

Annual Implementation Report for 2016 – ESF - Scotland

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PART A – DATA REQUIRED EVERY YEAR

Section 1 – Identification of the AIR

Reporting year: 2016.

Section 2 – Overview of the implementation of the operational programme

(Key information on the implementation of the operational programme for the year concerned including on financial instruments, with relation to the financial and indicator data.)

The timeline for establishment of the 2014-20 programmes was set out in the previous AIR. In summary the Operational Programmes for the ERDF and ESF were approved by the Commission in December 2014, and the Managing Authority invited strategic intervention applications from March 2015. The interruption and suspension of three of the four 2007-13 programmes in Scotland diverted a significant level of Managing and Audit Authority resources, which delayed the development of the 2014-20 the Management and Control System, and thereby delayed the detailed assessment process and risk evaluation of new operation applications. This meant there had been no claims and therefore no physical progress to report in the previous AIR.

The current AIRs report financial and indicator data comprising only one operation, being a claim for Zero Waste Scotland, under ERDF Priority Axis 6g, in the Sustainable Growth area. There are therefore no expenditure or performance data in the AIR for the ESF. Tables 6 and 7 show financial progress comprising details of all operations selected for support (EUR 452m).

A fuller picture of implementation can be gained by reviewing progress made in the commitment of funds through 2016, as reported to the JPMC at its meetings held on 25 May and 30 November 2016. These commitments include operations for which grants were approved following the MAAP selection process up to 5 October 2016 and subsequently endorsed by Scotland's Cabinet Secretary for Economy, Jobs and Fair Work. The targets against which performance is compared are the Performance Agreement targets, as set out in the Operational Programme.

As reported to the JPMC, by May all four ESIF Programmes in Scotland (including the Scottish component of the UK wide European Marine and Fisheries Fund) had been approved and were in progress, with early indications of performance reported. Across the ERDF, ESF and EAFRD programmes, 24% of the programmed spend had been committed by May, rising to 44% by November. (This commitment rate does not include EMFF which is committed at UK level, and where commitments for the Scottish portion stood at approximately 23% in November.)

The detail of implementation by priority axis is presented in Section 3.1 of this report; in this section we therefore consider the financial and physical performance of the ESF in overview.

Commitments reported to the JPMC in November 2016 were €193,760,186.58, representing 42% of the programme value of €464,149,373.46, and we anticipated that claims would begin to come through before the end of the year.

At this time we observed that whilst overall commitments were positive, there was variation in performance between priority axes. For example, although the employability pipelines have delivered at least one full year of activity, progress has been slower on promoting social inclusion and combating poverty. The early indications from actual performance on the Youth Employment Initiative caused concern, as attrition rates were significantly higher than had been anticipated – and conditions were expected to be exacerbated by changes in the labour market and in the welfare system. In Section 6 of this report, we will set out our interpretation of issues affecting the performance of the programme.

There are no financial instruments to report for the ESF.

Economic context:

On publication of the last Scottish Government State of the Economy report prior to the EU referendum vote on 23 June 2016, the outlook for both the UK and Scottish economies in 2016 and 2017 remained positive, despite challenges impacting the oil and gas sector. Central to these projections was the assumption that the UK would vote to remain in the EU.

By October the report noted that the EU referendum result had had an immediate impact on economic and business sentiment in Scotland and the UK, and led to a review of existing economic forecasts as both Sterling and stock markets reacted to the vote. The high degree of uncertainty was reflected in most forecasters' downgrading of growth expectations for 2017 and beyond, reflecting in particular decreased investment confidence and certainty, greater market volatility, decreased trade as businesses adjust in advance to life outside the EU, and decreased household consumption as a further pressure on investment as businesses themselves perceive less certainty for uptake for their products.

In section 6 we look at economic performance in 2016 in more detail.

Technical notes to this report:

Financial values have been converted from GBP to EUR at the Commission published monthly rates. For claims, this is the rate prevailing at the time each claim was approved, and for commitments, the rate that was current at the time of reporting (so for example overall commitments reported to the JPMC in November 2016 used the November 2016 rate).

The claims are reported in the AIR tables as 'selected projects' (type 'S'), as Scotland does not yet have any fully-implemented operations (type 'F'). These operations have not reported result indicators at this stage.

Section 3 – Implementation of the priority axis

Section 3.1 - Overview of the implementation

Priority Axis 1 Promoting sustainable and quality employment and supporting labour mobility

The potential barriers to entering sustainable employment or progressing into better employment are varied and differ across Scotland's regions. During the 2007-13 programmes, Scotland developed the pipeline approach to employability and skills. This is a flexible and localised response that allows each area to respond to its particular challenges, and evidence suggests this is a successful way of both aligning with national and local initiatives, and of delivering better results for the individual participants.

To ensure that this approach can be rolled out across Scotland, 32.7% of the ESF Programme has been dedicated to Thematic Objective 8, promoting sustainable and quality employment and supporting labour mobility.

During the current Programme money was made available to support employability measures in 16 local authority areas. The European Social Fund (ESF) Programme 2014-2020 however, has made funding available to each of the 32 Local Authorities to support or develop an Employability Pipeline across Scotland. Currently the planning figure attached to this activity is approximately £115 million, of which £19.6 million is specifically for the Highlands and Islands area. Local authorities are using a mix of in-house delivery, challenge funds and procurement and the issue of match funding has had some impact on the success of some of the operations.

In terms of the pace of delivery, match funding is increasingly being perceived and reported as an issue by lead partners and stakeholders. A number of smaller organisations are finding it more challenging to provide match funding, but this can also be said of several local authorities who have not requested any ESF funding citing lack of match funding and lack of capacity on the ground to deliver. However the picture is mixed, with some lead partners supplying match and others not. The provision of match funding by the local authorities does not always bring about success in letting contracts, though, as a number of areas have reported fully-funded contracts as un-let with no interest. This is particularly the case in remote rural areas, where service delivery is both more difficult and more expensive. Whilst procurement is providing certainty for some organisations around what they are expected to deliver, it has been suggested that some contracts are too big for smaller organisations to handle (anecdotally, these smaller organisations are subsequently approaching main contract winners and working in partnership); and the activity tailored to the needs of a local areas might not necessarily be a good fit with the focus of organisations who have previously accessed Structural Funds.

Priority Axis 2 Promoting social inclusion, combating poverty and any discrimination

During 2016 approvals were made for a number of operations, each aimed at promoting social inclusion, and combating poverty and discrimination across the

length of Scotland. Some are large pan-Scotland schemes such as the Aspiring Communities Challenge Fund, whilst others are focused on very particular activities, such as a Shetland Islands Council Fuel Poverty service. No claims were received during 2016 from lead partners but the Managing Authority (MA) has worked closely with partners to develop and agree milestones, undertake system audits and work with partners to get their data uploaded onto the EUMIS grant management system.

Match funding remains a concern. The involvement of third sector and community organisations is a central ambition of the programmes, but whilst many operations are fully funded, a number of others are not. There are early anecdotal reports that third sector organisations are finding it difficult to identify other sources of funding. Whilst not unusual (partners traditionally bring match to ERDF and ESF projects), the current squeeze on public sector spending is likely to mean that this will not be easily addressed. This raises questions around the deliverability of programme level targets and whether these can be delivered for less, or with less third sector involvement.

In June 2015 the Scottish Government passed the Community Empowerment Act. This has been designed to help to empower community bodies through the ownership of land and buildings, and by strengthening their voices in the decisions that matter to them. It also seeks to improve outcomes for communities by improving the process of community planning, ensuring that local service providers work together even more closely with communities to meet the needs of the people who use them. The impact of this Act meant that the content and proposed delivery of the approved Community-led Strategic Intervention had to be reconsidered. In late 2016 the resubmitted Operations were approved, providing support better aligned to the ethos of the Community Empowerment Act.

Priority Axis 3 Investing in education, training and vocational training for skills and lifelong learning

The European Social Fund supports the delivery of higher level qualifications aligned with the needs of growth industries and sectors in Scotland such as digital, low carbon and marine science under the 'Developing Scotland's Workforce' (DSW) intervention.

Developing Scotland's Workforce will create additional learning places linked to key sectors, and specialist training focused on Scotland's emerging growth sectors; Develop a new curriculum addressing the workforce skills gaps and better respond to employers' needs through new delivery options such as blended learning; Strategically expand Scotland's Modern Apprenticeship programme, creating new links to sectors including science, technology, engineering and mathematics; Create a new work-based learning approach through Foundation Apprenticeships, where activity starts at school and uses a mixture of academic and work-based learning; and support Advanced Apprenticeships - post-school academic and work-based education offering progression from Higher National level to degree level.

Scottish Funding Council (£11.9m) and Skills Development Scotland (£15.7m) are responsible for delivery of Developing Scotland's Workforce between 2015-2018.

Priority Axis 4 Youth Employment Initiative

The Youth Employment Initiative in Scotland supports young people into employment and into additional learning places. Scotland has committed £59m to 15 operations.

A very small number of YEI operations commenced during 2015. The reason for the slow start was due to uncertainty around the development of a unit cost model and the absence of an offer of grant (offer letters were not issued until the end of December 2015). As a result the majority of operations did not commence until 2016.

During 2016 the Managing Authority (MA) has worked closely with lead partners to develop and agree milestones, undertake system audits, and support partners in the operation of the new EUMIS grant management system in order to get all their data uploaded which will allow them to submit claims.

With constant and significant exchange rate fluctuations the availability of funds and the value of committed funds is proving challenging. For example, £59m committed to the Youth Employment Initiative in December 2015 now equals £66m. This is the first indication of an issue all of the ESIF programmes are likely to face. As Funds are committed in pounds sterling, the corresponding commitment rate will drop and rise with the currency exchange rate. Recent movement has been significantly outwith the long-term norm, and for priority axes that are not time limited, this may impact on decisions as to what value to commit.

Section 3.2 – Common and programme specific indicators.

(Data for common and programme specific indicators by investment priority are transmitted using Tables 1 to 4 below.)

Table 1 – Result indicators for the ERDF and the Cohesion Fund

N/A for ESF report.

Table 2A – Common result indicators for ESF

Nil Return to end 2016 (no claims paid).

Table 2B – Result indicators for the YEI

Nil Return to end 2016: no claims were submitted by the lead partners during 2016.

Table 2C – Programme specific result indicators for ESF

Nil Return to end 2016 (no claims paid).

Table 3A – Common and programme specific output indicators for the ERDF

N/A for ESF report.

Table 3B – ERDF support for productive investment, number of enterprises supported

N/A for ESF report.

Table 4A – Common output indicators for the ESF

Nil Return to end 2016 (no claims paid).

Table 4B – Programme specific output indicators for the ESF

Nil Return to end 2016 (no claims paid).

Section 3.3 – Milestones and targets defined in the performance framework

Table 5 – Information on the milestones and targets defined in the performance framework

Nil Return to end 2016 (no claims paid).

Section 3.4 – Financial data

Table 6 – Financial information at priority axis and programme level

Please see attached spreadsheet.

This table shows summary financial information by priority axis e.g. costs of selected operations, as a proportion of total allocation.

Table 7 – Breakdown of the cumulative financial data by category of intervention

Please see attached spreadsheet.

This table presents the data from Table 6 in more detail e.g. by category of intervention code.

Table 8 – The use made of cross-financing

N/A for Scotland.

Table 9 – Cost of operations implemented outside the programme area (ERDF)

N/A for Scotland.

Table 10 – Expenditure incurred outside the Union (ESF)

N/A for ESF in Scotland.

Table 11 – Allocation of YEI resources outside the eligible NUTS level 2 regions

YEI in Scotland is restricted to the South West Scotland region where it aims to support young people not in education, employment or training. There are therefore no YEI resources allocated outside the NUTS2 area.

Section 4 – Synthesis of the evaluations

(Synthesis of the findings of all evaluations of the programme that have become available during the previous financial year.)

The ‘European Structural and Investment Funds: monitoring and evaluation strategy 2014-2020’ is published here: <https://beta.gov.scot/publications/esif-monitoring-evaluation-strategy-2014-2020/>. Under its timetable of planned evaluations of the ESF programme, no evaluations were due to become available during 2016.

The most recent evaluation was of the YEI, completed in December 2015. This was discussed in Section 5 of Scotland’s previous AIR for the ESF.

Please refer to Section 12.1 of this report for a discussion of implementation of the evaluation plan.

Section 5 – Information on the implementation of the YEI

In February 2016 the Cabinet Secretary for Fair Work announced £59.1m funding from the European Commission’s Youth Employment Initiative (YEI) to support young people in South West Scotland access secure and sustainable employment.

YEI operations are aiming to assist 19,954 individuals (compared to the programmed 17,000). The results projected are almost universally at, or higher than target, suggesting lower attrition rates throughout every intervention.

The participant type is also different from programme assumptions – fewer inactive participants (51% of programme values), but greater numbers of long-term unemployed (185% of programme values). Long-term unemployed young people in the region suffer many of the same multiple and inter-linked needs as the general long-term unemployed population, and their support needs will be more intensive and more expensive. It is therefore not yet clear whether these projected outturns, which were in many cases based on the wider client group which existed two years ago, are realistic or achievable.

This is particularly the case with the falling youth unemployment rate in SW Scotland in response to an improving labour market. The rate of youth unemployment has now fallen below the national average (13.2% compared to 14.1%). A number of domestic initiatives have already been down-sized in response to this improvement, as there are simply fewer clients to support, albeit with more difficult and entrenched issues.

Young people who were near the labour market have moved into it, and the number of young people entering full time education has also increased. This leaves the group of young unemployed people in the region often facing multiple barriers, and therefore needing more intensive support; and, based on past domestic schemes, more likely to cut short their own participation.

Furthermore the introduction of Universal Credit is starting to impact this: It will seek to place young people on zero- or low-hours contracts, which means that the young person cannot receive the intensive support through YEI as they no longer meet the eligibility criteria of not being in work, education or employment.

Progress and performance

At the request of the European Commission, performance information was submitted by lead partners on delivery to June 2016. This data showed encouraging signs, but the Managing Authority has not cannot confirm its accuracy due to the absence of claims.

Indicator	committed	Delivered to June 2016	target	% of target
Number of persons in YEI-supported actions	19,954	5,970	17,000	35%
Number of persons who completed a YEI operation	19,808	3,269	13,123	27%
Number of persons in employment or education or training after end of the YEI support	13,863	1,349	6,525	21%

YEI is focused on concrete results. If the current performance and attrition trends persist, it is likely that lead partners will have to change their approach to deliver those results, or that the programme will not be able deliver against them.

The results of the first year of delivery reflect initial concerns around the achievability of projected results: against projected targets, the attrition rate between taking part and completing a YEI supported intervention was just 1%, whereas in practice this is showing at 45%, with a further 59% drop-off prior to reaching a successful intermediate outcome at the end of the intervention. This reflects, at least in part, the more difficult client group which has resulted from an upturn in the local labour market. Young people who were near the labour market have moved into it, and the numbers of young people entering full time education have also increased. This leaves the group of young unemployed people in the region often facing multiple barriers and therefore needing more intensive support and, based on past domestic schemes, more likely to cut short their own participation. It is anticipated that this will be reflected across the ESF Programme with challenging and harder to reach client groups becoming the norm.

The majority of the Youth Employment Initiative operations have been running for a year, with a further two years of activity expected (to end of 2018), and with a third of the time elapsed, approximately a third of the participant target has also been reached. Further procurement to support coaching, training and job placements is underway, which means this number should increase in early 2017

Section 6a – Issues affecting the performance of the programme and the measures taken

As was the case in the previous AIR, the 2014-20 Programme is not itself the subject of any performance issues. However, it is still experiencing knock-on impacts from the effect which our on-going work on the 2007-13 programmes - including closure and suspensions - had on the timescales in commencing activity for the 2014-20 programmes.

At the time of writing the previous AIR, we anticipated that these timescales might cause some issues around absorption in the approved strategic interventions, as some match funding from past years' public budget would become lost to the programme. Issues around match funding did indeed get worse through 2016, with lead partners and stakeholders increasingly perceiving and reporting it as an issue. Public sources of central match or co-financing of EU funds (relevant to much of the ERDF and ESF) continue to be under pressure through public sector budget control. Smaller organisations have described as confusing the mixed picture on match funding, with some lead partners supplying it and others not – especially in the ESF.

In the previous AIR we also raised the possibility of considering extensions to timescales, increasing levels of activity, or amending projects, to help individual

operations to meet their performance targets. This action has been taken forward in our Early Review of Programmes, conducted from late 2016 to early 2017. The June 2017 JPMC will consider the findings of this Review, and any measures taken in response to its findings will be reported in next year's AIR.

Although the ESF commitments generally were performing well, the early attrition rates for the Youth Employment Initiative were high. This may have been associated with changes in labour market conditions (see unemployment rates below), and with modifications to the welfare system that may have made clients both harder to reach and more difficult to identify. In cases where some performance targets for the whole programme had already been achieved by late 2016, questions arise as to the targeting (e.g. for participants with multiple barriers entering training, education or employment) or intensity of support offered (e.g. FTEs in supported social enterprises). When performance data becomes available from the Scottish Funding Council and Skills Development Scotland, we will be able to assess the new focus on higher skills and the development of the apprenticeship schemes.

In the Highlands and Islands (H&I) region, the ESF and ERDF programme is worth proportionately more per head due to its 'transition region' status and historically higher levels of spending. Commitment levels will need to reflect this, but by late 2016 commitments accounted for only 27% of the funding allocated to the transition region, versus a national figure of 44%. The anticipated digital application to ERDF would take H&I approvals to 38% overall. However, this apparent improvement might mask low uptake in other areas of activity, particularly employability in ESF and innovation and SME competitiveness in ERDF. Under-commitment was also thought likely to be exacerbated by further funding allocated to transition regions as the result of MFF review.

Looking ahead to further progress that is not captured in the time-period of this report, the commitment levels reported to the June 2017 JPMC (which reflect operations approved in the March MAAP) had risen to 52% overall, and 46% for ESF.

Economic context

Section 2 closed with a summary of the increasing uncertainty following the EU referendum. This contrasted with the first half of the year, when the Scottish economy continued to demonstrate resilience in the face of on-going external headwinds: whilst output growth was flat in the first quarter of 2016, it picked up in the three months prior to the EU referendum. The labour market also continued to strengthen in the first half of the year, with the unemployment rate reaching its lowest level since 2008; this helped to support domestic demand, with rising real wages boosting household disposable incomes and the consumption in the domestic economy – demonstrated by an increase in retail sales over the second quarter. Non-domestic demand, however, remained weak in the first half of 2016, reflected in the fall in manufactured exports.

In the second half of 2016, the outcome of the EU referendum increased economic uncertainty. This was mainly visible in financial and currency markets (e.g. Sterling value), but consumer sentiment and business optimism also weakened.

While over the calendar year (i.e. 2016 on 2015) Scottish GDP grew by 0.4% (1.8 % in the UK as a whole), in the fourth quarter of 2016, the Scottish economy contracted by 0.2% compared to the previous quarter; it was also flat (0.0% change) compared to the same quarter a year previously. This weak performance in the last quarter of 2016 is the result of growth in the services industry being balanced out by contractions in the construction and production industries, particularly in manufacturing.

Overall, Labour Market statistics for January - December 2016 show a fall in the unemployment rate over the year (5.8% to 4.8%), but also a smaller fall in the employment rate and an increase in the inactivity rate.

N.B. In the 2016 report, Section 6b is replaced by Section 11.1

Section 7 – Citizen’s summary

(To be uploaded as a separate file, following approval of the AIR)

Section 8 – Report on the implementation of financial instruments

To be uploaded as a separate appendix.

There are no financial instruments under ESF.

Section 9 – Action taken to fulfil ex-ante conditionalities

There were no ex-ante conditionalities that were not fulfilled upon the adoption of the OP.

Section 10 – Progress in preparation and implementation of major projects and joint action plans

Section 10.1 – Major Projects

Table 12 - Major Projects

N/A for Scotland.

Section 10.2 Joint action plans

Table 13 – Joint action plans

N/A for Scotland.

PART B – REPORTING SUBMITTED IN 2017

Section 11 – Assessment of the implementation of the operational programme

Section 11.1 – For each priority axis: assessment of progress towards achieving the objectives of the programme

NB There is not yet any evidence available from evaluations concerning the contribution of the ESIF to changes in the value of result indicators.

Priority Axis 1 Promoting sustainable and quality employment and supporting labour mobility

The employability pipelines tested in the 2007-13 Programmes have been rolled out across Scotland for 2014-20. They remain locally tailored, although there are particular target groups and Programme rules specify that participants must have more than one barrier to entering work or progressing in the labour market. The pipeline is a 5 stage process which allows constructive engagement for those who feel unable or ill prepared for the transition from unemployment to employment status. It will guide people through various stages of their personal development and provide them with the right tools to enter back into employment or learning. There is strong evidence that re-employment leads to improved self-esteem, improved general and mental health and reduced anxiety.

Local authorities are using a mix of in-house delivery, challenge funds and procurement. The provision of match funding by the local authorities does not always bring about success in letting contracts, though, as a number of areas have reported fully-funded contracts as un-let, with no interest. This is particularly the case in remote rural areas, where service delivery is both more difficult and more expensive. And whilst procurement is providing certainty for some organisations around what they are expected to deliver, the size of some contracts on offer are suggested as being too big for smaller organisations to handle and the activity tailored to the needs of local areas might not necessarily be a good fit with the focus of organisations who have previously accessed Structural Funds. A number of those smaller organisations, who are unable to bid for the large contracts, are developing partnerships with the successful main contract winners to help in the delivery of activity.

In many cases, delivery commenced in 2015 and at least one full year's worth of activity has now been delivered. From these areas, it is seen that the approach is working, with services redesigned around the pipeline approach rather than individual point-in-time services. There are particularly good examples from those areas which started early delivery, such as City of Edinburgh Council, where there has been a 12% drop in the number of individuals in each of stages 2 and 3 respectively, and a 25% increase in the numbers in stage 5, suggesting steady progression for participants.

The National Third Sector Fund (for larger third sector organisations delivering interventions across more than one area) has run several procurement calls, and has been reasonably successful in allocating funding in LUPS towards activity which is not covered through the local pipelines. The H&I region presented a challenge in that organisations do not work across boundaries in the same way as elsewhere in Scotland precisely because of the nature of the territory: the boundaries are physical, with services restricted to islands or the mainland. A modified procurement exercise is underway to reflect this and ensure that the region benefits from this funding.

Priority Axis 2 Promoting social inclusion, combating poverty and any discrimination

Progress has been slower on promoting social inclusion and combating poverty. Larger initiatives like community-led empowerment, the social innovation fund and targeted communities interventions have taken longer to procure or open up to bids than initially planned. This reflects a range of operational issues from local consultation, match funding, additionality and adapting to new programme rules, as well as parallel changes in Scottish policy around community engagement. However, activity is now beginning on the ground, and the majority of lead partners are providing the match funding for this activity in recognition that it is not easily available elsewhere. One major tendering exercise for community-level interventions is expected to conclude at the end of November and to begin delivery in January 2017. Two challenge funds will open for applications late January 2017 with awards expected in late spring.

Priority Axis 3 Investing in education, training and vocational training for skills and lifelong learning

Scottish Funding Council (SFC) and Skills Development Scotland (SDS) are delivering Developing Scotland's Workforce between 2015-2018. No claims were received during 2016 from SFC or SDS but the Managing Authority (MA) has worked closely with them to develop and agree milestones, undertake system audits and work with partners to get their data uploaded onto the EUMIS grant management system.

With the emphasis on higher level skills linked to growth sectors there are concerns around delivery of the programme with the College sector as the focus of the Priority Axis is significantly different from the ESF activity SFC and the Colleges delivered in the 2007-2013 programme. As a result SFC were given an Offer of Grant for 12 months covering academic year 2015/16, and performance will be assessed once this claim has been received.

Skills Development Scotland delivery has involved the expansion of the Modern Apprenticeship programme and further development of the new work based Foundation Apprenticeship programme. In the absence of claims we cannot comment on performance information, but are confident that SDS will achieve the programme targets at the mid-term review point.

Priority Axis 4 Youth Employment Initiative

Youth Employment Initiative funding required to be committed by the end of December 2015. Scotland committed £59 million to 15 operations (with a further £30 million in partner funding), covering employment initiatives for young people and additional learning places. With exchange rate fluctuations, this commitment is now €66 million, a commitment rate of 71%.

In terms of results, the YEI operations are aiming to assist 19,954 individuals (compared to the programmed 17,000). The results projected are almost universally at, or higher than target, suggesting lower attrition rates throughout every intervention.

Progress towards achievement of programme objectives

Employability allocations have not been fully exhausted, with of £6.5 million remaining uncommitted between the indicative allocations for phase 1 and approved operations. The transition region has seen a slightly slower start to activity as well as lower spend proportionately. The slightly lower spend may simply be reflective of a strengthening labour market, with Scotland at its highest levels of employment since 2008, but can also be partly explained by one known area no longer progressing with operations.

Both output and result projections are higher than expected with full programme targets for some indicators already committed, albeit not yet delivered. Previous programme evidence and the current YEI performance suggests a higher attrition rate in practice than currently expected from those operations may result. Additionally, some operations used estimates for these initial result targets, and these may need to be adjusted following procurement exercises.

Given that most strategic interventions have taken up to 55% of the total funding allocation available to them, these forecasts are ambitious. The wider environment is likely to have a significant bearing on the success of these interventions in actually delivering those outcomes and results. The ESF programme targets very difficult-to-reach and -support individuals, those with multiple barriers to work, ingrained and long-term disadvantage, and poverty at both individual and community level. These same individuals may also be impacted by changes to the UK welfare system and entitlements, which will see support from Job Centre Plus limited to long-term unemployment benefits after two years of claims; a drop in direct funding for many disabled individuals; and a real-terms drop in the value of transfer incomes for the unemployed.

The move to universal credit may also cause some administrative difficulty. It may be difficult to tell who is unemployed or long-term unemployed, as individual benefits are subsumed into an income top-up. The impact or scale is not yet clear, but the

SG Employability and Fair Work Directorate is working with the UK Department of Work and pensions to assess it.

For ESF, match funding continues to be a concern for stakeholders, as does pace of delivery. However, this is not necessarily borne out by the latest delivery information from lead partners, with the majority of contracts being let. The main factor seems to be experience in running pipelines rather than provision of centralised match funding. However, given the fluctuation in the value of the pound, the increase in programme value and therefore the pressure on available match funding, this will be kept under review as implementation proceeds.

As with other growth themes, concerns are emerging round the longevity of interventions and local action plans and strategies. Whilst the UK Government guarantee may ameliorate some of this anxiety, clear decisions and communication around timescales are likely to be needed to secure stakeholder and project buy-in to continue delivery of the outcomes planned under ESIF programmes.

Section 11.2 – Specific actions taken to promote equality

The Operational Programme (OP) sets out the context in which the ESIF programmes in Scotland were designed and under which they operate. Across the UK, this is dominated by the Equality Act (2010). In 2011 the Act introduced a new public sector equality duty (PSED), which replaces the previous three equality duties for race disability and gender. The new duty applies to the nine 'relevant protected characteristics' – age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, sex, sexual orientation, and marriage and civil partnership.

Specifically in Scotland, Scottish Ministers have since May 2012 had a power to make 'specific duties' to enable the better performance of the PSED. In addition, the Scottish Government has developed a set of Equality Outcomes for the nine protected characteristics: the outcomes are positioned at the heart of the Scottish Government's improvement agenda, mainstreaming equalities to raise the standard of performance against the PSED. There has been strong Ministerial interest in, and a commitment to taking forward activity in a number of equality areas relevant to the ESIF, including support for childcare; women's enterprise; combating gender segregation in the labour market, for both men and women, including Modern Apprenticeships; support for science, technology, engineering and medicine (STEM); and to help increase access to jobs in growth sectors of the economy for disadvantaged individuals and groups.

Scotland's approach to mainstreaming equality was further developed on the OP, as it built on the 2007-13 programmes and the ex-ante evaluation in its arrangements for the operations' integration of the gender perspective, prevention of discrimination and accessibility for people with disabilities. The promotion of equality between men and women forms an integral part of all future projects, as gender mainstreaming is incorporated not only throughout the lifetime of the project but also the planning, preparation, implementation, monitoring and evaluation stages.

Specific actions for these are enacted through the application process for SIs and Operations, and verification by the MA. The SI Application Guidance (<https://beta.gov.scot/publications/esif-strategic-intervention-application/Strategic%20Intervention%20application%20-%20guidance.pdf?inline=true>) emphasises the importance of demonstrating that the horizontal themes have been considered and integrated into all strategic intervention and operation structures. The guidance explains that the aim of the Equalities horizontal theme is to increase the opportunities within the Programme for all groups, and to prioritise and adapt support for groups facing particular disadvantages to participation. This includes outlining any potential barriers to access to participation, and how the strategic intervention intends to overcome these barriers. Applicants are expected not only to consider what Equal Opportunities policies, procedures and resources will be in place, but also to explain how these will make a positive difference.

Lead Partner Application forms (<https://beta.gov.scot/publications/esif-strategic-intervention-application/>) therefore include descriptions of the SI's focus on horizontal themes (including equalities), how they are to be embedded in the SI and each operation, identification of the person responsible for ensuring that horizontal themes are addressed in the SI and operations, and proposals for monitoring and evaluation of horizontal themes.

Operation application forms (<https://beta.gov.scot/publications/esif-operation-application/>) require details of how equalities issues and barriers will be identified, monitored and addressed. The guidance includes further prompts, such as consider how possible discrimination (including unconscious discrimination) will be addressed. In addition, how will the activity planned, and the way it is to be delivered, contribute to eliminating discrimination. Both operation and SI applications must state how they will comply with regulatory requirements including the requirement for an Equality Impact Assessment (EQIA).

The procedures for assessing applications and verifying compliance with EU policies including equalities, and horizontal themes, are set out in the Management and Control System (MCS - <https://beta.gov.scot/publications/esif-management-control-system/European%20Structural%20and%20Investment%20Funds%20-%20management%20and%20control%20system.pdf?inline=true>). These occur in three stages: verification during project selection; administrative verification during project implementation; and on-the-spot verification before, during and after project implementation.

Section 11.3 – Sustainable development

The Operational Programme describes the context of sustainable development in the ESIF programmes, in terms of the requirements of Article 8 of the Common Provision Regulations and Part 4 of The Climate Change (Scotland) Act 2009. These apply to all public sector organisations participating in the 2014-20 Programmes and were key to the development of the OP, as were the findings of the ex-ante evaluation. This contributed strongly to the design process for mainstreaming environmental sustainability in the OP, leading to the adoption a two-fold approach to sustainable development.

Because sustainable development is one of the three horizontal themes, the promotion of sustainable development will be a priority for all projects. Our specific actions for ensuring this are embodied in the application and selection process. The SI Application Guidance emphasises the importance of demonstrating that the horizontal themes have been considered and integrated into all SI and operation structures. Lead Partner application forms therefore include descriptions of the SI's focus on horizontal themes, how they are to be embedded in the SI and each operation, identification of the person responsible for ensuring that horizontal themes are addressed in the SI and operations, and proposals for monitoring and evaluation of horizontal themes.

The guidance for operation and SI applications explains that the aim of this horizontal theme is to ensure that ESF programmes promote the sustainable use and conservation of Scottish environmental assets, by enhancing the role of environmental sustainability in economic and social development policy-making. It prompts applications to address the following:

- resource efficiency - particularly improving the efficient procurement and use of energy, water and raw materials and increasing application and use of renewable energy;
- environmental impact – particularly the ways in which the Operation contributes to the enhancement or protection of the environment and seeks to minimise negative impacts (such as pollution);
- local sourcing – particularly support for local sourcing initiatives and activities aimed at diversification within the local economy as well as the efficient use of local public transport and local community transport services

The guidance also observes that applicants should not only consider what Environmental Sustainability policies, procedures and resources will be in place, but also explain how these will make a positive difference; and that, where applicable, delivery partners will be required to demonstrate how their proposed projects will fully comply with the Public Bodies Duty, outlined in Part 4 of the Climate Change (Scotland) Act 2009. Operation application forms require details of how environmental sustainability issues and barriers will be identified, monitored and addressed. Both operation and SI applications must state how they will comply with regulatory requirements including the requirement for an Environmental Impact Assessment (EIA).

The procedures for assessing applications and verifying compliance with EU policies and horizontal themes are set out in the Management and Control System (MCS). These occur in three stages: verification during project selection; administrative verification during project implementation; and on-the-spot verification before, during and after project implementation.

The JPMC membership includes organisations with an interest in this area, to ensure sustainable development interests are taken into consideration at a higher level.

Section 11.4 – Reporting on support used for climate change objectives

N/A for ESF report.

Section 11.5 – Role of partners in the implementation of the programme

The Operational Programme describes the partnership working that was undertaken with the High Level Stakeholder Engagement Group and further working groups, in analysing the areas of need where the new 2014-20 programmes could have most impact. This partnership approach has been continued through into the implementation of the programmes, for example through the JPMC.

The composition of the Joint Programme Monitoring Committee (JPMC) has been agreed in accordance with Article 48 of the CPR, in that it is composed of representatives of relevant Member State authorities, intermediate bodies and of representatives of the partners referred to in Article 5 CPR. These are (a) competent urban and other public authorities; (b) economic and social partners; and (c) relevant bodies representing civil society, including environmental partners, non-governmental organisations, and bodies responsible for promoting social inclusion, gender equality and non-discrimination. The list of the members of the monitoring committee is published (<https://beta.gov.scot/groups/joint-programme-monitoring-committee/>). The European Commission participates in the work of the monitoring committee in an advisory capacity, and the committee is chaired by a representative the managing authority. As set out in our MCS, the JPMC is supported by Operational and Territorial Committees including the Rural Development Operational Committee (RDOC), the Highlands and Islands Territorial Committee (HITC) and the Youth Employment Initiative Territorial Committee (YEITC).

At the heart of the OP partnership process were core stakeholder groupings around each of the Smart, Sustainable and Inclusive growth areas, which have also continued through into programme implementation. We have continued to hold regular meetings between the MA and lead partners under each of these growth areas, and are currently planning the establishment of additional quarterly meetings with lead partners.

The partnership approach is also fundamental to our implementation of programmes through Strategic Interventions, or groups of linked projects and operations. This builds on good experience in Scotland from the 2007-13 programmes, including strategic delivery bodies around innovation and skills development; and linking a large range of employability projects through the oversight of local authorities and their partners in the Skills Pipelines.

In next year's AIR we will be able to report on the extensive contributions made by partners to our Early Review of Programmes, undertaken in late 2016 and early 2017.

Section 12 – Obligatory information and assessment

Section 12.1 – Progress in implementation of the evaluation plan and the follow-up given to the findings of evaluations

As stated in Section 6 of this report, the ‘European Structural and Investment Funds: monitoring and evaluation strategy 2014-2020’ is published here: <https://beta.gov.scot/publications/esif-monitoring-evaluation-strategy-2014-2020/>.

Under its timetable of planned evaluations of the ERDF programme, the only evaluation that became available up to the end of 2016 was the YEI. We discuss this below, following a review of implementation of the monitoring and evaluation plan.

In the Scotland MA, responsibility for monitoring and evaluation sits within the Policy and Governance Team. During the second half of 2016, much of the capacity of this team was absorbed by the project to investigate Simplified Cost Options (SCOs) with Commission colleagues, by on-going testing of the EUMIS management information system (one of whose purposes is to store operations’ monitoring data), and by staff sickness. We did, however, make progress in scoping the first evaluation on the Plan: this is the second evaluation of YEI, which is due for completion at the end of 2018. We also continued with the routine monitoring of the programmes against the targets set out in the Partnership Agreement, and reported this to the meetings of the JPMC in May and November 2016, in addition to the AIRs. We have furthermore brought forward our Early Review of Programmes, beginning in late 2016, to review progress and inform our decision-making around changes in programming or project selection, as the accelerated timescales for Brexit increase the pressure on performance targets.

In 2017 we plan to undertake a review of planned evaluation activity, to optimise its alignment with domestic policy priorities in the light of the UK’s departure from the EU.

Follow-up to findings of first evaluation of YEI:

The first evaluation of the YEI was carried out in 2015, and its findings reported in the previous AIR. Due to delays in approving AIR operations, the evaluation was scheduled to take place before delivery had commenced, and so took the form of a review of the difficulties of implementation and recommendations of action which might speed up implementation and the quality of results in any similar initiatives in the future. This means it did not find concerns or offer lessons for action in the subsequent year of operation.

The findings centred around a mismatch between the results expected of the YEI and the needs of the unemployed young people in South West Scotland; a smaller target group with greater support needs than planned, which was left when the labour market improved significantly; a concern that, although evidence suggests that the most effective intervention is during school, i.e. before the young person disengages, this is ineligible for YEI support; work to develop unit costs proved insufficiently robust to satisfy audit requirements; and reticence from major public

agencies in engaging with YEI delivery which contributed substantially to slow commitment of the YEI funds.

Subsequent detailed monitoring of the YEI, as reported to the JPMC in November 2016, observed that the commitment rate was being impacted by exchange-rate fluctuations; applications indicated a change in the expected client group (with a greater proportion of long-term unemployed) but with consequent concerns for the likelihood of achieving the same results for these participants; and a continuing reduction in the pool of eligible participants given the continued fall in the youth unemployment rate in SW Scotland. Furthermore, the actual attrition rate was higher than had been projected, because the remaining participants were further from the labour market.

These performance concerns – for the YEI as for the remainder of the ESIF programmes - will be reported next year as part of the Early Review of Programmes.

These same timing issues are likely to affect the second evaluation of YEI. Since the due dates for evaluation are set in advance by the Commission, and are not amended when programmes experience delay, they can turn out to be premature. This was the case for the first evaluation of YEI, which was completed before delivery had commenced; the second evaluation will be due before a meaningful proportion of participants has recorded a long-term outcome at six months after leaving the scheme.

Section 12.2 – Results of the information and publicity measures of the Funds carried out under the communications strategy

Scottish Communication Strategy

The Scottish Managing Authority has a Communication Strategy that sets out how information about the European Structural and Investment Funds in Scotland for 2014 - 2020 will be communicated as well as publicity activity devised and delivered. It sets out the communications obligations of lead partners, key stakeholders and other interested parties. It includes the key messages about the European Regional Development Fund (ERDF) and European Social Fund (ESF) activity and the communication channels used to disseminate this information. It sets out how the Scottish Government will provide information that is timely, clear, and reliable and in a form compatible with the following EC Regulations:

- 1303/2013, articles 115-117 and Annex XII
- 1304/2013, article 20 Youth Employment Initiative
- Commission Implementing Regulation 821/2014, chapter II and Annex II

Publicity and Information

Print, online and broadcast media continue to be used as a channel to promote ESIF activity to a wide audience. The Managing Authority issues timely and accurate press releases focusing on strategic activity. Responsibility for this sits with the European Structural Funds Communications Officer with support from the Governance Team. Communications are broadcast via online blogging, Twitter and the Scottish Government website.

To reflect the new 2014-20 structure, lead partners are required to work in partnership with the Managing Authority to maximise media coverage about the awarding of funding for individual projects. Responsibility for coordinating this activity lies with the lead partner programme contact, lead partner communications staff and the European Structural Funds Communication Officer. When a new operation is approved for funding, consideration is given to the opportunities to publicise the award, including Ministerial level announcements.

The communications activities of the Managing Authority and lead partners raise awareness and understanding of the European Commission's strategic priorities of Smart Growth, Sustainable Growth and Inclusive Growth.

European Structural Funds Division Website and Social Media

The European Structural Funds website is maintained and during calls for funding applications was kept up to date with application rounds, approvals and Lead Partner guidance. It is monitored regularly to ensure the published data is accurate and up to date.

Lead Partner and stakeholder distribution lists for email alerts are maintained, and those on the mailing list were emailed of any news updates published e.g. calls for applications and progress reports. Lead Partners and stakeholders were encouraged to follow our new blog to keep up to date with other ESIF 2014-20 activities such as announcements and case studies. Existing and new communications channels such as Twitter were used to drive viewers to specific sections of the website to raise awareness of online information.

Annual Publicity Event

The Scottish Government's European Structural and Investment Funds division is required by EC regulations to carry out an annual communications activity for each year of the ERDF and ESF programming period. Past activity has ranged from award ceremonies and road shows to stakeholder information days. In 2014 a new approach was taken which used digital technology (in the form of an online booklet) to promote and raise awareness not only of the achievements of the funds over the previous 12-month period, but also European funding achievements in Scotland over the previous seven years.

As activity for the 2014 - 2020 programmes was in very early stages during 2016, the Managing Authority took the decision to promote the work of the programmes at the Europe Day event in May. The Managing Authority took a stall at the well-attended event and distributed promotional material highlighting the achievements of the 2007-13 Programmes and publicising the aims of the 2014-20 Programme. The annual event in 2017 will promote activity and achievements to date.

Publicity Requirements

The Scottish Government has published the European Structural and Investment Funds 2014 - 2020 Programme Publicity Guidance in line with requirements set out in European Commission Regulation (EC) 1303/2013.

The publicity requirements set out the minimum requirements which lead partners must adhere to when developing and delivering European Structural and Investment Fund operations. These requirements are set by both the European Commission and the Scottish Government.

It is a condition of grant that any assistance received by a project from the European Union through ESIF is clearly and appropriately acknowledged in all publicity material publications, public procurement documents and events. The guidance covers how and when to acknowledge the European Union's Structural Funds contribution, information about the correct use of logos and the technical specification relating to their use. A copy of the guidance, the relevant European Commission Regulations and the agreed European Structural Fund logos for Scotland is easily available on the Scottish Government website in a variety of approved formats and styles.

The publicity requirements underpin a partnership approach to communications activity between the Managing Authority and lead partners which is designed to maximise publicity opportunities.

Announcement of List of Operations

A full list of approved operations is available from Scottish Government website at: <http://www.gov.scot/Topics/Business-Industry/support/17404/esifoperations/ESF-ERDFoperationsapproved>

Visibility and Awareness

Since September 2016, the European Structural Funds Communications Officer has been working closely with Scottish Government Digital colleagues in the redesign of the Scottish Government's corporate identity to demonstrate our role as a digital Government leading a world class digital country. This involved transitioning to a new website which required careful consideration in transferring content to the new Scottish Government website. This also involved the development of a new blog for European Structural and Investment Funds.

The Communications Officer has worked closely with the Scottish Government web team to ensure web analysis can be carried out on a monthly basis, identifying any increased traffic to particular webpages after announcements, events, news releases, social media posts and blog posts.

A combination of the Events and Content Planner, Hootsuite and Web Analytics will improve our social media presence. Further communication activities will encourage and increase sharing between lead partners and European Structural Funds colleagues by means of a quarterly newsletter and already created content for their social media posts.

Press releases are an important way of engaging with the media and communicating messages to the general public. News releases have been published on the Scottish Government news pages for any European Funding announced by a Minister. News coverage following an announcement or launch event is monitored and recorded on our media monitoring table.

Section 13 – Actions taken to fulfil ex-ante conditionalities

Table 14 – Actions taken to fulfil applicable general ex-ante conditionalities

There were no ex-ante conditionalities that were not fulfilled upon the adoption of the OP.

Table 15 - Actions taken to fulfil applicable thematic ex-ante conditionalities

There were no ex-ante conditionalities that were not fulfilled upon the adoption of the OP.

Section 14 – Additional information which may be added depending on the content and objectives of the OP

Section 14.1 – Progress in the implementation of the integrated approach to territorial development, including demographic challenges, sustainable urban development, and community-led development under the OP

Scotland's approach differs from that originally envisaged by the Commission. The OPs for both the ERDF and ESF explain (in Section 4) that no funding has been allocated specifically to territorial development, because the ESIF will operate nationally in Scotland – but the territorial dimension has informed the specific targeting within national interventions, territorial delivery options around the Highlands and Islands, and the shaping of specific geographic interventions such as investment in broadband infrastructure. Although Scotland does not make use of the regulatory instruments for territorial delivery (i.e. Integrated Territorial Investments, Integrated actions for sustainable urban development, or Community-led local development), the programmes are focussed on supporting individuals, businesses and communities, recognising the relevant territorial issues that play a key role in the type of support or focus required. Examples of this approach include the following relevant activities:

Demographic challenge – the Highlands and Islands have operations under the Transition Region status for both programmes. Significant work was undertaken for the OP particularly around the Transition region to identify how best to tailor and

deliver national interventions in an area with dispersed locations, low population density and high distance to services, lower and sometimes seasonally dependent wages, sparse population concentrations and very particular sectoral and skills strengths around low carbon and tourism. This has determined how the transition regional allocation has been split across the thematic objectives, with a different profile than in more developed regions; as well as allowing for different remote delivery options e.g. around skills, and additional eligible activity e.g. around highly specialised business or innovation infrastructure.

Sustainable urban development – the Scottish programmes support activity which aligns with the spirit of the regulations, in particular under Thematic Objectives 1 (Smart Cities approach) and 6 (Green infrastructure).

Community led development - Scotland has an established system of Community Planning Partnerships (CPPs), which are wide groupings covering local authorities, health, social, justice and educational services, local third sector representatives and others. These are responsible for delivering a range of local outcomes agreed on a multi-annual basis, including many areas where the ESIF also takes an interest. The OP intended that the use of CPPs and the third sector as a delivery method would determine the actions required to support labour mobility and employability directly, with leadership by the local area. In addition, support for community sustainability measures to enable communities to identify and tackle issues to combat poverty locally would prompt the consideration of territorial challenges and tailoring.

Section 14.2 – Progress in the implementation of actions to reinforce the capacity of Member State authorities and beneficiaries to administer and use the Funds

The Management and Control System (MCS) sets out detailed guidance on how the financial and administrative aspects of the operational programme are to be delivered. The MCS is compliant with European Council Regulations. Scottish Government Finance and Internal Audit (the Audit Authority) were closely involved in the approval of the MCS and designation of the MA and CA. A specific hierarchy of delegated authority is in place and is set out within the MCS. The MCS is reviewed on an annual basis and the Managing Authority's and Certifying Authority's implementation of the programme and adherence to the MCS is subject to review by the Audit Authority.

An additional direct reporting line for the Head of the Certifying Authority and Finance Team within the Division has been established to the Director of Finance as well as to the Head of (European Structural Funds) Division. The Certifying Authority only submits expenditure declarations to the Commission following a detailed monitoring process. There is regular monitoring to ensure that the financial control systems are operating effectively.

Training is provided to staff to enable them to discharge their functions effectively. This has been important in ensuring that staff are clear on the development of new business processes in the 2014 - 2020 programmes and tasks required.

Section 14.3 – Progress in the implementation of any interregional and transnational actions

Scottish participation in ETC cooperation projects does not offer a direct contribution to the priorities of the ESF programme; however, there are supported interventions that build on social inclusion principles aimed at increasing the engagement opportunities of local communities, supporting public service innovation and strengthening social enterprise.

Within the Northern Periphery and Arctic Programme, Highland College UHI is leading the award-winning RegioStars **Circular Ocean** project to develop new innovative and sustainable approaches towards recycling and repurposing marine plastic waste among northern European and Arctic regions; the ETC funds will also act as a catalyst to motivate and empower remote communities to develop sustainable and green business opportunities that will enhance income generation and retention within local regions.

Within the **Like!** project, Angus Council and other North Sea Region local governments will come together with citizens, universities and SMEs to co-create smarter, efficient and more innovative services through 9 transnational pilots; this will allow the project partners to share new approaches and help participating communities to effectively manage change and benefit from new and more effective services.

Aberdeen Council is working with North West Europe partners on the **HeatNet** project to look at establishing 4th generation District Heating and Cooling (DHC) in the region; not only does DHC have an impact on CO2 emissions but as an alternative lower cost heat source it decreases waste and can contribute to addressing fuel poverty.

Section 14.4 – Where appropriate, the contribution to macro-regional and sea basin strategies

N/A for ESF report.

Section 14.5 – Progress in the implementation of actions in the field of social innovation, where appropriate

Priority Axis 2, Promoting social inclusion, combating poverty and any discrimination, has a particular focus on promoting entrepreneurship and vocational integration in social enterprises and the social and solidarity economy, in order to facilitate access to employment. A programme of activity worth £4 million has been approved under Investment Priority 9(v) of Priority Axis 2.

In line with the Operating Programme, the approved Operations will focus on social enterprises with the capacity to grow and create employment opportunities. Two operations, one each for Transition and More Developed areas, will deliver three

strands of activity: a social economy growth fund, a social innovation fund, and targeted support for entrepreneurial development.

The Growth Fund will aim to support growth, create jobs, and increase capacity and sustainability in social economy organisations who work with disadvantaged groups and people; the Supporting Innovation challenge fund will support innovative approaches to tackling poverty and inequality in collaboration with academia and research institutions; and the Developing Social Entrepreneurs programme will deliver a personal development programme offering high quality learning opportunities for individual social entrepreneurs.

By the end of 2016 the Growth Fund and Challenge Fund were ready to launch with first grant approvals expected in late Spring 2017.

Section 14.6 – Progress in the implementation of measures to address the specific needs of geographical areas most affected by poverty

Funds have already been split and ring-fenced for both Priority Axis 2, Promoting social inclusion, combating poverty and any discrimination, and the Transition (Highlands and Islands) area. As such, this ensures funds are specifically targeted to such investment and cannot be transferred to other Priorities or areas.

The individual challenge fund and grant scheme approvals will be monitored to ensure such areas are targeted and monitored. The EUMIS financial management system has been developed to ensure geographic area is captured by approved operations and claiming strategic interventions. Going forward, greater detail will be provided in Annual Reports on spend in these geographical areas most at risk of poverty and exclusion.

Section 15 – Financial information for 2018 only.

N/A for 2017 report.