ 10,716,149.95	€ 47,677,335.55	€ 6,965,498.38	€ 6,965,498.38	18/07/2013	£5,974,419.44	£28,866,773.97	0.8577
6	16/12/2013	€ 12,034,498.13	€ 59,711,833.68	€ 7,822,424.60	€ 7,822,424.60	26/02/2014	£6,423,915.94	£35,290,689.91	0.8212
7	19/12/2014	€ 10,348,097.58	€ 70,059,931.26	€ 6,726,264.26					
Cumulative Community Support received				€ 45,538,961.00	€ 38,812,696.74				

Payment Request 5 rejected at the Commission's request to take account of the agreed self-correction figure during 2013.

<sup>2</sup> Payments requested and received differ in the two tables as a result of rounding.

### 2.1.3 Commitment

Six commitments were made during 2014 under Priority 4, Technical Assistance within the Highlands and Islands European Social Fund. The table below summaries commitments to the end of 2014.

Project Approvals				
	2014		Total to end 2014	
Priority	No. of Project Approvals	Sum of Grant Award	No. of Project Approvals	Sum of Grant Award
1	0	£0	76	£18,030,396.32
2	0	£0	48	£18,200,073.03
3	0	£0	20	£6,701,644.86
4	6	£15,300	13	£2,081,677.48
<b>Total</b>	<b>6</b>	<b>£15,300</b>	<b>157</b>	<b>£45,013,791.69</b>

The total Grant Awards approved to the end of 2014 is slightly less than that reported in 2013 but this is explained by the decommitment of one project during the course of 2014 and a reduction in grant offer to another.

### 2.1.4 Breakdown of use of the funds

All projects are required to submit applications through the Eurosyst online application system to enable the appropriate information required under the Council Regulation (EC) No. 1083/2006 Article 37(d). The categories of assistance have been compiled by all applicants receiving Structural Fund assistance.

Annex A details commitment against the various Lisbon Codes.

### 2.1.5 Assistance by target groups

In accordance with Commission Regulation 1828/2006 Annex XXIII additional reporting is required in relation to indicators that do not have targets set for them. The ESF Programme is targeted most specifically under Priorities 1 and 2 as highlighted within the approved Operational Programme. In addition, the Programme recognises that skills development within target sectors highlighted within the Highlands and Islands ERDF Operational Programme are a priority and activities to be funded especially under the SDB application from UHI Millennium Institute under Priority 3 will target these.

A fuller breakdown of indicator achievements can be found in Annex XXIII within the ESF AIR section of the SFC database. There is a small difference in the figures between those shown in both the Indicator Values within the SFC database and at Priority level in Chapter 3 and those found in Annex XXIII of the SFC database. This is due to extracting figures from the main data management system, €EUROSYS, on different dates. €EUROSYS is a live tool and as project sponsors add information on a daily basis, the end totals are continuing adjusting.

The table below reflects the achievements for 2014:

(Sub)Priority		Current Year			
		People Entering		People Leaving	
		Total	Woman	Total	Woman
1	Total number of participants	1,401	496	1,286	503
1	Employed	0	0	0	0
1	of which self-employed	0	0	0	0
1	Unemployed	946	370	887	241
1	of which LTU	40	6	284	75
1	Inactive	455	126	399	262
1	of which in education/training	0	0	36	13
1	Young people (15-24 years)	688	259	566	176
1	Older people (55-64 years)	115	44	51	20
1	Migrants	63	35	373	181
1	Minorities	0	0	0	0
1	Disabled	0	0	0	0
1	Others	0	0	0	0
1	Primary or lower secondary education (ISDEC 1 and 2)	1,161	387	1,068	404
1	Upper secondary education (ISCED 3)	104	48	90	34
1	Post-secondary non tertiary education (ISCED 4)	58	22	81	44
1	Tertiary education (ISCED 5 and 6)	78	39	47	21
2	Total number of participants	2,016	1182	2985	1654
2	Employed	1,731	1005	2805	1554
2	of which self-employed	15	9	224	140
2	Unemployed	42	20	90	50
2	of which LTU	0	0	23	16
2	Inactive	243	157	90	50
2	of which in education/training	0	0	50	29
2	Young people (15-24 years)	442	222	1075	513
2	Older people (55-64 years)	358	179	269	430
2	Migrants	0	0	60	33
2	Minorities	0	0	60	33
2	Disabled	0	0	179	33
2	Others	0	0	0	0
2	Primary or lower secondary education (ISDEC 1 and 2)	716	359	321	110
2	Upper secondary education (ISCED 3)	355	214	189	71
2	Post-secondary non tertiary education (ISCED 4)	239	144	1112	614
2	Tertiary education (ISCED 5 and 6)	706	465	1363	859
3	Total number of participants	2	2	4	4
3	Employed	2	2	4	4
3	of which self-employed	0	0	4	4
3	Unemployed	0	0	0	0
3	of which LTU	0	0	0	0
3	Inactive	0	0	0	0
3	of which in education/training	0	0	0	0
3	Young people (15-24 years)	0	0	1	1
3	Older people (55-64 years)	0	0	0	0

		Current Year			
		People Entering		People Leaving	
(Sub)Priority	Indicator	Total	Woman	Total	Woman
3	Migrants	0	0	1	1
3	Minorities	0	0	0	0
3	Disabled	0	0	0	0
3	Others	0	0	0	0
3	Primary or lower secondary education (ISDEC 1 and 2)	0	0	0	0
3	Upper secondary education (ISCED 3)	0	0	0	0
3	Post-secondary non tertiary education (ISCED 4)	0	0	0	0
3	Tertiary education (ISCED 5 and 6)	2	2	4	4

### 2.1.6 Assistance repaid or re-used

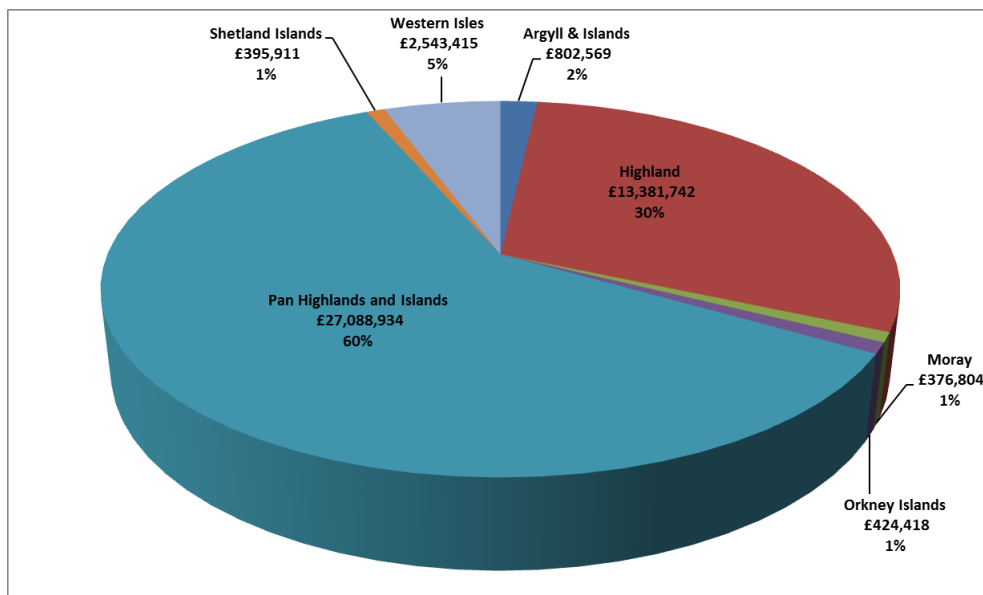
During 2014 1 project was decommitted. This returned £1,005,495 grant funding to the Programme, under Priorities 1.

To 31<sup>st</sup> December 2014, final claims had been processed on 97 projects and £961,831.36 of expenditure had been under-claimed against approved ESF projects.

### 2.1.7 Qualitative Analysis

#### 2.1.7.1 Geographical Analysis

Six project approvals were made under the Technical Assistance priority during the course of 2014, all pertaining to the wider Pan Highlands and Islands area. Otherwise, little change to that reported since 2011.



#### 2.1.7.2 Horizontal Themes

Horizontal themes underpin the projects which are funded by the Operational Programmes. A key measure in ensuring that good practice is embedded within the programme, horizontal themes must be an integral part throughout the life cycle of a project. The three themes-

environmental sustainability, equal opportunities and social inclusion- are present throughout the entire process, from development through delivery and monitoring and evaluation. To this end, on the spot visits monitor the progress of the projects to ensure that the horizontal themes are being instituted as core values within the projects. Visiting team members ask to see clear examples and evidence of how the project management have considered and implemented the values of the three themes. Project management is also responsible for ensuring that partners and sub-contractors involved in the project also follow the same policy.

The purpose of this summary is twofold: firstly it will describe the ways in which these projects contributed to horizontal themes and, secondly, discuss our preparation for the programme. First of all, however, the report will describe the horizontal themes and their purpose.

### **Social Inclusion**

The Scottish Government is committed to provide the opportunities and the incentives for all to contribute to Scotland's sustainable economic growth. Reducing inequalities in income and opportunity is critical to achieving the Scottish Government's aim of making Scotland a better, fairer place for everyone, no matter where they live. Despite progress in a number of areas, substantial differences in life chances, quality of life and social inclusion are evident. This has been confirmed by the first results from the largest survey of poverty ever conducted in the UK, published in March 2013.

By reconnecting large numbers of people in disadvantaged groups and communities to the mainstream economy, and encouraging work that pays fairly, we help more people in Scotland to fulfil their potential, increase economic growth and participation in our labour market, and create greater social equality across Scotland. This improves the capacity of individuals and their families to lift themselves out of poverty.

### *Welfare Reform*

The UK Government has introduced the Welfare Reform Act 2012 which will see significant changes to the welfare system impacting on people and policies in Scotland. Welfare Reform is a matter wholly reserved to the UK Parliament however the reforms will impact upon people and services across Scotland. This is why we are committed to working with our partners and stakeholders to better understand and, where possible, mitigate the worst effects. We are working in partnership with local authorities, third sector, health sector and the housing community in a collaborative effort to support people in the transition to the new benefits regime and to do what we can to mitigate as many adverse consequences as possible.

<b>Project Applicant</b>	The Shirлие Project
<b>Project Reference</b>	H&I/ESF/2011/7/1/0089
<b>Project Title</b>	Highland Supported Employment
<b>Grant Award</b>	£507,304
<b>Project Description</b>	<p>The Shirлие Project is a Highland wide organisation offering robust person centred interventions which result in sustainable open paid employment for people with additional support needs and those furthest removed from the job market.</p> <p>The common thread of Shirлие programmes is that each individual, with the support of the team, is put in charge of the direction their future will take. They will be financially better off by entering work and ESF supported intervention strengthens progression and sustainability by recognising the need for creating a healthy work life balance. Through this approach there is the opportunity for ambition, aspiration and employment to be a key part of someone's recovery plan from mental ill health or acquired brain injury etc.</p>

<b>Addressing Horizontal Themes</b>	The principle of the Shirly Project is to work with and support those who generally face social isolation in their lives and often come up against barriers when seeking work or education. In all of their programmes are included interventions to reduce these barriers and to ensure that once in work clients are treated and paid equally. Their “Bigger Picture” programme is a prime example of showing how early intervention for those facing social isolation on leaving school can have an extremely positive effect not only for the young person but also for their families and the surrounding community.
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## **Equal Opportunities**

### *Equality and the Budget*

In October 2014, the Scottish Government published the sixth annual Equality Statement alongside the Scottish Draft Budget 2015-2016.<sup>3</sup> It provides an equality context for the budget and outlines the evaluation of the equality impacts of proposed spending plans.

The Equality Budget Statement evaluates the impacts across each portfolio, identifying particular areas for focus or concern to report on in 2015 to ensure that progress is monitored and effectively measured.

The statement highlighted a number of key opportunities for long-term consideration and improvement:

Improved guidance and dialogue: EBS guidance continues to be refreshed and improved. In addition, this year’s EBS contains a series of short chapters covering strategic themes identified through discussions with EBAG and consistent with areas of inquiry raised by last year’s budget scrutiny:

- Devolved Taxes
- Welfare Reform
- Modern Apprenticeships
- Human Rights and the Budget

To inform the preparation of these chapters, EBAG hosted discussions with relevant policy teams and analysts to share insight about the kinds of equality consideration that might be taken into account to help create better outcomes through policy design and budget decisions.

Continuous improvement: Each portfolio has identified key areas of focus or concern to report on next year to ensure effective use of the assessments undertaken in the year. This year the EBS also reflects budget decision making in two new Cabinet portfolios: Training, Youth and Women’s Employment and Commonwealth Games, Sport, Equalities and Pensioners’ Rights.

Equality Evidence: The Equality Evidence Finder has continued to be updated with new evidence from the 2011 Census and other sources. New equality analysis from the census, covering a number of protected characteristics across policy areas, will be released later in October 2014 helping further to fill gaps in the equality evidence base.

## **Public Sector Equality Duty**

In December 2013, the Scottish Government published proposals to enable the better performance of the Public Sector Equality Duty, as required under the Equality Act 2010<sup>4</sup>.

<sup>3</sup> <http://www.gov.scot/Resource/0046/00460433.pdf>

<sup>4</sup> <http://www.scotland.gov.uk/Resource/0044/00440910.pdf>

The commitment by Scottish Ministers' to improve the quality of equality outcomes and the continued development of a robust and wide equalities evidence base underpins the statement, with the following themes for activity identified:

- Setting and reporting on equality outcomes;
- Practice sharing and knowledge transfer;
- Reporting on pay gaps and occupational segregation;
- Improved national and local data availability.

### Occupational Segregation

The Scottish Government continues to convened its Occupational Segregation Cross-Directorate Working Group, to act as the main vehicle for taking forward work to tackle gender stereotyping and occupational segregation - and to implement the relevant recommendations of the Women's Employment Summit and the Royal Society of Edinburgh's Tapping All Our Talents<sup>5</sup> report.

The group is chaired by the Head of the Scottish Government's Equality Unit and has a core membership of Government officials and representatives of Close the Gap, the Scottish Resource Centre for Women in Science, Engineering and Technology, Men In Childcare and the STUC; but will invite other members as required depending on the policy areas being considered. This is likely to include officials from other areas of the Scottish Government and from delivery agencies as appropriate e.g. Scottish Enterprise, Highlands and Islands Enterprise and Skills Development Scotland.

The Group reports directly to the Strategic Group for Women and Work, chaired by the Minister for Youth Employment, which has a remit to agree:

- the range of actions and recommendations from the Women's Employment Summit;
- priorities across each commission and the timescales for action and by whom;
- content of Ministerial reports to Parliament on progress.

<b>Project Applicant</b>	North Highland College
<b>Project Reference</b>	H&I/ESF/2011/7/1/0061
<b>Project Title</b>	ESOL
<b>Grant Award</b>	£190,220
<b>Project Description</b>	Through this project, The North Highland College will deliver high quality English language tuition to 250 participants via certificated classes on a "needs led" basis. Any shifts in the demographic of the Highland migrant workers can therefore be quickly identified and acted upon.
<b>Addressing Horizontal Themes</b>	This project addresses equal opportunities by ensuring that migrants moving into the Highlands and Islands are able to access English language training at a time and place suitable for them as well as training settled migrants to a higher level of English language. The College aims to train a large group of people with diverse needs in terms of their English language training coming from all over the world. There are many different reasons for migrants to seek this type of training. In some cases the person may be well qualified in a profession from their own country but require grounding in English to ensure they can continue their profession in Scotland. Others may not be at a professional level but wish to gain work in the service industry and struggle due to the language barriers, introduction to state administrative systems as well as confidence building.

<sup>5</sup> Tapping All Our Talents

[http://www.royalsoced.org.uk/cms/files/advicepapers/inquiry/women\\_in\\_stem/tapping\\_talents.pdf](http://www.royalsoced.org.uk/cms/files/advicepapers/inquiry/women_in_stem/tapping_talents.pdf)

	To minimise the exclusion of specific individuals or groups training will be provided in dedicated centres, however, where viable groups are identified training will also be provided in the workplace or at a location suitable for the client group. In addition, learning materials will be made accessible to the beneficiaries both in the workplace and if appropriate in other public places, e.g. libraries. The addition of social orientation within the programme will ensure that potential barriers to services and inclusion are minimised for migrant workers and their families.
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### **Environmental Sustainability**

The goal of sustainable development is to enable all people throughout the world to satisfy their basic needs and enjoy a better quality of life without compromising the quality of life of future generations.

The Scottish Government has as its overall purpose to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

For Scotland we are delivering this through our work supporting Scotland's transformation to a low carbon economy.

The threat that climate change poses to the people of Scotland, our quality of life and our environment is clear. For this reason, we will continue to support international efforts to prevent the very real economic and social impacts of climate change on present and future generations, and on the biodiversity within our environment. It is imperative that we act both locally and globally to reduce damaging greenhouse gas emissions by moving to a low carbon economy.

A low carbon Scotland will capitalise on both our natural resources and the talents and skills of our people. It will make better use of our precious natural resources both at home and abroad, reduce our dependence on fossil fuels and provide us with greater resilience to volatile energy and commodity prices.

A low carbon Scotland will reduce the amount of energy people need to use in their homes, schools, workplaces, and public buildings and, in doing so, help to reduce levels of fuel poverty. It will improve our public spaces and improve public health by reducing traffic pollution, increasing active travel and increasing woodland cover, particularly in and around urban areas. Tree planting, peatland restoration and increasingly sustainable land use will also benefit our biodiversity.

Simply put, a low carbon Scotland is a better Scotland and an investment in the future. The Scottish Government has made the transition to a low carbon economy a strategic priority in our Government Economic Strategy.

The Low Carbon Scotland Behaviours Framework<sup>6</sup>, published on 4 March 2013, lays out what the Scottish Government will do to drive and support the move to low carbon living in the lead-up to the first key climate change target in 2020.

Supporting the Framework, Influencing Behaviours – Moving Beyond the Individual: A user guide to the ISM tool<sup>7</sup> was published on 5 June 2013. Using the latest social science

<sup>6</sup> <http://www.scotland.gov.uk/Publications/2013/03/8172>

<sup>7</sup> <http://www.scotland.gov.uk/Publications/2013/06/8511>



research the new ISM (Individual, Social and Material) tool was developed as a practical tool for policy makers and others to understand influencing people's behaviours.

A number of workshops using the ISM tool are taking place over the summer and we will provide a web update in the autumn, highlighting the progress that we are making.

The Low Carbon Behaviours – Key Data for Scotland<sup>8</sup> report, published on 4th October 2013, provides trend data, where available, for the Scottish Government's 10 Key Climate Change Behaviours areas. The key areas span home energy, personal transport, food and consumption.

The ISM (Individual, Social and Material) Tool Progress Report<sup>9</sup>, published on 30th October 2013, is a short report highlighting progress to date in disseminating and using the ISM tool within the Scottish Government and its agencies, as well as other environmental organisations. It provides an update on the workshops that have taken place to date and those that are planned for the future to improve the behavioural aspects of RPP2 policies, spanning transport, housing, waste and farming.

<b>Project Applicant</b>	Forestry Commission Scotland
<b>Project Reference</b>	H&I/ESF/2011/7/2/0074
<b>Project Title</b>	Forest Sector Skills
<b>Grant Award</b>	£840,945
<b>Project Description</b>	This project seeks to establish and embed a recognisable and viable pathway for participants entering the forest industry from a wide and diverse range of entry levels. The project seeks to further support and establish the vocationally based learning benefits of the Modern Apprenticeship Scheme within the Forestry Commission and as a result provide the impetus and basis for the encouragement and establishment of skill based learning in the wider forest industry. The Forest Sector Skills Project further develops this aim and that of previous projects by seeking to support the development and integration of participants who have followed a further education route into the industry, thus providing the impetus for a more integrated and collective response to the changing skill sets of the industry and educational and societal aspirations.
<b>Addressing Horizontal Themes</b>	<p>The Forestry Commission is committed to responsible environmental management across all our areas of business. In doing so, the organisation has developed an effective Environmental Management System (EMS), which is benchmarked on international standards and independently assessed and certified under ISO 14001, and seeks to ensure the organisations environmental objectives are implemented throughout the organisation, and that staff, contractors and suppliers understand their roles and responsibilities in helping us achieve them. In addition, the National Forest Estate continues to be managed and operated by the Forestry Commission under the UK Woodland Assurance Scheme (UKWAS) and in conjunction with the EMS and ISO 14001 (which will predominantly apply to the organisations offices, administrative and support functions), the organisation can ensure that environmental impacts are sustainably managed across all aspects of our business.</p> <p>Within this working environment, the project participants will be made aware, be trained and learn environmental sustainability as both an operational practitioner but also has a valued employee of the organisation, thus helping the Forestry</p>

<sup>8</sup> <http://www.scotland.gov.uk/Publications/2013/10/3267>

<sup>9</sup> <http://www.scotland.gov.uk/Topics/Environment/climatechange/scotlands-action/lowcarbon/lowcarbonbehaviours/ismprogressreport>

	Commission maintain its internationally and nationally recognised UKWAS and ISO 14001 status. Consequently, it is expected that environmental sustainability will be embedded within the project participants work experience and training.
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### **Innovative actions**

In 2014 a variety of projects clearly demonstrated a dedication to upholding key horizontal themes. One such project which demonstrates an innovative approach to helping those who work in an industry with a widening skill gap is the Uist Wool project, described below:

<b>Project Applicant</b>	Uist Wool
<b>Project Reference</b>	H&I/ESF/2011/7/2/0081
<b>Project Title</b>	CALANAS - Transforming Traditional Skills
<b>Grant Award</b>	£220,392
<b>Project Description</b>	<p>The Calanas training programme has been developed and delivered by Uist Wool with in-house training supervision and professional tutors from the industry. Participants progress from Introductory level workshops, that require no previous training or skills, to the core-training level, which requires some knowledge of the sector and some facility in basic skills. At the Placement level, up to 4 FTE placements will be offered, which will be work-place based and may be full or part-time.</p> <p>Placement-level trainees complete a new SQA approved qualification in Woolwork and Mill Machinery, paralleling the successful vocational training model developed locally by the Grimsay Boatshed. The new qualification is delivered by Uist Wool with Cothrom, South Uist as the SQA delivery centre. Taken together, the three levels of training offered through 'Calanas' will enable participants to find employment within the growing field of small production weaving and spinning businesses – with a particular focus on Uist Wool's production centre on Grimsay.</p>
<b>Addressing Horizontal Themes</b>	<p>Calanas has the potential to bridge the widening skills gap within the wool mill industry in Scotland and the rest of the UK. Generally those who have spent a lifetime working in this sector are nearing retirement and there is a real danger of losing a depth of knowledge about the specialised production methods associated with converting raw fleece to a finished spun product. Through Calanas, Uist Wool aims to capture this indigenous knowledge and pass it on to the next generation who will apply a contemporary edge to a high quality manufactured product with a collective heritage firmly rooted in the Outer Hebrides.</p> <p>Creative Industries are emerging with a strong identity in the cultural economy of Scotland and going beyond the purely leisure or tourism tags associated with them in the past. Uist Wool has carefully assessed the market in planning development of the enterprise to meet the ambitions of the Scottish Government to create a vibrant cultural economy in Scotland.</p>

#### **2.1.7.3 Transnational Activity**

The European Structural Funds has invested in Scotland's marine environment and coastal communities to promote sustainable economic growth within marine industries, and in particular, the marine renewables industry. This has included the WATERS Marine Energy R&D Fund, a collaborative venture between Scottish Enterprise, Scottish Government Renewables division and Highlands & Islands Enterprise. This fund has enabled Scottish marine technology developers to keep ahead of the game and accelerate the commercial development of existing

technologies, reduce capital and operational costs, and develop, demonstrate and verify new devices and systems.

Established in 2003, The European Marine Energy Centre (EMEC) is the first and only centre of its kind in the world to provide developers of both wave and tidal energy converters – technologies that generate electricity by harnessing the power of waves and tidal streams – with purpose-built, accredited open-sea testing facilities. Its base in Orkney is ideal, with excellent oceanic wave regime, strong tidal currents, grid connection, sheltered harbour facilities and the renewable, maritime and environmental expertise that exists within the local community. European Structural Funds has supported EMEC by investing in new and enhanced facilities like the Stromness Marine Renewables Service Base, Orkney Marine Renewables Infrastructure Hatston, and Lyness Marine Renewables Facility.

Contributions towards the blue growth agenda have been complemented by other marine-related initiatives through the support of wider EU funding instruments, and often in collaboration with partners from other regions of Europe, and beyond.

The oceans represent a vast and largely untapped source of energy in the form of surface waves, fluid flow, salinity gradients, and thermal. The MERIKA (Marine Energy Research Innovation and Knowledge Accelerator) is an ambitious FP7 supported initiative by UHI (University of the Highlands and the Islands) that seeks to establish a marine energy research and innovation hub in the region. Alongside seven European scientific institutions, and in cooperation with three UHI partners, the project has focussed on building research capacity, upgrading infrastructure, and reinforcing international collaboration with stakeholders from across the marine energy sector. This has resulted in the UHI Faculty of Science, Health and Engineering becoming a reference research and innovation hub for all of Europe on the theme of marine energy, enabling research to be carried out where key resources – wind and waves – are to be found.

The INTERREG Cross Border Cooperation programme contributed to the Sustainable Fuels from Marine Biomass project, BioMara, a joint UK and Irish project that aimed to demonstrate the feasibility and viability of producing third generation biofuels from marine biomass. The science investigated macroalgae (seaweeds) and microalgae (single-celled plants) for their potential to provide sustainable fuel, and in addition, the project studied the environmental, social and economic impacts of using marine biofuel. A key remit of BioMara was to engage with the wider community and stakeholders were kept in touch with research developments through newsletters and meetings to learn how BioMara may help with long-term energy needs, business development or social projects. BioMara had 6 scientific partner institutes, led by the Scottish Association for Marine Science on the West Coast of Scotland.

The Community and Business toolkit for marine renewable Energy Development (MaRET) supported by the INTERREG Northern Periphery Programme has assisted in providing leading-edge knowledge, guidelines and strategies for developing renewable energy resources. North Highland College UHI worked with partners in Ireland to strengthen the ability of communities to successfully build a competitive renewable energy industry, and create a toolkit to guide the development of community infrastructure, government incentives and business and community investment. The ultimate outcomes have been to encourage locally produced renewable energy, economic development of a lasting nature, globally competitive expertise and skills, and innovative technologies and processes that will be in demand around the world.

ASSEMBLE is an FP7 research network of 9 marine research stations in Europe, Israel and Chile, to include the Scottish Association for Marine Science. The project has provided access to a comprehensive set of coastal marine ecosystems, to research vessels, state-of-the-art experimental facilities and a wide variety of marine organisms; either as research visits or by shipment. Networking activities enhanced interoperability both within and outside of the ASSEMBLE network through workshops, and in addition establishing a virtual tool-box and a

common database for marine organisms. Joint research has improved the provision of marine biological and/or ecological models with an emphasis on models for marine genomics.

These, and other marine and maritime partnership projects, have helped us better achieve the integrated management of Scotland's seas. It is through the efforts of collaborative research, exchange of knowledge and experience, and the attainment of new skills and competences that the waters surrounding our nation can offer us new economic growth opportunities, help diversify our maritime industries, strengthen and rejuvenate our coastal communities, and ensure a healthy and sustainable marine environment for the future.

## **2.2 Compliance with Community Law**

The Scottish Government ensures full compliance with all aspects of Community law during the implementation of the ESF Programme.

Management and Control

### **2.2.1 The Compliance Team**

The Scottish Government is continuing to use the 4 stage compliance system:

Stage 1: Administrative checks (desk based) under Article 60(b)

Stage 2: On-the-spot checks under Article 60(b)

Stage 3: Analysis of findings from the Compliance checks at Stage 1 and 2

Stage 4: Article 62 work undertaken by the Audit Authority (AA)

The role of the Compliance Team (CT) is to ensure that the Management Control System (MCS) is fully adhered to in the implementation of the Structural Funds programmes in Scotland. The team continues to undertake a detailed programme of Article 60b visits in line with the approved MCS. The team liaises closely with MA staff to ensure that any irregular expenditure is removed from statements of expenditure and that supported actions are implemented in line with their approved applications.

A rigorous claim checking regime has been implemented which ensures that all claims are supported by a full transaction list and are not declared to the Commission until 20% of the expenditure has been checked back to source documents.

In addition, during the project selection and approval process potential projects are scrutinised to ensure that they comply with the eligibility rules.

### **2.2.2 Compliance and Monitoring 2014**

Following revisions of the MCS in 2013 no further updates were required in 2014.

The remit of the CMG is to consider analysis of the results of desk-based verification checks and Article 60(b) on-the-spot visits to projects and to identify problems that recur across projects. In doing this work, the CMG will have regard to the results of audit work carried out from time to time by DG Regio, DG Emploi, the ECA and Audit Scotland, as well as to the results of Article 62(b) checks made by the Audit Authority and checks made by the Certification Authority. During the course of 2014 the CMG met 3 times, over this period the group has discussed and acted upon:

- Progress on 20% verification checks.
- Progress on Article 60(b) on-the-spot checks.
- Progress on Article 62(b) visits.
- Analysis of the findings from the verification checks, Article 60(b) checks and Article 62(b) audits. Discussions to identify any trends or systemic weaknesses. This information is used to develop National Rules and Q&A documents.

- Proposed changes to the MCS document.
- Community Planning Partnerships.
- Progress towards N+2
- Other CA issues

### 2.2.3 Article 60b Checks

During 2014 the Scottish Government initiated 16 Article 60(b) ESF visits with 12 of these being completed. These are detailed in the table below. All follow-up action was noted within the Article 60b form completed by the compliance team following the on-site audit, wash-up meeting and follow-up work. Just over £791,500 was verified, 22% of expenditure declared at the time of the visits. Of this 0.8% has been found to be ineligible. There were no systemic errors found during these visits.

Project reference	Sponsor	Project title
H&I/ESF/2011/7/2/0067	Voluntary Action Badenoch & Strathspey	Community Enterprise Project
H&I/ESF/2011/7/1/0078	Apex Scotland	Apex Ascend
H&I/ESF/2008/1/1/0070	New Start Highland	Breaking the Cycle
H&I/ESF/2011/7/2/0081	Uist Wool	Calanas – Transforming Traditional Skills
H&I/ESF/2008/1/1/0065	Cothrom Ltd	Combating Social Exclusion
H&I/ESF/2009/4/1/0062	Day 1	Day 1 Youth Mentoring
H&I/ESF/2010/6/3/0052	University of the Highlands & Islands	UHI SDB ESF Plan Phase 2 Activity
H&I/ESF/2010/3/2/0001	Orkney College	Updating & Contractor Upskilling Building Skills
H&I/ESF/2010/5/1/0054	Orkney Blide Trust	Orkney Clubhouse
H&I/ESF/2011/7/1/0056	Moving On Employment Project	Job Crew Approach in Supported Employment
H&I/ESF/2008/1/2/0103	Highland Opportunity Ltd	Employment Grants Scheme
H&I/ESF/2011/5/2/0055	Highlands & Islands Enterprise	Smart Exporter H&I
H&I/ESF/2008/3/1/0239	Workers Educational Association	Step into Learning
H&I/ESF/2010/5/1/0045	Sgailean – Western Isles Foyer	Sgailean – Western Isles Foyer
H&I/ESF/2010/5/2/0069	Cairngorms National Park Authority	Developing training in the CNP
H&I/ESF/2008/2/3/0019	Sabhal Mor Ostaig	Guthan nan Eilean: Island Voices

### 2.2.4 Irregularities

For the period, 1 January – 31 December 2014, there were 269 irregularity records logged on Eurosyst totalling £1,443,228.85 (€1,735,661.15) irregular expenditure. Of these, 87 are non-reportable, totalling £185,349.74 (€216,708.62), as they were identified before being included in a Statement of Expenditure to the Commission. Of the remaining 182 records, 39 irregularities,

totalling £83,546.89 (€96,190.42) have been recovered and 143 irregularities, totalling £1,174,332.22 (€1,422,762.11) are pending recovery. All irregularities to be recorded on the Anti-Fraud Information System (AFIS) are with the Managing Authority to process.

H&I ESF	Number	Expenditure	Expenditure
Non Reportable	87	£185,349.74	€216,708.62
Recovered	39	£83,546.89	€96,190.42
Pending Recovery	143	£1,174,332.22	€1,422,762.11
Total	269	£1,443,228.85	€1,735,661.15

## 2.3 Audit Authority View of Programme

### 2.3.1 System Audits

The Audit Authority (AA) submitted the 2014 Annual Control Report (ACR) and Opinion to the Commission via SFC2007 on 29 December 2014. The content of the ACR is currently under discussion.

From a systems audit perspective it is clear that the MA control framework is operating effectively and the AA was able to provide Category 1 and 2 assurances in each of the audit reviews it carried out in 2014. A summary list is below.

The Audit Strategy for 2014 included details of the following systems audits:

- Certifying Authority: Systems for Ensuring the Accuracy of Statements of Expenditure and Grant Draw Downs (Galileo Reference 009/031)
- Managing and Certifying Authorities: Eurosyst (Galileo Reference 009/027)
- Managing and Certifying Authorities: Compliance with Article 60 of Council Regulation (EC) No. 1083/2006 (Galileo Reference 009/028)
- Managing Authority: Systems Claims Checking and Processing and Monitoring Financial Progress (Galileo Reference 009/029)
- Managing Authority: Effectiveness of Systems for Ensuring the SDBs Comply with Outcome Agreements (Galileo Reference 009/030).

Scope	Assurance and Key Findings
<p>The audit review covered:</p> <ul style="list-style-type: none"> <li>•Operational Framework reflects the regulatory requirements set by the European Commission;</li> <li>•CA has access to; receive; and maintain appropriate records;</li> <li>•Appropriate compliance with Management Control system (MCS) guidance;</li> <li>•Certification and Draw Down from the Commission is in accordance with EU requirements and the MCS; and</li> <li>•Amounts recoverable and recoveries made have been notified to the Commission and accounted for in the Statement of Expenditure.</li> </ul>	<p>The AA provided reasonable assurance (EC category 2) as any errors and omissions relate to the inexperience of new CA staff and audit testing identified only minor errors in figures reported to the Commission.</p> <p>The MCS sets out clearly the need for documented responsibilities, delegations, agreements and reporting requirements, and has, embedded detailed desk instructions for the CA. Audit testing revealed that the existing desk instructions, although adequate require an element of CA operational knowledge and should be more detailed for those with no previous CA knowledge.</p> <p>We noted that the CA have appropriate audit trails including various control spread sheets, completed template report forms and regular attendance at appropriate meetings</p>

	<p>demonstrate that the CA is monitoring and reviewing the outcome of all audits. However, the CA have not been fully compliant with the requirements of the MCS this year, due mainly to staffing changes. We found that the required financial reconciliations had not been completed in accordance with guidance and it was also noted that the completed template reports, provided by the MA, failed to demonstrate that they had been reviewed by the CA. Furthermore not all AA verification certificates had been completed.</p> <p>The CA is completing appropriate returns in respect of expenditure including recoveries</p>
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### Managing and Certifying Authorities: Eurosyst

<b>Scope</b>	<b>Assurance and Key Findings</b>
<p>The scope of the audit covered a review of the:</p> <p>Clear definition, allocation and separation of functions between and within the managing authority/intermediate body/ies;  Adequate audit trails in place;  Reliable accounting, monitoring and financial reporting systems in computerised form;  Clear definition, allocation and separation of functions between and within the certifying authority/intermediate body/ies; and  •Adequate audit trail and computerised system.</p>	<p>The AA concluded that some deficiencies were found in the operation of the Eurosyst systems which were counter balanced by “off line” checks” and provided reasonable assurance (EC Category 2).</p> <p>Clear definition, allocation and separation of functions is clearly documented in the MCS and the systems requirements for Eurosyst.</p> <p>Eurosyst itself does not provide an adequate audit trail, however, when this is combined with information held in the SG electronic data management system (e-RDM), hard copy documents, and the SG general ledger (SEAS) then an adequate audit trail exists. One exception to this is the ability to verify a complete record of systems issues and upgrades and the resulting implementation dates of system changes.</p> <p>A lack of consistency in data input, changes to data input methods, a lack of linkages between payments and irregularities, and system anomalies detract from overall reliance on Eurosyst to provide reliable accounting, monitoring and financial reporting information. ESFD do however, have clearly retained documentation and various off line controls, hence there are checks and balances in place to facilitate management control of the programme.</p>

**Managing and Certifying Authorities: Compliance with Article 60 of Council Regulation (EC) No. 1083/2006**

<b>Scope</b>	<b>Assurance and Key Findings</b>
<p>The scope of the audit covered a review to</p> <p>Verify that the appropriate management verifications are being performed in accordance with the Regulation requirements; and</p> <p>To ensure that reliable accounting, monitoring and financial reporting systems are maintained in computerised form</p>	<p>In general the AA found controls to be good and provided substantial assurance (EC Category 1).</p> <p>ESFD have in place detailed procedures, including templates and checklists which facilitate the implementation of adequate management verifications. Within the MCS and associated Desk Instructions, ESFD have clearly documented the sampling methodology implemented for both Article 60 Admin checks and On the Spot verifications. Appropriate documentation is retained on both e-RDM and Eurosyst which provides a full audit trail of management verifications and any subsequent follow-up processes.</p> <p>To facilitate the management of the Structural Funds, ESFD utilise Eurosyst (Management Information System); SEAS (Scottish Government Accounting System); and e-RDM (Scottish Government Electronic Records Management System). The adequacy of Eurosyst has been subject to audit in greater detail and reported in the Eurosyst Report 2014/2015.</p>

**Managing Authority: Systems Claims Checking and Processing and Monitoring Financial Progress**

<b>Scope</b>	<b>Assurance and Key Findings</b>
<p>The AA's remit was to:</p> <ul style="list-style-type: none"> <li>•To ensure clear definition, allocation and separation of functions;</li> <li>•Confirm management verifications are operating effectively;</li> <li>•Verify that ESFD operate reliable accounting, monitoring and financial reporting systems in computerised form; and</li> <li>•Ensure that an adequate audit trail is embedded in the process.</li> </ul>	<p>While reported data required a degree of manipulation to present the information in the required format, in general the AA found controls to be good and provided reasonable assurance (EC Category 2) .</p> <p>While the Scottish Government no longer use intermediate bodies in the management of ESF, functions are clearly defined, allocated and subject to separation of duties within the MCS.</p> <p>The MA have in place documented procedures and appropriate checklists which should detect any material misstatements. While some inconsistencies within the dates of claims were identified we confirmed that all administrative verifications were completed before certification. Evidence was on file to confirm that</p>



	<p>administrative verifications encompassed both the claim and the supporting documentation. However, errors and omissions in recording these checks were identified. It was noted that the documented guidance in place included the requirements placed on the MA by the CA in relation to the verifications performed.</p> <p>Reliable accounting, monitoring and financial reporting systems in computerised form has been subject to audit in greater detail and reported in the Eurosyst Report 2014/2015.</p> <p>Accounting and monitoring information is available at an operational, managerial and Commission level. However, it is noted that a degree of electronic and manual manipulation of Eurosyst data is required to provide effective reports in some instances. Documentation is retained of all checks and verification performed by the MA. This includes confirmation that beneficiaries maintain either a separate accounting system or an adequate accounting code for all transactions relating to the assistance. The use of electronic systems and electronic copies of documentation ensures that the MA comply with the requirements of Article 90 of Regulation 1083/2006, i.e. regarding availability of documents.</p>
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**Managing Authority: Effectiveness of Systems for Ensuring the SDBs Comply with Outcome Agreements**

<b>Scope</b>	<b>Assurance and Key Findings</b>
<p>The scope of the audit covered a review to ensure:</p> <ul style="list-style-type: none"> <li>•Operational Frameworks between MA and SDBs reflects the MCS requirements approved by the European Commission;</li> <li>•MA have effective procedures to ensure robust selection decision making;</li> <li>•MA have effective procedures in place to inform, guide and support beneficiaries;</li> <li>•MA have effective monitoring and reporting procedures in place; and</li> <li>•Adequate audit trails are maintained and available.</li> </ul>	<p>The AA provided a reasonable assurance (EC Category 2) . This opinion is influenced by the fact that the individual projects, which form part of the Outcome Agreements (OAs), are subject to the same level of monitoring of progress and outcomes as all the other projects. This has been confirmed and reported on in previous audit work from current and previous years.</p> <p>The MCS sets out details for the use of SDBs. It states that the SDB projects are subject to the same compliance arrangements as all other projects, and in addition, the delivery of these projects will be governed by an OA. There is, however, no apparent requirement within the Regulations which necessitates the use of OAs</p> <p>The MCS sets out that the OAs will:-</p> <ul style="list-style-type: none"> <li>• be for a three year period</li> </ul>

	<ul style="list-style-type: none"> <li>• include a description of the internal procedure used by each organisation.</li> <li>• At the start of each three year period be reviewed by the PMC who will make recommendations to Ministers.</li> <li>• Be formally reviewed on an annual basis by the MA and PMC for financial and outcome performance.</li> <li>• Have the MA commission an evaluation of the performance towards the end of the first OA and these will form the basis for decisions on any subsequent OAs.</li> </ul> <p>The OAs state that quarterly claims should be submitted by the SDBs. Our examination evidenced that this is not being consistently adhered to.</p> <p>Some of the evidence required was difficult to locate due to inconsistencies in naming conventions and filing practices. Also there is a lack of consistency in the format and requirements of the three OA's.</p>
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### 2.3.2 Audits of Operations

There were 16 projects reviewed and the following were the projects with over 5% error rates.

- Calman Trust project (H&I/ESF/2008/3/1/0455) has a 5.75% error rate due to the lack of participant cost documentation. This resulted in £8,716.82 of expenditure being ineligible within the claims reviewed.
- Western Isles Council project (H&I/ESF/2010/5/1/0065) has a 100% error rate as we found the activities were not in line with the application and the claimed costs. The MA had already identified issues with the project but its proposals for action had still to be finalised before the sample was drawn.
- University of the Highlands and Islands project (H&I/ESF/2011/6/3/0052) has a 92.21% error rate as the visiting officers were not provided with sufficient evidence of the base documentation supporting the project's unit cost methodology. The MA are confident that this documentation exists and are in the process of obtaining data from the beneficiary. As we did not have this information by the time of the ACR, then we have decided that it must be included as an error.
- SCVO projects (H&I/ESF/2008/3/2/0305 and H&I/ESF/2011/6/3/0025) have error rates of 5.20% and 3.36%, due largely to issues with over-claimed staff costs in relation to total hours worked.

In reviewing this programme, there were various types of errors across the projects but nothing to indicate a singular issue or theme. However, the vast majority of expenditure (£393,466.15 out of the total £426,123.97 or 92% of ineligible amount for the programme) stemmed from just 2 projects; the Western Isles Council (WIC) and the University of the Highlands and Islands (UHI). Western Isles Council project (H&I/ESF/2010/5/1/0065) has a 100% error rate as we found the activities were not in line with the application and the claimed costs. The statistical error rate is 10.53% but this reduces to 3.71% once combined with H&I ERDF.

## **2.4 Competition Policy and State Aids**

European Structural Funds projects are assessed at application stage with European State Aid rules considered. During auditing of the projects audit teams will, if required, ask for further advice. In many cases project applicants have either secured a notified scheme under the General block exemption regulation or activities are publically procured to ensure that there is no distortion of markets.

As part of the annual State aid reporting regime, ESF Division has provided data indicating that ESF awards totalling £15,300 were made in 2014. These awards were principally made using EC State aid approval X664/2009.

## **2.5 Public Contracts**

All applicants are required to read and accept the Terms of Conditions contained within the Compliance and Declaration section of the application form. This requires certification prior to any offer of grant being issued and this includes confirmation that the project is complying with public procurement legislation.

## **2.6 Changes in the Context of the Operational Programme Implementation**

The Managing Authority identified that one project, H&I/ESF/2010/5/1/0065 Include Us, sponsored by Comhairle nan Eilean Siar, had major eligibility issues. Shortly after this initial discovery the project was selected by the Internal Audit Division for an Article 62 check, and they took the issues forward. In late December 2014 the project was decommitted.

N+2 targets were achieved by late autumn and the projected expenditure profiles for the remainder of the Programme period suggest that there will be no significant issues with achieving N+2 in future years. The value of ESF Programme currently committed will provide some protection against the impact of reduced match funding and associated reduction in final project expenditure.

## **2.7 Socio-Economic Context**

Growth in output was particularly strong during the first half of 2014, weakening slightly in the latter part of the year in the face of significant headwinds. Comparing the most recent quarter (2014 Q3) with the corresponding quarter of 2013, GDP grew by 3.0 per cent in Scotland and 2.6 per cent in the UK.

The unemployment rate in Scotland declined during 2014, falling from 6.9 per cent in Q4 2013 to 5.9 per cent in Q4 2014. This is slightly higher than the unemployment rate in the UK as a whole (5.7 per cent).

The Highlands and Islands region accounts for 8.8 per cent of Scotland's population. The region's socio-economic context differs from Scotland as a whole in a number of ways. The population is older, with 21 per cent of the population aged 65 or above, compared with 17 per cent in Scotland overall. GVA per capita in the region in 2013 was 18 per cent lower than in Scotland.

### **The Highlands and Islands Region**

#### *Unemployment*

Unemployment in the Highlands and Islands in the year to September 2014 was 12,200, representing 5.1 per cent of the economically active population aged 16+. The unemployment

rate for Scotland as a whole was 6.6 per cent – substantially higher than for the Highlands and Islands.

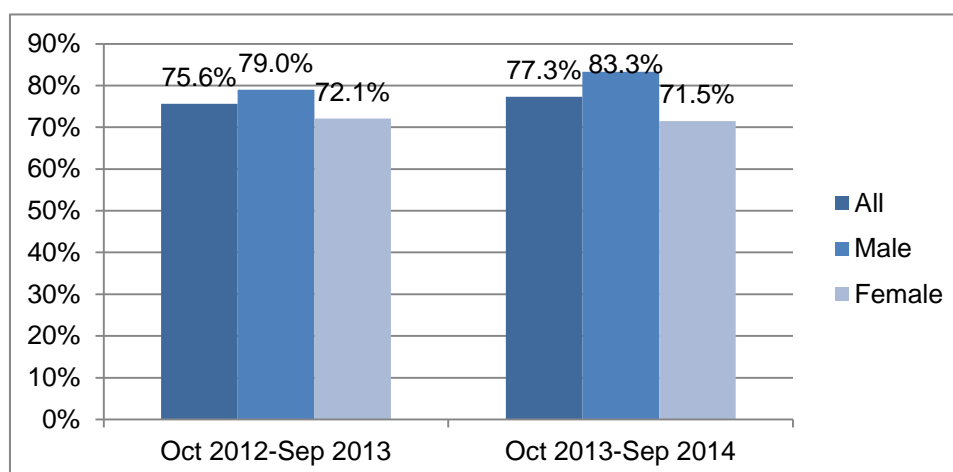
The unemployment rate for men and women was similar, at 5.2 per cent and 5.0 per cent respectively.

The youth unemployment rate (ages 16-24) in the Highlands and Islands at 14.0 per cent in 2014 decreased compared to the previous year (15.9 per cent) and was lower than the rate in Scotland as a whole (18.0 per cent).

### *Employment Rate*

The employment rate for males living in the Highlands and Islands in 2014 was 83.3 per cent, and the rate for females was 71.5 per cent. The region's male employment rate is 7.2 percentage points higher than the corresponding Scottish rate. Despite having decreased slightly compared to the previous year, the region's female employment rate is 3.0 percentage points higher than the Scottish rate.

**Figure 1: Employment rate by gender**  
**Percentage of population aged 16-64, Highlands and Islands**



Source: Annual Population Survey

### *Self-Employment*

In the year to September 2014, 16 per cent of those in employment (aged 16+) living in the Highlands and Islands were self-employed. People in the Highlands and Islands are more likely to be self-employed than those living in Scotland as a whole (12 per cent) and men are more likely to be self-employed than women both in the Highlands and Islands and Scotland as a whole.

## **2.8 Policy Development**

### **Scotland's Economic Strategy**

*Scotland's Economic Strategy*<sup>10</sup> – published in March 2015 – sets out how the Scottish Government will continue to make full use of the levers currently devolved to the Scottish Parliament in order to deliver on the Purpose established in 2007 to:

<sup>10</sup> <http://www.gov.scot/Resource/0047/00472389.pdf>

“...focus the Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.”

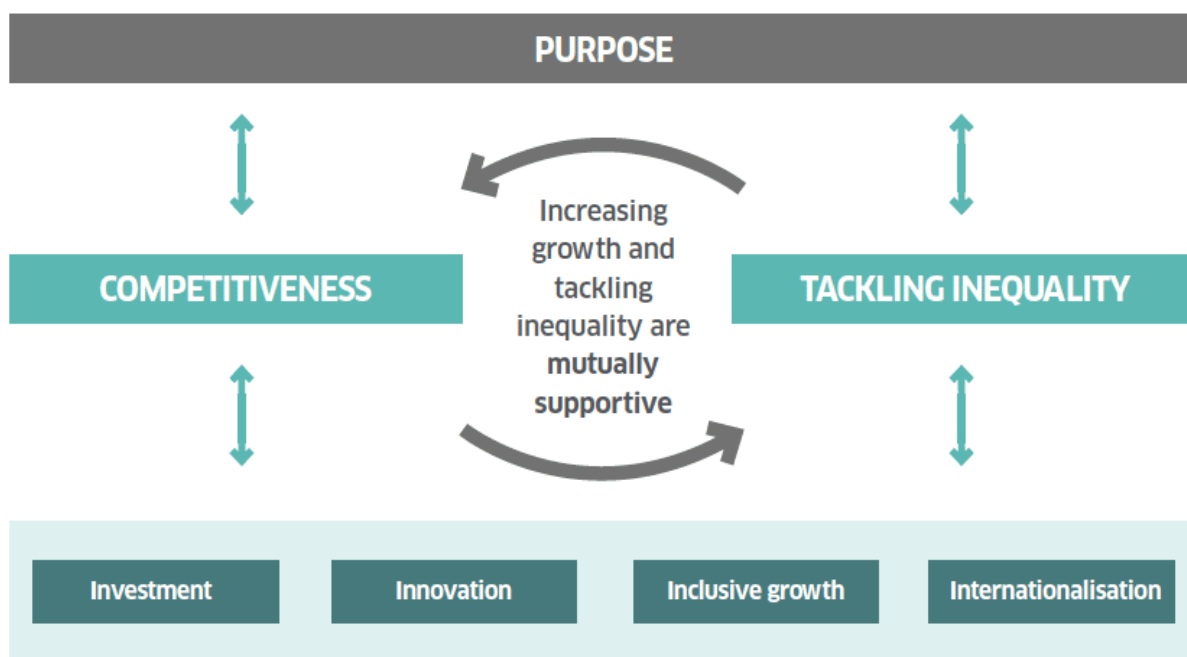
Scotland’s Economic Strategy provides an over-arching framework for how the Scottish Government will create a more productive, cohesive and fairer Scotland. The Strategy sets out how Scotland will go beyond pre-recession levels of economic performance, by tackling the underlying challenges in the economy and labour market, increasing the competitiveness and sustainability of the Scottish economy, and tackling inequality in a way that ensures the benefits of economic success are shared by all.

The approach set out in Scotland’s Economic Strategy is focused on two mutually supportive goals for achieving our Purpose; **increasing competitiveness** and **tackling inequality**. Scotland’s Economic Framework is outlined in Figure 1.

**Increasing competitiveness** is essential for improving Scotland’s long-term economic performance. This involves raising the productivity of Scotland’s workforce; improving Scotland’s infrastructure and the ability of people to participate in the labour market; and businesses growing and expanding both at home and overseas.

As well as being important in itself, **tackling inequality** is vital to creating the conditions to deliver economic growth that is sustainable over the long term and is shared by all. Recent international evidence from the OECD and the IMF suggests that higher inequality can have a negative impact on growth and economic resilience.

**Figure 1: Scotland’s Economic Framework**



Promoting competitiveness and addressing inequality are important interdependent ambitions. These goals are underpinned by four priority areas which the Scottish Government will focus on to deliver sustainable economic growth:

- **Investing** in our people and infrastructure in a sustainable way;
- Fostering a culture of **innovation** and research and development;

- Promoting **inclusive growth** and creating opportunity through a fair and inclusive jobs market and regional cohesion;
- Promoting Scotland on the **international** stage to boost our trade and investment, influence and networks.

To ensure that the benefits of economic success are shared across all of Scotland, *Scotland's Economic Strategy* recognises that the public sector, businesses, trade unions, the third sector and communities must work together in partnership to achieve the goals of boosting competitiveness and tackling inequality. Scotland's 2014-15 Programme for Government therefore focuses on the following priorities:

- Creating more, better paid jobs in a strong sustainable economy
- Building a fairer Scotland and tackling inequality
- Passing power to people and communities

### **Spending Review & Budget Bill**

The Spending Review and Budget Bill identify how the Scottish Government is prioritising spending to accelerate the recovery and support the vision set out in Scotland's Economic Strategy. Alongside the focus on economic growth, this includes tackling any barriers that people, particularly young people, face in realising their economic potential.

### **Scottish and UK National Reform Programmes**

Through the National Reform Programmes, EU Member States report each year on their own structural reform programmes and the progress being made towards the ambitions of Europe 2020. As part of this, the Scottish Government fully contributes to the development of the UK Government's National Reform Programme. However, to help provide the European Commission with more detail on the unique characteristics of Scotland and the distinct approach taken within Scotland, a Scottish National Reform Programmes (SNRP) is produced annually.

The SNRP demonstrates Scotland's commitment to engage positively with EU institutions to fully represent Scottish interests and highlight particular Scottish strengths to European partners. The report sets out the actions that Scottish Government is undertaking in support of the delivery of the five EU headline targets set out in Europe 2020. European Funds, including Structural Funds continue to play a crucial role in delivering sustainable growth and accelerating recovery in Scotland.

The Scottish Government is strongly supportive of the ambitions and priorities of Europe 2020. There is a significant degree of commonality between Europe 2020 and the GES. Central to both strategies is a focus on delivering economic growth that is both sustainable and inclusive.

In June 2014, the European Commission provided the UK with a set of Country Specific Recommendations (CSRs). In summary, these recommendations focus on:

- Reducing the budget deficit in a sustainable manner while pursuing a differentiated growth-friendly approach to fiscal tightening by prioritising capital expenditure;
- Continuing efforts to increase the supply of housing, alongside considering reforms to the taxation of land and property to alleviate distortions in the housing market;
- Improving skills that meet employer needs, ensuring employer engagement by placing emphasis on addressing skills mismatches through more advanced and higher level skills provision and furthering apprenticeship offers. In addition, reducing the number of young people with low basic skills;

- Continuing efforts to reduce child poverty in low-income households and improve the availability of affordable quality childcare;
- Continuing efforts to improve the availability of non-bank finance to SMEs; and
- Facilitating an increase in network infrastructure investment – with a particular focus on increasing the predictability of the planning process and the clear presentation of funding commitments.

The Scottish National Reform Programme<sup>11</sup> outlines where the Scottish Government is taking action, within the powers available to it, against the identified priorities.

The 2014 Scottish National Reform Programme highlights the important role of European Structural Funds in supporting smart, sustainable, and inclusive growth in Scotland, The SNRP provides case studies from projects funded by the 2007-2013 ERDF and ESF Programmes.

## **2.9 Substantial Modifications under Article 57 of Regulation (EC) No. 1083/2006**

There have been no substantial modifications under Article 57 during 2014.

### **2.9.1 Amendments made to the ESF Operational Programme**

There were no significant issues within delivery of ESF Priority 1 during 2014.

It is however worth noting that there are on-going discussions with project sponsors relating to the continuity of support for some of the hardest to reach client groups. In some cases, projects approved under the current ESF programme have requested extensions to their end dates to ensure they can provide a complete programme of support and ensure that the impact of the ESF funding is maximised in terms of programme outputs and the quality of support provided to individuals. This is likely to see a modest increase in the value of some projects.

### **2.10 Complementarity with Other Instruments**

The formal authorisation enabling the Scottish Government to operate and manage Structural Fund Programmes derives from the Scotland Act 1998 which devolves authority to the Scottish Parliament and Administration. For all ESF and ERDF programmes the functions of the Member States are undertaken by the European Structural Funds Division, placed within the Scottish Government. The Scottish Government has primary responsibility for the implementation of the funds and for their sound financial management.

#### Implementation

The Head of the European Structural Funds Division is responsible for the Management and Control Systems and the functions detailed within it. The individual sections are maintained by the appropriate bodies i.e. Certifying Authority and the Managing Authority. The Business Management and Support Team are responsible for the sections relating to the computer systems employed by the Division.

Whilst the MA, CA and MS teams operate independently, their activities are coordinated by the Steering Group.

#### The Steering Group

The Steering Group for the European Structural Funds Division meets to discuss, plan and agree areas relating policy and delivery, internal and external resources, the performance management of the Intermediate Administration Bodies contracts and other matters as necessary.

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<sup>11</sup> <http://www.scotland.gov.uk/Resource/0044/00449253.pdf>

### Managing Authority

The Managing Authority within the Scottish Government is responsible for the efficiency and probity of the management and implementation of the programmes. The European Structural Funds Division within the Scottish Government is responsible for discharging or overseeing all the obligations and verifications required by the Commissions Regulations which pertain to the delivery of the Structural Funds Programmes for both Lowlands and Uplands Scotland ESF and ERDF and for the Highlands and Islands ESF and ERDF.

### Certifying Authority

The Certifying Authority is responsible for submitting certified statements of expenditure and applications for payment to the Commission. The CA also maintain accounting records in a computerised form of the expenditure declared to the Commission and keep accounts of all amounts recoverable and withdrawn from the Operational Programmes.

#### **2.10.1 European Regional Development Fund**

The overall framework for implementing the Highlands and Islands Scotland ERDF Programme is the same as that for ESF therefore providing consistency in the application of management controls and delivery. These include:

- a single Monitoring Committee with members appointed to take decisions and make recommendations on both funds;
- Monitoring Committee meetings with agenda items which cover both funds;
- the Managing Authority for both funds are co-located within the same Scottish Government Division;
- common training between Managing Authority staff; and
- a common set of verification and compliance arrangements.

A clear distinction is made between the types of activity that will be supported through the two Programmes as set out in the approved Operational Programmes. Whilst it is important that the funds should not support the same activity, the promotion of the value of integration is still required and actively pursued.

#### **2.10.2 European Investment Bank**

The EIB, although providing Scotland with assistance in the form of support to transport, infrastructure and environmental projects does not duplicate the work of Structural Funds in Scotland. The organisations to which these loans have been granted tend not to be in receipt of other EU funding. Overall, the Scottish Government remains committed to maintaining a continuing dialogue with the EIB and to exploring the possibility of EIB supported projects. The EIB act as the Holding Fund Manager for the JESSICA initiative, which operates in the Lowlands and Uplands Scotland Programme area.

However, these funds do not contribute towards the Highlands and Islands area.

The Scottish Government's European Structural Funds Division will continue to give careful consideration to all proposed investment in Scotland by the EIB and ensure co-ordination between funds where appropriate.

#### **2.10.3 European Agricultural Fund for Rural Development**

The Scottish Rural Development Programme implements relevant measures in Regulation 1698/2005. These comprise those related to Axis 1, improving the competitiveness of the agricultural and forestry sectors, Axis 2 improving the environment and the countryside, Axis 3 the quality of life in rural areas and diversification of the rural economy and axis 4 Leader. It



takes full account of other Community support instruments, setting out the demarcation criteria for the operations supported by the EAFRD and those supported by other Community support instruments. The Scotland Rural Development Programme runs from 2007 to 2013. The operational programme was approved in early 2008. To ensure co-ordination at the level of approved projects, a member of the Agriculture, Food and Rural Communities Division attends the Highlands and Islands Programme Monitoring Committee.

#### **2.10.4 European Fisheries Fund**

The European Commission published the regulation for the European Fisheries Fund (EFF) in July 2006. The EFF succeeds FIGP in all Member States and operates over the 2007 – 2013 programming period (2007-2013). In consultation with stakeholders and other UK Administrations, the Scottish Government developed an Operational Programme for the EFF and the new schemes were launched during 2008. Again, the Managing Authorities for both Programmes will continue to liaise closely to avoid overlap and secure complementarity.

Through successful partnership working between the Western Isles Council's, Include-Us project and the Western Isles Sea Fisheries Training Association (WISTFA), young people across the Western Isles have been supported through an Introduction to Commercial Fishing.

Targeting a number of key local industries, including fishing, the project is particularly important in these remote and peripheral areas where there are limited local employment opportunities. The training provided is part of a suite of activity encouraging young people into the key local industries, with fishing being one of the few employment opportunities available locally that enables young people to continue to live and work on the islands.

#### **2.10.5 Co-ordination between LUPS and Highlands & Islands Programmes**

During the year liaison and joint working agreements between the two programmes took place within the following fields:

- applicant registration;
- application processing/appraisal; and,
- Preparations for on the spot verification visits under Article 60b.

#### **2.11 Monitoring Arrangements**

In terms of data collection, the EUROSYS system ensures that the necessary data both to monitor eligibility, expenditure and outputs and results, is captured to allow systematic and qualitative monitoring. The Progress Report function, in particular, demands more information on project progress to allow full monitoring at all stages of the project – this report is required to be submitted by project sponsors on a quarterly basis and the system has been developed to ensure that steps are taken if reports are not submitted timeously or with sufficient detail.

This more regular dialogue using the online system, supplemented with regular monitoring visits from the Managing Authority, provides an effective and efficient monitoring framework of which evaluations can gain the benefit.

##### **2.11.1 Programme Monitoring Committee**

The management arrangements for the Programme are based on a two tier structure comprising:

- (i) Programme Monitoring Committee, responsible for Monitoring and Reviewing progress of the ERDF and ESF Operational Programmes, for consideration of operational issues and approval of project recommendations; and
- (ii) Advisory Groups, responsible for detailed project appraisal, development of guidance and advice on selection criteria.

The Committee and the Advisory Groups are chaired by an official of the Scottish Government and until 2012 were serviced, under contract, by the Intermediate Administrative Body; since April 2012 they have been serviced by the Managing Authority within the Scottish Government.

In accordance with Article 63 of Council Regulation (EC) No 1083/2006 of 11 July 2006 a single Monitoring Committee was established with responsibility for the ERDF and ESF Operational Programmes.

In order to ensure quality and effectiveness of the Programme within the institutional, legal and financial framework of the Member State the Committee drew up its own:

- (i) Terms of Reference;
- (ii) Rules of Procedure; and
- (iii) Membership Update

Membership of the Committee combines representatives of the key public, educational and voluntary bodies operating within the Programme area together with “social” partners.

### **Meetings Held**

The Monitoring Committee met once via written procedure during 2014, on 25<sup>th</sup> June.

The meeting in June approved the draft 2013 Annual Implementation Report.

### **Advisory Groups**

Three Advisory Groups support the Programme Monitoring Committee. They undertake the technical appraisal of projects in accordance with the approved selection criteria and thereafter make recommendations in respect of projects to the Committee. The Groups are chaired by an official of the Scottish Government and comprise “technical experts” and not organisational or sector representatives. Membership of Advisory Groups was established following an open tendering procedure. Following press and website advertisements in 2007, the Scottish Government appraised candidates and made the appointments. A further request for appointments was made during 2008 due to the departure of some members.

Groups are required to meet in order to deal with the normal flow of applications. There were no new project applications to Priorities 1 – 3 during 2014, and therefore no advisory group meetings.

#### **2.11.2 Managing Authority Action**

The work of the Managing Authority (MA) continued to concentrate on the essential elements for effective implementation of the programmes. The MA was responsible for the assessment and payment of Progress Reports and Financial Claims received through the Eurosyst IT system. The MA is also responsible for the planning and arrangement of Article 60(b) on-the-spot audits of projects, in line with the Monitoring and Compliance System agreed with the Commission. In addition, a number of groups continued to lead the development of both Evaluation and Communication Plans, which the MA was a member of.

#### **2.11.3 On-going Evaluation Activity**

##### Monitoring and Evaluation Group

The purpose of the Monitoring and Evaluation Group is to oversee the Scottish Structural Funds Evaluation Plan 2007-2013, share good practice across Structural Funds Programmes, and assist in building the evidence base for the 2014-2020 programmes in Scotland, learning lessons from the current Programmes through exchange of experience and evaluation.

The last meeting of the Group was held in June 2013 and focused on progressing its workplan through a number of sub-groups which cover the following topics:

- Strategic Delivery Arrangements
- Lessons Learned from Current Programmes
- Unit Costing Methodology
- Programme Indicators
- Technical Assistance Applications
- National Rules

The working groups are facilitated by the Scottish Government and meet on an ad hoc basis and feedback on progress is provided at the main meeting of the MEG Group.

#### Ex Ante Evaluation

The ex-ante evaluation provides an external evaluation of the ESIF Programmes which has been submitted with the operational proposals to the European Commission, for consideration when assessing the programmes prior to their adoption (Article 25). Programmes cannot be approved, and therefore cannot distribute any funding, without such an evaluation taking place.

Hall Aitken were appointed in March 2013 to undertake the ex-ante evaluation exercise. The overall aim of the ex-ante evaluation is to help inform the development of the Scottish Government's European Social Fund (ESF) and European Regional Development Fund (ERDF) programmes for 2014-2020 and the Scottish chapter of the Partnership Agreement. The evaluation is an iterative and complex assessment which considers the main features of the Programme, such as the strategic principles, the selected objectives and priorities which follow from it and considers how far they are justified by the baseline review of the Region. It will also comment on targets which have been set, indicators which have been chosen, the likely impacts from the programme and consistency of financial allocations.

Hall Aitken have completed the evaluation of the Operational Programmes and their assessment was submitted to the European Commission in 2014.

#### **2.11.4 National Performance Reserve**

This is not relevant to the Highlands and Islands ESF Programme.

### 3. IMPLEMENTATION BY PRIORITY

The socio-economic analysis contained in the Operational Programme and updated in Section 2.1 of this Report describes the strengths and opportunities upon which the region can build, and the weaknesses and challenges deriving from low productivity and scarcity of population which require to be addressed.

In recognising the limited resources available the Programme acknowledges that maximum impact can be best derived from supporting actions as set out in Article 3 of the ESF Regulation:

- enhancing access to employment and the sustainable inclusion in the labour market of job seekers and inactive people, preventing employment, in particular long term and youth unemployment, encouraging active ageing and working lives and increasing participation in the labour market;
- reinforcing the social inclusion of disadvantaged people with a view to their sustainable integration in employment and combating forms of discrimination in the labour market;
- increasing adaptability of workers, enterprise and entrepreneurs with a view to improving the anticipation and positive management of economic change;
- enhancing human capital.

As a result €51,976m has been allocated for 2007 – 2013 across four Priorities:

- Increasing the Workforce (€24,916,691);
- Investing in the Workforce (€16,843,683);
- Improving Access to Lifelong Learning (€8,656,746); and
- Technical Assistance (€1,559,292).

#### **Strategic Delivery Bodies (SDB)**

Under the European Social Fund, there was only one implementing Strategic Delivery Body, University of the Highlands and Islands. Their funding award was phased, with Phase 1 operating between August 2007 – March 2011 and Phase 2 for the remainder of the Programme.

Two key achievements have been realised under Phase 1:

- Academic development – substantial curriculum development, over 300 modules have been developed/updated and uploaded for online use, increasing the capacity of UHI's blended learning approach and the ability to reach its geographically dispersed student base;
- Increased participation – wider access to education and training across the region, including development of a set of resources, processes and expertise to encourage recruitment, retention and progression of under-represented and non-traditional student groups, focusing on removing barriers to lifelong learning; a networking toolkit, blended learning induction resources and a learning object repository; development and support for Gaelic language learning and resources.

In respect of Phase 2, activities are focusing principally on three high level strategic ESF projects. The first has seen the formation of the UHI Educational Development Unit (EDU). The Unit helps provide the necessary additional capacity to develop strategic elements of the university curriculum, either existing or new, into an appropriately blended format to better meet the needs of the region. The second is the Postgraduate Research Allowance project (PRA) which is providing the opportunity for people in the Highlands and Islands to extend their educational and professional qualifications to doctorate level. PRA is piloting the use of a unit cost model, which is proving very effective, and evidencing a significant reduction in administration. The third, Investing in Recovery (IIR), UHI's second pilot project utilising a simplified cost methodology. To date it has supported nearly 2000 FTEs. The project participants are studying a broad range of courses which are key to the Highlands and Islands

labour market, particularly in the current economic downturn. The courses are delivered across the geographical spread of the UHI network, encompassing students in the more remote areas of the Highlands and Islands. ESF funding has made these additional places possible.

### **Community Planning Partnerships (CPPs)**

By the end of 2013 four individual projects had received support through the CPP framework, three sponsored by The Highland Council and one by Orkney College. Although proportionately less funding was allocated to CPPs from the Social Fund, than to the Regional Development Fund, many local area partnerships instead chose to focus on delivery of a number of small interconnected projects supporting local economic development. ESF training and employability activity related to this was generally well supported throughout the programme area, and (with the exception of the Highland Council) ESF CPP projects were limited to an Orkney project that linked directly with development of local skills required to support the suite of ERDF CPP proposals and wider regeneration and development work.

The Highland Council's CPP Plan was one of the later submitted for approval, and embraced a more strategic approach to employability support, with a particular focus on Youth Employment. The projects delivered at a pan-Highland level, and supported other 'challenge' fund projects to provide a range of support covering all areas, ensuring consistent support across the most remote and rural areas.

The Highland Council has received nearly £1.4 in grant aid towards three distinct projects each focused on the encouragement of unemployed people into the workplace. The projects have a combined target of providing support to 1000 participants with an expectation that nearly 300 will be in employment six months after completion.

With over 650 listed buildings and 4 conservation areas, Orkney has a wealth of traditional stone built buildings. Orkney College received nearly £50k towards a project that acknowledges a skills gap in the construction industry for people who are required to carry out repair and maintenance of traditional buildings.

### **Targeting**

Targeting and the focussing of investment are fundamental to the successful implementation of the Programme and to achieving the Lisbon targets. The focuses for investment in Priority 1 include the following groups:

- long term unemployed/inactive people, particularly those with no or low qualifications and multiple barriers to entering employment or self-employment, and remaining in a job;
- 16-19 year olds not in employment, education or training;
- unemployed/inactive lone parents and other carers;
- older people seeking to re-enter the labour force or requiring re-skilling to allow them to remain in the workforce; and
- unemployed / inactive people from ethnic minority groups.

In addition, whilst geographical targeting successfully implemented in previous programmes has been applied horizontally across all Priorities, it has been applied particularly in relation to Priority 1. Whilst the Scottish Index of Multiple Deprivation remains insufficiently sensitive to adequately identifying rural disadvantage, a more meaningful measure within the region is the "fragile area" classification applied by Highlands and Islands Enterprise. This measure recognises structural problems resulting from a self-reinforcing combination of remoteness, poor infrastructure and low earning levels of economic activity.

Targeting has focused on applicants resident in areas which satisfy at least one of the three sets of criteria which determine fragility – geographic, demographic and economic. A list of "areas of

need” will be produced in due course and future reports will detail how resources have been allocated in support of these.

Under Priority 2 targeting has focused on particular groups including:

- Employees who lack basic core skills, including those with low levels of literacy or numeracy and for whom English is not their first language;
- Employees without qualifications;
- SME managers with skills needs; and
- Key staff in social enterprises.

Under Priority 3, the aim has been to assist the design and introduction of innovative products to reform education which attract into learning people disillusioned by their previous experience. Implementation requires to be horizontal, across the region however activity requires to support the following:

- Personnel in public and private training/education providing access to lifelong learning and support services to key client groups;
- Voluntary sector/social economy organisations;
- Agencies working with employers;
- Employers, their representative bodies, the Scottish Trades Union Congress, trade unions and workers organisations.

A table has been provided of the geographical coverage of projects to date within [Section 2.1.7.1](#).

## 3.1 Achievement and analysis of progress

### 3.1.1 Priority 1 Increasing the Workforce

#### Financial Analysis

During 2014, Priority 1 dipped below full commitment due to one project being decommitted and exchange rate fluctuations. As other Priorities are over committed there will be a virement exercise during 2015 to amend these variances. The average grant rate remained at 52% against the Operational Programme average for the Priority at 65%.

#### Qualitative Analysis Priority 1

The objective of this Priority is:

**“To broaden and increase sustainable participation in the Highlands and Islands”.**

Under this Priority, funding has targeted packages of localised support on activities designed to help the target groups develop skills to move towards sustainable employment. Support has been concentrated on those who are either long-term unemployed or inactive in the labour market, particularly those with no or low qualifications and multiple barriers to entering employment or self-employment and remaining in a job. Figures detailed in [Chapter 2.1.5](#) provide a greater breakdown of the type of participant supported throughout.

Projects supported through the Priority remain comfortably above both approved forecast and Programme level targets. Achievement against all four priority-level Results continue to exceed approved targets, with encouraging progress against participants gaining qualifications or entering employment.

#### Progress

In terms of the outputs, the targets have comfortably surpassed Programme level targets. It is important to recognise that the targets set for the Priority preceded the financial crisis and economic downturn. This explains the increased numbers of participants requiring support, along with the number of participants entering employment, during the programme and period of economic recovery.

Despite the recovery resulting from the downturn, there still remains significant challenges to increasing the workforce in Scotland. The Managing Authority has worked to this end throughout the course of the Programme and the Priority 1 funds have been well used in supporting participants to move towards sustainable employment and into employment, during this period of recovery.

#### Flexibility Options

There was no use of fund flexibility by partners in Priority 1 during 2014.

Type	Code	Indicator	Target	Forecast	Baseline	Achievement								Total	% Target met	% Forecast met
						2007	2008	2009	2010	2011	2012	2013	2014			
Output	S101	Number of participants receiving support	3,000	17,364	3,000	130	1,254	3,461	3,446	2,360	3,439	2,409	964	<b>17,463</b>	582%	101%
Output	S102	Number of participants with multiple deprivations (ie those who qualify in 2 or more target groups)	1,400	12,152	2,255	76	791	1,953	1,425	1,422	2,002	1,967	1,064	<b>10,700</b>	764%	88%
Result	S103	Number of participants entering employment	1,000	5,420	932	72	238	528	544	529	711	1,126	432	<b>4,180</b>	418%	77%
Result	S104	Number of participants entering education or training	1,000	3,747	2,639	4	95	219	248	173	382	340	310	<b>1,771</b>	177%	47%
Result	S105	Number of participants gaining a partial or full qualification	1,400	7,096	3,285	20	224	638	537	695	1,062	1,081	610	<b>4,867</b>	348%	69%
Result	S106	Number of participants in employment six months after leaving	500	6,692	-	6	105	1,191	1,014	413	360	144	202	<b>3,435</b>	687%	51%
Impact	S107	Number of participants who progress towards employment			-	-	-	-	-	-	-	-		-	-	-
Impact	S108	Net number of participants entering employment			-	-	-	-	-	-	-	-		-	-	-

Please note: As in previous AIRs, it is not possible to report a baseline figure for Indicator S106 Number of participants in employment six months after leaving.



## Case Study

<b>Project Title</b>	The Personal Empowerment Programme	
<b>Reference</b>	H&I/2011/7/1/0062	
<b>Project Sponsor</b>	North Highland College	
<b>Priority</b>	1	
<b>Total Eligible Project Costs</b>	£445,481	
<b>Structural Fund Grant Required</b>	£311,837	
<b>Intervention Rate Required</b>	70%	
<b>Area Covered</b>	Highland	
<b>Project Description</b>		
<p>Following lessons learned from the pilot programme, North Highland College will provide three main strands of training to identified participants. These will consist of (i) a personal development programme, (ii) a construction training programme, and (iii) a more general entry-level programme. All training will run for one academic year with the general entry level programme allowing for a more focused provision during the second semester of the participants programme.</p> <p>The personal development programme will help participants develop for work in the service industries and focus heavily on enhancing their own personal abilities, gaining valuable tourism and hospitality skills at an entry level. The trade programme will give participants the skills required to access modern apprenticeship in construction or engineering as well as enhancing the employability, citizenship and core skills of the learner. The more open entry level course will give those participants who are restricted from study due to inadequate entry level qualifications the chance to gain skills in each of the various curriculum areas, with the second semester being more targeted to the curriculum area they wish to move onto.</p> <p>All of the mainstream courses available in the college have pre-entry requirements. By the end of this personal empowerment programme participants can choose which area they would like to study and will have gained entry to the relevant curriculum course. This means many young people who before would have been excluded from study due to lack of entry level qualifications required can now have the opportunity to study.</p> <p>In the local area this addresses the needs of various groups of learners such as disengaged learners and those with lower qualifications than is required to enrol on a construction/engineering modern apprenticeship scheme.</p>		
<b>Indicators and Targets</b>		
Type	Indicator	Target from Approved Application
Output	Number of participants receiving support	72
Output	Number of participants with multiple deprivations	72
Result	Number of participants entering employment	10
Result	Number of participants entering education or training	62
Result	Number of participants gaining a partial or full qualification	72
Result	Number of participants in employment six months after leaving	10

### 3.1.2 Priority 2 Investing in the Workforce

#### Financial Analysis

During 2014, Priority 2 remained fully committed. The average grant rate reduced marginally to 54% against the Operational Programme average for the Priority at 65%. Although still fully committed, it is expected that by Programme Closure, underspends will bring commitment levels down to 100%.

#### Qualitative Analysis on Priority 2

The objective of this Priority is to:

**“To increase skills and earning levels within the Highlands and Islands workforce in all sectors of the regional economy, with particular reference to priorities identified in the ERDF Programme, fostering the growth of enterprises and entrepreneurship.”**

Central to this objective will be:

- Support for the low-skilled/low-paid individuals;
- Support for managerial and entrepreneurial skills;
- Addressing under-representation in parts of the workforce; and
- Supporting social enterprise skills

Financial commitment against this Priority is now fulfilled as is achievement of most of the anticipated targets against the various indicators. The target for female participants achieving basic skills has now exceed the target at 257%, 1,941 female participants have gained Level 3 - 5 skills, and 2,578 women took part in projects the contribute towards addressing better gender balance. It is encouraging that the number of participants from social enterprises gaining a partial or full qualification has increase significantly from 31% last year to 69%.

Although the majority of indicator targets for the Programme have been met the achievements against two remain low. Only 19% of the target supporting participants gaining Level 6 - 10 skills has been met, and only 6% of women going into gender-imbalanced sectors after 6 months has been achieved. The recording of post completion achievements has proven difficult for many sponsors.

#### Progress

Within ESF Priority 2, the development of individual and organisational capacity has been very encouraging. Reviewing results to date against targets show that whilst the Programme has continued to support a range of participants, those targets that have been highly over-achieved relate to individuals with higher level of skills and those undertaking managerial and professional development activities. This is particularly relevant given the challenges faced by businesses over the past years; where up skilling of individual employees and development of the organisations skill base and capacity in general has been essential in supporting any growth, and in some cases the survival, of SMEs.

There is currently a significant over profiling within ESF Priority 2, this reflects the drive towards growth within SMEs to support the growth of the labour market and reduce the impact of pressures on public spending within the region. This position will be further reviewed by the Managing Authority during 2014, activity under ESF Priority 2 directly contributes to the Scottish Governments strategy for economic recovery and the outputs achieved to date will continue to have an impact well beyond the programme period.

## Fund Flexibility Options

There was no use of fund flexibility by partners in Priority 2 during 2014.

### Case Study

<b>Project Title</b>	Community Enterprise Project	
<b>Reference</b>	H&I/ESF/2011/7/2/0067	
<b>Project Sponsor</b>	Voluntary Action Badenoch & Strathspey	
<b>Priority</b>	2	
<b>Total Eligible Project Costs</b>	£288,688	
<b>Structural Fund Grant Required</b>	£202,082	
<b>Intervention Rate Required</b>	70%	
<b>Area Covered</b>	Highland	
<b>Project Description</b>		
<p>The third sector in Badenoch &amp; Strathspey delivers a wide range of services of great value to communities and is a key partner to The Highland Council, Cairngorms National Park Authority and other public sector agencies in the area. The changing economic and political climate is requiring the third sector to move away from its historical dependence on grant funding to a more enterprising model based on communities receiving earned income and delivering on contracts for key public sector partners.</p> <p>This project will provide a comprehensive learning and training programme for the third sector in Badenoch &amp; Strathspey over 33 months, aimed at developing their skills thus enabling the area's organisations to become more sustainable, skilled and coordinated with other partners. The project will make use of communities that have already successfully embarked on this learning journey, through engaging them as mentors who can pass on their experience, whilst also assisting them to monitor and evaluate their own development process.</p> <p>The project will deliver 10 learning programmes each year including training courses, best practice visits and showcase events, resulting in 560 learners over the 33 months of the project. It is envisaged that a high percentage of participants in Year 1 will continue to build on their skills in Years 2 and 3 thereby cumulatively increasing numbers in training.</p>		
<b>Indicators and Targets</b>		
Type	Indicator	Target from Approved Application
Output	Number of participants receiving support.	560
Result	Number of participants gaining partial (i.e. a unit within a full qualification) or full qualification	520
Output	Number of male participants without level 3 skills.	14
Output	Number of female participants without level 3 skills.	12
Result	Number of male participants gaining basic skills.	50
Result	Number of female participants gaining basic skills.	48
Result	Number of male participants gaining level 2 skills.	192
Result	Number of female participants gaining level 2 skills.	182
Result	Number of male participants gaining level 3 or above skills.	24
Result	Number of female participants gaining level 3 or above skills.	24
Output	Number of participants from social enterprises.	35
Result	Number of participants from social enterprises gaining a partial or full qualification.	35

Type	Code	Indicator	Target	Baseline	Forecast	Achievement							2014	Total	% Target met	% Forecast met
						2007	2008	2009	2010	2011	2012	2013				
Output	S201	Number of participants receiving support	7,378	275,000	21,130	0	948	1,636	2,180	3,802	3,935	1,863	2,011	16,375	222%	77%
Result	S202	Number of participants gaining partial (ie a unit within a full qualification) or a full qualification	2,960	-	7,785	0	0	0	24	979	1,739	277	534	3,553	120%	46%
Output	S203	Number of male participants without basic skills	1,130	7,500	1,982	0	83	408	133	211	479	281	92	1,687	149%	85%
Output	S204	Number of female participants without basic skills	1,130	9,500	1,588	0	40	125	104	331	634	282	172	1,688	149%	106%
Output	S205	Number of male participants without level 2 skills	1,130	330,000	1,782	0	12	65	136	234	166	-56	36	593	52%	33%
Output	S206	Number of female participants without level 2 skills	1,130	301,500	1,259	0	13	38	139	154	159	-39	23	487	43%	39%
Output	S207	Number of male participants without level 3 skills	430	495,000	2,479	0	122	103	515	658	291	117	227	2,033	473%	82%
Output	S208	Number of female participants without level 3 skills	430	452,250	1,760	0	76	84	163	319	350	122	163	1,277	297%	73%
Result	S209	Number of male participants gaining basic skills	440	-	1,917	0	72	527	117	77	37	-	460	1,290	293%	67%
Result	S210	Number of female participants gaining basic skills	440	-	1,686	0	21	252	53	21	29	-	755	1,131	257%	67%
Result	S211	Number of male participants gaining level 2 skills	188	-	2,501	0	36	10	111	237	274	76	114	858	456%	34%
Result	S212	Number of female participants gaining level 2 skills	242	-	1,804	0	2	18	110	297	204	95	50	776	321%	43%
Result	S213	Number of male participants gaining level 3 - 5 skills	90	-	4,048	0	12	157	95	226	89	32	870	1,481	1646%	37%
Result	S214	Number of female participants gaining level 3-5 skills	90	-	3,702	0	7	117	214	176	69	28	1,330	1,941	2157%	52%
Output	S216	Number of projects addressing better gender balance	850	-	2,471	0	161	784	359	516	347	316	95	2,578	303%	104%
Result	S217	Number of women going into gender-imbalanced sectors after 6 months	510	-	75	0	5	12	4	2	0	2	4	29	6%	39%

Type	Code	Indicator	Target	Baseline	Forecast	Achievement							Total	% Target met	% Forecast met	
						2007	2008	2009	2010	2011	2012	2013				2014
Output	S218	Number of participants in projects addressing managerial skills	343	-	3,415	0	74	553	500	284	290	172	64	1,937	565%	57%
Output	S219	Number of participants in projects addressing continuing professional development	426	-	4,458	0	225	843	670	646	629	421	1,088	4,522	1062%	101%
Result	S220	Number of participants gaining a partial of full qualification	600	-	88,636	0	267	1,641	1,193	1,343	754	86	3,517	8,801	1467%	10%
Result	S221	Number of participants gaining levels 6-10 skills	194	-	23,007	0	0	0	14	4	24	19	2	63	32%	0%
Output	S223	Number of participants from social enterprises	850	-	328	0	27	84	194	109	38	58	90	600	71%	183%
Result	S224	Number of participants from social enterprises gaining a partial or full qualification	573	-	1,034	0	5	13	115	52	1	5	221	412	72%	40%
Impact	S215	Number of participants who progress into more secure or better skilled employment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact	S222	Number of companies benefiting from improved skills training	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact	S225	Number of social enterprises benefiting from improved skills training	-	-	-	-	-	-	-	-	-	-	-	-	-	-

### 3.1.3 Priority 3 Improving Access to Lifelong Learning

#### Financial Analysis

During 2014, Priority 3 remained fully committed. The average grant rate remained at 55% against the Operational Programme average for the Priority at 65%. Although still over-committed, it is expected that by Programme Closure, underspends will bring commitment levels down to 100%.

#### Qualitative Analysis of Priority 3

The objective of this Priority is:

***“To widen access to lifelong learning, increasing the range of quality education and training provision available and participation rates, particularly through the UHI and its network.”***

It focuses on delivering what the people who have been drawn into learning and training require, where and when they can most easily access it. To achieve this, learning providers must identify new ways of design, delivery and evaluation of learning which meets the needs of those people who have, to date, felt excluded, alienated or threatened by learning.

There are fewer projects under Priority 3 than the other Priorities. Although the targets in 3 of this Priority’s indicators have been well exceeded, the progress towards the other 3 targets remains lower than forecast. This under performance continues to relate to the training of trainers. This is in part due to the lack of capacity available for investment and development within organisations and existing training providers widening the scope of their existing provision.

The reduction in trainer numbers supported continues to impact on Priority 3 indicators. Also a number of the projects in this Priority have focussed on development and the participants using the developed courses have been counted in other Priorities.

It should be noted that staff working on ESF projects within other Priorities may be developed as trainers out with the approved projects, however this would not be included as a part of the training based outputs reported within ESF Priority 3.

#### Fund Flexibility Options

There was no use of fund flexibility by partners in Priority 3 during 2013.

## Case Study

<b>Project Title</b>	e-Hospitality: Fresh Approaches	
<b>Reference</b>	H&I/ESF/2011/7/3/0076	
<b>Project Sponsor</b>	Moray College	
<b>Priority</b>	3	
<b>Total Eligible Project Costs</b>	£176,067	
<b>Structural Fund Grant Required</b>	£123,247	
<b>Intervention Rate Required</b>	70%	
<b>Area Covered</b>	Moray	
<b>Project Description</b>		
<p>This project will create a series of new e-learning objects for the training of beneficiaries employed in the hospitality industry and those aspiring to work in the sector. The materials will be of high quality and will employ virtual world technologies and delivery methods via internet and i-phones – all increasingly familiar to current student groups. The materials will all be for training at FE level and will increase and vary the opportunities to acquire learning and skills in manageable sections. The materials will offer opportunities for remote learning and for re-enforcement of ideas and techniques required for the hospitality and leisure sectors at times and places to suit the clients. A key component will be high levels of interactivity to engage learners so that they can "learn by doing".</p> <p>Moray College has a buoyant hospitality section and is anxious to respond even more effectively to the needs of the industry and to assist in the overall stimulation of the local economy. The College consistently recruits about 150 FE students per session - the highest number within the UHI Partnership, followed by Perth then Inverness, NHC and Orkney. Demand is increasing from people who wish to acquire skills to enable them to gain employment within the hospitality service sector. A current ESF project, "Customers First", has engaged with employers and has identified skills gaps within the sector from their perspective. There is no debate regards the necessity for training. This project sets out a route for effectively satisfying the needs of the industry.</p> <p>The range of materials to be developed will be of high quality and will employ modern techniques including avatars and virtual scenarios such as those of creating a virtual kitchen, a virtual restaurant and a virtual reception area. The development of the materials will involve techniques and a pedagogical approach based on that utilised in a successful partnership project led by Moray College and including Glasgow Metropolitan College [now City of Glasgow College], LDB [Learn Direct and Build] and the Scottish Funding Council. The e-construction project had a total spend of £1 million and was completed in 2009 and developed materials that were well received by construction industry and students alike.</p> <p>The completed the materials will be shared with Colleges in the H&amp;I for courses at FE level. The UHI's Educational Development Unit [EDU] are preparing materials at HE level for Accommodation management and this e-hospitality project demonstrates complementarity with the work of EDU.</p>		
<b>Indicators and Targets</b>		
Type	Indicator	Target from Approved Application
Output	Number of projects supporting the development of new courses/materials or innovative approaches to learning	10
Result	Number of new courses/materials developed	1

Type	Code	Indicator	Target	Forecast	Baseline	Achievement								Total	% Target met by actual	% Forecast met
						2007	2008	2009	2010	2011	2012	2013	2014			
Output	S301	Number of participants who are trainers	848	439	-	0	5	13	23	33	339	18	25	<b>456</b>	54%	104%
Output	S302	Number of projects supporting the development of new courses/materials or innovative approaches to learning	28	52	-	0	10	20	5	6	5	3	1	<b>50</b>	179%	96%
Output	S303	Number of local learning centres/access points/workplace initiatives supported	115	183	-	0	12	26	57	3	78	7	0	<b>183</b>	159%	100%
Result	S304	Number of trainers gaining a partial (ie completed unit towards a full qualification) or a full qualification	598	431	-	0	2	1	0	0	310	0	25	<b>338</b>	57%	78%
Result	S305	Number of new courses/materials developed	286	309	-	0	11	86	167	38	76	18	23	<b>419</b>	147%	136%
Result	S306	Number of participants benefiting from support	2,772	2,076	-	0	147	335	638	283	47	26	2	<b>1478</b>	53%	71%
Impact	S307	Number of participants gaining a partial or full qualification as a result of supported projects	-	-	-	0	-	-	-	-	-	-	-	-	-	-



## 4. COHERENCE AND CONCENTRATION

### 4.1 Scottish and UK National Reform Programmes

Through the National Reform Programmes (NRPs), EU Member States report each year on their own structural reform programmes and the progress being made towards the ambitions of Europe 2020 – the European Union’s strategy for delivering smart, sustainable and inclusive growth across Europe. As part of this, the Scottish Government fully contributes to the development of the UK Government’s National Reform Programme. However, to help provide the European Commission with more detail on the unique characteristics of Scotland and the distinct approach to Europe 2020 ambitions we are taking forward within the UK, a Scottish National Reform Programme (SNRP) is produced annually. The SNRP provides a valuable opportunity to highlight particular areas where actions being taken forward in Scotland are making an important contribution to delivering the priorities of Europe 2020.

The SNRP demonstrates Scotland’s commitment to engage positively with EU institutions to fully represent Scottish interests and highlight particular Scottish strengths to European partners. The report sets out the actions that Scottish Government is undertaking in support of the delivery of the five EU headline targets set out in Europe 2020 – covering Employment; Innovation and R&D; Climate Change; Education; and Social Inclusion and Poverty Reduction. European Funds, including Structural Funds continue to play a crucial role in unlocking development and stimulating sustainable economic growth in Scotland.

The Scottish Government is strongly supportive of the ambitions and priorities of Europe 2020. There is a significant degree of commonality between Europe 2020 and *Scotland’s Economic Strategy*. Central to both strategies is a focus on reducing inequalities and raising competitiveness to deliver economic growth that is smart, sustainable and inclusive.

In June 2014, the European Commission provided the UK with a set of Country Specific Recommendations (CSRs). In summary, these recommendations focus on:

- Reducing the budget deficit in a sustainable manner while pursuing a differentiated growth-friendly approach to fiscal tightening by prioritising capital expenditure;
- Continuing efforts to increase the supply of housing, alongside considering reforms to the taxation of land and property to alleviate distortions in the housing market;
- Improving skills that meet employer needs, ensuring employer engagement by placing emphasis on addressing skills mismatches through more advanced and higher level skills provision and furthering apprenticeship offers. In addition, reducing the number of young people with low basic skills;
- Continuing efforts to reduce child poverty in low-income households and improve the availability of affordable quality childcare;
- Continuing efforts to improve the availability of non-bank finance to SMEs; and
- Facilitating an increase in network infrastructure investment – with a particular focus on increasing the predictability of the planning process and the clear presentation of funding commitments.

The Scottish National Reform Programme outlines where the Scottish Government is taking action, within the powers available to it, against the identified priorities.

The 2015 Scottish National Reform Programme<sup>12</sup> highlights the important role of European Structural Funds in supporting smart, sustainable, and inclusive growth in Scotland. The SNRP provides case studies from projects funded by the ERDF and ESF Programmes.

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<sup>12</sup> <http://www.gov.scot/Resource/0047/00476579.pdf>

## 4.2 European Employment Strategy

The Highlands and Islands ESF Programme contributes strongly to the European Employment Strategy (EES). The Employment Package, launched in April 2012, is a set of actions to fight high unemployment. It identifies the EU's biggest job potential areas and the most effective ways for EU countries to create more jobs:

- Support job creation: Step up job creation across the economy by encouraging labour demand; targeting hiring subsidies to new hiring; supporting self-employment, supporting social enterprises and business start-ups; and fostering job creation.
- Harness the potential of job-rich sectors: focus on skills development for the ICT sector, low carbon economy, and other key growth sectors.
- Mobilise EU funds for job creation by coordinating Structural Funds towards sustainable growth and job creation.
- Restore the dynamics of labour markets.
- Reform labour markets by: using internal flexibility; encouraging decent and sustainable wages; making transitions pay; reducing labour market segmentation; anticipating economic restructuring; developing lifelong learning; delivering youth opportunities; and reinforcing social dialogue.
- Invest in skills through a better recognition of skills and qualifications and a better synergy between the worlds of education and work.
- Towards a European labour market by enhancing the matching of jobs and job-seekers across borders

The EES now constitutes part of the Europe 2020 growth strategy and it is implemented through the European semester, an annual process promoting close policy coordination among EU Member States and EU Institutions.

In particular, the implementation of the EES involves the following four steps of the European Semester:

- Employment guidelines are common priorities and targets for employment policies proposed by the Commission, agreed by national governments and adopted by the EU Council;
- The Joint Employment Report (JER) is based on (a) the assessment of the employment situation in Europe (b) the implementation of the Employment Guidelines and (c) an assessment of the Scoreboard of key employment and social indicators. It is published by Commission and adopted by the EU Council.
- National Reform Programmes (NRPs) are submitted by national governments and analysed by the Commission for compliance with Europe 2020.

Based on the assessment of the NRPs the Commission publishes a series of country reports analysing Member States' economic policies and issues country-specific recommendations.

## 4.3 Contribution to Youth Employment

Measures to help Member States tackle unacceptable levels of youth unemployment and social exclusion by giving young people offers of jobs, education and training have been proposed by the European Commission. The Commission's Youth Employment Package includes a proposed Recommendation to Member States on introducing the Youth Guarantee to ensure that all young people up to age 25 receive a quality offer of a job, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed.

The proposed recommendation urges Member States to establish strong partnerships with stakeholders, ensure early intervention by employment services and other partners supporting young people, take supportive measures to enable labour integration, make full use of the

European Social Fund and other structural funds to that end, assess and continuously improve the Youth Guarantee schemes and implement the schemes rapidly.

The Commission will support Member States through EU funding, by promoting exchanges of good practice, monitoring implementation of Youth Guarantees in the European Semester exercise and awareness-raising.

The Scottish Government shares the European Commission's concerns over the impact that the recession has had on the labour market and the SNRP details the actions being put in place to tackle unemployment and ensure that people who are out of work or underemployed – particularly young people – have access to the right training, skills and education opportunities.

## 5. TECHNICAL ASSISTANCE

### 5.1 Use of Technical Assistance

Under Article 45 of the General Regulation (EC) No 1083/2006 of 11th July 2006, Technical Assistance may finance the preparatory, monitoring, administrative and technical support, evaluation, audit and inspection measures necessary for programme implementation. Such actions shall include in particular:

- i. assistance for project preparation and appraisal;
- ii. evaluations and studies;
- iii. measures aimed at partners, beneficiaries and the general public relating to the provision of information;
- iv. measures to disseminate information and raise awareness;
- v. the installation, operation and interconnection of computer systems for management, monitoring, inspection and evaluation; and
- vi. improvement in evaluation methods.

### 5.2 Use of Technical Assistance

During 2014 a further six projects received assistance from the Technical Assistance budgets of all four Programmes (H&I ERDF and ESF, and LUPS ERDF and ESF) to review activity under the 2007 – 13 Programme, prepare the way for the new implementation methodologies, and acknowledgement of Roma importance.

The breakdown of these projects are as follows:

Project Name	Total Cost	Grant Requested	Programme Relevance (H&I / LUPS) <sup>13</sup>	Project Description
2007-13 Convergence Programmes in H&I	£259,888	£129,944	H&I ESF = 6% H&I ERDF = 15% LUPS ESF = 33% LUPS ERDF = 46%	This application will evaluate lessons learned from the 2007-2013 Convergence Programmes.
Developing Simplified Costs - WoSCOP	£19,276	£9,638	H&I ESF = 6% H&I ERDF = 15% LUPS ESF = 33% LUPS ERDF = 46%	This project aims to exploit the advantages of the EC's Simplification Agenda to achieve the maximum benefit of the Scottish Structural Fund Programmes to contribute to more effective and efficient operation of SF projects through the optimal use of simplified costs.
Roma Inclusion Technical Assistance	£100,370	£50,185	H&I ESF = 6% H&I ERDF = 15% LUPS ESF = 33% LUPS ERDF = 46%	This project will ensure that Scotland is better prepared to meet the Commission's Roma inclusion requirements. It will provide a solid foundation of knowledge, sustain the already established networks (national, UK and trans-national) and guarantee the capacity to develop needs based Roma inclusion interventions for the future.
Developing Simplified Costs	£58,110	£29,055	H&I ESF = 6% H&I ERDF = 15% LUPS ESF = 33%	This TA project will establish: <ul style="list-style-type: none"> <li>• An assortment of simplified costs models for all the sectors/business</li> </ul>

<sup>13</sup> The funding comes from the TA allocation, which is split across all 4 Programmes each project application is split across the LUPS and Highlands & Islands ERDF and ESF Programmes

Project Name	Total Cost	Grant Requested	Programme Relevance (H&I / LUPS) <sup>13</sup>	Project Description
			LUPS ERDF = 46%	<p>areas which receive European Structural Funds (both European Social Funds and European Regional Development Funds) in the future programme period;</p> <ul style="list-style-type: none"> <li>• An assortment of simplified cost models for the Youth Employment call under the current programmes;</li> <li>• Test these models in line with Scottish Government compliance and audit requirements before presenting their recommendations to the European Commission for approval;</li> <li>• Lessons learned review of simplified cost models used in the current programmes (including a review of unit costs used in other UK regions);</li> <li>• Establish delivery arrangements for the simplified cost models;</li> <li>• Establish guidance and management structure for the models identified.</li> </ul>
Third Sector (H&I) TA Evaluation	£34,122	£17,061	H&I ESF = 6% H&I ERDF = 15% LUPS ESF = 33% LUPS ERDF = 46%	<p>Delivering a comprehensive evaluation programme assessing and reporting on:</p> <ul style="list-style-type: none"> <li>• The 3rd Sector's (and sponsoring public sector partners') view on appropriate impacts and outcomes from the 2014+ Structural Funds programmes in Scotland.</li> <li>• The national and regional needs the 3rd Sector would wish to see addressed.</li> <li>• A constructive critique of processes and procedures, identifying strengths and weaknesses with recommendations on Improvements to promote greater participation and enhance quality in project delivery.</li> </ul>
Third Sector (LUPS) TA Evaluation	£	£19,112	H&I ESF = 6% H&I ERDF = 15% LUPS ESF = 33% LUPS ERDF = 46%	As above for LUPS.

The projects detailed above were continuations of projects which initially received approval during 2013. The applications had one of two objectives – to gathering data on lessons learned from the 2007 – 2013 Programmes to support implementation of the 2014 – 2020 Programmes, or to conduct research into possible methodologies to be used in the 2014 – 2020 Programmes.

## 6. INFORMATION AND PUBLICITY

### 6.1 Scottish Communication Plan

The Communication Plan defines how information and publicity of the European Structural Funds in Scotland for 2007 - 2013 will be communicated. It identifies key stakeholders and other interested parties; the messages and information to be communicated; how these will be communicated. It sets out how the Scottish Government will provide information that is timely, clear, and reliable in a form compatible with EC Regulation 1828/2006.

The Communication Plan was submitted to the Commission, and agreed. A copy of the Communication Plan can be found on the Scottish Government website<sup>14</sup>.

### 6.2 Publicity and Information

#### *European Structural Funds Division Website*

The European Structural Funds website has undergone significant change over the past year. Information is now categorised by programming period, this enables the user to find what they are looking for quickly and reduces the amount of time spent searching for information. This new user friendly approach to the website has resulted in positive feedback from both Scottish Government staff and external stakeholders.

#### *Annual Publicity Event*

Scottish Government has a requirement to hold an annual publicity event for Structural Funds. The event on 14 May 2013 focused on the value of Structural Funds in Scotland and the consultation launch for the future programming period 2014 – 2020.

Scottish Government are committed to engaging with stakeholders to shape the future programmes and this event provided the opportunity to launch the first consultation document which set out the strategy and governance arrangements for the programme.

The communication event for 2014 was seen as an opportunity to not only highlight the success of projects from the previous year but a chance to look back over the past 7 years; highlighting the results of the 2007-2013 Programmes in their entirety. To achieve this, the European Structural Funds created the eBook<sup>15</sup> – A Smart, Sustainable and Inclusive Scotland in Europe. The ebook includes an overview of the 2007-2013 Programmes, 20 case studies from both ESF & ERDF and an introduction to the 2014-2020 Programmes. The case studies provide an insight into the lives of individuals who took part in ESF projects and the positive impact it had on their lives. The eBook also features several Scottish businesses which benefitted from taking part in ERDF funded projects.

#### *Publicity and Communication Guidance*

The Scottish Government published the European Structural Funds 2007 - 2013 Programme Publicity Guidance, in line with requirements under Articles 8 and 9 of Regulation 1828/2006. The guidance covers how and when to acknowledge the European Union's Structural Funds contribution, information on the promotion of logos and the technical specification of using them.

A copy of the guidance, the relevant Commission Regulation and the agreed Structural Funds logos for Scotland, can be found on the Scottish Government website<sup>16</sup>.

<sup>14</sup> <http://www.scotland.gov.uk/Topics/Business-Industry/support/17404/2007-2013PublicityInfo>

<sup>15</sup> <http://scotgov.publishingthefuture.info/publication/european-structural-funds-a-smart-sustainable-and-inclusive-scotland-in-europe>

<sup>16</sup> <http://www.gov.scot/Topics/Business-Industry/support/17404/StructuralFunds2007-201>

*Announcement of List of Projects and Press Releases*

A full list of approved projects is available from Scottish Government website at: <http://www.scotland.gov.uk/Topics/Business-Industry/support/17404/StructuralFunds2007-201/17405>

*Visibility and Awareness*

The Scottish Government European Structural Funds website continued to be well visited during the course of 2014 with requests for information about the Programmes and their implementation received on a regular basis. Topics of communication requests include information on funded projects, eligibility issues, publicity guidance and logo requirements.

## Annex A Breakdown of expenditure against Lisbon Codes

CODE FOR THE FORM OF FINANCE DIMENSION	CODE FOR THE TERRITORIAL DIMENSION	CODE FOR THE LOCATION DIMENSION	CODE FOR THE ECONOMIC ACTIVITY DIMENSION	CODE BY PRIORITY THEME DIMENSION	IN PRINCIPLE TOTAL GRANT (£)
1	3	UKM63	22	66	£ 122,448.00
1	3	UKM64	4	64	£ 181,400.00
1	3	UKM64	4	69	£ 242,810.97
1	3	UKM64	18	66	£ 60,486.76
1	3	UKM64	18	73	£ 47,154.00
1	3	UKM64	20	69	£ 30,739.86
1	3	UKM64	20	73	£ 60,000.00
1	3	UKM64	21	64	£ 37,050.00
1	3	UKM64	21	71	£ 424,392.00
1	3	UKM64	22	64	£ 99,995.00
1	3	UKM64	22	71	£ 1,406,540.38
1	3	UKM65	6	71	£ 62,308.00
1	3	UKM65	12	64	£ 42,115.61
1	3	UKM65	19	71	£ 176,256.95
1	3	UKM65	20	71	£ 143,737.27
1	3	UKM66	18	71	£ 36,119.00
1	3	UKM66	20	71	£ 137,682.70
1	3	UKM66	22	71	£ 222,109.00
1	5	UKM	17	85	£ 2,058,738.24
1	5	UKM	18	86	£ 1,840.65
1	5	UKM	22	86	£ 5,798.94
1	5	UKM6	3	64	£ 347,385.02
1	5	UKM6	3	66	£ 178,810.00
1	5	UKM6	3	69	£ 27,431.00
1	5	UKM6	6	72	£ 131,622.00
1	5	UKM6	11	71	£ 47,480.00
1	5	UKM6	14	66	£ 95,979.00
1	5	UKM6	14	71	£ 853,178.81
1	5	UKM6	18	64	£ 836,530.00
1	5	UKM6	18	66	£ 12,135,126.59
1	5	UKM6	18	70	£ 453,577.14
1	5	UKM6	18	71	£ 2,898,860.18
1	5	UKM6	18	72	£ 745,942.87
1	5	UKM6	18	73	£ 5,051,012.83
1	5	UKM6	19	71	£ 212,793.00
1	5	UKM6	19	73	£ 13,533.50
1	5	UKM6	20	62	£ 52,995.00
1	5	UKM6	20	64	£ 954,330.00
1	5	UKM6	20	66	£ 13,717.00
1	5	UKM6	20	68	£ 74,100.23
1	5	UKM6	20	69	£ 22,864.00
1	5	UKM6	20	70	£ 49,690.77
1	5	UKM6	20	71	£ 2,649,126.97
1	5	UKM6	20	72	£ 279,292.00
1	5	UKM6	20	86	£ 3,011.10
1	5	UKM6	21	62	£ 76,444.07
1	5	UKM6	21	64	£ 1,648,165.00
1	5	UKM6	21	66	£ 83,728.75
1	5	UKM6	22	62	£ 705,934.00



CODE FOR THE FORM OF FINANCE DIMENSION	CODE FOR THE TERRITORIAL DIMENSION	CODE FOR THE LOCATION DIMENSION	CODE FOR THE ECONOMIC ACTIVITY DIMENSION	CODE BY PRIORITY THEME DIMENSION	IN PRINCIPLE TOTAL GRANT (£)
1	5	UKM6	22	64	£ 1,847,719.14
1	5	UKM6	22	66	£ 722,739.00
1	5	UKM6	22	69	£ 547,756.65
1	5	UKM6	22	70	£ 49,943.00
1	5	UKM6	22	71	£ 32,500.00
1	5	UKM6	22	72	£ 62,461.00
1	5	UKM6	22	73	£ 65,740.00
1	5	UKM6	22	86	£ 12,288.55
1	5	UKM61	14	66	£ 206,775.89
1	5	UKM61	18	64	£ 672,638.92
1	5	UKM61	18	66	£ 526,636.64
1	5	UKM61	18	71	£ 93,924.90
1	5	UKM61	18	73	£ 48,361.00
1	5	UKM61	20	71	£ 41,006.00
1	5	UKM62	1	62	£ 43,326.00
1	5	UKM62	1	64	£ 79,689.00
1	5	UKM62	8	71	£ 92,360.65
1	5	UKM62	14	64	£ 40,827.50
1	5	UKM62	18	62	£ 34,156.00
1	5	UKM62	18	64	£ 130,694.00
1	5	UKM62	18	66	£ 524,267.00
1	5	UKM62	18	70	£ 129,116.24
1	5	UKM62	18	71	£ 67,200.00
1	5	UKM62	18	72	£ 26,886.00
1	5	UKM62	18	73	£ 252,780.18
1	5	UKM62	20	71	£ 1,198,517.00
1	5	UKM62	21	66	£ 32,318.00
1	5	UKM62	21	71	£ 170,362.00
1	5	UKM62	22	64	£ 58,970.28
1	5	UKM63	6	71	£ 74,576.00
1	5	UKM63	12	73	£ 49,220.50
1	5	UKM63	18	64	£ 28,590.50
1	5	UKM63	18	66	£ 114,943.89
1	5	UKM63	18	69	£ 93,750.00
1	5	UKM63	18	73	£ 78,980.10
1	5	UKM63	21	72	£ 70,345.00
1	5	UKM63	22	66	£ 203,725.00
1	5	UKM63	22	72	£ 245,316.00