

## **1. Introduction**

The North of Tyne Combined Authority (NTCA) Cabinet has agreed that up to £3m of the Combined Authority's Inclusive Economy Innovation Fund (IEIF), an allocation within the overarching NTCA Investment Fund, should be made available to provide a much-needed source of match funding for upcoming calls for European Social Fund (ESF) projects.

Calls for ESF projects will be issued by the Department for Work and Pensions (DWP) in 2019. The aim of the NTCA Employability and Skills Programme (Phase 1) is to unlock some of this remaining ESF funding that is available to the region for the benefit of North of Tyne residents and in support of an inclusive economy in the North of Tyne area. Historically, the availability of match funding has inhibited this important source of investment that supports people to enter and progress in the labour market, the growth of local businesses, and the local economy more generally.

On this basis, this fund will only provide match funding for projects that lever in additional ESF investment: therefore, the NTCA expects that its funding will be subject to the ESF compliance regime (e.g.) definitions, compliance and audit requirements and applicants should be mindful of this.

This document is the **Employability and Skills Programme (Phase 1) Call Definition Document**. It sets out the strategic context of the programme and the parameters of the call.

The NTCA is inviting applications for match funding for projects or programmes that: demonstrate strong alignment with the strategic aims of the Combined Authority, as set out in its Vision and Inclusive Economy Policy Statement; demonstrate a unique and placed-based approach to delivering an inclusive economy in the North of Tyne with demonstrable impact on the NTCAs Inclusive Economy Target Groups and communities; articulate and evidence the unmet demand for the proposed project or programme and it's fit in the wider provision landscape in the area; and, clearly articulate the need for NTCA investment and the value for money case.

Proposals that most comprehensively address the parameters above will be considered for match funding from the NTCA. Successful projects will unlock innovative and community-based projects with the potential to provide employment

support and / or skills training for up to 3,500 north of Tyne area residents<sup>1</sup>. In addition to satisfying the CA's requirements, proposals must also be eligible for ESF funding and NTCA funding will be contingent on the successful applicants securing ESF as match funding alongside the NTCA's investment: the NTCA expects that provision of match-funding in this way will ensure best value and maximum leverage from NTCA funds.

The first stage of the NTCA Employability and Skills Programme (Phase 1) call for projects will open on the 9<sup>th</sup> September 2019 and close at Noon on the 10<sup>th</sup> October 2019 (extended from the 3<sup>rd</sup> October on 26.09.2019). A Phase 2 process may be opened in future, at the discretion of the NTCA, subject to budget availability following Phase 1.

## **2. Strategic Context**

The NTCA Employability and Skills Programme (Phase 1) is an important stepping stone in achieving our inclusive economy ambitions. This section of the Call document places the fund in its strategic context.

### *The NTCA Investment Fund:*

The Employment and Skills Programme (Phase 1) will be funded through the NTCA Investment Fund, a £20m per annum allocation of devolved resources to the Combined Authority, agreed with Government for a 30-year period from 2018. Several investments have already been made through this fund which applicants are encouraged to familiarise themselves with and to demonstrate (within the strategic fit section of their application) that they have considered how their proposals align with current and planned investment by NTCA and partners.

### *An opportunity to maximise remaining European Social Fund (ESF) for the benefit of North of Tyne residents and the economy:*

The European Social Fund (ESF) for England co-invests European Funding alongside domestic 'match' funding to finance a range of employment and skills activity conducive to achieving NTCAs inclusive economy ambitions, including activity such as: into-work support; career pathways and vocational skills; in-work progression and careers advice.

Significant ESF funds remain unspent in the NE Local Enterprise Partnership (NELEP) area; with c.£8m of ESF funding available for *employment support* and c.£46m available for *skills support*. These amounts relate to ESF investment only and represent 50% of the total investment to be made; the balance of funding being applicant match-funding using *non-European* sources of funding.

### *Delivering the NTCA Vision:*

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<sup>1</sup> This is the NTCAs working assessment of potential impact based on the unit prices and performance requirements detailed in the current European Social Fund Operational Programme.

The NTCA Vision 'Home of Ambition' details six *Pillars of Ambition*'. The principle Pillars of Ambition that the Employability and Skills Programme (Phase 1) will contribute to are:

- **Hotbed of Talent:** giving everyone the opportunity to thrive – to attain a fair wage, and access good jobs with continued training and skills development available once in work.
- **Leaders of Tomorrow:** supporting a high quality, inclusive education system, which ensures our young people have the skills and qualifications to take up good quality training, apprenticeships and jobs.
- **Champions of Enterprise:** securing investment, fostering trade links and creating the infrastructure needed for sustained growth and prosperity. We're using this to create opportunities and reduce inequalities across our area.

*Support for wider NTCA priorities and objectives:*

In aggregate, the interventions supported by the Employability and Skills Programme (Phase 1) will give good geographical coverage across the NTCA area and will impact on all Inclusive Economy Target Groups; though each individual proposal need not necessarily give full geographical or target group coverage in and of itself.

The following are examples of NTCA objectives that this fund may contribute to:

- Opportunity for all and an opportunity to thrive: removing the barriers which make it difficult for people to take up employment and training opportunities. Providing the right support for people to access quality, well paid jobs.
- Promote ongoing learning and development and providing the right support for people to access further training. Closing the aspiration and ambition gap.
- Work with employers to increase opportunities for continued training and skills development, supporting career progression.
- Better alignment of the skills offer to the needs of the local labour market and improve transitions from education to work and ensuring young people to have high aspirations, with support to enable them to make good choices.
- Implement better ways to help people into work – from a fragmented system to a more coordinated approach, in particular tackling health related unemployment or economic inactivity.
- A comprehensive suite of in-work services to promote skills development, support growth and encourage progression from low-paid employment, in partnership with Jobcentre Plus.
- Building on the learning and experience of Generation NE with Jobcentre Plus and DWP to encourage the NE LEP and local businesses to offer employment, apprenticeship, work-related training and work experience opportunities to young people.

- Close the Gap: the gap between the NTCA area and the England (excluding London) average on unemployment, average earnings, education and skills attainment.

*Fit with other Local and National Priorities:*

Projects funded through the Employability and Skills Programme (Phase 1) will be selected based on their strategic fit with the needs of the NTCA area, though it is likely they will also contribute to the delivery of other local and national priorities such as:

- Further reduce young people Not in Education Employment and Training (NEET)
- Improving parity between vocational and academic routes
- Improving access to high quality and locally relevant careers information, advice and guidance
- Supporting those on Universal Credit to progress *into* and *on* in employment
- Supporting the 'people pillar' of the emerging North East Local Industrial Strategy
- Ensuring North of Tyne residents of all ages are supported to become economically active and supporting the future labour force needs of high employment and growth sectors
- Contributing to the delivery of the NELEP Strategic Economic Plan
- Contributing to the delivery of the NE European Structural and Investment Funds Strategy.

### 3. Case for Change

*The Economic Context:*

Key parts of our economy include a fast-growing tech and digital sector; significant clusters and world class research and design in the energy and offshore sectors; a strong pharmaceuticals and life sciences sector; major employment in financial and professional business services; and a growing urban and rural tourism and leisure offer. NTCA has identified four areas where we have national or internationally significant strengths or assets that will act as catalysts for economic growth:

- **Ageing and life Science** - The North of Tyne area is at the UK & international forefront of innovation in healthy ageing, meeting the expanding requirements of this new industry, and delivering benefit to the health, wealth and wellbeing of our population.
- **Digital, tech and data** – North of Tyne has strong capabilities in data analytics and open data innovation and is home to the world's largest collection of real time data.
- **Energy, subsea and offshore** - The North of Tyne area hosts strong research and innovation assets with good skills and business infrastructure). The North

of Tyne has potential to be a national exemplar in this area, with a significant contribution to Low Carbon Grand Challenge.

- **Culture, tourism and creative industries** – The North of Tyne has a unique city, coast and country offer and boasts some key knowledge assets in the creative sectors.

The North of Tyne area also faces several challenges – including relatively high worklessness and lower than national average skill levels in some demographic groups, with current and forecast skill shortages in some of our key growth sectors. These challenges are shared across the north with the Northern Powerhouse Independent Economic Review acknowledging that without bold action to address long-standing skills challenges, the residents and the economy of the North will not reach their potential.

In the 12 months to March 2019, labor market indicators for the NTCA demonstrated that some significant gaps remain between the NTCA and England averages and that a significant number of people in the NTCA area remain economically left behind:

- Economic Activity Rate (aged 16-64) in the North of Tyne was 74.7%, 4.2 percentage points (pps) below the England average of 78.9% and 0.8 pps below the NELEP average of 75.5%.
- Employment Rate (aged 16-64) was 71.1%, 5.2pps below the England average of 76.3%. Employment rates in the North of Tyne are less than the national averages across all age groups with just 61% of the population aged 20-24 in employment compared to the national average of 67%.
- In the 12 months to March 2019 the unemployment rate for the working age population in the North of Tyne area stood at 4.8%, 0.6 percentage points higher than the rate for England which stood at 4.2%.
- In the latest available data, gross full time median average earnings in the North of Tyne are £528 per week, which is £15 per week above the NELEP average but £46 per week below the England average of £575.
- The gap between 80<sup>th</sup> and 20<sup>th</sup> percentile of the full-time earnings distribution in NT is £431 per week, £18 per week larger than at the NELEP level.

Higher level skills in the North of Tyne area are below the national average and there are significant skill imbalances in the area, including a workforce which does not meet all the current and future needs of the business community who are demanding both different areas of skills and a higher level of skills. For those in employment there remains a deficiency in the earning power of residents in the lower half of the earnings distribution.

Despite significant jobs growth, the area also faces several economic and social inclusion challenges. The labour market continues to suffer from the legacy of industrial change, with significant pockets of worklessness across the area in both inner city and more outlying areas.

*An Inclusive Economy in the North of Tyne:*

The NTCA Inclusive Economy Policy Statement<sup>2</sup> acknowledges that to deliver inclusive growth the NTCA must create better opportunities for all and take a people focused approach to supporting every individual to succeed: linking growth with inclusion and in doing so extending opportunities to disadvantaged individuals. The Employability and Skills Programme (Phase 1) provides an opportunity to gain maximum leverage on NTCA investment through ESF and other sources of funding while, through an open and competitive approach to project selection, source innovation from the best that the public private and voluntary and community sectors have to offer.

**Investment of up to £3m of NTCA resources in the Employability and Skills Programme (Phase 1) will directly catalyse the NTCAs ambition to be the ‘home of ambition’ and will make potentially lifechanging support available for an estimated 3,500 residents of the NTCA area.** The projects funded will address the barriers that make it difficult for people to take up employment and training opportunities, to own their own future, have high aspirations and make good choices: in partnership with business, support organisations and residents.

The NTCA Inclusive Economy Policy Statement states that residents in the North of Tyne area face several barriers to economic inclusion including a prevalence of poorly paid, poor quality jobs, in particular in the low-productivity-high-employment sectors that make up a significant proportion of the NT economy; stagnation in real wages; very high levels of poverty and unemployment in some communities/ population groups; erosion of working conditions through the emergence of the gig-economy with significant levels of involuntary part-time working; high levels of unemployment compared to national averages; very high and stubborn levels of economic inactivity due to sickness; low availability and take-up of in-work-training; and short career escalators. Applicants to this fund should consider how their interventions respond to these challenges.

The Employability and Skills Programme (Phase 1), as an investment from wider Inclusive Economy Innovation Fund, will position the NTCA as a leader in innovative approaches to co-investment in inclusive growth approaches.

#### **4. NTCA Approach**

The NTCA is committed to bringing forward a programme of activity which supports an inclusive economy in the NTCA area and in doing so co-invest alongside European Social Fund resources. On this basis it is important that all applicants consider that:

- any offer of funding secured through this fund will be contingent on it being match funded by a source of ESF funding;
- defrayal of NTCA funds by successful applicants to this fund **will not** be allowed before a funding agreement demonstrating ESF co-investment is secure has been produced;
- the requirements of DWP as the Managing Authority for ESF will apply to the totality of funding within any ESF funded project, including the NTCAs match

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<sup>2</sup> The Inclusive Economy Policy Statement and the Economic Vision are available on the North of Tyne Combined Authority website.

funding, therefore applicants should consider whether they would be able to adhere to the ESF funding rules and regulations and meet any Conditions of Grant or stipulations set out within ESF calls published by DWP in due course;

- There will be a requirement to cash-flow any eventual delivery until payment in arrears is received.

The Employment and Skills Programme (Phase 1) will provide support for projects or programmes that are able to demonstrate a place-based rationale and significant potential to support an inclusive economy in the North of Tyne area and demonstrate that they:

- add capacity and variety to existing provision with an excellent articulation of the role of the proposed provision within the existing provision landscape of the North of Tyne;
- offer innovative and effective delivery models that are differentiated from existing provision;
- demonstrate new or alternative approaches to engaging the most isolated or disadvantaged residents;
- demonstrate how the investment required from this fund to enable the project has been minimised.

#### *Specific Activities to be Funded:*

Following consultation between the North East Local Enterprise Partnership (NELEP) and the NTCA, the NTCA is content that the activities and priority groups that have been proposed as a focus for future ESF calls are consistent with the needs of our residents and can support the delivery of our vision.

Therefore, this fund will consider activity as 'fundable' that is:

- also fundable within the scope of an ESF Open Call covering the NELEP area
- also fundable through another source of ESF funding that meets the aims set out in this call document
- delivered to beneficiaries residing within the North of Tyne area, and if part of a larger project can be demonstrated as such.

In the event of the fund being oversubscribed, projects will be prioritised that collectively demonstrate:

- Excellent rationale and fit within the specific NTCA context
- Value for money and greatest likelihood of gaining ESF Funding
- Good geographical coverage of the NTCA area
- Distribution of impact across IE Target Groups and communities
- Minimised duplication of provision

#### **Call Summary Table**

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| <b>Dates</b>                       | The first call for applications will open on the 9 <sup>th</sup> September 2019 and close at Noon on the 10th October 2019 (extended from the 3 <sup>rd</sup> October on 26.09.2019).  |
| <b>Definitions</b>                 | <p>For this fund ‘employment support’ is defined as activity that is fundable under Priority Axis 1 of the European Social Fund 2014-20.</p> <p>For this fund ‘skills support’ is defined as activity that is fundable under Priority Axis 1 or 2 of the European Social Fund 2014-20 and is focussed on the achievement of accredited or unaccredited learning.</p>   |
| <b>Indicative Fund Allocation:</b> | A maximum budget available for this call is <b>£3,000,000</b> .  |
| <b>Applications</b>                | <p>Applications are expected to demonstrate appropriate scale, impact and additionality in the North of Tyne. This NTCA funding is not intended to substitute existing funding, but instead to provide support for new activity or support existing programmes which can demonstrate a need to expand scale or scope by securing ESF funding.</p> <p>Applications must only contain activities which are aligned with the aims of the fund and that are ESF eligible activities/expenditure as NTCA funding will be contingent on the successful applicants securing ESF as match funding; provision of match-funding in this way ensures best value and maximum leverage from Combined Authority funds.</p> <p>The NTCA does not intend to allocate less than <b>£200,000 of NTCA funding to any single project</b>, but we would welcome applications from consortia that bring smaller organisations together to meet this threshold. The NTCA is also unlikely to make an allocation of more than 25% of the Call value to any single project or consortia.</p> <p>The application process is a two-stage process. The first stage application will provide enough detail for the NTCA to assess the strategic fit and value for money of projects and give an ‘in-principle agreement’ to match fund the project(s), expected to be issued in November 2019, which will be subject to ESF match funding being secured and any additional conditions identified through the appraisal process being discharged.</p> <p>A second stage application process will be undertaken with successful stage 1 applicants and will undertake further due</p> |

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|                                      | diligence on the applicant/ delivery partners and the proposal. Stage 2 applications will commence once applicants have formally applied for ESF funding to complement the NTCA match funding. Grant Agreements for match funding will be issued in parallel with any ESF Funding Agreements issued by the Managing Authority or Lead Accountable Body for other sources of ESF funding.  |
| <b>Duration of project approvals</b> | Projects should be for a maximum of three years, however the NTCA reserves the right to vary the duration in exceptional circumstances.   |
| <b>Geographical Scope</b>            | All interventions funded through this call must be focused on activity and beneficiaries within the North of Tyne area, where successful projects cover a wider geography the impact and expenditure in the NTCA area must be able to be disaggregated from the larger project.   |
| <b>Beneficiaries</b>                 | Residents of the North of Tyne area who are eligible recipients of European Social Fund support under ESF Priority Axis one or two.   |
| <b>Deadlines</b>                     | For this specific call, applications will be assessed following closure of the call. Applications received after the published call close date will not be considered.  |
| <b>Application selection</b>         | <p>All applications will be scored in line with the NTCA scoring criteria for this fund. Applications will be viewed favourably that offer best value for money; bring additional sources of match funding and reduce the required intervention rate for NTCA funds as a proportion of total project value; and clearly evidence need for and additionality of the proposed intervention.</p> <p>It is expected that approximately 80% of available funds will support projects under ESF Priority Axis 1 and 20% of available funds will support projects under ESF Priority Axis 2.</p> |
| <b>Eligible match funding</b>        | It is expected that European Social Fund will be the principal source of match funding, alongside other sources of private and public match sourced by the Applicant. Proposals which can leverage other sources of match funding and reduce the match funding requirement from the NTCA to a minimum will be viewed favourably.  |
| <b>Operational completion</b>        | Operations must be completed no later than 3 years and 6 months after the project start date.   |
| <b>Procurement</b>                   | All procurement must be undertaken in line with EU and European Social Fund Guidelines.   |

## 5. Applicants

Applicants must be legally constituted at the point of signing a Funding Agreement and be able to enter into a legally binding Funding Agreement. The Applicant will be the organisation that, if the application is successful, enters into a contract with the NTCA and therefore carries the liability for ensuring that the terms of the Funding Agreement are met by them and all delivery partners involved in their project. If there is more than one organisation applying for the funds, a lead organisation must be selected to become the Applicant. It is this organisation that carries the responsibility and liability for carrying out a compliant project.

## 6. Impact

Activity funded by the Employability and Skills Programme (Phase 1) will:

- Contribute to increased employment levels and improved skills amongst residents
- Support employers to improve access to apprenticeships and improve skills of those in work

At an intervention rate of 50% the fund would leverage an investment programme of at least £6m if fully subscribed. It is expected that in many cases the NTCA will not be expected to provide the whole of the match funding required and is instead 'topping up' other sources of match funding available to the applicant in order to ensure project viability.

*Expected Unit Costs and Outcomes:*

The European Social Fund Operational Programme sets out at a programme level the performance expectation for the ESF 2014-20 investment programme.

**As the £3m Employability and Skills Programme (Phase 1) will be deployed as match funding to the ESF 2014 -20 programme, the final performance expectations for this fund will be set in-line with the Open Call Specifications for the NELEP area which will be issued by DWP.** The NTCA expects that the following examples of ESF Outputs and Results will be key metrics for projects:

| <b>Example Performance Indicator</b>                                 | <b>Description</b>   |
|--|--|
| Participants supported   | Headline indicator of beneficiaries supported. Including specific characteristics of participants in line with ESF Common Output Indicators. |
| Unemployed residents gaining employment                              | Number of unemployed participants moving into paid employment.   |
| Economically Inactive residents into job search <u>or</u> employment | Number of unemployed participants moving into paid employment or job search.   |
| Participants in employment 6 months after leaving the intervention   | Participants in employment 6 months after leaving the intervention   |

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| Participants supported to progress in work.            | Participants supported to increase their earnings or to improve the security of their employment. N.b. this is likely to be an additional metric that is required in addition to standard ESF result measures. |
| Basic Skills Qualification gained                      |  |
| Level 2 Qualification gained                           |  |
| Level 3+ Qualification gained                          |  |
| Female Participants with Improved Labour Market Status |  |

**Applicants are expected to align their proposals for output and result indicators with those requested in the published ESF calls.** The NTCA may at its discretion remove applications from its process that fail to meet the minimum performance offer for outputs and results set by DWP in the published call. All applicants are encouraged to consider the performance offer and overall value for money as a competitive but deliverable aspect of their application.

Applicants may propose additional performance indicators or metrics to the NTCA in respect of their delivery in the North of Tyne area as they see fit, though the onus will be on applicants to measure and report and where appropriate evidence all indicators proposed that are in addition to standard ESF indicators.

## **7. Further Questions and Application Feedback**

A question and answer log will be maintained and made available to all applicants to ensure transparency. All questions must be submitted in writing to [ESP@northoftyne-ca.gov.uk](mailto:ESP@northoftyne-ca.gov.uk) and responses will be posted within 72 hours on the NTCA website.

Due to the volume of Applications expected, applicants are unlikely to receive detailed feedback on unsuccessful applications.