Making it work: the European Social Fund

Volume II: Evidence

Ordered to be printed 23 March 2010 and published 30 March 2010

Published by the Authority of the House of Lords

London: The Stationery Office Limited

HL Paper 92-II
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NOTE:
The Report of the Committee is published in Volume I, HL Paper No 92-I
The Evidence of the Committee is published in Volume II, HL Paper No 92-II
Minutes of Evidence

TAKEN BEFORE THE SELECT COMMITTEE ON THE EUROPEAN UNION
(SUB-COMMITTEE G)

THURSDAY 5 NOVEMBER 2009

Present

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Memorandum by the Learning and Skills Council (LSC)

Question 1: What is your view of the current objectives of the European Social Fund? Does the available funding align with those objectives? How appropriate do you consider the balance of projects funded by the ESF to be (for example the volume of projects designed to increase the adaptability of workers as compared to those designed to reinforce the social inclusion of disadvantaged people)?

The aim of the programme is to support disadvantaged groups, tackle unemployment and up-skill the workforce. The funding, which has been allocated into two priorities, is appropriate and well balanced to support multiple needs across the country.

However, in terms of targets and allocations, the Operational Programme assumed a high level of employment when it was agreed in 2007, and job outcomes are now more difficult to achieve due to the economic downturn. The funding would therefore be better aligned over the long term if targets and allocations could be varied.

Question 2: What has been your experience with the operating rules of the ESF? What has worked well? What problems have you encountered and how might the process be improved?

What has worked well

— The simplification of the programme, now split up into two priorities, has improved delivery and performance management.

— A wide range of activities has been provided to a large number of target groups.

— Co-financing arrangements are working very well, and providers can focus entirely on the ESF provision without worrying about match funding. This process has opened up participation to a much wider group of organisations.

— Because of ESF rules and regulations, ESF contracts are managed tightly. This management process means that ESF contracts provide very good value for money, although there can be additional bureaucracy associated with this.

Problems encountered

— The programme targets do not take account of the economic downturn.

— The Open and Competitive Tendering (OCT) requirements can be long and cumbersome. The LSC is exploring a proposal to use grants in addition to OCT. If supported, this could bring extra flexibility to the procurement of ESF activities.

— Funding has been reduced in Technical Assistance (TA) priorities in the Operational Programme due to insufficient local cash match funding, although this has led to increased provision in the other main delivery priorities.

— The €206,000 rule on reallocating underspends limits movement of funding between providers and therefore reduces the ability to be more responsive to performance.
The following suggestions, if implemented, would address most of the issues encountered

- Improvements could be made if it were possible to quickly reshape the programme to reflect the changing economic situation within the UK and EU, including moving of funding between priorities.
- Better alignment of ESF rules and wider government policy and operations would allow a more coherent approach to eliminate duplication and overlap.
- Better forward planning between CFOs and Government Offices, for example on State Aid/Training Aid rules, audit requirements, and public sector eligibility should be clarified well in advance of contracting.
- Match funding could be identified nationally for TA or incorporated into the main ESF priorities, and/or the ESF for TA could have a higher intervention rate.
- The €206,000 limit rule could be increased.

Question 3: How effective do you consider the ESF to be? How is that effectiveness being monitored? And how is that information on effectiveness being shared and used?

ESF is an effective tool to add value to mainstream provision by targeting those at disadvantage who may not have access to mainstream provision, or who may benefit more from mainstream provision with additional ESF support. Programme evaluation and case studies recognise the valuable contribution this provides to social wellbeing of targeted communities, finding work and competitiveness of businesses. It appears that ESF is very effective in targeting people and communities who do not have access to mainstream provision.

ESF often pilots projects that are rolled out more widely at a later date. For example, ESF has been used to support additional qualifications in Train to Gain which has then become mainstream policy. Provider and participant feedback has highlighted the effectiveness of ESF projects.

Programme and provider performance is reviewed within the LSC on a regular basis via: provider meetings, internal meetings such as case conferences, national management group, regional management committees etc and meetings with external stakeholders including Government Offices, ESFD and other CFOs. This monitoring is based on the requirement for providers to track soft outcomes, as well as key performance indicators mainly based on recruitment, qualifications achieved, job outcomes and companies supported. Achievements and best practices are promoted and ESF expertise is shared through case studies, programme and project evaluations, surveys, external events, publication of leaflets, regional bulletins etc.

Question 4: How successful have national and regional administrations worked together in delivering the ESF where appropriate?

ESF is well managed both regionally and nationally. The relationship between the LSC National Office and the Managing Authority (ESF Division) is excellent. Both have worked together to overcome potential obstacles including delays in clarifications of rules and definitions, due to the complexity of ESF rules and regulations. Regional LSCs also have good working relationships with their Government Offices and ESF Division. Interventions are coherent due to well-established partnership working.

Links between administration of ERDF and ESF could possibly be improved so that ESF learners could benefit from ERDF investment, although timescales often do not align.

Question 5: Short term: use of the ESF to respond to financial crisis. How useful has the ESF been as a tool to respond to the financial crisis? How might its usefulness in responding to the current crisis be improved, and how might it be amended to ensure that it is able to respond more effectively to a changing economic climate in the future?

The revaluation process and extra funding has allowed the LSC to respond effectively to the needs that have emerged from the recession. £79 million of ESF is being used to support two initiatives: the response to redundancy and the nextstep programme.

The LSC has reduced the OCT procurement process to its minimum in order to respond quickly to the needs emerging from the financial crisis. However, there is still a need to make the procurement process quicker.

While the extra funding is directed to bespoke training for those affected by the recession, the operational programme outputs are being affected by the economic downturn. Funding could be better deployed if funding between priorities and projects could be moved with more flexibility and targets renegotiated quickly and efficiently to reflect changes in the external environment such as the economy. Providers find it increasingly difficult to meet targets that are too high and no longer realistic.
Question 6: Medium term: the ESF 2010–14: How might the potential of funds deployed via the ESF to promote life-long learning, skills for new jobs, security of employment and flexible labour markets across the UK and EU be improved?

There is a need to tackle unemployment and address learners’ wider needs and barriers alongside offering qualifications. Soft outcomes are vital, even more so when supporting long term unemployed into work. Addressing basic skills needs and language difficulties should always remain a priority.

For example the Department for Work and Pensions (DWP), Jobcentre Plus, the Department for Business, Innovation & Skills (BIS) and the Learning and Skills Council are working together to develop a new integrated employment and skills system that will diagnose the skills needs of people seeking work, and ensure they receive relevant training, not just while they remain unemployed but once they get into work as well. ESF should keep on supporting this initiative which demonstrates the importance of skills in securing and improving employment.

Greater investment could also be deployed into labour market intelligence in order to ensure a better targeting of ESF. In the interim, more support could be given for emerging new or growth sectors, and particularly in sectors with limited training resource (care, retail, distribution). ESF could also aim to develop more innovative projects to promote employer partnerships (particularly with SMEs) and entrepreneurship training. ESF should therefore be able to focus on higher skills, this would also improve linkages with ERDF.

Question 7: Medium term: What contribution can the ESF make to the EU’s renewed Jobs and Growth Strategy post-2010, including the European Employment Strategy? How can the EU best contribute to “jobs and growth” in the period 2010–14?

The national policy paper “New Industries, New Jobs” supports the above EU strategies as it sets out the approach to promoting UK competitiveness and productivity. It offers a strategic vision for Britain’s recovery and promotes green and sustainable growth.

ESF investment could be deployed to further support development in areas of success and proficiency (new technologies) such as digital technology and low carbon energy. This would provide businesses with the confidence to undertake the required risk needed for growth.

With the recession and review of public spending, ESF should play a prominent role in supporting economic diversification and growth and social cohesion. There should be a particular focus on sectors that offer employment and growth opportunities.

ESF should continue to prevent and remove unnecessary barriers to addressing skills needs and entering employment.

With the impetus of the Olympics affecting primarily the South East and London, ESF should focus on sectors where additional funding will be required to meet skills training demands, such as construction, hospitality and public transport etc.

Question 8: Bearing in mind the depressed economic context and the EU’s budget review which is intended to consider spending priorities post-2013, what do you consider the role of the ESF should be, if any, post-2013? On what sort of priorities should it focus, and how might it most effectively complement, rather than duplicate, other spending programmes?

A study on the perceived impacts of ESF funded learning on employability (soon to be published) highlights how ESF funding can make a difference to the outcomes of learners compared with mainstream provision alone. Key findings show that ESF has reduced the volume of Jobseeker Allowance claimants: 30% of learners reported they were on JSA at the start of their ESF course, this had dropped to 10% at the time of the interview. ESF has also generated improvements at work: 87% of ESF learners continuing in employment had experienced improvements at work, 69% had more job satisfaction.

With a reduced budget, funding should be tightly targeted and deployed where it can be most effective. ESF works best when addressing issues of social and economic needs. Overall ESF has an almost unique ability to reach down to the community and SME level. The Voluntary and Community Sector have welcomed ESF and highlighted its effectiveness in assisting the hardest to reach through Community grants.

ESF should keep addressing the skills needs of those furthest from the labour market so they can access mainstream support in the future, and supporting those most at disadvantage in mainstream learning, to ensure that provision is effective for them.
ESF support should also be directed to training within technology industries and advanced engineering, green technologies and carbon neutral solutions and additional support should be given for those who would like to start their own business.

ESF is one of the few remaining budgets that enable the UK to respond quickly and effectively to emerging crises (for instance the collapse of Rover in the West Midlands in 2005 and the response to redundancy in 2009) and if programme priorities and targets could be made equally flexible and responsive, there would be a strong argument to continue a focussed role for ESF in skills and employment post-2013 in the UK. ESF could effectively be used by policy makers to complement mainstream provision by focussing its use on areas of greatest need and urgency.

*October 2009*

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**Examination of Witnesses**

Witnesses: *Ms Julie Hobbins*, Head of ESF, and *Mr Mike Bell*, Portfolio Director, Central Division, Skills Funding Agency (Designate), Learning and Skills Council, examined.

**Q1 Chairman:** Good morning. You have in front of you a list of interests that have been declared. Would you each begin by stating your name for the record and your official title. You may wish to make a brief opening statement. The Members will then ask their questions of which you have had some notice, but I think you know that they may ask other questions or supplementary.

*Ms Hobbins:* I am Julie Hobbins, Head of the European Social Fund in the Learning and Skills Council.

*Mr Bell:* I am Mike Bell. I am currently the Learning and Skills Council Area Director for Stoke, Staffordshire and the Black Country, but I will be, subject to the Apprenticeships, Skills, Children and Learning Act, the Skills Funding Agency’s Portfolio Director for the Central Division, also with responsibility for ESF for the new agency. My Lord Chairman, the Learning and Skills Council welcomes this inquiry into the European Social Fund. It provides us with an opportunity to highlight some of the key achievements of the fund and the opportunities that those resources provide for us to add value to mainstream funding. The Learning and Skills Council, which is now roughly a decade old, has been a significant player in the delivery of skills and employment activity using ESF as a co-financing body, and we are preparing to continue that role in the new Skills Funding Agency, working in partnership with local authorities, other co-financing bodies and the Young People’s Learning Agency.

**Q2 Chairman:** Thank you very much indeed. Could you begin by explaining briefly your role as regards ESF and how you, as a Co-Financing Organisation, work with individual projects. Do you have sufficient arrangements in place to ensure that the transition from the LSC to the Skills Funding Agency and the Young People’s Learning Agency in 2010 does not harm the delivery of ESF in England?

*Ms Hobbins:* My Lord Chairman, my role in the national office ESF policy team is to help the Learning and Skills Councils across the country develop and implement co-financing/the use of ESF across the country. Part of my role is making sure that the organisation as a whole uses ESF effectively to add value to mainstream funding and to enhance that wherever possible by supporting those at disadvantage in the community and ensuring that they have an opportunity to access mainstream funding. Part of my role is to oversee the development of the IT systems and the overall processes that we use in LSC to make sure that the whole co-financing operation runs smoothly. Part of my role at the moment, looking forward to the Skills Funding Agency, is very much involved in developing the operating model for how ESF will operate in the future, where the Skills Funding Agency will be operating for adult skills with co-financing, but also as a shared service on behalf of the Young People’s Learning Agency and local authorities in terms of the 14–19 age group for ESF. In terms of how we operate with individual projects, perhaps I could start from the centre and work out. We have a national ESF commissioning strategy within the LSC which highlights how we would expect to see ESF used to support government policy and mainstream programmes that we are already operating. The information in those strategies is used alongside partnership regional ESF frameworks, which are developed in the regions by the LSC and other partners involved in the European Social Fund to identify what the specific employment and skills needs are in the regions that ESF can support and address. The LSC and other Co-Financing Organisations then use that information to develop their co-financing plans (generally a three-year plan) which cover in more detail what it is that we want to use with the ESF funding that we have. At the moment, for the 2007–10 part of this programme the LSC has secured approximately £950 million over that period to support activity in ESF. That is all highlighted and outlined in each regional co-financing plan from the LSC and on the basis of that we then, at the moment, go out to tender. Invitations to tender are issued for providers to come forward...
with proposals for the types of activity that they want to use ESF for to support those disadvantaged or the different types of activities that have been identified in the plan. Those tenders are appraised and selections are made, often with the involvement of other partner organisations, and once those projects are up and running, the standard LSC contract management approach is used to manage the contracts in the same way that mainstream contracts are managed. We pay providers on a profile basis, based on outputs and achievements (for example, numbers of learners that start on a particular programme and numbers of qualifications achieved) or other outcomes that are appropriate to meet the overall targets within the co-financing plan which obviously also relate back to the national ESF operational programme. One of the requirements of ESF is to provide match funding alongside the ESF activity. The way that co-financing operates means that those projects that come forward on the basis of the tenders are 100 per cent fully funded from ESF. The match funding comes from existing mainstream provision that is already taking place that is also meeting the same types of targets and outcomes and is eligible under the ESF operational programme. In the main there are two parallel strands, if you like, although for some activities like the Response to Redundancy programme that we have in place, we have combined funding from ESF and from match funding and gone out to tender for the whole amount of funding. Moving forward to the Skills Funding Agency, I have already touched on what we are planning to do for that. My team and I will be transferring intact to the Skills Funding Agency, so the transition from a national perspective is understood. There will be staff changes throughout the regions but we are putting in place a training plan at the moment to make sure that we capture skills and experience of those that are currently managing ESF and transfer that knowledge and experience to new people who will be working on ESF. We are developing a very detailed operating model as to which functions within the Skills Funding Agency will be managing which bits of ESF activity. Some of that will be very much integrated in terms of contract management, and those structures and processes will be in line with the single account management structure within the Skills Funding Agency.

Q3 Chairman: What do you think the danger points will be?
Ms Hobbins: The reason we have put that training plan in place is because we recognise there is a potential risk of losing some of the expertise that we have at the moment, but we are hoping to overcome that with a training programme and handholding, if you like, alongside existing contract managers and others working on ESF at the moment.

Q4 Chairman: You had not quite finished. I interrupted you.
Ms Hobbins: One short bit about how we are planning to operate with the Young People’s Learning Agency (YPLA) and local authorities in terms of that shared service. We are developing a service level agreement at the moment between the Skills Funding Agency (SFA) and the YPLA so that we have a very clear understanding of what activities the SFA will undertake on behalf of the YPLA and what input and ownership and responsibility they and local authorities will have in identifying the needs and what needs to be done to support 14–19 year olds through ESF.

Q5 Chairman: Do you think priorities will be maintained when the break-up takes place and local authorities find themselves looking at this alongside other priorities?
Ms Hobbins: Yes, for 14-19 we will have a joint co-financing plan for the 2011–13 part of the programme, with a specific young people’s element that will be combined into the adult side of it. We are expecting the regional planning groups at regional level to have the ownership and responsibility of ensuring that that is collated through the local authorities and will then feed into the Skills Funding Agency.

Q6 Chairman: You have talked about the benefits of co-financing but you have also talked about the possibility of moving towards grant giving in your papers. Could you expand on the benefits you believe to accrue from the co-financing arrangements and compare previous experience when it was a grant-making programme. Should it continue into future programmes? Should the private sector be involved in match funding projects as well as the public sector organisations? I would like you to say whether you think that would be easier or more difficult with the changes that are taking place that you just described. Do you see any advantages in returning to some degree of grant funding, bearing in mind the recent recession, as a long-term strategic choice?
Ms Hobbins: My Lord Chairman, the proposal to move to grants is not the same as the previous regime of grants that was operated before co-financing. Under that regime projects bid direct to Government offices and had to provide their own match funding for that project that they wanted to deliver, so they only got a proportion of the funding back from ESF, and, in addition to that, in order to claim that funding they had to evidence all actual costs incurred in managing that project. That was a hugely bureaucratic exercise where they had to go down to the level of providing bus tickets for learners who were travelling some distance to undertake the training and things like that. The co-financing
arrangements have removed all of that. At a strategic level, in terms of being able to direct ESF to where it is needed most within a region, the Co-Financing Organisations are able to work together in partnership at a regional level to make sure that those needs are clearly understood and identified; but, also, from a provider’s point of view, they do not have to look for the match funding, they do not have to evidence all of the actual costs, they have to evidence the outputs that are agreed in their contracts (such as, as I said earlier, the learners starting on a programme or achieving the outcomes required). The proposal to move to a grant process is a flexibility opened up by the European Commission as part of their response to the economic downturn, whereby, without having to go to open competitive tendering and without having to evidence actual costs for provision which is not open and competitively tendered, provided there is formula funding, then grants can be allocated on a basis in a similar way to how LSC operates at the moment and the SFA is expecting to continue to operate. This will provide us with an opportunity to speed up the whole process. We already use as much flexibility in open and competitive tendering as we can at the moment to keep that as short as possible, but by its nature it does take some time. Being able to move to this process will mean that we will be able to allocate funding to preferred suppliers on a much quicker basis, which will benefit everybody involved in ESF really.

Chairman: Thank you. We are going to move on to Lord Eames for the next question.

Q7 Lord Eames: Good morning. I want to probe a little further on funding. I followed as carefully as I could what you have just been saying to us, but as someone coming in from the outside, so to speak, am I right in thinking that you are saying to us that the reduction of funding in Technical Assistance in preference of funds for delivery? If that is the case, could you tell us more about what in fact is suffering in terms of delivery? Quite frankly, is this a price worth paying? Do we have the balance wrong if the funding is for technical assistance and details of delivery are suffering? If that is the case, what is your opinion on the price worth paying for it?

Ms Hobbins: There are two elements to the administration from our point of view. There is an opportunity to recover some of the administrative costs within a co-financing plan, which is not funded from Technical Assistance but comes out of the funding for a co-financing plan itself, and the LSC uses that funding (up to five per cent of the co-financing plan value) to administer ESF within the LSC. Technical Assistance is used as a regional pot to support effective delivery of ESF across partners within the region, and it is currently used for a variety of different activities; for example, to facilitate that partnership working and the networking to understand what the needs are in the region, research and evaluation, supporting provider networks that are particularly involved in supporting disadvantaged groups in ESF. That pot of funding, as I referred to in the old direct bidding process for the direct delivery, has to have cash match funding to support the ESF funding that comes with it. That is where the difficulty has been found recently, in finding funding available to add into this pot to improve the effective delivery. However, we are finding from the LSC’s point of view that, as we have developed co-financing over several years now, we have become more effective at delivering it ourselves, as have other Co-Financing Organisations, and the proposal to remove some of that funding from Technical Assistance and put it back into the pot for direct delivery is something that we are supportive of. We recognise that we would like to see that money going back to delivery in additional projects.

Q8 Lord Eames: Is the caption, so to speak, that it is bureaucracy versus delivery? Is that fair?

Ms Hobbins: I am not sure that I fully understand what you are saying.

Q9 Lord Eames: If I am getting the right impression of what you are saying, you are saying to us that at the end of the day delivery is really suffering because of bureaucracy.

Ms Hobbins: No, that is not what I am saying at all. There is an element of bureaucracy associated with the European funding. There are additional EU rules and regulations that we have to adhere to, but we have developed systems and processes over time that facilitate that and manage that for the LSC within five per cent of the co-financing plan. That administration cost currently is about four per cent, so we are not even using the full flexibility that we are allowed.

Q10 Chairman: In some ways are you saying that you have become more efficient?

Ms Hobbins: Yes.

Q11 Lord Eames: By your own efforts.

Mr Bell: That is the very point I was going to make, My Lord Chairman. The ability of the LSC to draw down up to five per cent exists. We have reduced that, in effect by 20 per cent, reducing it to four per cent, by the LSC and other co-financing bodies becoming more skilful and effective in administering the money. I would submit there is always a trade-off between the necessary bureaucracy to guard public funds and ensure they are properly administered and the amount of investment that goes into delivery. We believe that through the way in which the LSC and other co-financing bodies have administered the
programme that is a reasonable trade-off, that is a reasonable balance between the necessary safeguards and necessary investment. As Julie has just indicated, the Technical Assistance arrangement sits outside delivery anyway, and some of that is, as we have said, being moved into delivery. We believe that through the mechanisms that Julie has described the balance is currently effective. It should and always could be reviewed, but we believe we have it as effective as we can at the moment.

Q12 Lord Inglewood: Arising out of Mr Bell’s comments, how much money that you are handling goes walkabout? You say there is a trail between ensuring public money is properly looked after and economic efficiency in the way it is delivered. Do you have money that goes through your hands that is going walkabout somewhere, or do you reckon it is all going where it should, how it should, when it should?

Mr Bell: In short, yes, in that, because of the regimes imposed upon us by the European Commission and audit and the way in which we pay providers, money that is not spent is recovered and we are in turn audited. To use your colloquialism, money cannot go walkabout.

Q13 Lord Inglewood: In other words, looked at systemically, what you are doing is working on four per cent.

Mr Bell: Indeed.

Chairman: We are going to move on to effectiveness now and Lady Young is going to begin that questioning.

Q14 Baroness Young of Hornsey: Good morning. A number of submissions have highlighted that there is a range of views, as one might expect. There is a perceived difficulty about assessing the effectiveness of ESF due to a lack of data. In contrast to this, you suggest that ESF is a very effective tool. Could you please elaborate on the evidence you have that supports that assessment and also say what your view is of the EU level of monitoring of ESF performance, which you have just touched on. How is this working well? How could it be improved?

Mr Bell: You used the term “perceived”. We think that is the appropriate term, in that with programmes of the sort for ESF, the outcomes can take some time to mature and to be assessed and audited. For example, it can take several months for an individual to realise a qualification or to secure employment. In our experience there is a data lag, inevitably, as the delivery bodies who are responsible for the activity on the ground assess the impact of what they have done and claim that from us, and then, in turn, up through the necessary chain of funding. In our experience, that data lag has shortened and continues to shorten. We do not believe there is a lack of evidence of the effectiveness of ESF. If anything, our experience, because of the way in which the Learning and Skills Council and co-financing partners such as JobCentre Plus have targeted that resource, is that it has almost exclusively gone to those in greatest need in our community, the unemployed, those suffering significant disadvantage. If I can pass over to Julie, she will be able to add some illustrations to that.

Ms Hobbins: Before I give some direct examples, one of the ways in which the EU monitors the data that comes forward is through their participation in national programme monitoring committee meetings and regional committee meetings. The national monitoring committee now has much swifter data coming through than it used to have even in the 2000–06 programme, which is where some of the criticisms may come from. The evolution from direct bidding in the old Objective 3 Programme in the 1990s to part co-financing and part direct bidding in the 2000–06 programme meant that project closure reports, which was the end of a project—in direct bidding terms a short intervention but in co-financing terms a much bigger conglomeration of projects which may not come to an end until the end of the co-financing plan or programme—were the only point at which all the data was able to come through and provide the evidence to the monitoring committees at the regional and national level. That was very late in the day to be able to make any judgments on the performance of the programme as a whole. That whole data process has changed now and the quarterly claims that are submitted by Co-Financing Organisations to the managing authority to draw down the funding also incorporates a significant amount of data. The monitoring committees are able to receive data that still has the data lag that Mike referred to but is on a quarterly basis, so it catches up much more rapidly and we are able to see already in the 2007–10 programme significant progress in terms of activities taking place, numbers of learners and participants involved in the programme, outputs starting to come through and achievements being made. Some of the Response to Redundancy activity that we put in place rapidly last year to respond to the economic downturn has already had significant impact. One example is a young man called Damian Royal, who had spent years working in the scaffolding industry before he was made redundant. He had no formal qualifications throughout his time working in that industry and because of that found it difficult to find another job. He was referred by JobCentre Plus to one of the LSC’s ESF Response to Redundancy programmes in the North West where he achieved a construction industry scaffolding record certificate part 1, which was the certificate that other future employers had been looking for that he did not have. As a result, he has now secured a job,
and not just a job but a job with further training. The company that he is with, working through Train to Gain, is putting him on the second part of that certificate. They are also putting other members of their company through that same programme as well. That is one example of the real benefits that ESF can have on the ground. That data is coming through at the national level and the regional level, right down to the specific examples.

Q15 Baroness Young of Hornsey: That is an interesting example. Could you say something about the kind of methodology you would use in order to assess the success of those kinds of individuals? Also, could you say over how long a period you carry on that assessment for?

Ms Hobbins: We use the individualised learner record for all learners who are funded through the LSC, either through ESF or through mainstream programmes, and through that data record we can identify the fact that a learner is funded through ESF. We identify what the learning aim is for every individual. We are able then to report back on whether or not that aim has been achieved for every individual, and report back up through the regional co-financing plans to regional committees and national committees as to exactly what has been achieved at the national level. I am sorry, could you repeat the second part of your question.

Chairman: Would you mind if we move on to the next bit? If Lady Jones could ask her question and then there may be another point that Lady Young wants to come back to in relation to this question. The two are related.

Q16 Baroness Jones of Whitchurch: You are probably aware that there has been some criticism that the fund picks off the “low-hanging fruit”. It does not reach out to the most disadvantaged groups. In your evidence you seemed to suggest that you did not think that was the case. Could you stand that up a little bit more and substantiate how you think the processes you have are able to reach out to the most disadvantaged groups and are there ways that you think that could be improved in the future?

Mr Bell: The first point is to remember that when this programme was put in place economic circumstances were somewhat different from those we face now. At that point, the work that the LSC and co-financing bodies, primarily JobCentre Plus, were doing was trying to reach those long-term unemployed who had been disconnected from the labour market for anything up to five years or more. That work continues. We believe that there is an effective balance in place between responding to the needs of those who have become unemployed more recently, whom you might describe as the “low-hanging fruit”, but to link that to the point I made earlier, we use the ESF resource to target those at greatest disadvantage, those from communities which may or may not have the infrastructure in place to enable individuals to access training and employment as effectively as others, those with individual circumstances, such as learners with learning difficulties and disabilities, which may present additional challenges. Inevitably we are attempting to strike a balance between meeting the needs of those who through no fault of their own are more recently unemployed, whilst at the same time tackling those who were already long-term unemployed, to prevent a situation recurring in which at the point when the economy recovers we still have a cadre of long-term unemployed individuals who need support but who are now ten years unemployed as opposed to five or six years unemployed—hence the balancing in terms of how we have targeted the resource. We know that we can deploy ESF effectively to help people get back into work. To give you the illustration of the Rover taskforce—and the work it did was not entirely ESF funded, but partly: as of a year ago, about 95 per cent of the former Rover workforce was back in employment, partly supported by ESF resource. Given the current economic circumstances, we think that is a testimony to the effectiveness of how the programme can be deployed in meeting the needs of individuals in a particularly hard-hit area of the city of Birmingham and facing particularly challenging economic circumstances. There is inevitably a balance to strike between deploying resource to help those who have suffered disadvantage more recently and those who suffered disadvantage for a longer period of time. Both, we submit, warrant attention and support.

Q17 Baroness Jones of Whitchurch: Are your systems geared up in terms of the monitoring and so on? Does it not almost reward the projects—and therefore they get more money in the future—which get individuals back into work? Does that not encourage the individual projects to tolerate those people who have only just been made unemployed, who do not have multiple problems—the mental health problems or whatever it might be—that make it particularly difficult for them to get into work? Do you see what I am saying? You might have the best of objectives at the centre, but does it encourage people almost to a tick-box mentality: “Another person back at work, therefore I get a reward”? Ms Hobbins: The purpose of ESF is to support employment and growth and to get people back into jobs. That has to be a target, and it has to be built into contracting arrangements, tender arrangements, as a purpose and an aim. However, we use ESF not to
target the “low-hanging fruit” but to look at how we can engage people who are not going to be able to walk in and access mainstream provision on their own without any additional support. We use ESF to move further along that spectrum of disadvantage, to support those who are further away, who need activity and support to re-engage them and to make them realise that going to an FE college may not be as scary as they think it might be, but is something they can achieve if they want to, to help them realise that it could be something that they might want to do. ESF is one of the flexibilities and one of the few tools that we have that is not linked to mainstream funding that we can use for that.

Chairman: I am going to come back to Lady Young because she will want to pursue how you are monitoring this. We are trying to pursue not a criticism of the work but whether or not it is properly directed between the two arms of employment and reducing social isolation issues. We have evidence from the voluntary sector—that is what we are trying to test—that in fact the financing is now going to the easier end, if you like, of the work so that you achieve more of a target, rather than the tougher end. That may be something that you have to do at this point in time, but we would like a clear answer, because we have had a lot of evidence from the voluntary sector saying, “We can’t get grants for the really heavy end because we cannot show the response.”

Lord Inglewood: Chairman, is it not a question of how high up the tree the fruit you are picking is?

Q18 Lord Eames: Or how high the tree is.
Mr Bell: My Lord Chairman, maybe I did not make myself clear in my first response. When we deployed this programme, for example, we used the ESF resource to target those economic circumstances: young people, 16–18, who were in the so-called NEET group (those not engaged in employment, education or training) and who had been disengaged from the labour market for some time. We did that in partnership with the local authorities. If I use my own geographical patch as an illustration, we worked with the local authorities in Warwickshire to target pockets of unemployed young people in North Warwickshire, Nuneaton, Bedworth who had been disengaged from the labour market for some time. We did that in an attempt to bring them back into the labour market. At the same time, we have deployed resource to target long-term adult unemployed groups who have been disengaged from the labour market for more than 12 months, in an attempt to bring them back into the labour market. Inevitably, as economic circumstances have changed, two things have happened. One is that providers are telling us that engaging people remains as hard as it was because some of those individuals do not wish to be engaged, for a whole variety of reasons, and therefore we do need organisations of the quality and skill of some of the voluntary sector organisations to do the things that we cannot do as a funding body, to reach the unreach. Engagement remains as challenging as it was. Employment, however, remains even more challenging, given the economic circumstances. Therefore, we have shifted the balance in the short-term to try to meet the needs of those who remain the hardest to reach and the most disengaged from the labour market, but, also, as Julie illustrated, through the Response to Redundancy programme to try to prevent those who have been made unemployed from becoming long-term unemployed. That is inevitably a choice. It is a choice that has to be made by politicians.

Chairman: This is not a judgment. It is clarity we are seeking. Lady Young, do you want to pursue your point?

Baroness Young of Hornsey: Because I know time is at a premium, maybe we should get a written response to a couple of points because they might take rather too long to pursue. One is the point of methodology, so that we could all have clarity on how you assess. Given the wide range of participants you will be dealing with, how do you measure progress in terms of the distance travelled by people, as it were? The other is whether you do longitudinal studies to keep track over a longer period of time, to see whether there is a long-term impact. The other question is around the independence of the monitoring committees. What sort of percentage of people engaged in that monitoring activity do not have an interest, as it were, directly in the outcomes of the work?

Q19 Chairman: We are running short of time. Would it be possible for you to drop us a note about those matters?
Mr Bell: It would indeed.
Chairman: Thank you very much indeed. Then I can move on to Lady Perry on additionality, but that is quite an important area for us.

Q20 Baroness Perry of Southwark: Ms Hobbins, you did say in your introduction that you had particular responsibility for ensuring that there was additionality, that there was not duplication. On the other hand, although you did not address additionality directly in your written evidence, you did comment that a better alignment of rules and wider Government policy would allow a more coherent approach to eliminate duplication and overlap. Can you give us any practical examples how
ESF is demonstrably complementing mainstream domestic programmes—of which here has been a huge expansion, of course, for obvious reasons recently. Do you have examples of failures with respect to the principle of additionality, perhaps in those situations where you have observed that duplication and overlap do occur?

**Mr Bell:** Perhaps I might give three illustrations of additionality and then ask Julie to add some comments. I have already referred to the activity that the LSC and its partners have put in place to try to help young people, 16–18, the so-called NEET group. Without the European Social Fund, the LSC and delivery partners would not be able to do that. The bulk of the resource we receive from Government is qualification bearing. It is designed to get young people and adults qualifications. It cannot protect them from the slings and arrows of the labour market and economic circumstances but it can better enable them to stay in work, and if they are unfortunate enough to become unemployed, to re-enter work.

The so-called NEET provision is an area of work which is clearly additionality, above and beyond that which the LSC and its partners were able to do from mainstream funding. Train to Gain, the flagship programme for people in employment, we enhanced, the year before last, using ESF to pay for additional qualifications—so-called second level 2s for individuals who already had a level 2 and therefore would not have been able to benefit from Train to Gain through the core rules. That changed. The then Secretary of State John Denham, in attempts to stimulate the programme and to boost economic recovery, broadened the eligibility for Train to Gain. That then overlapped with what we were doing through ESF and we had to look at how that resource was redeployed. Finally, Response to Redundancy. You are entirely right there is a set of programmes out there for unemployed people, deployed through DWP and JobCentre Plus. They tend to focus on those at certain points in the chronology of unemployment. We tried with Response to Redundancy to prevent people hitting those points, getting them back into work as quickly as possible to prevent them being long-term unemployed, as we described earlier. In response to Lady Jones’s earlier question on “low-hanging fruit”, you might take a view that is targeting the “low-hanging fruit”. We took the view that was preventing people becoming an added burden to the state through unemployment and enabling them to become contributors through returning to employment swiftly rather than continuing their progression into long-term unemployment. Those are three illustrations of where we have added value.

**Ms Hobbins:** I do not think those examples evidence any failure in respect to the principle of additionality. Rather, we were able to recognise that there was the potential for that to happen and withdraw the ESF funding. We withdrew some tendering rounds that we that we had been planning to do for Train to Gain type activity and had to redirect that into other flexible provision that did not overlap and duplicate with the mainstream. We continue to use ESF flexibly, to work around the edges of mainstream funding to ensure that those who perhaps have slight disadvantages can still access mainstream provision at one point or other as well.

**Q21 Baroness Perry of Southwark:** I can see the difficulty of drawing a line—what is duplication and what is additionality—but nevertheless I do not think the examples that you give, with respect, demonstrate anything fundamentally different from what our domestic expenditure has been doing. I can see the temptation: we all want as much money being spent on helping people into employment as possible and it is very tempting just to put it all into one pot. The examples you give are very much things which various Government programmes have been directed towards and I wonder if you have a very clear example of something which is absolutely an addition to anything that already existed.

**Ms Hobbins:** I can provide an example of where ESF is used not purely to add additional volumes of the same thing already funded by mainstream but to provide enhancements to existing provision that can make that provision more effective for those that otherwise would fail to benefit from it. The type of example I am thinking of is additional mentoring support or additional English language support or additional childcare or other learning support needs that people might have for which there is not sufficient funding through mainstream funding to provide. ESF adds value in that way and is able to provide enhancements to existing provision that can make that provision more effective for those that otherwise would fail to benefit from it. The type of example I am thinking of is additional mentoring support or additional English language support or additional childcare or other learning support needs that people might have for which there is not sufficient funding through mainstream funding to provide. ESF adds value in that way and is able to provide enhancements to existing provision that can make that provision more effective for those that otherwise would fail to benefit from it. The type of example I am thinking of is additional mentoring support or additional English language support or additional childcare or other learning support needs that people might have for which there is not sufficient funding through mainstream funding to provide. ESF adds value in that way and is able to provide enhancements to existing provision that can make that provision more effective for those that otherwise would fail to benefit from it. The type of example I am thinking of is additional mentoring support or additional English language support or additional childcare or other learning support needs that people might have for which there is not sufficient funding through mainstream funding to provide. ESF adds value in that way and is able to provide enhancements to existing provision that can make that provision more effective for those that otherwise would fail to benefit from it. The type of example I am thinking of is additional mentoring support or additional English language support or additional childcare or other learning support needs that people might have for which there is not sufficient funding through mainstream funding to provide. ESF adds value in that way and is able to provide enhancements to existing provision that can make that provision more effective for those that otherwise would fail to benefit from it.
Q22 Baroness Morgan of Huyton: We have talked across the issue of flexibility and how it is difficult to change as the economic situation has changed. In your evidence you talk a bit about the difficulties that are faced when targets have been fixed but the situation has changed. I am interested in how you are handling those problems, to what extent contracts are being renegotiated and to what extent you think that should happen more. Looking at a couple of the other questions earlier, what are the challenges you face in doing that in terms of still making sure there is proper accountability and measurement? Having agreed a set of targets, if we shift midstream how are we still going to make sure we are getting value for money and proper transparency?

Ms Hobbins: Part of the issue that we have at the moment is that the targets themselves are not shifting. The programme was set in 2006–07 for the life of the 2007–13 programme, so the targets that were identified in that period of relative prosperity will stick until the end of the programme unless the European Commission agrees that there should be some flexibility in those. While at the moment we may be finding that providers are unable to draw down all the funding that was agreed in their contracts because they are not meeting the outputs that they are paid against (for example, getting people into jobs or in terms of the numbers of women that are being trained, due to the volume of men that are coming on to Jobseekers Allowance), we cannot renegotiate contracts when they have been let through open and competitive tendering because we would have to go back out to a whole new tendering process to do that. We have to withdraw the funding where it is not being achieved and look at either re-tendering back out again or at this new proposal for using grants to allocate additional funding elsewhere if appropriate. But we are still constrained by having to meet the target set out in the operational programme, so it is difficult to switch within that to meet the changing needs of the economy but still meet the needs identified as targets at the beginning of the programme.

Q23 Baroness Morgan of Huyton: Is there any pressure building up to change those overall targets?

Ms Hobbins: There is some discussion at the monitoring committee level, but at this stage the Commission are saying: Let us wait and see a little bit longer, let us wait and see if things come back round again, and, then, by the time we get to 2013 we might be in a very different situation again and it may come back full circle.

Q24 Baroness Morgan of Huyton: Presumably the process of pulling a programme because it is obvious the outputs are not going to be met and then having to tender something new uses a fair amount of the budget.

Ms Hobbins: Yes.

Q25 Chairman: We want to pursue this because we are also interested in the impact this has on the organisations and their capacity to continue to provide services. In this era of innovation, agreed tendering, some very good programmes go down because they do not meet the targets because of the way the monitoring goes and changes in the environment in which the monitoring is placed. The organisation is then faced with the stress of a new environment, the funding being withdrawn and having to re-tender. What happens to those organisations and their capacity during that time? That is a problem we find in our evidence.

Mr Bell: It depends on the nature of the organisation. We have tried to avoid the position where organisations which are not capable of delivering what is necessary through ESF come to depend upon ESF for their survival. The nature of the funds, as I am sure you are better aware than I, are not there to support organisations per se; they are there to deliver services to the people that we have been discussing this morning. Having said that, inevitably, if we have to re-tender a programme that does have an impact. I would submit it does not have a significant degree of cost to the LSC, because if the money has not been spent already on activity then there is no expenditure incurred, and simply from an LSC point of view the re-tendering process does have an associated cost but it is not hugely significant. I fully appreciate that there must be some impact on organisations, but if it had not been delivering the outcomes that are required in the plan in the first place then it would not have been drawing down the resource, and we would submit they should not be in a position where they are dependent upon those resources for survival in the first place.

Q26 Lord Cotter: Thank you very much for trying to explain what is a very complicated situation. You are working with many partners: the DWP, BIS, JobCentre Plus. You have talked a lot about the different aspects. I have an example of JobCentre Plus, with people saying, “It’s no good at all, I go there and I get nothing out of it” or “They don’t tell me about skills or apprenticeships” and so on and so forth. Trying to work through those partners is something we want to do more work on in the future to find out how things are going. Can I ask you about emerging new or growth sectors and the responsibility ESF has for that. To what extent is there a tension between a focus on the most disadvantaged on the one hand and new higher level skills on the other hand?

Mr Bell: This relates to the earlier question and the debate we just had about what constitutes “low-hanging fruit”. Is there such a thing as “low-hanging fruit”. To repeat the point I made earlier, when this programme began we were targeting what we hoped
were the last vestiges of long-term unemployment. The challenge there was: How do you reach that last two or three per cent of people, with a proportion of the funds available to us, who have been out of the labour market for two, five, ten years? As you are well aware, economic circumstances have changed, and therefore a greater proportion of resource has shifted to help those groups of people. There has at the same time, however, been a focus on some areas of higher skill and significant sectors, and that continues. We await—hopefully later this month—the publication of the skills investment strategy by Government, which we believe will set out a vision for the key sectors in the future and where there should be investment for the future, the medium and long term to create the sort of economy we aspire to but at the same time balanced with a need for immediate intervention to help those at greatest need now. We anticipate—though it is for Government to make these announcements—that manufacturing, sustainable industries, the green agenda, will be areas where we will be expected to target resource going forward. Those are announcements to be made by Government rather than the Learning and Skills Council. Through the Learning and Skills Council and the Skills Funding Agency, subject to the Apprenticeships, Skills, Children and Learning Act of course, we will continue to make those judgments about the balance between targeting those who need the greatest help now and investment for the medium and long term to create the sort of economy we need. As we have been discussing, those are judgments in which you and we will have a view and an opinion.

Chairman: I would ask Lord Inglewood to ask his question about the long term, and then you may wish to come back.

Q27 Lord Inglewood: The regulation expires in 2013 and so obviously the fund itself is going to be up for reconsideration at that point. There has been the argument put forward that since the United Kingdom is one of the richer countries in the EU, it would be appropriate, instead of the fund spending money in every Member State, if it merely spent money in those that were less well-off. What is your view about that general approach to ESF as a whole? Second, if that were to happen—after all the European budget is drawn from all the Member States, and given that we in this country are a net contributor—it is likely that there may be funds available which could bite within the UK. We do not need to get bogged down in details of the rebate mechanism, but there would be additional funds of money available in the Treasury which could be directed towards organisations such as yours which might not have the same constraints attached to them as ESF money has. If that were to occur, do you think that would be beneficial from the perspective of those long-term unemployed and others whom you are specifically trying to help with the money you currently spend with ESF? Lastly, you mentioned your relationship with the Commission and, in particular, that it was up to the Commission whether or not certain programmes could be reconfigured in the current changed economic circumstances. Do you think that the Commission is sensitive to what is going on and do you think generally they are being sensible about the way they play their role in all of this?

Mr Bell: I will try to avoid some of the potentially loaded inferences there which are not for the LSC to comment upon and take the first two points, and ask Julie to comment on the Commission. The issue about how the resource is balanced across the European Union Member States is the same discussion we have been having about how one balances at an individual and local level. Our hope would be—and it is not for us to make a policy: that is not our role—that if economic circumstances remain as they are now, as opposed to where they were at the start of this programme, there would be a balance of investment across the EU which would recognise that if you are unemployed in South London or in Longbridge or 100 per cent unemployed, that personal crisis is as great as if you are unemployed in Romania or any other accession State. We fully understand the rationale for saying that as economic circumstances were at the start of this programme there was a rationale for rebalancing investment to meet the needs of accession States, and that would have shifted a significant degree of resource away from this country. Our aspiration and hope would be that there would be a recognition of economic circumstances as they stand now and that there are still significant pockets of disadvantage and unemployment in this country which need to be addressed. With all respect to the earlier comment, we do believe that the deployment of ESF by the LSC and other co-financing partners has made an impact on that and we believe and hope that that should continue. But those are decisions that sit beyond the LSC and the Skills Funding Agency. In terms of beneficial impact—and we will obviously respond in much more detail as Lady Young has required—we believe that we can show the impact. Some assessment of the ESF provision has shown that 30 per cent of learners on ESF programmes were claiming JSA at the start of their activity. That was down to ten per cent at the end of that activity. Eighty-seven per cent of learners who had been through an ESF programme remained in employment at the end of that programme. We do believe that there is both a case for revisiting the balance of investment across the EU, given current economic circumstances, and there is an evidence base that argues that the use of ESF funds leads to very direct benefits for participants in those programmes. The two together we submit are mutually reinforcing, but the evidence base would
reinforce the case for revisiting the balance of investment as opposed to where it might have been.

Q28 Chairman: What you are saying about the future is that right across the EU there is a group of people who are hard core unemployed and, rather than looking at whether the countries are richer or poorer, you should look at that segment of people as EU citizens who need help for the future.

Mr Bell: My Lord Chairman, you have put it much more eloquently than I was able to do. You are entirely right. The artificial boundaries of nation states do not define where unemployment hits and affects people, therefore our contention is that resource should follow need, as opposed to resource following geographical boundaries.

Baroness Jones of Whitchurch: Are we better in the UK at getting people back into work than they would be, say, in Romania? In other words, is £1,000 spent in the UK more likely to get somebody back into work than £1,000 spent in another country?

Chairman: I suppose that comes to the answer about the Commission and whether the Commission has data across.

Q29 Lord Inglewood: If we do it better our way, is our way better than other people’s ways?

Ms Hobbins: I am afraid I do not know the answer to that but I can try to find out if we have some Europe-wide statistics.

Q30 Chairman: We hope to see people from Europe, so we will ask the same question.

Ms Hobbins: We will look into that. In terms of whether or not the Commission is aware of the difficulties that the restrictions and targets impose, it has gone a significant way recently in its response to the economic downturn in providing a variety of flexibilities across the EU to the way that the European Social Fund is administered. The one that we have been talking about already, in terms of being able to use grants where standard scales of unit cost or formula funding are used rather than having to evidence actual costs or go out to tender, is one of the key ones for our organisation for the UK. We have benefited from that one in particular, not just for the proposal in going forward for ESF but we have already implemented that for the match funding side. Up until recently we had to specifically go out to tender for the area of our mainstream programmes that we wanted to use as match funding when we would not ordinarily have had to do that. That was an additional bureaucracy which has now been removed because of its flexibility that we really welcome. There have been other flexibilities announced as well which predominantly benefit other Member States more than the UK. Suggestions such as being able to use 100 per cent ESF at the moment and then use 100 per cent match funding later on in the programme would particularly advantage those Eastern European States where their whole finances as a State are in difficulty at the moment. They do not have any match funding at all to put in. The difficulty for them in the future and for us if we wanted to pick up on that, would be that the second half of the programme would be all matched existing mainstream provision and no additional ESF. That trade-off was not particularly advantageous to us and some of the other flexibilities that have been afforded again are of more benefit to other Member States. I think they have recognised that there is a need to look at the impact of the economic downturn and what it means in terms of ESF, but I am not sure that they have quite looked in detail yet at how the specific targets in the programmes are being affected and the potential for underspending the programmes as a result is there as a risk. That is something that we are discussing in the monitoring committees and will continue to do so, so I am sure they will consider it in due course.

Q30 Chairman: We have run over time. We could have continued with our questions. I would like to thank you heartily on behalf of the Committee. You have been extraordinarily helpful witnesses. You are at the very early stage in giving us evidence. It has been very helpful for our education, apart from what we are trying to glean at depth. Thank you very much for coming all this way and for taking the time to answer our questions so fully. You can hear that we would all have asked more questions had there been more time. We may write to you and we hope you will let us have a supplementary note about monitoring. Thank you.

Supplementary memorandum by the Learning and Skills Council (LSC)

(1) The Sub-Committee could appreciate clarification on whether you consider the reduction in Technical Assistance (TA) priorities to be a problem or not. You implied this in the written evidence, but appeared to take a different position in the oral evidence session. We note from Article 9 of the ESF Regulation that TA is intended to be a mechanism to identify, disseminate and share good practice, particularly in a trans-national context. Should reduction in TA priorities not be a problem, how is this consistent with the view that ESF must be additional, complementary, and include learning and mainstreaming?

The LSC did include the reduction of Technical Assistance as an area of concern in our written evidence, recognising the difficulty regional partners experienced in finding sufficient cash match funding, and the potential impact this could have on support for effective delivery. However, as we stated then, the positive
impact of this meant additional funding for provision. As Co-financing has embedded the LSC has been able
to make efficiency gains in the overall management of our Co-financing Plans, and as well as recognising a
reduced need for additional regional Technical Assistance to support effective delivery, the LSC has also been
able to divert some of the 5% administration element of Co-financing Plans themselves back into delivery of
provision.

Article 9 of the ESF regulation refers to the Commission’s use of this area of funding, not the regional
Technical Assistance that Member States use for effective delivery. The distinction is clarified in Articles 45
and 46 of the General Regulation 1083.

(2) With regard to methodology, please could you provide further information about the monitoring and evaluation
system, the indicators being used, and the extent to which they include “soft” and intermediate outcomes. You were also
asked whether or not you conduct longitudinal studies around the longer term implications and for more information
about the independence of monitoring committees.

MONITORING AND EVALUATION

Indicators

The England ESF Operational Programme agreed with the European Commission contains a number of
indicators to measure progress in terms of participation and results.

The main participant indicators are:

— total number of participants;
— participants who are unemployed;
— participants who are economically inactive;
— participants with disabilities or health conditions;
— participants who are lone parents;
— participants aged over 50;
— participants from ethnic minorities;
— female participants;
— participants aged 14 to 19 not in education, employment or training (NEET) or at risk of
becoming NEET;
— participants with basic skills needs; and
— participants without level 2 or level 3 qualifications.

The main results indicators are:

— participants in work on leaving;
— participants in work six months after leaving;
— economically inactive participants engaged in jobsearch activity or further learning on leaving;
— 14 to 19 NEETs, or at risk of NEET, in education, employment or training on leaving;
— participants who gained basic skills; and
— participants who gained level 2 or level 3 qualifications.

Most of the indicators are measured by monitoring data collected from projects. Some of the indicators, such
as those on the status of participants six months after leaving projects and on economically inactive
participants engaged in job search or further learning, are measured by data collected in follow-up cohort
surveys of participants.

Soft outcomes

For some participants, particularly those who were economically inactive or who experience multiple
disadvantage, the outcome will be progress towards labour market entry or accessing further training, rather
than a job. The results indicator for economically inactive participants seeks to capture the distance travelled
by people who by the end of their ESF support have moved from inactivity to formal jobsearch activity or
further learning that prepares them for a job.
However, it has not been feasible to specify other indicators of “soft outcomes” at programme or priority level. The ex-ante evaluation explains that research in the 2000–06 programme indicated that it is difficult to devise programme level “soft outcome” indicators because, for example, they are difficult to define and it is unlikely that one methodology for measuring soft outcomes would suit all participants. So although providers are encouraged to record soft outcomes such as improved time-keeping or self-confidence, the programme does not impose a single methodology for doing this. These soft outcomes are analysed in cohort surveys and evaluation studies.

Cohort surveys
Cohort surveys examine the progress of participants over longer periods. They examine issues such as soft outcomes, sustainability and retention, and whether participants who have improved their qualifications and skills have progressed to higher level and higher paid work. They also provide information on participants’ views of the support they receive.

Cohort surveys involve contacting a sample of participants during and after leaving projects. The surveys will be based on two cohorts. The first set of participants are being studied in 2009 with a follow-up in 2010 and the second set of participants will be studied in 2012 with a follow-up in 2013. The follow-ups in 2010 and 2013 will provide the data to measure targets and indicators that are not measured through the Management Information system.

Evaluation studies
In addition to the monitoring data and cohort surveys, there is a series of evaluation studies to examine the effectiveness of the programme. These studies focus on specific themes. A study of the regional ESF frameworks has been completed and three further studies are currently taking place into: ESF support for in-work training; mainstreaming of equal opportunities within ESF; and ESF publicity measures.

Monitoring committees
Monitoring committees operate at both national and regional level. Their responsibilities and membership are governed by the EU structural fund regulation. The national committee is chaired by an official from the Department for Work and Pensions and comprises representatives from the European Commission, each regional committee, the Government of Gibraltar, BIS, TUC, Sector Skills Councils, Equality and Human Rights Commission, Regional Development Agencies, local authorities, the third sector, Further Education, Higher Education and DWP, LSC and NOMS Co-financing Organisations.

Regional ESF committees are chaired by the Government Office Regional Director (or deputy) except in London where the committee is chaired by a representative of the Mayor. The membership of regional committees is broadly similar to that of the national committee.

There are usually no more than three or four Co-financing Organisation representatives on each committee and so they are in a minority. The committees take their independence very seriously. In one region the committee has rejected a Co-financing Plan outright, and in several regions committees have insisted on significant changes before endorsing Co-financing Plans.

LSC
Within the LSC, provider performance is monitored regularly as part of general contract management approach, and is acknowledged to be a robust and helpful discipline to providers. Contracts are developed on the basis of agreed outputs which contribute towards the targets in the relevant regional LSC Co-Financing Plan, and in the overall ESF Operational Programme. However contracts often include additional outputs of benefit to the participant which do not contribute directly to ESF targets. All outputs are monitored through the contract management approach.

Most outputs are payment related, that is payment is dependant on evidence of achievement of agreed outputs, and some of these are soft outcomes, such as real world skills related outcomes, personal/life skills related outcomes, or work related skills outcomes. Much LSC ESF-funded provision is related to confidence building, time management, self esteem etc and other activities which fall into the soft outcomes category and support the hardest to reach. The LSC has paid providers for achievement of approximately 14,000 of these soft outcomes to date in the 2007–10 programme. The LSC also monitors and reviews soft outcomes through the learner’s Initial Assessment, the Individual Learning Plan, learning reviews and exit forms. The LSC also uses Recognising and Recording Progress and Achievement in non-accredited learning (RARPA) to record added value and soft outcomes. RARPA provides a comparison of learner skills between the entry and exit of their learning journey.
Project evaluations are undertaken for each project, and are included as non payment-related outputs in contracts. These review hard and soft outcomes, highlighting the skills learners have gained, and also include review of ESF cross cutting themes, finances, achievement rates, quality etc.

The LSC has also undertaken some longer term research into the effectiveness of ESF, the most recent of which was referred to in our original written evidence. This study on the perceived impacts of ESF funded learning on employability is about to be published.

(3) The Sub-Committee remains unclear about why some of the “hardest to help” beneficiaries have not been reached, as argued in some of the written evidence. One reason appears to be the impact of the recession, but to what extent do you consider that it is also the case that a payment regime focused on specific “hard” outcomes such as qualifications and jobs secured excludes harder to reach clients to whom softer outcomes are more applicable?

As described above, the LSC takes advantage of the ability of ESF provision to target those further from the labour market than mainstream funding can support. We described how, in the current economic climate, attention has turned to a certain extent to those who can be quickly supported back into work, in order to avoid the longer term implications of a significant increase in the long term unemployed. In these circumstances, ESF has been used not to fund full qualifications, but to focus on shorter interventions or part qualifications which support individual needs. In that regard the “payment regime” can be made sufficiently flexible to respond to emerging needs.

So although the focus on hard outcomes (jobs and qualifications) in the current ESF Operational Programme may drive Co-financing Organisation and provider behaviour to activities which will secure those outcomes and related payments where possible, the LSC also pays on intermediate outcomes such as part qualifications, or softer outcomes as described above, which will have a longer term benefit to participants in bringing them closer to the labour market than they would otherwise have been. In this way, the LSC has been able to refocus its payment regime within the limits of ESF rules to reach those further away from mainstream provision and continues to do so, but there are some groups for whom support to enter education, training and employment can only be effective if their wider social and personal needs are met, needs that cannot be addressed through ESF provision alone.

December 2009
Memorandum by the Higher Education European Funding Services Limited

INTRODUCTION

1. This response has been drawn together by Higher Education European Funding Services Limited, on behalf of the Higher Education sector in the UK. The response has been prepared following a consultation exercise with Higher Education Institutions (HEIs) throughout the UK, and largely concentrates on national issues, rather than issues that are best considered at the local level. It is expected that individual or groups of HEIs will respond on behalf of their region or territory. Accordingly, information below relates specifically to the areas covered by the Regional Competitiveness and Employment objective, and deliberately excludes the Convergence areas of Cornwall and West Wales and the Valleys; and the phasing-in or transitional areas of the Highlands and Islands, Merseyside and South Yorkshire. For ease, the programme will be referred to as the Competitiveness programme.

2. HEIs in the UK have been using European Social Fund (ESF) resources to support activities in a wide range of policy areas. During the 2000–07 programme period for instance, the Higher Education Sector (HE sector) has been able to assist local and national Programme Monitoring Committees to achieve their aims and objectives under the various Objective 1, 2, and 3 programmes, by delivering a range of provision.

3. Since 1990 over 130 HEIs in the UK have used ESF funding to mount projects. During the last programming period for example, HEIs in England had, by 2006, been awarded £189.8 million by the ESF.

OBJECTIVES OF THE EUROPEAN SOCIAL FUND

4. The objectives of the ESF, as described by the European Commission, are:

— Helping workers and enterprises adapt to changing circumstances in the economy;
— Enhancing access to employment and participation in the workforce;
— Improving training and skills, both for individuals and through better education and training systems;
— Promoting partnerships between such actors as employers, trade unions and non-governmental organisations, for reform in the fields of employment and inclusion in the labour market;
— Reinforcing the social inclusion of disadvantaged people and combating discrimination in the labour market.

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1 A company wholly owned by Universities UK and GuildHE
5. Within each Member State there is some scope to interpret the above in a way that allows partners to address specific needs and specific opportunities. For instance, in 20 of the 27 Member States, ESF programmes include specific reference to the involvement of HEIs, who are able to use ESF resources to provide a range of activities,\(^2\) for example:

- Investing in research and innovation, especially at Universities (Spain);
- Provision of post-graduate studies and networking between universities, research institutes and enterprises (Germany);
- Strengthening links between schools, universities and enterprise (Greece);
- Increasing the supply of graduates in the high technology sector (Ireland);
- Supporting the knowledge economy by university/enterprise co-operation (Italy).

6. In the UK, the Competitiveness programme almost exclusively concentrates upon basic and intermediate skills. The HE sector in England has always accepted that the majority of ESF resources available should be targeted at these skill levels. The HE sector has provided central support to HEIs accessing ESF resources since 1991. The degree to which HEIs attracted ESF support peaked in the mid-1990s, when according to figures produced by the then DFEE, HEIs were awarded around 6% of the funding available under the largest of the ESF programmes (the former Objective 3 programme). Effectively therefore 94% of ESF funding was, between 1990 and 2000, targeted upon basic and intermediate skills. During the 2000–07 programme period the percentage awarded to HEIs had, by 2006, fallen to 4.7%.\(^3\) Whilst this level of support might appear to be small, to the actual projects involved it was vital in enabling a range of projects to be undertaken.

7. In Northern Ireland for instance, HEIs have consistently argued that basic and intermediate skills, whilst vital, do not attract inward investment needed to ensure the long term economic prosperity that will subsequently create those jobs that require basic and intermediate jobs. High level skills lead to high levels of inward investment.

8. By focussing almost 100% of the resource upon basic and intermediate skills, ESF in the UK is in danger of:

- Failing to adequately link into the Lisbon Agenda which states that competitiveness must go beyond intermediate and lower level skills.
- Allowing HE in the UK to fall behind HEIs in other Member States as regards investment in R&D, the provision of higher levels skills and forming links with enterprises.
- Failing to support the expansion of the knowledge economy in the UK by missing the opportunity to provide the highly skilled individuals needed by business.

**Operating Rules**

9. All programmes offering public funding need to be backed up by rigorous but effective administration, in order to demonstrate the efficient use of public money. The HE sector would therefore expect any programme run by the Member State or by the EU to come with a degree of administrative requirements. The ESF is no exception.

**National and Regional Administration**

10. The Competitiveness programme operates in each of the nine English regions, in Northern Ireland, the lowlands and uplands of Scotland and in East Wales. In preparing for the 2007–13 programming period, Member States were required to produce a National Strategic Reference Framework (NSRF) that set out the broad priorities to be addressed by the structural funds, including the ESF. The then DTI, organised a consultation exercise on the drafting of the NSRF. In total some 320 organisations submitted responses on the draft NSRF to the DTI, responses were subsequently placed on the DTI’s website. Of the responses, 90 organisations took the opportunity to respond on the question of ESF support for Higher Level Skills in the UK. Some 89 responses were favourable including those from FE (2) HE (10) Local Authorities (34) Regional Development Agencies and Regional Assemblies (12) as well as other organisations (31) including the TUC and the British Chambers of Commerce. Only one response, from the Learning and Skills Council argued against the need to include Higher Level Skills in ESF programmes.


\(^3\) Higher Education and ESF Objective 3: An Evaluation of Impact, Institute for Employment Studies, 2006, p6
11. It was always the intention of UK Government, that the majority of ESF in England would be distributed through co-financing mechanisms, under which most ESF grant would be awarded to a small number of large organisations who would add their own resources to the grant and through a competitive process meet 100% of the cost of projects carried out by a range of organisations. The benefits of adopting the co-financing approach were that project deliverers would receive 100% of their funding from a single source; administration would be simplified; EU and national priorities could be more closely aligned.

12. It is fair to say that there has been a large degree of support for the co-financing approach. Despite its inability to directly benefit from it, the Higher Education sector has always supported the principle of co-financing. The HE sector also felt, however, that it was important to retain an alternative to co-financing, sometimes referred to as direct bidding. HE was not alone in supporting co-financing whilst at the same time urging the managing authority to retain an element of direct bidding. 61 respondents to the NSRF consultation referred to direct bidding, all supported its retention including FE (3) HE (7) Local Authorities (18) RDAs and Regional Assemblies (6) Third Sector organisations (11) and other organisations (23).

13. Despite the majority of respondents appearing to support the inclusion of Higher Level Skills and the retention of an element of direct bidding, the finalised programme for ESF in England did not provide for either. Consequently, the HE sector would argue that in the main ESF in England is managed nationally, but delivered locally. The ability of regions to act in a way that complies with ESF regulations whilst addressing local and regional need is hampered by the degree of influence exerted by the managing authority.

The Current Financial Crisis

14. Effectively, the ESF should be ideally placed to respond to rapidly changing economic circumstances, as it should represent an additional stream of funding that can be used to support activities not necessarily provided for under mainstream UK programmes. Indeed The European Commission considers the ESF to be one of the key tools available to Member States to address Europe’s economic recovery. However, given that all ESF funds in the UK are distributed through the co-financing mechanisms referred to above, the Competitiveness programme in England is, to a large extent, tied into the strategies and processes of its largest co-financing bodies, including the Learning and Skills Council and DWP.

15. In October 2008, the EC announced extra resources for most ESF programmes as a result of a revaluation of the programmes. However as a result of DWP procurement arrangements a significant proportion of this resource would not filter through to projects until December 2009. The European Commission blamed DWP contracting arrangements, the DWP blamed unnecessarily strict EU regulations concerning the issue of contracts. Whatever the reason, ESF in England is in the main delivered through large-scale public programmes with little scope for small imaginative responsive projects, the result is that the Competitiveness Programme has become less able to respond quickly to changing economic circumstances than previous ESF programmes.

The Future

16. The ESF is currently one of the more visible financial instruments available to the EU. This response is predicated on the assumption that the EU will wish to retain the ESF and that it will continue to focus upon employment and social integration. Certainly it is the view of the HE sector in the UK that the ESF should be available in all Member States after 2013.

17. The ESF post-2013 however needs to be more closely linked to the Lisbon Agenda than is the current programme in the UK. Despite the current economic difficulties, the European Commission forecasts that between now and 2020 jobs requiring high levels of education will grow significantly, at the expense of jobs at the lower end of educational attainment. At the same time, BIS has indicated that the UK will in the future have to focus on high levels of skills and creativity. Ensuring HEIs continued access to ESF resources post-2013 will enable the Higher Education sector to contribute towards meeting the aims of the EU and the needs of the UK.

18. The funding of high level skills and basic and intermediate skills should be complementary, not mutually exclusive. Any decision to exclude high level training from future ESF programmes is not one that will benefit the UK economy, nor will it lead to a situation whereby inward investment and sustained growth can be achieved.

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5 New Industry, New Jobs: Anticipating and matching labour market and skills needs, The European Commission, April 2009
6 New Industry, New Jobs: Building Britain’s Future. Department for Business, Enterprise and Regulatory Reform, April 2009
CONCLUSIONS

— The current Competitiveness programme places too great an emphasis upon basic and intermediate skills, future ESF programmes need to recognise and support an appropriate amount of high level skills provision.

— Alternatives to co-financing in England should be available to maintain maximum flexibility in the system

— Future ESF programmes need to be more closely linked to the Lisbon Agenda of delivering stronger, lasting growth and creating more and better employment.

September 2009

Memorandum by the North West Universities Association

Thank you for the opportunity to contribute to the above inquiry. The North West Universities Association is the representative body of 14 higher education institutions in the North West of England and within this role NWUA has two key objectives:

— To provide a means whereby member institutions may co-ordinate their regional activities and identify opportunities for collaborative action so as to maximise their contribution to the social, economic and cultural life of the North West of England and develop partnerships with business, industry and public bodies accordingly.

— To facilitate and effect such joint activities or collaborations within the Region with Members and/ or non-members, as agreed by the member institutions.

North West Higher Education Institutions were very pro-active during the previous ESF Programme 2000–06, operating over 252 projects, which supported over 12,500 beneficiaries and represented a total investment of £65.28 million including ESF of £28.09 million. Areas of activity ranged across a number of strands from “active labour market” initiatives (including improving women’s participation); “equal opportunities and social inclusion”; “life long learning” through to “adaptability and entrepreneurship”. Annex 1 below provides a summary of the activities undertaken by NW HEIs by strand and I enclose for your attention a copy of our Objective 3 dissemination brochure which provides a number of case study illustrations showing the beneficial impact of HE programmes utilising ESF funding.

This portfolio of investments made possible through the strategic engagement of the HE sector, have proved crucial in providing a balanced portfolio of intervention against regional and national priorities.

Unfortunately, the current ESF Programme 2007–13 presents a number of considerable barriers to HE engagement including the limited number, agenda and processes of the current Co-Financing Organisations (CFOs) which do not present a clear route for HEIs to access funding, but also the limited focus of the ESF framework priorities, in terms of the permissible activities and the target groups. In particular Priority 2’s focus on limiting higher-level skills provision to just 5% of the priority’s funds is a figure far too low to either incentivise the sector to engage or provide practical levels of fund in which to undertake remedial actions. Redressing these matters should be an absolute priority for any programme redevelopment, if it is anticipated that HE will contribute to delivery.

The above examples of barriers facing the HE sector restrict the ability of both the sector and the NW region to:

— Address the regional economic and skills strategies which continually and increasingly reflect the growing demands for higher level skills (present and future) within the region;

— Respond to the economic downturn in terms of the ability to support groups and individuals that are outside of the framework, for example graduates; as well as limiting the ability to plan and prepare for the economic upturn.

In its current state the ESF Framework is not fit for purpose. These concerns, which were raised during regional deliberations both in the development of the national and regional ESF frameworks, have been borne out by events occurring from the current economic downturn. It is important that any future initiatives in this
programme are aligned with the Government’s *Building Britain’s Future: New Industries, New Jobs* (BIS, April 2009), addressing critical higher-level skills gaps in high growth sectors.

NWUA would advocate that a number of changes are required to the structure and focus of the ESF programme. These include the introduction of a non-CFO access route to enable direct bidding for ESF as well as expanding the scale of funding for Higher Level Skills (Level 4+).

We would be happy to provide further information and elaborate on the above points given the opportunity. 

*October 2009*

**Annex 1**

**ENGAGEMENT OF THE NORTH WEST HE SECTOR WITHIN THE OBJECTIVE 3 PROGRAMME 2000–06**

**Summary position**
- 12 of the 14 North West universities took part in the programme.
- A total of 252 projects in training, workforce development and vocational activities.
- 12,500 beneficiaries received support.
- ESF contribution of £28.09 million to a total project cost of £65.28 million.

**HE Engagement in the NW (Regional) ESF Objective 3 Framework**
- Since 2001, 10 HEIs have delivered 181 projects.
- £18.33 million ESF + £24.19 million HEI match funding, total investment of £42.52 million.
- 7,988 beneficiaries supported (over 50% female).
- 2,929 (36%) gained a full qualification (level 3+) by project completion.
- Another 2,597 were continuing to work towards a qualification.
- 46 dedicated research projects undertaken.

**HE Regional ESF Thematic Area**

1. **Active Labour Market**
   Aim: To provide advice, guidance and support to people without jobs
   - 25 projects.
   - ESF contribution of £3,221,691 with a total project cost of £7,496,992.
   - 36% of participants completed a higher level qualification.
   - 30% increase in the level of employment upon completion.
   - Remaining beneficiaries remained in education.

2. **Equal Opportunities and Social Inclusion**
   Aim: To address barriers to the labour market faced by excluded individuals by promoting ways of improving basic skills; and to improve employability
   - 22 projects.
   - ESF contribution of £2,168,424 with a total project cost of £4,920,950.

Project examples:
- Lancaster University “Community Mentoring Programme”—level 3 qualification
- Manchester Business School “E-coaching for Female Entrepreneurs” (research project)
- University of Salford “Combating E-Discrimination” (research project)
3. Lifelong Learning (LLL)
Aim: To promote wider access in LLL and encourage groups who would not normally participate; and to respond to the changing needs of employers

- 42 projects.
- ESF contribution of £3,685,564 with a total project cost of £8,722,052.
- 71% of participants either gained a qualification or continuing in education by end of project.

4. Adaptability and Entrepreneurship
Aim: to encourage employees to undertake staff development; to identify and meet emerging skill shortages at a higher level; and to encourage new business developments

- 51 projects.
- ESF contribution of £5,069,631 with a total project cost of £11,897,993.

Project examples:
Lancaster University “Tourism Industry” 17 companies assisted, 15 gained a level 4/5 qualification
Manchester Metropolitan University “Creating Knowledge Workers” 24 gained level 4/5 qualification
University of Central Lancashire “Connect 2 Key Skills” 165 beneficiaries in 65 SMEs

5. Improving Women’s Participation in the Labour Market
Aim: To improve access to learning and remove barriers to employment

- 41 projects.
- ESF contribution of £4,180, with a total project cost of £9,484,459.

Project examples:
Lancaster University “Women’s Opportunity Toolkit”—20 participants, 10 completed the course
University of Cumbria “Increasing Access to HE for Women from Ethnic Minority Communities”
University of Liverpool “Breaking Barriers in the Workplace” (research project)

**Engagement with the HE National ESF Projects**

- 10 NW HEIs delivered 71 projects.
- ESF contribution of £9.77 million with a total project cost of £22.73 million.
- 4,550 beneficiaries assisted, 2,187 from “widening participation” groups.
- 1,629 took part in “Graduate Employment” projects.

**Memorandum by Universities for the North East**

This response is provided by Universities for the North East, a voluntary organisation which represents the interests of the the Universities of Durham, Newcastle, Northumbria, Sunderland, Teesside and the Open University in the North.

**Objectives and Funding**

1. It is the view of Universities for the North East that the Operational Programme for ESF 2007–13 has too narrowly interpreted the EU’s strategic objectives as set out in the Community’s Strategic Guidelines and the Lisbon Agenda. In particular, the importance of global competitiveness and sustainable and knowledge based economic growth in providing the conditions for more and better jobs and laying the foundations for greater social cohesion, has been lost in the translation to national priorities which have been largely defined by the Department for Work and Pensions.

2. The labour market analysis, which served to justify the priorities of the current ESF programme, provided a view of the national economic position, which underplayed some of the continuing weaknesses of the UK economy, for example, in relation to productivity, innovation and investment, and largely ignored major regional disparities in participation rates in higher education, and skills and qualification levels of those in employment. Narrowing the gap between regions in these fields has always been central to EU thinking, but prioritisation at the national level, based upon national employment trends has restricted the ability of Regions to identify regional needs and use the ESF to address them.
3. The Operational Programme, like the National Strategic Reference Framework (NSRF), acknowledges the distinct economic and employment issues faced by areas like Cornwall and the Isles of Scilly (Section 2.6 of the OP), and Scotland, Northern Ireland and Wales, and allows for a more regionally relevant response. Yet, whilst the labour market picture in the North East of England can be seen to share many of the characteristics of these other regions (e.g. the need to increase employment in sectors with high growth and higher skill and pay profiles, and promote technology and knowledge intensive sectors to help move away from a low wage economy) the North East is denied the opportunity to use ESF to support high level skills training.

4. It is vital that training provision is not restricted to nationally defined target groups or qualification levels. The previous ESF Programmes in the North East have been instrumental in supporting higher level skills development for designated clusters, for the creative industries and for science, innovation and technology, and widening access to higher level training to under-represented groups and those least likely to be able to afford the costs.

5. The North East can ill afford for such developments to continue to be excluded from support under the 2007–13 programme. Indeed, the North East’s Regional Economic Strategy states that “The nationally driven focus on funding first qualifications limits the extent to which the Region can update workforce skills”, and further questions the impact such a focus might have on “the capacity of the region to address productivity and participation challenges”.

6. In short, we would recommend that:
   - greater attention is given to the role of ESF in encouraging innovation, entrepreneurship and the growth of the knowledge economy;
   - the nationally imposed focus on low and intermediate level skills is reconsidered;
   - regions are allowed to work with a wider range of partners to determine the most appropriate priorities, relevant to local needs;
   - the training needs of target groups are not prejudged.

**Delivery and effectiveness of the ESF**

7. The European Social Fund’s partnership approach to prioritisation and implementation of the funds within regions was one of the founding principles of the EU Structural Funds. There has long been an understanding that the various partners provide different areas of expertise, and that the complex nature of cohesion, regional development and skills, added to the variety of needs faced by target groups, is best met by bringing together key regional partners and strategic bodies with a common purpose. The Regional Committees have traditionally facilitated an exchange of views about the problems to be solved and how the ESF might be best utilised to solve them. This has helped ensure that the needs of the various target groups are recognised and articulated, that decisions are based upon the latest research, and the experience of local delivery partners is harnessed in Programme development and delivery.

8. **Co-Financing.** It is the view of Universities for the North East that the national decision to move away from direct competitive bidding, the focus upon “co-financing”, and the concentration of funding through a limited number of co-financing organisations has:

   1. Undermined a wider partnership approach to, and legitimacy of policy-making and implementation.
   2. Restricted the potential of regions to identify regional issues and responses.
   3. Transferred too much power to co-financing organisations to determine both the problems to be solved and the remedial actions.
   4. Removed the potential for target groups to benefit from ESF supported high level skills training and qualifications.
   5. Resulted in a significant decline in the involvement of public sector organisations in ESF delivery, particularly the HE and voluntary sectors, with a knock-on effect of reducing capacity in these sectors to engage in other regional activity.
   6. Closed the door to the important principle of part-financing and opened the door to profit-making in ESF.

3 The North East’s Regional Economic Strategy (p93).
9. ESF has made an effective and crucial contribution to the development of the regional skills base and the acquisition of qualifications over the years. In the previous ESF programmes, universities have been able to contribute to programme objectives and output targets, and complement the provision of other partners through:

- Activities to widen participation to HE amongst those communities and target groups traditionally under-represented.
- High level (predominantly postgraduate level) vocational training and qualifications in the creative, scientific, technical and management fields to support identified growth sectors.
- Business start-up training and graduate retention activity.
- In the North East, the Objective 3 Programme for 2000–2006 part-financed 61 university projects, supporting over 9,000 beneficiaries. The Objective 2 ESF Programme in the same period supported a further 38 projects and over 6,000 beneficiaries. In financial terms, the HE sector secured over £34 million from the ESF to support a wide portfolio of activity, and contributed at least as much again in additional match funding.
- To date, there has only been one university project in the 2007–13 Programme in the North East; a regional partnership project under the innovation and trans-national element.

10. Crucially, this activity has been additional to mainstream provision, and has enabled universities to waive fees or provide bursaries to individuals, thus ensuring that access is not restricted to those who can afford to pay. In this way, the ESF has played an important and substantial role not only in increasing the numbers of trained and qualified individuals, but also in changing the type of graduates.

11. In contrast, it remains unclear how the inclusion of substantial numbers of mainstream beneficiaries, as part of the match funding formula under co-financing, helps to provide the required added value expected by the Commission and local communities.

12. Up until the current programme, the national and regional structures worked well to ensure the effective administration and delivery of the programmes and to facilitate partner engagement, deliberation and delivery. The regional Government Offices are recognised as having played a professional and impartial role in managing the programmes and in acting as “honest brokers” in ensuring that the views of a wide range of partners are heard and given equal value, and that decisions and funding allocations are both in line with ESF funding rules and in the best interests of the Region as a whole.

13. Whilst the new programme has made similar commitments to partnership working, the “re-nationalisation” of priority setting, and the predominance of co-financing and of co-financing organisations in the process has marginalised the role of regional committees and local structures, and restricted the scope for the Regional Development Agencies to develop regional priorities.

**Short term: Use of the ESF to respond to the financial crisis**

14. The forward commitment of large contracts and brokerage agreements under the current ESF Programme has limited the ability of the region to identify emerging issues and to channel additional resources into key areas. The usefulness of ESF as a flexible and targeted tool for addressing short term socio-economic factors would therefore benefit from:

- Greater freedom for regional committees and regional partners to determine the most appropriate short term measures;
- A concerted effort to re-engage a wider range of regional partners in the delivery of ESF programmes;
- Using ESF as a financial rallying point for aligning a range of partner activities and alternative funding sources;
- A recognition that the Higher Education sector can make an important contribution, alongside other partners, to economic recovery, particularly through business start up advice for graduates, apprenticeship schemes, short training for company employees in process improvement, new market identification and the exploitation of new technologies and research-based innovation.

**Medium term and Long term**

15. Clearly, greater links should be made between the ESF and ERDF priorities, and with the wider objectives of the Lisbon Agenda. Innovation, the knowledge economy, and enterprise will not be built on lower level skills, nor will communities be sustainable in the face of global competition. In terms of equal opportunities too, we need to remind ourselves that the traditional ESF target groups can also benefit from higher level skills
and qualifications. Indeed, there is a good argument that, for some, the real barriers to equality are found not at the access to employment level, but rather in being able to compete for higher level positions in management, technical and scientific fields.

CONCLUSIONS

— The technical but significant shift from the principle of part-financing to co-financing needs to be reviewed, especially in light of the unintended consequences on the partnership approach.

— The channelling of ESF through two major national co-financing organisations has resulted in too narrow a focus upon basic and intermediate skills.

— Prioritisation at the national level has undermined the ability of regions to identify and address regional needs.

30 September 2009

Examination of Witnesses

Witnesses: Mr Martin McCauley, Executive Director, Higher Education European Funding Services Limited; Mr Keith Burnley, Executive Director, North West Universities Association; and Mr Bob Brown, External Funding Manager, University of Sunderland, examined.

Chairman: Good morning. Can I say how grateful we are that you have come to give evidence to what we think is a very important inquiry with some extraordinarily differing views. We are very much looking forward to your evidence this morning. I understand you have received a list of interests which have been declared, but Lord Wade wants to make one other declaration of interest while you are here.

Lord Wade of Chorlton: To make the point that I do know Keith Burnley and have worked with him on a number of occasions on events for the North West Universities Association, so you are aware of my interest in that matter, and my support for it I ought to add.

Chairman: Declarations of interest are fairly important in this place, as you know, particularly as we have on our Committee the Chairman who did the report on declaration of interests.

Q31 Lord Wade of Chorlton: He does not pay me!

Mr Burnley: Definitely not.

Lord Eames: I will note that!

Lord Wade of Chorlton: In fact, he is an annual cost but I do not tell him that!

Q32 Chairman: When you begin, could you state for the record your name and your official title because, although it says it, we have to have it from you for the record. Might I invite you to make a brief introductory statement if you so wish, but we would rather you did not cover the questions until we come to them. Would you like to begin by introducing yourself?

Mr Burnley: I am Keith Burnley. I am Executive Director of the North West Universities Association. Together we did agree that I would say a few words at the beginning rather than us making three introductory statements. It is really simply to say that our main concern is that higher education institutions can continue to participate in the ESF programme and so continue to undertake activities that we think have been beneficial to communities, individuals and businesses in the past.

Mr McCauley: I am Martin McCauley, Executive Director of Higher Education European Funding Services Limited. It is a national support agency for universities and colleges of higher education that wish to participate in European funding programmes.

Mr Brown: I am Bob Brown. I am External Funding Manager at the University of Sunderland.

Q33 Chairman: Thank you very much. We will go straight into the questions. It would be useful if you could begin briefly by explaining your role as regards the European Social Fund. Could you expand on how the sector has assisted regional and national Programme Monitoring Committees in achieving their aims and objectives, and whether there are differences between experiences in former programmes, before the new set-up, and the current 2007–13 period? Who is going to begin?

Mr McCauley: If I could begin. I am the representative for the HE sector on the Programme Monitoring Committee, that is the current Competitiveness Programme and its equivalent programmes since about 1991. We are there in order to support the delivery of the programme as much as to look after the interests of our institutions. From a higher education point of view, all we are asking for is the opportunity to compete for resources. We are not necessarily asking for anything more than that. We are not asking for an allocation of our own. Over the years we have been able to support the programme by encouraging institutions to offer a wide range of provision that meets the needs of each particular programme. Over the years we have had some very successful widening participation projects. We have
tried not to duplicate what has been done with normal funding within the higher education sector through our Funding Council, so we have not concentrated on school children, we have looked at young adults, adults, and we have even looked at, if I can use this expression, the elderly, from the point of view of how they can help their grandchildren to at least aspire one day to come to higher education. We have also had projects for business supporting particularly small and medium-sized enterprises. We have carried out research into disadvantage, exclusion and gender issues. Overall, I think we have played a very full and effective part in the national level of programmes. Below that, both Bob and Keith would be able to give you examples of how we have worked with Programme Committees at the regional level.

**Q34 Chairman:** Thank you very much indeed. Mr Burnley?

**Mr Burnley:** The North West Universities Association has had membership of the regional committee in the previous programme and the regional committee relating to the present programme, and in the previous programme acted as sector co-ordinator to stimulate and support higher education interests in the Objective 3 programme and the Objective 1 programme also. The thrust of what we have done has been to engage higher education institutions with the programme and also to feed into the programme ways of engaging higher education institutions to try to ensure that the programme is friendly towards higher education institutions where possible. That was considerably easier in the previous programme than it is in the present programme because of the issues of no direct bidding routes in the current programme and the much lower emphasis on higher level skills. In the previous programme in the North West we had 252 projects, there were 12,500 beneficiaries and the ESF support was around £28 million.

**Mr Brown:** Just to add very briefly, I represent universities in the North East on the regional committee for what was previously ESF Objective 3 and before that in Yorkshire and Humberside. There has been a long tradition of encouraging partners to be involved in the development and delivery of the ESF programmes. The universities, as representatives, have two roles: one is to represent the sector, as you have heard, but also to support the effective management of the programme and bring to that committee experience of teaching, learning and different types of beneficiary groups. That is all part of that role. One is the representative role for the sector and the other one is to support the actual committee in its duties in delivering effective management of the programme within the region.

**Q35 Lord Inglewood:** You have already touched on the core point of the question that I am going to put to you, which is that both in your verbal comments and in the written remarks that we have seen in front of us a theme has emerged that you feel the kind of provision that your institutions, if I can put it that way, can provide has perhaps not been given the prominence that it might properly receive. In the words of Mandy Rice-Davies, re-quoted, “You would, wouldn’t you?” Have you got a vested interest in provision of the kinds of things that you do? A deal of the ESF is actually focused on things that, quite honestly, you should not be doing, and I am sure you would accept that. The question is, assuming, as you said, you do not believe in quotas, why exactly do you think the provision of services you provide should be given a great prominence in the allocation and distribution of ESF monies? Do you think there is a kind of general ratio which would be appropriate?

**Mr Brown:** I would start by saying it is perhaps the other way round, that what we are most frustrated about here is the other extreme, is what is the argument for excluding the benefits of higher level skills within the ESF programme, which is about equal opportunities and—

**Q36 Lord Inglewood:** They are not completely excluded, are they?

**Mr Brown:** I would argue that the facts speak for themselves. They are not completely excluded but they are more excluded than they were previously. Part of the discussion here is not just about funding allocations but a process of taking out the importance of higher level skills to individuals from the programme. That is not something that has come from the Commission, it has been a UK Government decision to prioritise.

**Q37 Lord Inglewood:** I do not speak for the UK Government but they would no doubt say you could spend many times the amount of money that is available in this general area and it would all no doubt achieve some good. Our job as Government is to prioritise and the way we prioritise is the way we have done it because we believe that delivers the best for Britain. That seems to me to be the point you have got to reply to.

**Mr Brown:** The prioritisation used to be for discussion by regional committees and that would involve a number of stakeholders and regional partners to decide what was right for the region. One of the first questions was about what has changed from the previous programme to the current programme, and what we have seen is a shift from the flexibility and ability of regions to decide what is most appropriate, what type of mix is most appropriate, what levels of higher level skills as opposed to lower level and intermediate level skills, what type of
industry should be supported. That flexibility has been largely removed from the programme over this change.

**Q38 Lord Inglewood:** That seems to be a question for the Government, does it not?

**Mr McCauley:** There is another aspect to all of this and what concerns me most is that the ESF programme has very low aspirations for the people it is trying to help. There is an automatic assumption that if you are unemployed, if you are a single parent, if you have some other form of disadvantage, the only hope for you is to gain an NVQ Level 1 or 2 qualification. Our experience as institutions over the last 20 years, some of us voluntarily embracing widening participation, some of us being dragged more screaming and kicking towards it, has been that you can provide higher level skills training to disadvantaged people if they have the ability to benefit from it in its most simple terms. There are no pre-requirements for educational levels. If you are an adult in the United Kingdom and you can demonstrate the ability to benefit you can be taken on to a course. What we are losing through the reduction in access to ESF is the ability to provide for those people. When we talk about ESF and higher level skills, we are not talking about postgraduate qualifications in theology at Oxford or Cambridge. We are talking about masters provision at the University of Huddersfield in mechanical engineering and some very interesting but accessible programmes at Sunderland University. Huddersfield and Sunderland for some reason are not attracting the sons and daughters of the middle classes, they are recruiting people from their local communities who would not otherwise take part in higher education. We have to bear in mind that there are a number of degrees of participants in this country and, as far as ESF goes, we are trying to match the use of ESF with people who are at the lower end of the training market, if you like, but we are setting high aspirations for them to actually move them on properly. The other reason why the programme should be involved in higher level skills is the more you load people into the labour market at the bottom, unless you are providing for people to move up at various stages then they are not actually going to go anywhere. You can train as many people up as you like with NVQ Level 1 or 2, but unless you take the existing workers who are trained to that level and move them up there is nowhere for people to go.

**Q39 Lord Inglewood:** Is ESF the instrument for achieving this?

**Mr McCauley:** Absolutely. The funds that are made available to us through the Higher Education Funding Council for the normal provision of training is in the main not available to fund programmes of the type that you see under ESF. Therefore, ESF has allowed institutions to address their local market whereas HE provision generally is a national market, so institutions can recruit from those people in their local area who need this form of training.

**Q40 Chairman:** I suppose the other point we have not addressed is that you assert this particular policy means we are falling behind other Member States. This is one of the things you assert in your evidence.

**Mr McCauley:** That is one of our main concerns.

**Q41 Chairman:** Do you have evidence of that?

**Mr McCauley:** The European Commission produces a simple two page summary of everybody’s programmes throughout Europe and 20 of the 27 Member States include a role for their higher education institutions, and one of the seven that is missing is the United Kingdom. I do not think that ESF should do much more than work with people who are in most need in this country. A good 90–95 per cent of the resource under the programme should be spent on people who need support at the lower end of the qualifications ladder. I do not have any difficulty with that, I just think you are missing out on an awful lot by not allowing a degree of activity.

**Q42 Lord Kirkwood of Kirkhope:** It gladdens my heart that you are being aspirational about this, but I am a non-executive director of the Wise Group and they produce intermediate labour market opportunities as entry level jobs for people who are suffering from all sorts of barriers to work. My question is if we have got three million people, and nearly a million of those are young people not in employment or training or anything else, five per cent of the caseload could be taken by people who knew what they were doing straight into a tertiary or higher education, high skilled technical type training. You are right to say that the vast majority of this money needs to go to people who are seriously disadvantaged in all sorts of ways. Have you got any evidence that with this five per cent you could apply the kind of support you are advocating successfully, straight in off the street if you like, to get them into a better position in the labour market context?

**Mr McCauley:** We have used ESF in different ways to support different types of people who are in different positions as regards the world of work and training.

**Q43 Lord Kirkwood of Kirkhope:** Have you got any data? Have you got any stats that say it is five per cent? Of every 100 of the three million that might be unemployed next year, the higher education sector could help five per cent in the way you are suggesting, or is it ten per cent?

**Mr McCauley:** I do not have those figures to hand. We can match the provision that people need against the place they are at at the moment and move them on. For some that might mean more of access level
support, so some of the activities that we provide under widening participation headings, and they can then be moved onto and into degree training and make that progress through. Our intention is that everybody who is recruited on an access course will eventually finish up with a higher level skills qualification. I do not know how long that will take, that will depend upon each person we recruit.

Mr Burnley: The whole area is one where statistical proof is actually quite challenging because there are many variables that need to be considered. From the point of view of the North West, to respond to Lord Inglewood, it is not only us saying it, the region is saying that, and the region is saying we have a higher level skills need of a particular sort that, based on the regional skills strategy and the evidence that is annually produced to support forming the regional skills strategy, indicates the importance of higher level skills and the region wish to have the flexibility to allocate a higher proportion of ESF to higher level skills. I have not got the evidence at hand, but what I have is the process that has happened in the North West which is that quite intensive analysis is undertaken of the skills needs, the regional skills strategy is produced and, following from that, regional partners in the North West, along with ourselves, wish there to be a higher level of higher level skills provision in the current programme than there has been, have submitted that to Government and in the review that is now being undertaken of the regional framework is again saying the proportion of higher level skills provision should be increased. The challenge for higher education is that it is not just a proportion of higher level skills provision, it is the routes that are important as well and if there is no direct bidding route that adds a further difficulty for higher education institutions who under direct bidding arrangements would come with match funding to enable the programme to pull more resource into this area rather than have the co-financing arrangement.

Q44 Lord Inglewood: I come from the North West too, as you probably know. The problem seems to be not that there is not a call for more higher level skills training, it is that the Government in London in its wisdom has decided this is not the way that it wishes to see the money allocated; it wishes to see the money spent in a different way.

Mr Brown: That is right. Largely that power and flexibility has been taken away from the regions to decide that. Keith’s point is also true in the North East.

Q45 Chairman: Can I put this question so we can get this absolutely clear because we are looking for the evidence from you. What you are actually saying is you have a regional skills analysis that goes into the regional strategy which will then tell you what you are looking for through your regional groupings, but the way the central funding is allocated does not allow the flexibility to meet the regional skills analysis and in particular in this rather narrow but important grouping, in relation to higher skill training. Is that what you are saying has happened, just so that we are absolutely clear?

Mr Burnley: Yes.

Mr Brown: That is exactly what has happened. There is another element of this which causes frustration in some of the regions, which is the competitiveness side of ESF. ESF has been a broad church over many years and the ability to support growth sectors, technology sectors, low carbon, engineering sectors in the North East, for example, to help the North East compete globally, we have used ESF in the past to support that type of activity. Clearly there is a role for NVQ Levels 1, 2, 3, 4 and 5 training in that, but to limit the North East to NVQ Level 1 and 2 training in low carbon technologies is something that is going to restrict the ability of the region to use ESF to move forward and compete globally, and it is something frustrating the regional development agencies.

Chairman: That is very helpful. We pursued it because it is a very important point. We want to move on to the administration of ESF and Lord Wade is going to pursue this question.

Q46 Lord Wade of Chorlton: Gentlemen, I would like to get a bit of a feel for how you believe the administrative system within ESF works. Please could you comment on whether you feel the administrative and accountability requirements seem proportionate and/or appropriate for the sorts of things the ESF is supposed to achieve. Where do you see the balance lying between administrative burden and delivery? How do you think things could be improved in future ESF programmes? I would also particularly like to know how you see the cost of administration if you think that is an item that needs to be addressed.

Mr McCauley: We would expect any programme of public funding to come with a degree of administration. I have no problems with reporting on activity, reporting on outcomes, reporting on expenditure and, therefore, I accept all the work that goes behind that. I am aware that in the last 20 years people have complained about the level of bureaucracy attached to the European Social Fund, but I am prepared to accept that I am working in a very large chain where people at different levels above me through the government department that we report to, through the Government as a whole, to the European Commission, have certain requirements and we must produce the information that goes up the line. The approach of the higher education sector has been that we would like our institutions to
consider being involved in the programme and one thing they must consider is the level of administration that is attached to it. Personally, I have no real complaints about the level of administration involved in the programme and I have no complaints about the cost of that administration. I do not know whether my two colleagues who are nearer to the ground would offer a different view.

Mr Brown: I would support that. People complain about it, but if people want a lot of money and to not have to provide evidence of where they have spent it, how they have spent it and how eligible that is then that is not acceptable to anybody. I have no complaints about the administration. We did have a period in ESF, and they have tried different things over the years, when things were independently audited by private companies on an annual basis. That was very expensive and there was a lot of money draining out of ESF into audit firms. The frustration was it did not really get to the bottom of what we were looking for. The people looking into it were not always that experienced in what they were looking for. Teams in government offices have been very capable of doing this over the years. The government offices also build up a capacity and understanding of what to look for over a period of time. There is a level of understanding and trust that develops so they can pick out where things are going wrong and learn more. We have gone back to that system now. The ESF has listened and learnt in that sense. I have no complaints about the administration.

Mr Burnley: The only thing I would say is that both ESF and ERDF are really systems that seem to be designed for an age when paper was predominant. Now, as a result of lots of things happening electronically, there are challenges for some institutions in them transferring things to paper records that can be audited. The other issue is that of retention of records. The retention period is a long while and in at least one case I know of an institution that felt it was not inclined to participate in programmes because of that long retention period of ten years. The other observation I would make is that in the previous programme people tended to feel that ESF was as burdensome—I use the word “burdensome” but we have qualified that—as ERDF. Certainly in the current programme there are far more administrative problems and challenges arising under the new arrangements for ERDF than the arrangements for ESF.

Chairman: Thank you, that is helpful. We will move on. The other change that we have got is this change between co-financing and direct bidding, and Lord Eames is going to pursue that question.

Q47 Lord Eames: You are critical of the fact that direct bidding is absent from the ESF programme. Could you tell us a bit more about the implications of that and how it is working as a negative influence in what you want to see? What would you do to rectify it if you had the power to do it?

Mr McCauley: I think it is beyond doubt that the introduction of co-financing means that the whole programme is to some large extent driven by the co-financers rather than by the programme committees. With something like 94 per cent of the funding being given effectively to Jobcentre Plus and the Learning and Skills Councils it is not surprising that the majority of the thrust of the programme is in areas that those two are charged with delivering. Therefore, the programme is not driving the skills agenda in the United Kingdom, the main co-financers are. Outside of that, the loss of direct bidding does mean a loss of flexibility and innovation. The other sectors previously involved in the European Social Fund, not just the higher education sector, also further education and the voluntary sector and the local authorities, all had the opportunity to devise programmes that specifically met the needs of the target groups they were trying to assist. I am not convinced that Jobcentre Plus or the LSC have that degree of innovation in the sense that they are looking after large amounts of money, need to get it out there and working, need to let an effective number of contracts and, therefore, to some extent will not have the degree of innovation and flexibility that was provided for under the direct bidding route. When the intention to move to co-financing was introduced as part of the consultation exercise on the current programme, 61 respondents referred to direct bidding and all 61 requested the retention of an element of direct bidding. That was not just higher education, that was the local authorities, the RDAs, further education, third sector organisations. Everyone who responded said, “You need to retain an element of direct bidding in order that the programme can be more responsive, a little bit more flexible and a little bit more innovative than you are providing for”.

Q48 Lord Eames: How would this translate into future reforms in the way it is done?

Mr McCauley: Direct bidding, as it operated in the past, would involve the programme committee identifying something that needed to be done and asking the most appropriate partner to go and provide for it. In the case of higher education that would mean the programme committee would identify something, and in the last programme it was research into gender issues and social inclusion. We immediately organised an open competition amongst universities to come up with proposals. We were able to choose between proposals, not merely go out and prescribe to people what they should do. The result of that was we got over 50 separate pieces of research work done, the need for which was determined by the
programme, not by the people spending the money. To me, that is the big issue around this, it is the programme spenders who are determining what gets done and not the people with the ideas.

Q49 Lord Eames: Have you put that forward? Has that been aired?
Mr McCauley: Several times, usually at every set of consultation that takes place to the point that I think now people know what I am going to say before I say it.
Mr Burnley: There are two routes, in a sense. One is a national direct bidding facility that would support the types of activity that Mr McCauley's unit ran in the previous programme. There would also be the potential for direct bidding within the regional framework context and that would allow regional flexibility as well. The challenge in both cases, which is why direct bidding is not favoured by the Government, is that there does need to be administration by Government at national level or at regional level of the direct bidding route, whereas with no direct bidding virtually all the administration is undertaken within the co-financing organisations.
Chairman: I am going to bring Lord Inglewood in because I can see he probably wants to ask the question I want to ask about prioritisation.

Q50 Lord Inglewood: Mine is a slight variation on that. One of the ways the world seems to work is that he who pays the piper calls the tune, and for better or worse that is often how it is. You are slightly trying to say, "We want to convince the paymaster from the other end", as it were. I can see why, but if the guys shelling out the money say, "This is the way it is going to be" and it is their responsibility—
Mr McCauley: But who is shelling out the money?

Q51 Chairman: Before you answer that question can I just add another part to it. Lord Inglewood has put that very succinctly, but it is a question of are you seeing this as central prioritisation as against the local prioritisation which actually could be more flexible in meeting need? What is the convincing argument for your position, which is that flexibility at local level would be greater in terms of meeting the needs in the recession at the moment?
Mr Brown: Different regions have different needs. They are well documented within all the regional strategies. What is very interesting in the current ESF operational programme for England is that there is an element of that which is for Cornwall and the Isles of Scilly which recognises the need to encourage higher level skills training and access to new technologies as part of the mix—not more important—but part of the needs for that region. Different regions have different needs. They are not decided by higher education but by the region, by the employers, by the communities. In some areas the regions are being allowed to prioritise and in other regions they are not. The bulk of regions have not been allowed to prioritise. In terms of facts and figures, the results speak for themselves. In the North East higher education had 99 ESF projects in the old programme and now it has one project that is a partnership project which involves eight regional partners. It happens to be led by a university, but it is one amongst many. It is just not true, and you perhaps would not have any sympathy for me if it was, that it is just the higher education sector. I think there is an argument for the higher education sector, but in terms of the governance, the fact that has also happened to the FE sector and the voluntary sector—it differs from region to region—means as far as I am concerned there is something going wrong with the governance which is restricting the number of partners who used to engage in the programme to continue to engage and contribute. It is not just the money, which was our starting point, it is about who is making those decisions, why they are making those decisions and in whose interests are those decisions made.

Q52 Lord Inglewood: What has happened is that in 1997 when the Labour Party came in as the new Government there was a great emphasis on regionalism, which I think with a change of personnel and so on perhaps is less enthusiastically aspired to than it was, and that has caused the problem.
Mr Brown: That is not supported by the Commission.
Chairman: I think that is a different sort of question.

Q53 Lord Cotter: You are making a very key point about the regional approach. As you say, the needs are different in different areas and it is a key point that I think we have to raise again at a later stage because there are concentrations of industry and expertise, and it is coming from industry very much so. It is key for this country that we do build on the initiatives in different parts of the country, like the North West where there are lots of initiatives in terms of industry and technical concentrations of one sort or another. It is very concerning indeed that it has exposed, both with this question and previously, the concern you have that opportunities are not being given to the regions to say, "This is what we actually need in our region". The South West, where I come from, is very different from you. I appreciate your industrial background and so on. It is a very key point that is coming through.
Mr Burnley: It is also important to recognise that this does not relate to what the regional governance structures are. The point is to set national level
priorities in relation to higher level skills is an error. There needs to be the ability to set priorities at a lower level. Regions are the way that that could be done at the moment. Equally, city regions could be another way of that happening. It is not a case of it being an argument for regionalism, it is really an argument for there to be a different level at which priorities can be set. We are confident that if that were the case then in many of the English regions and sub-regions there would be a desire for a higher level of higher level skills provision than we currently have.

Q54 Chairman: Before I move on to Lady Young, could I clarify one point that Mr Brown mentioned and that is some regions have greater flexibility than others. Is there a rationale for that?
Mr Brown: I do not know if there is a rationale for that. Cornwall and the Isles of Scilly have a different status, and it is the same for former Objective 1 areas. The rationale for that is there is a recognition that those regions require support in industry sectors which involve higher level skills. Why that is not afforded to other regions I do not know.

Q55 Baroness Young of Hornsey: Good morning. I note that there is not much comment from any of you regarding the effectiveness of the ESF in terms of how you measure that. In view of the fact that a number of submissions have highlighted a perceived difficulty in assessing the effectiveness of ESF, principally due to a lack of data, what is your view of the monitoring of ESF performance at both EU and national levels? How well is it working? Do you think there are any areas for improvement and, if so, what might they be? Perhaps also you could comment on the appropriateness of trying to assess less tangible things like innovation and also—lots of big questions here—how you measure intermediate results as well as final outcomes. You can break that down if you like. The first part of the question is, is it your perception that it is difficult to assess the effectiveness of the ESF?
Mr McCauley: I think it is difficult. It is a very large programme and certainly on the national programme committee you tend to get an awful lot of very large, almost meaningless figures. You are looking at how £120 million has been spent on a couple of hundred thousand beneficiaries, so in a sense, as far as I can see, you are almost trying to evaluate or assess the successful management of the programme rather than trying to assess what it has achieved. You do get information on the numbers of qualifications earned and the people who secure employment, but they are pretty meaningless if for no other reason than a qualification gained in one region might be worth more or less than a single qualification gained in another region.

Q56 Baroness Young of Hornsey: Are you saying it is not necessarily to do with the lack of data, but it is not the right kind of data?
Mr McCauley: It is not the right kind of data and it is almost too large for anyone to assess the effectiveness of the programme other than by the use of headline figures. If this programme helps 42 per cent of people into jobs, is that good or is that bad? There is not much information around to indicate whether that is a good outcome or a bad outcome.

Q57 Baroness Young of Hornsey: So in terms of benchmarking data, that is not there?
Mr McCauley: That is not there. As you get down to regional or local level it is possible to see more because you have got a greater understanding of the real people you are dealing with.
Mr Brown: There were a number of questions in there. At one level we have plenty of evidence and data on results and outputs. Part of the whole programme monitoring process involves asking all of those questions and collecting that data. In the North East, for example, we can collect all that data but we come back to your benchmarking problem. Sometimes we exceed targets in certain areas and in all honesty we are not sure whether that is because we have done a fantastic job or the targets that we set ourselves were probably way off mark in the first instance. It is trying to get benchmarking across the UK and across Europe to say what kinds of things we should support and at what level. There are huge differences between the costs and the outputs gained from supporting NVQ Level 1 training and in the old programme soft outcomes that are predominantly delivered by local community voluntary sector groups. That is much more complicated to collect and monitor. Those organisations were very good at working out the difference between projects that produced soft outcomes that were not very good and those that were very good. There was local knowledge that has been lost on that. It comes back to benchmarking and understanding the figures. If you use the money to support expensive but high qualification activities, long training and long support, then clearly you have fewer beneficiaries for your pound than from cheaper activity or short advice guidance sessions and we have to understand that. The final point I would make on this in terms of moving forward and understanding better is that there were plenty of evaluations of ESF and a lot of money spent and there was a point where all programmes and projects had to be independently evaluated. What was sometimes frustrating was you would get the answers that you would expect, you would spend a lot of money being told what you already knew in terms of, ‘We aimed to support 100 people but we supported 101 or 99 or whatever. We aimed at achieving so many qualifications and we did
not or we did because of these factors”. It was very straightforward, very simple and largely superficial. I think what has been lacking is coming back to governance and perhaps evaluation of the process of implementation and what makes different things happen and understanding, if you like, the small politics of that, the decision-making process, the involvement of partners, what happened in different regions, not, “Has the project had a target of 100 and delivered 100?” There is a role for that, but there is a role for something more fundamental, deeper, a better understanding of what goes on and what conditions you require for something to work for that region.

Q58 Baroness Young of Hornsey: That sounds like a much more sophisticated take, a multi-layered take on what constitutes success really.

Mr Brown: That has been missing.

Q59 Baroness Young of Hornsey: I guess that would be quite expensive or incur additional expense, but not too much maybe.

Mr Brown: There is a great deal of money being spent on the former which has not taken us much further than we already were. I was not suggesting that we should spend any more money on it but use the money in different ways.

Q60 Baroness Young of Hornsey: I do not know if you have anything to add to that, Mr McCauley? We have discussed a little bit about how you assess so-called “soft” outcomes and “soft” skills, but I do not know if you have got anything more you would like to add to that.

Mr McCauley: I think a lot of work has been done using ESF to look at soft outcomes. I think the difficulty for the programme management, if you like, has always been that we can almost put a value to a hard outcome and we can demonstrate how effective the programme has been, whereas it is less easy to put a value on a soft outcome. I would always personally prefer to try and look at what used to be referred to as “distance travelled”, how far you had taken somebody along the line from the situation they were in to the situation they wanted to get to and, instead, looking at how their confidence has been raised or looking at how their assertiveness has been assisted. It is, for me, a bit difficult to accept as a concept, although you can accept with individuals that it is important. It is a difficult thing for a programme management committee to measure, present and take decisions on, so I am fully supportive of soft outcomes, but I personally am struggling with them, as many people are, to find out how you can actually present this information in an accessible way.

Mr Brown: The voluntary sector is very good at this and this is the benefit of a partnership approach, that people bring different experience and expertise to the table.

Q61 Chairman: Just listening, one almost feels like asking the question: well, what is the point? The way you are answering makes me ask the question: what is the point of the programme if we cannot make any assessment at all as to whether anyone anywhere benefits? I am sure that is not what you are indicating, so I am giving you an opportunity to have another go.

Mr McCauley: Sure, I accept that. I think the point I was trying to make is that at the national level it is very difficult to do anything more sophisticated than try and match targets with outcomes, to say that we intended to work with 100,000 people and we have worked with 110,000 or 90,000. What is important is understanding why there is a difference and that is very, very difficult to do at the national level because each of your nine regions are different and within a region there is not necessarily commonality across the region and you have various different local labour markets. I am content that the programme monitoring committees, which have existed in the past and currently, can match one set of numbers against another and say, “Well, the programme’s done what it intended to”, but I am not sure how much more you can drag out of that information.

Mr Brown: Can I answer that question very briefly because I think the other element of the level of evaluation point in all of this, at the European level again, is that the Structural Funds are about convergence and supporting those regions that are lagging behind economically and socially. Now, we know that there are characteristics of the successful regions that are not shared by the less successful regions, and that is things like business start-up, entrepreneurship, it is about numbers of people in employment in areas, including women, and there are different characteristics across the regions, but they circle around a core characteristic. Now, supporting those activities through ESF, there is a logic chain, if you like, we assume, and there is academic research on this that supporting activity in those areas to bring them up to a level to compete with the other regions will help those regions. Now, it is widely accepted in academic literature that the plan to help all the regions and equalise the regions has been very slow to succeed, but it is also accepted that, if you did not do anything, those regions which were behind before would be even further behind now, and I think that is probably all we can say in terms of the logic chain.

Q62 Baroness Young of Hornsey: On the question about additionality, could you tell us, with examples to illustrate, to what extent you consider ESF
contributions to higher education-related projects in the last programming period and in this period have been in line with the principle of additionality?

**Mr Brown:** I think I answered that question in the submission. Certainly in the North East, and again in different regions, we have used ESF for a number of activities, including funding participation and business support, but high-level skills training has been predominant, and it is quite right and proper that universities should do that. We have used the ESF largely to waive fees and offer small bursaries to those people who would normally least be able to afford the cost of high-level training and, therefore, be excluded from the benefits that that brings. I know one of the Commission’s frustrations over a long, long period has been the lack of awareness amongst its citizens of the benefits that ESF brings and I am very proud that under those programmes those individuals knew they were benefiting from ESF; they knew it was making a difference between their coming into universities and doing that training and not. It was helping them with a bursary; they knew where the money was coming from, which satisfies all the requirements of the Commission, and it was life-changing for them. Without the ESF, they would not have been able to afford it and that opportunity would have been restricted to those who could afford and, as I say, then, now and in the future it is probably the part of the ESF, the contribution which universities have made, of which I am most proud.

**Q64 Lord Kirkwood of Kirkhope:** Thank you for your evidence which is interesting. I am interested in the theme that emerges that the current system lacks responsiveness, it is less able to quickly respond to changing economic circumstances. Is that merely, if I can put it that way, a result of the fact that we are now using large-scale public programmes rather than small amounts of responsive projects, or is there any more tangible evidence than that? Could you do us a note to substantiate what drives you to the conclusion that the current system is less responsive than the previous system?

**Mr McCauley:** We can do. That note will rely on the minutes of the programme monitoring committee where the Commission complained about the time it was taking for money to get from their bank account down to actual projects, something like 14 months. Now, the Department for Work and Pensions said not that that is not true, but what they said was that it is a requirement of the Commission’s Public Procurement Regulations that it is taking that long to go through, so we can provide information on that. I can also give you, from the HE sector’s point of view, the timescale for a direct bidding round which is that, once we are told what we have to spend the money on, it is a couple of months to give people time to come up with proposals, but it is less than a couple of months to select between proposals and then the money is out there.

**Q65 Lord Kirkwood of Kirkhope:** I want to come back to direct bidding in a minute, but I am interested in what you just said which is captured in paragraph 15 of your own evidence, and I was really quite struck by it because I think it was known to us, not to me, that in October 2008 there was another tranche of money released, as it were, and then in two sentences in paragraph 15, you say, “However as a result of DWP procurement arrangements a significant proportion of this resource would not filter through to projects until December 2009”. This is in the middle of a credit crunch when people are desperate to get support and you have got that period of time. You then go on in the second sentence, “The European Commission blamed DWP contracting arrangements, the DWP blamed unnecessarily strict EU regulations concerning the issue of contracts”, and you go on to say, “Whatever the reason . . . ” and that sidesteps quite an important issue for the Committee. Whose side are you on in this? Do you
think it was the DWP’s fault or is it the EU restrictions in the bureaucratic arrangements which are at fault here because it is important that we should know?

Mr McCauley: I will tell you what I know and what I know is that they were the two arguments put forward, and I do not think it is right for me to conclude one way or the other.

Q66 Lord Kirkwood of Kirkhope: So you are sidestepping it?

Mr McCauley: I am not sidestepping and I will not sidestep things. I have given you the evidence that it takes a hell of a long time to get money from the programme out to providers.

Q67 Lord Kirkwood of Kirkhope: Well, let me ask the question in a softer way. How do we reach a recommendation that fixes this? It is our job here to oversee this important programme and, if we discover that there are delays of this kind embedded in the system, I think people would expect us to make recommendations to fix that. Well, how do we do that?

Mr McCauley: You require DWP to go back and look again at their contracting arrangements and shorten the timescales involved and, from my point of view, you reintroduce an element of direct bidding and we can get it an awful lot quicker.

Q68 Lord Kirkwood of Kirkhope: Let us just think about direct bidding, and I do not want you to take this the wrong way because I am actually on your side on the question of direct bidding, but I have a very clear recollection from previous experience that direct bidding had its own problems. Firstly, there was an opportunity cost, that is to say, a whole lot of people did a whole lot of work to make bids which failed, that a whole lot of people spent a whole lot of time and energy, particularly the voluntary sector, for absolutely the square root of nothing at all by way of outcome and, secondly, the programme spend became very, very difficult and they were in danger of running up big overspends because, although the programme was agreed and the partners were put together, they could not get the matching finance. Now, do not get me wrong. I am not arguing in favour of that system, but I am just saying to you that there are problems with the direct bidding system which have to be addressed as well, and you might be able to help us solve some of those problems.

Mr McCauley: I would be very willing to. Part of our difficulty is that virtually every European programme has always underspent. The programme that has just finished began this process of moving towards co-financing and one of the arguments was, “It will end this culture of programmes underspending”, and, guess what, it has underspent by five or six per cent which is the figure that every programme has always underspent by, so co-financing does not solve everything. I am happy to admit there are difficulties with whatever system you operate. I just think there are enough problems with co-financing that the programme management committee should look at that which was suggested by virtually every other partner that was a non-co-finer which was, “You need to retain an element of direct bidding”. We all agree here that the majority of the money under these programmes should be spent alongside the major government programmes and, therefore, co-financing here or co-financing there, it is not an issue, you spend it the way that you spend on the main government programmes. What we are asking for is not 100 per cent of the government programmes and not 100 per cent through co-financing.

Q69 Baroness Jones of Whitchurch: Moving on to the future, do you think there is a point that there may be other countries in greater need than the UK in terms of being long-term recipients of European Social Fund funding?

Mr Brown: It is interesting that you said “other countries”. Again, this is regional funding and the Structural Funds were always intended to support those regions which were lagging behind. Now, clearly there are regions in Europe that are lagging further behind than some of the regions in the UK, but it is not the case that all the regions in the UK are equally capable of competing globally economically, and I think that is why it should be retained, the element, back to my earlier point that the regional needs should be identified, not a central Member State policy where you are either in or out, but which regions within which States? That goes back to the core principles of the European Structural Funds and I see no reason why that should change.

Q70 Baroness Young of Hornsey: The second point is: are there not other ways that we could fund higher education or that European funding could be used to fund higher education rather than using the ESF? It seems like a bit of an obscure route to go to get that additional funding that you are looking for.

Mr McCauley: You have to accept that it might be an obscure route, but it is doing things that other funding agencies are not. As I said at the beginning, we look at widening participation, but we do not duplicate the activities that are already going on, so we are not looking at schoolchildren, but we are looking at those groups of people who cannot be supported under any other UK programme. Many of the training initiatives cannot be funded elsewhere. I
think it is fair to say that we have always viewed ESF as the grant of the last resort. If you can get your project funded somewhere else, go somewhere else. The reason we are all still here is that there is nowhere else.

Chairman: Thank you very much. I am afraid we are going to have to stop there. As you can hear, the Committee could have gone on asking questions. We are immensely grateful to the three of you for being prepared to be pursued, but you will understand that we have to get you to give the evidence, we have to get you to tell us. We cannot have some sort of theory from what you say, so, if you feel pursued, it is simply to make sure that you are giving us the information that we really need, and I think you have. We are very grateful.

Supplementary memorandum by the Higher Education European Funding Services Limited

1. Responding Quickly to Changing Economic Circumstances

In its original submission to the inquiry, the HE sector referred to the additional resource made available by the EU to enable Member States to respond to the changing economic circumstances. Minute 4.13 of the England and Gibraltar ESF Convergence, Competitiveness and Employment Programme meeting held on 16 July 2009 confirms that the additional resource made available to the UK in October 2008 would not filter through to projects until December 2009.

By way of comparison, on 27 January 2009, the Higher Education Funding Council for England launched its Economic Challenge Investment Fund (ECIF). Funding provided by HEFCE and matched by Universities and Colleges was intended to support activities aimed at individuals or businesses that were facing difficulties in these challenging economic times. Specifically ECIF sought to support training, development and support activities to help three groups of individuals including those threatened with redundancy; newly unemployed people; and new graduates requiring support to enter employment. In addition support for business was available under three headings: skills training to manage economic challenges; access to knowledge and expertise to improve business performance; and assistance to help manage the process of shrinking businesses or as an alternative to redundancy.

HEFCE intended to allocate £25 million to ECIF; and expected Universities and Colleges to provide a similar amount of match funding. The deadline for the submission of proposals was 27 February 2009 (one month after the launch of the fund). Funding allocations were announced on 9 April 2009. In the four weeks available to them, more than 70 Universities and Colleges developed proposals that offered support to 50,000 individuals and 11,700 businesses from the Fund to which HECE contributed over £27.6 million and institutions and their partners (including RDAs and local businesses) providing a further £31.6 million.

The HE sector is of the opinion that a little over two months from first announcement to projects commencing represents an effective attempt to respond quickly and effectively to the challenges facing people and business, and compares more than favourably with the almost 14 months taken by DWP to get funding from the EU out to projects.

2. Measuring Distance Travelled

According to the Institute for Employment Studies, distance travelled can be defined as being the progress a person makes towards greater employability, and therefore hard outcomes (a job or a qualification) as a result of the intervention of the project.

When monitoring the achievements of employment programmes it is usual to place great emphasis on the extent to which a participant has acquired a hard outcome. Hard outcomes however when “taken in isolation are inadequate in demonstrating the success of a project as a whole”, and fail to give a complete picture of a person’s increased employability, particularly when that person is considered to be socially excluded and facing multiple barriers to employment. The Institute for Employment Studies (IES) was commissioned by the then Department for Education and Employment to look at the use of “soft” qualitative outcomes on projects funded by the ESF in order to establish what had already been done as regards the development of appropriate methods of measuring soft outcomes or distance travelled. The study by IES concluded with the production of guidance on the measurement of distance travelled, and called for further work in this area.

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Subsequently, the Department for Work and Pensions commissioned further work in this area that ultimately led to the production of various reports, guides, toolkits and methods designed to determine the extent to which people have been helped along the often quite lengthy road back into employment. Many of the toolkits have themselves been developed using ESF resources, and enable project staff and programme administrators to assess the effectiveness of public, private and third sector provision for education, training and employment support activities. It is possible to measure the extent to which the various personal and employment related skills of a person have been improved and therefore assess the extent to which a project is achieving its objectives.

Most recently, the Department of Work and Pensions (Research Report no 566) has developed an approach to measuring distance travelled for its WORKSTEP Programme.\footnote{Exploring a Distance Travelled approach to WORKSTEP development planning, Research Report No 566, Department for Work and Pensions.}

3. THE LIFELONG LEARNING PROGRAMME AS AN ALTERNATIVE TO ESF SUPPORT

There are a number of EU-funded programmes that offer sources of funding for activities similar to those supported by the ESF. One of these, the Lifelong Learning Programme (LLP) can aid Higher Education Institutions (HEIs) wishing to undertake widening participation activities or co-operate with businesses, similar areas of activity to those supported by the ESF.

The European Commission, however, views the LLP as being almost the developmental arm of the ESF, in that the intention is that the LLP will support new projects, ideas and techniques, which can subsequently be supported by the ESF. Effectively, LLP projects should hopefully be funded subsequently by the ESF, it is not the intention of the EU that former ESF projects subsequently become supported by the LLP. It is possible that a small number of former ESF projects may be refined or further developed in order to make them suitable for LLP funding, and the HE sector has been successful in supporting a very limited number of former ESF projects to access LLP funding. However given the relatively small budget for the LLP, €7 billion for all 27 Member States in the period 2007–13 compared to the £3 billion available to the UK for the same period from the ESF, it is not possible to secure support for all 1,007 HE ESF projects supported in the previous programming period to access LLP funding.

4. ESF SUPPORTED ACTIVITIES IN THE HE SECTOR (2000–06)

The HE Sector appears to have to regularly justify its involvement in local, regional or national programmes of support whenever a new forum is established, or whenever a new organisation takes on a prominent role within a particular programme.

There seems to be an assumption that the HE sector can only offer a limited range of predominantly educational provision, most of which is delivered at or around NVQ 4 and above. There is also an assumption that the unemployed and certain disadvantaged groups can only benefit from low levels of training and support.

The reality is that HEIs can offer a diverse range of people a wide array of employment related support, from very basic levels up to postgraduate level.

During the previous programming period (2000–06) the HE sector mounted over 1,000 separate projects supported by the European Social Fund. Over 700 were regionally focussed projects, designed to address specific local or regional problems in the labour market. Some 270 projects that addressed national issues were also supported by the ESF. All 270 projects addressed specific employment and skills related issues:

- Widening Participation: 27%
- Employability: 24%
- Social Exclusion: 20%
- Knowledge Transfer: 17%
- Gender Discrimination: 9%
- Enterprise/Entrepreneurship: 3%

In the new programming period (2007–13) the European Social Fund Division (a joint unit of DWP and BIS) have decided that HE activities should not, in future, be supported by the ESF except where either JobCentre Plus or the Learning and Skills Council feels that HE can support them to assist the unemployed into work, or help with the upskilling of the workforce (in the main to NVQ 3 or below).

This decision assumes that HEIs:

- do not support those people who fall within the remit of JobCentre Plus;
- do not provide for activities below NVQ4; and
the only solution to worklessness is an NVQ level 1 or 2 qualification.

Set out below is a short summary of the activities provided by HEIs during the last ESF programming period, that hopefully challenges these assumptions.

**Widening Participation**

Widening Participation projects provided for a range of activities that complemented rather than duplicated the activities of HEIs aimed at school children. With limited exceptions (e.g., Hull University working with children in care or the University of Liverpool working with ethnic minority school children) projects were predominantly aimed at unemployed adults. Often working in conjunction with local communities and FE Colleges, projects provided what can be termed as pre-access (promotion, marketing, confidence and motivation support), access (taster modules, assistance with maths, writing etc) and post-recruitment support (induction and retention activities). In total between 2000–06, Higher Education accessed ESF funding to enable 13,555 people to take part in widening participation activities, of which 7,582 were unemployed at the start of the project. In terms of age, over half of the people involved were aged over 24 years old (7,550). In terms of prior qualifications, 3,091 had no qualifications on starting projects, a further 3,926 had qualifications at NVQ level 2 or below.

As regards outcomes, widening participation projects were designed to have a range of outcomes including subsequent participation in recognised education and training courses at either HE or FE. In total 1,627 people were, on the conclusion of the ESF projects, recorded as having progressed to further education or training. Additionally 470 had entered employment. Other outcomes identified by HEIs included the award of full or part qualifications to 789 people and a range of soft outcomes achieved by 473 others.

In short a typical person involved in an ESF supported widening participation project was an unemployed adult with few if any qualifications. Since participating in ESF supported widening participation activities, many people have had their aspirations raised to the extent that they see progression to Higher Education as being a suitable target rather than the achievement of more lower levels of training.

**Employability**

Most activity was aimed at unemployed graduates, and fell into one of two categories. Projects offered either higher level skills training (including foundation degree and postgraduate courses) in areas of identified skill shortages, or provided a range of activity aimed at improving job search and employability skills (guidance, team working, communication skills etc).

**Social Exclusion**

Aimed at supporting some very specific groups in society (e.g., ethnic minority workers in the hotel and catering industry—London Metropolitan University), or addressing exclusion from specific industrial sectors (e.g., the Law—University of Wolverhampton, the NHS University of Bradford). Projects were designed to deliver solutions to existing problems in the labour market rather than to focus on the problems themselves.

**Knowledge Transfer**

Projects were largely focused upon Small and Medium sized Enterprises (SMEs) and offered a range of opportunities for businesses to interact with HEIs. Both formal and informal learning was provided, on or off campus as determined by business. Face to face and distance learning techniques were used (Canterbury Christ Church University—Business Skills on-line) and a range of learning materials were developed (University of Bedfordshire—Business Language Training for SMEs).

**Gender Discrimination**

HEIs researched and delivered solutions to gender discrimination at all levels of employment (from the shop-floor—University of Bolton, up to the Boardroom—the University of Exeter). Several projects also focused on the issue of entrepreneurship for women (London Metropolitan University and the University of Northampton). The issue of double discrimination was addressed (gender and disability—University of Nottingham, gender and age—Liverpool John Moores University).
Entrepreneurship

Towards the end of the programme period HEIs had turned their attention to Enterprise and Entrepreneurship, offering training and support to unemployed and employed people who were considering starting their own business. Sustained support was available throughout the start-up period (University of East London) or consisted of short intensive periods (University of Salford four day intensive “Boot Camp” approach). In all 797 people were supported under this heading, some 147 subsequently became self-employed. Of those who decided against starting their own enterprise a further 135 received an academic qualification.

5. Helping those Furthest from the Labour Market to Access Higher Level Skills

Section 4 above outlines the success that HEIs have had in attracting the unemployed and/or those with low or no qualifications. One specific example of the success experienced by HEIs when engaging with those furthest from the labour market is that of King’s College London. King’s is one of the world’s top 25 universities with an outstanding academic reputation in the humanities, law, international relations, medicine, nursing, education and the sciences. Using ESF resources in the last programming period, King’s developed the highly successful Uni4U project. Aimed at those local electoral wards in Lambeth, Southwark and Lewisham with the highest rates of income support claimants and the lowest rates of HE participation, King’s provided a series of activities designed to provide formal training at NVQ levels 1 and 2; informal training through community taster courses; supported undergraduates with parenting/caring responsibilities and provided support for mature disadvantaged students who were preparing for HE courses in Health and Clinical Sciences. In addition the project developed new e-learning resources appropriate to people from disadvantaged local communities as they progressed from Access to HE programmes.

The project showed that it is possible for a leading University to successfully engage with local communities, especially those with a relatively high deprivation index. It demonstrated how HE learning facilities can be used to enable individuals who had no previous experience of life in HE to join undergraduate programmes if the conditions are made conducive and significant barriers are removed or reduced.

10 December 2009
THURSDAY 26 NOVEMBER 2009

Present

Cotter, L
Howarth of Breckland, B (Chairman)
Henig, B
Jones of Whitchurch, B
Kirkwood of Kirkhope, L
Prosser, B

Memorandum by Third Sector European Network (TSEN)

INTRODUCTION—THE ORGANISATION

1. TSEN was set up in 1995 to bring together key Third Sector organisations active in the field of EU Structural Funds in England including regional networks and national bodies. TSEN now has 12 member organisations representing approximately 20,000 providers. Its aims are to: promote the Third Sector’s voice and interests within national and international European Union funding structures; support exchange of information, advice, training to the Third Sector in England on national aspects of European Union funding; develop policy and share best practice on effective delivery of EU funds; contribute to the development and implementation of the policies promoting social cohesion, inclusion and environmental sustainability. TSEN is supported by national ESF Technical Assistance and by the Office of the Third Sector (Cabinet Office). TSEN is the Third Sector representative on the National Monitoring Committee for the current ESF programme.

EXECUTIVE SUMMARY:

2. We see a need for a more sophisticated targeting of ESF outputs in relation to hard to reach groups, and urge that up-skilling, “job-scoping”, intermediate labour markets, and volunteering, etc., be prioritised. This connects logically to how ESF could be best used in the current crisis. Our view is that ESF needs to embrace UKCES recommendations in viewing the unemployed positively, as a valuable resource to be prepared for the future, now. We note the connection to systemic structural issues, whereby inclusion activity directed at the most disadvantaged is even more urgent at this time lest they be “back-seated” to become an even greater problem in the future. In general, we recommend that a greater emphasis be given to progression and “means to an end” activities through ESF funding.

3. We note how DWP commissioning is at the heart of ESF, with regard to targeting employment. We ask whether a commissioning strategy based on outsourcing through the private sector is in fact the key “driver” of the ESF, cutting across, not only the Government’s wider socioeconomic agenda, but indeed, the meeting of ESF objectives per se. We indicate a number of commissioning “Principles”, for example, that are either contradictory, undefined operationally, or working against the achievement of a truly comprehensive supply of provider services.

4. We feel that the “rhetoric” of the English National Operational Programme (2007–2013) concerning the inclusion of those with multiple disadvantage is not matched in the actual delivery of ESF where probably less than 5% supports those furthest from the labour market in consequence of the perceived “efficiency” of targeting those who are easiest to help. We find this to be at odds with the “No-One Written off” welfare reform agenda.

5. The other key issue for TSEN concerning the future roll out of ESF is the need for a fuller integration of the employment and skills agenda. We indicate specifically how this can be made to work with ESF targeting those at the bottom of the qualifications ladder. Our final position endorses ESF as a positive catalyst for action along side mainstream national programmes.

Question 1: ESF objectives; alignment and balance of projects (especially between adaptability and social inclusion)

6. TSEN endorses the overriding employment and skills objectives of the ESF as the best route out of individual poverty. We believe that ESF has an important role to play in helping to connect the employment, social inclusion and poverty agendas and to contribute to the European Year Against Poverty in 2010.

7. We do, however, have concerns that the strategic alignment of ESF with the Government’s immediate economic objectives puts undue emphasis on the cyclical targets of adaptability and job gains in the short term,¹ and does little to support the long term target of promoting inclusion of the most disadvantaged.² We see this as especially likely to occur when jobs are scarce.³
8. TSEN advocates a more flexible targeting of ESF to include job scoping, preparation, training, intermediate labour markets and volunteering; and suggests implementing a clear ESF priority to target the up-skilling of those with minimum qualifications ahead of job seeking. TSEN sees these actions as more likely to secure the Government’s ultimate objective of inclusion through work; but even more than this, and what is potentially the ESF’s single most important contribution in the current recession, they represent the optimal use of ESF funds in preparing today’s unemployed for tomorrow’s economic recovery.

9. The other key area where TSEN feels the ESF may not be securing the optimum alignment and balance of projects concerns the basic operating rules underpinning the distribution of the Fund.

**Question 2: Operating rules of ESF**

10. The system of Co-financing is thoroughly embedded in the administration of ESF (and was extensively reviewed by a previous Parliamentary inquiry into ESF). The key issue now for TSEN is how Co-financing has been adapted to fit within a particular contracting system, largely determined by the commissioning strategy of the DWP.

11. The DWP commissioning strategy provides a fundamental “steer” for DWP/JCP as co-financer of ESF. It delimits the rules of engagement via contracts and fundamentally determines how contracting the targeted ESF job outputs operates; as such the strategy is probably a key determinant of ESF effectiveness, and indeed, of potential problems.

12. TSEN has carried out a close examination of the stated “Principles” of DWP commissioning strategy and has serious concerns about their impact on the delivery of ESF. We have reported the detail of this in Annex 2. We summarise here the main points:

13. We see the denial of “contractual space” for much potential supply in “We will aim to do most of our business (around 80%) with a stable core of reliable providers”. In these circumstances the DWP expectation that “risk/reward to be fairly assigned across the supply chains in ways that allow the small and specialist providers to play their full part” begs the question, are “top-tier” providers (given that they also deliver significantly “in-house”) actually taking account of “small and specialist providers” to allow them to play their full part? There are no operational definitions, and no clear data available (nor indeed, targeted evaluation) to establish whether this is happening or, if so, to what extent.

14. The commitment to “help providers improve their knowledge of other players and potential players in the market” does not go far enough to ensure comprehensive supply and the overcoming of technical barriers to allow small specialist suppliers to participate; moreover, it is countermanded by there being no corresponding commitment to match fund Technical Assistance the most proven route to effective brokerage of a range of delivery agents and liaison with Prime Contractors.

15. The extent to which the DWP is minded to be “hands-off” in “market development and stewardship” of ESF is evident in “we will not prescribe volumes or shares of business that should be directed at either smaller, specialist, or third sector providers”; and, “we will not constrain top-tier providers by being unduly prescriptive...”. In this we see an overriding intention to implement a Primary Contracting model along the lines recommended in the Freud Report. At the very least, TSEN is concerned that this runs counter to DWP’s avowed position to “take into account evidence of effective partnership working and supply base development at the local level in awarding business to prime contractors”. These contending principles need to be clarified in terms of what is happening in practice and which principle is being prioritised.

16. In expressing these concerns TSEN has in mind what the DWP requires of providers “to understand and behave in a way that recognises that they are delivering part of the Government’s wider agenda—social cohesion; social inclusion; sustainability; progression; equality and diversity.” We certainly endorse this Principle, noting also that neither should it be a matter of “policy” that the requirements of the distribution mechanism (the outsourcing “market principles” of Commissioning) be the key driver of ESF and override its “wider agenda”.

**Question 3: Effectiveness of ESF**

17. Less than 5% of the current ESF is dedicated to programmes aimed at those furthest from the labour market, there is no dedicated priority to work with people facing multiple disadvantages nor monitoring systems designed to capture “soft outcomes”, in spite of the positive rhetoric in the English National Operational Programme on the inclusion of those experiencing multiple disadvantage. The 2007–13 programme in the name of increased efficiency seems to focus on beneficiaries “relatively near” the labour market more likely to achieve the hard outcomes providers are contracted for. This seems to be at odds...
with the “No-One Written off” welfare reform agenda. Availability of programme monitoring data and systematic review of tenders would be needed to confirm whether the ESF programme is supporting those furthest from the labour market.

Question 5: (ESF in the short term) the value, effectiveness, and amendment of ESF in the current financial crisis

18. The direction and use of the ESF in the current financial crisis is important. It appears reasonable for the Committee to question delays on current spend with a view to this being remedied as a matter of some urgency.\(^{23}\) On this issue TSEN is no more than endorsing the recent BIS White Paper, which recommends simplification and expedition of ESF spend.\(^{24}\)

19. The “concentration” of ESF spending on those furthest from the labour market in the shorter term has significant “structural relevance”: in giving a lifeline to groups most distant from the labour market at a time when they most need it—ESF potentially represents an investment in active inclusion where individuals might otherwise remain passive and excluded in a “no jobs” market; it would also improve the skills base and overall job readiness for when the situation improves—a position entirely consistent with the recommendations of the UK Commission for Employment and Skills (UKCES): “the unemployed and their skills are a valuable resource that needs to be nurtured in preparation for recovery.”\(^{25}\)

20. The inclusion agenda is problematic when the job market shrinks. Yet, it is precisely in the current crisis that action on inclusion is needed—for two reasons:

(i) it is at this time that inclusion is least likely to be suberved by a rationale targeting employment as an immediate viable route out of poverty and economic exclusion (i.e. when there are fewer jobs and increasing competition for them). It is quite simply unrealistic that ESF employment objectives have a short term focus at such a time.

(ii) As the prospect of employment is being choked off for those most distant from the labour market, inclusion will become an even greater problem as a result of the current recession unless something is done about it. A positive intervention would be to affirm ESF employment objectives as structural, medium or longer term objectives focusing on progression and “means to an end” activities, and the ability to secure jobs in the future. It would then make sense to designate progression and means-to-an-end activities as key ESF structural objectives in the current crisis.

Questions 6 and 7: (ESF in the medium term) support for new skills, life-long learning, flexible labour markets; jobs and growth 2010–14.

21. TSEN fully supports the current ESF programme targeting key objectives on employment and skills. Clearly, the operation of the LSC as co-financier, alongside the DWP is critical here. In respect of the medium term and the conclusion of this programme TSEN, following UKCES analysis regarding UK skills in general, advocates a fuller integration of ESF spending in respect of employment and skills.\(^{26}\) It takes as its starting point the fact that both the demand for skills or job ready people will at all times be derived demand, increasingly for more qualified people. By “fuller integration” TSEN sees the following to be important:

(i) Proportionately more ESF spending to target enhancement of skills rather than getting people with minimum skills into minimum skills work.

(ii) ESF to target more sustainable “next rung” higher value jobs and that there is a conscious focus shift from targeting “any” employment to targeting more stable employment.

(iii) ESF “added value” to be used to justify higher per capita spend to achieve the above.

(iv) A clear difference of approach to be adopted with ESF in justification of its “additionality” and that it is no longer seen simply as a “bolt on”, to programmes like Flexible New Deal, but rather as innovative and ground breaking in attempting to improve the skills of those most disadvantaged.

Question 8: ESF post-2013

22. TSEN sees the ESF as continuing to address its fundamental objectives over the longer term i.e. the fuller social/economic integration of those furthest from and most vulnerable in the UK labour market. TSEN has indicated some of this “additionality” in the foregoing—a combination of the radical up-skilling of the low skilled together with an innovatory approach to the minority who still risk being left out.\(^{27}\)
CONCLUSION

23. We broadly agree that targeting work is the right response to lift people out of poverty. We fear, however, that the current ESF programme is not effective in reaching people with multiple disadvantages as it is driven by the needs of processes rather than the needs of the people it is intended to help. Lack of appropriate monitoring systems, data and programme reviews will prevent us from addressing such inefficiencies before the end of the programme.

2 October 2009

APPENDIX

END NOTES

1 In particular, TSEN would seek to raise concerns where there might be tendency to take for granted the goal of getting low skilled people into any work as speedily as possible.

2 Social inclusion is mainly targeted under Priority 1; however, this still has to happen where “the key measure of performance for Priority 1 will remain job outcomes” (Government Response to Consultation {ESF programme 2007–13} 2006 page 9). In which case, the “balance of projects” will inevitably favour adaptability over inclusion.

3 The most disadvantaged being the most difficult to employ.

4 A position wholly consistent with the recommendations of the UK Commission for Employment and Skills (Ambition 2020 page 10). Targeting in this way would, arguably, be more productive than “job chasing” in the absence of jobs—possibly even substituting a notion of “the productive employment of a person’s time” (to include training, learning or volunteering) instead of “paid employment” as a medium term goal for those at the greatest distance from the labour market.

5 Such can be accommodated within existing objectives and within the terms of Priority 1.

6 TSEN considers that the earlier Parliamentary Committee (see the House of Commons Work and Pensions Select Committee Report, 2003: www.Publications.Parliament.uk/Pa/Cm200203/Cmselect/Cmworpen/680/ 68002.htm) still has something useful to say, even though in the opinion of many it has simply been superseded by all that has happened in the meantime—in particular the onset of Primary Contracting. TSEN, however, would argue that it is precisely because the report of that Committee was largely ignored and not factored into much, if any, of the subsequent changes to ESF, that it is still “on the table”, so to speak, as an unresolved agenda.


8 —i.e. the direct labour market targeting of the fund. The extent to which it also influences the training for work, and up-skilling specifications of the other principle co-finner, the LSC, is a mute point. The fact that the Government aims to harmonise the employment and skills agenda implies that the connection is real and is likely to be more overt in the future “roll out” of the Fund. The “actuality” of current contracting of DWP and LSC tends to bear out that there is a common approach, the latter also publishing large scale ITTs significantly geared to high capacity lead providers (“primary contractors”).

9 It might be suggested that the commissioning strategy doesn’t necessarily apply to the ESF—e.g. Market Structure, Principle 3 states—“providers will ensure that local activities funded through the ESF complement mainstream provision rather than duplicate or directly compete”—in which case, the boundaries of it applying/not applying are not clear; which again, calls for adequate monitoring of primary contractors to establish the facts, and in particular the extent sub-contracting from providers is sufficiently varied and bespoke to meet client need.


12 The rule of sub-contracting only to a single tier further compounds the problem since it may be unrealistic to expect large scale providers to have thorough intelligence of local detail and potential smaller/bespoke deliverers of ESF outputs.

13 What is “small”, “bespoke”, “to play their full part” etc? Without definition the DWP expectation has little force in practice.
In fact, there appears to be no clear position on the evaluation of the programme. If not rectified this is clearly a serious omission.


Which would seem to run counter to the DWP commitment “to develop our relationships with provider representative organisations”—Market Development and Stewardship, Principle 8. There are real concerns that this is being undermined by support organisations going under through lack of match funding to access Technical Assistance.

Market Development and Stewardship, Principle 2.

Market Development and Stewardship, Principle 3.


Again, defining what is meant by “taking into account, in awarding”, “supply base development at the local level”, etc, would be useful in meeting the obvious criticism that it is all too easy to say these things, but that they are less easy to operationalise.

Market Development and Stewardship, Principle 5.

Delay on committing the extra monies made available as a result of re-evaluation of the pound/euro is the case in point.

“3.13 Targeted use of European funding, such as ESF, is already making a substantial investment in skills to complement Member States’ initiatives to support economic recovery. Whilst the Commission has responded positively to using ESF funds to react to the downturn, the regulatory and audit burdens remain substantial” “3.14 The Commission should now bring forward further proposals to simplify EU regulations so that ESF can be spent quickly and effectively in the areas where it will have the greatest impact—reflecting the analytical work produced by the Commission on EU skills needs. Within the existing ESF envelope, resources within the skills/adaptability priority should be used to expand up-skilling activities and strengthen investment in the workforce for the jobs of the future, particularly the green jobs needed in a low-carbon economy”.

“The Future of EU Competitiveness: From Economic recovery to Sustainable Growth, June 2009”.


The UK Commission for Employment and Skills observes “The proportion of jobs requiring higher levels of qualifications has been rising whilst the proportion requiring low or no qualifications has been declining… This trend has profound implications for vulnerable groups and people facing multiple barriers to employment. These individuals are least likely to be in stable employment—or any employment” ibid page 8; also “The more that a post recession recovery and renewal strategy is built around higher skills, the more likely it is to raise employer demand. In the end, the demand for skills is a “derived demand.” ibid page 10.

For a more detailed review of why TSEN feels that the “Inclusion Agenda” is likely to become an increasing problem in years to come, and where the ESF may play its part in radical solutions see Annex 2.

Annex 1

TSEN REVIEW OF DWP COMMISSIONING STRATEGY IMPACTING ON ESF
Principles of DWP Commissioning Strategy, February 2008, impacting on ESF:

Market Structure, first Principle—“larger contractual packages—delivered by top tier providers” across “diverse supply chains”: the rule of sub-contracting only to a single tier may operate to diminish or even exclude valuable sub-contracting of smaller/bespoke providers from ESF, since it is difficult/impractical for large Primary Contractors to have a direct contractual relationship with small providers.
See also in this context the following (also in Market Structure)—"some of the contracts available at the delivery level will themselves be substantial in size and duration. Top-tier providers will want to develop similar long term relationships with best providers in their supply chain" [i.e. similar to DWP’s modus operandi, relationships with so-called “super”, or large, sub-contractors in their case].

However DWP immediately states the following: “We will not necessarily expect sub-contracts to reflect the terms of our engagement with the top tier. We expect risk/reward to be fairly assigned across the supply chains in ways that allow the small and specialist providers to play their full part.”

The DWP-CS is contradictory therefore. Are then the “top-tier” actually factoring “small and specialist providers” notwithstanding? This is a key question, and key data is needed. Unfortunately this data is not available.

We see the denial of “contractual space” for much potential supply carried even further in Market Structure, Principle 4—“We will aim to do most of our business (around 80%) with a stable core of reliable providers”.

If applied to the ESF in practice this virtually licenses a “closed shop” as a market principle: effectively excluding providers (literally, on principle) bearing in mind that these core providers will be delivering “in-house” to a considerable extent.

DWP might claim that this doesn’t apply to the ESF since Market Structure, Principle 3 also states—“providers will ensure that local activities funded through the ESF complement mainstream provision rather than duplicate or directly compete”.

This might seem a clause of infinite latitude i.e. “everything we say in the Commissioning Strategy doesn’t apply to the ESF”. In which case, the boundaries of it applying/not applying are very thinly drawn. The DWP’s position is problematic whilst there is not a separate commissioning strategy for ESF. Practical clarification, at least, could be had in the monitoring of primary contractors and the extent to which they entail smaller providers through sub-contracting (together with the proper definition of what “smaller” means). Unfortunately, detailed information of this kind is not available.

Also in Market Structure, Principle 6 DWP states “We will help providers improve their knowledge of other players and potential players in the market—we will host events during procurement exercises; we will work with other agencies locally and nationally to provide access to information, including signposting”. TSEN would contend that this is not working (in a recent—10 September—event hosted by DWP in Newcastle, attended by organisations from all over the North of England no one from the two major contractors of ESF was involved and appeared not even to be in attendance!)

We would contend that is it never a simple case of mutual awareness or hoping to set up contact links through serendipity. In the case of ESF, Technical Assistance needs to be fully utilised to ensure that Third Sector networks are fully engaged to establish effective “brokerage” of substantive delivery architecture in liaison with Prime Contractors, and that this needs to be planned and engineered (capacities built and tested) well ahead of the publishing of ITTs.

We note in Market Development and Stewardship, there is limited scope to mandating (or indeed, monitoring differentiated delivery): “we will not prescribe volumes or shares of business that should be directed at either smaller, specialist, or third sector providers” (Principle 2); and, “we will not constrain top-tier providers by being unduly prescriptive in defining delivery relationships (financial or operational) between providers (Principle 3)”. We could argue that this may undermine avowed expectations by the DWP that differentiated delivery meeting need is in fact happening.

Also, we see an increasing likelihood that the sector may cement as “in”, and “not-in” (and never likely to be so) if strategy is unwittingly divisive—“we will establish mechanisms by which delivery providers can have a “voice” direct to the DWP as an opportunity to share insights that are best understood by those dealing with our customers.” (Principle 8). Well and good, but what about the “voice” of organisations that are not as yet delivery providers? They might also have very valid insights and delivery potential re. DWP/JCP customers.

In all these circumstances we must call the Committee to press the DWP on their commitment “to develop our relationships with provider representative organisations across Great Britain so that different sectors…third sector organisations—have opportunities to talk to us about their particular perspective” (Market Development and Stewardship, Principle 8). How can this be if representative organisations are in danger of going under through lack of match funding to access technical assistance? See Key Recommendations to submission)
In many respects, TSEN’s representative involvement across many of the issues raised above is encapsulated in calling the DWP to account in respect of Market Development and Stewardship, Principle 5: “We will expect our providers to understand and behave in a way that recognises that they are delivering part of the Government’s wider agenda—social cohesion; social inclusion; sustainability; progression; equality and diversity.” We certainly endorse the Principle that providers recognise that delivery has to be consistent with other Government agenda: and so should the DWP itself; nowhere should it be a matter of “policy” that the requirements of a distribution mechanism (“market principles” pertaining to Commissioning) should be the key driver of ESF.

Annex 2

INCLUSION—THE RELEVANCE OF ESF TO AN ENLARGING PROBLEM

TSEN membership is aware of increasingly specific demands on the skills base and on the need for up-skilling in general. TSEN also contends, however, that there still remain other issues to address around the exclusion/inclusion agenda. The term “mainstream” logically denotes services for the overwhelming majority of need. In which case, ESF might continue to be subsumed as a “bolt-on” albeit with additionality. TSEN would argue vigorously that constrained by co-financing this “additionality” can never be additional enough to meet the needs of the most excluded or disadvantaged since it is always constrained to produce outputs in line with national employment programmes (the unquestioned basis of ESF activity currently). TSEN fundamentally questions this homogenisation of ESF. It may be that a modest but still very significant minority just “do not fit” within the specific up-skilling models largely geared to serving private sector capital or large public employers. It may be that radical options around self-employment, social actions and enterprises, volunteering, community and commune are part of the answer; also, it may be that “progression curves” of individuals in this and other minorities are beyond the “time tolerances” of co-financed programmes. In such a scenario there is a necessity for a vibrant “third sector” determination; organisation that is responsive to the non-mainstream market; organisation to meet the needs of those who might seem not to fit, but who in reality require something radically different. This is a profoundly practical targeting of ESF—we must face the fact that by ever intensifying the demands for skills to meet an increasingly techno-driven world, an ever increasing minority are going to be/feel left out/excluded. TSEN might predict that the inclusion agenda is likely to become a major issue in years to come. We cannot afford to continue to see tackling unemployment as merely to do with up-skilling. It will be myopic and profoundly divisive to do so. At least part of ESF should be used to open up alternatives and to really begin to do something inclusive about inclusion.

Memorandum by Community Service Volunteers (CSV)

SUMMARY

— CSV is a national charity previously accessing ESF funds for over 20 years. In the last programme 2000–07 CSV provided training and advice to 189,128 individuals of whom over 5,000 were deemed to be suffering multiple disadvantages (being among other things disabled, mental health services users, lone parents, refugees, ex offenders).

— CSV and other national organisations (e.g. Princes Trust, MENCAP, and Fairbridge) ran national projects, catering for specialist groups across the nine regions of England.

— CSV is an active member of the Third Sector European Network, its Director of European and Statutory Resources is the chair of TSEN and sat on the English Monitoring Committee administering ESF for the last nine years.

— The implementation of the new programme, which began in 2008, has extended co-finance to virtually 95% of the programme. This major change allied to the prime contracting mechanisms through which much of the programme is delivered has had a major impact on who is involved in the delivery of the ESF programme services to those furthest from the labour market.

— As an active partner in the last programme CSV was a major provider to those furthest from the labour market—it is hard to see why that provision is no longer relevant, our fear is that the deflection of the programme is an unintended consequence of operational drivers rather than policy, determining the delivery of the programme, as discussed by TSEN in its submission.
EUROPEAN SOCIAL FUND: EVIDENCE

— CSV has concerns about accountability as no substantial data seems to be available on the first two years of the programme it is hard to gauge effectiveness—as was the case in the last four years of the previous programme.

— CSV believes the way in which ESF is currently administered runs counter to the Government’s policies on promoting active communities, promoting inclusion and developing the Third Sector as service providers.

BACKGROUND

CSV is a national agency operating across the UK in the fields of volunteering, training and regeneration. It has a turnover of approximately £28 million, employs over 600 staff, and runs some 300 projects.

CSV used to access European Social Funds in all nine English regions, including the Objective 1 areas.

From 2000–07 CSV provided training, information and advice to over 189,128 individuals with the support of some £6.8 million from the European Social Fund in seven national and over 20 regional projects.

Current work involves one transnational innovation and mainstreaming project for 240 mental health service users in Ipswich and a number of small sub contracts won in 2009 for training young people in the North East.

CSV has been accessing European Social Funds since 1982 and is one of the limited number of organisations employing specialist staff to work on European funding.

CSV accessed funds through direct bidding when they were dispersed on a sectoral basis through National Council for Voluntary Organisations (NCVO) and subsequently through the government offices following regionalisation in 1998 and through the national measures when co-finance was introduced.

When CSV participated in the review of effectiveness of ESF, undertaken in the House of Commons in 2003, we were encouraged by the finding of the committee that the development of co-finance might prove prejudicial to those furthest from the labour market and that some “direct bidding” as a safety net should be retained.

“We made a number of detailed recommendations aimed at easing the administrative burden on service providers and called for direct funding to be retained in all areas and re-introduced in London. We also called for more information to be made available to failed applicants.”

In the event no direct bidding was retained, no provision was made for national measures, which operated under direct bidding and the update on the mid term review of the last programme recommended that the emphasis in the programme be shifted from the hard to help to those closest to the labour market. The reasons for this as stated in the paper were not only that co-financers found it hard to reach the “hard to reach” but also work with those with multiple disadvantages, and this was in the ex ante evaluation, was expensive and therefore inadvisable under the new programme.

1. What is your view of the current objectives of the European Social Fund? Does the available funding align with those objectives? How appropriate do you consider the balance of projects funded by the ESF to be (for example the volume of projects designed to increase the adaptability of workers as compared to those designed to reinforce the social inclusion of disadvantaged people)?

The current objectives designed in 2005 make provision for a range of interventions to strengthen the UK economy, develop the workforce and promote social inclusion. At the midterm review of the previous programme in the context of near full employment, a focus on those on Incapacity Benefit was recommended, subsequently in 2006 the update of the midterm review counselled a focus on those closest to the labour market for the new programme which has proved to be the case.

Recommendation 6 (new programme)—To focus funding on support for those individuals with a disability/health problem that are relatively near to the labour market and where ESF can provide the most added value to domestic resources by helping them gain employment on leaving ESF, or progress their position so that employment is a realistic proposition at some point in the future. This should include beneficiaries from ethnic minority groups as 12.4% of the working age disabled population are from these groups. It would also include (as suggested under Recommendation 3) adequate identification and assessment of beneficiaries prior to starting projects in order to ensure that those who are most likely to benefit from ESF are supported, while those who are deemed not suitable for ESF are referred to other appropriate support.
In preparation for the current programme between 2003 and 2006 CSV worked hard at a European level and with the DWP to ensure that the needs of those furthest from the labour market would continue to be served, offering comment for sections of the English Operational Programme to include suitable activities and outcomes focusing on volunteering and community as well as employment and skills. Thus we are in agreement with the objectives outlined in the English operational programme but concerned that the instruments employed by the DWP are not able to deliver across the full range of objectives. Those facing multiple disadvantages are not being served.

2. What has been your experience with the operating rules of the ESF? What has worked well? What problems have you encountered and how might the process be improved?

CSV’s experience of the operating rules of ESF is mixed, certainly as a major provider CSV was subject to many audits and this was very time consuming. The rules on match funding were difficult but also enormously helpful as CSV was able to use volunteer time as match, which is still allowed by EU regulations but was not adopted by the UK.

The rules now governing the use of ESF in the UK seem to be more to do with the DWP Commissioning Strategy and the use of Prime Contractors, they have in fact excluded the work that CSV undertook historically; our ability to push the boundaries and work with excluded groups has been curtailed. The small successes we have in sub-contracting are only possible where our projects are wholly aligned with mainstream public programmes.

3. How effective do you consider the ESF to be? How is that effectiveness being monitored? And how is that information on effectiveness being shared and used?

As a former member of the Monitoring Committee and current alternate for TSEN, we believe that it is hard to monitor the effectiveness of ESF in the absence of good data, as was the case in the previous programme little data apart from funding committed has been available in the first two years of the programme (2007–08). Data is no longer disaggregated to show the involvement of the Third Sector, as was previously the case. Anecdotal evidence from meetings in the regions suggest that many less small agencies are involved with the programme and evidence from TSEN surveys suggests the sector as a whole is much less involved with the programme, thus those facing multiple disadvantage are no longer being helped. In those instances where we see case studies involving such groups, they are frequently from the Convergence or phasing in regions where direct bidding still exists.

4. How successfully have national and regional administrations worked together in delivering the ESF, where appropriate?

The relationship between national and regional activity seems, as previously, in ESF to be largely determined by national policy. In the implementation documents for the programme it was stated that Regional Skills Partnerships would be responsible for developing the frameworks for the priorities including Priority 1 and Priority 2—in the case of P2 “Developing a skilled and adaptable workforce” this worked rather well, in the case of P1 “Extending Employment Opportunities”, rarely did the framework for the unemployed differ from the national document, as we assume inclusion was not the expertise of the Regional Skills Partnerships. Equally DWP nationally have issued guidelines for the “refreshing” of Regional ESF Frameworks which circumscribe the regional response, clear objectives are outlined and regions invited to comply and yet when asked to ensure certain inclusion activities are prioritised by region DWP asserts regional autonomy precludes such action.

5. What contribution can the ESF make to the EU’s renewed Jobs and Growth Strategy post—2010, including the European Employment Strategy? How can the EU best contribute to “jobs and growth” in the period 2010–14?

The great strength of ESF is its capacity to support supra-national strategies and frameworks over the long term, not being susceptible to national administration changes. Serious thought should be given to a strengthened Social Agenda for the funds to assist the millions of individuals living in poverty throughout the European Union. A developed focus on additional indicators for prosperity (such as those allied to well being

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2 Para 3.2.2 (393)pg128 “activities to provide pathways to employment such as…community based activities, volunteering, practical soft skills”

3 Where applicable, please refer to the principle of additionality.
and engagement) proposed by the Stiglitz Report. Equally developing a European matrix to measure the environmental cost of production in support of the EU’s 2020 pledges would be helpful as would the identification of opportunities for growth allied to this work. These two Social and Environmental pillars should carry equal weight with the Economic pillar in the new programme.

*September 2009*

**Memorandum by Co-ordinating European Funding for the East Midlands Third Sector (CEFET)**

CEFET is the lead body for the Third Sector’s involvement in ESF in the East Midlands, and has a membership of nearly 2,000 groups, approximately a third of which are small local grassroots groups in excluded communities. CEFET has been in existence since 1991 and a regional partner in the ESF Regional Monitoring Committees since regionalisation of the funds in 1997. It has therefore represented the sector in regional supervision of ESF in three Programmes.

CEFET is currently organising the grassroots groups it has contact with into local networks with a feed into development of a regional strategy and policy voice for those experiencing exclusion. This is done through regional meetings and the establishment of a Grassroots Network Focus Group with a representative 100 excluded people. The destination for that voice is a newly formed Social Inclusion Policy Forum, which we are leading in partnership with One East Midlands, the regional network and policy platform for the Voluntary and Community Sector in the East Midlands. The Forum is multi sectoral, with equal numbers of VCS practitioners, other sector decision makers and people facing exclusion. It embodies the three principles of the 2010 European Year against Poverty and Social Exclusion, which are: Poverty Awareness; Grassroots Participation and Lasting Legacy.

Over the life of the last full Programme (2000–07) the contracts held by bona fide Third Sector organisations amounted to 26.5%, by value, of the Programme. Most interest by the sector was concentrated in Policy Field Two (social inclusion) where the figure rose to 60% by value, the rest of the Programme average therefore being just over 15%. The sector has considerable experience of ESF, with expertise concentrated in the field of social inclusion. In the East Midlands Policy Field Two, in 2000–06, was all governed by a Community Empowerment Strategy. Under this strategy CEFET led two projects: CATALYST and TIGER, which funded nearly 700 very small “micro-projects” at local level in excluded communities using a Local Social Capital approach.

CEFET is an active member of the Third Sector European Network (TSEN), which speaks for the sector at the National, European and multi-regional levels. We are aware that TSEN is making a submission to this inquiry, and we echo and fully support the points made in that submission. However we believe we can add a specifically East Midlands flavour to the arguments made in that submission, and give a greater level of detail to those observations. We feel the force of our experience and analysis will best elucidate the first four questions posed by the inquiry.

CEFET is primarily concerned that the design, management and monitoring of ESF is increasingly dominated by the managerial concerns of the main channels of funding: the Department for Work and Pensions (DWP) and the Learning and Skills Council (LSC).

The results of this domination are:

- The loss of effective strategic partnership at regional level
- The loss of any input into the design of the Programme by NGOs, contrary to Article 11 of the General Regulations
- The squeezing out of expertise on types of action that are effective in countering exclusion, reaching the hard-to-reach and engaging those furthest from the labour market
- The effective downgrading of social inclusion action in the planning of activity in contradiction to the stated aims of the Programme in the Operational Plan
- The consequent very low level of social inclusion projects actually taking place
- A consequent precipitous drop-off in Third Sector involvement in delivery
The following account of how this has manifested itself in the East Midlands ESF programme may well illuminate how the structures are determining the Programme.

BACKGROUND

While ESF is a national Programme it has regional management. The high level Objectives of the Programme are set in a National Operation Programme, which has been set to give “flexibility” in delivery. Each region has a Regional Monitoring Committee (RMC) which agrees a high level strategic document to shape the Programme within its region. The RMC is a cross-sectoral partnership, (where full Third Sector participation is—uniquely—guaranteed by EU Regulations). In the last Programme (2000–06) the governing plan was called a Regional Development Plan (RDP), in the current 2007–13 programme it is called a Framework.

The East Midlands RDP 2000–2006 had a ring-fenced, £50 million, priority for social inclusion which was governed by a Community Empowerment Strategy. That is a strategy, originally drafted by CEFET and developed and adopted by all partners, of identifying projects “designed by the target communities themselves and founded on their participation and control.” Various actions under this strategy have been internally or externally evaluated, always with impressive results in reaching, and progressing, those not reached by other activity. Consensus is that the approach was successful and reference is contained in the ESF Framework.

The consultation draft on the first Framework (2008–10) recognised this success, explained Community Empowerment and was accompanied by a consultation question: “How significant a part of Priority 1 should this (Community Empowerment) be when it comes to allocating funding? Although the sector made a massive co-ordinated response to this question, those submissions were never analysed and no indication of the required scale of Community Empowerment activity was included in the final Framework.

The Third Sector formally refused to sign off the consultation and only agreed to let the Framework go forward on the understanding that Government Office for the East Midlands seek an assurance from each Co-Financing Organisation (CFO) (mainly the LSC and DWP through Job Centre Plus) to implement Community Empowerment. There is no evidence that they have honoured those assurances nor of any specific Community Empowerment activity, as defined in the Framework, in the Programme.

The 2011–13 Framework

Now the time has come to revise the Framework—or “refresh” it as the guidance puts it. The RMC tasked a working group (composed of regional representatives of the Co-Financing bodies; East Midlands Development Agency (emda); the regional Employment & Skills Partnership (which has no Third Sector representative); the Equalities & Human Rights Commission; the Further Education and Third sectors) to formulate a new version of the Framework. This was mainly to take into account labour market changes and “support economic recovery”.

CEFET attended the two meetings of the working group and corresponded by e-mail with other members in between, particularly on the issue of redrafting the chapter on Priority 1 (Extending Employment Opportunities) which includes the endorsement of Community Empowerment referred to above.

Again we sought to raise the issue of how Community Empowerment would be realised if no mention of the relative scale of it was included in the Framework. We proposed that a minimum level of contracting be set for Community Empowerment activity. After all Co-Financing had operated successfully under Community Empowerment in the last Programme, allocating perhaps £40 million. The method also offered a strategic response to the challenge of achieving one of the objectives of the Programme in the East Midlands: “Economic inclusion, which aims to overcome the barriers or market failures that prevent people from participating fully in the regional and local economy.”

At the working group meeting we were asked explicitly if Community Empowerment was compatible with the major CFOs’ procurement systems. We responded that although there were difficulties they could be overcome through intelligent and imaginative commissioning, of which there were examples in the last programme, and which we (the Third Sector) have the expertise to help develop.

Others disagreed and expressed the view—with regret in most cases—that the CFO procurement systems were not now flexible enough to respond to this type of challenge.

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4 For a fuller account of this background please see http://www.cefet.org.uk/documents/CommunityEmpowermentinESF.pdf
5 For the full Community Empowerment Strategy see the “Key to Inclusion” (p24–25) and other material at http://www.l-power.org.uk/docs/L-POWER%20final%20report.pdf.
6 ibid pp 30–31, for example
This produced, what seems to us to be, a more fundamental discussion on the role of the Framework. We expressed the view that the Framework should set out the priorities and needs of the region and reflect regional experience and expertise in methods of addressing them. This should be—literally—the Framework to which the CFO plans should conform, and we had confidence that if required to do so the CFOs could inflect their commissioning practices to achieve it. Everyone else thought this unrealistic, and we were informed that in practice the Framework had to conform to the core business and procurement systems of the CFOs.

The Third Sector alone dissented from this view. Therefore no mention of allocation for, or any other means of identifying the volume or scale of, Community Empowerment will be contained in the draft Framework. Given the logic of the arguments advanced it must be extremely dubious that any input into the consultation will reverse this judgment, which presumably was also (covertly) behind the suppression of responses to the last consultation.

This being so, it is likely on the basis of experience so far, that there will be no Community Empowerment activity in the Programme, despite a well documented and evaluated successful programme, pioneered in the East Midlands and, among other endorsements, showcased at the UK Presidency ESF event.

The foregoing shows how the explicit dominance of the procurement and business models of the major CFOs (rather than co-financing per se) are frustrating the aims of the Programme. We have no confidence—under the proposed East Midlands Framework (and other similar regional Frameworks that do not even pay lip-service to specific inclusion methodologies) and despite it being a stated aim of the Programme—that ESF is contributing directly or significantly to bringing excluded people towards the labour market.

Indeed given the imperative to conform activity to existing funding mechanisms it appears that any impact on exclusion will be incidental to mainstream training and skills delivery. However we know that—even specifically targeted—mainstream training and skills delivery will only attract 9% of potentially attractable excluded people.\(^7\)

In addition let us say that the procurement practices and core business models of the main co-financing agencies skew the programme to larger providers and make it difficult for those best placed to deal with specific local problems to engage. However we are confident that this point will be elaborated fully by other Third Sector responses to this call for evidence.

The structural issue we are seeking to stress is that ESF is now no longer constructed strategically but explicitly built to conform to these business practices. This introduces a distortion from the highest strategic level throughout the fund, and squeezes out the considerable expertise of those working on inclusion. The tail is not so much wagging the dog as strangling it!

We thank your Lordships for your attention. We are willing to expand our evidence should you so wish.

\textit{September 2009}

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\(^7\) Catalyst (2001–08) engaged, through self-directed Community Empowerment micro-projects, nearly 7,000 excluded people with an average time out of the labour market of 33 months. A survey found that 64% would not have joined an identical project run by any other agency, and that three quarters of those that would engage with other agencies would only join VCS provision.
**Examination of Witnesses**

Witnesses: Ms Sandra Turner, Executive Director, Third Sector European Network (TSEN), Mr Frank McKay, Advisor on behalf of TSEN, Ms Tamara Flanagan, Director, European and Statutory Resources, Community Service Volunteers (CSV), Mr Alan Payne, European Officer, European Structural Funds Voluntary Organisations Northern (ESFVON), and Mr Laurie Moran, Chief Executive, Co-ordinating European Funding for the East Midlands Third Sector (CEFET), examined.

Q71 Chairman: Good morning. We have about an hour so you will have to bear that in mind when you are answering your questions if we are to get through the agenda. You need to know that you share the time between you. Welcome. We are delighted that you have come to talk to us. The role of the voluntary sector, the third sector, is seen as extremely important in terms of the European Social Fund but in a particular place, and we are hoping to hear from you about that this morning. Curiously, although you have your names in front of you, we have to have you saying who you are for the record, so that we know that you are who we believe you are. Maybe we could do that before we begin.

Mr Moran: My name is Laurie Moran and I am from Co-ordinating European Funding for the East Midlands Third Sector (CEFET).

Ms Flanagan: My name is Tamara Flanagan. I am from Community Service Volunteers (CSV) and the Third Sector European Network.

Mr Payne: Alan Payne from European Structural Funds Voluntary Organisations Northern (ESFVON).

Ms Turner: Sandra Turner from Third Sector European Network.

Mr McKay: Good morning. I am Frank McKay and I am working with Third Sector European Network.

Q72 Chairman: We normally ask if anyone wants to make an introductory statement but if five of you want to make an introductory statement, that would be a bit of a problem. Is there anyone on your behalf who is going to make an introductory statement?

Ms Turner: Yes, I would like to make a very short opening statement with a very few key points. First of all, I would like to say how very grateful we all are for being able to speak to you today about a group that we tend to describe as multiple disadvantaged, and about the concerns that we have in terms of the services that have been targeted through the current ESF programme to this particular group. There are four key points that I would like to make. One is about the ability to evaluate the impact that the current ESF programme is having on the hardest to reach, and just to say that it is really quite hard to identify this impact because of the apparent lack of systems within the managing authorities for picking up the detailed data and drilling down to see where the support is going in terms of the beneficiaries. I might add that it is also very difficult to understand what the exact role of the third sector is, at least to date. The second key point I would like to make is about the continued difficulties with sourcing cash matched funding for drawing down a very important fund for the third sector, which is for technical assistance. There have been difficulties from the beginning of this programme and this, we believe, is affecting, if not effectively disabling the third sector from, amongst other things, gathering evidence of the impact. As far as we can ascertain from what is available, we think that this programme tends to be managerially led rather than strategically, as it appears to be driven by processes set up by co-financing organisations, in particular the largest one, rather than having at the centre the needs of the groups or clients that it is meant to support. Finally, the last point is about some concerns that we have around targeting of the economically inactive or the multiple disadvantaged. Again, from the little data we have available to date, it looks, not surprisingly, as though the participation targets for the unemployed, people on unemployment benefit, have been exceeded to date. The economically inactive seem to be lagging behind at the moment and I think there are regional variations across England in terms of concentration of where these people are. There are some worries that there might be some sort of a postcode lottery approach to funding, in the sense that these people are funded through certain funding packages that are not available across England, so if you happen to be in a region where there is no funding available, you might not get support.

Q73 Chairman: Thank you. I think a number of the issues you are raising will be pursued by members this morning in terms of the questions, and although you have had sight of the questions, you know members may well ask you other questions if they wish. We know that the third sector has considerable experience in delivering ESF funding projects. In the light of that, what do you think that the objectives of the Fund should be? Let us take a broader view before we come to the direct concerns. You referred to up-skilling as an important priority. Where should the balance lie between the provision of higher level skills and lower level skills—and that, I think, relates to some of the things you said in your introduction—and between those furthest from the labour market and those who may be engaged more readily?

Ms Turner: I am going to start answering part of this question and colleagues may want to chip in. I will try to be as brief as I can. In terms of the set objectives addressing employment and skills, in terms of the funding balance, I think that is quite adequate in
terms of having quite a big proportion of the funds directed at employment and a proportion of the funding going to skills, which is then split amongst basic and higher skills. What I think is a concern for us is that within that priority under employment, which according to the operational programme and the ethos of the European Social Fund, is aimed at targeting the unemployed, the economically inactive, including people who we defined with multiple disadvantage, which might have more barriers to engagement, I think it is very difficult, as I said at the beginning, from the data, or the absence of data so far, in terms of seeing a balance of provision directed at these groups. We believe that a sub priority within this main priority that is targeting mainstream unemployed groups should be allowed to make room for specific targeting of the very disadvantaged, so to give incentives to providers to actually work with these groups. Because, within the current ESF programme we do not define the characteristics of these beneficiaries, whether they have multiple disadvantage or not—all we can say really is they are unemployed or economically inactive—it really is very difficult to say that this programme is actually targeting these groups that we are concerned with. As I said, the data is coming out very slowly but it is very small. To date we are seeing that perhaps after a year of delivery, say from June 2008 to the end of August 2009, what is transpiring is that perhaps people with basic skills are being left behind at this stage, and the economically inactive are lagging behind, so we are very concerned about these kinds of trends.

Q74 Chairman: I know you want to bring one of your colleagues in but before that, I want to move on to the next question, because I think the two are totally interlinked, and that is the change in the commissioning to co-financing and what effect that has had. I know you want to come in on the first question and that is fine, but you are indicating really that there have been changes.

Ms Turner: Yes.

Q75 Chairman: We are interested in how that has changed in the operating rules, so I may go into that more but you just sound as though you are saying there have been those changes.

Mr Moran: If I may come in on the first question, although the last programme did have a dedicated priority of combating social exclusion, which dealt with the hardest to reach and those furthest from the labour market, right up until 2007 in discussions with the Commission there was some belief that such a priority would be continued into the current programme.

1 Lloyd R and Gillingham C (2006 p11) Third evaluation of European Social Fund co-financing in England
Q77 Chairman: Are you saying that when these large projects were letting their smaller contracts, the idea of partnership, which the voluntary sector is used to, and the links between these top-tier organisations and all the small projects got lost somewhere in the process? Is that what you are saying?

Ms Turner: Yes, I think so. Alan, do you want to say a few words about DWP commissioning?

Mr Payne: Yes. We have a concern that it is now the commissioning strategy that drives the ESF as much as anything else, a commissioning strategy that is larger, obviously, than the ESF, because it covers mainstream programmes as well, but we have every reason to believe that it is the commissioning strategy that is very influential across the ESF. Yes, co-financing is being carried that much further under a system of primary contracting where the DWP, for example, makes on the record through its commissioning strategy that it will commission through a relatively few number of large primary contractors, and the ESF is taken up with that to some extent. As Sandra has said, in the past—and I can speak from the point of view of the North East of England, having been involved with the ESF for a number of years now—we had many dozens, if not hundreds of organisations delivering bespoke and tailored provision to meet the needs of individuals. Those smaller bespoke providers are largely out of the market now. That is because, I would say, of co-financing and because of primary contracting, because primary contractors are large-scale providers, they have a particular way of working, they are limited to the extent that they can commission beyond one tier—they can only sub-contract to one tier—therefore it is very difficult for them to take into account or have intelligence of the range of provision that is out there to deliver tailored services to meet the widest possible range of needs. There is an inescapable logic of how primary contractors will behave: they operate in their own best interests really, and smaller providers do not have the economies of scale, they are difficult to work with in large numbers, so it is very much to be expected that the primary contractors will subcontract to, if you like, super-subcontractors rather than to opt for multiple contracting at the micro-level.

Chairman: I know that Baroness Jones wants to ask a particular question about this and about people going out of business.

Q78 Baroness Jones of Whitchurch: I think we all empathise with the logic of what you are saying but do you have any evidence of this? Do you have any evidence, for example, of small organisations literally going out of business? I know that is the implication of what you are saying but do you have any statistics about whether there are smaller providers who, under the previous programmes, were providing services that have now had to pack up? Going along with that, there is another aspect to this—and again, you touched on it but evidence would be helpful—proving that you are meeting the targets when you are dealing with multiple deprivation issues is much more difficult than the simple tick-box of somebody was out of a job and now they are in a job. That is a much easier thing to measure. Do you have any experience of how you can measure some of those multiple deprivation successes more effectively?

Ms Flanagan: I know you have small organisations, but I am here, obviously, from an organisation that is a national organisation but comprising very many small projects across the country. CSV used to have a project called Move On. We have had projects for many years; that is in our submission, but that is the most recent and the most relevant, which was a project working with mental health services users, refugees and asylum seekers, people with disabilities, people with learning difficulties and single parents, 1,300 people being worked with in the last project that we had. Everything closed. Everything is gone. The work that we had in St Nicolas’s Hospital in Newcastle is gone, the disability project which was for physically disabled people working towards getting involved with work experience in the local council, if not full employment—you are right that these are very long trajectories, which is why an organisation like CSV would be involved alongside those folk, but when I talk also to the other agencies working—and I am talking to nationals, Alan and others will know about local small projects—interestingly, the staff are no longer there. One of my problems in talking to people to get evidence for today was to learn that Mencap, for instance, no longer had any staff working on Europe because they do not have significant interests. The Prince’s Trust has shifted to social economy work in Europe. They do not have the kind of projects they used to have for very distressed young people and young offenders and so forth. It is certainly my perception that we have not been able to get alongside, in our case, as an agency, the kind of contracts that are now being let. It is not an area of operation that we are familiar with, people who are quite close to the labour market and do not need quite so much help. I might say the only reason that people are still at CSV is because we have other kinds of European interests with the Commission and so forth, because in most
organisations working in this field, the staff are just not there to be consulted. Also, on co-financing—this is really towards the last question but it is very relevant here—the other parts of the UK are not wholly co-financed. Northern Ireland, Wales and Scotland have all retained some direct funding.

Chairman: We will be hearing from the devolved authorities directly so we know they are going to talk to us about the differences there.

Q79 Baroness Jones of Whitchurch: I just want to be clear here. If you take the Mencap example, they may not be using European Social Fund money to do some of the support but they presumably still have access to other charitable money and may still be doing the work on the ground, just not under this programme. It does not necessarily mean that the whole of their activities working with people with mental health problems are being reduced.

Ms Flanagan: Logic would say to us that when our sector was receiving nearly £300 million per annum from the European Social Fund, and the cut-off from the European Social Fund in 2006 was so dramatic that the civil servants called it “the cliff edge”, it is stretching our imagination a bit to think that that £300 million has been replaced by other charitable funds, notwithstanding the economic crisis; we are talking about the impact on the sector before the economic crisis.

Chairman: That is very useful evidence, about that sort of cut that is going to the sector and what the effect has been on it. I am going to have to move on.

Q80 Lord Cotter: What you have said so far is very interesting. What other forms of contracting other than co-financing offer advantages?

Mr Payne: Before co-financing we had a system of direct bidding whereby any organisation could have access to this pan-European fund on the strength of fairly wide-ranging remits to do things, to not simply focus on job outputs but on progression to employment, etc. So there was a very wide range of organisations that were able to benefit from ESF in those circumstances and, for various reasons that we have certain reservations about, that were supposed to favour the voluntary sector and co-financing, this system was changed. The last Committee to consider these issues, the Commons Work and Pensions Committee of 2003, if I could quote from that, recommended: “We suggest that some form of direct funding be retained as a safety net for those worthwhile projects that fall between specifications. We therefore recommend that some direct funding be retained in all regions.” That was completely ignored, and we would still maintain our interest in that position, because if we had direct bidding, we would have a wider range of provision and we could make some sort of comparison as to whether co-financing, and co-financing with knobs on, which is primary contracting, is markedly different from the range of funding and the range of services that were provided under the old system. Just to come back on the question of whether there is a reality of organisations going under, I can certainly bring to mind several dozen, I would think, certainly two dozen, organisations in the North East that have gone off the map, and that does not include organisations which have looked elsewhere for funding.

Q81 Chairman: Could you send us a note of that? It is quite important to the Committee that we have evidence. If we have evidence, it makes a lot of difference to your argument. If you could let us have a note, that would be really helpful.

Mr Payne: Named organisations?

Chairman: Or any evidence like that of organisations that have no longer been able to carry out this area of work because of the changes. It goes back to the question I was asking earlier—and Lord Cotter may want to go on about the administration—about how the system has changed the delivery. That is what you are trying to get to.

Q82 Lord Cotter: Clearly, there are a lot of interesting areas coming out of this but about the bureaucratic side of things, is it more bureaucratic or do you find the bureaucracy is difficult to deal with through co-financing?

Mr Moran: If I might speak as someone who has had experience of contracts actually at the delivery end, both from direct bidding and co-financing, I think the administrative burden on the delivery bodies has roughly quadrupled in terms of the staff time needed to fill in the returns and draw down the money. That is nothing to do with actual delivery of the project. The bureaucracy has been exported from the contractors to the contractees and has been quadrupled.

Ms Flanagan: The Department’s own evaluation—and I have forgotten the reference but it is in our report—of whether or not co-finance has succeeded in meeting that objective of diminishing bureaucracy found no evidence that bureaucracy had diminished.

Mr McKay: Briefly to explain the difference between co-financing, which is predominant, and direct bidding, co-financing allows an applicant organisation to tender or to bid to draw down funding in a single stream, and for that you need to look higher, where EU funding goes into a co-financing organisation that already has access to, say, government programme funding or other funding. Previously, the direct bidding system required an
applicant to find its own matched funding and then bid in to apply for European Social funding. So there are two different and completely contrasting systems there. Linked to that are the difficulties experienced by the third sector in obtaining suitable eligible matched funding for use with the direct bidding. It is simply not able to do that. The EU was always a funding source of last resort. Third sector organisations are very near the end of the chain in terms of dealing with the hard-to-reach. They do not work with the unemployed—rather the long term unemployed. As the Baroness said, it is easy to measure employment outcomes and that sort of thing but measuring the distance travelled and any progression for someone who has been a long time out of work is very difficult, unless you set out from a baseline measurement, to measure progress. The third sector organisations were adept at doing it in the previous programme and they did have specific evidence that could demonstrate the impact of the ESF on their client base. Being disabled by the change in matched funding regulations, the number and size of Third Sector organisations is diminishing under the current programme and, of course, they are no longer in receipt of EU funding, they do not have the same quality of evidence that they could present to you in terms of impact on the hardest to reach now. They have been effectively disabled by the changes in matched funding and by the co-financing regime, which favours the large organisations and working with the unemployed. It is largely output-related: they get paid for putting people into work. They are not paid a high premium for moving people along towards employment, unless they get an employment outcome. So EU co-financing is quite a drastic change from direct bidding. It has reduced the burden on the managing authorities by stationing them at arm’s length from the co-financing organisation, therefore for example whereas previously the managing authority had 2,000 + organisations to administer under the direct system, they now have the 9 government offices who now in turn have eg 200 under the co-financing system. You can see that it reduces the administrative burden on the managing authorities and places the burden on the co-financing authorities but, of course, they remove themselves from the lines of communication, therefore the information at the front line is not always passed back to the top, and it is difficult to make informed decisions unless you are accessing that quality information. Again, third sector organisations have just completed phase one of a three-year evaluation of their current technical assistance project, and they have actually commissioned a university to look at the impact of ESF on the hardest to reach, the most disadvantaged. The university, whereas it reported a lot of information, was singularly unable to assess the impact because of the lack of available quality information. TSEN have tried to access that information through the managing authority and, again, they were either precluded or prevented by the managing authority concerned or indeed, at the end of the day they were unable to access any meaningful, specific information on precisely where the ESF is going with regard to their client base, which suggests that there are no systems or control processes in place within the managing authority to gather this information to allow the managing authority to make informed decisions on the impact. Neither can TSEN argue from a position of strength based on evidence because they are no longer a big player in working with the disadvantaged.

Q83 Chairman: This is clearly about England, is it not?
Mr McKay: Yes, England only.
Chairman: It very much links into how you measure effectiveness. I am going to turn to Lord Kirkwood to follow through some of this.

Q84 Lord Kirkwood of Kirkhope: I am very interested in this and if we have time, I would like to pursue what Mr McKay has just said. Thank you for the evidence. I think it is very compelling. It does not surprise me but I think it is very compelling nevertheless. Sandra Turner, when you made your opening statement, you referred to the fact that there was a postcode, piecemeal approach to local financing; in some areas it was available in ways that it was not in others. I wonder if you can very briefly expand on that. I do not understand it but I would like you to try and clarify that very briefly.
Ms Turner: This is something to do, again, with co-financing, where you have projects which are funded through public domestic funding, DWP employment programmes, for instance, and you have projects or contracts which are wholly funded by ESF, or you could have a mixture. It is a little bit confused. There was a discussion recently at the last monitoring committee where we could see that initial trends showed, again, as I said, unemployment targets had been exceeded, but the economically inactive are lagging behind. We were trying to understand why this is, because the economically inactive would also be at a disadvantage, particularly in an economic crisis or recession. Some of the reasons that were offered by the Department for Work and Pensions were that the funds that they used to match-fund the ESF—some of them are called the Pathways programmes—are the ones that they use to work with or to support the economically inactive, but these Pathways programmes are not available across all English regions.
26 November 2009  Ms Sandra Turner, Mr Frank McKay, Ms Tamara Flanagan, Mr Alan Payne and Mr Laurie Moran

**Q85 Lord Kirkwood of Kirkhope:** The programme is now a national programme. This is what puzzles me. If you are suggesting to me—and we might not have time to go into this but it is very important—that there is a variability in national government agencies like DWP programmes, Pathways to Work, which is a nationally rolled-out programme, it suggests to me that some areas are being discriminated against. I frankly do not understand and I would really like to understand because, if it is true—and you would not tell me it was true if it was not—it is an issue for this Committee and this inquiry.

_Ms Turner:_ Yes.

**Q86 Lord Kirkwood of Kirkhope:** Maybe we could continue that. This is quite a detailed argument that we might be able to continue by correspondence.

_Ms Turner:_ Yes. I could also touch on another similar issue. Again, all these things are coming out and, again, I am telling you what the co-financing organisations are offering the monitoring committee in terms of the trends that are appearing. I said we are concerned about people with basic skill needs not being particularly targeted and certainly the results to date are very low. Again, one of the possible reasons for this could be because, again, technical or managerial issues related to the Learning and Skills Council’s rolling out first the matched funding, which is the Train to Gain, which deals with people who have level 2 or above needs rather than basic skills, the ESF will be rolled out later, so the basic skills people will be picked up later. It is a similar kind of issue.

**Chairman:** The issue for us really, I think, is: are you saying that the Government have a programme that is relating to increasing employment, and they have a fund for that?

_Ms Turner:_ Yes.

**Q87 Chairman:** Also the European Social Fund is somehow being absorbed into that alongside the programme, and therefore the groups where the money originally went are being lost and the funding where the Government is directing it means that more funding is going, and that is the postcode lottery. Is that what you are saying? That is quite an issue.

_Ms Turner:_ The postcode lottery is a different issue in the sense that it is one of the reasons that has been offered to us as to why the economically inactive are lagging behind. I cannot tell you more than this. I do not have any more detail, but in terms of the ESF and public funding, what we are seeing, I think, is the absorption of the ESF into domestic funding rather than the real added value.

**Q89 Lord Kirkwood of Kirkhope:** I want to know whether there is any evidence that national programmes are providing some funds in some areas and not in others in a way that disadvantages people, particularly the group that we are just about to go on to talk about, which is the socially excluded. I do not have time to pursue it. I am still confused about that. It is something we must clear up, in my mind at least, otherwise the report might go slightly awry. I would really like to try and move on.

_Ms Flanagan:_ Can I just intervene and say I think it would be really important—obviously, as an organisation, we will try to access that information but it may also be helpful for your Lordships to ask the Department directly for that information, because oftentimes we learn that some information is commercial and in confidence, and that may not be quite the same—

**Q90 Lord Kirkwood of Kirkhope:** Can I ask a really quite simple question, to which we need short answers. Am I right in thinking that you believe—and in your evidence at paragraph 17 you say—that less than 5 per cent of the current ESF is dedicated to programmes aimed at those furthest from the labour market? That is your position. Do you have evidence to support that?

_Ms Turner:_ I would like to start by saying that the 5 per cent originates from a calculation based on a couple of pots of funding within the ESF programme. One is community grants, which is aimed at very small community organisations that will access mainstream ESF. The other pot that we think is really speaking to the needs of the people furthest from the labour market is located in a trans-national pot of money which is organised by themes. One of them is about active inclusion and to us, the active inclusion kind of work is the kind of work that we were able to do in previous programmes. So this 5 per cent is basically saying, out of all the ESF programme, we believe there is only a very little bit of money which third sector organisations can actually access and work with.

**Q91 Lord Kirkwood of Kirkhope:** In so far as your evidence does not do so already, could you confirm to us whatever hard evidence you have in addition to what we have already to establish—it will not be an exact statistic because it will have to be an estimate for the reasons that we understand—that 5 per cent is the figure you believe best evidence available to you indicates.

_Ms Turner:_ Yes.

**Q92 Lord Kirkwood of Kirkhope:** Can I then ask the second question which is, if I understood that you believe that 25 per cent of the previous ESF programme was devoted to this purpose in the past, is
it your position that that is something you would want to return to in an ideal world, briefly?

Ms Turner: Yes, I think that is what we are saying.

Q93 Lord Kirkwood of Kirkhope: That does not surprise me. Two other very quick questions: do you really believe that you can identify clearly the kind of client group we are all interested in, which is people who suffer multiple disadvantage, addiction problems, all these things? Is there a textbook formula that categorises categories of clients within either local authority areas or travel-to-work areas that you could say are the kinds of households that we are interested in trying to help? Is there an easy definition? That is the question.

Ms Flanagan: That is the big challenge for us, insofar as ESF traditionally was used by organisations working alongside those groups to expand the ambitions of those groups. So primarily people would come to us because they had alcohol addiction problems, mental health problems, whatever, and we would say, “If you want to do something towards getting back into work, with this money we can help you do that”, and that was the real, critical difference between what is happening now, where a government instrument, which is fairly blunt in terms of reaching and supporting people with complex needs, is being applied. The categorisation of folk is the big challenge. In our report you can see that the reporting is against very clear categories, gender, age, and ethnic minorities—those are the kind of reporting. I think there might be one for lone parents. I am not sure; lone parents is a bit complicated. So the actual reporting has been simplified to the extent that we can no longer identify those kinds of groups we used to work with, but what we know about the third sector is that the third sector was working with those kinds of groups—it still is in Northern Ireland, Wales and Scotland. That is really our position, to say that we have done it before, we have measured it, we know those are the groups, and if you have an inclusion priority, for want of another mechanism, that would take us very much down the pathway of working with those people.

Q94 Lord Kirkwood of Kirkhope: I think it is a question of: do you have a definition of the groups? I think that was a “no”.

Ms Flanagan: We do have a definition of the groups in terms of multiple disadvantages. The Department has a definition of the groups: those facing three or more barriers and the barriers being age, disability, ex-offenders, drug and alcohol misuse and so forth—

Q95 Lord Kirkwood of Kirkhope: There is no doubt in my mind the kind of people you represent are best able to deal with them but the question is, there should not be an argument about who we are targeting this towards. The next question—and I hope there will be a simple answer but it is a very complicated question—is how do you measure progress to work? Is there a textbook definition for that?

Ms Turner: This is a government-sponsored paper and it is called Guide to Measuring Soft Outcomes and Distance Travelled. It was developed by the Institute of Employment Studies.

Q96 Lord Kirkwood of Kirkhope: Does the DWP accept that?

Ms Turner: Yes, I think so.

Lord Kirkwood of Kirkhope: Can we see that, if we do not have it already?

Chairman: We have it, I think.

Q97 Lord Kirkwood of Kirkhope: Finally from me, what slightly puzzles me is that you say in paragraph 17 of the evidence: “Availability of programme monitoring data and systematic review of tenders would be needed to confirm whether the ESF programme is supporting those furthest from the labour market.” Are we not awash with data?

Ms Turner: No, that is the problem.

Ms Flanagan: Not in this programme.

Q98 Lord Kirkwood of Kirkhope: This is really the key question for me, because this is a recommendation that we could make. It is a pretty straightforward recommendation, namely that somebody somewhere should go and do this work and publish it so that we are all better informed. What I cannot understand is that there are reams of statistics everywhere. Why is that a problem? Why has that not been done? If it is to be done, who is best to do it?

Mr Moran: Can I make a comment that refers back to your last question, which is how you define the groups of people that we are looking at. The answer my colleague gave was that although you can reach a definition, actually identifying those people for programmes is a bit of a bottom-up approach. You have to work in the communities to find out the needs and the particular disadvantages in those communities, therefore it is very hard to write a large-scale tender specification saying who you should work with. That is the problem. In the last programme, both before and in the early periods of co-financing in my region, we did have data about those bottom-up approaches and how they compared. I actually have figures comparing the first two years of co-financing with the previous two years
of direct bidding, which show a precipitous falling off of small, grassroots organisations and bottom-up approaches. My regional monitoring committee has asked the co-financing agencies what bottom-up activity they are doing now, and the answer from the Learning and Skills Council—and this is in the proceedings of the regional monitoring committee—said community grants and nothing else, and the Department for Work and Pensions says it is done through contracts and subcontracts and whether contracts are provided is commercial in confidence; in other words, they will not tell us. That is the position of the data.

Q99 Lord Kirkwood of Kirkhope: Commercial confidentiality can come into this?

Ms Turner: Yes.

Mr Moran: They say commercial in confidence. It is our understanding that all contracts and subcontracts and their values and arrangements, once granted, are in the public domain, but they would not give them to our monitoring committee.

Q100 Lord Kirkwood of Kirkhope: Do you believe it could be done and it would be important to be done as one of your priorities?

Ms Flanagan: I think it is difficult to say very clearly it could be done now, because the indicators that are in the programme are people in work who have been unemployed, people who are economically inactive and 19-year-olds not in education, employment or training. The indicators that we are interested in by and large are not in the programme. So I would feel a bit challenged if you were to say, “Can you ask a researcher to go and see how many people with disabilities living in Nottingham have been helped,” because I do not believe those indicators are very easily available.

Chairman: I am going to move on, because we are not going to get through the remainder of the questioning. It is interesting that we are going to visit some projects which actually do have figures for what they are doing. So there are figures somewhere, and it is how they come together which may be what we need to pursue.

Q101 Baroness Jones of Whitchurch: I want to touch on the issue of additionality, and it leads on really from some of the earlier evidence that you were giving because, from what I heard you say, a lot of the money now is being absorbed into big, national government schemes which actually do not meet the principles of additionality. It is almost being used to fund schemes that the Government should be funding anyway. One of the great advantages of the third sector ought to be that that is exactly what to do; you do the stuff that is not standard government-funded projects. In order to make that case though, we could do with some really good examples of the extra benefits that the third sector bring. What is it that you have done in the past or that you could do in the future that would be really inspirational, a really good example of why you should get that 25 per cent of the money? Give us some evidence. Even if you cannot give us statistics, and I understand that problem, give a couple of examples where you have made that the difference.

Mr Moran: Can I start with an example of a project in the East Midlands which was under the Global Grants programme, where we ran a local social capital programme. It was matched; we had to find fund-match ourselves. It was, with the match worth about £4 million. This took a local social capital approach, being the archetype of bottom-up approaches, where you go into excluded communities and actually ask the people what they think the needs are in order to develop community activity and participation without any explicit learning or skills or employment targets. You involve the community in deciding what they need and then get a panel of the community themselves to decide which small projects, typically about £6,000 projects, are given approval. We sit above all this, doing the bureaucracy, ensuring eligibility, ensuring correctness and eligibility of the spend, probity and everything, but the decision in the long run lies with the community, and that fosters community spirit and so on, and people who otherwise would not participate participate.

Q102 Baroness Jones of Whitchurch: What was the outcome?

Mr Moran: First of all, there was £4 million, 643 small projects were funded, involving 6,555 people directly actually engaged in running the project. The average time out of the labour market of the 6,000 people was 33 months, and although it had no employment or skills targets, the outcome was 15 per cent into employment and 21 per cent into formal learning. There is some overlap between those figures, I would imagine. The most important question for me was, we asked a random sample of 200 people if the same project had been offered by an external agency, exactly the same project, rather than being run by themselves, would they have joined this project? Sixty-four per cent said no. So this is a very disenfranchised, disenchaunted group, often people who have been out of the labour market and out of economic activity on average 33 months, some of
them five or six years, some of them never involved in work or economic activity at all, who would take the opportunity, working with colleagues in their own community, to answer the needs that they felt were part of their exclusion and to come together. This was the bottom of the programme I have described before, using grassroots methods to find inclusion.5

Ms Flanagan: Can I also say that our own report, which was produced in 2006, I think, on the direct bidding activity of the first three years of the last programme showed similarly that we worked with 160,000 people: 15 per cent, 23,000 people, went to work and 22 per cent, 35,000 people, went into formal education. This is across the country. This was direct bidding across the country, but the difference being that we were identifying seven categories of disadvantage and disability.

Q103 Chairman: This is an answer to the question I asked earlier. I think you are answering the question now that we really want the answer to. You have your categories, you are describing the kind of people who you are helping, and you are describing the numbers. What we need to know really is the difference between that success story you are describing and what is happening now, with the new co-financing regime. That is what we need as evidence in order to be able to show the picture.

Mr McKay: Very briefly, if I may address your particular question but also pick up on a point that you mentioned earlier in respect of an issue for Government, under direct bidding each and every applicant had to demonstrate, by producing evidence, compliance with something called ESF Added Value. That is at project level. Additionality is similar to Added Value and is applied at programme level. Now, under co-financing, the additionality is more important because most of the co-financers have government funding, therefore they, or indeed the managing authorities, will have to demonstrate that they are using EU funding in line with the EU ‘Additionality’ criteria and they are not simply displacing government spend, they are not simply enhancing the activities with no added value, and they are not subsidising it either with no increase in the level and nature of outputs. Previously, ESF applicants, that is, direct bidders, in compliance with ESF Added Value at project level had to set out beneficiary numbers, and set out declared spend and precisely set out for approval what they were going to do with their matched funding, which is the funding that they already had, and then show that, with the additional EU funding, they were going to do much, much more, but at the same time demonstrate that they were not just using EU funds to displace national funds that should have been used for that in the first place. It was much easier under direct bidding to produce evidence. Under co-financing, where it is drawn down in a single funding stream, the first-tier subcontractor is not required to demonstrate added value, or indeed to contribute evidence to support the additionality at programme level. So it is muddier at the moment, but there will be a call by the EU at some point for a demonstration by Government that they are not falling into the traps of displacement or subsidy or simply enhancing government spend; that they are doing far more with EU funding than they would have done with government spend only. Under direct bidding the third sector could easily demonstrate that, because they had to produce evidence of compliance with EU Regulations when they were bidding before they got approval. They had to show more, they had to show additional beneficiaries, additional spend, and additional outputs as well. So it was easily measured and easily challenged.

Chairman: I am sorry. We are going to have to move on because we are getting a lot of information very quickly. One of the suggestions—and I am going to move on to Baroness Henig now—has been that these changes have been to meet some of the issues about the economic position.

Q104 Baroness Henig: Three questions very quickly on the economic downturn. First of all, I wondered to what extent you believe that the recent economic downturn has made the problems you have been hearing about worse. If it has made the problems worse, how do you think the European Social Fund should be able to respond in this economic climate, and how do you think the refreshed regional frameworks for the remainder of the current programme should be modified in the light of current circumstances?

Mr Payne: Just quickly, the key measure: quoting from the Department, social inclusion is targeted under the priority one. However, this still has to happen where the key measure of performance will remain job outcomes. When the demand side for jobs is weak, it is very problematic as to where your key outcomes are going to come from. I know it is very complicated but the primary contractors have it in their interests, clearly, to expedite people into work and will inevitably cream those who are nearer the labour market. It is just to be expected, I think, that in a recession, at a time of demand weakness, the model which is really heavily supply-side, the David Freud idea that you can encourage people into work fairly vigorously, does not work as well because the jobs are not there and will lead to the focus shifting towards those who are more able to achieve those outcomes for the primary contractors.

Ms Turner: As Alan said, we think the people furthest from the labour market in an economic recession are probably going to be pushed even further back, so the response of the ESF could be very valuable, but it must be said against this that, because we are straitjacketed, in a way, by the system of these primary contracts—they are very large, very cumbersome and take a long time to be finalised—they contribute a lot to delays in spend, which in the current situation is not acceptable. Then in terms of the ways that these funds are used, if you look at one of the largest co-financers, the LSC, for instance, it has acted more quickly but it has tended to focus on people who have just been made redundant or are about to be made redundant, who are important, but we, as the third sector, are more concerned with the hardest to reach. This is where the Department for Work and Pensions comes in and, again, it is much slower at getting those monies on the ground, which is money given by the European Commission, which has done a lot in terms of flexibility, in terms of getting this money spent quickly now, and it is very sad to see them stuck in the system because of the bureaucracy.

Ms Flanagan: The fact is that most of those countries are receiving proportionately a lot more than we are at this time, and I think, working sometimes in Brussels around the whole notion of the Spring Alliance and Social Europe, one of the concerns of the Union has been that the project has lost touch with its people, and one of the ways of putting people back in touch is to be responding more to the interests and needs of citizens than being driven wholly by a Lisbon, very pure economic strategy, and particularly with the new programme that will be coming, people are interested in looking much broader than definitions of GDP. I am sure you are all familiar with Sarkozy having commissioned the Stiglitz Report and asking the Office of National Statistics to bring forward a way of measuring wellbeing and certain other things. It is interesting because, in fact, the UK is also a leader in that field. The New Economics Foundation developed the indices for wellbeing and sustainability over three years ago but this is kind of pervading now the European Union as a new idea and people thinking this would be a good way of the Union demonstrating its additionality in relation to economic performance by looking at the social impact as well as the economic impact, which of course will always be very high, and environmental impact, which is the other leg.

Q106 Baroness Prosser: I am being the devil’s advocate here, because we need to try to tease these things out. I guess if I were living in Poland, for example—and you are right; they do receive large sums of money—I might say, “Well, why can’t the UK domestic budget pay for the needs of the United Kingdom rather than Europe?” because we have tilted in the sense of having those other countries with much greater needs. There is going to be an argument from them, is there not?

Mr McKay: I think you have put your finger on the button, because it is undeniable that these needs exist with those furthest from the labour market, the most disadvantaged, but it is also a very valid criticism, a valid comment from the other Member States, all of whom want a share of the money that is there. So if EU money is not made available to meet these needs in the Member States, these needs still need to be met. So it is a Government decision and they have to fight the battle with the EC or if there is no EC funding made available provide the funding for the Third Sector within the Member State.

Ms Flanagan: There is also a consciousness at European level that there are some shared problems, and the major one of course is the environment, but the other one is the social dimension of Europe and the fact that we should, for the sake of citizens, be working simultaneously on the social dimensions of Europe as well as the environmental. It appears to be something that all Member States have signed up to. Whether or not we have a lion’s share—no, I do not think we would be expecting that, but that it should be targeted in the way we are describing today. In fact, in Germany we have a social inclusion priority, Slovenia—I believe, also has an inclusion priority.

Q107 Chairman: We are running out of time and it is important that we get this. One suggestion we have had from other witnesses, and this is why it would be useful to hear from you—is that the next stage should look across Europe not in terms of nations but in terms of needs. Would that be something you could see, that you are looking across Europe to what the social need is as against the national?

Mr Moran: It would be an easier case to make for European funds for the UK if they were seen to be thematically targeted at something that was not done by the mainstream, doing something different rather than doing more of the same. I think that argument is considerably weakened by the current practice
under co-financing, much weaker than even in the last programme.

Q108 Chairman: That is helpful. We needed you to say it rather than us saying it. We have run out of time. We would have liked to ask you a question about how you see the difference between what is happening in England from your perspective as against Wales, Scotland and Northern Ireland. If you would like to write to us about that, we would find it immensely valuable. You have given us a lot of evidence and I am immensely grateful, and the Committee is immensely grateful to you for giving us this time and allowing us to pursue you on so many issues but, unless we get the evidence from you, we cannot report it. So we have found that useful. Anything else you want to tell us that has come out of the discussion, do write to us and let us have that, and we will be pursuing the other nations, so we will get some of that from them but, clearly, it may show some contrast.

Ms Flanagan: I just want to ask you that you will ensure with the devolved administrations that you address the question of their support for the third sector, because the use of in-kind matched funding in all of the other nations, something no longer existing in England, is crucial to our position.

Chairman: Thank you very much indeed.

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Supplementary memorandum by TSEN

With regard to Q81: details of third sector organisations no longer accessing ESF in the current programme

North East:

Review of Voluntary and Community Sector (VCS) organisations accessing Objective 3 in period 2002–05, through direct bidding only; or through Co-financing, or via direct bidding and Co-financing.

A sample of VCS organisations funded through ESF in the period 2002–05 were questioned about their subsequent (i.e. post 2002–05) involvement/non-involvement with ESF (note that the category direct bidding (DB) and Co-financing (CF) describes both routes being accessed during 2002–05). Excepting national organisations, all ESF-funded VCS organisations in the North East over the period are presented: subdivided into three lists. A, B, and C, as per access route above. A short conclusion is appended. Only organisations who were contactable and wanted their response to be used are reported in the following. For a full listing of organisations sampled please see Annex 1.

LIST A: VCS ORGANISATIONS IN THE NORTH EAST ACCESSING OBJECTIVE 3 IN PERIOD 2002–05 THROUGH DIRECT BIDDING ONLY (the value of last successful bid is indicated in the first parenthesis)

Note on methodology: alphabetical sampling was followed targeting 50% of organisations immediately accessible—constraints of time available meant that where the key person needed to supply pertinent information was not available on that day, that organisation had to be deemed “inaccessible”. As the conclusion will show, it was not felt that the sampling method distorted the validity of the sample data supplied. Organisations that had gone out of business were, with one exception, not sampled as by definition they did not have the same timeframe to potentially access CF/ESF. Neither could this group be included in the final projections of this research. This, of course, is not to assume that the perceived or real availability of ESF subsequently was not a factor in their demise.

1. Access for the Disabled (DB, £392k; no subsequent ESF/CF accessed)

ESF formally provided for ongoing training scheme (15 trainees); were not able to access ESF subsequently under Co-financing (CF); this provision was curtailed as a direct result.

2. Anchor Homes (DB, £75k; no subsequent ESF/CF accessed)

Provided for targeted training. Put off by fact that it wasn’t straightforward. Would, nevertheless, look to the Fund if direct bidding (DB) became an option again.

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8 This is not because bids may be national in a regional guise, but rather reflecting the fact that the delivery capacity and “portfolio” funding capacity of larger nationals is, prima facie at least, felt to potentially distort the researched impact of DB to CF changes on the VCS realities existing outside of the nationals (not that nationals have necessarily fared better, as the cases of CSV and Prince’s Trust demonstrate—in the case of CSV, evidence for impact of loss of direct bidding will be presented to the Lords Committee independently)
3. Angelou Centre (DB, £335k; no subsequent ESF/CF accessed)
Considered that ESF is now only for the “big player”. ESF was vital to the organisation over the period of its development, and “Angelou nearly closed down with the loss of ESF” DB when CF came in. “Would totally support the position that an important funding option has been lost” (is in practice, inaccessible now), and would welcome DB being available again, which it would certainly use.

4. Apnar Ghar (DB, £34k; no subsequent ESF/CF accessed)
Loss of ESF has denuded their service provision fundamentally; “can’t do what they used to do”.

5. Blind Society North Tyneside (DB, £70k; no subsequent ESF/CF accessed)
ESF no longer on the radar under the current system; would welcome DB access, in which case would certainly consider it.

6. Blythe Star Enterprises (DB, £134k; no subsequent ESF/CF accessed)
Was vital to development (many times funded). Loss of direct bidding (DB) played a part in their looking to other sources (bureaucracy also a deterrent); certain DB would be factored again, if it were an option and other sources not available.

7. Blythe Valley CAB (DB, £71k; no subsequent ESF/CF accessed)
ESF was central to the viability of their training development. Would “wholeheartedly confirm” the position that they are no longer able to navigate the current system and that ESF is therefore clearly no longer an option for them. They do not access ESF, but would be enthusiastic to bid directly again should they have the opportunity.

8. Bridge Women’s Education Centre (DB, £216k: no subsequent ESF/CF accessed)
ESF was their mainstay for 15 years; in that time they accessed over £1.5 million. The ending of DB meant the loss of a major plank of their funding; CF could not be aligned to their outputs and way of working—in spite of the fact that over the years Bridge has attained a first class reputation.

9. Chinese ICT Open Learning Centre (DB, £141k; no subsequent ESF/CF accessed)
ESF-funded a number of times. Not successful in bidding under CF. Would welcome opportunity to bid directly to better factor their “bespoke” provision.

10. Finchale Training College (DB, £44K; no subsequent ESF/CF accessed)
Would welcome opportunity to bid directly; feel they do not fit in with LSC/JCP priorities—have ruled themselves out of ESF for years.

11. Fishburn Community Skills (DB, £23K; no subsequent ESF/CF accessed)
ESF seen as too complex at the first bite; haven’t seriously considered since. But feel they have the capacity they lacked and would welcome the chance to bid as before. Not involved with CF scenarios.

12. Groundwork; South Tyneside; (DB, £67.5k; no subsequent ESF/CF accessed; affiliated national, but with local autonomy to target projects and funds)
Problems with perceived arbitrariness of Government Office North East (GONE) monitoring of DB—seen as response to Commission being critical of GONE. However, are not deterred; would “much prefer” though to bid directly and target their own agenda and specifications and way of working. Will not “chase the money” if it means distorting their delivery; hence they haven’t been involved since.

13. Killingworth Community Consortium (DB, £30.5k; no subsequent ESF/CF accessed)
Found ESF per se too difficult, so haven’t considered it since.

14. Lynemouth Community Trust (DB, £72K; no subsequent ESF/CF accessed)
Felt that there were things they did not agree with with ESF under DB, but at least accessible; CF specs seen to be geared to larger organisations and are completely outside of community-based working—“just like JCP mainstream”—and specifically stymie innovation, development, and any challenge to standardised approaches. See CF as just about “getting jobs, any jobs”. Would welcome a return to direct bidding opportunity.

15. Northumberland Wildlife Trust (DB, £89K; no subsequent ESF/CF accessed)
Felt to be unsuitable, too bureaucratic.
16. One Voice Tees Valley (OVTT) (DB, £496.5K; no subsequent ESF/CF accessed; organisation ultimately demised)

Far from a negative the need for match funding under DB an excellent way of maximising funding “leverage” into the sector—double benefit, ESF gave credibility to the applicant in the eyes of other funders, and also effectively doubled their value. OVTT ran a totally innovative modern apprenticeship programme on the back of ESF which drew down significant funds and support from elsewhere. Totally “scuppered” by the redefining of ESF under CF. ESF gave real autonomy to organisations to innovate and challenge the conventions.

17. Pallion Action Group (DB, £25.5K; no subsequent ESF/CF accessed)

Challenged capacity and bureaucratic, but “look at again” if DB available. Feel they have to set their own agenda to address the needs of a highly excluded group that are simply not targeted by the mainstream. See ESF CF as totally in with the mainstream now. Would never compromise their own agenda to “chase funding” via JCP or LSC. Want and need to write their own application that specifies their own longer term progression objectives and way of working. Feel that smaller bespoke providers are sometimes used in partnership window dressing; “not against partnership”, but has to be consistent to their way of working.

LIST A: RELEVANT STATISTICS

Organisations sampled: 17
Inaccessible organisations: 11
Organisations not sampled, or attempted to contact: 17
Organisations closed down post 2002–05: 13
“Nationals”: 6
Not traceable: 3
Total number of organisations: 67 (listed at 2005 as directly funded through ESF)
Sample rate (excluding closures, not traceable, nationals): 38%
(Sample of max # accessible organisations (ex. nationals): 50%)
Number of organisations accessing ESF subsequent to period 2002–05 = 0

LIST B: VCS ORGANISATIONS IN THE NORTH EAST ACCESSING OBJECTIVE 3 IN PERIOD 2002–05 THROUGH CO-FINANCING ONLY

1. Adapt: (CF, £123K; no subsequent ESF/CF accessed)

Very successful project—indicated as “best practice” on the JCP website. Project combined real progression to jobs of hard to reach group and the delivery of a valuable service to recipients in the community. With the onset of larger bids post-2005, lead agencies were keen to factor this example of smaller scale best practice into their bids and often canvassed Adapt that they be included in such—then Adapt never heard from them again! Feel not factored because too small scale, too specialised, potentially not as “cost efficient” per beneficiary (were asked to provide placements, at no financial return though). Totally disillusioned with the system, and would be really keen to have the opportunity to bid directly in order not only to deliver locally again the service they have had to truncate, but also to enhance by promoting their model through working in partnership with similar community transport organisations sub-regionally.

2. Amble Development Trust (ADT) (CF, £277.6K; no subsequent ESF/CF accessed)

Has been impossible for a development trust that has a wide agenda to be factored into the specifics of primary contracting (PC) as it now operates to channel ESF. PC may be fine in theory but doesn’t work on the ground, and resourcing ADT’s wide range of services doesn’t give scope to develop and focus on the narrow agenda and outputs of the PCs. Their initial advice and guidance under CF worked well but was not factored subsequently. PCs were “all over them to provide letters of support” indicating how partnership would provide a comprehensive service—“but once the bids were in they were never heard from again!” This is something they have confirmed has happened with the other development trusts as well. In the end, they assume the opportunity to bid directly in order not only to deliver locally again the service they have had to truncate, but also to enhance by promoting their model through working in partnership with similar community transport organisations sub-regionally.

Would be enthusiastic for the option to bid directly where they could stand or fall by the writing their own specifications of services needed to meet these problems.
3. Choysez (CF, £36K; no subsequent ESF/CF accessed)
In “niche market” delivering very specifically to meet needs of young people unmet by mainstream services. Worked very well and met with Ofsted approval. Good engagement of hard to reach which the system had failed. With CF increasingly moving on to a larger scale and with the onset of the primary contractor model, became very difficult and despite being a proven successful organisation meeting real progression needs were judged to have failed their PQQ. Feel that everything now is geared to the big organisations (who in the end cannot be bothered with smaller organisations) and bureaucratic systems that seem to be there for their own sake and work to exclude bespoke provision. Would really welcome the opportunity to bid directly; do not feel that finding match funding would be a problem. Feel they currently “fall between two stools”—too small to be factored as serious provider and the current system, but too big for small scale community grants.

4. Equality NE (CF, £148.5K; no subsequent ESF/CF accessed)
Disillusioned with how CF developed—“often asked by Primary Contractor to be part of partnership bid and then hear nothing more” (assume being used for PC to win the contract from JCP or LSC). Early manifestation of CF seemed to work fine, but would really welcome opportunity to bid directly, since ESF not accessible any more and would not distort their service to meet the requirements of PCs—though don’t feel they (PCs) have ever been up to factor their bespoke service. Match funding would not be a problem since have now established a reasonable commercial basis for their services.

5. Fairbridge Teesside (CF, £55.5K; no subsequent ESF/CF accessed)
Have really attempted to adapt to primary contracting, but got absolutely no where; comes to nothing; also feel restricted by the “only partner with us” rule that PCs seem to want to apply. Have more than once seemingly been progressed in a bid only to hear—“we are going to deliver that ourselves now”. Would really welcome the opportunity to bid directly themselves and escape all of this; “feel that unless you deliver at more than 500 + they [PCs] don’t really want to know”. “They talk about adding value to their delivery, but when it comes down to it, it just doesn’t work out that way”.

6. Hemlington Partnership (CF, £123K; no subsequent ESF/CF accessed)
“Forced out” of ESF—“found more straightforward funding”. Would like to see direct funding and might well go for it—“have opted out as things stand”.

7. Independent Advocacy (CF, £13K; no subsequent ESF/CF accessed)
“Thought it had come to an end!” Reflecting, realised that previous director had said this was the position de facto—ie as good as coming to an end because completely out range for them as it was transformed since their early CF success. Their progression work not on the agenda now. Absolutely, 100%, for the possibility of being able to bid directly and reinstate the kind of argument that engaged them in the early days of CF.

8. Nature’s World (CF, £123K; no subsequent ESF/CF accessed)
“In the hands of big players, as things stand”. Seems very difficult to access—very similar to New Deal. Feel that their “hard to reach” client group could be supported if a system of direct bidding was an option. They would go for it and see it definitely as a “better route”.

CSV Blyth Valley (CF, £4k; National—not contacted directly but known that no subsequent ESF/CF accessed for this project).

LIST B: RELEVANT STATISTICS
Organisations sampled: 8
Inaccessible organisations: 4
Organisations not sampled, or attempted to contact: 8
Organisations closed down post-2002-05: 3
“Nationals”: 6
Not traceable: 1
Total number of organisations: 30 (listed at 2005 as Co-financed through ESF)
Sample rate (excluding closures, not traceable, nationals): 40%
(Sample of max # accessible organisations (ex. nationals): 50%)
# of organisations accessing ESF subsequent to period 2002-05 = 0
LIST C: VCS Organisations in the North East Accessing Objective 3 in Period 2002–05 Via Direct Bidding and Co-financing

List C is not sampled, nor were organisational representatives questioned about how they perceive ESF, its role and relevance.

AWITT/AICS—no subsequent ESF/CF accessed
Consett and District YMCA—no subsequent ESF/CF accessed CSV Avenues—National
Entrust—subsequent ESF/CF accessed
Fairbridge—no subsequent ESF/CF accessed
First Step—inaccessible
Five Lamps—subsequent ESF/CF accessed
Langridge Initiative—no subsequent ESF/CF accessed
Mental Health Matters—subsequent ESF/CF accessed
North Shields YMCA—no subsequent ESF/CF accessed
SHAW—no subsequent ESF/CF accessed
TEDCO—subsequent ESF/CF accessed
WEA Northern—no subsequent ESF/CF accessed
Wm Morrison Trust—subsequent ESF/CF accessed
YMCA Herrington—no subsequent ESF/CF accessed

LIST C: RELEVANT STATISTICS

Organisations not accessing ESF under post-2005 contracting: 8
Organisations accessing ESF under post-2005 contracting: 5
Inaccessible organisations: 6
Organisations closed down post 2002–05: 2
“Nationals”: 9
Total number of organisations: 30 (listed at 2005 as DF and CF)

DISCUSSION

The most salient fact that strikes one in reviewing this data is the ubiquity of the fact: no subsequent ESF/CF accessed. It was not possible in lists A and B to find a single example of an organisation that continued to be funded by ESF. The third list, of those organisations progressing from DB to CF (reviewed only in respect of subsequent access), did however supply five examples.

Taken overall, this clearly demonstrates that the transitions in question: i.e. the change from DB to CF, and from direct CF to indirect Primary Contracting—have operated to exclude the VCS from ESF in North East England. As always, the devil is in the detail and this review has taken special pains to draw this out in the faithful reporting of the anecdotal, but uniquely informed, views of key individuals involved. Their disillusionment and disappointment with the way the ESF has gone is plain to see, and does not need repeating, but some common themes are certainly worth a mention:

The fact that Primary Contractors time and time again canvas organisations at the bid stage, only to disappoint when it comes to getting back on promises; or else feedback “we do that in house now”—how often, one wonders was this a cynical tactic from the start?

The disproof of the idea that match funding was a major deterrent—certainly, it is not perceived that way now by our sample.

The rejection that mainstream services meet needs. In particular, there is a general “downer” on any belief that primary contracting sub-serving the mainstream can be made to work on the ground and with the most excluded in society.

Either that or the sampling used was flawed in some way. The latter, however, seems watertight. A simple alphabetical cut-off was applied with a good sample size—about 40% in both lists. Some might raise queries about the exclusion of “Nationals”. The reasons for this were given, and we stand by those reasons—we are seeking to show how the voluntary and community sector, as a uniquely local and regional response, is being affected. But this is not to say that the Nationals were especially successful either—evidence on this I believe may be coming from other sources, and, in the case of the most prolific on our lists—namely, CSV—we find they have also fared badly under the transitions in question.
Again, and again, we find the perception that ESF “is only for the big boys now”. Perhaps, that is just exactly what it is.

And the most universal commonality of all—the clarion call for direct bidding to be reinstated so that organisations can, in effect, detail their own specifications and solutions to the problems they are best placed to see and understand (see especially, Amble Development Trust’s response on this).

This review does not support the contention that CF and, subsequently, primary contracting, could possibly be a good thing for the sector; a painful necessity even (giving scope to “new blood”, possibly more dynamic organisations not counting on traditional match funding). Evidence here, however, shows that CF-only organisations (the “new blood” List B in our scenario) are equally critical, and turn out to be equally in favour of the direct bidding option (even if it does involve finding match funding). Again, as with previously directly funded organisations, they are not successful in securing a platform in ESF contracting after 2005.

List C comprised 30 or so organisations that directly experienced both regimes (DB and CF); five at least were able to access ESF beyond 2005—the only ones in the 2002–05 VCS cohort to do so. It is apparent however, that the latter are also organisations that have established themselves strongly over the years, and were simply alive to the best opportunities going. Lack of time meant that organisations in List C could not be interviewed. What is known is that in one case where primary contracting was achieved, it was viewed as negative by the organisation itself; seen as a restriction of activity, and that the re-introduction of direct bidding was still preferred. Indeed, the majority in List C also did not achieve continuity in ESF.

The conclusion has to be, from this review, that, in the North East at least, ESF has seriously disappeared as an option to fund real alternatives and innovatory activity from the VCS—precisely at a time, as the job market is disadvantaging the most disadvantaged, that such an alternative vision is most needed.

Other examples from around England:

**Leicestershire Centre for Integrated Living**
http://www.lcil.org.uk/

**Project Activity under Direct Bidding**
Provided intensive support to 150+ disabled people annually. 98% of beneficiaries entered employment, education, or voluntary employment.

**Impact of Co-financing**
Obtained small amount of funding when co-financing first introduced. However, no success since, leading to the recent closure of “one of the most accessible IT suites in the East Midlands”.

**Sobriety Project**
http://www.waterwaysmuseum.org.uk/

**Project Activity under Direct Bidding**
The waterways museum had contracts within the priorities of Objective 3 for work to be carried out in South Yorkshire, Hull and East Yorkshire. ESF Objective 3 projects included capacity building, gender, prison and research projects as well as more routine actions to tackle lack of training and employment. For example, Waterways work for women project aimed to re-establish the gender balance in the labour market. Beneficiaries were Women in category D prison receiving intensive support as part of reintegration, and housewives who were empowered to re-enter the labour market. Advice and guidance was provided by regional Third Sector infrastructure projects.

**Impact of Co-financing**
The introduction of Co-financing resulted in a jump from intimate relationship with projects mediated by regional Third Sector infrastructure organisations, to procuring pan regional projects. LSC had no desire to support smaller “individual” projects. ESF project activity ceased, resulting in reduction of turnover from £800k to £500k.

**Ambios**
www.ambios.net
EUROPEAN SOCIAL FUND: EVIDENCE

PROJECT ACTIVITY UNDER DIRECT BIDDING

In partnership with nine other organisations to provide a unique framework for beneficiaries to achieve environmental sector vocational qualifications, including NVQs, from August 2003 to October 2006. Of those with basic skills needs, 84% entered employment. “Direct bidding was about innovative project concept”.

IMPACT OF CO-FINANCING

Not possible to access ESF under co-financing to fund the type of innovative projects, which the partnership project was. No longer possible to continue the valuable partnership developed during the course of the project. Co-financing. “…seemed to undermine ESF philosophy of innovation”.

LONDON COLLEGE OF BEAUTY THERAPY CHARITABLE TRUST

http://www.lcbt.co.uk/

PROJECT ACTIVITY UNDER DIRECT BIDDING

LCBT worked on ESF funded NEET support programmes since 1998. Direct bidding enabled LCBT to deliver London wide programmes in creative way “…under Government Office for London (direct bidding) bids were non-specific. You could be very innovative and creative in what you were dealing with”.

IMPACT OF CO-FINANCING

LSC funded ESF programmes divided London into five areas within very narrow bands and differing programme profiles. This made it very difficult for LCBT to participate as a London wide provider. LCBT have had some limited engagement under co-financing for NEET projects, obtaining NEET participants from Barking and Dagenham boroughs. As a Westminster based provider, the extended journey time has an impact on NEET retention. LCBT felt that it seemed illogical to be given boroughs which compromised provision, considering the local demand. College places are 15 times oversubscribed with over 400 jobs at in house job centre Additional ESF for pan London activities go toward meeting this demand.

SELBY TRUST

www.selbytrust.co.uk

PROJECT ACTIVITIES UNDER DIRECT BIDDING

Originally LVSTC (London regional support organisations to the Third Sector and TSEN member) helped set Selby Trust up as one of the few community led Objective 3 Priority 4 networks. This ended in 2000. In the subsequent Agenda 2000 programme which started in July 2000, the organisation got a local bid for capacity building (TIER or Targeted Interventions for Employment Routes) and eventually a sub-regional programme in partnership with LB Enfield, the REMOVE project (removing barriers facing minorities to offer viable opportunities in employment and enterprise). The organisation was successful in obtaining match funding from local SRB programmes, but also obtained match from smaller community organisations and achieved increased capacity to deliver training and employment amongst refugee communities as a result.

IMPACT OF CO-FINANCING

The Selby Trust no longer accesses European Social Fund as capacity building resources have diminished greatly with co-financing. Larger organisations, primarily from the private sector have taken a large share of resources formerly going to the VCS. They turn to the VCS for delivery of projects, often at community centres that have developed a critical mass of Third Sector groups and client bases. The problem is that prime contractors may be less attracted to paying proper rates that reflect the input that outreach, IAG and pre-vocational training not to mention the conviviality in community premises that have converged to be able to offer this critical mass to be there in the first place.

FIRST DATA COMPUTER COMMUNITY RESOURCE

A centre based in the Nottingham New Deal for Communities using ESF for many years, now closed as a direct result of co-financing.

Chase Neighborhood Centre in St Ann’s (Nottingham) one of the most deprived areas in the country, not able to access ESF any longer and struggling to keep the place open. Mostly supported by volunteer efforts.
Catalyst Local Social Capital Programme (ESF Global Grants)

The programme, ran by CEFET, no longer exists. It used to have 655 community projects; of these 300 have ceased to exist and none of those remaining access ESF any longer.

Following Q78: Retention of direct bidding in other parts of the UK

Summary

Third Sector organisations working with the most vulnerable are able to bid directly for funding in all the devolved administrations. Support bodies, financed by national Government (and in Wales partly by the Welsh Assembly) assist agencies in preparing, bidding and administering projects.

In Wales and Northern Ireland projects can use staff time as match funding.

In Wales in particular, a big effort has been made to ensure Third Sector organisations are able to provide services; the inclusion of volunteer time as match funding in Welsh national rules is highly significant.

Lists of projects in all devolved administrations, whilst smaller in value than in England, suggest a wider spread of projects, national projects in Northern Ireland run by disability, women's and BME agencies comprise 30% suggesting a distinct focus on those furthest from the labour market.

Information provided by representative organisations in Scotland, Wales and NI

1. Is the programme in Wales/Scotland/NI completely co-financed or do you still have direct/independent bidding?

Wales—Direct bidding still exists in Wales, but the Welsh European Funding Office (WEFO) are aiming to fund a smaller total number of projects (300-500 rather than the 3,000 projects supported in the previous programming period) and sponsors are required to procure delivery activity wherever possible. This in effect means that some project sponsors are “co-financing” projects ie pre-match funding projects and procuring delivery agents.

The reduced number of projects has led to very large national or regional strategic bids mainly sponsored by government departments. As a result, activity below this is now being procured and tendered for, which has caused major delays and engagement problems for Third Sector organisations.

However WCVA has developed a large strategic project aimed at the Third Sector called the “Engagement Gateway” which will partly be matched by a pot of funding that has been established by the Welsh Assembly Government (WAG) and partly matched using in kind contributions from the organisations themselves.

It provides three tiers of funding:

- £0–£25,000 which is 100% pre-matched;
- £25,000–£75,000 which is approx 70% pre-matched;
- £75,000–£150,000 which is 59% pre-matched.

The response to this project has been good but it has probably taken a year to set it up because of procurement; WCVA did get an advance payment so there is cash in the bank to help with our cash flow.

Northern Ireland—Direct bidding still exists in Northern Ireland, as do national projects. In line with Article 74 of Council Regulation 1083/2006, ESF will contribute up to 40% of the public eligible expenditure in the Northern Ireland ESF programme. Successful projects under Priority 1 will be offered a 25% match funding contribution from the Department for Employment and Learning in their funding offer. These projects will have to provide the remaining 35% match funding through “self-match” funding or may secure it from other sources for example New Deal and the Disability Advisory Service.

Scotland—Direct bidding still exists in Scotland.

2. Are small organisations able to get ESF funding—do you have 30% advances?

Wales—See WCVA’s “Economic Inactivity Engagement Gateway” project.

NI—An advance payment should be claimed when the project starts. This will be 30% of the first 12 months’ ESF costs and associated DEL match funding. After that, regular claims for money that actually spent should be made. The European Unit will retain 20% of the ESF costs for the last 12 months of the project until they have received all the information required to verify final project costs.

Scotland—List of ESF projects suggest that still a relatively good number of smallish projects are funded despite the £200,000 de minimus on Scottish projects.
3. **Are there any thresholds or de minimus figures for projects?**

Wales—Not that WCVA is aware of, but every application to WEFO is subject to rigorous checks by the State Aid Unit in the Welsh Assembly.

NI—N/A.

Scotland—Minimum project size is £200,000 for ESF and ERDF projects.

4. **Are projects able to claim overheads?**

Wales—Yes—there is new guidance on flat rate apportionment methods for ESF and ERDF, with the aim of simplification: http://wefo.wales.gov.uk/developing/guidance/indirectcost/?lang=en

NI—Yes subscribe to the apportionment of direct costs.

Scotland—Some overheads directly related to the projects.

5. **Can projects use charities’ staff as match funding?**

Wales—Yes, in the normal way as actual match funding.

NI—Yes.

Scotland—Staff or other costs are not contributions in kind but may be eligible project costs.

6. **Can projects use volunteer time as match?**

Volunteer time is only eligible in Wales. WEFO have published guidance on using volunteer time as match funding in-kind, with notional rates: http://wefo.wales.gov.uk/developing/guidance/inkind/?lang=en

7. **How is support for the development of projects and implementation of the programme financed—is there Technical Assistance (TA) for WCVA or a similar entity?**

Wales—WCVA manages the Third Sector European team (3-SET) TA project, which is part of a wider Spatial European Team (SET) network of TA support for organisations seeking to benefit from EU funding. WEFO took a role in steering and co-coordinating the design of new TA support across Wales.

NI—NICVA are not involved in providing TA. TA is facilitated through Department of Employment and Learning who then have contracted an organisation called Proteus to provide technical support which is financed by DEL.

Scotland—SCVO is not involved in providing TA support provided through ESEP.

8. **How is TA co-financed?**

Wales—WCVA is match funding 3-SET through staff time; same as for local authorities. WAG departments have made available match for their elements of the project.

NI—TA is financed by the Department for Employment and Learning under ESF.

Scotland—co-financed by Scottish Government and delivered by ESEP Ltd.

**In Reference to Q82, Regarding Administrative Burden on Delivery Bodies**

In relation to evidence saying we found that bureaucracy at the delivery end was quadrupled (in answer to Q82), this is based on comparing two projects: Catalyst (which is the 2002–08, direct-bid, £4 million set of projects referred to in answers to QQ101–102) and TIGER II (which is a £400k LSC funded project in 2006–08). These were very similar projects using Local Social Capital methods to fund “micro-projects” in the community.

To establish internal costs of bureaucracy we can only look at timesheets of staff and account for the cost of staff-time as a proportion of the total project cost, we did this for Catalyst as a means of distinguishing “cold” and “warm” administration—ie central staff work involved in databases, spreadsheets, record keeping, claims and financial control as opposed to work by central staff supporting activity in the community. (The total of the two could not exceed 20% of Total Project Costs). “Cold” administration can then be broken down to specific ESF requirements and other.

For TIGER II the original online application calculates administrative costs as a proportion of total project costs. For the whole of Catalyst the proportion of total costs used to pay staff to detail the records required by ESF was 1.5%. For TIGER II the comparable cost was 7%.
REGARDING Q89: USE OF PATHWAYS FUNDS AS MATCH FUNDING TO SUPPORT THE ECONOMICALLY INACTIVE

As stated in the submission, at the last ESF Programme Monitoring Committee meeting of 4 November 2009, data presented showed that participation targets for the economically inactive are lower than those for the unemployed. A possible explanation for this, as provided by DWP was that this is a reflection of the type of match funding used in the English regions, Pathways being the principle fund used to target the economically inactive and New Deal being the principle fund used to target the unemployed. I understood that in some regions the funds used to match ESF are limited to New Deal.

We have sought further clarification from DWP, which stated “[DWP] I can confirm that the Pathways to Work programme is available to customers nationally. In terms of [DWP] use of Pathways as ESF match, [DWP] only use it as match funding in those locations where it complies with ESF requirements”.

When asked to further expand on use of Pathways as ESF match DWP responded that they are concerned that if they tried to explain the complexities of CFO arrangements through a third party that will get very complicated and any further technical questions from the House of Lords would probably be best referred to the Managing Authority.

FOLLOWING Q91: EVIDENCE OF THE 5% CALCULATION AS THE FUNDS DEDICATED TO THOSE FURTHEST FROM THE LABOUR MARKET

This is our calculation derived from funds allocated to Community Grants and Innovation, Transnational and Mainstreaming funds which in our view allow the sector to work with disadvantaged groups and communities. The calculation is set out below:

ESF element only:

Community Grants @ 2.5% of Priorities 1 & 4 = €46 million
ITM @ 2% of Priorities 1, 2, 4, 5 = €59 million
Community Grants + ITM total/ESF total allocation = €105 million/€3,089 million = 3%

EXPERIENCE OF THE THIRD SECTOR IN THE REST OF THE UK AND EU

Evidence from the devolved administrations suggests that the excluded are doing better in other parts of the UK, and a dedicated priority for inclusion, as seen in 15 of the EU Member States is also helpful.

REGIONAL FRAMEWORKS

Please refer to CEFET submission to the House of Lords for critique.

Annex 1

LIST A: VCS ORGANISATIONS IN THE NORTH EAST ACCESSING OBJECTIVE 3 IN PERIOD 2002–05 THROUGH DIRECT BIDDING ONLY

Action for Blind People
Not contactable
Battle Hill Community Centre (DB, 193.5k)
Centre closed down. (whilst care must be taken not to attribute closure to organisations not being able to access ESF for whatever reason (see note to this effect in the conclusion of this review), the author’s specific knowledge of the circumstances of this particular project’s demise does indicate a significant dependency. More time, however, would be required to evidence this conclusively.)
BIVC (DB, 254K)
Not contactable
BTCV (DB in the North East, 812k; National organisation—would not want to comment, given its involvement in national contracting with DWP—no ESF/CF accessed regionally 02–05)
Churches Acting Together (DB, 276k; NO SUBSEQUENT ESF/CF ACCESSED. Organisation later closed down)
City Farm Byker (DB, 207.5k; not accessible)
Community Regeneration Trust (DB, 147k; organisation closed down)
CSV Ability (DB, 143k; National)
CSV Solutions (DB, 67.5k; National)
Darlington YMCA (DB, 115.5k; not accessible)
Durham CDA (DB, 124.5k; organisation closed down)
East Durham Youth Action (DB, 51.5k; not accessible)
ETEC (DB, 801k; not accessible)
Groundwork: East Durham (DB, 741k; out of sequence and overlooked in alphabetical sample)
Groundwork West Durham (DB, 143.5k; out of sequence and overlooked in alphabetical sample)
Include (DB, 36.5k; not accessible)
Lazurus Foundation (DB, 122.5k; closed down)
Leadgate Community Tearooms (DB, 90k; closed as a training provider)
LINKS (DB, 37K; inaccessible)
Maren Project (DB, 180K; closed down)
North Tyneside VODA (DB, 286.5K; inaccessible)
National Trust (DB, 31.3K; National Organisation)
NDNA (DB, 136.5K; National Organisation)
NECC Women’s Forum (DB, 180.5K; organisation cannot be traced)
Northern Training Trust (DB, 218.5K; closed down)

LIST B: VCS ORGANISATIONS IN THE NORTH EAST ACCESSING OBJECTIVE 3 IN PERIOD 2002–05 THROUGH CO-FINANCING ONLY

Barnardos (CF, 892K; National)
CADCAM Centre (CF, 31.5K; closed down)
Dyslexia Institute (CF, 24.5K—National)
Hendon 2000 (CF, 85.5K; not accessible)
Mencap (CF, 49.5K—National)
NACRO Cleveland (CF, 485.5K; pending)
National Childminding Ass (CF, 199.5K—National)
DISC—inaccessible
Headway Theatre—inaccessible
Hope Foundation—inaccessible
Northumbria Sight Service—inaccessible
Princess Trust—National
Raleigh International—National
RNID—National
SHAW—no subsequent
CSV Basic Skills—National
CSV Linden Training—National
CSV NW Newcastle—National
CSV Springboard—National
CWACNEE—inaccessible
Stride—closed down
Tomorrows People—National
THURSDAY 10 DECEMBER 2009

Present

Eames, L
Henig, B
Howarth of Breckland, B (Chairman)
Inglewood, L

Jones of Whitchurch, B
Kirkwood of Kirkhope, L
Young of Hornsey, B

Memorandum by South West Regional Development Agency and South West Regional Employment and Skills Partnership

ESF has been a valuable source of funding in both the Competitiveness area of the south-west, and Convergence area of Cornwall and the Isles of Scilly. The programmes have been managed efficiently by Government Office South West and strong, effective working links established between Co-Financing Organisations (DWP/Jobcentre Plus and the Learning and Skills Council) together with the Regional Employment and Skills Partnership and South West Regional Development Agency.

OBJECTIVES AND FUNDING

The refresh of the ESF frameworks provides the region with an opportunity to rebalance provision. In the Convergence area of Cornwall, for example, there is a need to re-examine the young people’s agenda across Priority 4. In the Competitiveness area of the rest of the South-West region there is a need to rebalance the focus from basic level 1 and 2 skills to level 3 and 4 skills where there is increasing demand for provision. Also in the second half of the programme there is a need to focus more intensively on green skills and the low carbon agenda, while keeping the economic downturn and the need to move from recession to recovery at the top of the agenda.

DELIVERY AND EFFECTIVENESS OF THE ESF

It is essential that national and regional agendas are tied in to reflect where demand exists to make a real difference to people with employment or skills issues. There have been many cases of projects and programmes potentially overlapping with national programmes (e.g. Train to Gain activity). The duplication and confusion this creates wastes time and resources and prevents effective delivery of the programmes. An understanding of the regional response and the value of regional flexibility and discretionary spend in key areas is vital.

SHORT TERM USE OF ESF TO RESPOND TO THE ECONOMIC CRISIS

Much of the direction of ESF spend has been focused over the last year/two years to responding to the financial crisis. It has been necessary in many cases to suspend normal business and overcome traditional resistance and barriers in order to maximise ESF usefulness as a tool during the economic downturn. The flexibility built into the programme has been particularly useful in assisting national programmes facing a financial shortfall such as Train to Gain. Further flexibility in moving funds from one part of the region to another where substantial needs exist as a result of the crisis would be welcome (e.g. in the LSC Response to Redundancy fund).

The ability to derogate funds from one EU Fund to another is a vital tool in addressing inequalities or shortfalls in particular programmes. The need to meet specific outcomes and outputs from existing programmes (e.g. when derogating funds from ERDF to ESF) can hinder the process and present insurmountable barriers in some cases. More flexibility in this approach would be beneficial.

MEDIUM TERM—ESF 2010–2014

In looking to the medium—long term there must be a balance between provision for those hardest to reach who will continue to benefit from basic skills provision, and those continuing to climb the ladder of progression and benefiting from different types of ESF provision at a higher level. The focus should remain on green skills and the need to support the low carbon agenda, while continuing to support the movement out of recession.
The need to consult widely on future changes to ESF should not be overlooked. Early consultation post-2013 will enable stakeholders to take account of the broad policy agenda. At an early stage we would expect consideration to be given to the issue of “mono-funds” outlined below.

In the long term it is likely that there will be higher level skills issues. As employers continue to up-skill their workforce the progression routes become increasingly important and scope for onward training and development and higher level skills training needs to be built into programmes post-2013.

**Others**

**Alignment of programmes**

The EC’s simplification of Structural Fund programmes for 2007–2013, which created separate Operational Programmes for the European Social Fund, the European Regional Development Fund and for the rural and fisheries funds, has in reality not resulted in simplification at the regional or local level. As described below, it has been necessary to create processes and structures that ensure partners and projects funded by the different Funds work together.

We strongly suggest that in future regions or areas are allocated a mono-fund of European investment, which can be used for people and skills activities (ESF), business support and infrastructure (ERDF) and rural and fisheries activities as appropriate in each region or area. This would remove the need for unnecessary bureaucracy to bring about the alignment described below, and ensure that the funds tackle the issues that regional partners agree are most important for their area.

In the absence of unified funding, the need to ensure ERDF and ESF work to complement each other at a national and regional level cannot be understated. As the programmes have progressed it has become easier to make the links but there is much scope to improve this and effectively align the projects and priorities. Similarly the need to align the innovative and transnational projects to make vital linkages and avoid duplications is vital. A particularly good example is the alignment of the LSC’s Digital Inclusion project under ESF with the Digital Infrastructure programme in Axis 3 of the ERDF programme in Convergence, where innovative ICT is being used to support local needs especially in deprived areas.

**Equality and diversity issues**

It is important to note that the introduction of the Single Equality Bill (if passed) will have implications for the targeting of ESF funds because it will place a strategic duty on public bodies (i.e. the CFOs) to address socio-economic disadvantage.

**Performance incentives**

Where regions have performed particularly well over the first half of the programme with on target spending and outcomes there may be opportunities to reward them with incentives—flexibility in movement of finance from one region to another would reward the best performing and lessen the impact of failure in the worst performing regions. Similarly regions that spend their Technical Assistance wisely should not be penalised by having funds withdrawn or reduced at a future date.

**September 2009**

**Examination of Witnesses**

Witness: **Mr Phil McVey**, Director of European Programmes, South West Regional Development Agency, examined.

**Q109 Chairman:** Good morning, Mr McVey. I have to do one or two housekeeping things after welcoming you and that is to explain that you have in front of you a list of interests that have been declared. That is rather important at this moment, the declaration of interests. Perhaps you would begin by stating your name. Although we can see it here it is a convention that we have to have you say it for the record. You may want to make an opening statement, and perhaps that could be brief and not necessarily cover the questions that we are going to be asking you. Would you therefore like to begin by stating your name and telling us what you do in your opening statement?

**Mr McVey:** Thank you, my Lord Chairman. My name is Phil McVey. I am from the South West of England Regional Development Agency. I am the Director of European Policy and Programmes in that agency. Thank you very much for inviting me here today. I will make a very brief statement, first to say that I am representing the South West Regional Development Agency this morning, so anything I say
does not represent the views of the entire English regions; I am representing the South West. My role and the role of our agency in European programmes is to successfully, I hope, deliver the European Regional Development Fund programmes for the South West Region, so we do not have a direct responsibility for the European Social Fund as such. However, we have three major interests. First, we lead the work of the Regional Employment and Skills Partnership; we chair that partnership, and that partnership, which is private sector, public sector, voluntary sector and others, has ownership of the European Social Fund frameworks for the South West Region, so we have a key role there. The second one is that we have a strategic interest in the European Social Fund generally and how it links with the economic strategy for the South West Region, and, thirdly, we sponsor and manage one or two European Social Fund projects directly. For example, we led one recently which was concerned with engaging older people in the labour market, which included people over 50, I have to say, so we have a direct interest in that way. The final point I want to make, and I hope this is brief enough, is to clarify that the South West Region is unique in terms of European programmes in England in that we have two separate European regions. We have Cornwall and the Isles of Scilly, which is a convergence region, and we have the rest of the South West Region, which is a competitiveness and employment region. That brings opportunities and challenges for the region but it is worth bearing in mind that unique distinction within England.

Q110 Chairman: Thank you very much indeed. You did in your evidence make the suggestion that there may need to be a change in focus although you feel that the ESF has been a valuable source of funding across the South West of England. Where do you think the balance should lie between the provision of higher level skills and lower level skills? Could you contrast the position in the competitiveness area and the convergence area of Cornwall and the Isles of Scilly?

Mr McVey: Dealing with the first part of the question, I think it is quite right that the European Social Fund keeps its major focus on the hardest to reach in the labour market. That is the prime purpose of the fund and I would agree that that should remain its focus. For example, in Cornwall and the Isles of Scilly, which I have mentioned has a separate identity in European programme terms, there are 900 young people currently not engaged in employment or training, and those are really difficult young people to reach, very often in remote rural areas, they do not have their own transport, they do not engage necessarily with facilities in towns, so it is right that the European Social Fund can add to whatever the mainstream programmes are for those young people. However, from an economic point of view, if I think about what we are trying to do in the South West Region, as I know other regions and other countries do in terms of having a greener economy and having skills that can respond to new challenges in terms of renewable energy, changes to the way people heat their houses and so on, there is definitely a need to ensure that people currently in work can improve their skills. A very simple example that we have come across recently is plumbers who are not properly equipped to deal with new boilers that people are installing which are much greener than the ones they have, so it is a balance. I think it is right that the major focus remains on the hardest to reach but we do have to do a bit of refocusing to ensure that the fund can add value to the areas I have described maybe around green skills. To come to the second part of your question, the contrast between the convergence and the competitiveness regions is an interesting one. The Cornwall and Isles of Scilly European Social Fund programme is the only one in England that is able to devote some funding to higher level skills, and by that I mean graduate and postgraduate provision, so most of the rest of the country would focus on level 3 and level 4 NVQ skills. Cornwall has this unique advantage, as I say, in being able to use the ESF to do things such as enable graduates who would otherwise leave Cornwall to work to stay in Cornwall, so it does things like fund, for want of a better word, internships with companies. We have a programme which is called Unlocking Cornish Potential, which enables recent graduates to stay with companies, and that has a two-fold benefit. It enables the company, obviously, to benefit from the skills and knowledge of that recent graduate but it also enables the graduate to get that really valuable work experience that they require to move on in the labour market. The second part that I would contrast in Cornwall and the Isles of Scilly compared to the rest of the region is the postgraduate angle. The European Regional Development Fund programme has been investing in the creation of higher education in Cornwall. Previously there was not that capacity in Cornwall and that particular fund has been investing in buildings and research capacity. One of the things that the ESF has been able to do is to enable some money to be spent on postgraduate research so that we can again see young people stay in Cornwall and carry out research which is relevant to the Cornish economy, and then, as we have seen in one or two cases recently, some blossoms beginning to emerge of young people starting their own businesses, for example, in one case a mining engineer who invented a particularly fantastic product (which I could not go into the technicalities of) has been able to keep that in Cornwall and create his own company as a result of that.
Chairman: Lord Kirkwood, I know I said I would ask you to ask about the Fund but do you mind if I pursue this question at this point because it seems a good one?

Lord Kirkwood of Kirkhope: Absolutely.

Q111 Chairman: We have a question that we are all quite interested in which I would like to pursue before we move on to the next question, which is about the complexity of funding. That is, between ESF and central government funding and what might be some local government funding, and whether it is possible to clearly identify where ESF funding is adding value as against other funds. Do you have a view about that before we move on?

Mr McVey: As we say in our written evidence, it does require quite detailed arrangements right at the local level to identify the added value of the ESF. Clearly, at a national level the managing authority, the Department for Work and Pensions, will be gathering data about how ESF is at that national level providing additionality, so more money and also added value. The sort of thing that I would cite as evidence of the fact that we can show ESF is adding value is that, if I go outside Cornwall and the Isles of Scilly, the Learning and Skills Council and Jobcentre Plus, who are the main co-financing organisations, as I think you will know, from ESF, have been letting contracts to providers in areas such as Bristol and Plymouth and Torbay, which in our region have been identified as priorities for the use of ESF, where people who are, to use the phrase, some way from the labour market have added on projects that enable them to be prepared for that mainstream provision, so clearly you can identify a separate track of activity which may be around fairly basic skills that are required in order that they can take up the mainstream provision.

Chairman: We may pursue this further. We are beginning to get a picture of how you see it. I would like to move on to Lord Inglewood who is going to talk about the economic downturn.

Q112 Lord Inglewood: Clearly, the economic landscape has changed very significantly since the drawing up of the proposals for this programme starting in 2007. How do you feel the ESF has been able to respond constructively to the changes and what do you think ESF’s role is in the new world?

Mr McVey: First, within the South West Region ESF has been able to respond to the change in economic circumstances. For example, and forgive me if I get the title wrong, the Regional Economic Task Group in the region, which is chaired by the Regional Minister for the South West, Jim Knight, who also happens to be a Department for Work and Pensions Minister, set out its priorities in the light of the recession and what changes it thought needed to be made, including a focus not only on responding to redundancies but also shifting more to higher level skills so that the economy was ready to come out of the recession, which I think is quite important, not just the immediate response but how you prepare yourself for the future, and the fund was able to adapt to those circumstances. If I could mention one slight downside that we have found, it was that in the South West Region, where the economy is dominated by small and medium enterprises (SMEs) with very few larger employers, we found that one aspect of the national response from ESF to the redundancies which was difficult to work with was that in order to qualify for ESF people had to generally be under notice of redundancy. That works quite well in larger companies where there are formal mechanisms but what we found in the SME part of our economy was that, of course, it does not quite work like that. People’s jobs were at risk but they had not been told they were under notice of redundancy. Our ESF partners in the region have been able to work around that (just) within the rules but it did require a bit of creativity, and I think we would probably have had a better response had that wording around “under notice of redundancy” been slightly eased.

Q113 Lord Inglewood: Was that a UK stipulation or was that a Commission or Community stipulation?

Mr McVey: That was an English response to the recession, using the European Social Fund.

Q114 Lord Inglewood: So the words “under notice of redundancy” were in fact a UK Government introduction to the rules rather than a European one?

Mr McVey: To be honest, I would not be absolutely certain about that. I know that was the English response to it. The question would probably better be put to the Department for Work and Pensions in the future.

Q115 Lord Inglewood: I am sorry; do not worry.

Mr McVey: Thank you. In thinking about the second part of your question, which I think I have probably already touched on, the Regional Economic Task Group has, as I say, set out new priorities for skills in the region, including emphasis on higher level skills, and I mentioned a bit in my preamble about green skills and the green economy. At the moment in the region the European Social Fund frameworks, because we have two—one for Cornwall and one for the rest of the region, are being refreshed, and what we are seeing coming out of that is using ESF to equip people for the economy as it changes in two ways, first, responding to the new industry, new jobs initiative coming from Government, and also, as I have said, an emphasis on how we can equip people for skills in the new green industries that the region is seeking to build.
Q116 Lord Inglewood: You also said in the document you kindly gave us that you feel that increased flexibility in moving the funds around in the region would be beneficial. Indeed, you go on to say later, and that may be touched on later, that you would like to see all the European structural funds become a mono-fund, which I suspect from the South West Regional Development Agency’s perspective would be a nice thing to have. What do you think the poor consequences might be of the change? I can understand why you want to do it but what are the disadvantages of increased flexibility? For example, I suspect you might find that some things that those who put the money down would like to see happen will not happen at all.

Mr McVey: First, I would just add that, although that is the South West Regional Development Agency’s view, other partners whose experience of previous European programmes was more of working with a single programme with the funds working together I think would agree that a different approach might be helpful in the future from what we have now. To answer directly your question about disadvantages, clearly, if a single pot comes to a region which contains all the funds to do all the economic work and the work of the European Social Fund, there could be a temptation for partners in the region to use that for what seemed to be the single most important thing at the time when the money arrived. I would entirely agree with the proposition I have heard elsewhere that if that were to be the case there should still be drawn up national frameworks that would set out what the role of the employment and skills part of that money would be and what the priorities would be for that money, and, further, at a regional and local level there should be additional frameworks that would say, in a similar way to the way the European Social Fund frameworks do now in the region, “These are our priorities for that money in the region, so do not be tempted, any one organisation, to spend it all on one thing. There are other priorities or other things we need to do”. Just to add a little bit on that, I would say those priorities are not only in terms of activities and themes, and I have mentioned the green economy; they are about place as well. A region, for example, needs to agree that there are certain areas, whether they be rural or urban, that require greater concentration of funding and it would not be our thinking in any way to lose those two emphases.

Q117 Lord Inglewood: So it is a little bit of flexibility rather than complete laissez-faire, I suppose.

Mr McVey: I think, particularly when we are dealing with European money, that one has to recognise that there are underlying principles behind the reason that the UK gets that money that should not be lost as you move down the chain from Europe through national to local.

Q118 Chairman: Could I just pursue this for a second because it goes back to this question about the funding? The balance of the fund was 65 per cent to the hardest to reach and you said in your introduction that you really thought that was what the European Social Fund was about, and 35 per cent for the higher level. That was the original programme. As there is pressure for more higher level skills will this not drive out the harder to reach? You were saying at the beginning that that is really what the ESF funding is for; and you have just said that the European funding should maintain its focus on its original priority. Do you think there is a tension there? We are back to this tension about where the funding should go.

Mr McVey: Yes, clearly there is a tension. I would try and put this within a timeline. If I take the most disadvantaged parts of the South West Region, for example, where, at the beginning of the programme, setting aside current economic circumstances so I am going to talk outside those for a moment, it would be quite right that you would focus a greater concentration of the funding on the hardest to reach, but, given the success of those programmes, one would expect that over time you would see, as is described in parts of our region, a pathway so that people then begin to move on into work, into skills training, into higher level skills, ideally. I recognise that that does not happen in all cases, but that is why I think over time in a programme you should be able to begin a shift from the concentration on the hardest to reach through to concentration on more higher level skills. Clearly, as I have said, I am talking outside the context of the current economic situation, but if you have in a place that sort of package of investments use of the fund, one would hope to see a pathway. I would mention there the strong relationship with what the European Regional Development Fund does because that fund is seeking to create the opportunities, if you like, the businesses, the jobs, into which those people could move. Yes, it is a tension, and it is a tension that is always going to be there, but I think I would also refer back to my previous answer, that it is really important that one has regional and local frameworks that allow partners in those areas to talk through those tensions themselves and decide which is the greater priority.

Chairman: That is a good time to move on to Lady Young and talk about the medium to long term.

Q119 Baroness Young of Hornsey: I guess that you have really addressed the first part of what was going to be my question, which is about this balance that you keep coming back to. In terms of the second part of the question, which is how can the ESF support...
green skills and the low carbon agenda, you have already mentioned that in quite general terms. I am wondering if you could give us some specific examples and also say something about your prognosis for that area.

Mr McVey: I can be specific and, if the Committee wishes, we can provide further information on this in writing. The Regional Employment and Skills Partnership, as part of the current refresh of the European Social Fund programme that is going on in the South West Region, carried out some analysis as to, first, what do we mean by green skills, because it is a very easy phrase to bandy about, and, secondly, what might the demand be within the region for that, and it contains a useful glossary, by the way, of what we mean by “green skills” which the Committee might find interesting. Specific examples would be in places, for example, where a community is seeking to develop its own energy supply company so that it becomes less reliant on national sources of energy, and at the same time, of course, can create revenue as a result of its energy supply company, and the Learning and Skills Council in that area ensuring that its mainstream funding and its European Social Fund funding through local colleges and other providers creates courses that will equip local people with the skills that they might need in order to install the right devices in houses and be able to work in new businesses that grow up and so regenerate businesses engaged in new sources of producing power in that area, but, just going back to earlier questions about the hardest to reach as well, working with Jobcentre Plus to ensure that people currently furthest away from the labour market begin that pathway. The bit I have missed there is that you get the European Regional Development Fund in that area providing some money to say, “Would it be feasible to have an energy services company in that area? If so, how would you create it?”, and then you get the European Social Fund doing work on what are the skills required to make that happen and how do we ensure that people furthest from the labour market can begin the journey to get there. That work is going on at the moment in part of the region.

Q120 Baroness Young of Hornsey: That last point you made is interesting because I was thinking as you were speaking that it seemed that many of those skills that would be needed for promoting that agenda might not be at the lower level of skills. Does it change the proportion, do you think, of the basic skills needed to the higher level skills?

Mr McVey: Just referring back to my earlier answer about the current refresh of the European Social Fund framework that is going on at the moment—and, by the way, I am talking about Cornwall again so I need to be clear about that—that is likely to bring about a shift in balance between the funding from the most basic to the higher level but not in a way that fundamentally affects what the programme is trying to do. I think that is quite an important point and partners in Cornwall and the Isles of Scilly are not shifting what they are trying to do with the money. They still want an emphasis on the hardest to reach, but they recognise that what they could do, rather than make a shift in the proportions of the money, is shift the emphasis as to how that money is being used. It is about saying, in terms of the money we have for higher level skills, could we use it better, could we use it in a way that aligns with the medium to longer term aspirations that we have for the economy?

Q121 Baroness Jones of Whitchurch: Can I just follow up again on the hardest to reach issue because we took evidence recently from third sector organisations and they felt quite aggrieved that the way the fund was developing was, if you like, cutting them out of the programmes and that they had particular expertise in reaching the harder to reach, dealing with the really difficult places. I wonder if that has been your experience and whether you think that the third sector has something to contribute in terms of particularly dealing with the hardest to reach, but you could say that equally about green energy and so on as well?

Mr McVey: To take the last question first, yes, I do agree that the third sector has something significant to offer in this area, so, just for a moment reflecting on my own personal experience because about nine years ago I was head of the European Social Fund in the South West Region at the time when the co-financing of the ESF was first being introduced, so moving from a very open bidding type of programme to the model we have now, I do recall lots of discussions with the third sector about their role at that time. What we have seen in the region is that the third sector is playing a significant role. I am going to quote for a moment Camborne, Pool and Redruth in Cornwall and the Isles of Scilly, which is the part of Cornwall which has some of the most difficult issues at the moment. ESF is being used by the third sector there to reach those hardest to reach people, so right at the beginning of the pathway to employment it is the third sector that is providing the help that young people and older people require before they get into work, in other words, preparing them for that mainstream Jobcentre Plus, the other programmes that are there, very much the third sector is at the heart of that particular work, so, yes, they do have a role to play. I would add, and again we can provide written information on this further if you wish, that in the South West Region we have taken steps to ensure that that contribution of the third sector continues to be strong by a specific allocation of ESF funding to ensure that the third sector is able to respond to the tendering rounds that the co-financing organisations carry out, so we have put in place ESF...
money to enable them to have capacity and support to respond to that.

Q122 Baroness Young of Hornsey: What is your view on the suggestion that the richer Member States, such as the UK, should not receive ESF funding in future, and what do you think ESF offers that cannot be generated domestically?

Mr McVey: What I want to avoid doing is giving a history of cohesion policy or why ESF is there. There is a fundamental question, I think, about our membership of the European Union underlying all that. What I would say is that what ESF does, along with ERDF, is that it enables those parts of the United Kingdom and England which are at a disadvantage in comparison with European Union averages to benefit from funding that would not otherwise necessarily be guaranteed. For example, yesterday we were in Cornwall and we heard the European Commission confirming that the European funding we are receiving is guaranteed for those seven years. You do not very often get that sort of cast-iron guarantee of money—I do not think you ever do, do you?—that you know you can use for the purposes that we have been talking about so far, in addition to which there is an angle that sometimes can get overworked, which is in both programmes, the European Social Fund and the European Regional Development Fund, the ability to innovate and generate new ideas, new ways of tackling worklessness, tackling skills gaps, that would not otherwise happen necessarily within domestic programmes. A particular angle of that, of course, is working with our European partners, working with other regions to develop ways of—I think I mentioned right at the beginning an older persons’ project we were engaged in and a feature of that was how do similar regions facing similar demographic issues tackle those difficulties, so not in isolation trying to find an answer to the problem. It is a pretty fundamental question. I think it would be unfortunate if the funding was concentrated only on the most disadvantaged Member States. I fully understand the reasons why that might be the right thing to do, just in terms of the limited amount of money, but I think English regions and the South West in particular, parts of the region that are the most disadvantaged, gain, as I said, from the opportunity to innovate and do things that would not otherwise be done, understand how other regions tackle the issues, and add that value to the domestic programmes in a guaranteed way.

Q123 Lord Inglewood: I come from another far corner of England. What in fact you are saying is that you think that the Government in Westminster does not necessarily treat far-flung bits of England properly, does not understand them properly?

Mr McVey: I hope that is what I did not say. I can only repeat that I think it is much more about the opportunity to innovate with a guaranteed sum of money.

Q124 Chairman: There has been a suggestion made to us that one way of looking at it might be more on a regional than a national basis in terms of defining need. Do you have a view about that?

Mr McVey: Coming from a region and working with regional frameworks, I do see the advantages of getting down below national trends and national pictures, but at the same time I would argue, as I have said previously, that when we are dealing with European money we do need to take account of the reasons at various levels why the money is being used. It is quite right that the United Kingdom agrees with the European Commission a national framework for the use of European Social Fund because the Member State may well have specific regions to start with that it wants to target through the funding and also specific national initiatives that it wants to concentrate on. For example, in the European Social Fund programmes there was an emphasis which has come through in the programmes on the long-term unemployed, that that was the right thing to do through the national framework, but what regional programmes, as I said, enable us to do is to have that little bit more nuance in how the funding is used and particularly to engage local and regional partners, and, thinking back to the earlier question about the third sector, and I would also add the private sector and business into that, engaging absolutely at the front end where people know what the issues are. That is the important added value of working at a regional or sub-regional level.

Q125 Lord Eames: Mr McVey, I can very easily identify with the sort of area that you have pictured for us in Cornwall and the Isles of Scilly, coming from Northern Ireland, because we had a very similar problem reaching out into isolated areas and so on. I have followed very carefully what you have said about outreach and you have touched on my question to a degree in your reply to Lord Inglewood’s question earlier on in that you highlight the disparity between the various funds, misalignment, or whatever way you want to put it. Your suggestion is that in fact there might be a case for some monolithic approach and you feel that this would be a more unifying approach, given the sort of area you are talking about. Although you have touched on this could you say a bit more about your experience of how that suggestion might work in practice? What has been your experience of those problems, because, as I say, I can identify very
clearly with your picture of the area in which you work?

Mr McVey: I suppose in trying to answer the question I reflect a little bit on the previous Objective one European programme which ran in Cornwall and the Isles of Scilly from 2000 to 2006 and which contained a single document which outlined the aims and objectives of four European funds, as it happened, because it also added the Agricultural Fund and the Fisheries Fund. There was very much an opportunity there for partners to take those four different funds which had four different European aims, four different national aims, and convert them into a single aspiration for Cornwall and the Isles of Scilly, but, similarly, outside of Cornwall and beyond, Objective two programmes were doing the same thing. I would not want to pretend that that was a perfect world but what it did enable people to do, as I say, is to take a single view of the funds. What we are experiencing at the moment in the new programmes is the need to create structures, to create documents, in order to ensure that the two, the Development Fund and the Social Fund, were working together. A very practical example of that, and if this is too much detail please stop me, is that we have put together a document that says, “These are the projects that the European Regional Development Fund is paying for, these are the projects that the European Social Fund is paying for, and this is where they need to talk to each other in order to get the best of those two funds”. Our ideal world is that you pre-empt that by having a single framework in the region that brings together the national aspirations and the European aspirations of those funds, and at the beginning says, “These are the sorts of projects that we would probably like to see, that would deliver both of those funds but would make that difference at the local level”. Working for a Regional Development Agency and being a region, we have a regional economic strategy, of course, which does bring together at a regional level what partners are seeking to do, but it does not yet do that fine-grained analysis that says that these are the real projects we would like to see. I think that is what we are suggesting moving to, something that is like the European Social Fund frameworks we have plus gives you a little bit more fine grain. I am sorry, because I think you asked two questions and I have forgotten one of them.

Q126 Lord Eames: In a sense you have answered me. I wanted to know your experience of the situation as it is now compared with how it would be under your suggestion.

Mr McVey: I think it is interesting that at the moment we are approaching the mid point of our current programmes and at this time we are still doing work to ensure that those two funds work together as well as they could. We still have examples of projects from the European Regional Development Fund which could benefit from skills and people aspects that the European Social Fund could bring and vice versa. We are now catching up very quickly through the refresh of the ESF framework but I guess in a completely distant and objective way it is interesting that at this point of the programme we still have to do that work. I think it is because we have had to put in place, as I said, structures, groups and partnerships and processes, so pieces of paper, to try and bring the two together retrospectively in the programmes.

Q127 Lord Eames: Do you know of any other regions that are doing similar to your own? Have you heard colleagues talking like that?

Mr McVey: Off the top of my head, I do not know of examples. I do know that a couple of regions were interested in the work we were doing on the European Social Fund matrix, as we call it, which is the document I described with the list of projects and how they fit together, but I do not know whether that has been picked up.

Q128 Lord Eames: Lastly, to go back to your area, and I know your area quite well, given that you are working in isolation, is there a danger that you would generalise, in the so-called philosophy you are talking about, and that that would not necessarily apply to much more urban based areas? Is there a risk—and they all fall into that from time to time—that the suggestion, the solution, that you are putting forward would not necessarily apply in other regions because of their geography?

Mr McVey: Recalling your earlier question to me now, I think you used the word “monolithic”. I would like to emphasise that we are not proposing something of that sort and I hope I have tried to make it clear that we are talking about something that is more fine-grained than that so that you can within a regional framework, as we have done in our current programmes, create a framework, for example, that focuses on Plymouth only. We have asked partners in Plymouth to produce a framework that says, “Yes, there is a national picture, yes, there is a regional picture, and this is what we think our priorities are and how we would use the funding”. In the current programmes we have asked them to do that for the European Regional Development Fund. Our suggestion would be, “Would it not be great if we could move that on and do it in a wider sense?”, and probably it would have to be aligned with things such as local area agreements, so the agreements between local partners and central Government which bring together all the aspirations of the partners in an area. It is possible to overcome that risk that you describe.
Q129 Baroness Henig: We will go back to additionality now. If I can remind you, I am sure you do recall the written submission of your Development Agency where you said that there had been many cases of projects and programmes potentially overlapping with national programmes, which obviously wastes time and resources and prevents effective delivery of the programmes. I wonder if you could expand on that point of overlap and whether you have evidence of where you believe that has happened and how you think it is best addressed to ensure that we do deliver additionality.

Mr McVey: How do we ensure that additionality? This is going to sound like a process answer but it is in terms of how we contract for that activity, how we draw up the specification for it, so how do we take account of what already exists, what are the needs and then how is it contracted locally to ensure it is something different from what is already in place. I have always been very impressed, standing from a slight distance, by the procurement methods that have been used for ESF which I think have ensured that that additionality is there. However, a little snag that can occur is that at the time you procure ESF you do not necessarily know what changes are going to come along in national government policy and new programmes that are going to be introduced. The specific example we have been working with in the region and probably other regions have is Train to Gain, where we contracted for additional provision over and above Train to Gain for employers and then new provision was introduced in the mainstream. For a small period, therefore, we were thinking, “Hang on; we have got some overlap here”. What the LSC and Jobcentre Plus can do, of course, is make the contracts flexible enough to allow for that potential overlap to be reduced, so that is the specific example, the Train to Gain one, in the region. As I say, having very smart procurement methods is the key to this.

Q130 Lord Kirkwood of Kirkhope: I am fascinated by your experience and I could speak to you and ask questions for the rest of the day, but can I put it to you very briefly, that since 2006 your region, perhaps in concert with the Highlands and Islands, has had more money than any other part of the country from this source? Is that true or not? It is not a trick question.

Mr McVey: I do not have the comparator with the Highlands and Islands; that is my only missing piece of information, but certainly, if we look at the ESF that is going into the South West Region, and particularly Cornwall and the Isles of Scilly, there is a concentration of funding. We could check. I am not certain that the ESF that the South West gets is more than, for example, the North West or Yorkshire and Humber, but we would need to check those figures.

Q131 Lord Inglewood: It will be on a per capita basis.

Mr McVey: Potentially in Cornwall and the Isles of Scilly, yes.

Q132 Lord Kirkwood of Kirkhope: Has it worked? On a scale from one to ten, and briefly, can you put your hand on your heart and say that in times of challenging public expenditure constraints between now and 2013 every pound that we spend through our system can be just about a cost benefit analysis? It is a soul and conscience answer here.

Mr McVey: Yes. Thank you for putting it in that way because I was thinking this is a from-the-heart answer, actually, and I should declare that I live in Cornwall, so if my answers are biased that is why. It is fair to say that ESF at the moment in Cornwall and the Isles of Scilly is helping three people a day back into work, and that is three more people than otherwise would have been helped back into work.

Q133 Lord Kirkwood of Kirkhope: Is that the additionality factor?

Mr McVey: That is the additionality factor. That is 1,000 people so far through the current European Social Fund framework.

Q134 Lord Kirkwood of Kirkhope: And that would not have happened if the money had not come your way?

Mr McVey: No, because that money is going into that added provision that I mentioned which engages the third sector and others.

Q135 Lord Kirkwood of Kirkhope: That is very helpful. Another dimension to this is whether you would agree with those who say that currently the centralised bureaucracies, if I can describe them that way, have captured the shape and effectiveness of the spend at the local level, that is to say, that those who command match funding, DWP and organisations of that kind, are running away with the gain in a way that squeezes out what I would call community projects, not regional projects, not even local projects but community projects? You also mentioned earlier that you had a guaranteed proportion of spend for local voluntary, third sector programmes. Have you got a figure that would quantify the amount of money that they get currently?

Mr McVey: The straight answer is that I do not have that figure with me, no, but there is a figure, and there is within the programme the pot of money that goes to community grants.

Q136 Lord Kirkwood of Kirkhope: It would be good if you could give us a note about the balance.
Mr McVey: We will.

Q137 Lord Kirkwood of Kirkhope: My main question is that people are saying that ugly big brother central Government is running away with the gain. Tell me what you think about that.

Mr McVey: The straight answer is that it is a challenge to ensure that national requirements fit with what regional and local and community partners want to do, but in the South West Region the way that the region’s employment and skills partnership, and below that the local strategic partnerships and others, have used the ESF frameworks to ensure that in plain language they get what they want in their local areas has been as successful as I think it could be, given—I said earlier on that there are national frameworks for these programmes; there are European frameworks and you have to work within those.

Q138 Lord Kirkwood of Kirkhope: That is a very diplomatically worded language. Can I put it another way? Do you believe that community projects get a fair shout? If we went to Redruth and found a community project, would they be likely to complain to us that they do not get access to the money, because they are dealing with individuals, not with groups like NEETs, and they can do it better than anybody else; you have admitted that yourself? Do you think there will be people in your region who would say that they are not getting a fair shout because big brother, the DWP, is sucking up all the money?

Mr McVey: I think that sort of question always tempts the person responding to say, “I cannot say what others might say”, if you see what I mean, and I am sure there would be people who would say that, but let us look at the evidence. The evidence is, as I said earlier on, that, for example, in Cornwall three people a day are being helped into work, and each one of those individuals will be the sort of person you are describing. Is that individual in a disadvantaged position who is being helped back into work? In addition to that, of course, there will be others. In Cornwall there have been about 1,500 young people who were previously disengaged who have moved on. I think maybe the way that I would look at this is, rather than say, is a specific organisation, whether that is a community organisation, a public sector organisation, a private organisation, receiving money, its share, is the money helping the right people to get back into the labour market, back into work, engaging in the economy in a way that we are aiming for? The answer, in the way the ESF is working in the South West and particularly in Cornwall and the Isles of Scilly, is, yes, it is doing that. I can provide, if the Sub-Committee wishes, the specific example of the project I mentioned earlier on, which is putting European Regional Development Fund money into Camborne, Pool and Redruth, and at the same time the European Social Fund money is helping people in that area and that is a third sector contract.

Q139 Chairman: That would be a useful example.

Mr McVey: I can provide that.

Q140 Lord Kirkwood of Kirkhope: You are in the market for that?

Mr McVey: Yes.

Q141 Lord Kirkwood of Kirkhope: I have two very quick questions just to finalise my slot. Is it all too bureaucratic?

Mr McVey: I am going to answer that by saying that the audit regime in the new European programmes is on a scale where there is no comparison with the previous European programmes.

Q142 Lord Kirkwood of Kirkhope: I think that is a yes.

Mr McVey: My organisation and others have had to respond to that. What we attempt to do at a local level, and I will not flower it too much, is shield some of the direct recipients and deliverers from that bureaucracy.

Q143 Lord Kirkwood of Kirkhope: Thank you. Finally from me, and I think I know the answer to this question as well, can I come to flexibility and discretionary spend? What you have to understand is that we are a humble Sub-Committee. We make recommendations and then we argue our case on the floor of the House of Lords and we get listened to if we are lucky. We make recommendations. About flexibility and discretionary spend, briefly, if I were your fairy godmother and I could only grant you one wish in relation to flexibility and discretionary spend, what would that be in future? This is looking forward to the period running up to 2013, and indeed beyond.

Mr McVey: I wish I had two answers to the question.

Q144 Lord Kirkwood of Kirkhope: No, you can only have one.

Mr McVey: I think the one that I would say would be—and this is probably within our gift, actually but it is the one that I want—much better ability to strike that balance that we have been talking about between the hardest to reach and the skills aspect, much more flexibility amongst ourselves to decide what is most important.

Q145 Baroness Jones of Whitchurch: In your submission you have this quote that says that “regions that spend their Technical Assistance wisely should not be penalised by having funds withdrawn or reduced at a future date.” That sounds like that
Mr McVey: The experience has been that because of the way the ESF is managed nationally and regionally in the South West Region we have been fully using our Technical Assistance allocation. Not all regions may have been doing quite so well and that has resulted in the overall Technical Assistance money being diverted in other directions. At the time we wrote this, and I have to say there has been a slight change, we thought that would mean the South West would lose some of its Technical Assistance as well. We have managed to secure flexibility on that so that will not be the case, but I guess the underlying issue remains that, because of the national nature of the European Social Fund, if there is underspending in a particular place it might mean that everybody could lose out. As I say, we have secured a commitment in the South West and that will not happen.

Q146 Baroness Jones of Whitchurch: Am I understanding this right? What you are saying is that because some of the other regions have not used their Technical Assistance money it was having an impact on your allocation as well?

Mr McVey: Potentially. I must just emphasise that this does not mean that the European Social Fund was being lost. It meant that the Technical Assistance money would be transferred into the core ESF budget, so it could be used for a lot of the activities that were being talked about. Just purely from the South West Region perspective, we were slightly concerned at the time because we were intending to fully utilise our Technical Assistance, including, as I mentioned earlier on, the project that relates to the third sector, so we wanted to ensure that that commitment to that sector could be maintained. As I say, we have secured an exception from that, but the underlying principle, you are right, does remain.

Q147 Baroness Jones of Whitchurch: Just so that I understand it, you talked about this older persons’ project. That is the sort of project that you are using the Technical Assistance money for; is it, which is something that is about exchanging good practice between regions and countries?

Mr McVey: No; I am sorry if I misled you. That project was not Technical Assistance. That was from the ESF programme. I am trying to recall. I think it was from the then Equal programme which was one of the transnational initiatives at the time.

Q148 Baroness Jones of Whitchurch: Okay, so the Technical Assistance money that you have been using is to give support and literally technical assistance to the third sector?

Mr McVey: Precisely, and we have been doing that through something called the South West Forum, which is the overarching body for the third sector and the voluntary and community sectors in the region.

Q149 Lord Inglewood: Is it fair to describe “assistance” as a slight euphemism for “admin”?

Mr McVey: Partly.

Chairman: That has really been very helpful. Is there anything that you would have wished to say that we have not asked you? If not, I have to say we have found your evidence extremely helpful because we have been able to probe some of the questions that are concerning us on a wider brief but through your particular expertise in your region, so thank you very much indeed for taking the time to come. The Committee has been probing. There are some questions that you have agreed to write to us about which we are grateful and we really will value that information when it comes. Thank you very much indeed.

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**Supplementary memorandum by the South West Regional Development Agency**

— You were asked how the ESF can support green skills and the low carbon agenda, with a request for specific examples and your prognosis for that area. You mentioned that you could provide further information about this in writing. Please see “Green Skills, Green Jobs: Opportunities for the South West Low Carbon Economy” at [http://www.swslim.org.uk/themes/themes_past.asp?theme_ID=27](http://www.swslim.org.uk/themes/themes_past.asp?theme_ID=27)

— You were asked if you had a figure for the funding set aside for community projects, and if you could provide a note about the balance of this with the rest of the ESF funding received for the region. Up to 2% of Priority 1 can be distributed in the form of small grants (up to £12,000) to voluntary and community organisations to help disadvantaged groups back to work. These are known as ESF Community Grants and operate streamlined procedures to facilitate access by small community groups.

Voluntary and community organisations also lead or are sub/contractors partners in other projects across Priorities 1 and 2.
Community grants in the South West

Funding for Convergence area (Cornwall and Isles of Scilly) is contracted through Cornwall Development Company—contract value £739,893.

Funding for Competitiveness area (rest of the SW region) is contracted via Learning Curve—contract worth £745,590.

— Finally, when discussing community projects you mentioned a specific example of a Third Sector project in Camborne, Pool and Redruth which you would be able to provide the Sub-Committee with more detail about.

Please see information from Cornwall Neighbourhoods for Change attached—summary of the project and a case study.

Cornwall Neighbourhoods for Change (CN4C)

Cornwall Neighbourhoods for Change is a charity and social enterprise which aims to transform the quality of life for people, places and communities by working with residents and partners to provide choices and opportunities for all.

We specifically target our work on the most disadvantaged individuals and communities in Cornwall, particularly working with residents of Cornwall’s long-neglected social housing estates where there is often a level of deprivation that is equivalent to that of England’s poorest inner city areas. Established in 2001, CN4C is one of Cornwall’s largest independent voluntary sector organisations.

Giving choice, change and control to communities in Cornwall.

With over 60 staff and an annual turnover of around £1.8 million, we deliver vital services to People and Communities across the county. These include:

— Community learning and outreach;
— Skills for life;
— Employment support programmes;
— Support and capacity building for residents associations, communities and their neighbourhoods;
— Youth and play development services;
— Advice and guidance; and
— Environmental improvement and community facilities support.

We also work at a strategic level to raise awareness of issues facing residents of social housing. We work with policy makers and service providers to try and ensure that resources in Cornwall are targeted on those communities most in need.

Cornwall Neighbourhoods for Change

Vocational Routeways (Local Employment Solutions)

LSC ESF—June 2008—Dec 2010

Cornwall wide provision.

Overview

Local Employment Solutions (LES) will create sustainable economies and communities by prioritising local jobs for local people. It will deliver tailored vocational training and support packages that will equip priority group beneficiaries from disadvantaged communities with the skills and support to enter employment. The geographical focus of delivery will be: Camborne/Pool/Redruth, St Austell and Penzance (each of which have two or three lower super output areas in the top 10 most disadvantaged in the county (Index of Multiple Deprivation 2004)); Falmouth/Penryn, Newquay, Bodmin and Truro (with at least one LSOA in the top 10 and at least one in the 11–25 most deprived); Hayle, St Ives, Helston, Launceston, Bude, Liskeard, Saltash, Torpoint and Wadebridge.

Prime Contractor:

Cornwall Neighbourhoods for Change
Partners:

Truro & Penwith College
Cornwall College
Adult Education (Cornwall Council)
Maximus
CPR Regeneration
DMT Business Services
reZolve
Coastline

Headline statistics:

— Engaged with 443 from some of the most disadvantaged communities within Cornwall and supported them to explore and seek meaningful career options.

— 125 individuals have started a level 1 programme of learning.

— 135 individuals have been supported with tailored job search, helping them to overcome specific barriers to employment.

— 46 local employers have been engaged and are supporting the programme.

— 36 individuals have been supported into employment.

CASE STUDY

Derek

Redruth area

Prior to the recession, Derek was gainfully employed at a Supervisory level within the Construction sector. After being made redundant Derek found himself disadvantaged by the fact he hadn’t had to search or apply for jobs for so long that he was out of practice.

Derek first engaged with the Vocational Routeways programme in May 2009 via a Passport to Work course, which provided him with the opportunity to identify and explore ways to overcome his barriers to employment, during the three day non accredited course he:

— explored his personal capabilities in relation to work;

— learnt to challenge negative attitudes and build on positive attitudes;

— identified potential job goals;

— agree next steps to be more effective in job seeking;

— learnt how to “sell” himself to employers—in writing and face to face; and

— developed a range of skills in relation to finding employment, such as interview techniques, updated CV, hints and tips about completing application forms.

After the three day programme, Derek engaged with CN4C’s, CPR Learning and Employment Advisor, Gareth who continued to support Derek on a one to one basis, maintaining regular contact via face to face review meetings or telephone conversations. From this ongoing support it was identified that Derek would benefit from a ICT course, and he was referred onto a level I programme that was accredited with the National Open College Network.

The course was delivered over nine days and taught a range of essential ICT skills, including word and the internet. Derek completed the course and received his certificate. The skills he learnt are not only a useful additional to his CV, but he was also able to apply them to the work he does within his local community.
Following the ICT course Derek continued to work with Gareth for one to one support. In August Derek was successful in securing a four week contract for some site supervisory work, which was a help in boosting his confidence and again getting up to date employment listed on his CV.

As a Redruth resident Derek is a very active man in his local community and does a lot of volunteering work to support his local community group JPT Progress, within which he is a member of the committee. Derek is also a keen supporter of this local Community Centre in Redruth.

Recently Derek has progressed back into employment on a building contract with the support of Concorde recruitment.
THURSDAY 7 JANUARY 2010

Memorandum by the Convergence Partnership Office for Cornwall and the Isles of Scilly

INTRODUCTION

1. This evidence is written from the perspective and experience of the Convergence Partnership Office for Cornwall and the Isles of Scilly with the responses reflecting this and focussing on those areas where the partnership has direct experience.

2. The Convergence Partnership Office has been established by the ERDF and ESF Convergence Partnership to act as the cohesive voice of the two programmes and to deliver their communication and public relations activity. The Convergence Partnership Office acts an umbrella for all partners involved—public, private and voluntary and community sectors—helping ensure a common ownership of the mission of the programmes.

3. The background to the use of ESF Convergence in Cornwall and the Isles of Scilly is outlined in Annex 1.

RESPONSE TO QUESTIONS

Objectives and funding—What is your view of the current objectives of the European Social Fund? Does the available funding align with those objectives? How appropriate do you consider the balance of projects funded by the ESF to be (for example the volume of projects designed to increase the adaptability of workers as compared to those designed to reinforce the social inclusion of disadvantaged people)?

4. People are at the core of economic regeneration no matter where we are in the economic cycle—in the present economic climate pro-active help for people is more important than ever. European programmes (in particular European Social Fund Convergence) are helping address the increasingly acute skills and employment needs of individuals in these testing economic conditions.

5. The Learning and Skills Council (LSC) and Jobcentre Plus (JCP), guided by the locally derived ESF Convergence framework are both working hard to ensure that the provision meets the needs of the local areas concerned.

6. In Cornwall and the Isles of Scilly the objectives of ESF meet the needs of the area and we have the balance right with Priority 4 c40% and Priority 5 c60% of the €196 million available. Importantly with the ability in Priority 5 to support higher level skills, research, and graduate placements which are all so important in meeting the Leitch targets and developing a skills profile for a modern economy.

What has been your experience with the operating rules of the ESF? What has worked well? What problems have you encountered and how might the process be improved?

7. Broadly we have found that the mix of co-financing and direct bids to Government Office for the South West (GOSW) for the HE investments, to work well. Through strong partnership working we have successfully integrated Co-Financing Organisations’ strategies. However differences in details and models of tendering between the co-financiers means that models for delivery on the ground are very different and vary in transparency and integration of activity. This delivery needs the careful monitoring by GOSW. One issue that has arisen is that national responses to the economic downturn have meant greater flex in mainstream delivery and that the additionality of ESF needs constant monitoring. This may require changes in future contracting arrangements to ensure that this additionality is maintained as we do not know how the economy will perform over the period to 2015 and the situation is bound to vary both over time and geography necessitating ongoing flexibility in delivery.
Moving forwards ESF must be used to prepare for the upturn i.e. ESF is a means to success not just a response to the present problems and contracts will need to reflect this duality as well as the uncertainty of time and geography.

How effective do you consider the ESF to be? How is that effectiveness being monitored? And how is that information on effectiveness being shared and used?

8. We have established and successful mechanisms for the co-ordination of approach between the Regional Employment and Skills Board (RESB), GOSW and the co-financing organisations.

9. The individual delivery partners are encouraged to work with and push beyond mainstream delivery to ensure that there is clear additionality in delivery.

10. However, to ensure that the effectiveness of ESF is maintained, commissioning and procurement needs to be clearly informed by local evidence of need as well as national policy direction. (The variable impact of the economic downturn across the UK is testament to this.) More regionally based or informed commissioning and procurement would ensure that this effectiveness was explicitly built into the process. Similarly, the need for active management of effectiveness, particularly in the present economic climate, goes well beyond the necessities of contract management and the active local involvement of the co-financing organisations is vital—for example the Department for Work and Pensions’ localisation agenda has a key role to play in this. Nationally driven procurement tends to limit the choice of delivery that is available in peripheral rural economies such as Cornwall and the Isles of Scilly and means that nuanced knowledge of local labour markets and skills needs is limited. This is not the best platform from which to deliver what is vital public sector intervention in the labour market.

How successfully have national and regional administrations worked together in delivering the ESF, where appropriate?

11. To date this has worked, particularly through the role of the RESB, the development of the ESF Convergence Framework, and the co-ordination of activity between JCP and LSC. But this needs to be actively worked at the local level as inevitably there are strong national steers within these organisations. This is needed to ensure that local needs, both of the workforce and in the development of skills base for the future, are always visible to the centre. Local evidence of need must be actively melded into national policy to ensure local delivery with real impact.

How useful has the ESF been as a tool to respond to the financial crisis? How might its usefulness in responding to the current crisis be improved, and how might it be amended to ensure that it is able to respond more effectively to a changing economic climate in the future?

12. For the 2007–10 period there is already £83 million worth of ESF Convergence activity (out of a total of £153 million) on the ground in Cornwall and the Isles of Scilly—mainly being delivered in conjunction with LSC and JCP. There are also some direct delivery contracts with Government Office for the South West (GOSW) for example Unlocking Cornish Potential which place graduates with local businesses.

13. Thanks to the falling value of sterling against the € over the last 18 months—there is now additional investment to support people in the economy. This, alongside existing ESF and mainstream provision, is being specifically targeted to help those people on who the economic downturn will have the biggest impact—those being threatened with and being made redundant. This extra investment amounts to an additional £10 million in Cornwall and the Isles of Scilly. This extra help includes specialist help for those not used to job seeking as well as help for those who will find it even more difficult to get employment when the numbers of those looking for work exceed vacancy levels.

14. This additional activity is all part of the co-ordinated approach by public sector across the South West to the economic downturn. The regional economic task group—chaired by the new regional minister Jim Knight MP (who is also Minister of State for Employment and Welfare Reform)—has identified employment and skills as one of the four priority areas. At a local level area action teams have been convened—including the local authorities, JCP, LSC and the South West RDA—and are working with
businesses and individuals using existing partnerships and structures. To date through Jobcentre Plus alone the European Social Fund has helped 3,000 people in Cornwall of which local Jobcentre Plus data shows over 800 have moved into work.

15. In terms of directing the additional ESF investment—it is vital to gear the additional intervention to an evidence based assessment of local need as a result of the economic downturn as well as keeping focussed on the longer term goals of continuing to support those furthest from the labour market and develop the skills for a more modern economy. National policy needs to be shaped to the needs of the local economy—for example in Cornwall and the Isles of Scilly, with its dominance of small businesses requires different types of support compared with more industrialised areas of the country. To meet national goals of tackling the economic downturn, different geographic tactical responses are needed at the local level.

16. Core to this must be what is most effective for the individuals concerned—this may be ESF provision, and mainstream initiatives shouldn’t override this. There must not be an over-laying of mainstream and ESF provision.

How might the potential of funds deployed via the ESF to promote life-long learning, skills for new jobs, security of employment and flexible labour markets across the UK and EU be improved?

17. With the complementary roles of Convergence ERDF and ESF within Cornwall and the Isles of Scilly—ESF has a powerful role to play in developing new skills for new jobs. The shape and intensity of ERDF Convergence investment is a key driver to the present “refresh” of the ESF Convergence framework. This “industrial activist” approach to skills will be particularly important to the environmental goods and services and environmental technologies focus of some of the ERDF investment. The emphasis here will include skills rather than simply qualifications. An area based approach is vital to ensure effectiveness.

What contribution can the ESF make to the EU’s renewed Jobs and Growth Strategy post-2010, including the European Employment Strategy? How can the EU best contribute to “jobs and growth” in the period 2010–14?

18. There is an ongoing debate as to the effectiveness of cohesion policy interventions and the role of structural funds (for example the Barca Report, 2009 An Agenda for a Reformed Cohesion Policy) in contributing to the Jobs and Growth Strategy.

At present both European and UK government structures militate against the focus and prioritisation that is being looked for—the focus for integration is at the level of cohesion policy and then at the local place based level. While Cornwall and the Isles of Scilly works hard at the integration of ERDF and ESF Convergence more could be done to build linkages between the two structural funds at all levels.

We would like to keep the present scope for the use of the ESF Convergence in Cornwall and the Isles of Scilly, in particular to the ability to support higher level skills including R&D, graduate placements in business etc—which are key parts in the skills contribution to a more modern economy and can be particularly useful tools in a more activist approach to the use of public funds in economic regeneration. And from the viewpoint of the individual being supported by ESF intervention this is more likely to produce a sustainable outcome as the ERDF and ESF investments are being used actively to support a common goal.

19. This ability to prioritise and co-ordinate will be particularly important in the forthcoming climate of greater public sector budget strictures.

Bearing in mind the depressed economic context and the EU’s budget review which is intended to consider spending priorities post-2013, what do you consider the role of the ESF should be, if any, post-2013? On what sort of priorities should it focus, and how might it most effectively complement, rather than duplicate, other spending programmes?

20. Experience from the use of ESF in Cornwall and the Isles of Scilly points to ESF continuing to have the ability to respond to local need both in the welfare to work and workforce development agendas. This should include:

— support the most disadvantaged into work via a partnership approach where barriers to employment are managed at the level of the individual customer rather than on an institution by institution basis;

— the ability to continue to trial new ways of working, the lessons from which can then be transferred to the mainstream; and
include higher level skills that are vital to the new jobs agenda and the needs of a modern economy. This needs to be actively integrated at the local level into the mainstream and other programmes to ensure additionality and effectiveness and where needed the targeting of specific needs and geographies. In Cornwall and the Isles of Scilly this is achieved via Cornwall Works\(^1\) which provides an over-arching strategy and brand for all welfare to work investment.

1 October 2009

Annex 1

CONTEXT AND PRIORITIES FOR ESF INVESTMENT IN CORNWALL AND THE ISLES OF SCILLY

INTRODUCTION

Cornwall and the Isles of Scilly is situated in the bottom left hand corner of the UK, surrounded on three sides by the sea. Employment growth has increased substantially in recent years (2.5 times the national rate) although it is still concentrated in lower-value sectors. The economy is dominated by tourism, agriculture and food processing, and the public sector.

While some progress has been made in the development of a more knowledge-based economy, the area would benefit from further improvement in economic performance and productivity.

Cornwall and the Isles of Scilly has witnessed substantial population growth over the last 40 years. Inward migration has been concentrated in the 30–60 age bracket, typically of working families, with, until recently, the outward migration of younger people.

Cornwall is the only area of England that qualifies for Convergence investment, reflecting its specific development needs. See www.convergencecornwall.com to view progress in the implementation of both ESF and ERDF Convergence in Cornwall and the Isles of Scilly.

KEY CHALLENGES

Since 2000 there has been a marked improvement of GVA per capita from 65% to 75% of the EU average, but nevertheless, the area still lags behind the UK average, and European Convergence investment will be focussed on increasing skills levels, and investing in support for business to increase productivity and levels of innovation and research and development.

Around 40% of the workforce has low levels of qualification. Since there is a clear link between level of qualification and employment chances, this group is consequently vulnerable to labour market changes. The shift towards a more knowledge-based economy, as proposed by the Leitch Review, will increase the demand for those with qualifications at Level 3 and Level 4. The transformation of the skills profile of the workforce needs to be achieved through employment and skills initiatives, the development of higher-level skills, and increased support for higher education.

KEY FACTS AND FIGURES

<table>
<thead>
<tr>
<th>Cornwall</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>0.5m</td>
</tr>
<tr>
<td>Productivity (GVA per hour worked)</td>
<td>67.6</td>
</tr>
<tr>
<td>Employment rate as % of working age population (2006)</td>
<td>76</td>
</tr>
<tr>
<td>Skills level of economically active adults qualified to Level 4</td>
<td>20</td>
</tr>
</tbody>
</table>


REGIONAL PRIORITIES

Priority 4: Tackling barriers to employment

Key challenges:

— Worklessness
— skills for employability

\(^1\) www.cornwallworks.org.uk
Key priorities to focus on:

- demand-led provision – reflecting the needs of employers
- pre-employment support and post-employment mentoring
- community grants as a pathway to help people into training and employment
- spatial concentrations of worklessness—households with a mix of worklessness, child poverty, NEETs etc.
- rural access

**Priority 5: Improving the skills of the local workforce**

Key challenges:

- Workforce development
  - increase rates of qualifications at Levels 2, 3, and 4
  - step change in workplace learning
  - develop sector skills programmes
  - social partner capacity-building
- Higher education and higher level skills
  - training of researchers and postgraduate studies
  - graduate placements in business
  - entrepreneurship and enterprise
  - employer-led provision
  - access for all.

Key priorities to focus on:

- basic skills and training for those without Level 2
- skills shortages
- management and leadership in business
- higher education

**Memorandum by the Yorkshire and Humber Regional Forum**

1. The Yorkshire and Humber Regional Forum is the strategic organisation for the voluntary and community sector, (VCS), in the Yorkshire and Humber region. The Forum promotes and supports the contribution of the VCS in improving the quality of life for people, and especially those who are disconnected from society and the economy, or who live in disadvantaged communities across Yorkshire and Humber.

2. The Regional Forum has led on Third Sector involvement in the design, management and delivery of the EU Structural Funds programmes in Yorkshire and the Humber from 2000 to the present. This has included in 2000–06 programme period Objective 1 in South Yorkshire, Objective 2 in Yorkshire and the Humber Region and Objective 3 all of which had ESF funded strands. The Regional Forum in the 2007–13 period has a seat on the Regional Monitoring Committee for the ESF programme and is active in the Framework
Development and Technical Assistance sub-groups of that Committee. The Regional Forum has been the lead partner for a mixture of ERDF and ESF Technical Assistance projects for support for the Third Sector although it has not been possible to continue this into the 2007–13 programme period. The Regional Forum is a member of the Third Sector European Network and holds a place on TSEN’s Board. The Regional Forum has been involved in the preparation of TSEN’s submission to the Lord’s inquiry and fully supports that submission. This submission is therefore brief and adds particular emphasis to the areas which are most particularly relevant to our experience in the Yorkshire and Humber Region.

3. QUESTION 3

(a) The Regional Forum is primarily concerned that the design, management and monitoring of ESF is increasingly dominated by the managerial concerns of the main channels of funding: the DWP and LSC.

The results of this domination are:

— The loss of effective strategic partnership at regional level;
— The loss of any input into the design of the programme by NGOs, contrary to Article 11 of the General Regulations;
— The squeezing out of expertise on types of action that are effective in countering exclusion, reaching the hard-to-reach and engaging those furthest from the labour market;
— The effective downgrading of social inclusion action in the planning of activity in contradiction to the stated aims of the programme in the Operational Plan;
— The consequent very low level of social inclusion projects actually taking place;
— A consequent precipitous drop-off in Third Sector involvement in delivery.

(b) Evidence of the effectiveness of the programme is hampered by the paucity of management information that details how barriers to employment are overcome and how far beneficiaries are from the labour market at the outset of their engagement with ESF activity. Monitoring is a function not of activity but of contract management and spend of ESF. The evidence of the efficacy of Third Sector provision both through direct provision and through Community Grants tends to be treated as secondary to the use of ESF to supplement mainstream UK government programmes. This is evidenced through the small amounts of money involved in community grants and the relegation of Third Sector providers to niche or secondary tiers of contracting.

4. QUESTION 6:

The use of ESF as a means to bolster mainstream UK government programmes has two effects. The first is to miss out on the principle of additionality—to undertake activity that would not otherwise have taken place without the contribution of ESF. Second it means that the focus has inevitably been on working with the recently unemployed to keep them in or near to employment. This is an opportunity lost to ensure that those from the labour market have a chance to benefit from opportunities that will inevitably arise as the economy comes out of recession. The consequence of this will be a hardening of inequality in the labour market, in particular affecting those facing multiple disadvantage. We have no confidence that ESF is contributing directly or significantly to bringing excluded people towards the labour market.

7. The structural issue we are seeking to stress is that ESF is now no longer constructed strategically to address issues of inequality and access to employment. Nor is it encouraging providers to work with people at the outset of their journey towards employment. ESF appears to be explicitly focused on the business practices of co-financers. This introduces a distortion from the highest strategic level throughout the fund, and squeezes out the considerable expertise of those working on inclusion.

We thank your Lordships for your attention. We are willing to expand our evidence should you so wish.

2 October 2009
Examination of Witnesses

Witnesses: Mr Mark Yeoman, Deputy Director, Convergence Partnership Office for Cornwall and the Isles of Scilly, and Ms Carolyn Webster, Chair of Inclusion Cornwall—a sub group of the Cornwall Strategic Partnership, and European Programmes Manager for Jobcentre Plus, Convergence Partnership, Cornwall and the Isles of Scilly; Mr Steve Arnott, Head of European Programmes, Government Office for Yorkshire and the Humber; Mr Greg Burke, Chair of Regional Committee; and Mr Shay O’Rourke, Head of ESF, Government Office for the North West (representing Merseyside), examined.

Q150 Chairman: Could I formally welcome you to the meeting. There are a number of you and we only have, as you know, a little over an hour, so when you do come to give your evidence I would be grateful if evidence is not repeated but you may wish to add to it if you have a different view or a different perspective. You have before you a list of interests so that you know the interests of the members. This session is on the record and I think you have to recognise that although there are not a lot of people here it is webcast and people do tune in to webcasts and, therefore, will be interested from another perspective. There will be a transcript at the end of the session which will come to you. We need you to turn that round pretty rapidly in terms of whether or not you have things that you believe are not quite accurate. We move at speed here and would be grateful if you move at speed here and would be grateful for that. I need to apologise that we have not got the full number of members here this morning. This is not because, unlike you, they have not all been able to get here but we have got some sickness amongst members, so I just give the information because I cannot really apologise for that; it is not something we can do anything about, and other people are stuck in different places. I feel rotten saying that because I know where you all come from and, therefore, what a journey you must have had. When you begin you need to state your name for the record. That is so that you are stating that you are who we believe you are, and if you want to make a brief opening statement that will be received but it needs to be brief and not repeating what you are going to be saying in answer to the questions. Could we begin, therefore, by asking you to state your names for the record and where you come from.

Mr O’Rourke: I am Shay O’Rourke from Government Office North West.

Mr Burke: Greg Burke, Government Office North West.

Mr Arnott: Steve Arnott from the Government Office for Yorkshire and the Humber.

Mr Yeoman: Mark Yeoman from the Convergence Partnership Office for Cornwall and the Isles of Scilly.

Ms Webster: Carolyn Webster, Convergence Partnership Office for Cornwall and the Isles of Scilly.

Q151 Chairman: Thank you very much indeed. Can we begin by looking at this issue of the ESF priorities and asking how has your ability to respond to the local needs through ESF changed since the last programming period? We are quite interested in these changes between the programme periods. Do you believe there are or have been elements present in your programmes which offer advantages over the mainstream areas?

Mr Arnott: From my perspective in Yorkshire and the Humber I think the programme in South Yorkshire has been able to respond quite positively, particularly to the changing economic circumstances that we face and certainly different circumstances from the ones that were pertaining when the programme and the regional priorities were being planned. We have been able to respond. I think, positively to that. You are probably aware that in the previous programme South Yorkshire had Objective 1 status, so it received the very highest level of EU support that a region can get. For this programme it became a phasing-in region, which was good news in the sense that it was no longer one of the least developed regions in the EU. However, one of the consequences for South Yorkshire is that the level of resourcing has been reduced, although there has been transitional funding to, if you like, help cushion that reduction in funding, which has helped. If I could perhaps give you a couple of examples of things that we have been able to do in the programme through phasing-in status. The two phasing-in regions in the English programme did have more flexibility in terms of programming and planning than the remaining regions and that was to take account of the fact that they were moving away from Objective 1. For example, in South Yorkshire the previous Objective 1 programme had invested quite heavily in schools in supporting children from 14 onwards, which is unusual for ESF, and we were able with the phasing-in funding to continue supporting that work in schools. It is primarily encouraging the links between schools and businesses and helping children cope with and prepare for the world of work. We have been able to continue to do that through phasing-in funding at least until 2010–11. The second thing I would mention is that the partners in South Yorkshire were very keen to provide more intensive support to people who were most disadvantaged and perhaps furthest away from the labour market. One of the things that had happened during the previous programme was that although unemployment was falling we did not seem to be making the same sorts of reductions among the long-term unemployed and the economically inactive who were not engaged in the labour market, so one of the things we are doing...
in the first half of the programme is funding what we call the Progress Together model, which is a much more holistic approach to supporting the most disadvantaged through a series of measures beginning with outreach work, actually getting out to people and trying to encourage them back into the labour market by providing mentoring and key worker support, both during periods of training before employment and when they are in employment afterwards, and providing a range of other training, advice, guidance and support. The additional money that has been available in South Yorkshire through phasing-in has helped us to do that.

Q152 Chairman: Could I just ask you a supplementary to that, and that is that you may not have seen this but we have had a submission from the Yorkshire and Humber Regional Forum which suggests that they feel they have lost out in terms of being able to take more active roles, and particularly with the NGOs feeling that they are, if you like, being marginalised. What would your response to that be? We are quite prepared to give you a copy of this and ask for your written submission but you may want to comment on it.

Mr Arnott: I saw the submission on the web page and I was surprised about some of it because it seemed to suggest almost that we were ignoring social inclusion as an issue whereas my view is that things like the Progress Together model that I have just described were an attempt to deal with inclusion in a much more holistic and positive way. I think there may be a feeling that because of the way the programme is managed now perhaps some of their constituent members may not be able to access ESF funding in the same way as they may have done in previous years. I would not be able to comment fully on that but I can assure you that the Third Sector is quite engaged in the ESF programme in South Yorkshire, primarily as a sub-contractor to the main providers who are contracted with DWP, Jobcentre Plus and the Learning and Skills Council.

Q153 Chairman: I should say that this is not the only area where we have had this, if you like, complaint that they are finding it more difficult to become part of the mainstream activity, so we were very interested to hear what your response was.

Mr Arnott: Could I just say one other thing? Not just in South Yorkshire but also across the country we do provide small grants, mainly to small Third Sector organisations which would find it difficult to access ESF because of the size of the organisation. We have got something like £1.6 million in South Yorkshire available in the first four years of the programme, and I think that is likely to support several thousand individuals through very small, Third Sector organisations in South Yorkshire doing probably pre-mainstream activity, helping and encouraging people who may be disadvantaged in the labour market to make the first steps towards it.

Q154 Chairman: If you had statistics we would find it quite useful to know how many of the NGOs have been able to access money and whether or not there is a change over time. Thank you very much indeed. It is just that it is something that has come up, not just here but in a number of areas.

Mr Arnott: I am not sure I have actual figures. I am not sure I could provide you with information that said how much money the Third Sector got in the old programme because we did not collect that information in the old programme and we do not collect it at the moment, but I can certainly provide examples—

Q155 Chairman: Whatever you have we would be pleased to have it. Can I move on to the second part of this question, which is, in the light of your respective experiences (and other people may want to comment on this), where do you think the focus of ESF spending should be and where do you think the balance should lie between the provision of higher level skills and lower level skills, again, if you like, reaching the hard-to-reach?

Mr Burke: I think it is absolutely essential that ESF has room for both, that it does need to address both the lower level skills and the higher level skills, but, picking up very much on the Leitch recommendations, it does need to have an emphasis on the lower level skills because this is where there is very strong evidence that market failure happens, so individuals are much less likely to either choose or be able to invest in the skills they need at basic level and level 2, which are the foundations for employability, whereas once you get more to level 3 and level 4 skills the market tends to work much better—the signals are given, individuals pick up the signals, identify that if they invest in that level of training they are likely to get an economic return from it, so although it is important to balance across the skill provision it is really important that ESF focuses on the lower level skills because these are really the absolute basic employability skills that people need to be able to move from being out of work into a long-term employability agenda.

Q156 Chairman: Do you think that is happening though, because we are going to come to the economic downturn? One of the suggestions is that because of the economic downturn and more people
being unemployed, funding is actually now moving up the scale. Is that anyone’s experience?

Mr Yeoman: From a Cornwall and Isles of Scilly perspective I think we would probably have a slightly different emphasis. We are very happy with the splits that we have at the moment between the Welfare to Work agenda and the Workforce Development agenda, if you like. It is about 40 per cent under Welfare to Work and 60 per cent under Workforce Development, and 25 per cent of that 60 per cent is specifically on the higher skills, and that is probably because we have a slightly different economic geography in Cornwall and the Isles of Scilly. We had a lack of higher education facilities until the Objective 1 programme, so we feel very strongly that the ESF agenda should travel across the entire employment and skills agenda, all the way from those who are hardest to reach in terms of getting into work through to the higher skills, because that is what our economy needs. Going back to your original question, we feel that we have had the flexibility and we have been able to use the European Social Fund across that whole pathway of employment and skills, because at the end of the day people who are economically inactive need skills as well as those people who are already in work, and we need to make sure those people coming out of universities and colleges are fit for work as well, so there is a whole range of skills and we are quite happy with the splits that we have at the moment.

Ms Webster: Just to add to that, I think the balance of ESF funding needs to be set in the context of the other resources that are available in the region to tackle employment and skills agenda, so we need to take into account the mainstream and other funded delivery and get ESF to add value to that. It is not going to be the same in each area. In Cornwall and the Isles of Scilly we have a very coherent strategy around tackling worklessness and raising employment rates, ESF is one funding stream that helps us to deliver that. That is why we have got slightly less ESF in the project for Priority 4, overcoming barriers to employment—

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Q157 Chairman: Before we move on, do you think it is the localisation, because you have more of that, I think, in Cornwall and the Isles of Scilly because you are a special status, and that has had an advantage there?

Ms Webster: Absolutely. We have a strong history of partnership working and we have got a number of investment streams that come into Cornwall and the Isles of Scilly. The lesson we have learned from the old programme is that in convergence we needed to join up much more strategically so that we are much more intelligent about all of the resources we have and where ESF fits within those.

Q158 Lord Inglewood: At the risk of stating the obvious, the economic outlook now is rather different than when the programme was drawn up and if I could have a response in respect of each of the three bits of Britain that you represent it would be helpful. What do you think has changed in terms of the challenges that you face in deploying the ESF in your own areas and how have you responded to that challenge? That is the most concise way I can put the question. I would like to hear what you think.

Mr Arnott: I think I alluded to this in my first answer, but clearly when the programme started we were in a position of falling unemployment and there was quite a heavy focus on the most disadvantaged in the labour market and the inactive and so on. Obviously, as economic conditions changed the programme needed to respond, particularly to the increase in unemployment and particularly to the increasing number of people who were either being threatened by redundancy or being made redundant. I think the programme has responded quite well to that challenge. I think the programme itself, in the way it was drawn up, was not absolutely prescriptive, and the range of activities that one was allowed to support (and we could only support what was in the programme) have been drawn, I think, sufficiently to enable us to do that. We also had the benefit that, as you know, the money that comes from Brussels comes in euros and because of the exchange rate the value of the programme in sterling went up by something like 20 per cent in cash terms in the first half of the programme. That sort of flexibility and that additional money meant that we were able to continue providing a focus on the most disadvantaged but we were also able to put in place special measures to respond very quickly to people who were being made redundant or were under threat of redundancy, and we have certainly had particular initiatives in the region to do that.

Q159 Lord Inglewood: I am trying to boil it down to essentials. Is then the proposition that you are explaining to us that because of the change in the exchange rate you have had more cash to spend?

Mr Arnott: Yes.

Q160 Lord Inglewood: And, given that the concerns you are addressing now are wider because of increasing unemployment, you have used the financial windfall from the exchange rate to push things in favour of those who are threatened with redundancy, and have you still left the same amount of money going towards the long-term and most
difficult propositions, or have you, in fact, cut back on that?

Mr Arnott: One of the consequences of the recession and the downturn is that there has been more pressure from unemployed people and recently unemployed people, in a sense more people looking for support through the ESF, and, looking at our statistics for South Yorkshire in terms of the participants we are helping, I think the one area where we are supporting fewer people proportionately than we were expecting to at the start is in terms of the economically inactive. In terms of other disadvantaged groups like disabled people, ethnic minorities, older workers, the figures have held up quite well, but the figures we have at the moment are only just starting to feed through so I would like to see them over a slightly longer period. The economic circumstances have certainly meant that there were more unemployed people and people becoming unemployed who were probably looking for ESF support than we might have anticipated when the programme started. The extra money that we got through the exchange rate changes has helped us to support that client group but also to try and maintain the focus on those that are a long way from the labour market.

Q161 Lord Inglewood: Is that the experience of those of you from other parts of the UK?

Mr O’Rourke: I would very much echo what my colleague says but I would add one more thing, and this particularly came to the fore in the North West. I am sure you know that we have a high academic concentration around Greater Manchester, graduates, and it became pretty apparent fairly quickly that the graduates were also finding extreme difficulty in finding work. What we have been able to do with additional funding is get together—

Q162 Lord Inglewood: Is that the additional funding because of the exchange rate or is this other money?

Mr O’Rourke: This is in addition to that. This is what is known as the innovation transnational and mainstreaming programme. What we have been able to do through that funding is get together a consortium of eight higher education institutions in the North West, one of which is in Liverpool but it does cover the whole of the region, to give specific support to unemployed graduates. Again, one thing that I think became fairly clear as well was that as graduates were finding it difficult to get jobs they were moving into lower level jobs and by definition they were then blocking those lower level jobs from the less academically qualified, so what we are hoping to try and do, albeit in a small way, is try and free that up a little bit.

Q163 Chairman: Could I just ask for clarification? One of the issues we are interested in is where our government funding comes in as part of this as against the European Social Fund, and I am just not clear as to whether that is European social funding or a combination of government and ESF funding or government funding.

Mr O’Rourke: No; it is the ESF money but it is specifically identified for innovation projects.

Q164 Chairman: And that ring-fencing priority has been set by our own central Government or by your region?

Mr O’Rourke: No; this is the national ESF programme.

Q165 Chairman: That is interesting in itself; thank you. Can I just ask one other thing? Do any of you have a view about the fact that it took 14 months for the money to be allocated, from it becoming clear it was available to getting it to the “front line”? Did it feel that there was a gap or did you feel you got the money to fit your programmes in good time?

Mr Yeoman: From the Cornwall and Isles of Scilly’s perspective I am not sure the 14 months is entirely right but with all European programmes it always takes a while to get it sorted out and it just comes with the territory, really.

Q166 Chairman: So you have got used to it?

Mr Yeoman: Yes, and you make the best of what you have got.

Q167 Chairman: You have got used to the inefficiency?

Mr Yeoman: I am not saying it is inefficiency. It is just the way the game is played and you play to that environment. Just to go back to the previous question, if we could, from a Cornwall and Isles of Scilly perspective, what I would do is concur with what my colleagues have said, that the exchange rate variations have been very helpful in terms of being able to respond to the changing economic and financial climate, but also from a Cornwall and Isles of Scilly perspective we have been very fortunate in having this strategic approach that Carolyn alluded to earlier, because it has meant that when new initiatives come on stream, whether it is due to exchange rate variations in the case of the European Social Fund or central government initiatives, because we know what the landscape looks like in terms of provision for the economically inactive we know what the needs are and we can help use the new

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initiatives to hit need rather than, as sometimes may happen, just provide duplicative support. Carolyn can probably give you a little bit of hard evidence if you would like that in terms of performance.

Chairman: We would love to receive written information of hard evidence. At least you are well prepared to respond quickly when the money does arrive.

Q168 Lord Inglewood: Do you have trouble with matching funding, given that you have got more euros coming along?
Mr Yeoman: Not for the European Social Fund because it is through co-financed activity.

Q169 Lord Inglewood: But you are not finding trouble down the line from the fact that more sterling is available?
Mr Yeoman: No. If we were talking about the European Regional Development Fund my answer might be different, but for the sake of this set of discussions we have not had that problem.

Q170 Baroness Young of Hornsey: We have got the European Commission consultation paper on the Jobs and Growth Strategy, which aspires to achieve “a new sustainable social market economy, a smarter, greener economy”, the knowledge economy, and so on, and we have become over-familiar perhaps with some of those terms, but do you think that is the right aspiration and the right objective and achievable objective in each of your respective regions? Could you also say a bit about how you would see the ESF supporting the development of those green skills, particularly in those cases where you have got a low level of skills? We touched on this earlier on. I have another question which relates to that but if you would start with those two that would be helpful.

Mr Burke: I think the first part of your question is a policy question to raise with the DWP Minister when he comes to give evidence, but, in terms of what we have done at a regional level, we have recently redrafted our regional framework for ESF and we have very much put green jobs at the centre of what we are looking to develop and take forward in the next phase of the programme. In terms of our own implementation, we absolutely see green jobs as being very much a key part of our development, and, although it is not in the actual Merseyside area, we do have a specific project that we are supporting called Green Ways to Work, which is developing this whole idea of green jobs as being a key part of the strategy, so we will very much pick that up in the development of the next phase of our work.

Q171 Baroness Young of Hornsey: You have got the pool of labour within your region. How long do you think it will take to get up to speed on that? Are we talking about long-term or long, long-term, or what?
Mr Burke: I think we are seeing this as being a potential growth area of employment both for people who are long-term unemployed and people who are nearer the job market. We have got strategies to bring green jobs in for both groups; it is just that the timescale is different depending on the group we are working with. One of the interesting aspects is the Social Cohesion and Connecting Communities agenda which can be achieved through some of this investment. It is about helping people to work and develop skills on properties that they then might live in or that they are living in so it becomes not just a job and skill development programme but part of making the communities and houses that they live in better places as well. One of the things we are looking at is developing programmes around how we make communities work better so people are developing skills but also it is improving the environment they live in through this green agenda. That is very much starting but it is quite an exciting area of work that is kicking off.

Mr Arnott: I think it is a similar story in South Yorkshire as well. Like colleagues in the North West have said, we have got an innovation project looking at green skills and how the curriculum and courses and so on can be adapted to pick up on green skills. We are talking to the Dearne Valley College in South Yorkshire. Dearne Valley is a former coalfield community which I think aspires to be the lowest carbon community in England as part of its own strategy. We are talking to them about similar ways in which we might be able to develop and integrate green skills more effectively into the broader agenda. One of the areas where I have picked up potential for better skills training around green issues is in the construction industry, particularly in installation issues, where increasingly equipment is being installed in domestic and commercial properties which have green issues, like solar heating and water storage and retention systems and so on, and I know the LSC in Yorkshire at the moment is commissioning research to see how we can develop specific skills modules that can be built into training to give people who might have general construction skills an edge in terms of future employment. It is something that we are all going to have to work at. We know that there will be in the longer term probably tremendous job opportunities around the green agenda, and we have obviously got to try and plan and prepare to take those opportunities as they come along.

Mr Yeoman: From a Cornwall and Isles of Scilly perspective in terms of policy argument, yes, is the simple answer, and I know Cornwall Council are
particularly keen on the vision that has been articulated through the consultation on the EU 2020 strategy. In terms of is there a role for ESF, I think there is probably more of a role for ESF than there has ever been because we are moving away from a linear education/employment/retirement type of life to one that is much more about training and retraining, and there are horrible terms like “portfolio career” and things like that, but I think that sense of iteration through one’s working life and the need for new skills, both from an employer’s point of view and an employee’s point of view, is going to be really important. In terms of looking at the strands that are built into the EU 2020 consultation, I think the knowledge based economy is really important and what that means, and there needs to be a whole strand of skills around that, also around IT. We are looking at, I think, another quantum leap in terms of infrastructure for IT, if you look at the broadband strategy for the UK. I suspect that the digital economy will take another leap along with that infrastructure. As far as the green economy is concerned, I think it is important to look at the skills needs for a green economy, not simply green skills. Just to try and unpick that a little bit, in Cornwall and the Isles of Scilly we have a number of really important embedded sectors for employment, particularly around agriculture and food processing and tourism, and all of those traditional industries need to become greener and that is about doing what you are doing now but doing it in a slightly different way. Even if you look at some of the very high-profile activities in the City, things like trading, carbon trading is going to be really important and that is probably just about re-engineering those trading skills that already exist in the City of London; as well as looking at those new technologies that will come along with low carbon technologies and renewable energy. I think it is important to look at the skills needs from that point of view, as a green economy, and not green skills per se, because otherwise we will not play the game properly; we will end up silo-ing green over in the corner somewhere and not putting it across the whole of the economy. If the low carbon agenda is real it must be pushed across all parts of the economy, the existing parts of the economy that we want to keep as well as those new areas, and, as with colleagues, we are already starting to look at the second half of the European Social Fund for the present round to make it more integrated with what is going on in the European Regional Development Fund investments, through ERDF Convergence, as well as the needs of the existing economy.

Q172 Baroness Henig: I am sure you are all familiar with the suggestion that richer Member States such as the UK should not receive European Social Fund funding in the future. Obviously, I might guess at your response to that, but I am interested to hear it formally. Can you say what the ESF offers that cannot be delivered through domestic programmes? Also, how effective do you think the transition process has been for your sub-regions and what lessons does your experience offer for areas if funding does decline steeply in the future?

Mr Arnott: On the question of whether money will shift to the poorer Member States, I guess that probably will be a political decision at the end of the day but it has happened in this current programme. The fact that we have got ten accession countries with low levels of GDP and so on has inevitably meant that money has shifted away from the UK, and the ESF programme, not in South Yorkshire in the first half because of transitional funding, has been cut by about a half compared to the previous programme. I personally think that the structural funds should focus on the least developed in the main and on those who are hardest to help, so I would support that general proposition.

Q173 Lord Inglewood: Do you think the UK should drop out? That is the crucial question.

Mr Arnott: I do not really think that is for me to answer, to be truthful, but we are having to adapt to some extent in the current round because of changes and we will no doubt continue to have to adapt in the light of future changes. What I would say is that ESF has to be additional. It is absolutely clear in the regulations that it must not be used as a substitute for domestic funding, so it has to be additional, but then I think there is a choice about what you do with that additionality. You can do several things. You can just buy more of the same, I suppose, is one way forward, or you can do things that are slightly different or add value to what is already there. I think in South Yorkshire we are doing probably more of the latter than the former, so, for example, with a lot of the employment programmes we are using ESF to enable people to start on those programmes more quickly than they would be able to do under the normal rules. We are also, through adult training and Train to Gain, trying to support activities that are not possible under the main Train to Gain rules. We are buying additional provision with ESF but a lot of it is to support people more quickly or to support people who would not normally get support through ESF, so I do think it adds value in that way. If I could make one final point about our experience with the money. Clearly the transitional money that we have received in South Yorkshire as a phasing-in region has been tremendously helpful. If you look at the level of ESF funding that the sub-region received under Objective 1, if we had gone back to the general level for England it would have been an extremely sharp drop and I
think it would have caused difficulties in the marketplace and in the provider network and so on. The only comment I would make is that I still think that the funding profile for the transitional money that we are getting is quite steep. It comes to an end next year and it would have been preferable, I think, to have had a slightly more gradual decline in funding, but we have to live with the funding profiles that come from Europe.

Q174 Baroness Henig: I wonder if there is a different view from Cornwall.
Mr Yeoman: I would take a slightly different approach. Firstly, we will be looking in great detail at the spending profiles of the transitional areas in the present set of programmes because Cornwall and the Isles of Scilly will almost certainly be in a similar position next time round and we would like to learn the lessons that we can from this. In terms of the bigger question, Steve is entirely right, that will end up being a political issue, but I would personally like to make a number of observations on the value of cohesion policy because I think that it really does set out the test from a local UK perspective of whether cohesion policy and structural funds should be concentrated just on the poorer Member States. That is really the big question that you are asking, and Steve, quite rightly, just batted that away into the long grass and said that would be a political issue. Personally, I think you have to stand slightly back and say, “What are the gains of cohesion policy?”.
Cohesion policy is a big meta-European policy agenda which at the moment has great value from a European perspective applying across the entire European Union, so everybody is treated in an equal way. If you are a lagging region in a relatively well developed Member State, like Cornwall and the Isles of Scilly and Yorkshire and Humber and Merseyside have been in the past, you are treated to that European perspective and that does provide a commonality of interest and a way of tackling economic regeneration that goes beyond your immediate area, which I think is terribly important. There are then two other big picture items in cohesion policy that are really valuable to learn the lessons of. The first one is that cohesion policy has always been built on two complementary but different strands of intervention, recognising that you need those two different strands of intervention working together. One is based on people and giving people opportunity, the equity-type activities that the European Social Fund invests in, and then there is the need for more competitive business, which is what the European Regional Development Fund invests in. At a local level from a Cornwall and Isles of Scilly perspective, the fact that we have been able to integrate those two different but complementary strands of investment together over two programme periods has been very valuable, because you are looking at equity issues and business competitiveness issues together, and, to be honest, in any economic regeneration activity it will only work if you look at both of those two things together. Somebody once said to me, “What if we build a factory and nobody comes?”. You can build the buildings but if you have not got the businesses with the right levels of support and, if necessary, things like equity investment or other investments going into those businesses or those businesses do not have access to the right skills in their workforce or, if they are expanding, people entering the labour market to become part of that workforce, then it will not work. Equally, if you are training people with the most up-to-date skills that are market relevant but you have not got the businesses which need them because you are not growing the businesses, then you will not get economic regeneration either. Personally, I think cohesion policy, recognising that you need those two big complementary but separate sets of intervention, is really valuable. The next bit, just as a checklist, is what else do structural funds—the European Social Fund and the European Regional Development Fund as they are at the moment—actually give you as an area? They give you an agreed multi-annual budget, which is incredibly powerful. You know what you are going to do for seven years, which gives a sense of purpose to economic regeneration, and as those investments roll out it gives a sense of confidence to an economy and that is what you are really buying at the end of the day. It also acts as a magnet for domestic funding and for cohesion around the private sector in terms of investment. Also, the way the governance works is quite remarkable. If you look at the Programme Monitoring Committee for Convergence in Cornwall and the Isles of Scilly, around the same table in a room not a dissimilar size to this you have the Chief Executive of the Regional Development Agency, you have people from CLG, from BIS and from DWP, you have the Chief Executive of Cornwall Council, you have the leadership and portfolio holders from Cornwall Council, you have social and economic partners, including the TUC and the voluntary community sector, you have representatives from the Commission and you have representatives from the environmental sector, all talking about one thing and that is the economic regeneration of Cornwall and the Isles of Scilly. Just bringing that power together to concentrate on one single area makes sense at a community level, because Cornwall and the Isles of Scilly does have a sense of place, as many of you will realise. All of those things I personally think are tests. If you want to re-nationalise structural funds, and

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Chairman: We may want to pursue some of those issues, and Lord Kirkwood particularly is going to talk about the future alignment of the European Regional Development Fund and may want to pick up some of the points you have made, but we may also want to come back to this issue about what happens if the fund ends because I think some of the things that you have just illustrated highlight some of the other anxieties that have been raised, which are whether these regional models, which you have just described and which seem to function as local models will continue if the separate funding is not still available, and how we sustain those.

Q175 Lord Kirkwood of Kirkhope: Absolutely; that is a very powerful argument. It resonated with me because in a former existence I had a rural consistency where I saw some of those. We had Objective 2 in south east Scotland, and I recognise some of your points are very powerful—bringing people together is very powerful. I really want to ask you a question about the alignment of ERDF and ESF because even in my own experience I could see that there always are going to be tensions about the competitiveness agenda and the investing in people side of things. We, as a Committee, chose to do this report because I think we are at break point in the second half of the ESF. I think the whole European budget going forward post-2013 could be potentially completely recast, so we could have an opportunity that does not come very often in terms of reconfiguring things. We have got a lot of experience as a Committee now from the Lisbon agenda, which is morphing into the 2020 agenda, and that is an important part of the debate too, and we have got experience of how the programmes have gone. Speaking for myself, just in parenthesis, I think there is a bit of evidence that the Government has grabbed all of this and some of the niche players in the localities are beginning to lose out and that is something that we are looking at, but if there was one thing that you could change from each of your perspectives about how the ESF works with the ERDF concept and you could do anything you liked but you had only got one wish, how would you change things post-2013 if you had the power in order to make those two strands better aligned in future?

Mr Yeoman: By hook or by crook or by regulation I would personally make it a condition that each Member State brought those two strands together and considered cohesion policy as a whole. Implementation is divided even at the European level into ERDF through DG Regio and ESF through DG Employment, and then if you look at the UK model ESF comes through DWP and then it goes through co-financing. If you look at ERDF it goes through CLG and BIS plays a part and then it goes down to the RDAs as intermediate bodies, and it is only at the bottom (and I do not use that in a pejorative sense) in terms of Cornwall and the Isles of Scilly, the bottom left-hand corner of the UK, that we start to join it up again. What I would like to see is the Government, the Member State, try to understand those complementary but different interventions in the economy in a more joined-up way.

Q176 Lord Kirkwood of Kirkhope: Have you got a problem with subsidiarity about that potentially if the centre is telling—

Mr Yeoman: No. All I am asking is that they discuss it.

Q177 Lord Inglewood: Does this happen with other Member States in the same way as it does here?

Mr Yeoman: I do not know, to be honest. All I am saying is that from my perspective of working across two and a half programmes now the policy is right, the strategy is right, cohesion policy seems to make a lot of sense to me, as I have tried to illustrate to the Committee this morning, and maybe I am a born-again cohesion policy believer and to a certain extent I am a little bit too enthusiastic, but in terms of the two strands, which I think are terribly important, why not join it up at the government level as well?

Q178 Lord Kirkwood of Kirkhope: That is a good answer.

Mr Yeoman: Thank you.

Mr Arnott: I think there is plenty of evidence of it being joined up at a local level.

Mr Yeoman: At a local level, yes.

Mr Arnott: The description of how a monitoring committee works is replicated with every programme. I think the mechanisms are there now to achieve effective integration between the two programmes. At a practical level, one of the issues that I always feel with ESF and ERDF is that the interventions that ESF can make to support the harder infrastructure investments that ERDF make tend to come later in the programme and the funding profile is the same for both programmes. Looking at our own ERDF programme in South Yorkshire, I think there will be many more opportunities to get better linkages between what ESF does on the back of what ERDF has done in the second half of the programme when the ERDF investments start to come through than has probably been the case so far.

Q179 Lord Kirkwood of Kirkhope: It is only a timing issue you are concerned about?

Mr Arnott: There is a timing issue about it, certainly.
Q180 Lord Kirkwood of Kirkhope: That is all you are concerned about?  
Mr Burke: Building on that point, for me the issue is about how we make it join up at the local level. I think there is a lot of benefit in having ESF linked to employment training programmes at a national level because then we can pool together a whole package of support that really can work on the ground, and if you disentangle that then that is quite difficult to do, but I do not think at the local level we make the links as well as we could. When we are doing ERDF activity we are not always thinking early enough how does ESF activity, or other activities—it might not just be ESF but other mainstream activity—support the people development that might go along with that ERDF, which is very important. What tends to happen is that the ERDF projects go along and have a life of their own and then the ESF stuff is always a bit catch-up, so I think there needs to be more joining up at the conception stage to say, “Okay, what is the timescale for these things? How do we need to make sure that when this infrastructure is in place we have done the necessary development for people using potentially ESF funding so those two things come together?” I think often that does not quite happen, but I do not think it is the systems that stop it happening: I think it just needs to be more joined up at a local level.

Q181 Lord Kirkwood of Kirkhope: And that needs to be written in ab initio at the programme level, the European level post-2013, when, whatever the successful regime is, that needs to be embedded in at the highest strategic level?  
Mr Burke: I think it does, but not in a restrictive way.

Q182 Lord Kirkwood of Kirkhope: No, not in a prescriptive way.  
Mr Burke: No, but setting out that framework in expectation of how the model should operate at the local level and then enabling people locally to make that happen.

Lord Kirkwood of Kirkhope: Just as a codicil to that, if you look at what is happening to some of what are now called the peripheral European States in terms of the structural budget deficits, it is not just accession States that you are going to have to deal with in terms of cohesion, it is Spain, Ireland and Greece, and the next five or ten years are going to be horrendously difficult for them. We have had a windfall exchange rate bonus and I think people in Spain, who you may have noticed are in the Presidency now, may notice this and it may be quite hard for the UK to get away with that kind of benefit in the future. I think it is going to be very difficult, but that is very helpful evidence, thank you.

Chairman: We have touched on additionality and Baroness Young is going to pursue additionality.

Q183 Baroness Young of Hornsey: Yes, just a little. I think it is one of those deceptively easy-looking questions: “To what extent are ESF projects genuinely additional in your experience?” It sounds easy. I would like particularly, Mr Yeoman, if you could say something in addition to the remarks you made in your submission about what might happen in the future in terms of the need to continue monitoring and perhaps up the monitoring in the future.

Mr Yeoman: Yes, what I was alluding to in my evidence, and perhaps I did not make it clear enough, was that, particularly on the Welfare to Work and Response to Redundancy agendas, because there have been (and quite rightly so) a lot of central government initiatives to tackle the economic and financial downturn, and because ESF, as has been explained a number of times this morning, has to be additional, we have at a local level had to look at what the ESF provision is that we have contracted for and make sure that it still really is truly additional, and that becomes an ongoing and difficult process. It is slightly complicated by the fact that sometimes the policy at a UK level or at an England level is entirely right, but it does need to be nuanced and understood at the local level. I will ask Carolyn to give you some examples in terms of jobseeker’s allowance differences across the South West, but what I want to illustrate with those numbers is that the labour market conditions, say, in the far south west of Cornwall and the Isles of Scilly, is very different from other places such as Swindon in the South West. The policy may be right, but it does not mean that it must roll out in a uniform way across the whole of the South West or the whole of the UK. We must get to a position, both in terms of large-scale ESF roll-out and in terms of mainstream roll-out, where the procurement does not dictate what the policy looks like at a local level because it will mean that you will get the application of initiatives that do not make sense at a local level, and that just complicates things from the European Social Fund point of view because you must always be looking for that additionality. As colleagues have illustrated this morning, quite often ESF allows you greater flexibility. It allows you to pilot new ways of doing things; it drives innovation, and let us exploit that while we have the opportunity and push that as far as we can so we can learn for the mainstream, but not let the mainstream cut us off at the knees, as it were. Perhaps Carolyn could illustrate that point for me.

Ms Webster: The economic downturn has had a different impact in Cornwall and the Isles of Scilly than it has elsewhere, even in the South West. If you
look back to jobseeker’s allowance rates in January 2000 in Cornwall when we had a rate of 4.3 per cent and in September 2009 it was 2.6 per cent, and you look at somewhere like Swindon, which in January 2000 had a rate of two per cent and now has a rate of five per cent, you can see that there are differences there and the response we need in Cornwall and the Isles of Scilly is not the same as the response they need in Swindon. There were a number of very helpful new mainstream initiatives that came out from central Government, many of which we were already delivering through ESF in Cornwall and the Isles of Scilly because we have this joined-up approach, so it is about looking at those new offers and asking how do we flex our ESF delivery around that and how do we work with our providers to say there is a group of customers there that can now be dealt with through the mainstream so that you can focus on another set of customers, and it is about continually trying to balance that overall need for the people in Cornwall and the Isles of Scilly.

Q184 Baroness Young of Hornsey: But is it the case that the more flexibility there is with the ESF funding and the more complex the funding streams become the more difficult it then is to separate out what the additional impact of the ESF funding is?

Ms Webster: It is not as long as you are clear about what you have got and what difference a new programme makes and how you can then adjust the total resources that you have in order to deliver on the agenda that you need to deliver on.

Q185 Chairman: Does anyone else want to say anything about that?

Mr Burke: I was just going to pick up on the co-financing point. The co-financing of DWP and the LSC does make it a lot easier to identify explicitly the additionality over the mainstream programmes under the previous model where it was harder to see very clearly what would be there without the additional ESF funding. That model does make it easier to identify.

Mr Arnott: I endorse that point, that the additionality is very clear with co-financing because the two main co-financing organisations do tend to tender and procure the additional ESF separately but, regarding your earlier point, I think that, particularly where that additionality is being used to enhance programmes rather than provide something completely different, it does make the impact a bit more difficult to measure. Going back to my first example of a sort of integrated programme in South Yorkshire for the people who are most disadvantaged, those individuals might go through four or five different providers in a lifetime of that programme but there will only ever be one job in terms of an outcome, so it does sometimes make the impact a bit more difficult to extract from that.

Q186 Chairman: That does lead into the final and very important question, which is that even if you have got additionality how do you know it is effective? How do you know that what you are doing is adding value and outcome against measurement? We know that there has been a paucity of that kind of statistical information and we just wondered if any of you could help us in looking at effectiveness.

Mr Burke: I think it is important to look at the different ways that we might measure this. As Mr Arnott has just mentioned, there is management information around outcomes, so people you have got into jobs or whatever is supposed to be the success measure of that particular programme, but it is also important to look at the longitudinal research, which is probably the most effective way of measuring impact, so looking at individuals over quite a long period of time and what has happened to them, because for many of these programmes we are not just about getting people into a job; we are about moving them from disengagement to engagement and being successful in the labour market and moving through some upskilling and going on to move out of poverty, so it is quite a long-term strategy for individuals. The only real way of measuring that is to look at a longitudinal survey, which DWP are doing around ESF, and that is probably the best way.

Q187 Baroness Young of Hornsey: What period of time would that longitudinal study cover?

Mr Burke: I do not have the dates, but it is—

Q188 Baroness Young of Hornsey: Will it be over a year?

Mr Burke: Yes. It is the full programme.

Q189 Baroness Young of Hornsey: So over the lifetime of the programme?

Mr Arnott: Yes. It will take quite a big selection, I think, because I think it will produce data at a regional as well as national level, but it will follow a sample of participants over the lifetime of the programme. I do not think we are going to get the first set of information until about the spring of 2011, but it will be an interesting piece of work when that comes out and that will follow up those individuals over a longer period.

Mr Burke: We also probably need to look a little bit more at some of the ways we might measure progression. At the moment we are very much focused on measuring job outcomes as being important or formal qualifications, and for some people who are very far from the labour market those steps that they need to take may be more difficult to
quantify. At the moment we do not necessarily have quite the measures in place to measure the steps as opposed to the whole journey. Sometimes the ESF intervention has significantly helped them to make some very important steps but maybe has not quite helped them to make that big leap into the job or into the formal qualification, although that does not mean that it has not been valuable and is not essential to getting them to the next stage, but at the moment those mechanisms are not there in all programmes to measure.

Q190 Lord Kirkwood of Kirkhope: Hang on; let me ask you the question another way, and this has to be an instinctive, anecdotal response, I guess. If somebody at the beginning of the seven-year programme had just given you respectively a chunk of money, no strings attached, in your own areas; you have got to spend this, there has got to be an audit trail, you cannot put it all on a horse or anything like that, over a seven-year period could you have done more in your own regions with the £X million that you had to dispense through the ESF? I know Mr Yeoman’s answer because he is a committed holy warrior for cohesion and maybe that is right, but there are a lot of other people who think they would rather take the money than have an ESF fund. Very briefly, could you have used the money more effectively if you had been left entirely to your own devices?

Mr Burke: It is an interesting question. I think our sense is that the way in which we have delivered the ESF programme within our region has not particularly restricted things that we would have done differently, if that makes sense. The parameters of the priorities and the way in which we have to address things in the North West, and this may be a North West issue and not a national issue, are the priorities that we want to work with and want to address. It is enabling us to do things we feel we need to do, and even in the light of the recession we reviewed what were our priorities and were those priorities still true, and, interestingly, they still held true because they were sufficiently broad and the overall population had not changed that much, so the issues were still the same.

Q191 Chairman: Lord Kirkwood asked an important question but I want to move you back to where we were because it is a very important issue that we have had throughout our evidence, which concerns hard and soft evidence issues about the effectiveness. We have visited projects and on those visits met individuals who were having their confidence built or learning anger management or all the other programmes that help people to manage themselves and develop in relation to being able to work in the workplace. The difficulty is not having the hard evidence that often counts in some places and we would be very interested to know when any of this other longitudinal evidence would be available or whether there is any indicative evidence you could let us have.

Ms Webster: I think the longitudinal study is really important and we do have lots and lots of case studies of individuals which are very inspirational, but in terms of hard evidence, from the Jobcentre Plus/DWP co-financing in Cornwall and the Isles of Scilly, at the moment three people every day are going into work as a direct result of the European Social Fund programmes—and that is into work with ongoing training and development because that is something that we insisted on in our ESF delivery to add value, and it is also from a programme that is targeted at the hardest to help people. Looking at our co-financing plan as a whole, which includes our mainstream provision, 50 per cent of the participants are on ESF programmes but 85 per cent of people going into work are from ESF programmes.

Q192 Chairman: Those sorts of illustrations we would find extremely useful in terms of our report. Mr Yeoman: At the other end of the scale, going back to your original question: are we happy about the balance between Welfare to Work and higher skills, we have a graduate placement project in Cornwall and the Isles of Scilly. To give you a little bit of background, at the beginning of Objective 1 when it started we knew we had a lot of graduates in the workforce and we knew we had a lot of businesses. We also knew that a lot of the small businesses had no history of taking graduates into the workforce, and so we have a graduate placement scheme. What we monitor in terms of the participant activity in that scheme, and it might be of interest to the Committee, is the outcome for the business of the year’s graduate placement in terms of increase in turnover because the placements are geared at specific sets of activity so you can measure the impact on the business. We also monitor the percentage of graduates that are retained in the business and whether the companies give them a pay increase after the subsidy that comes out of the European Social Fund. We can provide that evidence and on average it is something around an increase in turnover for the business of about £140,000 a year.

Q193 Chairman: This is just the sort of evidence we want.

Mr Yeoman: Seventy per cent of the graduates are retained and about 70 per cent of them get a pay increase as well, so not only does the business pick up the subsidy element; it pays those graduates more on
top of that. In terms of impact on the individual and on the business, we can provide you with that sort of evidence.

Chairman: That is what we want, to see if there is additionality and if that additionality has an outcome. That outcome is not always just in straight numbers but in effects on people’s lives. That would be really helpful. I am afraid we really have not only come to the end of our time; we have rather overrun our time because we have some more work this Committee has to do this morning, but could I thank you all very much indeed. It has not only been a wonderful effort by all of you to get here but also I think we have found it an extraordinarily useful morning’s evidence, so thank you for taking the time. There might be other things you want to say. If you do have other information that you think we have not yet received, do not hesitate to send it in to us. We read an awful lot of material as well as hearing it. Thank you very much.

Supplementary memorandum by the Convergence Partnership Office for Cornwall and the Isles of Scilly

INTRODUCTION

1. This supplementary evidence follows the oral evidence session on 7 January 2010 and provides: examples of the results and impacts of the use of ESF in Cornwall and the Isles of Scilly; an overview of the involvement of the voluntary and community sector in the implementation of JCP/DWP ESF Convergence co-financing; and an overview of Cornwall Works—the strategy for all welfare to work activity across Cornwall and the Isles of Scilly.

EXAMPLES OF THE RESULTS AND IMPACTS OF THE USE OF ESF CONVERGENCE IN CORNWALL AND THE ISLES OF SCILLY

(a) JCP/DWP Co-financing

2. The Jobcentre Plus/DWP ESF Convergence programmes of activity deliver for Priority 4—Overcoming Barriers to Employment. They are targeted at people who are most disadvantaged in the labour market, with a minimum of 65% of participants coming from disadvantaged/hard to reach groups. In order to ensure the best possible chance of retention and progression in the workplace, providers must ensure that participants move into jobs with ongoing training and/or personal development.

HEADLINE CONVERGENCE ESF PERFORMANCE TO DATE (DECEMBER 2009)

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant Starts</td>
<td>4,161</td>
<td>4,397</td>
</tr>
<tr>
<td>Leavers into Work</td>
<td>1,155</td>
<td>1,239</td>
</tr>
</tbody>
</table>

— 40% of participants were economically inactive when engaged onto the programme. The overall target for Priority 4 is 34%.

— In the most recently published Priority 4 co-financing organisation data for the Programme Monitoring Committee (August 2009), 50% of the JCP/DWP participant starts were starts on ESF Convergence programmes. 85% of leavers into work were leavers from ESF Convergence programmes.

— In the calendar year from January–December 2009, an average of 93 people left DWP ESF Convergence provision to go into work with training each month, that is more than three people every day of the year.

[NB—This Jobcentre Plus local performance information is drawn from information based on provider returns. It is real time data and therefore runs ahead of the validated Management Information that is fed into ESF Division from the DWP national database.]
(b) **Unlocking Cornish Potential (graduate placement)**

3. In its first five years Unlocking Cornish Potential (UCP):

   — placed 234 graduates with 149 Cornish Businesses;

   — 59% of the businesses reported an increase in turnover—with an average of over £128k in the first 12 months of employing the graduate;

   — 70% of UCP graduates were offered a full time job with their host business after completing their projects;

   — Over 50% of the graduates were originally from Cornwall.

**Involvement of the Voluntary and Community Sector in Implementation of JCP/DWP Co-financing in ESF Convergence**

4. The following provides a breakdown of the delivery of the ESF Convergence JCP/DWP programmes by the voluntary and community sector, with a brief description of the activity.

<table>
<thead>
<tr>
<th>Programme and Prime Provider</th>
<th>Total no of sub-contractors</th>
<th>% VCS</th>
<th>Name of VCS provider</th>
<th>Description of Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cornwall Works Plus</td>
<td>15</td>
<td>73%</td>
<td>Penwith Community Development Trust</td>
<td>Full end to end delivery in West Penwith and the Isles of Scilly</td>
</tr>
<tr>
<td><strong>Working Links</strong></td>
<td></td>
<td></td>
<td>Cornwall Neighbourhoods for Change</td>
<td>Full end to end delivery in Falmouth, Truro and Newquay</td>
</tr>
<tr>
<td>£10.9 million Convergence ESF invested</td>
<td></td>
<td></td>
<td>Volunteer Cornwall Groundwork Trust</td>
<td>Activities to inspire and engage people to join the programme through environmental activity in east Cornwall</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>British Trust for Conservation Volunteers</td>
<td>Activities to inspire and engage people to join the programme through environmental activity in west Cornwall</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Shelter Pentreath Groundwork Trust</td>
<td>Specialist advice and support to overcome housing issues where these are a barrier to progression towards/into work</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Cornwall Citizens Advice Bureaux Groundwork Trust</td>
<td>Specialist advice, support and activities for people where mental ill health is a barrier to progression towards/into work</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Groundwork Trust</td>
<td>Specialist advice, support and money management for people where debt and lack of financial literacy is a barrier to progression towards/into work</td>
</tr>
<tr>
<td>Programme and Prime Provider</td>
<td>Total no of sub-contractors</td>
<td>% VCS</td>
<td>Name of VCS provider</td>
<td>Description of Activity</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-----------------------------</td>
<td>-------</td>
<td>----------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>Cornwall Alcohol and Drugs Action</td>
<td>7</td>
<td>86%</td>
<td>Fifteen Cornwall</td>
<td>An inspirational programme to train and develop chefs of the future</td>
</tr>
<tr>
<td>Cornwall Works for Social Enterprise</td>
<td>7</td>
<td>86%</td>
<td>The Eden Project</td>
<td>Motivation and confidence building, work experience and training in a range of occupations on site</td>
</tr>
<tr>
<td>Cornwall Council</td>
<td>7</td>
<td>86%</td>
<td>Real Ideas Organisation</td>
<td>Personal and skills development, work experience and business start up support within the arts-based industries sector</td>
</tr>
<tr>
<td>Cornish Council</td>
<td>7</td>
<td>86%</td>
<td>ReZolve Kernow</td>
<td>Training and work experience in a broad range of occupations within environmentally based social enterprises</td>
</tr>
<tr>
<td>Cornwall Citizens Advice Bureaux</td>
<td>7</td>
<td>86%</td>
<td>Cornwall People First</td>
<td>Through the in depth CAB training programme, developing people to become specialist advisers as a route into work and to provide additional support to other participants across the CWSE programme</td>
</tr>
<tr>
<td>Cornwall Works for Learning Disabilities</td>
<td>4</td>
<td>100%</td>
<td>Pentreath</td>
<td>Work placements, training and development for people experiencing mental ill health within media related social enterprises</td>
</tr>
<tr>
<td>Cornwall</td>
<td>4</td>
<td>100%</td>
<td>Cornwall People First</td>
<td>Engagement, assessment and personalised action planning for people with learning disabilities</td>
</tr>
</tbody>
</table>
### Programme and Prime Provider | Total no of sub-contractors | % VCS | Name of VCS provider | Description of Activity
--- | --- | --- | --- | ---
Cornwall Council | Brandon Trust | Delivery of person centred action plans to help people with learning disabilities move into real work opportunities. Supported by job coaches. West Cornwall
£1.5 million Convergence ESF invested | Home Farm Trust | Delivery of person centred action plans to help people with learning disabilities move into real work opportunities. Supported by job coaches. East Cornwall
United Response | Delivery of person-centred action plans to help people with learning disabilities move into real work opportunities. Supported by job coaches. Mid Cornwall

**Cornwall Works**

5. Cornwall Works, launched in October 2006, provides a strategy and an over-arching brand for the delivery of all welfare to work activity—both mainstream and ESF Convergence funded—in Cornwall and the Isles of Scilly.

6. ESF Convergence—all DWP/JCP ESF co-financing—alongside all mainstream provision and new initiatives to tackle worklessness is developed within the Cornwall Works strategy.

7. Cornwall Works provides a strategy and delivery framework for all interventions aimed at helping people in Cornwall and the Isles of Scilly who are looking to progress to, enter and remain in work.

8. The development of Cornwall Works has been led by Jobcentre Plus on behalf of the Cornwall Strategic Partnership, and set within the scope of Inclusion Cornwall one of the thematic partnerships of the CSP (see also www.cornwallworks.org.uk).

9. Cornwall Works came about through Cornwall’s Local Area Agreement, acknowledging the good track record of delivery and partnership working, but recognising that in order to have a sustained impact on the difficult and complex aspects of worklessness—including the inter-relationships with health, housing, crime, education, child poverty, child education, etc.—we needed to take partnership working to a new level. Cornwall Works is not a project but brings together initiatives, partners and organisations to ensure that there is appropriate support in the right place, at the right time for all mutual customers. The aim is to change the behaviours and ways organisations work together to achieve this single goal in a way that will outlast any single funding initiative.

10. Cornwall Works also provides a single point of entry for individuals and organisations supporting workless people, or indeed anyone who is workless themselves. Access includes a single telephone number and website backed by staff who will identify the most appropriate source of support, according to the individual’s needs and barriers, and they will facilitate this referral.

11. The positive impact of Cornwall Works has improved employment rates including for those who were on long term incapacity benefit. Cornwall Works was highlighted as an example of good practice in the co-ordination of activity in *Rural Money Matters: A support guide to rural financial inclusion* by the Commission for Rural Communities (June 2009).

*12 January 2010*
Supplementary memorandum by Government Office for Yorkshire and the Humber

THIRD SECTOR ORGANISATIONS INVOLVED IN THE IMPLEMENTATION OF ESF 2007–13 IN SOUTH YORKSHIRE

This note provides examples of Third Sector organisations involved in the implementation of ESF provision in South Yorkshire.

VC TRAIN

VC Train is an established consortium for Third Sector skills delivery in South Yorkshire. The organisation was awarded £4 million ESF funding in July 2008, initially with a contract for two years to deliver engagement type activities across South Yorkshire as part of the progress together model. The funding is targeted at the hardest to engage adults focusing on the long term unemployed, individuals living in disadvantage wards, black and ethnic minority groups, lone parents, people with mental health problems and people with learning difficulties and/or disabilities. VC Train in turn sub-contract with Third Sector organisations in 36 local engagement centres. These centres are based in the community and therefore close to the vulnerable groups they seek to target in order to help move them closer to the labour market.

The following Third Sector organisations are receiving ESF funds through the progress together model:

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Contract value (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autism Plus</td>
<td>35,514.00</td>
</tr>
<tr>
<td>Barnsley Black and Minority Initiative</td>
<td>40,000.00</td>
</tr>
<tr>
<td>Barnsley Pre School Learning Alliance</td>
<td>17,196.00</td>
</tr>
<tr>
<td>Bridge Employment</td>
<td>40,374.00</td>
</tr>
<tr>
<td>Burngreave Opportunities</td>
<td>40,000.00</td>
</tr>
<tr>
<td>Centre for Full Employment</td>
<td>151,000.00</td>
</tr>
<tr>
<td>Citadel</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Doncaster Ethnic Minority Regeneration Partnership</td>
<td>40,000.00</td>
</tr>
<tr>
<td>Doncaster West Development Trust</td>
<td>20,187.00</td>
</tr>
<tr>
<td>Doncaster Women’s Centre</td>
<td>22,056.00</td>
</tr>
<tr>
<td>Employment and Training Links</td>
<td>29,890.00</td>
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<tr>
<td>Gleadless Valley Forum</td>
<td>16,449.00</td>
</tr>
<tr>
<td>Giving Real Opportunities to Women</td>
<td>81,121.00</td>
</tr>
<tr>
<td>Hadfield Trust</td>
<td>58,692.00</td>
</tr>
<tr>
<td>Higher Rhythm</td>
<td>14,579.00</td>
</tr>
<tr>
<td>Homestart Barnsley</td>
<td>16,578.00</td>
</tr>
<tr>
<td>Manor Training and Resource Centre</td>
<td>40,000.00</td>
</tr>
<tr>
<td>Point Blank</td>
<td>26,168.00</td>
</tr>
<tr>
<td>Rotherham Advice and Information Network</td>
<td>40,000.00</td>
</tr>
<tr>
<td>Roshni</td>
<td>41,121.00</td>
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<tr>
<td>Rossington Learning and Welfare</td>
<td>29,907.00</td>
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<tr>
<td>SCOOP Aid</td>
<td>50,093.00</td>
</tr>
<tr>
<td>Southey and Owlerton Area Regeneration</td>
<td>51,963.00</td>
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<td>Sova Barnsley</td>
<td>20,187.00</td>
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<tr>
<td>Sova Rotherham</td>
<td>20,187.00</td>
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<tr>
<td>South Yorkshire Centre for Inclusive Living</td>
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<tr>
<td>Tinsley Forum</td>
<td>35,888.00</td>
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<tr>
<td>United Multicultural Centre</td>
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<tr>
<td>United Villages Partnership</td>
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<tr>
<td>Unity Centre</td>
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<tr>
<td>Voluntary Action Barnsley</td>
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</tr>
<tr>
<td>Voluntary Action Sheffield</td>
<td>40,000.00</td>
</tr>
<tr>
<td>Yes2Work</td>
<td>101,682.00</td>
</tr>
<tr>
<td>Yorkshire Trust</td>
<td>78,879.00</td>
</tr>
<tr>
<td>Zest Ltd</td>
<td>55,327.00</td>
</tr>
</tbody>
</table>

COMMUNITY GRANTS

Community Grants in the Yorkshire and the Humber region are managed by the Humber Learning Consortium, a Third Sector organisation. They operate across the region including in South Yorkshire where
they have a development worker to co-ordinate activity. Community grants provide ESF to very small Third Sector organisations that would have difficulty accessing mainstream ESF. Details of grants awarded to Third Sector organisations in South Yorkshire together with details of the activities and the target client groups ESF is supporting are shown in the attached Annex.

**BEST—Key Worker Project**

This project is also part of the progress together model in South Yorkshire. Four Third Sector organisations are sub-contracted to Best who are the lead contractor. The four organisations are ZEST, SOAR, the Manor and Castle Development Agency and the North Doncaster Development Trust. The Third Sector organisations provide Best with key workers who act as personal mentors for participants providing personal guidance and support to help them provide sustained work. To date almost 1,500 clients have been supported.  

*January 2010*
<table>
<thead>
<tr>
<th>Organisation Name</th>
<th>Disabilities/Health</th>
<th>Lone Parents</th>
<th>Aged 50+</th>
<th>BME</th>
<th>Carers</th>
<th>Rural</th>
<th>Other</th>
<th>Amount Awarded</th>
<th>No of Beneficiaries</th>
<th>Overview of Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOUTH YORKSHIRE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doncaster Ethnic Minority Regeneration Partnership</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£11,988.88</td>
<td>90</td>
<td>ESOL, Citizenship, Basic Literacy, Basic Numeracy, Flexible journalism skills, Web development, Filming and video editing, Photography, ESOL, Citizenship, Basic Literacy, Basic Numeracy, Flexible journalism skills, Web development, Filming and video editing, Photography</td>
</tr>
<tr>
<td>Dhaqayso Media Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£12,000</td>
<td>50</td>
<td>Media Training, Flexible journalism skills, Web development, Filming and video editing, Photography</td>
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<tr>
<td>Doncaster Chinese Elders</td>
<td></td>
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<td>£10,482</td>
<td>16</td>
<td>Project using interactive language software alongside a programme of personal development to improve the employability of people aged 50 and over</td>
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<td>Doncaster Unite Ltd (Was East Doncaster Dev Trust)</td>
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<td></td>
<td>£10,300</td>
<td>62</td>
<td>Courses in First Aid, hygiene and health and safety, IT skills</td>
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<tr>
<td>The Terrace</td>
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<td></td>
<td>£11,600</td>
<td>112</td>
<td>Employability skills—identifying job opportunities; producing a CV; writing a job application, IT skills</td>
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<tr>
<td>Darnall Forum</td>
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<td>£9,809</td>
<td>50</td>
<td>CV Clinics, Interview Skills, ESOL, Gardening skills, Health &amp; Fitness, IT skills, 1:1 Careers support, Outreach work, Go For It Girls!—women’s confidence-building course, Crafts, Outreach work</td>
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<td>Open Cast</td>
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<td></td>
<td>£10,655</td>
<td>20</td>
<td>Lone Parent Job Club, Interview Skills, ESOL, Gardening skills, Health &amp; Fitness, IT skills, 1:1 Careers support, Outreach work</td>
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<tr>
<td>Birdwell Methodist Church</td>
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<td>£9,947.50</td>
<td>60</td>
<td>IT for Oldies, Go For It Girls!—women’s confidence-building course, Crafts, Outreach work</td>
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<tr>
<td>Open Minds Theatre Company</td>
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<td></td>
<td>£12,000</td>
<td>22</td>
<td>Life Act: a six-month course to improve the social and business skills of adults with moderate to severe disabilities, Drama, role-play, script writing and confidence-building activities, Taster sessions—IT, Personal Development; Citizenship Training, Careers advice and guidance</td>
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<td>C.A.R.E</td>
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<td></td>
<td>£11,951.70</td>
<td>40</td>
<td>Employment skills—CV preparation, Interview techniques, telephone techniques, 1:1 support to overcome barriers—confidence/motivation, Taster sessions—IT, Personal Development; Citizenship Training</td>
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<td>Hadfield Institute</td>
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<td>£11,959.18</td>
<td>150</td>
<td>Careers advice and guidance, IT Training, Confidence Building, “Community Voices”—a multimedia project that will engage 50 unemployed people from disadvantaged communities in developing creative media skills</td>
</tr>
<tr>
<td>Globalmama Community Publishing</td>
<td></td>
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<td>£12,000</td>
<td>60</td>
<td>Business Training Workshops, IT Training, Confidence Building</td>
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<td>Commedia Sheffield</td>
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<td>£12,000</td>
<td>50</td>
<td>“Community Voices”—a multimedia project that will engage 50 unemployed people from disadvantaged communities in developing creative media skills</td>
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<tr>
<td>Organization</td>
<td>Funding</td>
<td>Courses</td>
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<td>Handsworth Community Forum</td>
<td>£10,577</td>
<td>Computers for Beginners—free child care</td>
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<td>Confidence Building for Women—free child care</td>
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<td>Outreach work</td>
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<tr>
<td>Somali Community Culture School</td>
<td>£11,732</td>
<td>Range of entry-level courses targeted at workless adults from ethnic</td>
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<td>minority communities</td>
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<td>Includes ESOL, IT, and 1:1 Careers Advice and Guidance</td>
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<tr>
<td>Apna Haq</td>
<td>£11,862.69</td>
<td>Courses in personal development and basic skills (literacy and numeracy)</td>
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<td>for women in the Asian community who have been victims of domestic</td>
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<td></td>
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<td>abuse and violence</td>
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<td>Broomhall Forum</td>
<td>£5,372</td>
<td>Joint project with the Fire Service to give people from ethnic minority</td>
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<td>communities basic skills that will enhance their prospects of gaining</td>
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<td>jobs in the emergency services, as well as in the wider economy</td>
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<td>Rowan Training and Enterprise</td>
<td>£9,225</td>
<td>Workshops using art to build confidence and life skills of people aged</td>
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<td>50 and over</td>
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<td>Parson Cross Community Development</td>
<td>£11,778</td>
<td>A range of employability courses including literacy and numeracy; IT;</td>
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<td>word processing, accounts, and office skills</td>
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<td>Outreach and drop-in sessions to help people write CVs and prepare for</td>
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<td>interviews</td>
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<td>Stephen Harrison Academy</td>
<td>£11,550</td>
<td>ASDAN accredited course using snooker as a way to improve the literacy</td>
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<td></td>
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<td>and numeracy skills of adults with learning disabilities</td>
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<td>Job Club for adults with learning disabilities</td>
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<td>Second Nature Life Support</td>
<td>£12,000</td>
<td>Provide nature therapy activities to aid recovery, rehabilitation for</td>
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<td>people with disabilities and health conditions</td>
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<tr>
<td>Doncaster Central Learning Centre</td>
<td>£11,911.52</td>
<td>Volunteer training programme run in conjunction with Doncaster CVS</td>
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<td>Unemployed learners from ethnic minorities</td>
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<td>Shopmobility</td>
<td>£11,538</td>
<td>Volunteer training programme run in conjunction with Voluntary Action</td>
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<td>Sheffield (VAS)</td>
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<td>Volunteers attend confidence building workshops and receive in-house</td>
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<td>training in customer service, office administration and vehicle</td>
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<td>maintenance</td>
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<tr>
<td>Tassibe Project</td>
<td>£11,913.20</td>
<td>5 pre-entry courses targeted at Asian women who suffer from isolation</td>
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<td></td>
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<td>and personal barriers, including mental health issues</td>
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<td></td>
<td>Courses include: Personal Development; Confidence in English;</td>
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<td></td>
<td></td>
<td>Communication Skills (including interviews, basic IT and CV writing);</td>
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<td>Healthy Lifestyle; Numeracy and Literacy</td>
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<tr>
<td>St Mary’s Community Centre</td>
<td>£12,000</td>
<td>Catering Training for Asian women</td>
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<td>Formal &amp; Accredited training</td>
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<td>Basic skills and numeracy classes</td>
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<td></td>
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<td>Confidence Building</td>
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<td>Job Search</td>
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<td>Volunteer led mentoring scheme</td>
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<tr>
<td>Launchpad Project</td>
<td>£11,824.80</td>
<td>3 x 10 week pre-employment courses in confidence building, personal</td>
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<td></td>
<td></td>
<td>development and enterprise skills targeted at learners with disabilities</td>
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<tr>
<td>Organisation Name</td>
<td>Disabilities/ Health</td>
<td>Lone Parents</td>
<td>Aged 50+</td>
<td>BME Carers</td>
<td>Rural</td>
<td>Other</td>
<td>Amount Awarded</td>
<td>No of Beneficiaries</td>
<td>Overview of Activity</td>
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<td>Scoop Aid</td>
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<td></td>
<td>£11,733</td>
<td>30</td>
<td>10 week personal development course to help build the confidence and self-esteem of lone parents. Free childcare provided.</td>
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<tr>
<td>Southey Development Forum</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>£11,940</td>
<td>100</td>
<td>Range of courses including Basic Skills (Maths and English); Confidence Building; CV, interview and job search skills; ESOL; and introduction to PCs.</td>
<td></td>
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<tr>
<td>Wybourn Youth Trust</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>£12,000</td>
<td>30</td>
<td>Community Volunteers Training Project.</td>
<td></td>
</tr>
<tr>
<td>Foxhill Forum Limited</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>£11,760</td>
<td>45</td>
<td>Drama based training programme. Accredited training.</td>
<td></td>
</tr>
<tr>
<td>Forth Park Advice Centre</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>£12,000</td>
<td>20</td>
<td>Volunteer training programme for workless adults. Learners improve their employability by training to be qualified debt advice workers and by taking up office administration roles.</td>
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<tr>
<td>Castle Advice Service</td>
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<td></td>
<td></td>
<td>£11,892</td>
<td>20</td>
<td>Volunteer training programme for workless adults to become qualified debt advice workers. 1:1 support provided.</td>
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<tr>
<td>Athersley Cares</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
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<td>✓</td>
<td>£9,923.76</td>
<td>20</td>
<td>Taster and accredited courses in Motor Vehicle Maintenance and basic construction skills.</td>
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<tr>
<td>Serenity CIC</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
<td>£11,840</td>
<td>24</td>
<td>Courses in Aromatherapy, Beauty Therapy, Hair care, Holistics, Making the most of yourself.</td>
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<td>Shabeen</td>
<td>✓</td>
<td>✓</td>
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<td></td>
<td>✓</td>
<td>£12,000</td>
<td>20</td>
<td>Work placements and apprenticeship schemes with environmental organisations. Taster Days in ranger activities, conservation work, environmental education activities.</td>
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<tr>
<td>Thorne Moorend</td>
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<td></td>
<td>✓</td>
<td>£11,352</td>
<td>54</td>
<td>Series of basic IT courses that will help learners write and edit CVs; search the internet for jobs; and submit electronic application forms. Job Club run in conjunction with Jobmates (Thorne) and Financial Inclusion Unit (Doncaster).</td>
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<table>
<thead>
<tr>
<th>Organisation Name</th>
<th>Disabilities/ Health</th>
<th>Lone Parents</th>
<th>Aged 50+</th>
<th>BME</th>
<th>Carers</th>
<th>Rural</th>
<th>Other</th>
<th>Amount Awarded</th>
<th>No of Beneficiaries</th>
<th>Overview of Activity</th>
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<tr>
<td>Employers Forum</td>
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<td></td>
<td></td>
<td></td>
<td>£12,000</td>
<td>12</td>
<td>Work Placement programme</td>
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<td>Job Search</td>
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<td>One to one support and mentoring</td>
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<tr>
<td>Paces Development Ltd via CoSY Computers</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td></td>
<td>£8,940</td>
<td>15</td>
<td>Drop in PC Surgery to help workless adults from disadvantaged communities learn how to use and operate computers effectively</td>
</tr>
<tr>
<td>The Learning Community</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£12,000</td>
<td>16</td>
<td>Employability and job search skills</td>
</tr>
<tr>
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<td>Literacy and numeracy</td>
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<td>Careers advice</td>
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<td></td>
<td>Personal skills (e.g. time management, assertiveness)</td>
</tr>
<tr>
<td>Art of Interaction</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>£12,000</td>
<td>20</td>
<td>Outreach programme targeted at unemployed women from ethnic minorities and unemployed lone parents. Learning of art skills combined with group coaching and mentoring.</td>
</tr>
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<tr>
<td>Barngreave Community Radio</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£12,000</td>
<td>60</td>
<td>Community Radio station Providing training in writing, interviewing and production to boost the confidence and skills of unemployed people</td>
</tr>
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</tr>
<tr>
<td>Citadel Associates</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£11,110</td>
<td>50</td>
<td>Personal development course to help unemployed individuals with mental health issues back into the workplace</td>
</tr>
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</tr>
<tr>
<td>The Rainbow Centre</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>£3,284</td>
<td>10</td>
<td>Introductory IT</td>
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<td></td>
<td></td>
<td>Intermediate IT—preparing for Level 2 NVQ</td>
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<td>Brighton Villages Development Trust</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>£11,893.75</td>
<td>15</td>
<td>Confidence and motivation</td>
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<td>Key work skills—what employers want</td>
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<td>Finding work</td>
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<td>Preparing for work</td>
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<td></td>
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<td>Managing money</td>
</tr>
<tr>
<td>Kilnhurst Community Centre</td>
<td>✓</td>
<td>✓</td>
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<td></td>
<td></td>
<td>£3,281</td>
<td>10</td>
<td>Basic IT Skills</td>
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<td>Creative Food Skills CIC</td>
<td>✓</td>
<td>✓</td>
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<td></td>
<td>£12,000</td>
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<td>Health and Safety</td>
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<td>First Aid</td>
</tr>
<tr>
<td>The Friendly Training Company</td>
<td>✓</td>
<td>✓</td>
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<td></td>
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<td>£10,730</td>
<td>20</td>
<td>&quot;I’m Going to Work&quot;—20 week course using role play and group exercises to improve the employability of people with learning disabilities</td>
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<td>Flower Estate Family Action</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td></td>
<td></td>
<td>£5,718</td>
<td>10</td>
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<td>CV workshops</td>
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<td></td>
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<td>Mock interviews</td>
</tr>
<tr>
<td>Healthy Cross Community Project</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td></td>
<td></td>
<td>£11,965</td>
<td>90</td>
<td>Confidence Building</td>
</tr>
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<td>Personal Development</td>
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<td></td>
<td></td>
<td></td>
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<td>Small Changes (health, wellbeing and lifestyle change)</td>
</tr>
<tr>
<td>GROW</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>£11,949</td>
<td>44</td>
<td>2 Confidence Building courses and a Confidence in English Course targeted at disadvantaged women in Rotherham</td>
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<td>Agency for Culture Change and Management</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>£12,000</td>
<td>50</td>
<td>Training in childcare and fork-lift truck driving, targeted at participants from BME communities</td>
</tr>
<tr>
<td>Doncaster Centre for Basic Skills and Dyslexia</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>£11,996.50</td>
<td>20</td>
<td>Accredited qualifications in English, Maths and ICT targeted at unemployed adults with dyslexia and other learning disabilities</td>
</tr>
<tr>
<td>Busters Coffee CIC</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>£8,995</td>
<td>20</td>
<td>Work-based training programme for unemployed adults with learning disabilities. Includes Level 1 NVQ in Food Hygiene</td>
</tr>
<tr>
<td>Organisation Name</td>
<td>Disabilities/ Health</td>
<td>Lone Parents</td>
<td>Aged 50+</td>
<td>BME</td>
<td>Carers</td>
<td>Rural</td>
<td>Other</td>
<td>Amount Awarded</td>
<td>No of Beneficiaries</td>
<td>Overview of Activity</td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
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</tr>
<tr>
<td>Westwood Training</td>
<td>✓</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>£7,277</td>
<td>8</td>
<td>Project developing decorative craft skills as a micro enterprise with a group of young disabled adults</td>
</tr>
<tr>
<td>Prism Safety Management CIC</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>£12,000</td>
<td>25</td>
<td>Accredited Health and Safety Courses targeted at hard-to-reach learners from deprived communities</td>
</tr>
<tr>
<td>South Yorkshire Women’s Development Trust</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>£11,905</td>
<td>24</td>
<td>Programmes in plumbing and motor vehicle skills targeted at women from BME communities. Additional programme in numeracy skills also provided.</td>
</tr>
<tr>
<td>Open Minds Counselling Service</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>£12,000</td>
<td>25</td>
<td>5 week personal development course to help remove barriers to employability</td>
</tr>
<tr>
<td>Hall Management Committee</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£9,300</td>
<td>40</td>
<td>Accredited Level 1 courses in Basic IT, Word Processing, Spreadsheets, Using the Internet</td>
</tr>
<tr>
<td>Hyde Park Partnership</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>£7,265</td>
<td>20</td>
<td>20 week, first-step IT course for learners in the Hyde Park area of Doncaster</td>
</tr>
<tr>
<td>The Arbourthorne Centre</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td>£9,220</td>
<td>120</td>
<td>Confidence Building Pre-employment skills (CV writing; interview preparation), Money Matters (debt management)</td>
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<tr>
<td>Edlington Hill Top Centre</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>£11,365</td>
<td>30</td>
<td>Training in IT and digital technologies for at least 30 individuals in the Edlington area of Doncaster</td>
</tr>
<tr>
<td>Doncaster Rovers Belles</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>£12,000</td>
<td>20</td>
<td>Training programme to provide Level 1 coaching qualifications to 20 learners from deprived communities</td>
</tr>
<tr>
<td>Pixie Works</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>£12,000</td>
<td>20</td>
<td>A variety of workshops in environmental trade skills and outdoor activities</td>
</tr>
<tr>
<td>Rodnun Sheffield Asian Women’s Resource Centre</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>£11,998.54</td>
<td></td>
<td>Employability course focusing on financial independence, use of ICT and confidence building</td>
</tr>
<tr>
<td>Nether Hall Area CIC</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>£11,954.62</td>
<td>30</td>
<td>Level 1 ECDL IT course</td>
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<tr>
<td>Speaking Up for Advocacy</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>£11,920.58</td>
<td>15</td>
<td>Mix of short courses (IT, confidence building, literacy and numeracy) and work experience opportunities for people with a learning disability</td>
</tr>
<tr>
<td>Leisure Instruction Fitness Education (LIFE) CIC</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>£12,000</td>
<td>20</td>
<td>Accredited Sports and Fitness Award (ASDAN) and Expressive Arts Award (ASDAN) targeted at 18–25 year old NEETS</td>
</tr>
<tr>
<td>Mexborough Community Partnership</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>£12,000</td>
<td>35</td>
<td>Drop-in IT sessions targeting unemployed people over 50—the so-called “Silver Surfers”</td>
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<tr>
<td>Tempo2Work CIC</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>£11,368</td>
<td>12</td>
<td>Work experience and construction training targeted at recovering drug and alcohol addicts</td>
</tr>
<tr>
<td>SAVTE</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>£10,666</td>
<td></td>
<td>20 recruit and train unemployed adults to teach English as an additional language. Training accredited by NOCN at levels 2 and 3.</td>
</tr>
<tr>
<td>Rotherham Homeless Project</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>£8,200</td>
<td></td>
<td>20 Training courses in plumbing and heating, electrics and ceramic tiling provided at homeless centre in Rotherham</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£807,598.22</td>
<td>2,806</td>
<td></td>
</tr>
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</table>
THURSDAY 14 JANUARY 2010

Present
Howarth of Breckland, B (Chairman)
Inglewood, L
Jones of Whitchurch, B
Kirkwood of Kirkhope, L

Memorandum by the European Commission, DG EMPL

The European Commission was very interested in the announcement of an in-depth inquiry to be undertaken by the Select Committee on the European Union into the European Social Fund (ESF) and its delivery and effectiveness. As Director-General of the Directorate General for Employment, Social Affairs and Equal Opportunities, I am very happy to respond to the call for evidence. The contribution of my services is attached.

The ESF helps Member States do “more”, do “different” and do “better”: ESF funding “adds” to existing activity, whether by supporting national activities in general or specific areas of national policy. ESF action “broadens” existing actions by supporting groups or policy areas that would not otherwise receive support; and it helps develop local, regional or trans-national innovation initiatives at national level. ESF activities and the related analytical, preparatory, programming and evaluation processes also influence Member States’ administrations and organisations involved and their national funding programmes.

The European Commission considers that the UK authorities have chosen a very balanced approach by focusing their funding priorities on improving the skills and adaptability of the workforce, supporting the unemployed and reinforcing social inclusion. This choice is fully in line with the goals of the Lisbon agenda and the country specific recommendations, adopted by the European Council.

On the operational side, major simplifications have already been introduced and the European Commission continues, together with the Member States, to seek further improvements to the relevant rules and procedures governing delivery of the programmes.

There is a great wealth of information available through monitoring and evaluation studies that proves the effectiveness of ESF. For its part, the European Commission has initiated a number of additional activities with the aim of strengthening and spreading best practice across the European Union.

The ESF is also proving to be an important and effective instrument to mitigate the effects of the economic crisis on individuals.

In the medium-term, lifelong learning, new skills for new jobs, security of employment and flexible labour markets will continue to play an important role in the period 2010–14. The United Kingdom has taken these issues on board in the overall design of its operational programmes and, notwithstanding the required short-term focus on the effects of the current economic crisis, significant resources remain available and devoted to tackling more structural and long-term deficiencies in the labour market.

Looking ahead to how the ESF can contribute to the EU’s renewed Jobs and Growth Strategy post-2010, the European Commission foresees a wide public consultation involving all stakeholders this autumn. The importance of the role that Member States and regions have in providing views and making contributions from different perspectives cannot be stressed enough.

The ESF will continue to be the main EU financial instrument to invest in people in the long-term. Priorities and objectives will need to be defined in the light of the renewed Lisbon Strategy. Human capital is crucial to increase the competitiveness of the European economy, to enhance employability and flexibility, and to raise overall standards of living. There may also be scope to explore additional and new areas of funding, like social inclusion, social and educational infrastructure and support for social innovation, if linked to the labour market.

I trust that you find this response provides your inquiry with a useful insight into the European Union’s view of the value and necessity of the ESF both now and in the future. I am of course at your disposal, should you require any further information.

9 September 2009
INTRODUCTION

1. The European Social Fund has been the main EU structural fund focused on promoting employment in the EU since it was established in 1957. It is the most important EU tool for investing in people, resulting in a direct benefit for approximately nine million citizens every year. It is investing €76 billion across the European Union in the period 2007–13 and, together with national public and private contributions, the total financial volume of the 117 ESF Programmes in the EU 27 is €116 billion.

2. The United Kingdom will receive a total of €4.5 billion of ESF funding in the above mentioned period. This will support the UK in implementing the EU’s Lisbon strategy for growth and jobs with the overall goal of increasing employment by giving unemployed and disadvantaged people the training and support they need to enter jobs. The total amount available to the six ESF operational programmes in the UK is €8.6 billion, including national public and private match funding.

3. In terms of where the money goes, 70% of the ESF allocation is for the multi-objective operational programme that covers England and Gibraltar. The second largest ESF programme with a share of 18% of the ESF allocation is the Convergence Programme for West Wales and the Valleys. Further details on the financial allocations to the UK programmes can be found in enclosure 1.

OBJECTIVES AND FUNDING

What is your view of the current objectives of the European Social Fund? Does the available funding align with those objectives? How appropriate do you consider the balance of projects funded by the ESF to be (for example the volume of projects designed to increase the adaptability of workers as compared to those designed to reinforce the social inclusion of disadvantaged people)?

4. The European Social Fund is the European Union’s main financial instrument for investing in people and for supporting long-term structural reforms of the labour market in support of the Lisbon Strategy on Growth and Jobs. 96% of the ESF allocation to the UK is earmarked for the Lisbon Strategy (see also enclosure 2). The main activities relate to:
   — enhancing the adaptability of the workforce (28%);
   — implementing active and preventative measures in the labour market (24%) and
   — fostering social inclusion (24%), in particular by providing pathways for economically inactive and disadvantaged people to the labour market.

5. These three areas of activity were prioritised on the basis of the recommendations of the Leitch report on improving the basic skills level of employed people and on the need to support the (re)-entry of economically inactive people to the labour market, given the high proportion of this group in the United Kingdom. The Commission fully supported this choice. Moreover, in its most recent recommendation to the United Kingdom, the Council of the European Union stated that the UK should “continue to implement plans to substantially improve skills levels and establish an integrated approach to employment and skills in order to raise productivity and increase opportunities for the disadvantaged”.

6. Within these objectives, targets on participation were agreed in the six ESF OPs: the 2.3 million participants should be equally spread between men and women, roughly 20% should be each unemployed, economically inactive or in need of basic skills.

<table>
<thead>
<tr>
<th>OP Targets</th>
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<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Total</td>
<td>2,268,980</td>
</tr>
<tr>
<td>Women</td>
<td>1,114,740</td>
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<tr>
<td>Unemployed</td>
<td>462,100</td>
</tr>
<tr>
<td>Inactive</td>
<td>403,150</td>
</tr>
<tr>
<td>Basic skills needs</td>
<td>406,930</td>
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</table>

<table>
<thead>
<tr>
<th>Achievements by Mid 2009</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>578,577</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>194,893</td>
<td>34%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>190,314</td>
<td>33%</td>
</tr>
<tr>
<td>Inactive</td>
<td>120,597</td>
<td>21%</td>
</tr>
<tr>
<td>Basic skills needs</td>
<td>64,205</td>
<td>11%</td>
</tr>
</tbody>
</table>

7. So far, the UK Managing Authorities have registered just under 600,000 participants, with about one third of these being women and another third the unemployed, indicating that the ESF is being used to help those most affected by the economic crisis, i.e. male employees made redundant or at risk of being made redundant (see enclosure 3 for further information).

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1 Leitch Review of Skills, Prosperity for all in the global economy—world class skills, Final Report, December 2006.
DELIVERY AND EFFECTIVENESS OF THE ESF

What has been your experience with the operating rules of the ESF? What has worked well? What problems have you encountered and how might the process be improved?

8. The ESF operates through shared management. This means that there is a partnership between the Member State and the Commission in the operation of the fund. Thus while an overarching framework is established at European level, the specific implementation is done by the Member States. DG Employment proactively liaises with Member States by giving practical guidance where problems of implementation are identified.

9. On the basis of experience many practical improvements have been made to the current ESF programming period compared to previous ones, for example:

- To avoid project promoters having to comply with two sets of rules (national and European), Member States now define the applicable eligibility rules.
- As the ESF supports many small organisations, a simplified approach to indirect costs has been introduced i.e. a simple flat rate.
- ERDF type activities that are necessary for the implementation of an ESF project can be funded by the ESF.
- The practice of some Member States of establishing a standard scale of unit costs and lump sums e.g. for training blocks has been generalised across all MS in order to accelerate the take-up of ESF funding.
- An increasing number of projects are selected on the basis of public procurement.

10. Some difficulties have occurred during the programming period 2000–06 relating to the management and control systems. More in particular, the quality of first-level management verification (Article 4 of Regulation No 438/2001) and of the audit trail (Article 7 of Regulation No 438/2001) was, in some UK regions and during some parts of the programming period, not always as desired. These led to the UK being the subject of reservations in the Annual Activity Report over a number of years and to financial corrections totalling £34.6 million (i.e. 7% of total ESF financial corrections in the EU in 2008). Since then considerable improvements have been made to the systems such that a contract of confidence has been signed with the national auditors in England for the period 2000–06. England and Denmark are the only countries in the EU with which DG Employment has signed this contract.

11. For the period 2007–13, the managing and control systems of all MS are examined at the start of the cycle. For the UK

- The Commission is assured that the management and control systems in place in most of the UK are functioning effectively and in compliance with the applicable regulations. DG Employment expects that it will be soon in a position to also accept the system for the remaining two programmes.
- The Commission considers that the annual summary submitted by the UK is acceptable and meets the regulatory requirements although suggestions have been made to improve the quality of the summary further.
- All Audit Strategies have been accepted.

12. Concerning additionality, for the period 2000–06, the UK demonstrated additionality:\(^2\)

<table>
<thead>
<tr>
<th>Targeted level of expenditure (annual average in € million)</th>
<th>Actual level of expenditure (annual average in € million)</th>
<th>Achievement (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>5,548</td>
<td>6,971</td>
</tr>
<tr>
<td>EU average</td>
<td>84,832</td>
<td>87,767</td>
</tr>
</tbody>
</table>

13. For the period 2007–13, the level of expenditure that the Member State is required to maintain is fixed in the National Strategic Reference Framework (information available in www.ec.europa.eu/regional_policy). The Commission will verify additionality for the Convergence objective in 2011 and may, as a result of the

\(^2\) "Verification of Additionality in the Objective 1 regions for 2000-2006"—European Commission, DG Regional Policy, 2006, Brussels
assessment, decide to modify the required level of structural expenditure. An ex-post verification of additionality will take place in 2016 and the final results will be published.

*How effective do you consider the ESF to be? How is that effectiveness being monitored? And how is that information on effectiveness being shared and used?*

14. DG Employment and the Member States have made significant efforts to monitor and evaluate the effects of ESF on people, on systems and on governance. (For more information on monitoring and evaluation arrangements please see enclosure four: the background note on ESF).

15. The European Social Fund has a clear and well documented added value. Four elements underpin this conclusion:

- The fund has considerable volume effects, maintaining and creating additional jobs and providing additional training. It directly contributes to achieving the European Employment Strategy targets.
- Analysis suggests that the ESF benefits the economy. The mid term evaluation estimated that the English Objective 3 programme made a strong positive net contribution to the UK economy by moving previously unemployed or economically inactive people into employment.
- The ESF encourages investing in key policy fields of the European Employment Strategy where otherwise they would not have invested. Analysis shows that whilst, in theory, net contributing Member States could themselves finance what the ESF does, in practice they do not, or they do so to a lesser extent.
- The ESF plays an important role in spreading innovative approaches and improving the overall quality of governance. The role of the partnership approach in programming and implementing the ESF is one example; the stability of a multi-annual programming cycle ensured by the ESF is another. Evaluations consistently confirm this view.

16. The effectiveness of the ESF in the UK has been demonstrated through monitoring data and evaluation evidence, all available on the websites of the Managing Authorities. Some examples include:

- The ESF funded participation by 4.3 million people between 2000 and 2006 (according to data from the Annual Implementation Reports for 2000–06). Of these, 51% were women and over a million participants came from vulnerable groups including 650,000 from ethnic minorities, 350,000 disabled people and 50,000 from other disadvantaged groups (drug offenders, ex-convicts, etc.).
- Objective 3 in England has a net beneficial effect ranging from £3,609 per job to £16,669 per job, depending on the assumptions made.
- The ESF programmes have had an important effect in helping those furthest away from employment to “travel” towards the labour market, by encouraging beneficiaries to progress onto further work-related education/training. For England, the most successful group within the sample in terms of employment outcomes were lone parents, with carers and women returning to the labour market also faring comparatively well. For Scotland the ESF reached a particularly high proportion of long-term unemployed (over two years).
- The update of the mid-term evaluation for the Scottish Programme highlights that ESF-funded projects have displayed a range of more innovative, flexible and client-centred approaches.
- Many projects which would not have gone ahead in the absence of ESF funding have been able to use ESF funding to innovate and to develop flexible and tailored support.

17. Web links to success stories can be found in enclosure 5.

18. Further elements can be found in an evaluation commissioned by the Department of Trade and Industry and the Office of the Deputy Prime Minister and carried out by ECOTEC in 2003. See enclosure 6.

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3 Participants can attend more than one ESF co-funded activity so that double counting is unavoidable.
4 This was according to the Update of the mid-term evaluation for England, which analysed the economic costs of the ESF and compared this to the economic benefit arising from more persons at work, higher productivity and so forth, and took into account the wider benefits to the economy of increased employment levels and using as a proxy the estimated wages earned by ESF-supported job entrants adjusted to take account of product market conditions.
5 The mid-term evaluation update for Scotland concluded that there is a widespread agreement among stakeholders that the flexibility offered by the ESF programme is vital in responding to the needs of target groups at risk of drifting away from mainstream provision altogether.
19. More generally evaluation arrangements have been strengthened in order to support the monitoring of ESF interventions in terms of outputs, outcomes and impact:

— During the programming period 2000–06 the ex-ante and mid-term evaluations were carried out under the responsibility of Member States. The ex-post evaluation covering all Member States is conducted under the responsibility of the Commission in collaboration with the Member States—the results of this will be available in early 2010. This main ex post evaluation is complemented by two thematic evaluations which will analyse (i) ESF support to the Open Method of Coordination in Social Protection and Social Inclusion, and (ii) ESF impact on the functioning of the labour market and on investment in human capital infrastructure though support to systems and structures.

— For the current programming period, 2007–13, the system has changed to a new ongoing evaluation system which is needs based. There are thus no pre-set dates for evaluations to be undertaken. Member States and the Commission are now invited to set-up a system of ongoing evaluations addressing both thematic as well as systemic questions related to ESF implementation.

— In addition, DG Employment will set up a database which will contain Member States’ evaluations. It will also set up an evaluation expert network which will be charged with synthesising Member States’ evaluations. Not only will this improve mutual learning between public authorities involved in evaluations, it will also allow for sharing information regarding the effectiveness of the ESF across EU-27.

How successfully have national and regional administrations worked together in delivering the ESF, where appropriate?


21. The four Managing Authorities are responsible for implementing the programmes while, the Department for Work and Pensions is responsible for overall co-ordination and represents the UK in meetings with the Commission and the Member States. The Commission is aware of regular exchanges of information and views between the four ESF Managing Authorities in the United Kingdom.

22. The policy direction of the six UK operational programmes was established by the ESF and ERDF Managing Authorities in the National Strategic Reference Framework for the use of Structural Funds in the United Kingdom. This document sets out the financial allocations and the strategic objectives within which each Managing Authority could modulate its specific programmes in accordance to their respective needs.

23. Furthermore, the UK Managing Authorities will compile strategic reports in 2009 and again in 2012 to advise on the contribution of the operational programmes towards: implementing the objectives of cohesion policy; fulfilling the tasks of the funds; implementing the priorities as set out in the Community strategic guidelines on cohesion; achieving the objectives of promoting competitiveness and job creation and working towards meeting the objectives of the Integrated Guidelines for Growth and Jobs (Article 29 of Council Reg. 1083/2006).

24. Each Operational Programme has a monitoring committee (PMC) consisting of the main partners and stakeholders involved in the delivery of the programme. The main task of these committees is to monitor progress in the programmes’ implementation and to approve the annual reports to the Commission. The PMC can set up sub-committees for special tasks (for example for evaluation) or themes (for example equal opportunities for all) for more detailed discussions.

25. Specific arrangements are in place for England, reflecting its size. For example, while the English OP establishes the national priorities for spending ESF funding, within these national priorities each region develops its Regional ESF framework for addressing its distinctive regional, sub-regional and local needs. Regional ESF frameworks show how the ESF can best be used to add value to the implementation of existing strategies and how it can complement other funding streams within the framework of the priorities and targets in the Operational Programmes. Implementation rests with two main implementing bodies, the Co-financing Organisations (CFOs): the Department for Work and Pensions and the Learning and Skills Council (LSC).

26. Regional Monitoring Committees monitor ESF implementation against national and regional output and result targets. Regional ESF frameworks inform the plans of CFOs, which procure and contract ESF operations.

27. To conclude, while the Regulation stipulates co-operation at the level of a Member State for certain activities (NSRF, strategic reporting), day-to-day work on implementing the six operational programmes rests with the four Managing Authorities and, in the case of England, the Co-financing Organisations in cooperation with the regions. In DG Employment’s experience these delivery arrangements work well.
SHORT TERM: USE OF THE ESF TO RESPOND TO THE FINANCIAL CRISIS

How useful has the ESF been as a tool to respond to the financial crisis? How might its usefulness in responding to the current crisis be improved, and how might it be amended to ensure that it is able to respond more effectively to a changing economic climate in the future?

28. The European Economic Recovery Plan (EERP), one of the EU’s major responses to the economic crisis, clearly stresses the relevance of ESF to alleviating the effects of the crisis on people. To maximise the positive impacts they can have, the EU has introduced the following important legislative and administrative changes to the Structural Funds:

   — The eligibility date for the programmes 2000–06 could be extended to 30 June 2009, allowing Member States to absorb yet unspent funding.

   — Advance payments for the new programmes 2007–13 were increased, meaning Member States received an additional amount of €1.76 billion from the ESF. In total, Member States received more than €6.1 billion in advance payments between 2007 and 2009 to enable a quick start up of their ESF programme activity.

   — With the same aim, that is to start implementing ESF projects as quickly as possible even if no national public funding is yet available due to the crisis, Member States were reminded that payments to projects could be covered by 100% from ESF (as long as this is balanced by nationally funded projects until the end of the programming period).

   — Member States can now apply a flat rate for both indirect and direct costs if they develop a justifiable and auditable “standard scale of unit cost”.

   — Lump-sum payments of up to €50,000 can now also be made, thus reducing the administrative burden substantially for small projects or activities.

29. The Commission has signalled its readiness to adapt existing programmes, if required, to better tackle the effects of the crisis. Most Managing Authorities signalled that their programmes were flexible enough to support national/regional anti-crisis programmes.

30. Furthermore, the European Commission issued a Communication in June 2009 (“A Shared Commitment for Employment”) with the objective of strengthening co-operation between the European Union, the Member States and social partners in addressing the effects of the crisis. The Communication puts forward three priority areas for fighting rising unemployment and mitigating the social impact of the crisis:

   1. Maintaining employment, creating jobs and promoting mobility.

   2. Upgrading skills and matching labour market needs.

   3. Increasing access to employment.

31. The United Kingdom had already gained valuable experience on how to use the ESF to address a situation of significant redundancies with the closure of the Rover plant in the West Midlands in 2005. All four Managing Authorities have now reacted to the economic downturn by providing their own responses, underpinned by funding via ESF:

   — Use of the increase in funds arising from the fall in value of sterling against the euro: the English Managing Authority allocated £158 million ESF funding, co-financed by the DWP, to employment programmes and Learning and Skills Councils (LSC).

   — The Managing Authorities of Wales and Northern Ireland used the option to extend the eligibility date for the 2000–06 programmes to gain six months for absorbing their ESF allocation to the maximum.

   — A key part of the Scottish Government’s response to the crisis was the decision to frontload a high percentage of EU Structural Fund.

   — The Welsh Assembly Government introduced a new initiative to avoid redundancies by targeting training of employees on short-time working (PROACT). It intends to extend this support to apprentices who would otherwise lose their jobs due to the crisis, allowing them to continue their apprenticeship.

   — The Northern Ireland ESF OP has been refocused slightly to address specific problems in relation to young people and apprentices. One of the two new schemes co-financed by the ESF (“Skillsafe”) helps apprentices affected by the crisis to continue their training during their “down time”. The other scheme (“Training for Success”) provides a flexible menu of quality provision for unemployed young people, which allows them to enter training at an appropriate level.
32. The European Commission proposed further actions in July 2009 which are currently under discussion with the Member States:

1. In order to simplify management rules even further the European Commission proposed 100% reimbursement of ESF expenditure to the Member States for the next two years to help them make use of funds when they are needed most. Member States would not be obliged to provide national co-financing, as long as this is balanced by nationally funded actions until the end of the programming period. ESF funding could thus help speed up the implementation of projects to support employment. This measure would be temporary, optional and entail no increase in the overall budget.

2. The European Commission also introduced a joint initiative with the EIB on 2 July and suggested a new microfinance facility with up to €500 million for providing micro-credits to small businesses and to people who have lost their jobs and want to start their own small businesses.

33. The Commission has also signalled its readiness to renegotiate and adapt programmes in the shortest possible timeframe (fast track procedure).

34. In conclusion, the ESF has proved to be an important instrument to help Member States react quickly and effectively to mitigate the effect of the crisis on people over the past few months. The European Commission has tabled further proposals and is currently discussing them with the Member States.

Medium Term—The ESF 2010–14

How might the potential of funds deployed via the ESF to promote life-long learning, skills for new jobs, security of employment and flexible labour markets across the UK and EU be improved?

What contribution can the ESF make to the EU’s renewed Jobs and Growth Strategy post-2010, including the European Employment Strategy? How can the EU best contribute to “jobs and growth” in the period 2010–14?

35. The current Operational Programmes for the UK cover a period of seven years until 2013 and are set to achieve a balance between short-term and long-term objectives.

36. The UK has taken this on board in the overall design of its operational programmes and, notwithstanding the required short-term focus on the effects of the current economic crisis, there still remains significant resources devoted to tackling more structural and long-term deficiencies in the labour market.

37. The current Lisbon Jobs and Growth Strategy provides a common policy direction for all Member States, focusing on important structural issues such as R&D, flexicurity, better regulation and improving the business environment, and energy and climate change. However, not all of the common objectives have been achieved and progress made amongst Member States and across policy areas has been uneven.

38. During the last year, the context has been affected by the financial and economic crisis. While the strategy could obviously not prevent the crisis happening, it has helped to weather the storm and create the fiscal space necessary for actively supporting demand. The crisis has also shown that close economic interdependence of Member States requires closer coordination of structural reforms and that short-term actions need to support the EU’s longer-term objectives. The European Economic Recovery Plan therefore combined fiscal stimulus with acceleration of Lisbon structural reforms.

39. The new strategy will need to provide responses for Europe to emerge stronger from the crisis. Lessons will also have to be drawn from the implementation of reforms since 2005. There is also a wide convergence of views that the Lisbon strategy must continue to respond to the key challenges of globalisation, demographic change, migration and creating a low carbon economy.

40. The four existing priority areas (i.e. investing in people, unlocking business potential, R&D and innovation and energy/climate change) remain relevant in light of the overall challenges. Some have suggested giving greater emphasis to financial sustainability and the quality of public expenditure (particularly in the context of the exit strategy from the crisis), improving education and promoting life-long learning, mobility and migration, (social) innovation models and creativity, infrastructure and the use of natural resources. Furthermore, it is felt that the strategy should be given a stronger external dimension. The priorities set for the future will also need to be taken into account in the next Budget Review.

41. The new Lisbon strategy should help improve the delivery of reforms, recognising that it is the Member States who are responsible for the implementation of the majority of the necessary measures. This includes reflections on improving ownership and participation in the implementation of the strategy, by parliaments, by stakeholders and at regional and local level, and putting in place appropriate incentive structures. It is generally felt that the Strategy should continue to be organised on the basis of a partnership between the
European and Member State levels. The use of targets and indicators, monitoring and benchmarking and exchange of good practices could be activated further.

42. The European Commission foresees a wide public consultation involving all stakeholders this autumn and it will be important that Member States and regions contribute to this from different perspectives. On the basis of the input received, the European Commission will draw up orientations for a reinforced Strategy at the beginning of the next year to enable the next Spring European Council to take the necessary decisions.

LONG TERM—THE ESF POST-2013, AND THE EU BUDGET REVIEW

Bearing in mind the depressed economic context and the EU’s budget review which is intended to consider spending priorities post-2013, what do you consider the role of the ESF should be, if any, post-2013? On what sort of priorities should it focus, and how might it most effectively complement, rather than duplicate, other spending programmes?

43. In support of the renewed Lisbon and Employment Strategy post-2010, the ESF will continue to support people to (re)enter the labour market or improve their position on the labour market, underpinning the future European Employment Strategy.

44. The key drivers of change in the EU between now and 2020 have already been identified as demography (including migrations), globalisation (including technological changes), climate change and other environmental changes, and their interaction. Changes in the population and the economy will continue to determine trends in the labour market. The current crisis could have long lasting effects and repercussions on the labour market, thus creating an increased risk of social difficulties.

45. Human Capital is a crucial issue to increase the competitiveness of the European economy, to enhance employability and flexibility, and to raise overall standards of living. This will remain at the heart of European priorities. The EU will therefore continue to need an instrument promoting long-term structural changes to the labour market across the Union. That instrument is the European Social Fund.

46. The challenge post 2013 will be to ensure that the ESF has both the capacity and flexibility to respond to the needs of all citizens, and achieve the objectives of the Treaty, i.e. full employment in an inclusive society.

Enclosures:
1. Financial allocations to UK ESF OPs
2. Allocations per category
3. Agreed targets and latest achievements
4. Background note on ESF
5. Success stories
6. Evaluation results

Enclosure 1

FINANCIAL ALLOCATIONS TO UK ESF OPS

<table>
<thead>
<tr>
<th>ESF Operational Programme</th>
<th>ESF</th>
<th>National Public</th>
<th>National Private</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highlands and Islands of Scotland ESF phasing out Convergence programme</td>
<td>52.150.195</td>
<td>52.150.195</td>
<td></td>
<td>104.300.390</td>
</tr>
<tr>
<td>West Wales and the Valleys ESF Convergence programme</td>
<td>833.585.460</td>
<td>379.091.284</td>
<td>82.414.799</td>
<td>1.295.091.543</td>
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<tr>
<td>East Wales ESF Regional Competitiveness and Employment programme</td>
<td>63.597.45</td>
<td>78.500.964</td>
<td>16.245.207</td>
<td>158.343.623</td>
</tr>
<tr>
<td>Lowlands and Uplands of Scotland ESF Regional Competitiveness and Employment programme</td>
<td>269.920.942</td>
<td>328.463.795</td>
<td></td>
<td>598.384.737</td>
</tr>
</tbody>
</table>
European Social Fund: Evidence

<table>
<thead>
<tr>
<th>ESF Operational Programme</th>
<th>ESF</th>
<th>National Public</th>
<th>National Private</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Ireland ESF Regional Competitiveness and Employment programme</td>
<td>165,777,300</td>
<td>248,665,950</td>
<td>414,443,250</td>
<td></td>
</tr>
<tr>
<td>England and Gibraltar ESF Convergence, Competitiveness and Employment Programme</td>
<td>3,089,886,379</td>
<td>2,958,930,420</td>
<td>6,048,816,799</td>
<td></td>
</tr>
<tr>
<td>TOTAL UK</td>
<td>4,474,917,728</td>
<td>4,045,802,608</td>
<td>98,660,006</td>
<td>8,619,380,342</td>
</tr>
</tbody>
</table>

Source: SFC Database 2007

Enclosure 2

Allocations per Category

<table>
<thead>
<tr>
<th>Description of categories</th>
<th>Indicative allocation of ESF as agreed in the 6 UK OPs</th>
<th>Indicative allocation to projects as at 31.12.2008</th>
<th>share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of life-long learning systems and strategies in firms; training and services for employees to step up their adaptability to change; promoting entrepreneurship and innovation</td>
<td>1,256,960,202</td>
<td>553,060,476</td>
<td>28% 33%</td>
</tr>
<tr>
<td>Pathways to integration and re-entry into employment for disadvantaged people; combating discrimination in accessing and progressing in the labour market and promoting acceptance of diversity at the workplace</td>
<td>1,082,138,419</td>
<td>442,282,289</td>
<td>24% 27%</td>
</tr>
<tr>
<td>Implementing active and preventive measures on the labour market</td>
<td>1,067,835,792</td>
<td>447,574,810</td>
<td>24% 27%</td>
</tr>
<tr>
<td>Measures to improve access to employment and increase sustainable participation and progress of women in employment to reduce gender-based segregation in the labour market and to reconcile work and private life, such as facilitating access to childcare and care for dependent persons</td>
<td>231,402,472</td>
<td>88,308,704</td>
<td>5% 5%</td>
</tr>
<tr>
<td>Measures to increase participation in education and training throughout the life-cycle, including through action to achieve a reduction in early school leaving, gender-based segregation of subjects and increased access to and quality of initial vocational and tertiary education and training</td>
<td>186,655,472</td>
<td>15,335,926</td>
<td>4% 1%</td>
</tr>
<tr>
<td>Design, introduction and implementation of reforms in education and training systems in order to develop employability, improving the labour market relevance of initial and vocational education and training, updating skills of training personnel with a view to innovation and a knowledge based economy</td>
<td>156,461,113</td>
<td>6,452,450</td>
<td>3% 0%</td>
</tr>
</tbody>
</table>
**EUROPEAN SOCIAL FUND: EVIDENCE**

<table>
<thead>
<tr>
<th>Description of categories</th>
<th>Indicative allocation of ESF as agreed in the 6 UK OPs</th>
<th>share</th>
<th>Indicative allocation to projects as at 31.12.2008</th>
<th>share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measures encouraging active ageing and prolonging working lives</td>
<td>133,395,562</td>
<td>3%</td>
<td>43,752,296</td>
<td>3%</td>
</tr>
<tr>
<td>Development of specific services for employment, training and support in connection with restructuring of sectors and firms, and development of systems for anticipating economic changes and future requirements</td>
<td>87,407,518</td>
<td>2%</td>
<td>34,138,656</td>
<td>2%</td>
</tr>
<tr>
<td>All other categories</td>
<td>272,661,178</td>
<td>6%</td>
<td>23,006,086</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>4,474,917,728</td>
<td>100%</td>
<td>1,653,911,692</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: ESF 2007 database

**Enclosure 3**

**AGREED TARGETS AND LATEST ACHIEVEMENTS**

<table>
<thead>
<tr>
<th>Operational Programmes</th>
<th>OP Targets</th>
<th>Implementation by Mid 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>%</td>
</tr>
<tr>
<td>Total participants</td>
<td>2,268,980</td>
<td>100%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>462,100</td>
<td>20%</td>
</tr>
<tr>
<td>Female participation</td>
<td>1,114,740</td>
<td>49%</td>
</tr>
<tr>
<td>Inactive</td>
<td>403,150</td>
<td>18%</td>
</tr>
<tr>
<td>Basic skills needs</td>
<td>406,930</td>
<td>18%</td>
</tr>
<tr>
<td>Disabled</td>
<td>468,890</td>
<td>21%</td>
</tr>
<tr>
<td>Aged 50+</td>
<td>426,530</td>
<td>19%</td>
</tr>
<tr>
<td>Ethnic Minorities</td>
<td>341,780</td>
<td>15%</td>
</tr>
<tr>
<td>NEETs</td>
<td>189,100</td>
<td>8%</td>
</tr>
<tr>
<td>In work on leaving</td>
<td>252,600</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: latest reports to PMCs, AIRs 2008.

**Enclosure 4**

**BACKGROUND NOTE ON ESF**

**Scope of ESF**

The European Social Fund, based on Art. 146 and 159 of the Treaty, is the European Union’s main financial instrument for investing in people. It was created in 1957 and is investing €76 billion across the European Union in the period 2007–13. Together with national public and private contributions, the total financial volume of the 117 ESF Programmes is €116 billion.

As stipulated in Article 3 of Regulation (EC) No 1081/2006 of the European Parliament and of the Council (ESF Regulation), the current objectives of the European Social Fund are closely aligned to labour market and skills policies, but also allow for activities aimed at those furthest away from the labour market and society such as the economically inactive, disabled people, ethnic minorities and migrants. It aims at improving the situation of women in the labour market and supporting those with caring responsibilities, helping young people to have a better start in working life and supporting active ageing. The ESF also supports employers who require better qualified employees, want to improve work organisation or have to undergo restructuring.

Furthermore, ESF support for regions and Member States that are lagging furthest behind can go beyond this, by helping them to reform systems and structures, such as those for education and training. A new activity that the ESF can now co-fund is improving administrative capacity. This supports in particular the new Member States in their efforts to reform their administrations and legal, judicial, political and control systems and procedures. Finally, as can be seen in more detail under question five, the ESF is currently proving to be a valuable and flexible source of funding in times of crisis.
The ESF Regulation also allows for support for transnational actions, the support of joint activities of the social partners and innovative activities in the above mentioned field. To sum up, the ESF is used for a multitude of different activities in support of many different target groups. All these activities contribute to the Lisbon agenda of growth and jobs and in particular to the European employment strategy and to the social inclusion and social protection agenda.

**Monitoring and Evaluation**

Regarding monitoring, the Managing Authorities responsible for implementing the programmes are tasked with setting up a robust data collection system which allows for reporting against indicators and targets set out in the Operational Programmes. This data is made available to the Programme Monitoring Committee which assesses programme performance. Managing Authorities have to submit annual reports showing progress in implementing each Programme. Annual Meetings between the Managing Authorities and the Commission complement the regular monitoring of programme implementation.

Concerning evaluation, during the programming period 2000–06 the ex-ante and mid-term evaluations were carried out under the responsibility of Member States. The ex-post evaluation covering all Member States is conducted under the responsibility of the Commission in collaboration with the Member States—the results of this will be available in early 2010. This main ex post evaluation is complemented by two thematic evaluations which will analyse (i) ESF support to the Open Method of Coordination in Social Protection and Social Inclusion, and (ii) ESF impact on the functioning of the labour market and on investment in human capital infrastructure though support to systems and structures. In addition to these main evaluations foreseen by the Structural Funds Regulations, Member States and the Commission undertake specific evaluations on their own initiative. The Managing Authorities in the UK regularly commission evaluations on specific areas of interest in ESF co-funded activities.

For the current programming period, 2007–13, the system has changed to a new on-going evaluation system which is needs based. There are thus no pre-set dates for evaluations to be undertaken. Member States and the Commission are now invited to setup a system of ongoing evaluations addressing both thematic as well as systemic questions related to ESF implementation.

In order to share information regarding the effectiveness of the ESF and to support the exchange of experience and mutual learning between the national public bodies involved in evaluation, DG Employment has set up an ESF evaluation partnership. It meets three times a year and is the main forum for discussion and co-ordination of evaluation activities and findings in all Member States. The UK representatives from England and the devolved authorities regularly participate in these meetings.

In addition, DG Employment will set up a database which will contain Member States’ evaluations. It will also set up an evaluation expert network which will be charged with synthesising Member States’ evaluations. Not only will this improve mutual learning between public authorities involved in evaluations, it will also allow for sharing information regarding the effectiveness of the ESF across EU-27.

The Commission will publish strategic reports in 2010 and 2013, based on reports by the Member States’ on how the operational programmes contribute to implementing the objectives of cohesion policy and to promoting competitiveness and job creation. In 2010, the Commission will also publish its “5th Cohesion Report”.

**Enclosure 5**

**SUCCESS STORIES**

From the 54 short videos produced the two UK videos feature beneficiaries from the previous programming period.

The videos can be viewed on our website and there is a short article describing their stories:


For information on recently launched projects for the 2007–13 period, we have already published many articles on the News describing these projects. Here are a few examples:

- A Welsh Assembly initiative helping job-seekers [link]
- ESF co-funding in “Better West Midlands” project [link]
- ESF supports research fund in Cornwall [link]
- ESF grant to help SMEs in Gloucestershire [link]

**EVALUATION RESULTS**

An evaluation commissioned by the Department of Trade and Industry and the Office of the Deputy Prime Minister and carried out by ECOTEC in 2003 draws the following conclusion on the added value contribution of the Structural Funds (page v–vi):

> “The act of designating an area as eligible for Structural Fund support and the publicity that accompanies this does appear to have a catalytic effect on actors in the area and serves to mobilise effort. Any associated financial leverage effect can not be quantified but many regional and local actors perceive that there is a positive effect.

> The broad regional approach of the Structural Funds has encouraged projects that are larger in scope and scale than is often the case under domestic policy initiatives. There is no reason why this should be unique to the Structural Funds but it is seen as an area of added value.

> The regional programming process is certainly a strong feature of the Structural Funds and they may offer advantages in terms of the quality of the strategies they produce. Domestic regional strategies, particularly underpinning spending plans, are not necessarily subject to the same degree of transparency and rigour in their preparation, scrutiny, monitoring and evaluation, although this varies across the UK.

> The routine inclusion of a range of specialist organisations, such as environmental and equal opportunities organisations, in the preparation and implementation of programmes is believed to influence relevant programme dimensions in a positive manner.

> The rigorous selection criteria and appraisal processes that are applied to Structural Fund applications are believed to play some role in promoting awareness of horizontal themes, although there is no clear evidence that they lead to projects that address these issues more effectively.

> One manner in which the Structural Funds are able to promote innovative actions or approaches is through introducing an idea or approach that is new to the UK, or one that is not currently prioritised. The Structural Funds have demonstrated their capacity to influence domestic policy and practice in the past, although this is not a universal characteristic of programmes. Examples show that this happens more frequently in the case of Community Initiatives and Innovative Actions.

> The trans-national dimension of some Structural Fund activities is clearly a source of some added value, although this should not be over-stated as it comprises a very small part of the Structural Funds overall.

> Potentially, one of the areas of added value offered by the Structural Funds is the semi-independent status of the European Commission and the Structural Funds in regional development in the UK. Whilst it would be wrong to overstate this role, it does seem to be important for bringing together different parties in agreeing a shared agenda for change, for establishing investment priorities and driving forward the implementation of plans.”

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Examination of Witnesses

Witnesses: Mr Robert Verrue, Director General, Mrs Lena Samuel, Deputy Director General, Mr Thomas Bender, Acting Director of the Directorate ESF, Monitoring of National Policies 1, Co-ordination, Mr Georges Kintzele, Head of Unit B2, ESF, Monitoring of Corresponding National Policies II for the United Kingdom, Ireland and Latvia, Ms Renate Schopf, Unit B2, Desk Officer, and Ms Ines Hartwig, Evaluation officer in the Employment, Social Affairs and Equal Opportunities Directorate-General, European Commission, examined.

Chairman: Welcome to the Sub-Committee of the EU Select Committee that looks at social policy and consumer affairs. Thank you very much for sparing the time to talk to us about our present inquiry on the ESF. I will begin by asking my colleagues who are on the Sub-Committee to introduce themselves.

Lord Kirkwood of Kirkhope: I am Archie Kirkwood. I am a Liberal Democrat, a former Member of Parliament. I have been in the House of Lords since 2005 and on the Sub-Committee for the past year.

Lord Inglewood: Richard Inglewood. I am a Conservative member of the House of Lords. I am a hereditary peer and have been there since 1989.

Lord Kirkwood of Kirkhope: He is the real thing!

Lord Inglewood: I was also in the European Parliament for ten years and was a junior minister briefly at the end of the John Major Government.

Chairman: I am Baroness Howarth. I am a crossbencher, which means I am not politically aligned, which is wonderful; I can say what I want, when I want and how I want it. My background is in social care and social policy.

Baroness Jones of Whitchurch: I am Maggie Jones. I came into the House of Lords in 2006 and am a relatively new member of the Sub-Committee. I am a Labour peer.

Chairman: I have been on the Sub-Committee for a long time, which is the other thing.

Mrs Samuel: Thank you very much. It is a great privilege and pleasure for us to be sitting at the same table with you to discuss these interesting questions about the ESF. I will start in the way that you did and start with my right-hand side. This is Thomas Bender. Maybe, Thomas, you can say a few things about yourself.

Mr Bender: Good morning. I am Thomas Bender, Head of Unit for ESF Co-ordination and Acting Director for ESF Co-ordination and in charge of a couple of Member States in DG Employment.

Ms Schopf: My name is Renate Schopf. I am one of the desk officers of the UK team at DG Employment.

Ms Hartwig: I am Ines Hartwig. I am a member of the Unit on Evaluation and Impact Assessment.

Mr Kintzele: Good morning. I am Georges Kintzele. I am Head of Unit of the Geographical Unit dealing with the UK. We have the responsibility for ESF monitoring (national and regional Operational Programmes), national employment policy assessment and national social inclusion and social protection policy assessment.

Chairman: Mr Verrue arrives, and I gather he is arriving at about ten past but leaving at eleven, to take the questions where we would like his perspective. If we are not there, could I ask your indulgence to do that so we can get his perspective before he has to leave at eleven o’clock because we may not reach those otherwise and it would be helpful. We do let you have a draft version of the questions but we may follow up on other areas because we have got quite into this inquiry now but still have a lot of questions left. It would be helpful if we could take a general question to begin with. I think I was surprised when I remembered that ESF has been included in the Treaties since 1957. You forget that it goes back as far as that. We wondered how, and why, it still has a role in helping Member States to do “more”, do “different” and do “better” as you say in your submission. Do you think that applies right across the European Union?

Mrs Samuel: You are right that ESF is as old as the Treaty itself. It has a double treaty foundation, in fact, in Articles 162 and 175. Article 162 of the Treaty gives the ESF the task of improving employment opportunities for workers in the internal market. If you read Article 175 you will see that it does not define the ESF as a cohesion fund. Its structural purpose is linked to the policies that the fund services and these apply across the EU. Of course, social, economic and political contexts do not remain constant, there is always change, and this has been demonstrated very clearly by the financial crisis that hit Europe which was the worst in many decades. Policies need to be adapted to secure the future competitiveness of our industries and economies, and the adaptability and employability of the workers. They must demonstrate that they contribute to social
cohesion, to tackling unemployment and fostering social inclusion, while securing well-performing labour markets. This requires a rethink of our education systems and our labour markets, enhancing mobility and boosting Europe’s dynamism to unleash its innovative and creative potential. As you know, the ESF is the main EU financial instrument for employment and skills and, therefore, it continues—this is the answer to your question—to play a role in helping Member States to address the challenges of the time, to do “more”, as you say, to do “different” and “better”. In all Member States the ESF is used to test new approaches, to roll out new policies or to close financing gaps. Through planning, evaluating, or the partnership principle, which is also very important, the ESF helps Member States to better implement policies. Mr Verrue has arrived.

Q197 Chairman: We knew you were going to be a little late, so I hope you do not mind that we started. We are hoping to change the programme a little bit because I understand you have to leave early, is that right?
Mr Verrue: That is right.
Chairman: Our plan is to take some of the questions that we would like to have your view on at an earlier point in the agenda. Would it be helpful if we introduced ourselves to you? I am Baroness Howarth. I am the Chairman of the Sub-Committee of the EU Select Committee in the House of Lords in the UK Parliament that looks at social policy and consumer affairs. Our Sub-Committee at the moment is looking at the role of the ESF. I will ask my colleagues who are Sub-Committee members to introduce themselves.
Lord Inglewood: Richard Inglewood. I am a Conservative. I was in the European Parliament for ten years and I was a junior minister in the John Major Government.
Chairman: I sit on the crossbenches.
Baroness Jones of Whitechurch: I am Maggie Jones and I am a Labour peer. I joined the House of Lords in 2006.

Q198 Chairman: We have our Clerk with us, our Policy Analyst and our shorthand writer. We were just talking about the role of the ESF.
Mrs Samuel: It does have a role to play. I think I had completed what I had to say on the first question. I do not know whether my colleagues want to add anything. For us, the ESF has proved its value over the years. Its history is one of success and we see that it has a great future as well.

Q199 Chairman: On what basis do you say that it does “more”, does “different” and does “better”? What is the evaluative basis for saying that?
Mr Bender: We look at the data we get from the Member States, from the managing authorities, that they report to us on an annual basis, currently even electronically. On the basis of that we see, for example, that definitely in convergence regions the pure number of participants has doubled or even tripled. For example, the number of beneficiaries in Ireland, or Northern Ireland at the time, in youth programmes has substantially increased due to the support of the ESF. We can provide some very basic figures on the numbers of people. Ten million people a year in Europe across all 27 Member States. We have figures that we reach out to more than 50 per cent of women amongst these ten million and to about 50 per cent of people who are unemployed or economically inactive. We have figures that show about two million people a year move into a job after having received ESF support. That does not mean, of course, that it creates two million jobs a year because that is not the first role of a labour market instrument, but it is an effect, of course an intended effect, of our interventions. It is a bit more difficult to say where we do “better” and where we do “different”. We would argue that we do “better” because with the Structural Funds we have introduced the rules coming along with the ESF, the specific guiding principles. For example, a programming approach which provides stability for the Member States benefiting from the fund over a period of five to seven years, a planning stability which is helpful for both the Member States but also the beneficiaries, the project promoters. We have also introduced in many Member States, in particular the new Member States, what we call a culture of evaluation. We try to encourage Member States to move towards evidence-based policy making and policy implementation. We have tight rules on evaluation, ex-ante ongoing evaluation and ex-post evaluations. We are doing “different” things because as we tried to align the European Social Fund to our key objectives in the employment field we induced policy change in the Member States. I will give you one example. When we created on the basis of the Treaty of Amsterdam 1998 the employment chapter and introduced the European Employment Strategy, one of the key focuses of this policy was to intervene at a very early stage in a preventative manner in order to avoid unemployed people moving into long-term unemployment. For my home country—Germany—this was something relatively new because in their active labour market interventions they had tried to
focus on long-term unemployed and socially excluded people. Of course, this was useful to a certain extent but it did not break the cycle of people becoming unemployed and moving into longer-term unemployment and the increased cost of getting them back into the labour market. With the Social Fund interventions from 2000–06 we introduced an important policy change which was taken up *inter alia* in the agenda 2010 of the then Social Democratic Green Government under Chancellor Schröder, which still continues under the current Government. This is what we mean when we say we do “different”, because we induce policy change and better implementation of policies through the ESF.

**Q200** Chairman: That is really helpful, thank you. Does anyone else want to say anything about that particular area?

*Mr Kintzele:* I would like to make a comment from the UK perspective in England in terms of the process. Part of your question was how far is it linked to economic reality. What the Department for Work and Pensions is doing in England is that it has launched a major review of the regional frameworks, so each English region has had a chance to have a debate in the regional committee and make a proposal and that exercise will be consolidated in a new regional framework. That is part of the Structural Fund method. The other part, which is of course a joint venture with the UK and with England, is that at the same time we have made an external assessment about the regional frameworks, the strengths and weaknesses, and how we can transform the link with programme implementation and accelerate projects’ implementation on the ground. The result of this exercise is almost available, two regions are slightly late, but let us say the DWP will have the final results in two months’ time. That will illustrate the reality in the regions and if there is a need to change slightly or more the content of the programme. That exercise will be finally submitted to the so-called “Monitoring Committee” that is chaired by DWP where we attend as a partner. This is a strong democratic exercise that is used in England and in the UK overall by the devolved administrations, but it is a significant change in the culture of how you do business in European policies in some regions (outside the UK) or other Member States.

**Q201** Chairman: There is some feeling in parts of the UK that that policy, in fact, has disenfranchised some of the smaller local groups and that local delivers even better. Do you have a view on that?

*Mr Kintzele:* We have a view in the sense that the report that has been presented by some of the groups we consider is not yet sufficiently evidence-based. In terms of the architecture we have agreed politically, mainly with England, that we will work with mainstream programmes, mainstream organisations, and so-called co-financing bodies. Why is it so important? It is so important because we have a 50 per cent intervention rate and we want to have the visibility of the other 50 per cent, so real money. The experience in the past was that what was done by small organisations was quite interesting and innovative in substance, but they had tremendous problems having real match funding and afterwards they had tremendous audit problems. The downside was quite a critical view of the financial implementation of the programme, i.e. criticism from the public on reliability in financial terms. We completely changed the system. In fact, DWP proposed a complete change with a focus on the programme and, with co-financing organisations, clarity on the co-financing. The question is how far are the small organisations part of it in terms of sub-contracting and, until now, there has not been enough evidence in quantitative terms coming from the information system. However, there is an agreement with DWP that this will be looked at and detailed information will be provided. In fact, by the end of this month we will have our “Annual Examination Meeting” when some more information will be provided on sub-contracting and we will discuss the launch of a specific study to assess the role of small organisations within the new system. The new system is quite a systemic change from the previous one. You cannot just compare the two, even if the name is the same, because the whole implementation is different.

**Q202** Lord Inglewood: Am I right that what you are telling us is that the great advantage of the co-financing system as we have now got it is that you consider this genuinely indicates that the rules on additionality are being met, while under the previous system you suspect the reality was that ESF was substituting for money that was there already and being used for something else?

*Mr Kintzele:* No. The analysis is that the previous system is quite a systemic change from the previous one. You cannot just compare the two, even if the name is the same, because the whole implementation is different.
acceptable”. Then, of course, not only at the national level but at EU level you have a critical element of the Court of Auditors saying, “Look, if among X hundred projects you have problems with audit, small or large, how can you say that this is a well performing programme?” This evaluation was shared not only by the Government in DWP, but also by the main partners represented in the Monitoring Committee. When there was a consultation process before proposing the new programme, there was a vast majority in favour of the systemic change. There is still one group which is not happy and is critical. We have had Monitoring Committee debates and have agreed to improve the evidence base, but at this stage, according to the information we have, there is no evidence to say that their effective participation is lower. There is no evidence on that.

Q203 Lord Kirkwood of Kirkhope: That surprises me.
Mr Kintzele: The fact is that they are not prime contractors and that is the main difference. It does not mean that they do not have a huge part in implementation. This is the critical point in evidence-based terms. As soon as we have that information it will be freely available, of course, because all the Monitoring Committee papers are available and in parallel. We will do a thematic assessment of the role of the Third Sector.

Q204 Lord Inglewood: Does the fact that they are sub-contractors make them less innovative? Is there any evidence on that either way?
Mr Kintzele: No. In the systematic change that the Government proposed, and we supported in the English programme, we have quite a large number of ambitious targets, so the contracts have to deliver the targets. As you know, from the Commission’s side we are monitoring that the targets which have been proposed and planned are going to be delivered, even in this current situation where, as you know, the links to the labour market are difficult. What is important for us is that in terms of implementation the contracts provide the outputs. As Thomas said, we have figures for inactive people, for women, et cetera. We have quite a tight monitoring system like you have with your national programme. We monitor on an annual basis through an “Annual Implementation Report”. If a contractor gives sub-contracting to the Third Sector it means that they have full confidence that the Third Sector will be able to deliver the targets and outputs but, of course, the delivery has to be in conformity with the programme. That is essential. It is in that context that we have to appreciate the roles of the prime contractors and sub-contractors.

Chairman: I am sure Lord Kirkwood will want to come back on additionality because Lord Inglewood has managed to ask the additionality question. We now want to take a question on the economic downturn so we have got an opportunity to hear what the Commission has to say.

Q205 Lord Inglewood: Clearly the economic landscape is rather different now than it was at the time the current programme of ESF spending was established. You have said in the evidence you gave us that you would willingly respond innovatively and flexibly. First of all, have you been asked by any Member States to dramatically change what ESF is doing? Secondly, we have heard in the UK that there has been criticism, and it may be the fault more of the public procurement rules and state aids than anything else, that it takes up to a year or even longer for the money to come through and if there is a crisis that seems to be too long. Have you any thoughts about that?
Mr Verrue: Maybe I could make a few comments on the economic situation from the perspective of the current performance and enhanced intervention by the ESF. This may be one way of my apologising for being late because this was what we were discussing. On Thursday morning we always have a discussion in which we are debriefed on what the Commission has discussed on Wednesday. Yesterday was the first of many of a series of seminars of the Commission on the growth and unemployment outlook. Clearly the crisis has produced a fall in potential output expansion which cannot be handled unless there is a substantial increase in the effectiveness and volume of labour market policies among Member States. That does not mean that all EU Member States must follow the same policies in the field of labour market intervention because the objective reality differs a lot between Member States. Certainly there should be some form of co-ordination: who does well, which instruments are best performing and so on. That will be part of the discussion. My impression is that that will be a high ranking part of the discussion, particularly as regards the discussion on the so-called EU 2020, which is just another name for the Lisbon Strategy revised and adapted to go beyond the words, which were slogans, to look at the reality. The EU 2020 will require much more pro-active labour market policies from our Member States. We believe that there is room—more than room—for additional labour market policy intervention from Brussels, but on a co-ordinated basis, not in a harmonised way. Co-ordinated means differentiated between the various Member States. This means that from an EU perspective there is a need today for the intervention of instruments, of which ESF is one, in the field of labour market policy. We believe that a hands-off
approach for the next couple of years would certainly not be a recommended course of action and not something that could be expected to produce positive results on the question of output expansion, which is what we are now dealing with as I said at the beginning of my intervention. In other words, for a few years we are going to be confronted with discussions about growth which has fallen by a percentage which econometricians dispute, but the phenomenon is clearly there although its magnitude is perhaps a matter of discussion. This phenomenon requires a policy reaction, which is going to be part of this EU 2020 debate which will be in the Brussels chemistry perhaps until the end of the Spanish Presidency. In this context we see a significant role for the ESF. Perhaps I should stop here and react if there are any questions.

Q206 Lord Inglewood: I want to come back on something you said. If you are having labour market interventions they can take a number of forms: you can either loosen the labour market or you can have increased public investment. It depends on the policy stance of those in charge as to which direction you are going to go and that has a bearing in turn on the ESF. You very interestingly said that you see a big role for the ESF in this future chapter.

Mr Verrue: Yes.

Q207 Lord Inglewood: Since I do not think there is going to be much more money it would follow, would it not, that some of the things the ESF is doing now might cease to occur. If that is the case, what would you suggest they might be? Am I getting too detailed?

Mr Verrue: I am not able to offer an answer.

Q208 Chairman: Could I ask a broader follow-up question? One of the points you made was about more intervention from Brussels, that was the phrase you used, in terms of pursuing co-ordination. That is a tension with national governments having different interventions depending on their political position at any point in time and the way that stronger co-ordination can happen from a broader central point. How do you see that happening?

Mr Verrue: As you know, we are just about to enter into a new discussion on financial perspectives. It is a discussion on resources for Brussels’ policies and spending resources. It would seem difficult to put the answer in a different perspective. It would seem difficult to me, at least. Given what is now clear economic evidence of the consequences of the crisis, particularly on the labour markets, and the need for a substantial improvement in the productivity performance of EU economies, it would be difficult for me to imagine that government policies in Member States and in Brussels, when they meet together, would remain passive or spending would remain of the same order of magnitude as today on matters related to labour markets because, as I said a minute ago, we have entered a period with this crisis which will surely take quite a number of years to reverse. That situation does require a policy reaction in which public intervention in labour markets ought to be increased, for example spending on training. That is a typical example. At least in percentage terms, proportions, or whatever the terminology might be, I would be surprised if the next revision of the financial perspectives did not contain a change in the intervention of relative instruments. It seems to me that the ESF as it is today or in a modified manner should be a normal candidate for being mobilised more by Member States. That would require enhanced funding or additional intervention. I am not saying that the intervention should be just the same, quite the opposite, because the current crisis which we are dealing with is something rather new, fortunately. That is a matter of which form of intervention and a question of whether more intervention should be expected and would be justified. I think the answer is yes as long as we do not have a more encouraging real growth performance and that will certainly take two or three years at least.

Mrs Samuel: I wanted to reply to the question about whether we needed to change Operational Programmes. I think that was your question. I would like to say that we told all the Member States from the beginning that if they wanted to make changes we for our part would introduce a fast-track procedure to make sure these changes were adopted very quickly. Of course, the requests for changes have to come from the monitoring committees of the operational programmes, it is not us who initiates the process. Indeed, several Member States—Austria, Germany, Hungary, Ireland, Latvia, the Netherlands and the UK—have asked for changes to their programmes. So far we have modified 12 Operational Programmes. This is a relatively low number if you consider that for the current period we have 117 Operational Programmes. Most Member States judged that their Operational Programmes had the required built-in flexibility which would allow them to do things for the crisis without changes. The changes that were made were in order to focus on anti-crisis measures. For example, there was a transfer of resources to support employability of the unemployed, there was a reorientation of priorities towards the unemployed because their finances might have been somewhere else but because people were losing their jobs they reoriented their priorities. In Poland, for example, they changed the selection criteria in order to ensure that the ESF projects were accessible to sectors most hit by the crisis. On the whole, we can say that all the Member States made enhanced efforts in order to
combat the crisis with the support of the ESF. Indeed, the ESF became very visible during the crisis and it has shown that it is an instrument that can cope with serious changes in the labour market. This is something on which we will build for the future of the ESF. I can tell you that for the UK there was a high level of commitments to projects, overall 47 per cent, and, Georges, you can correct me if I am saying anything that is not quite right, and we have seen an increased number of participants in the projects.

Mr Kintzele: To come to this culture of partnership and debate, you know that in principle the Managing Authority of the Department, whether in Wales, England, Northern Ireland or Scotland, usually present an external evaluation about the situation plus a proposal to the Monitoring Committee and in some cases there are hectic debates. So you already have an aggregated opinion of the region or, in the case of England, of England plus the Monitoring Committee, and then the proposal is fine-tuned. We are part of it because we attend the Monitoring Committee discussions and we do our own employment analysis so we know broadly and globally what is the state of play. Then there is the formal proposal which has to be justified, of course, and usually it is pretty straightforward because of the labour market situation. If you compare 2007 when we were mainly focusing on adaptability, training and qualifications of workers, then suddenly there was the “big bang” of the crisis and we had a problem and had to deal with and support the unemployed plus the inactive, so there was a big change. We have received major modification requests from Wales, which have been adopted very quickly. We have a decision on Scotland pending which will be adopted hopefully in two weeks. As I said, for England the process was different because of the willingness to have the regions involved in the partnership and an aggregated proposal. We do not know yet whether there will be a proposal but certainly there will be a revision of the regional framework for England. Northern Ireland are happy with their programme and believe there is enough flexibility. That was how the business was done in the UK, plus what was said by Thomas beforehand that because of the financial crisis we have increased the intervention rate.

Chairman: I am very aware of the time at the moment and there are some things we would like to come back to on this. Before we lose Mr Verrue I would like to move on to the medium and long-term because we would value your view on that. I am sorry to cut you off but we will come back to this. I will ask Lady Jones if she will go on to this medium and long-term issue.

Q209 Lord Inglewood: Do you approach it from the perspective that if the Member State comes and proposes a change, you start by wishing to agree with them?

Mrs Samuel: Yes, of course we want to help Member States. This is always our aim. We are partners with the Member States and we try to help. We do not try to be difficult. That was why we did everything possible to move quickly. Georges can say more because he had to deal with the change of the Welsh programme and that was done in a month, which I think was record time.

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Chairman: I am very aware of the time at the moment and there are some things we would like to come back to on this. Before we lose Mr Verrue I would like to move on to the medium and long-term because we would value your view on that. I am sorry to cut you off but we will come back to this. I will ask Lady Jones if she will go on to this medium and long-term issue.

Q210 Baroness Jones of Whitchurch: In the context of going forward to 2020, is there an effective evaluation of the effectiveness of the Lisbon Strategy taking place? In other words, are you learning from the past before you go forward? Is there an acceptance that there have been some failings in the Lisbon Strategy, perhaps trying to look both ways, be all things to all men? On the one hand you have the idea that you want individual innovation, localised innovation and, on the other hand, a plan for convergence. There are lots of contradictions in it. Are you learning the lessons from that before you go forward?

Mr Verrue: I hope so. As you know, on that occasion this concept or slogan of 2020 was invented and we have undertaken to organise a broad consultation which ends tomorrow with a document which briefly summarises the performance of the Lisbon Strategy and identifies a number of issues which we think, given the new economic environment created by the crisis and subsequent years of the crisis, should be conceived and implemented. To some extent this is a form of critical evaluation of the Lisbon Strategy. If you ask me whether there is a professional evidence-based quantitative econometric evaluation of the Lisbon Strategy, I would have to say I have not seen one yet but there is a good deal of critical thinking, as you can see from what I am saying, of the Lisbon Strategy which is a bit unfair. The Lisbon Strategy was constructed for nice weather and, of course, it has been confronted with a crisis which was not provoked—I hope—by the Strategy itself. Clearly the Lisbon Strategy is not a combination of means and instruments that would be particularly well suited to policy reaction to the crisis. Of course, we have already undertaken measures, and the EU broadly speaking has done it and the role of the UK was particularly important in this respect. By creating the G20 it indirectly provoked increasing co-ordination of EU policy in the field of economic affairs, not financial affairs. In other words, there has been an immediate Keynesian-type policy reaction of significant magnitude and appropriate co-ordination of instruments. We are now entering into a second stage with the aim of having a more successful effect than the Lisbon Strategy. At the same time, it will
inevitably, at least partly, come back to some of the questions that the Lisbon Strategy was trying to handle but it could not for various reasons. Basically we can group these into two categories. One is how best we can enhance, reinforce, accelerate, the productivity of our economies and, two, how can the governance of these policy choices be improved. Frankly, the Lisbon Strategy was not particularly effective on governance and some even said that was fortunately so because they were critical of the Strategy itself. There was a governance problem. The Open Method of Co-ordination does not seem to have been particularly adapted for this kind of situation, namely the kinds of issues which the Strategy was meant to address. In terms of the content of the Lisbon Strategy, at least judging with the comfortable benefit of hindsight, it is not particularly suited to the current environment. **Chairman:** It seems to me that the Lisbon Strategy was aspirational and visionary, certainly in its language and tone. There is nothing wrong with having vision and aspiration, but in terms of implementation and evaluation and measurement it seemed bound to fail based on the kind of structure that was set down. Would you say that the Strategy had, in fact, succeeded in a large number of ways, but that the measurements and objectives were unrealistic? In the long-term, how do you see those objectives being more precisely constructed so that we can see whether the change is really happening and what the governance might be that actually has the leverage on those changes?

**Q211 Baroness Jones of Whitchurch:** Shall I add my question because it may supplement what my Lord Chairman has said? If you are learning lessons, and things will be different in the future, if you applied that, for example, to the green agenda, how do you stop the new aspirations for a low carbon green future becoming just another aspiration? How do you make sure that on the ground things actually are given priority and it operates in a different way? **Mr Verrue:** This is a good example where we are at the beginning here. The greening and whitening of our economies are both inevitable and, indeed, a good opportunity to increase the volume of employment. The problem is how does that work. I can take one simple example. We tried about a year ago in my previous job with my previous Commissioner to launch the idea of a partly EU-based CO₂ taxation. We failed miserably and yet we tried hard. Perhaps we would have been successful if we had tried less hard, I do not know. I would just say that this would have been part of an attempt to green our economies and we will have to make another attempt. I do hope that will be part of the reflection on another strategy—2020—which we hope will be more effective than the Lisbon Strategy has been. **Baroness Jones of Whitchurch:** How do you stop it being just fine words in a document and then individual countries going their own way as they always have done? That is what I do not understand. What are the levers for delivering this?

**Q212 Chairman:** What is the governance that you would want to see? **Mr Verrue:** There is now, partly at least, certainly among smaller Member States and new Member States—larger, older Member States are sometimes less easy to convince—and maybe the crisis has produced that, so at least it has one positive effect if that is the case, a recognition that an accumulation of uncoordinated national policy reactions would not be the most effective way of responding to this new environment created by a number of factors: the crisis, in other words the level of unemployment; the need to undertake and implement quickly measures that would provoke a greening of our economies; and also implementing measures that would respond to the ageing of our societies which will increase spending on health but also the demand for distant services which are not properly handled at the moment. We are convinced that if those phenomena were left with an uncoordinated policy response that would be a second best attitude on the part of our Member States. We remain confronted by the need to be convincing on this. It is easy to convince Latvia or Greece today to undertake a number of measures—effectively or not is another question—but less easy to convince the German Government to undertake a number of recommended measures. Again, we have the impression that realising strategies like the Lisbon Strategy is not in the short-term an efficient manner of handling the economic situation and at the same time any other form of policy reaction, if it wants to be at least more than marginally effective, would need to be the result of a very high degree of co-ordination between Member States. This was not particularly characteristic of the Lisbon Strategy. There was ongoing review of what Member States were doing but that was not based on econometric evidence of whether it was effective or not. It was a review exercise. The policy aspects of that review exercise were brought to a political level, but that was it.

**Q213 Lord Kirkwood of Kirkhope:** If one of the criticisms of the Lisbon Agenda was that it was too aspirational there was also the Wim Kok report in 2004. Basically I have a strong recollection that he made the point, which made sense to me to a certain extent, that because everything was a priority under the Lisbon Agenda nothing got done. The circumstances have obviously changed since 2004,
Mr Verrue: Yes. This is probably something that has been said already but I would like to emphasise it. Of course we believe that the ESF is not a perfect instrument and should remain for years and years, but we believe that the EU as a group of countries is in a situation where financial intervention for labour market measures, broadly speaking, is and will continue to be quite high. If we look at the limited range of EU instruments for intervening effectively, hopefully, in such a situation, the only one is the ESF. The Structural and Regional Policy Funds, for example, are extremely relevant but for interventions which have little to do with the kinds of problems we are left with as a result of the crisis. Do we need investment in heavy infrastructure as a matter of public policy priority now? I am not sure. Do we need a continuation, and even possibly an increase, of intervention in labour markets? My answer is yes. That does not mean that ESF should be picked up just like that with no adjustment and no feedback.

Q216 Lord Inglewood: Do you see intervention in the labour market as essentially a financial state driven, public sector driven introduction of money, or do you think in parallel, complimentary to that, there are certain ways the labour market is organised that might be, shall I say, loosened up?

Mr Verrue: Modern employment policy addressing the situation which has been left over from the crisis is clearly required. We produced an analysis on this which was sent to the European Council last June, which we believe continues to be quite relevant. This explains, according to us, what kinds of measures of intervention in the labour market should be envisaged irrespective of, or in addition to, or in substitution of, ESF intervention. For example, are you familiar with the Kurzarbeit in Germany?

Ms Samuel: Short-time working hours.

Q217 Lord Inglewood: No, I am not.

Mr Verrue: That would be a typical example of a recommended intervention to a number of Member States which would not necessarily involve ESF intervention. It could be implemented with ESF resources because it requires public resources, but Kurzarbeit at EU level would not be geared mainly to ESF intervention. It would not be an exclusive instrument and unless it was richer certainly it would not be more than an instrument for intervention of modest proportions, if I can put it in that way.

Q218 Chairman: I know you have got to leave us. Is this the point where we should release you and say thank you very much?

Mr Verrue: Thank you very much for your interest.
Q219 Chairman: I am sorry that we cannot keep you, but I gather we have to release you to go to something else equally important, let us put it like that. Thank you very much. Mrs Samuel, I know you have been trying to say something.

Mrs Samuel: No, that is fine.

Mr Bender: There is also the issue of leverage which you were asking about and that is linked to what Mr Verrue just said when he spoke about the need to increase and improve the co-ordination and possibly, in addition to that, the aspects of peer review and mutual learning, which to a certain extent have helped, but a real lever in making policies change in the Member States is a financial instrument and this is what we have tried to do with the ESF in the past and hope to be able do in the future as well. I gave you an example where I do believe that we influenced German policy making from 1999 onwards. I could give you other examples, for example, where in Ireland we changed the mindset and the policy when it came to childcare provision. This was a burning issue at the end of the 1990s and was a difficult issue for a mainly Catholic society which saw that mothers should be at home and not at work. We were able to change the mindset of the politicians, of the social partners and of the people in Ireland and provided massive support not only to increase the provision of childcare facilities partly through the ERDF but also the quality of childcare through ESF, through training of childcare workers, and employment subsidies as start-ups for community-based childcare facilities. This policy change was largely facilitated through a financial instrument that came from Europe pursuing the same objectives as the policies. This is the important linkage. Lena can say much more about that. This is the key issue why we believe that funding across Europe is necessary even in richer, more affluent Member States because we can bring along European values and objectives to the regions and countries which would normally not need additional EU money. This is the philosophy, the mantra, in which we believe and which we want to pursue.

Chairman: It might take generations to change that behavioural cultural issue that funding has helped. That is really helpful.

Q220 Lord Inglewood: Subsidiarity plays a part here. How do you define, for want of a better way of putting it, what is a legitimate European policy? I suspect that some people in Ireland would have thought that your proposals were anathema.

Mr Bender: We have an employment chapter in EU 2020 and this chapter has not been changed with the Lisbon Treaty. The employment chapter and the ESF, social policy chapter, have not been changed. This is a reply to those who want to merge or abolish funds. During the Convention work nobody questioned the social policy chapter. On the contrary, the provisions in the beginning of the Treaty have been reinforced but the chapter on the ESF and social policy has remained unchanged. This is a continued commitment on which we have to deliver as the European Union. In the employment chapter we are called upon to co-ordinate employment policies and work with the Member States according to agreed objectives and targets. We are doing that in conjunction with them. The Commission is not imposing policies or funding priorities; the Commission is doing that on the basis of employment recommendations in conjunction with the Council and at the end of the day the Member States agree on the recommendations delivered to each of them individually.

Q221 Lord Inglewood: The argument is that it is the Member States through the Council that are driving your agenda.

Mr Bender: We are driving it.

Q222 Lord Inglewood: Yes, but through the framework of the social chapter. That is the political case.

Mr Bender: Yes.

Mrs Samuel: We have the common objectives to start with and those are agreed objectives. Everybody agrees to them and then has to try to reach them.

Lord Inglewood: Indeed, I do not disagree, but sometimes you meet people away from Brussels, shall I say, who feel that they are having imposed on them policies and ways of doing things which they would rather are not there.

Q223 Chairman: Can I just ask one other question because it does finish off this bit about the financing? If some of the richer Member States did come out of the funding—they are described as “richer” but in the present crisis it is difficult to know who is richer and poorer if you look at our deficit, if you know what I mean, it is whether you are in debt and rich or not—would that change the sharing of experience, which I think is of value, across the whole of the programme and the learning that people have from each other in those sorts of different communities?

Mr Bender: That would definitely change the learning, but not in favour of the so-called “richer” Member States because they could also benefit from the experience of the poorer ones. It would also disrupt policy learning which we have mainly from the more experienced and affluent Member States towards the poorer and newer Member States because we would continue a policy debate that has tended to remain quite sterile sometimes if it is not underpinned by some real action. If you disentangle
the policy debate from a debate about the use of public intervention this could have a negative effect on the catching-up process, which we still believe in. Regardless of what people may think about the ESF it is clear, and we said this in our evidence, funding or allocation decisions have to factor in GDP per capita to a certain extent as of now but, as we have also said, social policy and employment policy considerations are not a question of rich or poor countries. You are here in the third richest region in Europe after London and Hamburg with an unemployment rate of more than 20 per cent. It is obvious that social exclusion is not an issue of rich or poor on a regional or country basis and we need to continue to tackle that, in my view, as an expression of EU solidarity and to avoid an EU debate which is a high level political debate which only takes place in the Council and maybe in the capitals but which does not reach the people. We believe that reaching ten million people a year with the ESF is something that is very visible and tangible to everybody in the EU countries.

Lord Inglewood: Do you believe that the beneficiaries of your involvement, the ten million, realise that the European Union is behind it?

Chairman: We think probably not.

Q224 Lord Inglewood: That was why I asked because that was what we thought.

Mr Bender: I talked about that to Irish colleagues and said that if people remembered all the interventions we have given to them they would not have voted “no”, but that is a cynical remark. We are working hard on making it very visible to the individual beneficiaries. We are working in very close cooperation with the Member State authorities to achieve that and I think we have made progress. It is difficult because we do not have these nice little plates that are normally on bridges or buildings or Greek temples, for example, saying “Restored with the support of the European Regional Development Fund”. It is difficult to put such stickers on people, so you need to have other means to make them aware that they have received support from the Union.

Q225 Chairman: We will come back to you now, Mrs Samuel.

Mrs Samuel: No, it is fine. Thomas has been in the ESF much longer than me.

Q226 Chairman: I could see there were things you wanted to say.

Mrs Samuel: Your questions were specific, but I think Thomas has answered why we think the ESF should be available in all Member States. He gave you very good reasons, which I hope are convincing. What I could add is that we need to identify allocation criteria which ensure a critical mass for all the Member States but also safeguard that a substantial amount of money will go to the poorer countries. We are not saying that the poorer countries should receive less, they should receive more, but we think the ESF has a role to play in all the Member States, and we say that because we see it. This is not theory; it is based on our experience. We have seen this more clearly with the crisis where unemployment spread suddenly in all the Member States and we see social exclusion. Of course we put the emphasis on employment but there will be people who will be further from the labour market, even in dynamic cities like London, so we have to do something there. We cannot leave it like that. At the European level we have a duty to do something.

Q227 Lord Inglewood: How far from this meeting room in distance is the nearest Social Fund spending?

Mr Bender: Three hundred metres. The Flemish Public Employment Service, the VDAB, is located on Rue de la Loi opposite the Charlemagne building.

Q228 Baroness Jones of Whitchurch: Going back to the richer nation issues, and obviously the UK Government so far is saying they do not think they should receive the money in the future, surely there is an argument that if they are sufficiently rich, and I take my Lord Chairman’s point on how do you define that, they could fund all of these things out of their domestic budget. Why should the EU come in and provide a redistributive focus for the funding? We are not saying that support should not happen in the UK, that the training and support for the long-term unemployed should not happen, but you could just say why send it up to Europe just to have it sent back down again, they could just organise it from their domestic budget.

Mrs Samuel: As I say, it is an expression of Europe’s solidarity, which Thomas mentioned before, because all the countries are together and they get something out of it. Thomas may have a better argument.

Mr Bender: Not really. It goes back to the first question we discussed about the added value that we have tried to discuss with the Member States. It is not a construct that we have, the “more”, “better” and “different”. We have discussed this with the Member States in continuation of that. The “more” is something that is about redistribution to a very large extent, and that is the cohesion aspect. The “better” and “different” are something which are beyond cohesion, beyond redistribution. We believe that we have done some different things. I have worked on Ireland together with Georges and we have funded largely the Equality Authority in Ireland, which is a difficult issue in a country that is very male dominated and where men tend to dominate decision-making, for example. The Equality
Authority at the time was supported through the ESF in order to collect data, to provide evidence on inequalities in Irish society and the economy and to provide training and awareness raising both in the public and private sectors. That has changed things. The gender mainstreaming agenda has been a crucial part of the ESF for about ten years. We did things differently and different things and that helped. That has helped in richer countries as well. We believe that should continue. The agendas may change and we may speak a lot more about the green economy in the future or, in fact, the white labour market which will be extremely important in the light of demographic ageing. We have to see what we can induce in terms of employment creation in this field, but also in terms of up-skilling of people because a lot of these jobs in this sector are low-skilled, low quality, which is bad for both those who work in the sector but also the clients of the carers. This is an issue where we have to induce massive change in Europe on the basis of mutual learning and best practice, but also with some financial support.

**Chairman:** I know Lord Kirkwood wants to ask about addinality.

**Q229 Lord Kirkwood of Kirkhope:** I have a couple of quick questions but can I just pursue that thought? You make a very powerful case about best practice being shared and adopted and promoting things that would not otherwise happen, but it is at a huge cost in terms of the bureaucracy. Some of the evidence we have received, particularly from small-scale operations, is that what they see are layers—you may say this is a national problem and maybe that is the answer—so the good work you are achieving does not count for nothing, it is redistributional, but there are opportunity costs for some of these small operators, particularly at the earlier stage of the programme where they have spent countless hours making applications and then could not get the match funding, these are very large. People were tearing their hair and getting very frustrated about some of the audit costs and the bureaucracy. Could you say something very briefly about that because it is a theme that has come up in the evidence that has been presented to us before.

**Mrs Samuel:** I will make a general introduction, but Thomas is the expert on this. It is a complex procedure. Everybody says that, we hear it from the stakeholders and we see it ourselves and that is why in the next period we will try to put more emphasis on results and get away from procedures. We have already done a great deal because we were forced by the crisis to make sure that money gets to the beneficiaries quickly and is used in a more efficient way. We have done a lot during this period and we will do more in the next period. Thomas can show you what we have done and where we are going. We have the Member States with us helping us because we are in constant dialogue with them. In fact, I chair the European Social Fund Committee which was set up under the Treaty and there we bring the Member States together and ask them to help us in framing our proposals for the future. One of the things we will discuss with them is how to improve our delivery mechanisms. Thomas will have a leading part in this debate.

**Mr Bender:** Yes, unfortunately! It would be too easy to say it is all the Member States. We have evidence from some who say they add 50 per cent to the bureaucracy, so the bureaucracy is shared 50:50 between Europe and the national level. Colleagues from Poland and Finland, for example, have told us this. It is a shared burden. We would be lying if we said that we are not bureaucratic; of course we are.

**Lord Kirkwood of Kirkhope:** I hope our report will put a little bit of constructive pressure on the United Kingdom Government. If you have got any ideas about how you could strip out some of the national costs at the moment that you see might be a part of the problem, these would be ideas that would be very important for us in formulating the recommendations for our report, and we might have a mutual interest in that. If there are any tangible ways by which you think we can change the operational dimension of the programme throughout the United Kingdom, not just in England, to try and save some of the costs then I think we would be willing to consider those as a recommendation in our report.

**Chairman:** We are over time but are you all right to stay just a little while longer because clearly we are getting great value out of this and it would really help.

**Q230 Lord Inglewood:** We do not want to hold you up giving money out to other people!

**Mrs Samuel:** We did all the payments before Christmas. Thomas had to work until 30 December to do that.

**Mr Bender:** There are two things I would say. One is that we also have to be aware that whenever we want to have reasonable reporting, and I introduced a couple of key headline figures, we have to ask beneficiaries to report on individual people to support it, otherwise if we just gave a blank cheque that would not work. It definitely would not work in Whitehall and the House of Lords, but it also does not work in the European Parliament. There is a trade-off between spending the money properly, getting added-value for the money and reporting on what we achieve. This will always require what is seen as bureaucracy from a project.
Q231 Lord Kirkwood of Kirkhope: I understand that. Mr Bender: In the UK we believe that the DWP have taken some very positive steps in order to facilitate the funding. They are at the forefront of making use of the simplifications that we introduced in the regulation in terms of standards for unit costs, say, where you do not account for each individual invoice in order to get it reimbursed from Brussels but you settle a standard cost for specific training, a specific intervention, and get it reimbursed once you demonstrate this activity has taken place. Also, the accounting for indirect costs on a flat rate basis is something we have introduced in this programming period which has been taken up by London and Sheffield in a very open way. Georges may have more idea of what further simplification would bring.

Lord Kirkwood of Kirkhope: After the meeting if there are some ideas that you have that we can pursue in that direction I think that would be very helpful.

Chairman: Let us just clear up this one point that we have heard about. We heard that it took 14 months for money to reach the frontline services once the windfall, if you like, arrived in the UK. We still cannot identify, and I wondered if you had a view, where the blockage was or if it was true that it took 14 months. Certainly the people we have seen were not terribly critical about it, which I found surprising. I think if I had been on the ground I would have been much more critical.

Lord Kirkwood of Kirkhope: They seemed to accept it as a natural thing.

Lord Inglewood: Everything was delayed, was it not, so they said that because you know it is going to be X weeks later everything is X weeks later, so it is fine.

Lord Kirkwood of Kirkhope: It is a culture of delay.

Q232 Chairman: In terms of the urgency to get these things moving in terms of the priorities in the programming, do you have a view about that? Mr Kintzele: We have looked at it. The current situation is that the internal procedure, which is linked to public procurement goals, takes that timescale.

Q233 Lord Inglewood: Is that your internal procedure or the UK Government? Mr Kintzele: No, the UK Government. The DWP.

Q234 Chairman: Does it take that long elsewhere? Ms Schopf: These were specific problems.

Mr Kintzele: We were discussing that and the Government is committed to look at it and to streamline the procedure. We know perfectly well that there is this issue of accountability in respect of procedures. We know that the UK, in terms of implementation, has made systemic changes and we welcome them. I always hear the complaints of small organisations, but there is no doubt that this programme is far better than the previous one because we have a clear view about the match funding and the outputs. We do not have this permanent issue about match funding at promoter level, small organisation level and then audit trail. If there is no audit trail, I am sorry for the small organisation. It was not acceptable in the past and certainly since the Court of Auditors’ report and the European Parliament have taken a clear view about Structural Funds, it is not going to happen. In my personal view we may come to the conclusion that some small organisations cannot go for an ESF project because either they or the project is too small. That may be a consequence. We cannot draw a line and say that there are audit requirements, public procurement requirements, efficient management requirements, except for a range of organisations. That is not possible. We have to reflect at what point there is a line to be drawn.

Q235 Chairman: One of the things that we have found, and we have visited some projects, is that there are some groups which are much more likely to be able to attract into their doors the more hard to reach groups—alcohol or drug dependents, or ex-convicts for example—so in terms of their qualitative outcome they may be able to do better on the personal response but may need help in terms of the auditing type issues that you are describing. How do we get the balance whereby we get, if you like, the bureaucratic systems right, and no-one is doubting that—I have run a lot of projects where you have got to have the right information come back to show that your money is properly spent—but with the value of some people only being prepared to go into the back door of a little project down the street with people who do not look too smart because they trust them and feel that they understand what they are doing? How do we get that balance?

Mr Kintzele: It is a fair question in the current situation, but you will remember that the programme was negotiated in 2006, adopted in 2007, and the focus of the programme was a different one. We have to keep this in mind and we have to prioritise. Quite clearly we had a labour market requirement and a skills agenda, which were different, and a lot of pressure was put on the skills agenda for the working population. Within the new programme there was less attention and focus on the most vulnerable groups or on the social inclusion aspects, i.e. the delivery was consistent with a focused programme. Now it is true that we are in a new situation and there are more demands from vulnerable groups and for different types of labour market interventions. We have agreed fundamentally in dialogue with the Member State, i.e. the Department (DWP), and the
various stakeholders, that the time has come now to assess what has been done and potentially review the programme in terms of the labour market development. That is an agreement. I would like to go into this in some detail in order that we are clear about the process. First of all we want to be sure that the message which is conveyed by some organisations is a message which is conveyed by one, two, three or all the English regions because we do not know that yet. We have the regional partnerships. This is why this process is so important. We have to balance the various needs and challenges and requests and demands at regional level and see what demands come in in the final regional framework for each of the regions and what is the aggregated, consolidated exercise done by the Department (DWP). This is almost finalised. January is the deadline. Total performance in 2009 is known now. As I said, we are going to look at the question of the small organisations and the sub-contracting. That is part of the remit. Then we come to the crucial issue, which is do we need another focus of the programme in line with the new situation, i.e. to target it more to the difficult groups and social inclusion, which may require, as you have done in the UK, an area based approach, a community based approach? It is difficult for the mega co-financing organisations. From our perspective, the organisation of the dialogue and the policy debate is clear and we have agreed with the Department (DWP) that this will be further debated in March in the Monitoring Committee.

**Q236 Lord Kirkwood of Kirkhope:** That is the English monitoring committee?

*Mr Kintzele:* I am speaking about the English one. There are other issues elsewhere but I will come to those later. The English programme is quite crucial because it is the single largest in financial terms of the UK ESF programmes. We have agreed that my Director will come in March in order to listen to the debate and the various views of the stakeholders, of the regions, of the departments and the social partners. Then, we will look forward to what has to be changed, whether in implementation or even in terms of priority and operational focus, and there will be a decision. As Lenia was saying, if at one stage a decision is made that we have a goal to introduce another priority to change a focus of the programme with a justification, we have taken a commitment to a fast-track procedure that in six weeks it is adopted by the Commission. As I said, in terms of the partnership approach in England we still have to get the views of the totality of the main stakeholders. For Wales it is different because of the size of the programme and how it was constructed. There we have far less critical views about the elements of the programme. It is also a fact that if you compare the Welsh financial volume in terms of the population and the challenges, it is more important than the English programme. Then we have the question of the Scottish programme. You have received the Scottish comments and evidence to your inquiry and, there, the reality is that since 2006 there has been an important difference of view about the audit requirements and audit system in Scotland. That has to be acknowledged. The 2007 Court of Auditors’ report was devastating and it was followed by DG Employment audit missions, an enormous number of audits, and the result, which is subject to a hearing and colleagues of the UK Permanent Representation know well, we have had a formal hearing and the result, is that there is still an important difference of view about the quality of the audit system. This has a negative impact on the small promoters and on those working in the voluntary sector in Scotland because when you do audits, if there is a large share of promoters from the voluntary sector in the implementation of the ESF, then there is a large number of those promoters which are audited. The bottom line, and I want to stress this, is that at the end of the process, they are partly the victims in the sense that there is audit fatigue at the level of small promoters and, since 2006, negative news coming from the Commission. That is understandable from their perspective. From a public finance point of view, after three years and a multitude of audit reports that are available, we consider in the Commission (DG EMPL) that there are still some major deficiencies in the ESF audit system in Scotland. The result of the hearing will be known, nothing is hidden because there was a formal letter sent to the UK Permanent Representation before the hearing, so we can send it to you, but we have an issue and I want to stress that.

**Q237 Chairman:** That is interesting about Scotland, we have not seen them yet.

*Mr Kintzele:* I think everybody understands the complaints of the promoters and the voluntary sector, but from the Commission’s perspective, and I am sure from the European Parliament and the Court of Auditors, there is an issue. This issue could not be closed after three years. The result of the hearing, and we have the formal minutes and we wait for the Scottish Parliament, is there will be a financial correction. The only question is how much. This is an indication that there is a limit and we all need to balance the various arguments, but from the Commission’s side we are going to ask for a financial correction and we are going to ask the Scottish authorities to improve the management and auditing of the new ESF programmes (2007–13). This is a “conditio sine qua non”.
Q238 **Chairman:** The issue in all that is when you are going through due process, which is very important, and in the present economic climate where there are more groups unemployed so you have got higher level unemployment, if I can put it like that, whether the really hard to reach groups fall even further below the line while we are trying to re-skill and should the European Social Fund be directed to higher skilling groups. We have heard of schemes where graduates who cannot get jobs have been helped to get jobs, and that seems to me to be a very positive programme, but in doing that do you lose any other parts of the programme and in terms of social inclusion and cohesion does that have an implication for the policies?

**Mr Kintzleze:** Yes.

Q239 **Lord Inglewood:** When we went to visit a scheme in the East End of London, which was an admirable scheme, what it was delivering was people who were more suitable for employment in a world that had nothing to do with the Lisbon Agenda at all, people from office cleaning and building sites. Are the Lisbon Agenda and all these high-flying aspirations a complete irrelevance in terms of much of what the Social Fund does?

**Mr Bender:** I think we made it clear when we discussed the so-called “earmarked” categories at the time when we negotiated the new programming period that social inclusion is not something that is completely independent from labour market issues. We believe that, roughly speaking, there are two groups. There is a group of people which needs focused intervention support in order to get them into the labour market relatively easily and quickly, but there are others that have a long distance to travel and they are equally relevant for Lisbon because it is about increasing the employment rates in Europe. It depends on the national situations and the amounts of funding we have available whether we can afford to tackle more agendas or only specific agendas. As Georges pointed out, for the England programme there was an agreement to tackle two important priorities which were the adaptability and employability agenda from a specific perspective based on policy analysis that we have done together with England. Maybe we should not look so much at the inclusion agenda as we have done in the past, including capacity building. You have been in the business many years and you know that in 1994–99 we had a specific priority for ESF Objective 3 to improve the capacity of small organisations, community institutions and organisations to increase the capacity in order to take up Community funding. That was very successful. That was trying to address the problem you have raised, namely to reach out to those people through groups and organisations which have the trust of the community, on the one hand, and, on the other hand, to beef them up in terms of reporting and auditing and financial controls so that they can actually draw down public funds generally, national or EU.

Q240 **Chairman:** That was very successful.

**Mr Bender:** That was very successful as we saw in 2000–06, but there was a political choice for the new programming period. You have been asking where is the borderline and how far can we go to look at short-term issues in order to reach out to the most vulnerable, as we said in June 2009, to address the skills agenda, try to keep people in employment through measures like short-term working arrangements and at the same time skill them up in order to make them ready for the recovery, and the other funding priorities we have. Our programmes are not infinite. A serious discussion that we should have in 2010 and maybe early 2011 with the Member States is to look at the overall spending priorities they have established in a completely different world. As Mr Verrue said, and looking at the American experience with the recovery, we may have to look at issues like investment in hard infrastructure or some sort of business support which we co-fund and ask whether this is a good investment when we need to recover from a crisis, upskill the people, tackle social exclusion and try to bring people in to keep them in touch with the labour market in the short and medium-term. If we do not address the issue of the overall amounts of funding we have available then we will have to make negative choices. In some countries we see that already, Latvia, for example, will have to make a negative choice because the situation is so bad over there that they have to disregard specific important target groups, important areas of intervention in human capital, in the education field, but maybe we can engage in a discussion with them in order to address where public expenditure should take place now. When you look at the discussions in the Ecofin Council, in the Economic Policy Committee, you will see that there is a widespread movement that investment in active labour market policies, in the people, is necessary now and we need to make the funds available from the ESF and other public resources. That is a borderline which is very difficult to establish and that is a very difficult political debate that I think we will need to have.

Q241 **Lord Kirkwood of Kirkhope:** Evaluating the distance travelled for the hardest to help, you are measuring outcomes, that is the headcount, it is hard output, but can we get better in the future programmes—I know it is not easy—some form of evaluation of distance travelled towards labour
employability just to reinforce the point that you have just made?

Mr Bender: We have experience.

Mr Kintzele: Especially in the UK we have evaluation and have had tremendous experience. That is a joint message coming from the policy directorate and the geographical part of DG EMPL. As you say, it is absolutely possible to re-evaluate if there is a need to make a decision. I would say we would welcome such policy debates and decisions being taken in various parts of the UK, the devolved administration under the English programme, in 2010. We have the policy elements. In terms of techniques we have the ESF evaluation in the UK and we know the evaluation of some of your national programmes which are community based or delivered through the employment service, et cetera. I do not believe this will be an issue. We have a specific issue which has been identified in Scotland where small promoters will need support and that is also an important message. Small promoters need specific support to cope with all the operational and financial requirements.

Q242 Chairman: We should learn from the previous interventions.

Mr Kintzele: Yes.

Q243 Chairman: I am really sorry but if I am going to let you go I would like to get to this last question and get as brief but sharp an answer as we can about how well-aligned is the ESF and ERDF funding. We have heard evidence that sometimes there are difficulties about the alignments and we wondered what your view was of the suggestions that regions or areas should be allocated a mono-fund of European investment to be used for all types of activities currently supported by the various funds. We only ask this because it is a suggestion we have heard.

Mr Bender: Can I answer with a question? In the UK or in England do you have a single municipality which has just one budget line or are there not political choices made when it comes to the allocation of funds for specific policy areas? That is the same as we are doing at the EU level. We do not believe that you can enforce policy co-ordination through the co-ordination of limited financial instruments coming from Europe. What you need to have is policy co-ordination at local, regional and national levels, and EU level. President Barroso, as you know, has asked us to overcome the silos in which the Directorate Generals are working, and we are working hard on that, but we will not overcome the silos in which we are working by lumping together all EU funds into one single department and then continuing as we have been. What we have to do is start with the dog and not with the tail and have policy co-ordination and then see who is the master, is it the tail or the head of the dog. I think the head of the dog should be the master. That is my personal response.

Q244 Chairman: What does that mean for the relationship between these two funds?

Mrs Samuel: Better co-ordination.

Mr Bender: The relationship is there. The co-ordination happens at EU level in the Commission and it happens at national and regional levels to a large extent also. When you look at it from a promoter’s perspective or from the perspective of a relatively small organisation that has to deliver various funds, for them there should be simplification. That is the easy answer to a very complicated political question rather than a financial or implementation question.

Q245 Chairman: Certainly our colleagues in Cornwall were very positive about the ESF and the other funding but felt that there could have been more co-ordination. I have to say the criticism was very tiny compared to the value of what they felt in terms of their programme. My colleagues would like to ask more, and I would like them to, but I realise that you have gone well over the time you were able to give to us. We are immensely grateful. If you think there are things you have not been able to tell us, please do let us have a note in writing. This is an important inquiry for us. My colleagues and I have found this immensely helpful. Added to the other things we have heard so far I have found it extremely contextual and enlightening, and for that I am grateful. I may take a different view from one of my colleagues about what the Lisbon Treaty can do in terms of cohesion and inclusion, but that is just a comment.

Mrs Samuel: We want to thank you. It is interesting for us as well and the questions you have posed to us are questions that make us reflect even deeper and strengthen our arguments. Thank you very much for this meeting. It was very nice to meet you and we wish you a pleasant stay in Brussels.

Chairman: Thank you very much indeed.
Supplementary memorandum by the European Commission (DG EMPL)

GENERAL ROLE OF THE ESF

Q1. The ESF has been included in the Treaties since 1957. Why, and how, does it still have a role in helping Member States do “more”, do “different” and do “better”? Do you consider that this applies across the European Union?

The ESF has a double Treaty foundation in articles 162 and 175. Article 162 of the Treaty gives the ESF the task of improving employment opportunities for workers in the internal market. A careful reading of Article 175 shows that it does not define the ESF as a “cohesion fund”. Its structural purpose is linked to policies that apply across the European Union.

Social, economic and political contexts do not remain constant. This is demonstrated by the current economic and financial crisis, the worst to hit Europe in many decades. Policies must be adapted to secure the future competitiveness of our industries and economies and the adaptability and employability of workers. They must demonstrably contribute to social cohesion, tackling unemployment and fostering social inclusion while securing well performing labour markets. This requires a rethink of education systems and labour markets, enhancing mobility and boosting Europe’s dynamism to unleash its innovative and creative potential.

The ESF is the main EU financial instrument for employment and skills. It continues to play a role in helping Member States to address the challenges of the time; to do “more”, to do “different” and to do “better”. In the less developed Member States the ESF supports a higher number of people compared to more developed regions. In all Member States the ESF is used either to test new approaches, roll out new policies or to close existing financing gaps. Through planning, evaluating or the partnership principle, it helps Member States to better implement policies.

As an example: Northern Ireland was an Objective 1 region in the 2000–06 period. In the meantime, however, it has improved its performance to the extent that it now qualifies as a Competitiveness region. With much reduced ESF funding for 2007–13, Northern Ireland cannot support as many people in the programme as before. Northern Ireland will, therefore, have to spend the ESF funds differently to maximise the effectiveness of its reduced allocation and, in such cases, it is particularly important to add value to existing activities.

ADDITIONALITY

Q2. Could you explain how the Commission assesses additionality and to what extent the principle of additionality as regards the ESF is currently respected by the Member States? What action does the Commission take to ensure respect for the principle by Member States and what action is taken where projects do not respect this principle?

Additionality, within the meaning of Article 99 of Regulation 1083/2006, is only assessed with respect to the convergence objective (West Wales and Valleys, Cornwall, Highlands and Islands). It is not assessed at the level of individual projects or even funds, but instead at the level of the Structural Funds as a whole. The ex-ante verification was completed by the Commission in parallel with the drafting of the National Strategic Reference Framework (NSRF) for the 2007–13 period. Member States submitted their respective NSRFs, including the standard table for verifying additionality and complementary information on the methodology used. Further information was given to Commission staff during the negotiations and the Commission has recently reported on the ex-ante verification.

In accordance with the general regulation, additionality is to be verified twice by the Commission for the convergence objective: at mid-term (in 2011), and ex-post (by 2016). If a Member State fails to demonstrate by 30 June 2016 that it has complied with the principle of additionality, the Commission may make a financial correction.8

In paragraph 12 of our original written submission to the House of Lords we set out a table on the verification of additionality for the 2000–06 period—a comparison of the UK and EU 27. DG REGIO, together with DG ECFIN, is in charge of this verification exercise.

Concerning the last question: as already indicated, additionality is not assessed at project level but for convergence regions per Member State.

Effectiveness of the ESF

Q3. **In your view, how is effectiveness of the ESF best assessed? Are you satisfied that EU level and Member State evaluation processes adequately capture the effectiveness of the ESF? To what extent do you consider it might be possible to use “soft outcomes” as indicators of ESF effectiveness? How does the effectiveness of the ESF differ across the EU?**

Effectiveness (and efficiency) must be assessed against the objectives set in the Operational Programmes. While we are satisfied that there is ample and documented evidence of effectiveness, it is always possible to do “better”. In particular the Commission would like to see a more wide spread use of counter-factual analysis (analysing net effects of effectiveness) in evaluations at Member State level. However, counter-factual analysis has its own limitations. It is very demanding in terms of data and requires that objectives are set in unequivocally measureable terms. It is possibly more important to strengthen mutual learning across the EU in this regard.

The most disadvantaged people require very intensive support over a longer period of time in order to integrate them into the labour market. Soft outcome indicators are very valuable for measuring progress in this area, since results like “entering employment” or “gaining qualifications” will only be achieved after a longer period of support. England and Wales made greater use of soft outcomes during 2000–06. For the current programmes the English and the Welsh ESF Operational Programmes include an indicator “economically inactive participants engaged in job-search activity or further learning” to capture the number of people who are supported for a longer period and via different activities.

DG Employment supports this as an additional source of information on the effectiveness of ESF activities, in addition to “hard” indicators such as “entering employment” or “gaining qualifications”. While we encourage the use of soft outcome indicators, we have to admit that their application is limited, because:

(i) It depends on the objectives of the individual Operation Programme (OP) and the OP’s target groups if they can be applied.

(ii) Using more soft indicators means additional monitoring requirements which are often perceived as too time consuming and burdensome. The solution might be to use evaluation studies and cohort surveys.

ESF in Responding to the Economic Downturn

Q4. **What is your response to the suggestion that EU public procurement rules led to a 14 month delay in additional ESF funds made available to the UK by the Commission in October 2008 filtering through to projects?**

Firstly, we would like to stress that EU procurement rules take the form of a Directive that has been transposed into the national legislation of all Member States. From other Member States (eg France) we know that, although the legislation may have resulted in slower procedures for initiating an action, this is compensated by quicker and easier payments, and increased control and verification.

However, as far as the UK is concerned, DG EMPL is aware of the delays in the tendering process of some of the ESF funds:

— In October 2008, the depreciation of the pound sterling against the euro, resulted in more ESF money being made available to help combat the effects of the economic downturn. Following this, the Managing Authority set out guidance and procedures for Co-Financing Organisations (CFOs) for the tendering and allocation of these extra funds within the priorities and objectives of the Operational Programmes.

— Some Co-Financing Organisations faced problems with the length of time taken in completing tendering rounds implemented through public procurement procedures. This is due to internal rules of the organisations themselves and is thus a domestic problem. DG EMPL has shared its concerns on this with the Department for Work and Pensions.
Q5. You note in your original written submission (paragraph 29) that you stand ready to adapt existing programmes to better tackle the effects of the crisis. Have any Member States requested this flexibility? Do you feel this approach has brought demonstrable benefits to the use of ESF in these circumstances, and are there any disadvantages arising? Do you consider that a greater degree of flexibility in terms of programme priorities and allocations could be integrated into the rules for the remainder of this programme?

It is the Member States and more specifically the Monitoring Committees of the Operational Programmes that take the initiative to request the adaptation of existing programmes. Demands for ESF re-programming are processed in a fast-track procedure by the Commission. Some Member States (AT, DE, HU, IE, LT, LV, NL, UK) have used this possibility to amend Operational Programmes for crisis adjustment, while others have used the pre-existing flexibility of ESF programmes to target interventions at those most affected by the crisis.

12 Operational Programmes have so far been modified. The relatively low number results from the fact that most Member States judged their Operational Programmes to have enough in-built flexibility and did not require a formal change. For example, this is the position with England and Northern Ireland (with which we agree), while the modification of one Scottish OP is in the pipeline.

The changes to the OPs allowed short term anti-crisis measures specifically targeted at unemployed people. Examples include transferring resources to actions supporting the employability of the unemployed (and increasing the intervention rate due to problems in securing match funding as a result of the depreciation of the pound sterling (UK/West Wales and the Valleys)), reorienting priorities towards the unemployed (IE), or adapting to important socio-economic changes in a particular region (ES/Navarra). PL changed the selection criteria to ensure that ESF projects are accessible to workers in the sectors most affected by the crisis. The modification of the Welsh programme could be adopted within one month.

Latest figures underline the enhanced efforts and taken by the Member States to combat the crisis with the support of ESF. For the UK we note.\(^9\)

- high level of commitments to projects (UK: 47%, with Wales over 60%; for ERDF it is 27% for the UK),
- an increased number of participants: whilst we reported 600,000 ESF participants in the written evidence to the House Lords in October, the UK recently advised that 800,000 participants have now taken part in the programmes.

Further benefits should first be assessed by the respective Monitoring Committees. Annual Implementation Reports for the year 2009 are only due by the end of June 2010.

Potential disadvantages could arise if Member States do not find the right balance between short term and longer term objectives and strategies. DG Employment insists that support for disadvantaged groups and for young people must be maintained so as to help prepare these people for the labour market. Operational Programme (OP) allocations are not indefinite and resources devoted to short term needs—as important as they are—bear the risk of under-funding other priorities unless overall funding decisions are revisited (ERDF/ESF).

Concerning your question on whether a greater degree of flexibility in terms of programme priorities and, allocations could be integrated into the rules for the remainder of this programme: in our view, many OPs are already very flexible and those that need some modifications will be accommodated by “fast track” procedures, as was the case with the Welsh OP. There is no need to modify any Commission rule. However, as the rules are mainly defined by the national authorities, for example the selection criteria, it is in the hands of the Managing Authorities to simplify their own rules.

ESF—Medium to Long-term

Q6. Do you think there is any tension in the objectives of the Lisbon strategy, with its emphasis on innovation and development, and the traditional convergence objectives of the ESF? How can the ESF best support green skills and the low carbon agenda? Where do you see the balance lying between the hardest to reach, and those closer to the labour market in the medium to long term of the ESF, and between basic skills and the higher level skills and qualifications implicit in the Lisbon strategy?

Although levels of assistance might be higher in convergence objective regions, the ESF is not just about convergence. It is about training people, experimenting with new ideas, testing solutions to new problems, closing national policy funding gaps, and, ultimately supporting long-term structural changes to the labour market.

\(^9\) All figures taken from the UK strategic report 2009.
However, the Member States define what the ESF is used for within the scope and limitations of the EU Regulations. It is for each Member State to strike the right balance, taking into account the national context and the actions undertaken under national policies. Clearly, this needs to be done within an overall frame to ensure coherence with European policy objectives.

The ESF is mainly a fund that supports training opportunities for people, but also the improvement of systems and structures of training. It is therefore possible to co-finance “green skills”, “white skills” or any other skills gap in a Member State.

Concerning the balance between the hardest to reach, and those closer to the labour market in the medium to long term, the balance will be different for each and every Member State. For example, in the case of the UK, there are high levels of economically inactive people and it is therefore appropriate to target assistance at those furthest from the labour market. Although the effects of the current economic crisis make it necessary to target some ESF support at the “new” unemployed, this will recede as the UK economy improves again.

On the balance between basic skills and the higher level skills and qualifications implicit in the Lisbon strategy, the strong focus on basic skills in the UK ESF OPs derives from the findings of the Leitch report. We know that employers are more willing to invest in the training of employees who are already well trained. Market failure is thus more evident for basic skills than for higher skills. That is why the ESF engages more with basic and low skills than with higher skills.

Q7. What is your response to the suggestion that the richer Member States, such as the UK, should not receive ESF funding in future, as it should be more appropriately directed at less prosperous Member States? Do you think there is a case for continuing ESF support to disadvantaged groups or localities in the wealthier Member States?

The ESF should continue to be available to all Member States, including more developed ones such as the UK. Unemployment and social exclusion are not an issue for poorer Member States only. The presence of the ESF across the EU is a concrete expression of Europe’s solidarity with its citizens. It is necessary because its target groups (such as long-term unemployed, young people at risk, workers facing industrial change) face problems in all Member States and have an even greater presence in more affluent regions or localities.

More importantly, the ESF is the main financial instrument to support structural reforms in the employment, education and training fields. These are necessary in all Member States as the assessment of the National Action Plans for employment and the National Reform Programmes under the Lisbon Agenda have highlighted. Limiting ESF support to less prosperous Member States also risks limiting the added value of the ESF in terms of promoting innovation and the testing of new ideas. However, a key challenge will be to identify allocation criteria which ensures a critical mass of funds whilst at the same time safeguarding a more substantial transfer to less prosperous Member States.

The situation of less prosperous Member States is taken into account by allocating them a much higher share of the ESF.

RELATIONSHIP WITH OTHER EU FUNDS

Q8. How well aligned are the ESF and ERDF in your view? What use has been made of the possibility to fund ERDF activities through the ESF? What is your view of the suggestion that regions or areas should be allocated a “mono fund” of European investment to be used for all of the types of activities currently supported by the various funds?

The various Structural Funds have been set up under the Treaty and confirmed within the new Lisbon Treaty. This cannot, and should not, be easily changed. Moreover, it is perfectly legitimate for an entity such as the Union to have different instruments for different policies. This is also the case at the level of the Member States, regions and municipalities.

The ESF is not just a cohesion policy instrument to address disparities within Europe. The future ESF should continue to be the Community instrument to improve the competitiveness, skills and productivity of human capital for the better functioning of an inclusive European labour market.

The real issue is how to achieve effective co-ordination between different instruments, including the Structural Funds. Effective co-ordination is first of all ensured through a clear political framework. This framework should define the goals and objectives all Community instruments and strategies which they aim to support. The different funds must have clear mandates which do not overlap but are complementary. Clearly, at all levels, (Community, national, regional, local) the services implementing the funds should work in close collaboration.
Cross-financing is a new option offered to Managing Authorities. The funding of ERDF type activities via ESF is an option for Managing Authorities, but is limited to 10% per priority and vice versa. In the UK, the Welsh and the Scottish ESF and ERDF OPs allow this opportunity.

So far, ESF type activities have been funded via ERDF in one case in Wales. It is too early to draw any conclusions on the impact this cross-financing facility might have during the programme period.
THURSDAY 14 JANUARY 2010

Present Howarth of Breckland, B (Chairman) Jones of Whitchurch, B
Inglewood, L Kirkwood of Kirkhope, L

Memorandum by the Convention of Scottish Local Authorities (COSLA)

1. The Convention of Scottish Local Authorities (COSLA) is the representative voice of all Scottish Local Authorities both nationally and internationally and it has long been advocating strong, consistent Structural Funds in which local communities are given the means to prosper and where the partnership principle, whereby Local Authorities are fully involved in the design and implementation of the programmes, is fully applied.

2. The below officer-level technical submission is based on existing COSLA politically agreed responses to the European Commission consultations on the Future of EU Territorial Cohesion but more specifically it draws from the views and practical experience we gathered by local practitioners for a recent submission to the Scottish Parliament.

Overview:

3. COSLA interest on EU Cohesion is at both at a political and policy design level as well as on a short term and long term perspective:

4. COSLA has been actively influencing the content of the current Scottish Operational Programmes 2007–13 and has appointed two political representatives at the LUPS Programme Monitoring Committee as well as engaging at officer level with both Scottish Government European Structural Funds Division, Scotland’s four European Consortia and individual Council experts and practitioners.

5. At the long term policy development level COSLA has been very active in the ongoing discussion on the Future of EU Cohesion policy. We have consistently, and so far quite successfully, argued at the current EU level discussions that areas such as Scotland should continue receiving EU Structural Funds post 2013 in those particularly deprived or spatially affected local areas where EU added value funding can be maximised. We believe that local programming and local partnerships are the best instruments for that.

6. Drawing on existing COSLA positions and ongoing discussions with our Member Councils we are also working on and trying to influence the current high level discussions on how to further simplify the management of the EU Structural Funds of which the recent reform packages of the current Regulations and the temporary application of more flexible State Aid rules are first steps which we fully support.

Key Demands

7. COSLA does actively support and encourage ambitious simplification and reforms of the EU Structural Funds post 2013—as witnessed by our engagement on the ongoing discussions on simplification already taking place in Brussels at political and senior official level.

8. Indeed, the following points are already part of well established and politically agreed COSLA positions:

9. Subsidiarity and more flexible approach: we clearly support the full use of the subsidiarity and partnership principles within Cohesion Policy as a way of streamlining payments and reducing administrative burden to local practitioners. The new wording of the proposed Lisbon Treaty Article 317 (TFEU) could facilitate a further devolution to the sub-Member State level. However, we would caution against full Commission disengagement from the operation of the OPs as this would weaken a level playing field across the EU.

10. Simplification: COSLA has consistently argued for a further simplification of the funds, namely via a Single Operational Programme—Single Fund—Single eligibility rules basis. While acknowledging the technical or practical difficulties this might entail we believe that this is a sensible solution to reduce the burden on smaller local funding practitioners. Indeed, in the current recession and in a context of stable or even a decreasing availability of EU funds, it is imperative that overlaps between EU funds are removed. Whatever the final decision on the architecture of the programmes is, COSLA believes that the bottom line is that the local beneficiaries should not lose out. Ideally funding officers should have a “one-stop-shop” point of access to all EU Structural Funds and, eventually, the Rural Development Funds as well.
11. Partnership: COSLA has consistently argued for a robust deployment of the partnership principle both at local level and as regards to the national level. We have also argued for legally binding rules with clearly verifiable implementation criteria. Similarly, we see the Single Outcome Agreements, whose rules COSLA negotiated with the Scottish Government, as an EU-wide best practice example of national-local relationship that could be applied in other EU nations and regions as well as with the EU institutions.

12. Consistency between Cohesion Policy and other EU policies: While we recognise the role that EU Cohesion Policy plays in helping the local economic and social development we believe that there is a great potential for ensuring consistency, synergies and a removal of overlap among EU Policies with a territorial dimension. This is particularly the case between Cohesion Policy and Rural Development, but also as regards to the EU Transport, EU environmental policy and last but not least EU Internal Market Policy. Improvements of the latter would be particularly welcome as, while not providing additional funding, more localised EU rules could allow that Councils make the best possible use of its reduced financial resources. In this respect the temporary easing of State Aid rules is welcomed but there is more room for improvement if the Commission fully applied the principle in the draft Lisbon Treaty Protocol of Services of General Interest outlining “the essential role and the wide discretion of national, regional and local authorities in providing, commissioning and organising services of general economic interest as closely as possible to the needs of the users”.

13. Use of funding vehicles that combine EU grants and loans: COSLA is aware of proposals to establish JEREMIE and JESSICA EIB schemes in Scotland. We are interested in supporting the initial work underway on the business case for the JESSICA, but await further information on any proposals that might emerge concerning a Scottish JEREMIE. In both cases we would want to ensure that local accountability of any local financial resources or in kind contributions that are transferred to such funding vehicles is guaranteed.

What could be changed to allow programmes to adapt to the new economic environment and contribute to recovery?

14. The starting point to address this question is whether we are considering changes during the current period (2007–13) or for a new generation of EU Structural Funds.

15. As mentioned in the introduction, COSLA welcomes the change to more flexible criteria in the EU Structural Funds Regulations and welcomes the recent packages tabled by the Commission. However, the long term economic development perspective of EU Structural Funds would limit the potential to proceed with radical changes during the present financial period without creating difficulties for managing authorities and practitioners to adapt to new rules.

16. This is especially since EU Structural Fund rules apply to all EU regions or at the very least by groups of “old” and “new” Member States. We understand that the Commission would not be prepared to enter into any radical rule changes that would result in an avalanche of renegotiation of OPs or NSRF as the Commission does not have sufficient administrative capacity to manage this.

17. On this point is is worth remembering that the European Union already has financial instruments that are geared to responding to sudden shocks: the €500 billion Globalisation Adjustment Fund for precisely answering to economic situations such as the present one and the €1 billion European Solidarity Fund (managed by DG REGIO) for industrial and technological disasters. Its small size was a political choice concerning a Scottish JEREMIE. In both cases we would want to ensure that local accountability of any local financial resources or in kind contributions that are transferred to such funding vehicles is guaranteed.

18. In terms of specific improvements during the current period, we have received views from our member council practitioners stating that a less bureaucratic approach to programme implementation is needed, whereby more flexibility is available in terms of adjusting timescales and targets to take account of the currently changing economic environment;

19. Similarly, and in line with the new SF Regulations, decision making needs to be streamlined to ensure an accelerated issuing of formal grant offers and of confirmation of awards. As part of the same approach, the compliance and payment processes need to be greatly simplified to ensure that the approved projects can be quickly delivered on the ground. Scottish Government guidance on the application in Scotland of recent EU simplification measures on revenue generating projects would be welcome.

20. A strong strategic dialogue within Managing Authorities and them with local partners is also needed to ensure consistent, complementary and joined up activity on the ground between local projects within the Scottish Structural Funds Operational Programmes and domestic programmes such as Job Centre Plus and Skills Development Scotland, Flexible New Deal and other relevant initiatives coming from other Scottish and UK agencies.
21. Consistent with this, practitioners argue for a more strategic approach from the Managing Authority that could ensure a predictability in the contributions from the EU and councils. Local services need to be geared to combat the crisis and partly financed by Structural Funds, maximise what is available to them and do not suffer from short to medium term funding gaps caused by currency fluctuation or competing demands from diminished local finances due to the crisis. Local practitioners argue that particular value can be maximised from the potential of Community Planning Partnerships to provide innovative response for both systemic and short term demands for employability and skills support.

22. Local Structural Funds practitioners also suggest that measures such as retrospective awards already attempted in the 2000–2006 period could also be used in the current one to speed up the application processes.

23. Finally, practitioners supported the idea of broadening the proposals to further simplify and speed up Structural Funds payments with the extension to all EU 27 Member States of the N+3 rule currently applicable to the “new” 12 EU Member States.

24. This, along with actions proposed at the last period, would add to the much desired flexibility needed to adapt to the changing economic environment and would be of particular value in ensuring the beneficial use of the substantial additional funding that has become available in those Member States, as in the UK, where the euro has significantly strengthened against the local currencies since the allocations were originally set two years ago.

25. Possible specific avenues of improvement:

26. In addition to the above principles we are now discussing with practitioners from our member Councils the merits of the below further simplification ideas that we are aware are already being discussed at EU official and political level:

27. to apply a flat-rate system for technical assistance for both ERDF and ESF;
28. to define a higher rate of tolerable error for audit purposes;
29. to apply a system of flat rates, overheads and standard costs to reduce administrative burden;
30. to use less restrictive evaluation criteria for innovative projects (to avoid current risk averse culture);
31. to reduce the maximum years the documents have to be electronically stored from 10 to three years;
32. to provide more consistent guidance applicable to all SF and Rural Development programmes in respect of record keeping requirements and applicable for the whole life of the programmes;
33. to agree more efficient mechanisms for storage and retention of documents e.g. electronically only or scanned;
34. to create an EU-wide database of best (as well as bad) practices;
35. for DG REGIO to create special Units to receive complaints from practitioners (not just Managing Authorities) on problems in applying the SF Regulations as well as one to advise on best practices;
36. DG REGIO and the Council Cohesion Working Group to regularly meet with Regional and Local stakeholders;
37. merging the National NSRF + Lisbon Reform Programmes (potentially with links to other national programmes such as energy efficiency, transport, climate change strategies);
38. shortening the Financial Perspectives period from seven to five years and linking it with the European legislative term, as just proposed by the European Parliament;
39. as discussed above single OPs for ESF and ERDF, potentially for EAFRD too (of course this would apply if Single Fund-Single OP principle emerges as basis for the future of SF)—alternatively, both funds could remain but with pretty much the same eligibility and management rules;
40. two-tier OPs, including one fixed part covering the fundamentals that can only be reviewed using the current process of authorisation whereas the remaining sections could be just subject of a simplified procedure (via Commission authorisation letter). Whether it makes sense that ERDF funding applications have to foresee future income;
41. to allow auditing and control to be exercised nationally with only the European Commission certifying the total MS envelope—there are Treaty issues here but there are emerging arguments for it to be explored. The sensitive issue of differentiated control depending on which MS could also be raised on this context;
42. more flexibility rules to move financial allocations between ERDF and ESF and well as even between OPs.

October 2009
Examination of Witness

Witness: Mr Serafin Pazos-Vidal, Brussels Policy Officer, COSLA Brussels Office, examined.

Chairman: Thank you very much for coming. You know that this is a meeting on the record. We happen to be in Brussels but it is like we were in Parliament. We will send you a copy of the transcript and if you can let us have it back as soon as possible with any corrections you might have. First of all I will introduce my colleagues so you know who they are. Then if you want to say who you are for the record—we have to do that technically—and you might want to make an introductory statement or go straight into the questions. Let us begin by saying who we are. I am Baroness Valerie Howarth, Baroness Howarth of Breckland. I chair the EU Sub-Committee on social policy and consumer affairs and I am a crossbencher in the House of Lords.

Lord Kirkwood of Kirkhope: I am Archie Kirkwood. I come from South East Scotland in the Ettrick Valley. I was formerly a Member of Parliament for that part of the world until 2005 and came to the Lords in 2006. I am a Liberal Democrat.

Lord Inglewood: I am Richard Inglewood. I am a Conservative and come from Cumbria, which is just south of the Scottish border. I was an MEP for ten years and was a member of John Major’s Government.

Baroness Jones of Whitchurch: I am Maggie Jones. I came into the Lords in 2006 and I am a Labour peer.

Q246 Chairman: We are really grateful to you for coming from COSLA. We have had a range of views about the effectiveness of the ESF and particularly how effectiveness is measured. How effective do you consider the ESF has been in your regions with regard to both soft and hard outcomes? By “soft outcomes” we mean when people make improvements but you cannot necessarily measure it too well. We are finding a lot of those sorts of indicators. What barriers have you identified to delivering an effective ESF and how is it best assessed?

Mr Pazos-Vidal: Thank you very much. I will introduce myself first and then follow with an introductory statement. My name is Serafin Pazos-Vidal. I am the Head of the COSLA Brussels office. COSLA stands for Convention of Scottish Local Authorities. First of all I would like to thank you for inviting COSLA to this very wide ranging inquiry, which we have been monitoring for a while and have previously sent a written submission. Just by way of introduction, COSLA is the national voice of the 32 Scottish councils both nationally and internationally. We have been working for many years and long before I started on this myself on the debate about EU Cohesion policy, of which ESF is one crucial part. Our involvement is at both strategic and practitioner, local expert level. In Scotland, at a strategic level we have been actively involved with the Scottish Government in the preparation of the current programming period. We also nominate two of the programme Monitoring Committee members as the representation from Local Government. At practitioner level one of our crucial tasks is gathering the evidence from our experts on the ground as to how they feel the programmes are going, what is working and what needs to be improved, not just in the short-term period but from a longer-term perspective. I would also like to mention at a European level, which is my core area of expertise, COSLA is, as I say, the European representative of the 32 Scottish councils and a member of the European Local Government umbrella, CEMR, which is the European version of COSLA. COSLA happens to chair the taskforce of several national associations of local authorities which are currently looking at the future of cohesion policy and what it means for local authorities. I hope that my intervention will be useful to give you a wider European flavour of what our counterparts from other countries are thinking on that front. Having said that, I will qualify my intervention by saying that, given the background I have just explained, I hope you will understand that my responses on a practical level will be less detailed than the wider EU policy or strategic policy issues, which is my core area of expertise. Initially we had anticipated bringing one of my colleagues who advises us at local level—Malcolm Leitch from Glasgow—but it was not possible. However, the written submission we sent and other submissions we are sending to the Scottish Parliament and European Commission are based on wider expertise we have gathered at local level. We are happy to provide more evidence after the meeting, if necessary. Coming to the question of how effective do we consider ESF on both soft and hard outcomes, in hard terms we believe that ESF has added value at local level and has been effective because it allows local authorities to become engaged from the outset. A crucial element in the Scottish experience—the COSLA experience—has been that the ESF has been building from a bottom-up approach that has ensured local priorities and concerns have been taken into account. On the soft side there is a wide consensus among practitioners that ESF has meant that for partnerships that want information at local level it has ensured they create a stimulus, they pull them together, they give them a reason to sit down and look at a given timeframe. The multi-annual programme is one of the key advantages of ESF and the Structural Funds in general. That is a key element that we would like to outline. I am pretty sure this is the case in other parts of the UK, but certainly in Scotland we operate the ESF at a local level via the Community Planning Partnerships and part of the operational programme is processed that way. That is
very much within the core area of Local Government, partnerships involving all members of the community to try to make sure that ESF responds to the local priorities. If I could just mention, and it has been mentioned in the evidence provided to this Committee, about £40 million of ESF has been allocated over a period of two years until 2010 to the Scottish Community Planning Partnerships. The 13 CPPs are the local areas on which the programme has been prioritised in order to ensure there is a certain amount of critical mass, particularly during this round where the resources are more limited, by contrast of the wider range of projects and numbers of areas that were benefiting in the previous period but which is not possible this time. CPP is a way of ensuring critical mass but at the same time that there is enough community local level buy-in to the projects. From initial research, because that is what we are able to provide at the moment and certainly my colleagues from the Scottish Government will provide a more qualified answer, we understand that as of 31 March 2009 there were 26,800 participants who were being supported by CPPs, which was a few hundred beyond the actual target for the whole period, which is a very good indication that things work well when you get community buy-in and local authority input from the outset.

Q247 Lord Kirkwood of Kirkhope: Was that 26,000? Mr Pazos-Vidal: Yes, 26,800.

Q248 Chairman: Are those people who have become engaged in the programme? Mr Pazos-Vidal: Yes. I can provide you with the full report. In terms of barriers, there are always two sides. I am sure this is not the first time and will not be the last time during this inquiry when you hear of problems about complying with requirements, that the perception or understanding at local level that ESF programme implementation tends to be more compliance driven, basically trying to meet the rules rather than achieve outcomes. Fairly or unfairly, that is a worry widely expressed not just by my colleagues in Scotland but certainly also by my colleagues from other countries with whom we work closely. There are endless reports at local level about the large amount of time they have to spend discussing very small, trivial elements of expenditure, that is, to assess whether they are eligible or not. That is something that worries practitioners very much because it disables them from having a clear focus on what they are trying to deliver. Along the same line there is also a very common example that sometimes doing verification checks takes about 100 days of staff time. Perhaps not all the time or in all cases, but that is an often repeated concern. There is the issue of whether this is due to the rules or a cautious interpretation of the rules by the Managing Authorities. There are differing opinions on that front. What is clear is that one way or another, this is a problem. Given that the compliance checking is done in a consecutive phase, unless you have one side of the project totally cleared you cannot go to clear the next section and that creates a backlog which is very difficult to solve, particularly when we are sometimes talking about projects that have a very limited cash flow, and that creates a big problem for them. As I say, that is an often-repeated comment.

Q249 Lord Kirkwood of Kirkhope: We are starting to recognise that there is a concern from other strands of evidence the inquiry has received that compliance costs and audit trails are onerous and there are still ongoing Scottish problems in terms of the current programme. It is important for us to understand how we got there. Is this in any way to do with what appears to me to be a different approach north of the border in Scotland from the co-financing model? There was much more of an individual project model, certainly in the early parts of the scheme, as distinct from England and Wales perhaps where there is co-financing much more structured around a department and formal agencies of Government. Do you think that the difficulties of accounting and compliance that the Scots are now facing resulted from the different systems between north and south of the border? It seems that the potential here is quite serious in that you may be facing a claw back if we understand the situation properly. It would be good for us if you could briefly try and capture what it is that has produced the extent of this problem. It is a common complaint, but what produced it in your own circumstances in Scotland?

Mr Pazos-Vidal: It is a question that perhaps goes a bit beyond my domain of expertise—it is a question for a practitioner—particularly because I do not necessarily have the other elements to compare with the rest of the UK. What I would say is that the same problem happens not just in Scotland but also across similar programmes in other Member States of the EU. Certainly there is a problem in some circumstances, on which I am not qualified to elaborate, and exactly the same happened in similar Member States with similar Operational Programmes. There is a problem there and that was what I was referring to in the previous statement. It is a question of whether it is a matter of the EU rules or the fear of the Managing Authority being too open about the implementation of the rules and, therefore, applying them in a very restrictive manner because there are audit issues down the line and they want to be sure that in a few years there will be no problems on that front. Having said that, some of the proposals that we put at the end of our written submission to try
to streamline that in terms of more flexibility, more trust on the Member States to use their own audit issues, therefore easing the problem of having too restrictive an interpretation of the rules. On this we are happy the Commission has got the message. Certainly because of the economic crisis there have been a number of reforms of the Regulations but whose impact in this programme will be limited because, for instance, in Scotland half of the funds from ESF are already committed, but that has opened the way to ensure that these kind of issues do not happen in future programmes. We also understand from the Commission that there are issues that for practical reasons they are not able to amend the regulations during this period, they are going to be in the reform package that they will present soon.

**Lord Kirkwood of Kirkhope:** Do you think you could get Mr Malcolm Leitch to write about half a side of A4 on how he sees the problem, and on the second half of the sheet indicating whether there are any wider implications that might be appropriate for further consideration in the course of our inquiry? That would be good. Are there lessons to be learned with a wider dimension to them? That would be very valuable if we could ask for that to be submitted when it is possible.

**Q250 Baroness Jones of Whitchurch:** Going forward we have got these new aspirations for the sustainable social market economy and the smarter, greener economy, and I suppose one question is do you agree with those aspirations, but I have a feeling you are going to say “yes”. If you do agree with them, how do you see that working so they do not just get added on to the shopping list so that they just become an extra thing? Do you think they are deliverable? **Mr Pazos-Vidal:** I am going to surprise you. Perhaps I would not say totally “yes”, but perhaps a qualified “yes”. It is true that particularly since the inception of the Lisbon Agenda, creating a new sustainable market economy, a smarter, greener economy has been the raison d’être of ESF. We have to say it is quite clear that the Scottish case is one of the examples where the essentials of ESF are Lisbon earmarked, which is a classical example of Western European Objective 2 regions—I am talking about the Lowlands and Uplands specifically. That is something we totally agree with—this is a very timely question to raise in this inquiry—however, we are quite concerned about the issue of moving ESF away from what it is at the moment, a structural policy or structurally delivered fund, a territorially-sensitive or affected fund, to a purely Lisbon fund. It is hardly a secret that this possibility has been evoked in the policy discussions here in Brussels over the last six months or so and that is something we are concerned about because in practice that would mean moving ESF away from cohesion policy, perhaps targeting it to groups and organisations, but without having a territorial link, a local link, and essentially being managed at Member State level. That is something that not just COSLA but also most of our colleagues, our counterparts across other countries, totally disagree with. It might be true that these kinds of funds or EU delivery instruments have to be set in place in the next financial period and this has to be prepared by the current Commission, and it is quite likely that the EU 2020 Strategy, which is the successor of the Lisbon Strategy, and whose deadline for submissions is tomorrow, will have to include that. We believe that this should not be done at the expense of the ESF as a Structural Fund for the reason I mentioned at the beginning, the issue that ESF has a great value in targeting its aid to a given local area with a specific problem. For instance, in Scotland the funds are targeted to areas which have a comparatively high level of deprivation, as measured on a European scale, where there is a big problem with skills and the social cohesion of the community. That is the additional value of ESF as a Structural Fund. That is where it has proved its value as opposed to, let us say, national one-size-fits-all social policy or social inclusion policy. That is why we are open to the discussion on its limitations but are concerned with the issue of moving ESF away from Structural Funds. You mentioned green skills as well.

**Q251 Baroness Jones of Whitchurch:** Before you go on to the green skills, you said in your introduction that you had been working with colleagues across the EU, I do not know how broad a group of colleagues, on the whole issue of the future of the cohesion policies. Is what you have just described the wider view or are there other things you want to add about what you feel the wider view is? **Mr Pazos-Vidal:** That is one part that we understand is being discussed at the moment. As regards the purposes of ESF, that is a clear element. There is a clear suggestion that the ESF is advocated by some strong sectors of opinion to be moved away from the Structural Funds to a Lisbon fund or an EU 2020 fund to help growth and jobs, but not in a territorial way as it is happening at the moment. Our view, which we expressed in our submission is that, if anything, in the future there should be a consolidation of funds, a simplification of funds, not a proliferation of funds. Moving European funds away from the communities is certainly something that we would be concerned about. This is the overall feeling within the taskforce which we happen to chair at the moment, made by the Association of English Local Authorities, the Germans, several Baltic associations as well as from other countries—
Q252 Baroness Jones of Whitchurch: All local authorities?  
Mr Pazos-Vidal: Yes, national associations of local authorities, organisations like COSLA as regards to Scotland\(^1\). That is something that we are currently working on.

Q253 Baroness Jones of Whitchurch: Green skills?  
Mr Pazos-Vidal: I understand that the submission of the Scottish Government dwells on that matter and provides a detailed explanation, but in terms of the medium-term we believe that is one of the elements in which ESF, a territorially effective ESF, can make a difference. That is for three reasons. It can provide training and can train new skills to people who in the “old economy” could not find their way into the market. Second, this immediately raises the issue that ESF clearly shows additionality, it is actually doing something that is not being done otherwise, and, thirdly, it helps the wider economic development and modernisation of the regions. Green Skills is one of the elements that the Scottish economic recovery plan is very keen on. That is something we support. Having said that, and on the issue of the future, we have to be realistic about the possibilities of ESF to deliver change. Whatever the future EU financial perspectives will be, the eventual allocation of ESF to the UK or parts of the UK will always be small, so that is why it is important to target things that are easy to class as additional, not just because of the ingrained benefit that this measure will make but also to be able to argue against those voices that are not in favour of that kind of intervention. It is essential to prove there is delivery and that it is making a difference, but we also have to manage the expectation of what you can get with the very small amount of funds available.

Q254 Baroness Jones of Whitchurch: It was flagged up in one of the questions so can I just probe this other issue. Are we spending enough resources on the hardest to reach? Have we got that balance right? Have you got any views on that?  
Mr Pazos-Vidal: The general principle that the practitioners always endorse is the fact that the hardest to reach should be the priority, but there is a perennial strategic debate of whether there is a combination of the priorities and the resources available in the circumstances. It is true that the hardest to reach are the ones that take more time to be brought back into the economy, to make them labour market-ready, but, of course, that is something that always depends on the circumstances. Coming back to the issue of additionality, it is true that it is much more difficult for national programmes of one-size-fits-all to target those kinds of groups or individuals because they need additional and specific measures over those that the average population needs. That is an issue worth bearing in mind. To a certain extent that is what is happening in the Scottish CPPs. There is a related issue that is worth mentioning, which is there is always the problem with the hardest to reach groups that might be endlessly linked to ESF but never entering employment, the labour market at large. In that regard we would like to highlight a modest case of best practice, which is the system that we have set up at CPP level in which you track the evolution of that individual through the whole process even after they have finished support from the CPP, so you track their whole employment history to see if there is actual progress.

Q255 Lord Kirkwood of Kirkhope: For how long do you follow them?  
Mr Pazos-Vidal: I do not have the specific details but I understand it is throughout the whole process.

Q256 Lord Kirkwood of Kirkhope: And into work?  
Mr Pazos-Vidal: Yes. Certainly we will be happy to provide you with this additional evidence.

Q257 Chairman: COSLA certainly believes that Scotland should continue to receive ESF money and, as you know, there has been a view in the UK Government that the richer nations should not receive the money but it should go to poorer nations, and there is other evidence we have heard which is that if we are going to achieve cohesion right across Europe then maybe we all need to be involved in some way. What do you think the ESF offers that cannot be delivered through the domestic programme and, therefore, why do you think COSLA is pressing still to retain its funding?  
Mr Pazos-Vidal: The immediate answer in practical terms, and I hinted at that in the previous part of my intervention, is the issue of multi-annual programming. That is an insurance, so to speak, to the individual local authorities and individual funding managers that there will be a stream of funds for seven years plus two. That is something that is quite difficult to guarantee even in the most stable country because there can be big, unexpected upheavals. Even if there is a small amount of money allocated you know you can plan ahead and that ability to plan beyond an electoral cycle is something that is one of the key assets of the Structural Funds, including the ESF. Then there is the second issue, which is very important, which is that if it is true to its beliefs and focuses on providing additionality, ESF can help to innovate, to adopt new approaches that otherwise would not be adopted just because the

\(^{1}\) Note by witness: and our equivalent opposite numbers in the UK and the EU.
local or national programmes never thought about them. We are happy that there is recognition in the Commission that in the future there should be more room for experimentation. In general terms, when local practitioners are trying to learn from projects from others on delivery methods or initiatives in other countries, in an ESF programme in France or an ESF programme in the UK, the ESF allows this as its programmes tend to be more similar across Member States than the same national measures even if they address the same target groups. This comparability allows them to learn from others and that is one of the key advantages. There is an issue that sometimes it is not necessarily appreciated; although there are not necessarily are there going to be less funds available at European level, there is the risk, (and thus the emerging arguments that we hear often repeated over the last few months), that what will happen is that rather than having less funds there will be a transfer of them to other issues. Instead of having Cohesion Funds or Structural Funds, in the future we will have more or less the same amount of EU money as today but being targeted to transport or research directly but, as I say, losing the local partnership element. That is why COSLA is still making that case, as are all of our colleagues in other countries, because sometimes it is not just a matter of the money but what values you try to defend. There is a final issue that is worth raising in those terms and that is the issue of the internal market and the support that the internal market requires. I am sure you are aware of the Barca Report that was commissioned last year by the European Commission. Basically one of the key elements of the Barca Report is the idea that having such a vast, complicated and integrated Internal Market, such as the European Union, requires some policy and financial instruments to accompany it, both to address the issues created by the internal market itself—that is a whole area because of increased global competition having led to an increased number of jobless and so on—as well the gaps that the internal market itself cannot address and, finally, the existence of an internal market cannot shield you against international competition anyway. Since we also live not just in a European internal market but also in a globalised world there should be some resources and policy instruments that are equally important at a European level to support that wider interaction.

Q259 Lord Inglewood: You have touched on the angle on which I wish to question you, which is about the simplification of the Structural Funds as a whole and you have talked about what fund you think there might be there, but I would like to ask you to go into a little bit more detail. It has been suggested to us in the United Kingdom that it might be better for the Structural Funds, and possibly other funds too, simply to be a mono-fund which could then be deployed in all kinds of directions according to need. Is that something you have thought about? Is it something you think will be a good idea? If you are not so sure about it, currently is there overlap between the existing funds, Structural Funds in particular, and if there is not overlap are there gaps that fall between the two?

Mr Pazos-Vidal: Starting with the last question, in terms of overlap perhaps that affects the ESF less against the ERDF than perhaps ERDF with the Rural Development Fund, but it is always a perennial issue and practitioners routinely have to sit round the table and discuss if that part of the project can be financed by ESF or ERDF. Of course, there is this cross-funding element but it is difficult to use it because there are fears of unintended consequences and in terms of audit, whether that can be right, even if it is in the rules. That is something that affects ESF less than the other funds but it is an unnecessary complication. We certainly agree with the idea of what in euro-speak we have called lately a “single fund”, the idea of a fund that can be used on a territorial basis regardless of whether it is for ERDF types of activities, Rural Development-type of activities.

Q260 Lord Inglewood: Both on people and on things?

Mr Pazos-Vidal: Yes. It depends how you operationalise that. That is the key element. It is not going to solve all of the problems but there is almost universal agreement that it will solve many disadvantages and wasting of time because you currently have to look in detail at which part you can finance with ESF and which part with ERDF. Doing away with that kind of difference for practical reasons and giving an institutional dimension is quite difficult. However that is something that should be pursued, particularly now that we are looking into the future. At the very least we would like all the European Territorial Cohesion funds in the widest sense of the term, to be aligned. By that I mean on the kind of expenditure, to ensure the technical rules are as similar as possible. Even if the funds might be formally different for legal and political reasons, the way of processing the claims should be as similar as possible, particularly when we are talking at local Government level where people dealing with European projects may be one or two people per local
authority in most cases. The more funds you have got, even if in theory you can benefit from them, the more difficult it is to implement. That is what we call a one-stop-shop. The idea will be to have as few funds as possible but, if not, at least having this one-stop-shop. It remains to be seen if that can be done, but it is something that should be considered. You are right, it is also equally important to see how you structure the fund but at least by our proposed approach you will be doing away with that kind of minutiae.

Q261 Lord Kirkwood of Kirkhope: This is a very brief wrap-up question. There is a theme coming from the evidence that has been presented to us that perhaps in the early days people were really very careful about where the matching funds came from so that there was genuine additionality over and above established practices in Member States. Can you just give us a thumbnail sketch of where the matching funds' additionality comes from in terms of the co-financing in Scotland right now and whether people are being as assiduous in making sure that they are not just grabbing the European money and using it how they like without staying within the rules of additionality?

Mr Pazos-Vidal: Experience shows that the more localised and more specific the scale of intervention, the easier it is to do for additionality. Of course, if you use the small amount of ESF as part of a wider economic reform programme or wider delivery mechanism within a national process without doubt it is much more difficult to assess additionality. We believe from our experience that approaches like the CPPs in Scotland can prove additionality.

Q262 Lord Kirkwood of Kirkhope: CPPs are?

Mr Pazos-Vidal: Community Planning Partnerships. That is something where we believe you can prove additionality. The other idea, the which I am sure you have come across in this inquiry, is the issue of counterfactual impact assessment. Essentially it is a delivery tool, and it is far from perfect, that enables you to check if the initiative you are doing is making a difference compared to another area that is not receiving European funds. The more localised you do the interventions, the easier it is to compare and measure.

Q263 Lord Kirkwood of Kirkhope: Easier?

Mr Pazos-Vidal: Easier, yes. As I say, if you put ESF as part of a larger pot, which sometimes has to happen, and perhaps now in the crisis there is an element of that, it is much more difficult to measure. Many of these policy battles that we have been fighting here in Brussels have been on that issue. In conclusion, I would say that is why we are firm believers in the issue of local partnership because that is the only way where, first, you can make a difference on the ground but, second, argue for the benefit of the policy.

Q264 Lord Kirkwood of Kirkhope: Can you evaluate whether in Scotland’s Operational Programme there is a higher proportion of what I would call community projects at a community level rather than at a bigger or wider level? Is there more scope for niche players who are addressing very specific problems at ward level or travel-to-work level areas?

Mr Pazos-Vidal: Yes. Part of the ESF in the Lowlands and Uplands is addressed through CPPs, but not all because the Government, the Managing Authority, has to weigh different priorities, differing issues. There is also a part that is handled in a more businesslike fashion. The position of COSLA at the time was we agreed that the Lowlands and Uplands of Scotland (LUPS) area had certain priorities and competing spending priorities. We would like the CPPs not just to be a test case for the first couple of years of the period but also to be extended for the whole period. In terms of making a difference in interpreting additionality we believe there will be that essential CPP element in any future arguments for continuing European Social Funding in Scotland. That will be our key point. Also linked to that there is an emerging idea about the Local Development Frameworks and that is something that is now being explored and research undertaken by the Commission and that is something that goes along with our ideas. The moment you look to specific problems in an area and you target the funds to that area, that is when you can measure the results very well.

Q265 Lord Kirkwood of Kirkhope: What is the difference between a Local Area Framework and an Operational Programme?

Mr Pazos-Vidal: The Operational Programme reflects the notion of Cohesion Funds being a Regional Fund, regional delivery policy. We believe, at least in the case of Scotland and similar-sized cases, it is possible to go more local than it is. The Government have mentioned that in any funding in the future there should be as much scope to go more local and to ensure that more funds are more locally targeted than was perhaps the case in the past.

Q266 Lord Kirkwood of Kirkhope: To go back to the original question, can you put your hand on your heart and say the evidence available to you is that there is genuine additionality insofar as Scotland is concerned and COSLA is evaluating and monitoring the programmes?

Mr Pazos-Vidal: So far as the experience gathered by COSLA, by practitioners and the people who are involved in the CPPs, they believe there is additionality.
14 January 2010

EUROPEAN SOCIAL FUND: EVIDENCE

Chairman: But is belief enough?

Q267 Lord Kirkwood of Kirkhope: Are they independently evaluated? Obviously the people who are running these programmes will want to believe there is additionality naturally.

Mr Pazos-Vidal: There are several rounds of evaluation. I am sure the Scottish Government will dwell specifically on the annual rounds of evaluation being undertaken. The Commission is now finalising the evaluation of the previous period in a much more sophisticated way than in the previous evaluation rounds. Yes, there are significant evaluation processes being undertaken.

Q268 Chairman: Is any of that available yet?

Mr Pazos-Vidal: One for sure.

Q269 Chairman: Are they in Scotland?

Mr Pazos-Vidal: I am sure it is finished.

Q270 Chairman: Can you find out and if there is could you let us have it because it would be useful.

Mr Pazos-Vidal: Yes.

Q271 Chairman: I know we have got to let you go because you have got to go somewhere else. Thank you very much for taking the trouble to come and see us and talk to us. Is there anything you would have wanted to have said that we have not allowed you to say or asked enough questions about?

Mr Pazos-Vidal: I am sure there is because this is a very wide issue and it is a moving target. To conclude, I would say that for COSLA it has been a privilege to be part of this inquiry. We will come back to you with the additional evidence as requested. You have to understand that as a political organisation we have key principles which reflect clearly solidly adopted political views and there are practical issues that are the result of the expertise we gather from our experts and the whole question, given the time in which we are living, is bound to evolve very soon and that will affect our assessment.

Chairman: Thank you very much indeed.

Supplementary memorandum by COSLA

This is additional information as requested by the Committee on 14 January. It is material collected by COSLA from Scottish practitioners. The material refers only to the part of the programmes local government practitioners have direct involvement in. This evidence does not constitute a politically endorsed formal response from COSLA.

Supplementary Question 1: Is there a different approach in Scotland from the co-financing model? Do you think that the difficulties of accounting and compliance that the Scottish Programmes are now facing resulted from the different systems between north and south of the border?

— The evidence gathered does not compare with practice elsewhere, however it provides quite a detailed perspective on how ESF is implemented at a local level, particularly through our Community Planning Partnerships (CPPs). The CPPs deliver integrated employability services across 13 local authority areas in the Lowland and Upland Scotland ESF Programme area (LUPS) and are doing so as a large strategic partnership made up of Councils, Further Education Colleges, Health Boards, the Third Sector and other core partners. These strategic services have received awards of £65.87 million to date.

— At 31 March 2009 (one year into the model) the LUPS CPPs’ projects had supported 26,865 participants—the target for the whole priority over the entire 2007-2013 period being 26,000. Nearly 3,500 of these participants had entered employment against an overall programme target of 8,800. Given the rapidly worsening labour market situation in 2008/09 this is a very creditable performance. Also noteworthy was the use of ERDF to support complementary activities such as job brokerage, training facilities and childcare provision.

Current Issues

— Local practitioners reported significant administrative hurdles to overcome in setting up the CPP mechanisms, but the early results are very encouraging in terms of actual outcomes. The Scottish ESF Programme does use a hybrid form of the co-financing model which is used for the Strategic Delivery Bodies and CPPs. The challenge fund approach is run concurrently through annual calls. Local Government in Scotland is delivering on a small number of projects through that process. Project activity from both avenues has in general been experiencing difficulty with the accounting and compliance relating to the LUPS ESF Programme. This is particularly the case for CPPs as they manage considerably larger sums of EU funds through complex mechanisms as a result of the broad
strategic partnership. Also the claims process is the same for the smaller scale individual project-based challenge fund bids so the delays experienced by the CPPs also apply to the challenge fund bids. Any agreed solutions should apply to both.

— At the beginning of the Scottish ESF programme both individual project bidding rounds (also known as a “challenge fund” approach) and the CPP approach (for the LUPS ESF Priority 1 Progressing into Employment) were running concurrently. For managers, this created uncertainty over in which of these two strands a given project should be included and the “two track” method also meant duplication of administrative effort. It is felt that a clear demarcation on which projects should go where, making CPPs the main vehicle for delivering local employability activities, would have speeded up the programme implementation.

— On audit, there is a wide scope for debate whether it is the result of the Regulations themselves or a perception by the Managing Authority that a very risk-averse approach to interpretation was required to avoid audit problems further down the line. Therefore, although the willingness by the Managing Authority to ensure legal consistency over the period is understandable, there is a clear consensus that the full implementation of the two simplification packages launched by DG REGIO over the last year, particularly those already laid down in regulations EC/1341/2008 and EC 396/2009, would remove a substantial volume of the compliance effort required of partners and the Managing Authority.

— Without doubt the greatest barrier to delivering effective ESF programmes lies in the compliance requirements. This is frequently reported by our experts and a number of solutions have been outlined at the end of our written submission as well as our response to the EU Financial Regulation. It has often been pointed out that ESF programmes have become driven by compliance rather than strategy. The upfront compliance checks on 20% of expenditure for every claim have been a major concern. There have been concerns about the need to undertake very meticulous checks, traceable to bank statements. In CPPs, due to their strategic nature and size this involves a very large and unnecessary number of transactions being checked. This is resource intensive. An example was the request for an entire 100 page payroll runs, with names, etc blackened out except for the relevant employee expenses. These modified documents could also lead to wrong public perceptions and affect the quality of the verification itself. Indeed the scale of the checks can overwhelm both the resources of the Intermediate Administration Body (IAB) as well as the local partnerships, which are required to devote significant resources on claim preparation, preparing verification checks and rechecking the data supplied in the first verification visit.

— Practitioners often express doubts about the disproportionate emphasis put on the minutiae of the individual items of expenditure that form ESF claims, to the virtual exclusion of considering the actual outputs of the project. For example, local authorities have been asked to provide physical evidence that they have paid national insurance contributions on the salaries of employees delivering ESF projects. The inordinate amount of staff time spent debating the eligibility of trivial items of expenditure has also been remarked on. Micro-management has gone down to the level of whether a project can claim for items such as toilet rolls. The amount of staff time being spent on what should be routine verification checks is illustrated by one ESF project absorbing over 100 days of staff time and taking over 4 months to finalise. The delay generated created a backlog in claims as these have to be resolved consecutively as until the verification has been completed the next claim cannot be submitted. Moreover, the current fiscal climate makes it difficult for Local Authorities to provide the temporary cash flow to cover its partners while these delayed claims are processed.

— One of the biggest issues specific to the CPPs is that they are expected to produce complex claims that are accurate and compliant. However, it is not possible to provide an exhaustive list of all the possible eligible expenditure. A result is that some expenditure is only deemed ineligible later in the programme—despite them being eligible had an ordinary challenge fund approach been taken. This is particularly the case as regards costs between partners, such as partners renting council premises.

— On a wider scope, practitioners out with the CPP areas feel that the narrow criteria of the ESF Operational Programme prevents them from putting together the match funding or requires too much capacity that are greater than the benefits gained. While recognising the need to ensure critical mass, it is believed that ESF additionality would be much better achieved by allocating a larger proportion of the overall ESF budget to all the LUPS local areas which have employability issues.
Solutions

— The CPPs in the LUPS programme hold regular meetings which are attended by the Managing Authority and the IAB. The above issues have been central to these meetings and the CPPs called for a short term working group to be chaired by the Scottish Government to find solutions. This group, chaired by the Scottish Government, met for the first time in December 2009: suggestions made by the CPPs aim at providing a partnership framework and include: an assessment of cost categories to identify those that present the greatest risk and to focus on these; relying on payroll systems in large public sector bodies based on a systems audit approach; more focus on systems audit; developing a framework that would include the work of the CPPs in a joint compliance approach and communicating what the issues have been from the first round of verification visits to inform the work of the CPP teams.

— There has been a recent suggestion that the verification checks might be at every third claim. This will speed up payments but does not address the issue of checking huge levels of transactions unless suggestions such as those above are incorporated. The Scottish Government and the IAB are now considering how to resolve these issues and engaging with the CPPs. But, in the meantime serious payment delays are still an issue. This has become an urgent priority and a speedy resolution needs to be found that all partners can deliver within reasonable resource requirements.

— In a minority of cases CPPs have used a commissioning model. The compliance requirements of this have been easier and much less labour intensive to fulfil. While not suggesting that a “one size fits all” approach, an analysis on whether there may be scope in future for greater use of a commissioning approach while ensuring that there is partnership “buy in” to both the strategic and in participating in the actual delivery of activities could be undertaken.

— For this reason we welcome the two rounds of reform of the Structural Fund rules that have been undertaken (the second to be agreed soon), taking up some of the suggestions (lump sums, simplified flat rates) that we and our European counterparts have submitted over the past year (Financial Regulation, Parliament Report on Simplification). Moreover, we are aware that the Commission is actively looking into introducing further simplification measures such as those outlined in the final part of our original written submission (particularly those related to decentralising most audit purposes via contrats de confiance). At the same time there have been compliance problems in similar regions of other Member States.

Supplementary Question 2: Is there evidence available that there is genuine additionality, insofar as Scotland and COSLA is concerned, in evaluating and monitoring the programmes? Are they independently evaluated?

— Historically the additionality of ESF has tended to vary inversely with the size and geographic scale of the project. At one end of the spectrum the additionality of national standardised training schemes is almost impossible to verify. On the other hand the additionality of ESF support to a small Third Sector organisation is usually fairly easy to demonstrate. In general the principle of additionality is more likely to be respected if the project is developed and financed on a “bottom up” basis. On the other hand the co-finance model risks ESF resources merely substituting for national/regional funding streams with neither scalar increase in activity nor policy innovation.

— We believe that the CPP model is a case of best practice. An independent evaluation of the CPP approach as a means of channelling ESF was commissioned by the Scottish Government from Blake Stevenson in 2009. It’s initial conclusions were that:

   — “Overall the CPP model is working well, with some very encouraging and positive signs of the potential of this model of European funding to be a very real contributor to helping CPPs achieve the terms of their Single Outcome Agreement.
   — More importantly, where the model is working at its best, it is making a very real difference to the lives of unemployed people in some of the most disadvantaged areas of Scotland.
   — Generally speaking there is support for the partnership approach from those most closely involved in the process—the 13 CPPs.”

— Finally an EU ex-post evaluation of the 2000-6 ESF, including additionality, is precisely being undertaken at the moment. Using evidence collected from the Member States we understand that DG Employment is finalising the report, due for February 2010.
Memorandum by the Scottish Government

SUMMARY
1. This memorandum provides evidence to inform the inquiry into the European Social Fund by the House of Lords Select Committee on the European Union. The memorandum is structured around the questions provided.

2. During the preparation of this memorandum by the Scottish Government, officials responsible for delivering ESF have worked with their colleagues in other parts of the UK to provide the evidence in a consistent format, and referring to common regulations where appropriate.

INTRODUCTION
3. The European Social Fund (ESF) was established by the Treaty of Rome to improve employment opportunities in the internal market and so help raise standards of living. It is now a significant part of the EU budget and is the EU’s main financial instrument for investing in Member States’ employment and skills policies under the competitiveness agenda.

4. Together with the other Structural and Cohesion Funds, the ESF also seeks to reduce differences in prosperity across the EU and enhance economic and social cohesion. Most ESF funding is therefore targeted at those Member States and regions where economic development is less advanced.

5. Since 2000, the ESF has been a key part of the EU’s Lisbon Strategy for Growth and Jobs. In particular, it supports the European Employment Strategy by adding value to Member States’ policies to increase employment and develop workforce skills while focusing on equality of opportunity. It is currently playing an important role in responding to the economic downturn and supporting recovery across the EU.

6. The UK as the Member State is responsible for negotiating the total ESF envelope, and an agreed formula is then used to allocate specific amounts to each programme within the UK, including the two Scottish programmes.

ESF IN SCOTLAND
7. In 2007, the EU launched a new round of ESF programmes for the seven years to 2013 which are worth €75 billion. The total UK allocation of this funding is £4.5 billion. Scotland was allocated in total £323 million (£268.5 million using exchange rate of €1.20 to £1). The Scottish Government Business Enterprise and Energy Directorate has responsibility for managing and implementing the 2007–2013 ESF programmes with funding of £270 million (£225 million) for the Lowlands and Uplands Scotland (LUPS) and £53 million (£43.5 million) for the Highlands & Islands (H&I) programme. The LUPS programme is a competitive programme. The H&I programme is a convergence programme, as the area benefited from Objective 1 status under the previous 2000-2006 programmes.

8. The Scottish ESF programmes cover the whole of Scotland, and support the Scottish Government’s devolved employment, skills and lifelong learning strategies by funding additional provision to extend employment opportunities, particularly for young people, and those who find most difficulty in getting into the labour force, and developing a skilled, socially inclusive workforce where individuals are helped to progress and develop to their full potential. A revision to the Scottish programmes in November 2008 extended the scope of the skills priority to bring in additional sectors and to allow assistance to people under threat of redundancy in an early response to the economic downturn.
OBJECTIVES AND FUNDING

Question 1: What is your view of the current objectives of the European Social Fund? Does the available funding align with those objectives? How appropriate do you consider the balance of projects funded by the ESF to be (for example the volume of projects designed to increase the adaptability of workers as compared to those designed to reinforce the social inclusion of disadvantaged people)?

ESF regulation

9. The Treaty establishes the ESF’s role as a labour market fund. Within this Treaty remit, regulations set out the specific tasks of the fund. The ESF regulation covering the 2007–13 Financial Perspective, states that:

“The ESF shall contribute to the priorities of the Community as regards strengthening economic and social cohesion by improving employment and job opportunities, encouraging a high level of employment and more and better jobs. It shall do so by supporting Member States’ policies aiming to achieve full employment and quality and productivity at work, promote social inclusion, including the access of disadvantaged people to employment, and reduce national, regional and local employment disparities.

“In particular, the ESF shall support actions in line with measures taken by Member States on the basis of the guidelines adopted under the European Employment Strategy, as incorporated into the Integrated Guidelines for Growth and Jobs, and the accompanying recommendations.”

10. The 2007–13 regulation also describes the scope of the fund in terms of the types of employment and skills activities that can be funded. These are broadly drawn and reflect the Integrated Guidelines. They are designed to provide flexibility to Member States to develop ESF programmes that reflect their national and regional labour market needs. The regulation emphasises that Member States must concentrate ESF funding on supporting the strategies set out in their Lisbon national reform programmes and social inclusion action plans. They must also support the implementation of relevant employment recommendations made to Member States through the open method of co-ordination.

11. The Scottish Government supports the tasks and scope for ESF set out in the 2007–13 ESF regulation. In particular, it supports the stronger alignment of ESF funding to the Lisbon Strategy and the European Employment Strategy. The 2007–13 regulation allowed the much reduced amount of ESF for Scotland in the current programmes to be concentrated where it can support the issues identified in the socio-economic analysis undertaken prior to the original programmes being approved.

12. The emphasis in the two Scottish programmes varied as the employment issues of the Lowlands and the Highlands are not the same. At the beginning of the programmes the labour market was benign and employers struggled to fill vacancies. However, in Lowland Scotland there remained very significant pockets of inactivity and employment geographically close to economically dynamic expanding companies. In the Highlands and Islands the low density of population and high unemployment rate constrained growth. Both Scottish ESF programmes focused on three key priorities—increasing employment, raising skills levels, and improving access to post school lifelong learning.

Structural and Cohesion Fund general regulation

13. In addition to the ESF regulation which sets the policy focus of the fund, there is a general regulation covering all the Structural and Cohesion Funds which establishes their geographical targeting and common financial rules. There are three geographical objectives in 2007–13.

14. The 2007–13 regulations provide the framework within which each area within the Member State develops their ESF operational programmes. The Scotland ESF programmes focus funding on three key priorities:

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1 The current legal base is Article 146 of the Treaty establishing the European Community.


15. The overall aim of the first priority is:

to assist the co-ordinated progress of unemployed and inactive people of all ages towards sustainable employment.

Type of projects to be supported

16. Individual projects will be eligible for support through the priority, but the emphasis will strongly be on projects that integrate several of the eligible activities. Projects will need to demonstrate that they are part of wider integrated strategies for supporting urban regeneration.

17. In addition, funding will also be available to support projects that are part of integrated outcome agreements put forward by Community Planning Partnerships (CPPs) for the first three years of the Programme. This may include a package of smaller projects, linked together into a common aim of improving the sustainability of communities within the list of eligible areas determined using deprivation and employment/inactivity rates for adults and for young people NEET. The objective of such funding is to contribute directly to the Local Authorities’ “Single Outcome Agreements” which are the strategic frameworks for domestic spending, including on urban regeneration and employability within each Local Authority area. Structural Funds support a partnership approach to delivery within each local area drawing together the Voluntary and Further Education sectors by supporting integrated activity through both Priority 1 ESF and Priority 3 of the Scottish ERDF Programmes.

Target Group for Priority 1

18. Although at the start of the programme period Scotland had a relatively high employment rate, even then rates for some groups of individuals were significantly less than the rate for Scotland as a whole. These specific groups of individuals experience multiple barriers to entering employment and retaining jobs, causing high levels of unemployment and economic inactivity in particular areas relative to the rest of the population. Low skills, poor or no qualifications, lack of self-confidence and work experience, are some of the main personal barriers common to many of the workless clients. They also often face barriers of employer perceptions and discrimination. As the socio-economic analysis highlighted, the specific target groups could vary considerably depending on particular concentrations of deprivation and the particular challenges facing the local area.

Priority has been given to the hardest-to-reach, workless groups, those experiencing multiple challenges and those in the NEET group, which has recently expanded significantly as young people have left school and been unable to get into a job, or vocational training, and in some cases are struggling to get a University or Further Education place. The programmes’ target groups include the following:

— Long-term unemployed/inactive people, particularly those with no or low qualifications and multiple barriers to entering employment or self-employment.

— 16–19 year olds not in education, employment or training, particularly: young people leaving care; carers; young offenders; young people with physical and/or mental health problems and young people abusing drugs or alcohol.

— Minimum secondary school aged young people identified as being at risk of not entering education, employment or training on leaving school, particularly low attainers and persistent truants.

— Unemployed/inactive lone parents and other carers.

— Unemployed/inactive people with mental health problems, long-term illness, disabilities or learning difficulties.

— Older people seeking to re-enter the labour force.

— Other disadvantaged unemployed/inactive groups such as prisoners prior to release, ex-offenders, people with drug or alcohol problems, homeless people, migrant workers and refugees.

— Unemployed/inactive people from ethnic minority groups.

— Individuals experiencing persistent part-time/seasonal employment.

— Employers who recruit from the above groups and who need support in retaining and developing these employees.
Spatial Targeting at Local Authority Level (LUPS)

19. Within the LUPS region, there are particular areas where pockets of deprivation are most acute. As the socio-economic analysis at the start of the programme period showed, the groups identified above are most concentrated in certain urban areas. Such communities which are particularly excluded from the benefits of economic growth and efforts to bring about lasting regeneration are also a high priority for Scottish Ministers. Failure to tackle the problems associated with exclusion is not only contrary to a commitment to social justice but also represents a failure to make best use of all of the economic resources at our disposal in order to drive growth.

20. By concentrating actions in this priority on particular urban areas, the best use is being made of the limited funding available to make the greatest impacts on exclusion and poverty and help provide additional fuel for a drive to contribute to the Lisbon Agenda. Initially the targeted areas were expected to change through the programming period even though the principles for their selection remain constant. Support is limited to the ten Local Authority areas accounting for the highest shares of population in the 15% most deprived data-zones, as measured by the Scottish Index of Multiple Deprivation; and the seven Local Authority areas showing the highest concentration of NEET individuals.

21. In most cases, the two sets of areas largely overlap, given the co-location of both sets of problems. As a result, at present, these areas account for approximately 60% of the region’s population, and they also contain the areas which are experiencing the highest increases in unemployment and redundancies.

22. Projects will be supported which address the challenge of these areas, although activity can be located elsewhere in the Local Authority area. Moreover, where projects cover beneficiary groups that overlap with similarly deprived bordering data-zones in other Local Authorities, up to 10% of the project award could be in the neighbouring data-zones.

Eligible activities for funding under Priority 1

23. €121.195 million of EU funding has been allocated to the priority, or 45% of the programme, to support the following activities:

- Early engagement, identification of needs with action plans setting out customised support, particularly for the hardest-to-reach groups;
- Work preparation to build confidence and develop basic, life and coping skills, including ICT, literacy, numeracy and English for speakers of other languages;
- Vocational training, developing care skills, supported volunteering, job search advice, job tasters and work experience, again for the hardest-to-reach groups;
- Initiatives to help raise awareness of the world of work, enterprise and entrepreneurship among young people, including work experience placements, particularly among the NEET group;
- Initiatives to encourage employers to understand the needs of vulnerable groups in entering and remaining in the workforce;
- Intermediate labour market activity;
- Innovative approaches to job brokerage/matching;
- Assistance with childcare and care for dependent persons, where caring responsibilities are a barrier to progressing into the labour market;
- Developing support for employees and employers to help employee retention and progress in the early months of employment, including supported and subsidised employment;
- Preference will also be given to projects which can demonstrate an innovative approach to the activity or represent the mainstreaming or rolling-out of a pilot approach which has tested successfully.

LUPS Priority 2: Progressing through Employment

H&I Priority 2: Investing in the Workforce

24. The second priority addresses the skills of those in the workforce by aiming:

- to improve the skills of the workforce to enhance employability, productivity, adaptability, inclusion and entrepreneurial expertise.
25. In light of the limited resources, the priority will focus on five key goals,

- improving the ability of key groups to progress from low skill/low paid jobs into sustainable employment offering financial security;
- increasing participation in occupations traditionally under-represented from an equal opportunities, diversity perspective;
- underpinning support for entrepreneurship and the managerial skills training required to make a success of new enterprise formation and growth;
- providing the social enterprise and voluntary sector with the required skills to make their organisations sustainable; and
- addressing the needs of workers being made redundant.

**Targeting**

26. To raise the skills of the workforce and Scotland’s global competitiveness there needs to be substantial investment in the training of employees. The key groups that this priority is seeking to assist therefore include the following:

- employees who lack basic core skills, including those having low levels of literacy or numeracy, and those for whom English is not their first language;
- employees without qualifications at SCQF level 5 and 6 (SVQ level 2 or level 3);
- specific groups, particularly women who have returned to the labour force;
- potential and new entrepreneurs and new managers of (both new and existing) SMEs;
- key staff in social enterprises;
- employees requiring reskilling to enable them to remain in the workforce.

**Eligible activities**

27. Four groups of activities are envisaged in this priority: support for the low-paid/low-skilled; improving under-representation in the workforce by women, particularly for higher-skilled jobs; addressing the managerial and entrepreneurial skills gap in the region; and supporting skills upgrading in social enterprises. Consequently, €99.601 million of EU funding has been allocated to the priority, or 37% of the programme, to support eligible activities such as:

**Reinforcing sustainable employment**

- Initiatives to encourage the development of vocational skills among low-skilled and low-waged individuals.
- Activities enabling disadvantaged young people and adults to enter apprenticeships, particularly those from groups not traditionally taking up this form of training.
- Training/education in basic literacy, numeracy, basic ICT skills and English for speakers of other languages including migrant workers.
- Activities to support the progression in employment of disadvantaged young people and adults with low level skills from foundation level up to SVQ level 3.
- Training for workers leading to SVQ level 2 and 3 qualifications—ESF funding will support activities additional to those funded domestically under the SVQ level 2 entitlement.
- Retraining for workers under threat of redundancy and those made redundant.
Addressing under-representation in the workforce

28. Training, mentoring and supporting employed men and women who want to enter occupations or sectors where their gender is under-represented, in order to tackle gender segregation and the pay gap.

Improving entrepreneurial and managerial skills

29. Training to provide entrepreneurial, business planning, financial, marketing, and e-skills for those in self-employment and new managers in new and existing SMEs.

30. Initiatives to provide training for those in employment wishing to start up or manage a business, particularly from groups under-represented at managerial levels such as women or individuals from ethnic minority backgrounds.

Increasing social enterprise skills

31. Business skills required by workers in social enterprises to improve the sustainability of their organisations.

32. As with Priority 1, preference will be given to projects which can demonstrate an innovative approach to the activity or represent the mainstreaming or rolling-out of a pilot approach which has tested successfully.

LUPS PRIORITY 3: IMPROVING ACCESS TO LIFELONG LEARNING

H&I PRIORITY 3: ACCESS TO LIFELONG LEARNING

33. To support the activity of improving lifelong learning access, this priority aims:

- to widen access to post-school lifelong learning, particularly for key client groups.

Targeting

34. Target groups are different for this priority from the eventual beneficiaries. It aims to assist the design and introduction of innovative products to reform education and training systems or provide access to existing provision of learning products, as well as funding the piloting/dissemination of these new products/systems. Consequently, ESF funds will be available from this priority for those offering new, innovative ways of attracting into learning people who have been disillusioned by early educational experience or who have been unable to access the opportunities to fulfil their learning aspirations because of a variety of barriers to be overcome, social, cultural, caring or financial.

35. Consequently, activities will be supported for the following groups:

- Personnel in public and private training/education bodies providing access to lifelong learning and support services to key client groups.
- Voluntary sector/social economy organisations.
- Agencies working with employers, particularly SMEs, including Learndirect Scotland/Scottish University for Industry.
- The Scottish Qualifications Authority, schools, HE institutions, FE institutions and the Scottish Funding Council.
- Community learning and development centres and local and community organisations.
- Professional bodies.
- Employers, their representative bodies, the Scottish Trades Union Congress, trade unions, and workers organisations.

Eligible activities

36. €42.648 million of EU funding has been allocated to the priority, or 16% of the programme to support eligible activities including:

- Projects that develop and mainstream successfully tested innovative approaches to learning, particularly for the target groups listed under Priority 1.
- Development of new training materials or course content to accommodate different cultural and skills backgrounds.
- Creation and distribution of new online learning materials.
Projects that develop distance learning and make innovative use of ICT in training.

Skills training for personnel requiring specialist skills, especially to address the employability needs of target groups listed under Priority 1.

Initiatives that support local learning centres and access points.

Innovative workplace initiatives, particularly those linking learning and training for groups of companies or employees which would otherwise not participate in training activities.

37. The priorities are designed to focus ESF funding on supporting the Government’s employment and skills policy objectives, and also provide scope to address distinctive regional and local needs. They are also responding to the EU’s 2007 Employment Recommendation to the UK to “increase basic and intermediate skills, in order to raise productivity, and further improve employment prospects for the most disadvantaged.”

**DELIVERY AND EFFECTIVENESS OF THE ESF**

**Delivery rules**

**Question 2:** What has been your experience with the operating rules of the ESF? (Where applicable, please refer to the principle of additionality.) What has worked well? What problems have you encountered and how might the process be improved?

38. The operating rules, and the complementary National Rules, are in themselves manageable. The basic concept of adding value through use of structural funds is also well understood. However, the increasing focus on expenditure and audit at the expense of project performance and outcomes risks undermining the potential benefits of ESF. Indeed, there is anecdotal evidence that the increasing audit and complex reporting regime are acting as a disincentive to applicants, particularly those which have participated in previous programmes where both the ECA and the Commission have undertaken numerous very protracted audits which have proved difficult to manage as staff leave and records have to be held for 10 or more years. The result can be to divert limited resources from productive activity by organisations, as well as increasing the Managing Authority’s costs of ensuring compliance. Greater levels of trust in national control systems and a more proportionate regime would reduce the burden but at the same time maintain sufficient levels of assurance. The Commission has recently started to discuss simplification measures which will not help in the case of programmes such as those in Scotland where the majority of the funds were allocated at the start of the programme period under the initial national rules. Changes to rules mid way through the programme can lead to charges of inequitable treatment between applicants, and complexity in maintaining a full audit trail until closure where requirements change from year to year.

**Effectiveness of ESF, Publicity and Evaluation**

**Question 3:** How effective do you consider the ESF to be? How is that effectiveness being monitored? And how is that information on effectiveness being shared and used?

**Publicity**

39. The Scottish Government publishes a communication plan and an evaluation plan for the Scottish Structural Funds programmes. These are two key strategy documents for European Structural Funds in Scotland.

40. The **Communication Plan (2007–13)** is refreshed by 30 June each year. The plan is provided to the European Commission and published widely for the information of partners. It sets out the overall communication strategy and forward planning to promote the funding provided by European Structural Funds.

41. ESF in Scotland has proved to be an effective instrument in Scotland for assisting individuals into employment or increasing their skills and productivity. It has also helped companies grow and develop their workforce. It has also had an impact in contributing to changes in policy in the areas of equal opportunities, diversity in the workplace, social inclusion and sustainable development. Scotland’s ESF programmes have been developed and run as a partnership between national and local government, Further and Higher education, the Trade Unions, and the Third Sector. The breadth of this partnership, and their full participation

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* Council Recommendation of 27 March 2007 on the 2007 update of the broad guidelines for the economic policies of the Member States and the Community and on the implementation of Member States’ employment policies.
Evaluations in Scotland

46. The Scottish Evaluation Plan (2007–13) is refreshed annually and published for the information of all partners and the public. It shows the overall approach adopted for monitoring and evaluation of the Scottish programmes and sets out the intended work plan for evaluations, as overseen by the Scottish Programmes’ Monitoring and Evaluation Group, over the lifetime of the current programmes.

47. In particular, the evaluation plan provides a framework and a context for achieving three key objectives through enhanced monitoring and evaluation systems. These are;

- political accountability;
- improved Programme management and performance, and;
- the need to ensure that the current round of programmes builds in an exit strategy for projects and leaves a lasting legacy.

48. It is essential to undertake ongoing evaluations on an ad-hoc and often thematic basis at a Scotland level, programme level or priority level. The necessity for these is dictated by a range of factors resulting from the annual review process or over/under-performance of a priority, as identified by the Managing Authority, and would be undertaken by an independent consultant commissioned by the Scottish Government. It is essential to retain flexibility in how and when these evaluations are undertaken in order for specific programme and priority issues to be addressed and to maintain efficiency and effectiveness. Therefore the methodology for evaluations cannot be prescriptive, particularly with regard to qualitative data which can provide useful additional information. Even if undertaking a Scotland-wide evaluation, flexibility within terms of reference must be retained. By our use of a pre-tendered list of approved consultants to undertake this work, we are now able to respond more quickly to any concerns raised and to kick-start evaluations earlier than under the previous system of tendering.

49. Evaluations on a thematic basis will cover the horizontal themes of the programmes (equal opportunities, environmental sustainability and social inclusion) as well as vertical issues targeted by each of the priorities. Specific evaluations will also be commissioned on delivery of aspects of the programmes such as the Community Planning Partnerships under Priority 1 of the LUPS ESF Programme and Priority 3 of the LUPS ERDF Programme. It will also include ESF beneficiary surveys.
50. Recent evaluations have been of the projects run in 2007 to form a bridge from previous programmes, and spot check evaluations of the two Scottish ESF programmes to consider their fit with addressing the current economic situation, see section under question 5 below.

REGIONAL DELIVERY

Question 4: How successfully have national and regional administrations worked together in delivering the ESF, where appropriate?

51. The implementation of Structural Funds is a devolved matter. The Scottish Government works closely with the administrations responsible for ESF Programmes in England, Wales and Northern Ireland. There are regular UK ESF liaison meetings to share information and good practice across programmes, and to agree co-ordinated responses to the European Commission.

52. Officials from the Department for Work and Pensions attend the Technical Working Group meetings with the Commission and other Member States, and keep officials in the devolved administrations up to date with issues arising.

53. In general terms, the issues arising for ESF due to recent economic upheavals and the consequential steep rises in unemployment are common across all administrations, although the mechanisms for addressing them have varied to work best in the local context.

Question 5: How useful has the ESF been as a tool to respond to the financial crisis? How might its usefulness in responding to the current crisis be improved, and how might it be amended to ensure that it is able to respond more effectively to a changing economic climate in the future?

54. In April 2009 two reports were produced for the Scottish Government to check the fit of the Structural Fund programmes with the changed economic climate. These were—the Fraser Associates socio-economic and spot check on ESF LUPS, and the Blake Stevenson Highlands & Islands structural funds socio-economic spot check. 5

55. Although overall the programmes were considered to remain fit for purpose, Fraser Associates recommended virement funds from Priority 3 (Access to lifelong learning) into Priority 1 (Progressing into Employment) to respond to the high demand from partners under Priority 1, and the view that at this time access to lifelong learning was not such a significant barrier to individuals entering the workforce. This view was endorsed by the Programme Monitoring Committee on 4 September 2009, and by Scottish Ministers. Officials are currently in discussion with the EU Commission to make the necessary changes to the Operational programme.

Question 6: How might the potential of funds deployed via the ESF to promote life-long learning, skills for new jobs, security of employment and flexible labour markets across the UK and EU be improved?

Medium term: the ESF 2010–2014

56. Scottish Government Ministers and officials have already given considerable thought to the appropriate balance of policy priorities within the 2007–13 European Social Fund programmes, with particular reference to the extent to which changes in emphasis have been necessitated by the economic recession. The allocation of funds is well advanced, however—with over half of the total available for the whole period already having been awarded—and, subject to the virement between Priorities referred to above—there will be little further opportunity to amend the intended deployment of funds.

57. The Scottish Government will continue to pay close attention to the efficiency of delivery. This will include ensuring the effective re-allocation of project underspends, information on which will be readily available through the new Eurosys IT system. The Management and Control System is designed to ensure that a robust and proportionate audit and compliance system is in place, leading to a reduction in the level of financial de-commitments, compared with previous programmes.

5 The Fraser Associates socio-economic and spot check on ESF LUPS and the Blake Stevenson Highlands & Islands structural funds socio-economic spot check are available at www.scotland.gov.uk/Resource/DOC/917/0081129.pdf
Question 7: What contribution can the ESF make to the EU’s renewed Jobs and Growth Strategy post-2010, including the European Employment Strategy? How can the EU best contribute to “jobs and growth” in the period 2010–14?

58. Negotiations on the EU Strategy post-2010 are carried out at Member State level. The UK wants the EU to agree an ambitious successor to the Lisbon Strategy for Growth and Jobs, which responds to the new and significant challenges that Europe faces—including an ageing workforce alongside high levels of unemployment particularly for young people in certain regions.

59. The objectives should be strong growth, fair growth and green growth to raise prosperity, increase opportunity for all, and ensure sustainable and low-carbon growth. This can be achieved in any new strategy by maximising the synergies between them, for example by investing in green jobs and technologies, and encouraging apprenticeships and skill development for sectors such as renewable energy and life sciences.

60. Critical to this will be: ensuring active labour market policies that help those who have lost their jobs find new employment; raising skills levels; helping the most vulnerable move closer to the labour market; and improving the working environment for Europe’s employees.

61. The UK Government sees the EU’s economic, environmental and social goals as complementary rather than competing. Strong, prosperous and cohesive societies, working to achieve opportunity for all, are key to the Government’s vision. However, care must be taken to ensure that regulation does not jeopardise the very jobs the EU is seeking to protect. Europe needs skilled and flexible labour markets combined with strong social safety nets. The Scottish Government’s view remains that social and employment policy should be led by Member States, and so the successor to the Lisbon Strategy will play a key role in reinforcing the governance structures we need to achieve this.

62. Member States will continue to have the main responsibility for funding their employment and skills policies. By adding value to these policies, ESF investment during the remainder of the 2007–2013 programme will contribute to the successor to the Lisbon Strategy and the European Employment Strategy. ESF should continue to support Member States’ policies to increase employment and develop workforce skills, with a particular focus on preparing people for the jobs that will be created as the economy recovers.

Question 8: Bearing in mind the depressed economic context and the EU’s budget review which is intended to consider spending priorities post-2013, what do you consider the role of the ESF should be, if any, post-2013? On what sort of priorities should it focus, and how might it most effectively complement, rather than duplicate, other spending programmes?

Long-term: the ESF post-2013 and the EU budget review


64. The last of these submissions confirmed the key principles that the Scottish Government believes should be applied in addressing the future of Cohesion Policy, including the European Social Fund:

— The importance of cohesion and equity as an objective of EU policy;
— The need for policy instruments at the EU level to demonstrate value added;
— The Scottish Government’s positive experience of Cross-Border and Transnational Co-operation programmes;
— The promotion of local governance and decision-making;
— The need for a more flexible and joined-up approach to all EU policy support.

65. The Scottish Government will be formulating its detailed policy stance on the future of Structural Funds—including the European Social Fund – in the coming months, based on informal consultation with key stakeholders.

22 September 2009
Memorandum by the Welsh Assembly Government

SUMMARY

Wales is a major beneficiary of European Social Fund support as the West Wales and the Valleys area is designated a Convergence region. The Programme aims are closely aligned with those of the Lisbon and Gothenburg Strategy for Growth and Jobs as well as those of the Welsh Assembly Government. They have been utilised as a key tool in responding to the effects of the recession in Wales as well as keeping a focus on the longer term aims of increasing employment and skills and tackling structural labour market challenges. Changes to the Convergence programme were introduced to ensure that the programme could respond to the crisis effectively. The Welsh ESF programmes are contributing directly to improving the lives of people in Wales and will fund 300,000 learning opportunities and will assist 30,000 unemployed or economically inactive people gain employment by the end of 2015. Looking to the future, the Welsh Assembly Government recognises that this is likely to be the last time West Wales and the Valleys qualifies for the highest level of aid through the Structural Funds. In order to support the transition from Convergence funding, especially during a period of global recovery, we need to ensure appropriate transitional funding is in place post-2013, whilst maintaining our focus of investment on sustainable jobs and growth.

INTRODUCTION

This paper provides evidence to inform the inquiry into the European Social Fund (ESF) by the House of Lords Select Committee on the European Union (EU) Sub-Committee G on behalf of the Welsh Assembly Government.

The Structural Fund Programmes (both ESF and European Regional Development Fund) in Wales are administered by the Welsh European Funding Office (WEFO). WEFO forms part of the Deputy First Minister’s Department for the Economy and Transport, which is part of the Welsh Assembly Government. WEFO acts as both the Managing and Certifying Authorities for all four of the Welsh programmes. The Audit Authority is the Internal Audit Service, which is in the Finance Department, falling under the remit of the Welsh Minister for Finance and Public Service Delivery, ensuring a clear separation of functions.

This paper draws on the experience in Wales of developing and delivering the ESF programmes for Wales.

THE WALES ESF PROGRAMMES

For the 2007–13 programming round Wales qualifies for both Convergence funding (for West Wales and the Valleys) and Regional Competitiveness and Employment (for East Wales).

The ESF contribution to the Convergence programme is €834 million, which when coupled with public and private match funding results in a total investment of just under €1.3 billion. The Competitiveness programme is much smaller attracting €64 million of ESF grant and a total programme value of €160 million.

The ESF Convergence Operational Programme has identified five priorities:

- Priority 1: Supplying young people with the skills needed for learning and future employment (€190 million ESF)
- Priority 2: Increasing employment and tackling economic inactivity (€515 million ESF)
- Priority 3: Improving skill levels and adaptability of the workforce (€504 million ESF)
- Priority 4: Improving public services—Making the Connections (€56 million ESF)
- Priority 5: Technical Assistance (€31 million ESF)

The ESF Regional Competitiveness and Employment has three priorities:

- Priority 1: Increasing employment and tackling economic activity (€30 million ESF)
- Priority 2: Improving skill levels and the adaptability of the workforce (€33 million ESF)
- Priority 3: Technical Assistance (€1 million ESF)

The evidence provided in this paper focuses principally on the larger West Wales and the Valleys Convergence programme, though the programmes are designed to be complementary, along with their ERDF counterparts. The programmes take into consideration and reflect EU, UK and Welsh Assembly Government policy.

6 References throughout this document to “the Lisbon Strategy” or the “Lisbon Agenda” should be taken to also include and incorporate the Gothenburg Agenda for sustainable development.


1. Objectives and funding

1.1 The objectives of the ESF programmes in Wales were developed within the framework of the Community Strategic Guidelines on Cohesion and in line with the EU’s Lisbon Strategy for growth and jobs, encompassing the European Employment Strategy and associated recommendations to the UK.\(^9\) The UK National Strategic Reference Framework, which sets the context and broad parameters for all UK programmes and contains a chapter on Wales,\(^10\) closely reflects the policies and strategies both at an EU and UK level, in particular the Lisbon Strategy. At a UK policy level the Welsh ESF programmes are guided by the DWP Employment strategy in relation to Jobcentre Plus and take into account recommendations such as those of the Leitch review.\(^11\)

1.2 In addition to EU and UK policies and strategies the Welsh Operational Programmes are designed to be complementary to, and add value to, current policies and strategies of the Welsh Assembly Government, such as the Learning Country: Vision into Action,\(^12\) Skills that Work for Wales,\(^13\) and Words Talk, Numbers Count.\(^14\) Finally, we believe the programmes and their objectives are flexible enough to do the same for developing and future policies and strategies, such as the recently launched Green Jobs Strategy for Wales.\(^15\)

1.3 An important aspect to the Welsh programmes is that they reflect the very distinct socio-economic context and labour market conditions throughout Wales. In this respect we believe the objectives for the ESF as a whole, as set out in the Community Strategic Guidelines, are appropriate and have been flexible enough for us to design tailored programmes to meet the distinctive needs not only for Wales, but also taking into account differences at a regional and sub-regional level too. The programmes have been flexible in responding to economic change as described later in this document.

1.4 The analysis underpinning the ESF Convergence programme pointed to two key challenges facing West Wales and the Valleys: raising the number of people in employment and increasing average output or added value per job. The allocation of funding between the four priorities of the programme reflects this analysis.

1.5 The following describes the headline priorities for the ESF Convergence programme for West Wales and the Valleys, their objectives and the balance across these priorities. We have the flexibility to change the balance of funding within these priorities without needing Commission approval:

Priority 1: Supplying young people with the skills needed for learning and future employment. 20% of ESF Convergence programme

1.6 This priority focuses specifically on the needs of young people aged 11 to 19 and at risk of underachieving. It was introduced for the 2007–2013 programme attracting around 20% of the resources available. The priority seeks to raise aspirations to ensure that young people have the skills needed, including higher level skills, to make a successful transition into employment. Achievement levels for young people in the area still lagged behind the average for East Wales and Wales as a whole. The estimate of the percentage of 16–18 year olds classed as not in education, training or employment (NEET) in 2003–2004 was 13% and the aim is to reduce this to 7% by 2010.


\(^10\) The UK National Strategic Reference Framework (and associated technical annex) set out the broad priorities for 2007–13 Structural Funds Programmes in the UK. It was finalised in October 2006 and is available at http://www.berr.gov.uk/whatwedo/regional/european-structural-funds/index.html

\(^11\) Leitch review of skills: an independent evaluation of skills needs, making its final report in December 2006. Main recommendations included: increase adult skills across all levels; increase employer engagement and investment in skills; increase employer investment in skills; and increase aspirations and awareness of the value of skills. Available at: http://www.hm-treasury.gov.uk/leitch_review_index.htm

\(^12\) This is the second phase of the Learning Country programme that began in 2001, a ten-year strategy that demonstrating vision and action, to transform education and lifelong learning in post-devolution Wales. Available at: http://new.wales.gov.uk/topics/educationandskills/publications/guidance/learningcountry/?lang=en

\(^13\) Skills that work for Wales: A Skills and Employment Strategy and Action Plan describes the “One Wales” ambition for a highly-educated, highly-skilled and high-employment Wales. It incorporates the Leitch review of skills in the UK and Sir Adrian Webb’s review of the mission and purpose of further education in Wales. Available at: http://new.wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/skillsthatforwales/?lang=en

\(^14\) Words Talk, Numbers Count is the Welsh Assembly Government’s second Basic Skills Strategy. It takes forward the agenda set in The Learning Country and includes an all-age approach that concentrates on ten horizontal themes and ten priority groups. Available at: http://wales.gov.uk/topics/educationandskills/publications/circulars/

\(^15\) Capturing the Potential: A Green Jobs Strategy for Wales outlines proposals to direct the transition to a more sustainable economy provides an important delivery mechanism for our Sustainable Development Scheme, One Wales: One Planet, and describes in more detail how we can achieve our vision of a resilient and sustainable economy for Wales that is able to develop whilst stabilising, then reducing, use of natural resources and reducing its contribution to climate change. Available at http://new.wales.gov.uk/about/strategy/publications/business/greenjobs/?lang=en
Priority 2: Increasing employment and tackling economic inactivity. 34% of ESF Convergence programme

1.7 This priority aims to raise levels of employment, particularly by reducing levels of economic inactivity. When the programme was agreed in 2007 West Wales and the Valleys had seen considerable improvements in labour market conditions, with rising employment and falling unemployment, but the region still has higher levels of unemployment and economic inactivity than the UK average. The focus of the priority, at a time when unemployment had steadily declined was on those who faced particular disadvantages in the labour market and the economically inactive. However, with the onset of the economic downturn the Welsh Assembly Government approached the European Commission to agree to place a greater emphasis on assisting the increasing number of unemployed, through the virement of €41 million from Priority 1 to this priority. The original sterling commitment for Priority 1, as at the approval of the programme in 2007, was maintained, with the virement consisting of the increase in grant as a result of the change in exchange rates. All targets for Priority 1 remain the same and we have proportionately increased the targets for this priority.

Priority 3: Improving skills levels and the adaptability of the workforce. 40% of ESF Convergence programme

1.8 This priority, the largest in financial terms absorbing around 40% of the programme funding, aims to improve skills at all levels, but with a particular emphasis on raising the skills base. Although the position is steadily improving, West Wales and the Valleys still has an adverse skills profile, with a relatively high proportion of individuals without any formal qualifications. There is also evidence of skills gaps at foundation and intermediate levels. Funding is directed towards improving skill levels up to and including Level 3, the provision of the higher level skills needed to support the knowledge economy and help businesses and workers to adapt to changing economic circumstances and on promoting gender equality in employment.

Priority 4: Improving public services—Making the Connections

1.9 With the exception of 2% allocated for Technical Assistance, the remaining 4% of resources is targeted at improving the effectiveness and efficiency of public services in the region and in so doing it looks to underpin the three other priorities in the programme. This area of support was introduced for the 2007–13 programming period and is primarily focused on the newer Eastern European Member States. However, as the Welsh Assembly Government had already identified its “Making the Connections” improvement agenda at the time, a successful case was made to the EU Commission for a small allocation of funding to support this initiative.

Delivery and Effectiveness of the ESF

2. Operating Rules

2.1 The evidence submitted by the Department for Work and Pensions to this inquiry refers to the key operating rules of the ESF: additionality, match funding, multi-annual programming and shared management. These rules apply equally to the delivery of the ESF Programmes in Wales and are not duplicated here.

2.2 The Co-financing system operated by the DWP in England is not used in Wales. Project sponsors are responsible for sourcing their own match funding although the Welsh Assembly Government does offer assistance to many sponsors through the Targeted Match Fund. This has proved successful in the past with significant levels of Private Sector investment forming part of the Structural Funds programmes in Wales. Clearly the changes in the economic climate has meant that less Private Sector match funding is available, but a significant number of projects being approved still have part of their funding from the Private Sector.

2.3 Additionality is verified at a UK level and Wales is committed to this founding principle of the Structural Funds. Our original Intervention Rates were lower and levels of private match funding significantly higher than many other Convergence regions (based on the 2000–06 programmes we had planned for around 30% of the total match funding for the ESF Convergence programme to come from the Private Sector), and this gave us scope to negotiate these with the Commission. While we have negotiated increases to the Intervention Rates for the ESF Convergence programme (accommodated through the gains in grant via exchange rate changes and a reduction in Private Sector match funding), we have been careful to ensure we maintained the same commitment, in sterling terms, for match funding from the Welsh Assembly Government to ensure additionality.

2.4 We welcome the simplifications introduced to the Structural Funds regulations for 2007–13, in particular the use of national eligibility rules to supplement EU regulations which have offered additional flexibility in the types of activities we carry out in Wales. The introduction of the cross-fund flexibility, to allow some limited ERDF expenditure as part of wider ESF projects, and the opportunity to integrate transnational activity into Wales and the other Devolved Administrations have been consulted on the DWP response to the Committee.
ESF projects are important steps towards better coordination between the various funds and must be integrated properly. To date there has been limited activity in these areas within the Welsh programmes, with a clear emphasis to date on addressing the immediate challenges of the recession. These do remain a priority and we will be looking to integrate these more fully from an early stage in project development where appropriate opportunities exist, though examples of best practice in these areas are always welcome and identifying and sharing these could be a clear opportunity for the Commission to promote these flexibilities.

Additional changes to the Structural Funds regulations as a result of the European Economic Recovery Plan have also helped with the implementation of the ESF, for example the expansion around the calculation of flat-rate costs and the additional advance payment.17

2.5 The Welsh Assembly Government has been working closely with the UK Government, as well as offering views to the Commission when invited, to identify and highlight potential areas for further simplification across the programmes. These proposals have included:

— A single fund for Structural Funds: this would encourage better coordination between the funds and complementarity of activities. It would also limit the administrative burden of two separate Directorate-Generals in the Commission.

— A single audit body in the Commission: common audit standards should be laid down and control activities should be co-ordinated in order to avoid double controls and differences in interpretation across different audit bodies; we should adhere to the single audit principle.

— Proportionality: implementing rules must be proportionate to the size of the programme and project, which would cover a wide range of implementation issues from audit requirements to document retention.

— Retrospective application of rules: rules placing additional requirements for the implementation of Structural Funds programmes should not be applied retroactively, particularly when such retrospective application of rules results in penalties for projects and programmes that would not have previously existed.

— Stronger focus on outcomes (as opposed to spend): we acknowledge the principle and need for the N + 2 rule to encourage financial discipline in planning and delivering Structural Funds programmes and believe that a balance needs to be maintained between “getting the money out of the door”, and ensuring that the programmes achieve their planned outcomes and impacts.

— Clear, unambiguous and timely guidance: guidance on the interpretation and implementation of rules from the Commission needs to be immediate and the meaning clear, with worked examples where possible, so misinterpretation is limited. We welcome the guidance notes that come from COCOF, but the disclaimer the Commission uses gives little official value to them: there is a need for the Commission to either produce its own notes in these areas or give more credence and support to the COCOF notes.

3. Effectiveness

3.1 The Mid Term Evaluation Updates found that, during the 2000–06 period, ESF in Wales helped up to 96,000 (net) unemployed and economically inactive people into employment or further learning.18 Although the evaluators found that not all ESF projects were tightly focussed on headline programme objectives they concluded that ESF projects were reaching individuals at some distance from the labour market. Evaluations of the 2000–06 programmes made a number of recommendations for improvement to programme design and management which were implemented in the development of the 2007–13 programmes. For example, evaluation evidence recommended that future programmes be more strategically focussed. The 2007–13 programmes were therefore designed to have a greater strategic approach to programme delivery, with fewer, more strategic projects delivering on the priorities of the programmes.

3.2 Evaluations of the 2000–06 programmes also highlighted the best practice from some projects who were undertaking evaluation as part of their integrated approach to project management. In considering its approach to evaluation WEFO has made it a requirement that project sponsors evaluate their projects. All projects receiving over £2 million in grant, or that are considered risky or innovative, must be evaluated by independent contractors. This will ensure that evidence of good practice and lessons learned are robustly captured and disseminated.


18 Based on the Mid Term Evaluation Updates for Objective 1 and Objective 3. These evaluations were undertaken in 2005 but achievement was forecast for full commitment of programme resources.
3.3 Evaluations and monitoring reports for the 2007–13 programmes are being designed to meet the information and analysis needs of WEFO and key stakeholders. WEFO will provide the all-Wales Programme Monitoring Committee with the necessary reports to enable them to assess the effectiveness and quality of the implementation of the programmes. Of particular relevance to ESF, WEFO is commissioning annual longitudinal surveys of ESF participants to supplement programme monitoring data to assess the effectiveness of the ESF programmes.

3.4 During the 2007–13 period the ESF programmes in Wales aim to help 294,000 people improve their skills and job prospects. The programmes aim to help 31,000 unemployed and economically inactive people move into employment. Furthermore, almost 90,000 people will be helped to gain qualifications. These headline targets are being used to track the progress of the programmes in meeting their objectives.

3.5 Data at end July 2009 shows that the ESF programmes in Wales have assisted over 45,700 people, of which 45% are female, 8% are disabled and 2% are from Black and Minority Ethnic groups. Of those assisted, almost 22,000 unemployed and economically inactive people have been supported to find sustainable employment and almost 23,700 employed people have been supported to increase their skills.

3.6 Despite the relatively early stage of implementation, the 2007–13 ESF programmes in Wales have already helped over 3,600 economically inactive and unemployed people move into employment and over 19,700 people have gained qualifications. Furthermore, almost 23,000 people have been helped to enter further learning, of which, 60% are young people. Further data for programme-level indicators can be found at Annex A.

4. Regional Delivery

Links within the UK

4.1 At a strategic management level Wales is actively engaged with the UK Government’s Department for Work and Pensions which is responsible for the English programmes, and the other devolved administrations in Scotland, and Northern Ireland. DWP represents the UK on the EU ESF Advisory Committee and Technical Working Group, co-ordinating the UK position on the issues discussed at those meetings, and providing feedback to Wales, Scotland and Northern Ireland. All of the administrations participate in regular UK ESF Liaison meetings to share information and good practice across the ESF programmes, and co-ordinate responses to the EU Commission. WEFO officials also have regular contact with DG Employment to discuss the progress of implementation and to seek guidance when appropriate.

Wales

4.2 The delivery of the programmes in Wales strongly reflects the partnership principles enshrined in both the Welsh approach to policy development and delivery and the principles outlined by the Commission. Public, Private and Third Sector partners were consulted in the development of the programmes and they are involved in their implementation. This includes participation on the All-Wales Programme Monitoring Committee, which oversees the implementation of the four ESF and ERDF Structural Funds programmes.

4.3 The Wales chapter of the National Strategic Reference Framework (NSRF) and the ESF Operational Programmes were developed in partnership with key stakeholders across all relevant sectors including social partners, equality bodies, higher and further education sector, environment agencies, local authorities, the voluntary and community sector, public and private sectors. The main representative partnership input was provided through the Post-2006 External Stakeholders Group; a broad-based partnership forum which brought together representatives of all the key stakeholders. Expert input was also provided into the writing of the programmes through five workstream groups comprising partners from a wide range of organisations in the public, private and voluntary sectors. A public consultation on the Convergence programme took place over the period July to October 2006, supported by regional events.

4.4 In Wales, the Operational programmes are supplemented by Strategic Framework documents which provide further detail to guide prospective project sponsors on the approach agreed by the Welsh Assembly Government and partners as well as describing the needs and challenges in local areas. This is strengthened


20 The All-Wales Programme Monitoring Committee meets quarterly and membership, terms of reference, agendas, minutes and papers considered are all published on the WEFO website: http://wefo.wales.gov.uk/programmes/allwalespmc/?lang=en
by the work of Spatial European Teams who are actively engaging with Local Authorities and other potential project applicants to ensure a strategic focus and offer support in the development of project ideas.

4.5 This inclusive approach has encouraged a greater understanding of the aims of the programme and collaborative working in the delivery of the programme.

5. Short term: Use of the ESF to respond to the financial crisis

5.1 The Structural Funds’ key role in the Welsh Assembly Government’s response to the recession is demonstrated through their use in supporting the principles and key areas of concern emerging from the seven Economic Summits convened by the First Minister to date, which have brought together leaders from all sectors to discuss the best way forward in mitigating the impacts of the financial crisis, and ensuring Wales is well placed to take advantage of the upturn when it arrives.

5.2 The ESF programmes have contributed directly to these measures by bringing forward expenditure: as of 24 September 2009 WEO has committed 68% of the EU funding available for each of the ESF programmes (exceeding a revised target of 50% by the end of 2009), including support for a number projects which directly assist with addressing the effects of the recession. All projects funded through Priority 2 Increasing employment and tackling economic inactivity will be addressing the impact of the economic climate in some way and projects funded through the skills priority will assist Welsh businesses to be in a strong position when recovery comes.

5.3 Two projects in particular have been highlighted as exemplars of the support that Structural Funds can offer to businesses during the recession:

— The ReAct scheme, which is part-financed by the ESF, retrain individuals who have been made redundant and provides a wage subsidy of up to £2,080 for employers who employ such individuals, plus 70% of training costs for each individual employed up to a maximum of £1,000. By June 2009 over 4,400 individuals and over 460 employers had accessed ReAct support.

— Aligned to this is the ProAct scheme, which has been operational since the beginning of January 2009, which also offers training but for employees who are on short-time working, which helps businesses to keep skilled staff who may otherwise be made redundant. Initially available until March 2010, it is flexible, but broadly offers training costs up to £2,000 per individual and a wage subsidy up to £2,000 (£50 a day) per individual during this training. As of June 2009, 43 companies and over 2,500 individuals had been offered support.

5.4 In response to the downturn the Welsh Assembly Government approached the European Commission with proposed revisions to the Operational Programme at the end of 2009. The changes agreed in July 2009 were primarily increases in the EU interventions rates (from 55.56% to 64.36% for the ESF Convergence programme) which meant that sponsors would be able to receive a greater proportion of EU funding for their projects. This change was negotiated in response to match funding pressures faced by applicants caused by decreased private sector confidence and additional calls on public sector finances which were made worse due to the decrease in the value of sterling against the euro.

5.5 The Welsh Assembly Government has also made programming changes in response to the current difficulties in the labour market by strengthening support under ESF Convergence for unemployed people and those who are most disadvantaged in the labour market, including the economically inactive (virement of €41 million from Priority 1: Supplying young people with the skills needed for learning and future employment to Priority 2: Increasing employment and tackling economic inactivity).

5.6 A change to the balance of Priority 2 between helping economically inactive and unemployed participants was also agreed, with the target for supported participants who are “economically inactive” changing from 70% to 50% and for the “unemployed” from 30% to 50%; this means an additional 28,000 opportunities for unemployed participants could be funded.

5.7 Despite the changes to the programmes, which have been relatively minor in terms of targets, aims and objectives, we have found that our programmes have been remarkably flexible and able to respond to immediate short-term crises with some speed; however, the programmes are intended to address medium-to long-term structural weaknesses and this must remain the overall objective and strategy for the programmes. We believe the significant response we have been able to generate through the existing flexibilities to an unprecedented financial and global crisis puts the programmes in good stead to be able to continue to respond flexibly to changing economic and social conditions whilst maintaining a focus on jobs and growth.
6. **Medium term: the ESF 2010–14**

6.1 The Structural Funds programmes operate over the period 2007–13 and expenditure is likely to continue into 2015. At this point in the implementation of the programmes we feel that the approach we have adopted and the priorities we have identified for our ESF programmes, complemented by the amendments negotiated to the Convergence programme, are still appropriate in the medium-term. WEFO has recently undergone a review of the Operational programmes and their associated Strategic Frameworks as a result of the rapidly changing economic and labour market situation and have decided to make only minor amendments to reflect changes in the regulations and the result of the negotiations over Intervention Rates. The medium-term aims remain the same, forming the core of the programmes, and must not be sacrificed to respond solely to provide short-term support; a proper balance needs to be struck. These conclusions have also been endorsed by the all-Wales Programme Monitoring Committee and the European Commission.

6.2 The programmes will be kept under continuous review and wide-ranging evaluations above and beyond the regulatory requirements are planned and are in hand. These will ensure the ESF is used to best effect in Wales to address not only the medium-term aims, but also supporting the co-ordinated and comprehensive Welsh response to the recession and ensuring activities remain relevant, appropriate and forward-looking.

6.3 There is considerable flexibility offered through both the ESF priorities and the design of the Welsh programmes, which will allow further adaptation and evolution in response to a changing labour market, without taking away from the important medium-term goals that we have set. We also place an emphasis on promoting and developing a strong sense of complementarity across Structural Funds programmes in Wales. While this Committee is looking solely at ESF, in Wales the delivery of the ESF programme is in close collaboration with our ERDF programmes to encourage and deliver a complementarity of activity (our all-Wales Programme Monitoring Committee also covers both funds in order to create this link between the funds). Activities supported by one fund must also take into account those of the other; there is little benefit in investing in skills for new jobs if those jobs don't exist. The Welsh Assembly Government's Green Jobs Strategy (launched in July 2009), which is closely aligned to the objectives of the Structural Funds programmes in Wales, identifies this need to develop skills, jobs and business growth together in an integrated and sustainable way.

7. **EU Jobs and Growth Strategy post-2010**

7.1 The ESF and the Structural Funds more generally are the principle financial instruments at an EU level for implementation of the Lisbon Strategy for Jobs and Growth. The future shape of the Lisbon Strategy will also have a significant bearing on the future shape of Cohesion policy and Structural Funds. ESF in particular is a key deliverer of the Lisbon Strategy and future ESF programmes are likely to closely follow the new Lisbon Strategy.

7.2 As described in the previous question the Welsh Assembly Government is confident its strategy for the ESF as laid out in the Operational programmes remains relevant for 2010–14 and to this end believe the current Lisbon Strategy, with a focus on the economic outcomes of jobs and growth is the correct approach. It is not possible to predict the discussions that will begin with the launch of the Commission consultation, but it will be important for Wales to be fully engaged in discussions at both a UK and EU level.

7.3 While not pre-empting the Lisbon post-2010 Green Paper, initial indications are that the creation of green jobs, sustainability and the boosting of innovation and creativity, with a focus on education and skills, will feature. This aligns closely with the policies of the Assembly Government outlined in “One Wales” and those both Wales and the UK have identified as priorities for future Structural Funds programmes.

7.4 This alignment is also clearly illustrated in some detail in the Welsh Assembly Government’s “Green Jobs Strategy”, which aims to meet all three pillars of the current Lisbon Strategy: the social pillar in terms of future skills and training; the economic pillar in terms of job creation and business growth; and the environmental pillar in terms of addressing the challenges of climate change and energy. The “Green Jobs Strategy” also demonstrates how an integrated development strategy can combine all these elements while maintaining a focus on jobs and growth.

8. **Long term—the ESF post-2013, and the EU budget review**

8.1 The future of the Funds will be contingent on the outcome of the EU Budget review, a White Paper for which is expected towards the end of 2009/early 2010, which will determine the conditions under which the debate over the future of Structural Funds post-2013 will develop. There has always been an emphasis on demarcation of activities between spending programmes and this has been welcome to some degree to avoid duplication of activities (for example between the Rural Development Plan and the Structural Funds programmes).
8.2 The various spending programmes, and in particular the ERDF and ESF Structural Funds, have, however, become too separated. The introduction of the cross-fund flexibility for 2007–13 is a welcome one and a step in the right direction to ensure some complementarity of activities and an acknowledgment that the activities carried out by each fund are not mutually exclusive. More needs to be done, however, to ensure that the best possible use of these funds is made by not only ensuring that the activities add value to national and regional policies and activities but also that they complement investments made by each other. For example investments in Wales made under the ERDF in Research & Development and innovation are accompanied by complementary investments in Higher Level Skills under ESF. Similarly, looking to the future, we can anticipate a need to invest in environmental goods and services which will need to be supported by an appropriately skilled workforce.

8.3 As West Wales and the Valleys grows out of full Convergence funding Wales intends to make best use of this tranche of significant funding and ensuring complementarity of investments across not only the Structural Funds programmes, but also investments by the Welsh Assembly Government and those made by the UK Government, will be key to achieving this. After a number of years of the highest level of EU aid in West Wales and the Valleys we are already planning for post-2013 by moving away from a grant to an investment culture and building in sustainability to our investments from the outset; however, this is not always possible, as parts of the ESF programmes by their very nature cannot fit these models. It is important for these schemes and this type of support in particular that the move from full Convergence funding is as gradual as possible, through the careful consideration of established transitional funding mechanisms, to ensure that the progress made to date is not undermined by a sudden and severe withdrawal of support, in particular within the context of tightening public expenditure.

8.4 The debate over the future of Cohesion policy (and therefore ESF) post-2013 is an opportunity to consider the role of ESF. In the context of simplification and better co-ordination of activities across ERDF and ESF, the creation of a single fund has attractions. This would also overcome some of the difficulties in managing programmes across two different Directorate Generals in the Commission services and promote better complementarity in investments across the pillars of the Lisbon Strategy.

8.5 At this early stage in the debate Wales and the UK have expressed a desire for the focus to be on delivering the goals of the Lisbon Strategy for Jobs and Growth, and in our response to the EU Budget Review consultation in April 2008 the Welsh Assembly Government outlined its preference for an increased emphasis on skills and training, research and development, knowledge and innovation. The Welsh Assembly Government has detailed policies for the raising of the level of skills and competitiveness in Wales and a track record of supporting research and development and innovation. Better matching of current and future skills needs will be vital to remain competitive in an increasingly globalised world.

2 October 2009

Annex A

PROGRESS AGAINST PROGRAMME-LEVEL INDICATORS

Tables 1 and 2 give forecast and achieved data on approved projects at end 31 July 2009 against the programme target for each programme-level indicator under the West Wales and the Valleys ESF Convergence programme and East Wales Regional Competitiveness and employment programme. “Claims submitted to 31/07/2009” is the achievement reported by projects against indicators in their expenditure claims which have been processed to end July 2009. Achieved figures will increase as projects spend and submit their expenditure claims to WEFO.

Table 1

<table>
<thead>
<tr>
<th>Indicator</th>
<th>OP Target</th>
<th>Project Forecast</th>
<th>Claims submitted to 31/07/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total participants</td>
<td>267,500</td>
<td>248,000</td>
<td>43,798</td>
</tr>
<tr>
<td>Female participants</td>
<td>146,150</td>
<td>90,000</td>
<td>19,869</td>
</tr>
<tr>
<td>Economically inactive participants</td>
<td>63,750</td>
<td>86,000</td>
<td>2,225</td>
</tr>
<tr>
<td>Unemployed participants</td>
<td>55,000</td>
<td>28,000</td>
<td>17,794</td>
</tr>
<tr>
<td>Employed participants</td>
<td>122,500</td>
<td>88,200</td>
<td>23,441</td>
</tr>
<tr>
<td>Employers assisted or financially supported</td>
<td>20,060</td>
<td>12,600</td>
<td>364</td>
</tr>
<tr>
<td>Collaborative agreements between public service bodies</td>
<td>20</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
Table 2

PROGRESS AGAINST ESF COMPETITIVENESS PROGRAMME-LEVEL INDICATORS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>OP Target</th>
<th>Project Forecast</th>
<th>Claims submitted to 31/07/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Participants</td>
<td>26,600</td>
<td>42,000</td>
<td>1,946</td>
</tr>
<tr>
<td>Female Participants</td>
<td>15,190</td>
<td>–</td>
<td>618</td>
</tr>
<tr>
<td>Economically inactive participants</td>
<td>11,900</td>
<td>–</td>
<td>630</td>
</tr>
<tr>
<td>Unemployed participants</td>
<td>2,100</td>
<td>–</td>
<td>1,074</td>
</tr>
<tr>
<td>Employed participants</td>
<td>12,600</td>
<td>–</td>
<td>242</td>
</tr>
<tr>
<td>Employers assisted</td>
<td>2,800</td>
<td>396</td>
<td>80</td>
</tr>
<tr>
<td>Participants entering employment</td>
<td>3,500</td>
<td>10,734</td>
<td>265</td>
</tr>
<tr>
<td>Participants gaining qualifications</td>
<td>9,650</td>
<td>13,751</td>
<td>349</td>
</tr>
<tr>
<td>Participants gaining a basic skills qualification</td>
<td>5,740</td>
<td>–</td>
<td>197</td>
</tr>
<tr>
<td>Participants gaining a qualification at Level 2</td>
<td>2,570</td>
<td>–</td>
<td>116</td>
</tr>
<tr>
<td>Participants gaining a qualification at Level 3</td>
<td>800</td>
<td>–</td>
<td>34</td>
</tr>
<tr>
<td>Participants gaining a qualification at Level 4 and above</td>
<td>540</td>
<td>–</td>
<td>2</td>
</tr>
<tr>
<td>Participants entering further learning</td>
<td>4,620</td>
<td>8,764</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: WEFO, 31/07/2009

Examination of Witnesses

Witnesses: Ms Mabel Hildebrand, Head of the Managing Authority for Lowlands and Uplands Scotland European Social Fund and Mr Jim Millard, Head of the Managing Authority for Highlands & Islands Structural Funds Programmes, Mr Damien O’Brien, Director, Welsh European Funding Office (WEFO), and Ms Jane McMillan, Head of the Programme Management Division ESF (WEFO), Welsh Assembly Government, examined.

Q272 Chairman: Good morning. Could I say welcome and thank you very much for coming. This is, we think, quite an important inquiry, which we are well into by now, but obviously it has implications for those devolved countries that are working with the ESF and we are interested in seeing the whole spectrum. You will know that round the table we do have members who know a great deal about most of the other nations. We do not have Northern Ireland with you this morning for various reasons, but they may contribute further in writing so we will also have information from them. You have in front of you a list of interests so that you know what the interests of the Committee are. Before you start we would be grateful if you could say who you are because we have to have you saying who you are for the record; it is a formality of the House so that we know we have the right people at the right session. If any of you want to make a short introductory statement—we are always keen that you do not answer all the questions in the introduction, if you know what I mean—then we would be grateful to hear that immediately after your introductions. Maybe, Ms Hildebrand, we could start with you.

Ms Hildebrand: Thank you for the opportunity to come to the Sub-Committee; we very much welcome that. The Scottish Government Business Enterprise and Energy Directorate has responsibility for managing and implementing the 2007–13 ESF programmes. I am Mabel Hildebrand from that Directorate and I head the Managing Authority for the Lowlands and Uplands Scotland Programme.

Q273 Chairman: Could I just take everyone’s introduction first.

Ms Hildebrand: Certainly.
Mr Millard: My name is Jim Millard. I am a colleague of Mabel Hildebrand in the Scottish Government Business Enterprise and Energy Directorate. My responsibilities include those for the use of European Social Fund within the Highlands and Islands Convergence Programme.

Ms McMillan: I am Jane McMillan, Welsh Assembly Government. I head up and am responsible for the implementation of the ESF programmes in Wales as part of the Welsh European Funding Office.

Mr O’Brien: I am Damien O’Brien, Director of the Welsh European Funding Office which is part of the Welsh Assembly Government and we are responsible for implementing the Structural Fund programmes in Wales.

Q274 Chairman: Thank you. We can go back now to Ms Hildebrand; you were beginning your introduction, I think.

Ms Hildebrand: Yes, I thought I would just give a very, very brief introduction to the programme and the funding, just taking literally a moment or two and not really a statement as such. I would just say that the Lowlands and Uplands Scotland Programme supports the Scottish employability, skills and lifelong learning strategies to cultivate a skilled socially inclusive workforce where individuals are helped to achieve their full potential. We have three priorities in the programme and those were set out in the written memorandum in detail and I will not go over that again. The Lowland Programme was awarded £270 million which, with exchange fluctuations, is around £240 million for the programme period and so far we have made awards amounting to £140 million to 230 projects, and within that £52.4 million has gone to community planning partnerships within our Lowlands area.

Q275 Chairman: Do our Welsh colleagues want to make an introductory statement of any kind?

Mr O’Brien: I would just explain that the Welsh European Funding Office is part of the Welsh Assembly Government’s Department for Economy and Transport, and we have responsibility for all of the Structural Fund programmes in Wales, ESF and ERDF. In total they represent an investment of £4.1 billion over the period 2007 to 2013 when match funding is included. We have two Structural Fund regions in Wales; West Wales and the Valleys is the biggest of those regions and covers two-thirds of the population. That region is entitled to convergence funding and it receives just over £760 million of ESF funding and £1.25 billion of ERDF funding. The other region in Wales is East Wales which is much smaller in terms of its funding. It represents a third of the population and it receives £58 million worth of ESF funding. ESF programmes are making a valuable contribution to our policies in Wales for jobs and growth. We have a strong focus on employment and raising skill levels, but we also have within our convergence programmes a focus on young people and a focus on improving and modernising our public services.

Q276 Chairman: Could we begin by looking at the general objectives and the effectiveness. We have heard a wide range of views about this and the difference between those hard outcomes which you can measure and the soft outcomes, which have been somewhat impressive from a number of witnesses, about confidence building and helping people to get to the stage where they are beginning to think about re-entering work, particularly at the hard to reach end. The Scottish Government and Welsh Assembly Government have different programmes and programme priorities from England and you have a higher level of skills in your programmes. What do you think the objectives of the ESF should be? Where should the balance lie between the provision of higher and lower level skills, and how has this worked in your programmes? Shall we begin with Scotland, simply because you did the introduction first?

Ms Hildebrand: Before the programme started we undertook a socio-economic analysis of the whole of Scotland, doing it in two parts, the Highlands and Islands and Lowland Scotland. That focused very clearly on the key challenges for Scotland and for us we had inactive people in areas of relatively high employment, but we had large numbers of people who were not participating in the workforce. We have a demographic issue which is similar to the rest of the UK but perhaps more pronounced in the Highlands area where we have a larger number of older people and a relatively small workforce. We had significant challenges there but we also had a relatively small amount of European funding coming in, and so we had to narrow our programme down. Therefore, we did concentrate very much on the hardest to help and moving those people who are inactive for reasons of discrimination, disability, perhaps poor education and social circumstances to concentrate most of our funding on those. Within priority one—which is the employability priority—we concentrated on those individuals and moving them back towards work. This is probably where the soft outcomes and the hard outcomes come into play. We negotiated a programme which had relatively small hard outcomes so the number of those to get back into work was actually quite small but the trade-off, if you like, of that is that we have undertaken quite a lot of evaluation on what is the impact on people who are taking part in our programmes and in particular we started our programme in the Lowlands and Highlands area in 2007—we actually started the
programme in January 2007 which is quite unusual—and after that first year of project activity we then undertook an evaluation of what we fondly call “a shadow round” because not absolutely all of the usual panoply of national rules and so on was in place.

Q277 Chairman: In the things you have done you think you have the right set of objectives, you think these objectives are right and helpful in terms of what you have been able to do?
Ms Hildebrand: That is putting it a very short way, yes. We thought we were right at the beginning and in that very early stage we did measure the soft outcomes and we made an effort to try and get some benchmarking and measurement of soft outcomes. As we got to the economic crisis, we then did another spot check to ask if we were sure we have it right and the answer to that was not absolutely now; we do not have high levels of employment, low levels of unemployment, we have actually changed, and for that reason we have amended our programme. We amended it once, which the Commission has agreed to, and we currently have a second amendment in to hire money into our employability priority where we have a lot of pressure.

Q278 Chairman: Did you have a similar experience in Wales?
Mr O’Brien: We did. Like our colleagues in Scotland, our programmes are based on a similar socio-economic analysis of the two regions in Wales and we face particular issues in terms of economic inactivity. Our employment levels have been increasing over recent years but we still have a higher proportion of people who are economically inactive than most other regions in the UK. We also have a relatively low skills base, so these are primary issues for us in developing the programmes. We also have a history of under-achievement amongst young people in some of our schools, so we have a focus on young people within the programmes. The programmes are very different. The convergence programme has a lot of money; there is over £300 million for skills so that we are able to focus both on lower level skills and higher level skills. About 60 per cent of the money is going to lower level skills. Within the East Wales Programme, because we have less money—only £30 million to invest in skills—we have taken the decision that we will only invest in basic and lower level skills. The one exception to that is management and leadership skills but it is very much focused at the basic to lower end of the spectrum. We do try to pick up soft outcomes mainly through project evaluations but we have, within our programmes, a progression indicator. Normally you have indicators that relate to people getting into employment or achieving qualifications but we have an indicator that projects can use which can demonstrate progression from one stage of activity to another, so that might be moving into volunteering work, it might be moving into learning, and we can capture those outcomes on a regular basis from projects. Our main way of capturing the soft outcomes is through project level evaluation.

Q279 Chairman: Having done your evaluation, how effective do you think the ESF intervention has been?
Mr O’Brien: We are at the stage in the programme where the evaluation evidence will only begin to feed through towards the end of this year and the beginning of next year. We have an arrangement that every project that has funding of more than £2 million—which is most of our projects because we have large and more strategic projects in Wales—has to carry out independent evaluation. We ask for a mid-term evaluation on our projects so that will start to come through at the end of this year, the beginning of next. From the monitoring data we can see that we are already achieving a significant number of qualification achievements—over 30,000 qualification achievements so far—and we have helped just over 7,000 people into employment through the ESF intervention. We are only two years into the implementation of the programme so we have some way to go yet.

Q280 Chairman: Has the effectiveness been similar in Scotland in terms of outcome?
Ms Hildebrand: At the moment we have fewer hard outcomes than we might have expected at this point so we would have less numbers gaining jobs and that is entirely as we would expect in the current situation where it is much more difficult for people who are starting from quite a long way away from the labour market to actually make it into jobs in what has become a very competitive labour market now. We are not at the stage that we would have expected to have been on those hard outcomes. Although we do not have as part of the programme a target on the progression, within Scotland we have a five-stage system which measures that progression of people from engagement into volunteering or potentially attending something to actually starting to do job searches and to undertake perhaps a job placement. We measure that in five stages. We do not ask all of the projects to use the same measurement system but we do ask them to use a measurement system, and we do look at that. They provide us with quarterly progress reports and we look at that when those progress reports come in. We can see that projects are indeed performing well. They are dealing with the right people; they are making progress with them but they are not getting the hard outcomes that we had hoped for at this stage of the programme.
Q281 Chairman: Bearing in mind what you were saying earlier about changing your programme, do you think that you and indeed your own Government’s rules are flexible enough for you to be determining your priorities in the way you think is the best way forward, and can you tell me if you think you have particular administrative burdens in monitoring and evaluating feedback?

Ms Hildebrand: If you do not mind I will answer the first part of that question, then I will pass to my colleague, Jim Millard, to answer on the administrative rules and so on. The Scottish Parliament and Scottish ministers have been extremely supportive of making changes to the programme and our first experience with changing the programme was that it was a very slow process. It took us from 2007 to 2008 to make the first change in the programme. For the second change, which we are negotiating right at the moment, we asked to vire our funds into the employment priority which we think is a relatively straightforward thing to do. We started that process in November 2009 and we are hopeful of getting a much quicker response from the Commission in this case. I feel the Commission have indeed tried to respond with a simplified process to get those changes through.

Mr Millard: In terms of administrative burdens, I suspect we need to look at those in two respects. The first which my colleague, Mabel Hildebrand, alluded to concerns the relationship between Scottish Government and Scottish ministers and in turn to the European Commission. I think, particularly on the financial and audit side, the administration is, let us say, challenging. We have one system and it is a one size fits all. We do not have scope to have de minimis levels. A large project goes through the same process in terms of quarterly reporting as a small project so I think the administrative burden can be quite challenging.

Q282 Chairman: I am glad you think that because that is what they told us.

Mr Millard: They did not prime me! The other level of course is perhaps a more important one. The Scottish Government can always, if you like, absorb the complexities of Structural Fund implementation and we are, albeit I might argue, not sufficiently resourced sometimes, but we are adequately resourced to do the job and engage with the Commission. I think the challenges in terms of administration are more about how the Scottish Government, as managing authority, engages with individual projects and the organisations running projects. We have a very tricky balance to secure between due diligence and, if you like, flexibility or giving the organisations sufficient scope to implement projects. In some respects we do that. We have a challenge-based bidding system; it is open to individual organisations to propose projects to us and to set out how they intend to implement the project and what we can expect in terms of outcomes. At that level then it is open to the applicant to set out their respective stalls. However, once the project is approved we have to ensure due diligence and we have to ensure accountability of project and project expenditure to the Scottish Government and Scottish ministers and in turn to the European Commission. I think, particularly on the financial and audit side, the administration is, let us say, challenging. We have one system and it is a one size fits all. We do not have scope to have de minimis levels. A large project goes through the same process in terms of quarterly reporting as a small project so I think the administrative burden can be quite challenging.

Q283 Chairman: We are going to have to move on; I want to make sure that Mr O’Brien has a chance to add things to this from the Welsh perspective.

Mr O’Brien: I would just confirm that we have had a similar experience with the European Commission in terms of their willingness to engage in making changes to the programmes. Our programmes are reasonably flexible anyway, a lot more flexible than they were in the prior round of programmes in 2000 and 2006 where we had a lot of small pots of money. We now have bigger priorities, so that helps. In response to the recession we did approach the Commission to negotiate some changes to the programmes. First of all, we negotiated an increase in the European intervention rates so they were prepared to increase the amount of European funding in recognition of the pressures on national co-financing, particularly in terms of the private sector contribution to the programmes during a difficult economic period. However, we had also set out on the road envisaging that within our employment priority 70 per cent of the money would be spent on the most disadvantaged, the economically inactive, and 30 per cent would be spent on the unemployed, and we had to change that balance to 50:50 in the light of the impact of the recession in Wales and they were receptive to well-reasoned arguments in that regard and the programmes have been amended accordingly.

Q284 Chairman: I want to move on because of the time. Can you just say something about the administration?

Mr O’Brien: Just to echo Jim Millard’s comments about administration, the Structural Funds are complex financial instruments and managing
authorities have to strike a balance between ensuring compliance so that we do not end up having to return money to the European Commission, but helping projects to deliver the outcomes that we had agreed with the European Commission, and that is often a difficult balance to strike. There is an ongoing debate about simplification; simplification often brings complications, but that is not to say that we should not continue to work and strive for that goal.

Chairman: Thank you very much indeed. I am going to move on to Baroness Young to talk about additionality.

Q285 Baroness Young of Hornsey: Good morning. I have a couple of questions around this subject. Could you say how you assess additionality and explain a bit about the extent to which you found that principle to be reflected in your programme. It would be helpful if you could give a couple of examples, perhaps, to illustrate that. Also, could you say something about the kind of action that is taken to ensure respect for the principle among the projects and again how you monitor this and what action you might take if the principle is not being respected? Thirdly, has your ability to achieve additionality been affected by the recession and what are your thoughts on the prospects for that, because I imagine—I know—this would be a huge pressure on public funding and therefore perhaps a temptation to relieve some of that pressure by this?

Mr O’Brien: Perhaps I could say something about additionality and then ask my colleague, Jane McMillan, to say something about added value. Additionality has a particular meaning within the scope of the regulations of course which essentially means that the EU Structural Funds cannot be used to replace national or equivalent expenditure. That principle is verified by the European Commission. It is verified at two stages, the mid-term stage which is 2011 and at the end of the programmes. The principle of additionality only applies to convergence programmes so in the UK it is essentially West Wales and the Valleys, Cornwall and the Highlands and Islands of Scotland. It is public spending in those particular regions that is subject to scrutiny in terms of additionality.

Q286 Lord Inglewood: Could I just clarify something. Are you saying that there is evidence that additionality does not apply in the other ones, or it is merely scrutinised more rigorously in the convergence programmes?

Mr O’Brien: What I am saying is that in terms of the regulations additionality has a particular meaning.
programmes. Do you have any documentation that we could have that would be helpful to see what the outcomes are, additional to anything we have already?

**Q288 Baroness Young of Hornsey:** Especially anything that suggests the methodology for looking at how you measure the soft outcomes.  
**Ms McMillan:** Yes, we can provide a note on that.

**Q289 Baroness Young of Hornsey:** Mr Millard?  
**Mr Millard:** I will perhaps take your later questions and offer them more in terms of added value. The starting point again goes back to the negotiation of the operational programmes with the European Commission. We have to establish baselines in terms of normal business, normal levels of activity and we have to demonstrate what additional activity Social Funds or indeed Regional Development Fund support will provide. At a practical level in Scotland our selection criteria for projects includes an assessment of added value. The other principle which ensures added value or additional value is a principle that Structural Fund engagement has to be at the minimum level necessary for a project to proceed. So the match funding from the applicant is locked in, it is clear what that will buy; add Structural Funds to the mix, more outcomes for the additional inputs. Because the selection criteria tend to sift out projects which are weak on added value or additional value, we mostly find that these projects deliver. Where they fall short it is possible to withdraw grant. That tends not to happen, if I am honest. There is usually good reason and the project has always achieved something.

**Q290 Baroness Young of Hornsey:** Where there are problems are you able to see them coming?  
**Mr Millard:** We can indeed. Projects are required to report progress both in physical terms and expenditure terms on a quarterly basis to us so we are able to monitor progress on a quarterly basis. We have a system based on traffic lights so if the project flags up red or amber, then we can intervene, we can engage and we can ask what the problem is, do they need more time, is it a slightly different emphasis within the project.  
**Chairman:** Could we move on to Lord Kirkwood and the issues of co-financing.

**Q291 Lord Kirkwood of Kirkhope:** I am going to ask you a broad question and a narrow question. It will not surprise you to understand that we are wrestling with some of the different ways of funding some of these programmes. It occurs to us—you might confirm this—that in England they have gone wholesale for co-financing big scale, strategic government programmes, it may be that other constituent nations in the United Kingdom have taken another view which is more match funding for individual projects. We would like to try to compare and contrast and see if we can draw some conclusions for the future to improve the effectiveness of the scheme. This is a subject for another meeting really, but from your own perspective could you just compare and contrast the strengths and the weaknesses of both methods of finance?  
**Ms Hildebrand:** We undertook an evaluation or an investigation of the co-financing systems in England, Spain, Ireland and Germany and we contrasted that with the way in which we did our individual project-by-project selection. We looked at specifically those systems and whether they were transferable into Scotland, given our partnership working system where we have much more peer review, much more engagement from the various sectors—the voluntary sector, the colleges and so on—and we went out and consulted with that report effectively. Our partners came back saying that they favoured keeping the current system in Scotland, that they felt that the advantages of possibly simpler administrative systems but a total contracting bidding system had disadvantages, perhaps stifling more innovative projects that came up from the grass roots. On balance, having consulted ministers, we took account of those consultations and decided to stay with that partnership bidding system. In a nutshell I think we would say the advantage for us is quite clearly that we do have quite unique little projects coming forward. For example, the Autistic Society has come forward with some very, very interesting projects. If they were in a bidding round with a lot of other projects in looking for a major type of delivery of something we had asked for, I doubt very much that we would have asked, or thought of asking, for what they have now offered us which is an excellent, very targeted little project.
Q293 Lord Kirkwood of Kirkhope: That would be very helpful. Wales?
Ms McMillan: I echo the views of my colleagues in Scotland but, unlike them, we did not take a formal consultation to look at other Member States and the funding mechanisms that they use as we were preparing and developing the current suite of programmes, but we did consult within Wales with all of our key stakeholders as part of the development of the programme. The view was very much that we should stay with our mixed funding approach for a couple of reasons. It gave a range of organisations the opportunity to stay engaged more directly with the programmes but more importantly we did not have any key major departments that we could use to actually fund in that we do not have Jobcentre Plus—they are an agency of DWP and therefore not directly working to us—and no other large Assembly Sponsored Public Bodies which could have gone forward. I think the overriding principle was that the mixed funding approach package allowed us to continue to deliver the programmes in a way that worked for a range of stakeholders and we recognised the need to engage with a number of stakeholders to deal with the range of problems we faced. As Mabel has said, particularly on the employment priorities coming through now, we have quite a number of unique projects that can be quite niche—the Cyrenians in Swansea—that probably would not come through if we had attached some of the funding and delivered it through that core funding mechanism.

Q294 Lord Kirkwood of Kirkhope: Those are two powerful statements. You would not change it; you would not do it any other way?
Ms McMillan: No. In addition, if organisations are running short on match funding, they can come into the Assembly and access the targeted match funding pot that we have to allow them to draw down the match funding.

Q295 Lord Kirkwood of Kirkhope: Yet—and this is a narrow point and is really derived from the very helpful evidence that was submitted—if I can address our Scottish colleagues, I am looking at page eleven of their own evidence at paragraph 39 because there is a sentence in here that caught me eye which is that, “There is anecdotal evidence that the increasing audit and complex reporting regime are acting as a disincentive to applicants”. If that is true, that would be a serious concern to the Sub-Committee’s inquiry. I am not taking sides in this and this is not pejorative, if it is a contest between you and the European Court of Auditors I know whose side I am on because the European Court of Auditors have the sensitivity of the Spanish Inquisition, it appears to me! We did pick up some evidence from Scotland that you were in some constructive tension with the audit trail and that this was causing some difficulty, even to the extent—I am not saying that it is going to happen—that some of the money would be reclaimed, that there would be a potential call-back. I am not taking sides in the argument but it is of interest to the Committee to know and to try to understand why there is that tension. I think you explained earlier that it may be because of the way that the complexities of the audit trail are imposed on small organisations and you are asking them for quarterly reports which seems to me to be a little bit heavy handed as well. Just reassure me that if you are using this system and it has advantages that it is not going to lead almost inexorably to this kind of potential where you might end up—which would be a shame for everyone—in some of the money having to be handed back.
Ms Hildebrand: The discussion, which I think the Commission raised with you, is about old programmes; it is about the 2000–06 programmes and the issues that they have about audit trails.

Q296 Lord Kirkwood of Kirkhope: So it is sorted now. Ms Hildebrand: Absolutely not, but it is about the 2000–06 programmes. The issue there was absolutely clear that for projects which ran in the year 2000 there is not a perfect audit trail and for ESF projects—for the Commission that is—we refer to it as every bus ticket but it is literally every euro being able to be accounted for. In the old programme we had over 3,000 relatively small projects running and they were not able to keep the kind of audit trail that was looked for in the detail dealing with the extremely disadvantaged people. Old programme audit trail, difficult; new programme we have larger projects. We are trying to tackle this but it is still an administrative burden.

Q297 Chairman: What is quite clear is that the system mitigates against engaging very small local projects.
Ms Hildebrand: Yes.

Q298 Lord Kirkwood of Kirkhope: Still, in the existing programmes?
Ms Hildebrand: Still, yes.
Chairman: I know Lord Inglewood would like ask questions of our Welsh colleagues.

Q299 Lord Inglewood: Yes, and I would also like to touch on this wider issue. Surely one of the background problems to all this is that if you investigate the way in which European money as a whole is spent and, as we all know, there is a very populist cry that all European money goes walkabout, if you take the Community as a whole we see that an awful lot of it is going unaccounted for in the Member States. That is why the audit is increasingly focusing
on what you have described. My understanding of it is that one of the points of co-financing was that it actually meant that the audit of the disbursement of all this money was much more straightforward and therefore, if you have co-financing as opposed to match funding, you do not get the degree of what you inferred was intrusive, nit-picking, bean counting going on into your accounts. I want to put that as a proposition about it perhaps being better to move to co-financing because you would solve that problem. In parallel with that, I was interested in the evidence from the Welsh which is probably all to do with the same point. On page eight at paragraph 2.5, bullet point four, you talk about what you call “retrospective application of rules”. Is this in fact roughly the same thing or, if it is not, to what are you alluding, please? 

Mr O’Brien: I think that is a reference to a proposal in some amendments to the regulations that are currently going through the European Parliament which would allow, at face value, the Commission to make retrospective changes to the way in which they assessed eligibility.

Q300 Lord Inglewood: So what you are saying is that money would have been legitimately committed or disbursed and then, once it had been paid, it would turn out to have been illegal.

Mr O’Brien: That is our fear.

Q301 Lord Inglewood: We have not heard this point before.

Mr O’Brien: It may well be that this is not the way the Commission intends to apply this particular change in the regulations. We hope that is the case because it is certainly against the spirit in which we operate.

Q302 Lord Inglewood: What you are doing is flagging up a concern about this draft legislation.

Mr O’Brien: Yes.

Q303 Lord Inglewood: What about the co-financing/ match funding point? If you had co-financing would you not have a much less onerous auditing burden placed upon you?

Mr O’Brien: The auditing burden is heavy anyway, I would argue. I think the point that colleagues in Scotland have made about having fewer projects where the managing authority can have a much closer relationship with those projects is a critical factor. We had over 3,300 projects in the previous programme period; we are likely to end up with about 400 this time. We have regular reviews with those projects; we provide a lot of training support in the management of EU-funded projects and how to do procurement properly. That is all an attempt to mitigate the audits.

Q304 Lord Inglewood: Do you have ongoing detailed problems with the audit or do you reckon you have cracked it in general?

Mr O’Brien: I think we are getting better at it. We have recently had an audit from the European Commission DG Employment. We have not received the final report yet but the mood music is quite positive.

Q305 Lord Inglewood: So you are better than Greece, if I could put it that way.

Mr O’Brien: I cannot comment on Greece.

Q306 Lord Inglewood: Do the Scots have any comments on the same point?

Mr Millard: I think what we could say is that we are much better than we were. We have learned that we do not want to put ourselves or our projects through the difficulties and the angst which we have experienced with audits relating to previous programming periods. As Damien O’Brien said, Structural Funds are complex; they are complex however they are delivered.

If you go over to co-financing there are challenges there.

Q307 Chairman: We understand that. The point we would like to know from you is whether or not the complexity of the auditing arrangements and therefore your need to change them has changed the focus of the way you would wish to deliver your programme. Have the rules meant that you are de-localised almost—such as happened in England—because it is easier to have bigger projects, easier to audit? Are you going down that track because it is easier to audit? That is the simple question.

Mr Millard: We have not gone that way. We can still deliver programmes as we have and in the way we intended. However, unless we are able to make a success of our engagements with individual projects and with applicants to ensure that their audit trail is robust—doing that through monitoring visits, through quarterly reporting—then there is a risk, as we have suggested, that they may back off because the burden outweighs the benefits of drawing down the funds.

Q308 Lord Inglewood: Looking at it the other way round, do you think it is worth accepting the additional auditing obligations and burdens in order to deliver the more detailed project? You think you will deliver better for the people of Scotland and Wales by doing it that way. Is that a summary of it?

Mr O’Brien: Yes.

Ms Hildebrand: Yes.

Chairman: I am sorry, we are going to have move on. Lord Eames, can we move onto the economic downturn?
Q309 Lord Eames: In a sense what I am going to ask you we have covered in a lot of the answers you have been giving, and that is the whole question of a reaction to the downturn. Trying to predict the long-term effects of all this, what do you think the real contribution of the ESF has been in the conditions faced because of the downturn? I detected earlier on, particularly from our Scottish friends, that you were trying to see a pattern in this—that certainly came through to me—and looking at the longer term what do you see as the purpose of the ESF to meet conditions such as the downturn that we are talking about? I am really asking you to try and draw some of the themes together that you have already talked about, and I, too, find your evidence fascinating this morning.

Mr O’Brien: Our Programme Monitoring Committee, which oversees the implementation of the programmes, gave a lot of thought to whether there was a need to adjust the focus of the programmes during the early period of the recession. It reached the conclusion that the agenda we were pursuing was a long-term structural agenda and it was the right agenda. However, we also live in the here and now and we have to respond to some of the pressures that were building up in the labour market. I think in terms of the objectives of the ESF—the ESF is about helping people in employment and improving skills—it must also have the flexibility to respond to regional, national labour market priorities. Through the economic summit arrangements in Wales, for instance, there was a call from employers, “Help us to keep people in work”; rather than people being laid off, put on short-time working, being made redundant, they asked if there was a way to work with them to keep those people in work and be re-trained to see the recession out. Through the support of the ESF we were able to bring forward a programme called Pro-Act which has been widely supported by employers and trade union organisations in Wales which basically helps employers to keep those workers in work during the difficult period and to re-train them. We are not propping up businesses that would go under anyway; there is a process and there is a panel that scrutinises bids from employers to make sure that the investment is sensible investment. As a result of that we have supported 181 companies and over 8,300 workers have benefited. They are people who may well have lost their jobs if it had not been for the flexibility that we have with the European Social Fund. The point I would make in looking to the long term is that the focus we believe has to remain on jobs, growth, employment and skills by being flexible.

Q310 Lord Eames: Forgive me, you have used the word “flexibility” several times in that answer. How strongly does the ESF, as it stands, contain that degree of flexibility? You are working on the ground; this is in a sense the theory and the practice. How flexible is it?

Mr O’Brien: I think it is a flexible instrument. Clearly, the Commission want to have targets that we will deliver and we have no difficulty with a strong focus on outputs. The means of achieving those outputs needs to be flexible. Because of the issues we have with young people in Wales we have, as I mentioned earlier, a priority that can reach down to age 16 to add value to the mainstream education system through vocational opportunities. In the past DG Employment has generally said that the European Social Fund is for people aged 16 and over, people who are closer to the labour market, but they accepted our arguments that actually by the time some of these young people reach the age of 16 some of the disaffection is ingrained. The instrument is flexible enough to deal with that type of regional labour market.

Q311 Lord Eames: Could I ask what the Scottish experience is?

Ms Hildebrand: I would agree that the current programmes are relatively flexible. The three priorities we have are quite broad. Although we have in Scotland in the Lowlands an annual call for proposals, we also have what we call “a fast-track process” which means that anybody can come in with any project at any time. We obviously look at that. To give you an example, we had a sudden surge in unemployment for young people and, coupled with that, we had a lot of redundancies where young apprentices were being made redundant halfway through their training. We came forward with a package which is called “ScotAction” to try to help those young apprentices and effectively we came forward with an ESF scheme which said that if another employer will take on this apprentice halfway through, we would give them £2,000; we asked them to take on this apprentice and guarantee to finish their training out in their company. That scheme came through very, very quickly; literally within weeks we came through with that scheme. That was quite quickly followed up by other schemes because again we were finding companies were very loath to take on modern apprentices. We had another scheme which was what we referred to as a “twofer” whereby a company that was going to take one modern apprentice and had already signed for that, were asked to take a second modern apprentice and the ESF paid their salary as well as their training costs. A third part of that package was when small businesses or micro-businesses had never taken on apprentices, again they got a £2,000 handshake to take on apprentices and try that out. Those have all been very successful and came through very quickly. They addressed a very urgent need and showed the flexibility of ESF. Being able to respond quickly, I think in the longer term again our programme
management committee has looked at this and agrees it is still very much about addressing these underlying long term issues—the skill issues, the low pay, low skill issues, the imbalances in certain sectors in gender and so on—and that still has to be the nub of the programme but that it is flexible enough.

**Q312 Baroness Prosser:** I wonder if you could say something about what you think is the long-term impact of these programmes in areas where there is high unemployment and very little possibility of good economic investment, so opportunities for more secure employment. Secondly, I was pleased about the point made by our Welsh colleagues, recognising that intervention at age 11 is important and helpful. Do you see as part of that any opportunity within the work you do to shift the balance between what boys can do and what girls can do? Everyone is talking about going into apprenticeships, but are we talking boys on the tools and girls into hairdressing or is there an opportunity to shift these things?

**Ms Hildebrand:** Could I pick up on the boys and girls question and then I will maybe pass on to Jim on the longer-term impact. We have found that ESF is extremely valuable in adding equality and social inclusion into projects, projects that are seeking ESF to add something; it allows us to discuss with them their policy on equality. Certainly in modern apprenticeships we have encouraged—indeed insisted—that they look at their gender balance. We ask for that at the application stage. The only part of the application where a project can be completely rejected because it has not scored well enough is within the horizontal themes. We have three: equality, environmental sustainability and social inclusion. Within the ScotAction packages, what we have done is that we have asked the organisation Skills Development Scotland to go to people who do not usually participate—in our case that tends to be some of the ethnic minorities who do not participate in modern apprenticeships—and make sure that they are getting a balance of people across Scotland from disadvantaged communities. We have found it an extremely useful tool.

**Q313 Chairman:** Does Wales want to say anything in one sentence? We are getting very tight for time.

**Mr O’Brien:** On impact, I do not think the ESF on its own will deliver the economic growth in those areas that need it most. The ESF can work alongside national policies but also the ERDF. This is one of the reasons we are very keen to see a closer integration between ERDF and ESF because ESF will give the skills, will get people job-ready but the job opportunities need to be there and that requires a different range of interventions. Through our previous programmes we estimated back in 2007 that we had created 45,000 jobs and helped 95,000 people into work as a result of the ESF programmes and that we had created about 20,000 new businesses. That will be updated later this year. Collectively, the programmes are having an impact alongside other national policies.

**Ms McMillan:** On the gender issue, under the ESF Convergence Programme we have been tackling the gender issue in two ways. It is part of the theme of our skills priority and we have one particular theme that looks specifically at gender issues for women in the workforce, so it is looking to address women’s progression and pay issues in the workforce. To supplement that, part of our young people’s priority is looking at raising aspirations and tackling gender stereotyping in career choices, so through our careers companies we are working to start looking at that at a very early age.

**Chairman:** Before we move onto the wider implications in Europe, I want to follow up this point and therefore take Lord Inglewood’s point next. Mr O’Brien was getting into the issue of all the funds and the European funding generally, therefore I think the relationship with other EU funds would come well at this point. Lord Inglewood, following up the last point that Mr O’Brien was making.

**Q314 Lord Inglewood:** Mr O’Brien has given a very clear steer of the way he looks at this. It has been suggested to us by a number of witnesses that rather than having a separate ERDF and a separate ESF you would get greater complementarity and you would be able to deliver a much bigger bang for your buck if you had a single “mono-fund”. Do Scotland and Wales have views on that?

**Mr Millard:** Integration is definitely desirable; whether it is achievable maybe you have to pursue that one with our friends in Brussels. You can secure that integration at an operational level. In the Highlands and Islands, for example, our appraisal arrangements for projects bring together the complementary ERDF and ESF priorities and projects, but if we could raise that to another level—a more strategic level—from a national perspective then absolutely.

**Mr O’Brien:** Our motivation is because we see the instruments working together well and we would also like to see further simplification. At the moment we have separate regulations covering the ERDF and ESF, and separate audit bodies setting different standards for projects. Within a mono-fund you can still say that X per cent should be ring-fenced for investment in skills and employment, but from our perspective it would be an easier instrument to work with.

**Chairman:** I think we have a very clear answer. Thank you. I want to take you into the medium and longer term and links in wider Europe and the European...
position. Baroness Henig, you are going to begin with that.

Q315 Baroness Henig: I know we are probably running out of time so I suspect we are going to have to be fairly brief on this one. If I could turn to the objective of the Lisbon Strategy, do you think there is any tension in the objectives that were described in the recent Commission consultation paper with the emphasis on innovation and development and the traditional convergence objectives of the European Social Fund? How do you think the European Social Fund could best support green skills and the low-carbon agenda?

Mr Millard: Lisbon—growth and jobs—underpins Structural Funds so we have clearly got to align programmes and ambitions with Lisbon. However, engaging with those hardest to reach, those in unemployment, and bringing them into a job ready state and able to take up employment takes longer and is more challenging, but the contribution is there. Green jobs are quite challenging. We do have some experience in the Highlands and Islands of Scotland where, just flicking back to ERDF and ESF alignment, the Highlands and Islands of Scotland are very strong on renewable energy. We can use our Regional Fund to support investment in renewable developments, in research and technological development, behind renewable energy and we are using the European Social Fund to train people in renewable energy technologies. Green jobs are a very small start but there are opportunities, I think.

Mr O’Brien: Could I just say that we have a very strong focus on the existing Lisbon Agenda of jobs and growth in our programmes. The minimum requirement for convergence programmes is that you should spend 60 per cent of your money on things that are supposed to be particularly Lisbon-friendly; we spend 79 per cent of our money on things that are Lisbon-friendly. The Welsh Assembly Government is very much committed to the Lisbon Agenda. We have just submitted our response to the EU 2020 consultation and I can make that available to the Subcommittee. That picks up the green jobs agenda because the Welsh Assembly Government has published very recently its strategy for green jobs Capturing the Potential: A Green Jobs Strategy for Wales and makes it very clear that it is not just about creating new green jobs but greening existing jobs. Through the Structural Funds we have just invested in what we feel is an exciting new development, the Low Carbon Research Institute in Wales, which we see as a real powerhouse working with businesses to try to develop the low-carbon economy in Wales.

Baroness Henig: That is very interesting. So really what you are saying is that your skills over the years in accessing funds and using them on the ground will enable you to deal with any tensions that might arise. It sounds as if you are using the money very imaginatively and well in line with the objectives, which is very good.

Chairman: We are going to move on to the very last and rather crucial question for the future from Lord Cotter.

Q316 Lord Cotter: What is your response to the suggestion that the richer Member States, such as the UK, should not receive ESF funding in future as it should be more appropriately directed to the less prosperous Member States? Do you think there is a case for continuing ESF support to disadvantaged groups or localities in the wealthier Member States?

Mr O’Brien: This is an issue for the UK Government.

Q317 Chairman: We can convey your views.

Mr O’Brien: In our response to the EU 2020 Strategy the Welsh Assembly Government sets out its position on this issue. Our policy is that Structural Funds should apply on an equal basis to all Member States according to the need at a regional level so that we feel there is a case for the wealthier Member States continuing to be involved in cohesion policy and benefiting from the ESF.

Ms Hildebrand: Rather than a yes or no, we have to say that Scottish ministers are considering the position and, as officials, we cannot comment on that at the moment.

Q318 Lord Kirkwood of Kirkhope: Is their position imminent? Our inquiry runs for a little while yet. We understand perfectly the position you have taken—that is understandable—but if it were to be available in time it would be good to have.

Ms Hildebrand: We will certainly pass that on.

Chairman: Could I say thank you very much. That really has been extremely valuable to us, I have to say. At this stage of the inquiry we have quite a grasp of some of the issues and what we are wanting to do is to take them to greater depth and I think you have proved very useful witnesses in enabling us to do that. Thank you very much indeed.
Supplementary memorandum by the Welsh Assembly Government

NOTE ON THE PRINCIPLES OF ADDITIONALITY AND ADDED VALUE AND THEIR APPLICATION

This note was prepared in response to a request by the House of Lords Sub-Committee G for supplementary evidence following the attendance of Welsh Assembly Government officials at the European Social Fund Inquiry on 21 January 2010.

ADDITIONALITY:

1. The principle of additionality means that EU Structural Funds may not replace the national or equivalent expenditure by a Member State. The principle of additionality is verified at national level by the Commission, in cooperation with Member States (MS), for the regions covered by the Convergence objective.

2. At the ex-ante stage, the Commission and the Member States decide the level of eligible public or equivalent spending to be maintained over the programming period. The objective is to set realistic but sufficiently ambitious targets for structural public expenditure in order to ensure the additional trait of the Structural Funds intervention. As a general rule, the average annual level of expenditure in real terms shall be at least equal to the level attained in the previous programming period. This targeted reference level shall be determined in accordance with the general macroeconomic conditions in which the financing is carried out.

3. For each Member State concerned the Commission will verify the compliance with the principle of additionality at the mid-term of the programming period, in 2011, and at the end of this period, in 2016. The mid-term review and assessment is also an opportunity for the Member State, in agreement with the Commission, to revise the level of expenditure targeted for the rest of the programming period if the economic situation of the Member State has significantly changed, resulting in a different development of public revenues. Such a modification will be conditional on the Member State fulfilment of its obligations in terms of meeting the deadlines for the submission of relevant information (progress against targets to date, methodological corrections etc.).

4. If it cannot be verified that the principle of additionality has been respected then the Commission can proceed to a financial correction at Member State level.

5. The Commission are obliged to publish the results by Member State of the verification of the additionality, including the methodology and sources of information, after the conclusion of each of the three stages of verification. These reports contain only information which is not confidential.

ADDED VALUE

6. The concept of added value is not financial in nature; it reflects the non-financial benefits accruing from Cohesion Policy as a global concept.

7. As the Managing Authority for the ESF programmes in Wales the Welsh Assembly Government is responsible for ensuring that the programmes can demonstrate added value from Structural Fund investment.

8. In the Welsh Operational Programmes, added value is ensured at the strategic level through:
   — Building on investments supported under previous programmes;
   — Complementing national policies and ensuring alignment;
   — Longer-term action aimed at addressing intractable issues and effecting transformational change;
   — New types of interventions;
   — Introducing new services or extending the provision of existing services;
   — Improving the quality of services or infrastructures;
   — Bringing forward investment that might be planned for the future;
   — Implementation of the cross-cutting themes;
   — Partnership working and ensuring integrated approaches;
   — Encouragement of innovation and transnational working; and
   — Sharing best practice.

9. The distinct Priority Axes in the Welsh Operational Programmes each define what will be classed as added value in that specific policy context.
10. In the ESF programmes, added value is generally determined either through a numerical boost or through greater depth and quality of interventions. For the employment priorities it is outlined as extending the range of provision available through UK Government employment programmes such as the Flexible New Deal and the Pathways to Work. For the Skills priorities added value concerns helping to secure greater participation in training, enabling a broader range of participants to access provision and supporting accelerated improvements in skills development and training provision.

FURTHER INFORMATION ON SOFT OUTCOMES

During the presentation of evidence WEFO officials agreed to provide their Lordships with some further information on how WEFO measures “soft outcomes.”

WEFO’s methodology for monitoring and evaluating projects has been built up as part of its experience of managing the ESF Programmes in Wales.

Evidence from 2000–06 Programmes

Evaluations from the 2000–06 Programmes found that ESF projects were assisting highly disadvantaged individuals at some distance from the labour market. For these individuals, the achievement of hard outcomes such as qualifications and employment was a long-term process requiring multiple and often intense interventions. As a result these individuals progressed through a number of intermediate milestones as part of their journey towards employment. Some of these milestones were achievements of basic life-skills such as increased confidence or motivation. It was important that ESF projects assisting these individuals could measure and demonstrate the progress made by individuals as a result of the support provided.

In 2003, WEFO and the Department for Work and Pensions commissioned jointly a consultancy organisation called GHK to produce the first practical guide to measuring soft outcomes and capturing the distance travelled by beneficiaries from inactivity towards employment. The research underpinning the production of this guidance identified that there is no single, ‘off-the-shelf’ approach to suit all projects because of the wide variety of ESF supported activities, the resources/skill-sets available to them, and the different client groups with whom they work.

To determine the extent to which soft outcomes measurement systems were used across the 2000–06 Programmes and to investigate sponsors’ experiences of measuring soft outcomes, WEFO revisited this issue through fieldwork with ESF project sponsors as part of the Mid Term Evaluation Updates (MTEUs) for Objective 1 and Objective 3 undertaken in 2005. The MTEUs found that overall, project sponsors attached great importance to the achievement of soft outcomes and several collected soft outcomes data at beneficiary level. However, many project sponsors were not using the information in any systematic way: the information enabled them to demonstrate progress of individual beneficiaries but did not allow project sponsors to aggregate data to demonstrate the project’s achievement as a whole. The MTEU also found that the systems developed by projects varied considerably in their sophistication and the level of input required by the project sponsor.

To explore project sponsors’ experience of measuring soft outcomes further and to understand the barriers to systematic measurement, WEFO undertook qualitative research with a sample of Objective 3 project sponsors in 2006. The research found that sponsors used a variety of soft outcomes indicators and tools but were sceptical of the possibility of aggregating soft outcomes data.

The key messages from the research on the 2000–06 Programmes were that soft outcomes are important but that project sponsors all had their own systems commensurate to the client groups with which they were helping. And it was apparent they perceived it as very difficult to aggregate these systems into a coherent aggregate individual indicator.

Approach in 2007–13 Programmes

Based on the 2000–06 research WEFO has designed its monitoring system for the 2007–13 Programmes using a two-pronged approach.

Firstly, the needs of participants at some distance from the labour market and what this requires in terms of support and delivery by projects is better understood. WEFO has developed a progression indicator, “Participants gaining other positive outcomes”, to enable projects to report intermediary outcomes, such as completing courses, entering voluntary work, or attending a job interview. This indicator represents soft outcomes but with a hard edge: it allows progression towards hard outcomes to be captured but, because the
progression is demonstrated by tangible actions set out in the definition\textsuperscript{21} of this indicator, it can be measured consistently and therefore aggregated in a way that concepts such as “increased confidence” cannot because they mean different things to different people.

Secondly, as many projects have their own soft outcomes monitoring systems, WEFO encourages projects to provide details from these systems in their project evaluations. WEFO has increased its emphasis on project evaluation in the 2007–13 Programmes and has set up a team to support project sponsors to meet their evaluation requirements. This gives sponsors an opportunity to report their soft outcome achievements as well as the harder outcomes to WEFO.

This approach to soft outcomes complements the wider ESF monitoring system, which involves the collection of information at participant level. Collecting this level of information gives WEFO a better understanding of the journey undertaken by participants as they progress from unemployment/inactivity to employment. The enhanced ESF monitoring system and project evaluation arrangements gives WEFO a richer set of information on which judgements of the effectiveness of the Programmes can be made.

\textsuperscript{21} The number of participants gaining intermediary outcomes as a result of participation in an ESF-funded project. Intermediary outcomes, such as completing courses, entering voluntary work, or attending a job interview, are those which are achieved as part of the journey to achieving final outcomes, such as entering paid employment or gaining qualifications.
THURSDAY 28 JANUARY 2010

Memorandum by Lincolnshire County Council

1. What is your view of the current objectives of the European Social Fund? Does the available funding align with those objectives? How appropriate do you consider the balance of projects funded by the ESF to be (for example the volume of projects designed to increase the adaptability of workers as compared to those designed to reinforce the social inclusion of disadvantaged people)?

1.1 Within Lincolnshire the County Council took the view in 2000, that in order to provide a localised balance of skills activity, that we would have to become a deliverer of ESF support to the county. At the time it was apparent that there were local gaps in skills provision, particularly within the social exclusion spectrum of support, and that the Local Authority had significant experience in supporting local providers to deliver this type of activity.

1.2 We had an effective partnership with both Jobcentre Plus and the Learning & Skills Council in Lincolnshire, which allowed each partner to play to their strengths in delivery, whilst also providing the widest possible mechanism for local providers to bid for resources to deliver targeted support.

1.3 Key to this approach was a consistent tendering process, with common timelines, a transparent approach to tendering, and a joined up approach in programme delivery for Lincolnshire. This fitted the ethos of local targeted delivery of ESF very well at that time.

1.4 In terms of the new 2007–13 programme this level of working has changed beyond recognition, and from the perspective of this Local Authority there seems now to be an emphasis on more subsidiarity/UK Government Policy with the key Co-financing Organisations of DWP/Jobcentre Plus and the Learning & Skills Council, rather than ESF objectives being met in a targeted and local manner.

1.5 There is a need to recognise “structural” nature of funding, which does include local authorities. At present there is an over emphasis on disadvantage/worklessness, which requires local integrated solutions, however this is not always borne out in practice.

1.6 Localised priorities important to a Local Authority are eg, lower skills within workforce in Lincolnshire, careers guidance for school leavers, support for 14–19 NEET activities, increasing the ability for tailored provision at a sub-regional level to combat skills exodus, and encouraging of employment sectors to grow and expand.

2. What has been your experience with the operating rules of the ESF? What has worked well? What problems have you encountered and how might the process be improved?

2.1 National programming and national tendering processes, have an emphasis on competitive tendering, or “first past the post” awarding of contracts. This means that their programmes are supplier led and unresponsive to local input and appraisal. This process has effectively reduced Local Authorities’ strategic programming role, as there is no equivalency of engagement at these levels, or at a local one. This provides a void at present that will need to be filled, so that activity can be effective at a local level.

2.2 Emphasis on certain types of outputs means some major generational issues are not tackled, as these targets are not flexible enough to be responsive at a local level. These are determined at a national level in some cases, without any recourse to regional or local input.

2.3 There seems to be little in the way of linkages to Local Area Agreements with activity supported by the national or regional approach, which again severely limits Local Authorities’ strategic role.

2.4 It seems that audit processes and the fear of activity being deemed ineligible are tools that the EU uses to determine how resources are used at a national level, not strategic influence.
3. How effective do you consider the ESF to be? How is that effectiveness being monitored? And how is that information on effectiveness being shared and used?

3.1 At a local level ESF can be very effective in targeted activity to individuals and providing requisite support, when the contracting process is handled locally. This allows a more flexible approach to engaging providers with the right level of information prior to a tendering process, and then ensuring that local conditions are reflected within the tendering process, particularly at appraisal stage.

3.2 Where prime contracting arrangements are key to tendering arrangements, there can be less effectiveness at a local level, as the sub-contracting arrangements are not subject to the same level of scrutiny, as the prime contract lead.

3.3 This can also potentially mask how local effectiveness is reported, and how it is effectively monitored.

3.4 Levels of monitoring information provided, particularly when trying to make local assessments can be hampered, when only regional level statistics are available for scrutiny.

4. How successfully have national and regional administrations worked together in delivering the ESF, where appropriate?

4.1 National/Regional dimension “appears” to work well, but too much planning/too many documents and too strict a procurement policy are operated by national/regional bodies to allow local input and flexibilities.

4.2 Emphasis on these National/Regional policies, are to the detriment of local solutions/priorities.

5. How useful has the ESF been as a tool to respond to the financial crisis? How might its usefulness in responding to the current crisis be improved, and how might it be amended to ensure that it is able to respond more effectively to a changing economic climate in the future?

5.1 Much of the response to the financial crisis has been more ministerial led, than focusing on any regional/local input to the use of ESF. The timing of tenders rounds and processes have meant limited opportunity to tailor effective local solutions. They have also happened despite of regional structures being allowed to “fine tune” local delivery mechanisms.

7. What contribution can the ESF make to the EU’s renewed Jobs and Growth Strategy post-2010, including the European Employment Strategy? How can the EU best contribute to “jobs and growth” in the period 2010–14?

7.1 Key points to look at are ones that strengthen “planning for the future”. This includes careers guidance, business planning, future proofing younger people’s skills, and making sure that at a local level all activity is co-ordinated to ensure economic growth is secured.

8. Bearing in mind the depressed economic context and the EU’s budget review which is intended to consider spending priorities post-2013, what do you consider the role of the ESF should be, if any, post-2013? On what sort of priorities should it focus, and how might it most effectively complement, rather than duplicate, other spending programmes?

8.1 A return to EU principles of concentration would be helpful, and provide a useful framework to base ESF as part of targeted programmes—both European and National.

8.2 ESF should become a European Skills Fund, not just supporting structural activities exclusively. This would then allow ESF to complement other structural activity, and the plethora of more social funding sources.

7 January 2010

Memorandum by the Mayor of London and the London Councils

(i) London welcomes the House of Lords inquiry into the European Social Fund. This consultation comes as London faces the most serious economic downturn for decades. In this context the European Social Fund programme plays an important role in addressing some of the skills and employment challenges faced by Londoners.

(ii) This is a joint response from the Mayor of London and London Councils. It does not represent the views of London’s five co-financing organisations, or the LDA’s European Programmes Management Unit.

(iii) The purpose of this joint response is to feedback on what has worked well in London under the current ESF programme and what could be improved during the next phase.
(iv) Our response has taken full account of the economic conditions of London which have significantly changed since the beginning of the programme in 2007 and these changes have influenced the type of initiatives funded by ESF in the last few months.

(v) The Mayor holds the strategic citywide responsibility for London government. Among other things, he is responsible for drafting and directing key city strategies including transport, spatial development, economic development, social inclusion and the environment as well as leading the GLA group. He provides strategic direction to the two main European Structural Fund programmes that London receives: European Social Fund (ESF) and European Regional Development Fund (ERDF).

(vi) At the beginning of 2007, the Mayor set up the European Programmes Management Unit (EPMU) based at the London Development Agency. This unit is accountable to the Mayor and is responsible for the implementation of London's European Structural Funds programmes on behalf of the Mayor.

(vii) London Councils is committed to fighting for more resources for the capital and getting the best possible deal for London’s 33 local authorities, achieved through policy work, lobbying and the provision of excellent services. London Councils is one of five ESF co-financing organisations (CFO) in London. London boroughs work to improve the economic, social and environmental well-being of their communities—both for residents and businesses.

RESPONSE TO QUESTIONS

QUESTION 1

1.1 The employment and skills agenda in London is complex and often does not provide sufficient support to individuals to progress into employment opportunities. Two challenges are of particular importance to the capital. Firstly the high levels of worklessness and socially excluded individuals with low or no qualifications or skills. Secondly, the need to develop a skilled and adaptable workforce to increase productivity, innovation and competitiveness.

1.2 With these objectives in mind, the ESF programme has proven a useful funding tool to address these challenges and its priorities are contributing to both the Government’s and the London Skills and Employment Board (LSEB) objectives of raising the employment rate and improving the employment opportunities of the workforce.

1.3 At the same time, ESF has been able to react to the challenges faced by the economic downturn and fund initiatives that support those who have become recently unemployed.

1.4 This flexibility has been particularly positive in the short term. However, once the recession is over, London will continue to have a significant number of people who are a long way from the labour market and who need intensive support. Therefore, we must ensure that there is sufficient funding to tackle the immediate effects of the recession and also ensure that groups furthest from the labour market are not further marginalised.

1.5 Funding allocations to each priority is agreed at national level. In general the split for London among priorities has been adequate and has had the right emphasis. However, before the economic downturn, investment in priority two (Creating a skilled and adaptable workforce) proved to be a greater investment challenge than funding invested on priority one (Extending employment opportunities). We would suggest that the 2011–13 phase takes into consideration these issues and ESF funding in London is redistributed in a more relevant manner and the regions are allowed more input on funding split.

QUESTION 2

2.1 Generally the operating rules for ESF work well. They are clear and when applied correctly, set up a good basis for selecting providers. The audit regime is stricter than for other nationally based funding streams and can be time consuming. However, it is based on sound principles and ensures accountability of public funding.

2.2 Providers new to ESF often report that paperwork is overly burdensome. Many providers, once they have adapted their systems to cope with ESF requirements, find them to be a helpful way to ensure accountability and a sound evidence base for the activities and results they are delivering. However, given costing concerns on this, we are keen to see a simpler monitoring and reporting system that allows delivery organisations to spend less time on completing forms and more quality time on supporting beneficiaries.

1 Before the economic downturn, London had 30% of working age residents not in paid employment, the highest rate in England and more than elsewhere in the UK, and the London worklessness rate continues to rise. A key consequence of worklessness was its impact on child poverty and the educational and future work prospects of these young people. During the economic downturn, these issues have exacerbated and become a more important challenge.
QUESTION 3

3.1 In general, ESF is proving to be an effective funding tool for tackling London’s skills and employment challenges. We would like in particular to highlight the positive arrangements agreed for the contracting and payment system developed under the 2007–13 programme. Funded organisations are paid for the delivery of pre-specified outputs and results at agreed unit costs. As long as contract payments balance the risks and rewards for providers, ESF can be an excellent tool for ensuring that providers are incentivised to deliver.

3.2 There is however, room for improvement in the management and co-ordination of the programme. One of the main challenges faced has been the implementation and linkage of the MI IT system. Some of the co-financers have decided to use their own reporting IT system and link it to the main DWP system. However, this has not always been straightforward. Although DWP has been helpful in trying to resolve the problems, half-way through the programme, the systems are still un-co-ordinated and reporting from the co-financers to the national Managing Authority is still not possible.

3.3 Another significant challenge faced by the programme is the need to enhance the way co-financers share information and participate in each other’s moderation panels. CFO co-operation has improved considerably but could go further.

3.4 For example, DWP has the second largest London ESF programme with a 25% share of the overall funding. However, information about its tendering rounds and shortlisted contractors is not always shared with EPMU and the ESF London co-financers as quickly as it could be. This can pose a challenge at regional level as it makes it difficult to plan activities that complement each other rather than duplicate the activities of the other co-financers. We would also advocate that information on subcontractors is shared with the co-financers and EPMU.

3.5 Finally, we would suggest introducing more strategic monitoring. For example, it would be useful to monitor the effectiveness of different types of contract both in terms of provider sector and financial value. This would help plan future funding rounds. It would be useful for CFOs to receive audits that include spot checks earlier in the programme life-cycle to ensure that systems are compliant with ESF rules and regulations.

QUESTION 4

4.1 At regional level, the statutory London Skills and Employment Board,2 (LSEB), chaired by the Mayor of London, is responsible for producing, delivering and reviewing a long-term strategy for skills and employment in London. The strategy provides a framework for the Delivery Agencies in London to help ensure that regional priorities are taken into account so that employment and skills provision meets the needs of London’s economy and London’s employers.3 Their primary responsibility is for the strategic direction of the Learning and Skills Council’s (LSC) adult skills budget in London, (worth £635 million in 2009–10). Through the Strategy, the Board is able to influence the work of the London Development Agency (LDA), and Jobcentre Plus.

4.2 This join up of all relevant London skills and employment agencies through the LSEB has helped ESF to set up joint moderation panels.

4.3 Joint moderation panels by some CFOs have proven to be successful and useful tools to share information. At these meetings, information on projects and applicant organisations is exchanged. This allows the London ESF programme to prevent duplication of activities, and ensure that delivery organisations are not given contracts by different CFOs for same or similar activities. To improve the co-ordination of the programme at regional level, we would encourage that this practice is extended to all co-financing organisations.

4.4 Another good example of co-operative work are the joint monitoring visits between CFOs which have been useful in clarifying areas of uncertainty and agreeing ways of working.

4.5 We recognise that the 2007–13 ESF is a single English programme and its structure cannot be significantly altered now. But London has a directly elected Mayor and therefore we should be given more responsibility for managing European Structural Funds,—including negotiating our own ESF Operational Programme directly with the EC—as per the 2007–13 European Regional Development Fund (ERDF) programme.

4.6 We therefore advocate that any future London ESF programme after 2013 follows the current ERDF model overseen by the Department for Communities and Local Government. Under this, the LDA and GLA were given, through a Statutory Instrument, devolved responsibility for the management of the 2007–13 ERDF programme while the Government retained ultimate responsibility.

2 The LSEB was established under the Further Education and Training Act 2007.

3 We define the Delivery Agencies as the Learning and Skills Council, Jobcentre Plus and the London Development Agency.
QUESTION 5

5.1 ESF can react to unexpected challenges relatively quickly. However, from London’s perspective the measures adopted by the European Commission have not been sufficiently radical or innovative. For example, measures like advance payments, are of no particular benefit to large cities like London. These types of measures, although helpful to achieve the N+2 targets, have no real impact on supporting unemployed people or in creating more and better employment opportunities.

5.2 We would advocate measures that allow more flexibility at programme level. For example during the economic crisis it would be useful if CFOs could have the opportunity of extending the length of their contracts to allow more time to deliver outputs, particularly in light of changing labour market conditions. Many providers have reported difficulties in achieving their targets as job opportunities are in short supply. Without flexibility in changing conditions we risk causing projects to fail while delivery organisations focus on training those beneficiaries that are more easily employable.

5.3 We would also like to see better co-ordination between the national Government and the regional administration. London has to rely on national decisions before being able to adopt any measures. Often decisions by the national Government are taken on a global level and the particular needs of the region are not always considered. For example, the regional Framework can not be finalised until national departments have reached an agreement on their own guidance which is then cascaded at regional level. During this process regions are not consulted. London has to rely on national decision before drafting and considering which activities to include in the regional framework.

5.4 We would argue that in future, and particularly from the drafting of the new ESF Regional framework due to be completed by the end of 2009, regional organisations should have more direct involvement in decision taking at programme and project level. Local strategic organisations, like the Mayor and the boroughs are well placed to identify Londoners’ requirements. This will allow London to quickly react to significant economic changes and allocate resources to those areas where they are most needed.

5.5 On a positive note we would like to highlight our satisfaction with DWP and LSC’s joint response to the economic downturn.

QUESTION 6

6.1 The key aim of ESF in London is to provide targeted support to the hardest groups to engage in employment and training and provide training opportunities to those in the workforce that want to upgrade their qualifications and skills. This is where the programme proves to be particularly successful and adds value to mainstream programmes such as Pathways to Work and City Strategy Pathfinders. Although we are in principle in agreement with the concept of life-long learning, we do not think that ESF in London should be focused on this objective.

6.2 In terms of skills for new jobs, as indicated in the European Employment Strategy (EES), the green economy could potentially create a significant number of new job opportunities. London should be considering developing more training opportunities based on “green jobs”. ESF is well established to provide training opportunities that will enthuse Londoners to adapt to current market conditions. If more emphasis was put on green skills, better links could be created between both structural fund programmes, ESF and ERDF.

6.3 Through ERDF/JESSICA London is already investing resources in promoting the business and infrastructure elements of the green economy. Therefore, a stronger ESF Skills agenda in green skills would potentially provide more employment opportunities.

QUESTION 7

7.1 ESF has great potential to improve the skills and employment agenda across Europe. Flexibility should mean that each country and each region is able to adapt and direct the funding towards those areas that are weakest in their economy and need greatest investment.

7.2 In the case of London, worklessness and social exclusion are still considered the greatest barrier to achieve higher levels of employment. Once the economy recovers, these challenges are still likely to be unresolved. We would expect any future European employment strategy to address these issues.

7.3 Finally, we would like to highlight that many of the jobs that ESF participants access are not in high growth sectors, which tend to be technologically innovative and require higher level skills. They could be used in these sectors if and when they mature, but more co-ordination needs to happen between the FP7, ERDF programmes and ESF programmes if this is to work in practice.
Question 8

8.1 Post–2013 London will still be in need of European Social Fund investment. The funding could be used in a number of ways:

(a) To reduce the risk of people becoming long-term unemployed. Particularly as a result of the economic downturn, it is imperative to ensure that those who are in a weaker employment position do not end up in a spiral of endless job search without successful result. ESF funding should be used to re-train Londoners and give them a wider level of opportunities in a new employment market.

(b) To ensure that the long-term unemployed and socially excluded groups are not further disadvantaged in the labour market. This, as mentioned before, is a significant problem for many Londoners and the economic downturn have exacerbated even further this problem. ESF will be invested in getting these groups into the labour market by providing them with the right type of skills and job opportunities.

(c) To promote among employers training opportunities that will make their employees more efficient and their companies more competitive.

(d) To explore new employment market opportunities and have stronger emphasis on particular sectors which are of crucial importance to London.

October 2009

Annex 1

1. Context of the London ESF Programme

1.1 The London ESF programme is worth approximately £740 million (including 50% match funding). This is the biggest allocation of any English region in recognition of London’s employment challenges.

1.2 The London programme has three priorities:

— Priority 1: Extending Employment Opportunities: reducing unemployment;
— Priority 2: Developing Skilled and adaptable workforce: improving skills of employed;
— Priority 3: Technical assistance.

1.3 The programme is managed at national level by the Department for Work and Pensions, but responsibility at regional level has been devolved to the Mayor of London.

1.4 The Mayor provides strategic direction to the programme and has delegated the responsibility of administering the programme to the London Development Agency.


1.6 Drafting of the second Regional Framework 2010–13 has already started and we expect to complete this before the end of 2009.

1.7 Initially London had four co-financing organisations delivering the programme:

— LDA (responsible for 12% of the London ESF funding);
— Learning and Skills Council (responsible for 60% of the London ESF funding);
— London Councils (responsible for 3% of the ESF funding) and
— DWP/JobCentrePlus (responsible for 25% of the ESF funding).


1.8 London also co-invests ESF funding (through the LDA) in small voluntary groups via the Community Grants programme.
Examination of Witnesses

Witnesses: Mr Justin Brown, Head of Economic Regeneration Policy, Lincolnshire County Council, Mr Ian Redding, Head of Grants, London Councils, and Councillor Guy Nicholson, Councillor for Hackney, examined.

Q319 Chairman: Welcome, and thank you for giving us this time. We think this is an important inquiry. As we have said earlier this morning, every set of witnesses has contradicted the previous set of witnesses in some way, so we have got a fairly wide and diverse amount of evidence so far. I have to say one or two housekeeping official notices. You have seen the note of the Register of Interests of the members of the Sub-Committee, so that you know what our interests are. The session is on the record. There is a webcast, so although you may not think there are a lot of people behind you in the audience, there may be quite a lot of people out there listening, so it is always worth remembering. It will go on the parliamentary website. Before you begin, you have to state your name for the record. This is a procedure that ensures you are who we expect you are, and we believe that you are. I think we will do that first before I ask the next question.

Mr Brown: I am Justin Brown; I am Head of Economic Development Policy at Lincolnshire County Council.

Mr Redding: Good morning. I am Ian Redding. I am Head of Grants and VCS Partnerships at London Councils.


Q320 Chairman: Before we begin does anyone want to make an introductory statement? We like those short, and not to answer the questions; but if you want to say something by way of introduction, can I know that now?

Cllr Nicholson: Thank you, My Lord Chairman. Just very briefly, from the perspective both at a very personal level and from personal experience, but also from I hope certainly the areas of London where European programmes have been delivering locally, not just with this round and not just the European Social Fund but the European Regional Development Fund as well, and also in the last round that finished a year or two ago, there has been a great deal of partnership and investment that has been brought about through the investment of the European funds, bringing additionality to the table at a very local level. If I may just put that on to the record, that it has been a very progressive way, long before we had perhaps been building such partnerships within—if I can describe it in this way—the mainstream activities of our respective councils, our communities, the Third Sector, the Community Sector and the Voluntary Sector of course.

Q321 Chairman: We shall be asking you about additionality. Maybe you would expand on that when we get to that question because that is a very important aspect that you raise. Mr Redding or Mr Brown, do you have anything else to start with? We will go straight into the questions. Can we begin with the general objectives of the ESF. Both Lincolnshire and the London Councils recognise in the evidence submitted to us the importance of the ESF. Lincolnshire notes that the starting point for local councils is the lower level skills and supporting 14 to 19 year olds in these activities; the London Councils emphasise the complex nature of London’s employment skills agenda and the need to support higher and lower level skills. This mix has featured in many of the discussions we have had with witnesses. Given your experience of ESF, where—and a bit of why—do you think the balance should be between the provision of high-level skills and the lower level skills, and between the hardest to reach and those closer to the labour market? There have been some suggestions that the harder to reach are beginning to lose out, and we would be interested to hear what you have to say about that, and what challenges you have encountered in delivering this balance through the ESF.

Mr Brown: The first thing I would say is that what we recognised was that the starting point of Councils is probably low skills because we deal a lot with that client group through adult social care, through our children’s services et cetera; but that does not mean that that is all we should do. One of the really important things that we have seen with the European Social Fund is the ability to look at schemes in a geographical context, so really getting to delivering issues that are absolutely important to people at a local level. From our point of view, we have identified that, as much as low skills, we need to work on competences, so vocational skills and competences as opposed to necessarily low skills. For example, that might be a 50-year old male who used to have a job in an engineering company but he is very qualified and had a strong role, but actually making the transition from a large engineering company to a small one might require an entirely different set of competences in terms of teamwork and in terms of operating within a different environment, producing a different product. To us it is about framing those geographical priorities and recognising the mixture of skills and the competences so that the skills can genuinely contribute to the employer and the business sector.

Q322 Chairman: Local is important.

Mr Brown: Local is absolutely vital. We do a lot of things on a local level, and being able to programme
skills and vocational training at a local level gives us an extra tool in our toolbox.

Mr Redding: I wonder if I can expand upon that. You say London is complex, and quite clearly it is. We have considerable numbers of people with low levels of basic skills, and where lots of the ESF-funded programmes are quite relevant to that. Also, because of the nature of what London is, and the jobs market in London, what that sometimes fails to pick up is the fact that we do need, to give people a real opportunity to move forward, some further investment in level 4 and above. I know there have been some changes in regional frameworks to try and help do that, but clearly there are quite different areas of need, where some people have to try to move to the next level. There is almost a gap between one and the other, which probably needs to find some way of being able to bridge that. That might mean there need to be longer-term interventions. Lots of the programmes that we have been working on have tended to be funding for a couple of years. It may need longer term than that. It may need thinking about ways in which you can help students that come from slightly less affluent backgrounds, under-privileged backgrounds, to achieve higher levels of attainment in terms of education, and things that they would not otherwise be able to do because of the situation they find themselves in. It is about trying to make sure that the skills you are trying to develop in people match the needs of the employers in the market in which you are working.

Q323 Chairman: Again, it is a very local match.

Mr Redding: Yes. Certainly London will differ from the needs that many of the businesses have in the centre as opposed to the businesses and nature of things in the outer London boroughs.

Q324 Chairman: Councillor, would you have anything you would want to add from your experience about the objectives?

Cllr Nicholson: To reinforce, certainly if I may describe it from the political perspective, my Lord Chairman—with a small “p” of course—the concept of local flexibility is crucial, and that has been touched on by my colleagues already. In addition to that, that flexibility, equally, must not lose sight of the entire equalities agenda. Certainly for those of us that are living and working in Greater London, that is something that is rather crucial. There are large numbers of citizens who are in a position with either low or no qualifications whatsoever. For us to be able to flex and bend a programme at that quite low level is something that is very, very important, and indeed very relevant, perhaps more so today than it has been before. Equally, where there are communities where there are some quite profound changes taking place at the moment across the capital, where perhaps some years ago to consider that a working community, say in excess of 30 per cent or 40 per cent of that community, would be qualified to degree level or above, equally 30 per cent to 40 per cent of that same workforce have absolutely no qualifications whatsoever and face serious challenges in getting into the workplace. With that kind of difference happening within one single neighbourhood, that perhaps may just help put the idea of local determination and local flexibility into some kind of real context, which may be helpful.

Q325 Chairman: Do you therefore see a conflict between the national programmes and the very central way that the ESF is being managed by the English region, and managing to keep that local flexibility?

Mr Redding: I think there is a real tension in being able to do that effectively. It does not mean to say there is not a need to set some form of national framework, but there needs to be a much more effective way for local determinants of what you target and where you target it within that national framework. I do not think you can have a completely open, blank page approach to this, but you clearly need to focus in on things that look at the national picture but also recognise the flexibility needed to address particular issues that affect perhaps rural areas as opposed to city areas and vice versa.

Chairman: We will come back to this a number of times, but I just want to be sure about the situation.

Q326 Lord Inglewood: We all know what the ESF is supposed to do—it is spelt out in the legislation—but I am interested in the effectiveness in doing it. In particular, there are a number of sub-questions that you might like to take individually. The first one is, how do you determine whether it has been effective or not? How do you measure that, do you think? You may have completely different views on this, in which case that is fine. Secondly, if you think the way it is working now is not as effective as it might be, what changes would you like to see? We have heard about administrative problems, as it were, upstream from the coalface—to use that horrible mixed metaphor. Perhaps you might each in turn like to concisely let us know what you think.

Mr Brown: Effectiveness to me is about two things: one is about the right type of effect and one of them is about making that project deliverable. I have determinedly said to myself that I must not keep talking about the administrative problems of the European Social Fund today, because I am sure you have heard about them a lot, so I will move away from that; but in terms of getting the right type of project I think there is a need for us to assert a very clear objective and shared objective for training. Going back to the point about tension, at a local level
one of the things we have seen is that we believe the European Social Fund and training generally should be directly about employment, the economy and business competitiveness.

Q327 Lord Inglewood: “We” being Lincolnshire County Council, or “we” being your colleagues, as officers, or who?
Mr Brown: Certainly we discussed the European Social Fund at our economic development committee last week, and the message was very strongly given to me by elected politicians: “The European Social Fund is about business competitiveness and about the economy and an individual’s role in that.”

Q328 Lord Inglewood: That comment is not something that you understand professionals might disagree with?
Mr Brown: Economic development professionals—

Q329 Lord Inglewood: I am trying not to put you on the spot, but you see the point I am trying to get at. Mr Brown: Within my industry, economic development, I am pretty sure we would all agree that training is about how the individual can contribute to the economy. In terms of making the scheme more effective, one of the hurdles that I would immediately reduce is the need to sub-contract. We do a lot of provision directly to vulnerable groups, directly to business groups, and we do it directly to the voluntary sector. Having to go out to sub-contract to find somebody else to do what we would have been doing anyway strikes me as an unnecessary hurdle. In terms of assessing effectiveness, there is a clear need for output and direct hard information, the number of jobs created and the number of qualifications; but the assessment of effectiveness that we are trying to look at—and it comes through in the economic assessment that we are producing within Lincolnshire at the moment—is about how we have changed the place; so an effectiveness assessment which is about how a community has changed and how a sector has changed just as much as about the individual. One of the things that we do use that I would commend is that our regional development agency has produced a sustainable index of well-being, so it looks at the well-being of an area rather than simply the economy. We are looking at how we can apply that locally.

Q330 Lord Inglewood: What about Central London?
Mr Redding: Following on from the point, for us there is an issue here about balancing out the fact that the whole Fund is about both social and economic benefit. It should be about trying to change people’s lives, to move them from a situation of being dependent to being independent, and that must have a huge economic benefit in doing that in a whole range of different ways. How you achieve that effectively comes down to the way that you use the skills of the various co-financing bodies and the knowledge they have to engage with the right type of delivery organisations that can actually address the needs in a most effective way.

Q331 Lord Inglewood: Are you less critical of co-financing than Mr Brown was?
Mr Redding: I think it is how you manage it that is part of the issue perhaps. For example, in London we have five different co-financing bodies with different ranges of knowledge and skills and requirements that we are trying to achieve with the programmes. We try to make sure that areas where, for example, the target group may be ex-offenders that it is the National Offender Management Service that is the engaging body and manages those programmes so that you do not end up with different co-financers trying to target the same groups of people in a particular way but with the—

Q332 Chairman: Can I just put Lord Inglewood’s question in a different way. Is it a real inhibitor? If you did not have the co-financing would you be able to more directly test the effectiveness and intervene? That is what we are trying to get at. Be brave!
Mr Redding: I understand what you are saying. I think there are issues here about whether or not you take the ESF co-financing and run it simply as a co-financing programme, or you put it within a context of a much broader set of objectives and targets that you are trying to achieve, because I do not think it is something you do in isolation; it is something that adds value to the things you should already be seeking to do. Quite often it enables you to concentrate on some of the more difficult to reach communities, some of the people who need more time or more work to enable them to make the same journey as others make. That is where it particularly makes a difference.

Q333 Lord Inglewood: Again, in terms of whether you have been effective or not, when you look at what you have done how do you measure success or failure, or somewhere in the middle?
Mr Redding: There is an issue here about how sustainable the changes you make in people’s lives are. For most of the programmes the main output is turning people’s lives around so they get meaningful jobs, but also that they sustain that employment for a longer period of time.

Q334 Lord Inglewood: Do you differentiate between hard outcomes, i.e. obtaining qualifications, or what we have been told are soft outcomes, which is giving people the confidence and the internal human
capacity, as it were, to get on with it? If so, how do you measure it?

Cllr Nicholson: My Lord Chairman, if I may for one moment take a step back to the previous questions, one of the great challenges, I would suggest, is not necessarily the concept of co-financing. The challenge is at what level are you setting in motion those arrangements, that contract. In other words, are we talking about it at a national level, a regional level or a local level? At the moment, the only way that co-financing can effectively penetrate the local level and bring about meaningful quantitative and qualitative outcomes and measurables and changes to people's lives is by a rather complex route, if I may describe it in that way—some are more effective than others, all at the whim of a wider political agenda, all at the whim of a wider economic agenda. Undoubtedly, the one strategic advantage—forgive me, my Lord Chairman, for raising it again—is additionality, so undoubtedly, it is a great catalyst to bring about matched funding, to put it very crudely. Where, however, there is an opportunity for the future, I would suggest, certainly within London itself, is what we have all been working quite hard around in bringing the institutional architecture together where at the moment initiatives such as the European Social Fund are not completely aligned to this around things such as the City Strategy programmes that we have been running, one in East London around the five Olympic host boroughs and the other programmes running in West London to slightly different models. The concept and principles are the same: all tiers of Government, all agencies and directorates within all of those different levels of Government, and all public institutions tasked with investing into economic outcomes, are contracted together, aligned together, and working down the same strategic path to deliver local outcomes within those neighbourhoods. That is proving to be incredibly successful and bringing about a great deal of value and return on investment across communities in those neighbourhoods. Perhaps it is a moment to consider and reflect: if we were to bring a more powerful alignment between regions, between the Commission, and between local, using those kinds of initiatives as the platform to do it, then the European Social Fund can look towards the future in quite a meaningful and positive way.

Q335 Lord Inglewood: It comes back to the proposition we have heard from many witnesses about where the direction actually comes from. You are saying you should do it—you are at the coalface; the Commission will say: “We are the European Commission and it is European money; we insist it should be spent this way”; the national Government are somewhere in the middle; and the man from Whitehall thinks he knows best as well. Is there not almost a political issue at the heart of that?

Cllr Nicholson: My Lord Chairman, it is indeed. I think that we can recognise two clear reasons and justifications, which I would suggest do make some sense. The Commission itself is accountable to Europe, to all of us, and across many different cultures and countries, many different systems, so there is undoubtedly a need for a very hard measure about what it is that our collective money through the Commission is actually bringing about, whether it be in Italy, in Britain, whether it is in London or Rome. That is crucial. Therefore, the hard statistical accounting mechanism makes sense. It is understood across the Union how many people you set out to engage with and how many you achieved. Clearly, it has very little qualitative measurement behind that statistical measurement; however, as we come to region and as we come to local, the qualitative dimension can play a far greater role. That sits well within our own local measurement systems, and therefore I suppose one is really asking for a proposition that centres around two sets of measures, one of which is distinctly local and one of which is distinctly European, and that may suffice to bring about all of the various requirements.

Chairman: It is not the first time we have heard it.

Q336 Baroness Young of Hornsey: Mr Brown, you made a point about the development of the sustainable index of well-being. Did you say that was in development, or has it been completed? Could you say whether you use that or will use that to assess particular programmes, or is it just a general sense of what is happening in the region?

Mr Brown: The sustainable index of well-being has been proposed by the East Midlands Regional Development Agency. The research team that is part of my team have had a look at it, and believe that it is a good starting point for assessing an area’s well-being, but we think that there are certain elements of it that need to be improved. Basically, it covers things like social conditions, crime, employability, access to services, et cetera. We are currently working on producing our annual economic assessment. We do one every year, explaining what Lincolnshire is like. We have taken the decision this year to make it a sub-divided assessment, so Lincolnshire is the fourth biggest county in the country and a very big rural area, and we know that its economy works at local level, so we have created 134 sub-divisions. If you look solely at economic statistics for those sub-divisions you get a picture. In fact one of the pictures you get is that Lincolnshire’s gross value-added is as low as some of the countries of Central and Eastern Europe; but if you looked at Lincolnshire you probably would not feel that is the case—so we think it is about this broader well-being. We would not seek
to use a well-being index on a month-by-month or project-by-project basis, but what we would seek to do is to use it annually within our small geographic areas. If you take areas like our coastal towns, which have got 20 per cent unemployment in them, then we would be looking to emphasise some of the more social aspects than, say, some of our more prosperous areas where we would be looking more at quality of jobs rather than at quantity of jobs. We think that the European Social Fund is a real benefit to that. I am not a critic of co-financing, I am a critic of inflexibility to drive through that chain, dependent upon the area.

Q337 Chairman: Before we move on, can I come back to the Councillor. You described this strategic pathway and said it had been shown to have benefits. Do you have documentation that shows that benefit at all? Is there anything we could receive that would show how that effectiveness is measured? That is what we are really keen on, hard effectiveness measurements.

Cllr Nicholson: My Lord Chairman, we could certainly bring forward some of the measurements coming from the City Strategy Programme that is operating in East London, which might be quite a good example to use, which can bring together the local, the regional and indeed the national.

Chairman: If you could let us have that, it would be extremely helpful because what we are really short on is hard evidence. Lincolnshire, that was really helpful as well.

Q338 Baroness Jones of Whitchurch: We have touched a little bit already on the issue of additionality but I want to come back to it. My first question is to the London group, because you were talking about the great advantage of ESF being that it was a catalyst for matched funding and therefore for partnerships. By implication of that you are saying that Government cannot do partnership; the only way you can work together in communities is if you get some external funder that gives you matched funding, et cetera. I am not convinced by that so could you explain a little about where the additionality is in that? Why can the Government not have a partnership that has come forward. It made its submission to central Government for the Future Jobs Fund and succeeded in that application. Before we move on, can I come forward? That is the first thing.

Chairman: Where has it really made a difference here? What is the tangible outcome of that have been evidenced?

Q339 Baroness Jones of Whitchurch: Let me put the question to you in a different way. Which schemes that have been funded in London are you most proud of that have been effective? Give me some examples. Where has it really made a difference here? I understand the process, but I am not getting the outcome here. What is the tangible outcome of something that has worked really well?

Cllr Nicholson: The figures suggest—in East London we have a partnership that has come forward. It made its submission to central Government for the Future Jobs Fund and succeeded in that application. As you are more than aware, I am sure, it is directly targeted at young people and young people within a
particular economic climate, and engaging with the private sector as employers, trying to find those pathways in this particular climate to put young people into work. An application was made to the European Social Fund, and because of the strength of the partnership — and if I may I will come back on the partnership in a moment, my Lord Chairman — because of the reputation of the partnership, and because of the effectiveness of the partnership, ESF additonality was granted and that programme is now underway but being delivered in five separate communities, five separate boroughs. The thing about partnerships — I completely agree with you that partnerships today have a very, very, very different reality than partnerships say 12 years ago. I think we would probably all agree that the concept and the reality of partnership working 12 years ago was in its infancy in many senses, and in a very different place from where it is today. What I would say, though, is that 12 years ago there was experience certainly within London of infant partnership working, if I may describe it in that way. It was directly linked to the European Social Fund and the European Regional Development Fund, and these were area-based partnerships. I have to say that today the European Social Fund and the European Regional Development Fund within our region could perhaps spend a little bit more time being more thoughtful and creative about how the future resources from Europe could be used. The JESSICA fund is one example, which perhaps is the regeneration funding mechanism for the future. That is perhaps for a different discussion. Expanding that kind of thinking out to the European Social Fund would be an interesting proposition indeed. The forum where that could take place at the moment would involve those Regional Development Agencies, the Mayor of London, the local authorities, the Learning and Skills Council and its various successor bodies — those institutions that are one way or another all involved in this investment and this delivery. That partnership at the moment is only being brought together in the London of today because the European Commission demanded it as an accountable means and mechanism through which all of these different institutions can account for spending European Social Fund and European Development Fund in the capital. With the new mayoral regime there is a very, very different approach being implemented towards the concept of partnership working and delivery in terms of economic development, employment skills and enterprise, from the previous mayoral administration. At this stage I would suggest that one of the more positive outcomes is that it is the European funds that bring the parties together at the moment in a very real sense, because clearly we are looking at the investment of funding and the investment of funding from other institutions.

**Baroness Jones of Whitchurch:** I am conscious that the colleague from Lincolnshire has not had a chance. Are there any particular examples that you would like to give us of the added value of —

**Chairman:** I think Lord Inglewood wanted to follow up.

**Q340 Lord Inglewood:** You talked about the partnerships grant, but actually the object of the Social Fund is to get people into work. That is the output that we are after, not a wonderful partnership set-up. How many people in these schemes have actually got jobs who otherwise would not have done? Is that not really what we are about?

**Mr Redding:** I wanted to give you one particular example. One of the programmes that we support through London Councils and co-finance is around people with mental health issues. Those types of issues are not properly dealt with through things like the Pathways to Work programmes; they do not support people sufficiently appropriately. The organisations that we fund work side by side with those programmes and give people additional support over and above what would happen through that programme. As a result of that, more people access or enter into employment than they would do just with the Pathways to Work programme. That is an example of additonality where you are using these resources side by side with what you would otherwise have for provision.

**Chairman:** Lady Jones, do you want to follow with your next question?

**Q341 Baroness Jones of Whitchurch:** I wanted to give the colleague from Lincolnshire a chance to give us a couple of examples if you happen to have them to hand.

**Mr Brown:** Certainly, I will do. We see additonality as bigger, better and faster: that is our definition of it. In terms of bigger, we have just issued a contract funded through the European Social Fund to create — it is only 37, it is not a big number — 37 adult apprenticeships, so looking at the current apprenticeship programme and government provision that was a super job for a certain set of clients; but there is a group above a certain age that do not get a provision so we have used the European Social Fund to create more apprenticeships in the county in that age group. In terms of better, I would mention a project that we have run for a number of years, called the Countryside Job Bus. It is an old double-decker bus. The downstairs of it has been converted into a job centre, the upstairs a training suite. It visits five villages a week that are large villages that feed off others and do not have access to training and job centre facilities. At any time you have probably got 15 to 20 people in a village using that service; so dependent on the churn of people in
and out of employment—sorry, my maths is not very good but you are probably talking 800 people a year, something like that. In terms of faster, one of the things we did a few years ago, and which I hope we can do with the European Social Fund into the future, is respond to industrial change. Siemens is a very big employer in the city of Lincoln. Last week it announced 150 redundancies. When it did this three years ago we were able to use some European Social Fund quite quickly to re-train 30 or 40 of the staff within Siemens so that they could have the skills to work in one of the spin-off businesses that a senior manager who was made redundant had established. Those are the sorts of things we would do and the sort of scale.

**Chairman:** That is really helpful. Thank you.

**Q342 Baroness Young of Hornsey:** I come back to this issue of regional and local flexibility. I think that the concept of local in London is an interesting one, with its trans-national, trans-cultural communities, so it has a slightly different meaning. However, both Lincolnshire and London have stressed that greater regional and local input and flexibility would be welcomed in identifying the ESF priorities, so there are three sub-questions. Can you expand on your concerns on this particular issue, and give us a sense of how spending might differ should there be a greater devolution of responsibility for identification of priorities? The second question is: what would be the primary changes in priorities in your refreshed regional strategies, and to what extent will regionally and locally-specific concerns be more fully reflected in them, if at all? Finally, to what extent will the proposed increased involvement of local authorities in planning and delivery of the new Skills Funding Agency address the deficit of local input to ESF that you talk about? They are three quite big questions.

**Mr Brown:** In terms of concerns about regional and local flexibility, I think that we should not lose sight of the fact that local has a role to contribute to regional; so I am not simply saying local is opposed to regional. There are elements within any regional or national framework that will deliver locally; but there has to be a recognition that sometimes we do have local priorities. So schemes in certain geographies and in certain sectors might be absolutely essential for people living in that area that might not necessarily fit with a regional priority or national priority. However, I do not think that matters as long as overall we are supporting people, supporting the economy and supporting communities. My concern is how we strengthen the way that we can communicate at the right time up and down the chain so that those priorities are reflected; and if we reflect them in documentation that they are delivered by people, so that if you are looking at the East Midlands regional plan and it talks about priorities in certain rural areas that is what it will say. Actually what I need to do is to be able to have somebody who is accountable to say, “Yes, I am doing what I can with my regional power to make that happen.” I think there is a role for local and regional in doing that. In terms of changes in priorities, I think that we would be looking at a slightly different economic sectoral approach. For example, tourism is absolutely vital in Lincolnshire, and I would argue that tourism is absolutely vital to people who are relatively low-skilled and out of the labour market because it is a good part of that ladder; but at the same time tourism also creates really good career opportunities. I would be looking at bringing in sectors that are relevant to our area, but also geographies and connections to geographies. The Homes and Communities Agency is looking at major regeneration programmes, largely physical. We have to make sure that both physical regeneration and the people aspects of it are played in together; so I would want to be looking at mapping that more closely. In terms of increased involvement, that is welcome. It is absolutely the right way to go. The management challenge is to make sure that ESF in the scheme of the whole SFA budget and responsibilities is such that we recognise that additionality, icing-on-the-cake type schemes are ones that are very important, and that it is not lost in an absolutely massive scale of change involving organisational shift, major funding programme shift, and that ESF, because it has got this added-value uniqueness that you can bring, is not lost because it is relatively small in the scheme of the overall SFA changes.

**Mr Redding:** Clearly, there is a role in all of this to have a national policy and national strategy as well as strategies that are appropriate to regional and local levels. I agree entirely that it is actually about how you use them and how you recognise how the role of one complements or delivers the national approaches, that is what is quite important. Ultimately we are trying to make sure that what we are delivering here is the thing that is appropriate and most effective at the right particular point in time, and some of that may well be regional priorities and some may be local priorities. I think it is trying to understand clearly the best way of making things work. That means there is an ability for local and regional strategies to be reflected upwards and to affect the national strategy and vice versa. It should be an iterative process that is continually seeking to improve all of that. The change around skills funding and the 14 to 19 year old elements has brought a new dynamic to all of this because it has brought local authorities into this more formally for the first time. If anything, it opens up questions as to whether or not some of the way that other co-financers that perhaps run nationally are appropriate as well. So if
they ask questions as to whether or not the work that DWP does for example actually also contributes more effectively to what happens at a more local level. There are very much intentions there. They raise the question in London where the Mayor has overall responsibility for the broader types of issues as to whether or not there is a role to ensure that other programmes complement each other and make a bigger difference. 

Chairman: We are going to have to move on because of the time and I do not want to be too late, but I want to turn to Lord Wade now about responding to economic downturn.

Q343 Lord Wade of Chorlton: I would like to raise the whole point of the fact that we are now in a serious economic disaster that has happened in the last couple of years, and how the ESF has assisted you to help with that. Has it actually given you tools that you would not otherwise have had, and have the circumstances and the ESF shown problems, if you like, that we probably did not realise were there before but we need to look more closely at for the future? Whichever of you would like to tackle that, I do not mind.

Cllr Nicholson: My Lord Chairman, if I may perhaps just lay on to the table, has it brought about some sort of challenges for the European Social Fund? In a funny sort of way, I think it has, but it is more to do with the future of the European Social Fund, to be quite frank. This is how, I would suggest, because where initiatives have been coming forward that are, let us say, directly related to the economic recession and the economic circumstances that the economy has been finding itself in, it has aligned through the co-financing organisations its investment structure, its delivery framework, and all of those organisations that are linked into delivering on skills and employment. It has made some connections to—again, if I may use the word “additionality”—sorry—but to bring additionality to some of the schemes that have been coming forward from other institutions, hence the importance of the partnerships, Jobcentre Plus being one particular institution, as well as from DWP itself, for example. However, when we look towards the future from now on in, one begins to perhaps ask the question: where is the employer in all of this really? Where is business itself? Where are the wider economic sectors that may be populating a local economy, and indeed a regional economy, in the European Social Fund initiative? If I may suggest, the challenge that it has really brought to the fore—and it is probably worth discussing further at some point in exploring where in the future we could see a far stronger relationship, a far closer alignment between what in effect is happening within the employers’ arena—and I do not just mean the employer as a public sector institution, the health service or whatever—but more importantly, I would suggest, in terms of the current economic climate, and perhaps the route out of it is its relationship with the commercial sector, the private sector. I have no answer for that, I am afraid, and no suggestion other than that there is an alignment to be had somewhere in there. There is a stronger and closer working relationship to be had somewhere in there. I think it should be—

Q344 Lord Wade of Chorlton: If I could just butt in, you raise an issue that has been very much in my mind, that what we are dealing with here is a push mechanism to make more people employable; what it does not deal with is the pull method, to create more jobs which those extra employable people might have. It is interesting you have raised that point. What I would be very interested in, we will return to this, is a document with some ideas—about how we can relate the push and the pull mechanisms much more effectively.

Cllr Nicholson: My Lord Chairman, through yourself, if may I suggest, there is a very interesting set of exercises—experiment may perhaps be a better way of describing it—that we are currently running with the unions, for example, and using elements of the European Social Fund. We have used the 2012 investment as the catalyst for this. Under the auspices of the TUC, the Olympic Delivery Authority and the five host boroughs, we have looked at creating a centre where suddenly the employer—in a sense of not just the Olympic Delivery Authority as an employer, but also all of those companies that are contracted by that institution in the commercial sector, have this common space into which individuals can go to access various training initiatives of one description or another, and most of these are to do with employability and life skills such as English language, for example, such as numeracy, literacy, access to the internet and so on. It has a very, very specific purpose and function. There is something quite interesting in this that is beginning to make these connections between the workplace, public or private, and the European Social Fund, and everyone else who is coming in to support such initiatives from the public sector itself and public sector institutions.

Q345 Lord Wade of Chorlton: Any views from Lincolnshire?

Mr Brown: Yes, we undertake an annual employers’ survey. One of the things we ask employers is: “What training plans do you have in place; do you realise them and, if you do not, why not?” They generally say the right sort of training is not available; there are too many rules on how they can access the training; and it takes too long. I think there are two responses to how you create that employer thirst for training.
One is about improved genuine examples of cost-benefit of training to employers, and very, very localised working with the individual employer as opposed to just a sectoral thing. The other one is about creating an availability and flexibility around the training. It is about having training providers available. We have got 22 market towns in Lincolnshire; there are training providers operating in less than half of them; so it is about creating the infrastructure. Then—and this brings us directly to the European Social Fund—it is about making sure that the training providers can be flexible. So there is a tension between needing to produce paperwork that explains exactly what will happen on every third Thursday of the month or something, and the fact that what we are actually looking for is a flexible resource that one employer will use in one way and the employer across the street will use slightly differently; but as long as we are creating the thirst by delivering training, then that should help us move forward.

Q346 Lord Wade of Chorlton: You have said that the economic downturn has identified these problems, this relationship between the employed and the employer and the lack of skills much more dramatically than probably it had before. Is that right?

Mr Brown: Yes.

Mr Redding: Can I just add something into that? Clearly, the biggest issue more than anything else is the ability to turn people round and get them back into employment because there are fewer jobs available, and a need to provide people with a longer period of job search and job skills training than otherwise would have been necessary, so it is no longer seen as a one-off exercise, it may be seen as a continuous exercise. Some of these things have been mentioned before about soft outcomes, about the sort of journeys people are making, which become incredibly important at the time when you are trying to give people employable skills rather than risking them going down the spiral and becoming unemployable.

Chairman: I have to keep pushing us on, unfortunately. There are a lot more questions I would like to ask—but Baroness Henig.

Q347 Baroness Henig: If I can move on very quickly to the green economy and the low-carbon agenda, can I ask whether you feel that the European Social Fund, in tandem where appropriate with other European Union funds and programmes, should support green skills and the low-carbon agenda in the medium to long term, and if so how could this best be achieved?

Mr Brown: I think it could be achieved in the short term as well as the medium and long term. Within the county we have lots of wind turbines. We have lots of fields and therefore we produce lots of biomass. We also have automotive component manufacturers which are currently having to change their practices so that the vehicles have greener technology within them. We see green technology as an important and emerging sector, and we also see it as a higher paying, higher quality sector, so we are keen on it. On Tuesday we launched a new programme about creating supply and demand, so in terms of looking at trying to raise the profile of businesses adopting low carbon, but also making sure that, for example, further education colleges in their plumbing training areas have got the right tools so that they can teach people how to use certain green technology—photovoltaic panels or whatever it may be. We are looking at a grant scheme to support that. Where you are looking at long-term education programmes to train people to become plumbers, people coming into the industry, then I would look to national provision to support that. Where we are looking at some re-training or top-up, the accomplished plumber who might need to spend two days learning how to use and install a photovoltaic panel, then I would see the European Social Fund as playing a very important role there; it is about modernising skills but not moving away from the sector.

Q348 Baroness Henig: They are good, solid examples. Thank you very much.

Cllr Nicholson: There is a great example actually through the London Thames Gateway Development Corporation, the creation of a sustainable industries path in Dagenham to take over from the declining industrial base in that part of London which has long since declined, unfortunately, across many acres. We brought about an intervention, and that intervention through the development corporation using communities and local government investment, set about creating a business park, to all intents and purposes, to bring forward what we could describe as the next generation of the manufacturing sector. That next generation of the manufacturing sector has now started to establish itself into this park area in Dagenham by the Thames. There is a company called Closed Loop Recycling that took forward an opportunity that was brought about by the public sector. They are now recycling plastics to food grade, and they are on contract with Marks & Spencer and Coca Cola in providing recyclable plastic containers for the food market. This is quite high-end technology. It was the first plant of its type in the world, and it is running at capacity and heading towards a 30,000 tonne per annum output. My reason for going off in this direction is that this uses the JESSICA Fund, and there are also other
interventions that are coming forward into the sustainable industries park project, other businesses—the next generation of battery manufacturers for the next generation of motor vehicles, for example. Interest has been expressed from around the world about wishing to establish manufacturing facilities that operate within this green economy. The idea is that the waste stream is tapped into and that the waste stream from London, where it is possible, is then fed back into the manufacturing cycle, into the productivity chain, and the products come back out again. That is what is happening with plastic containers at this particular moment in time. There is every intention to expand this. The Ford Motor Company, as I am sure everybody is aware, will have a presence still in the Dagenham area and wishes to replicate the great success that Nissan has brought about in the North East by turning their centre of operations into a modern 21st century green industry zone. Ford wished to replicate this in Dagenham. This takes us back to the point: is ESF equipped at the moment to be able to engage with this very progressive investment vehicle through JESSICA into this kind of arena? At the moment I would say it is not, no; but I think this is an opportunity to start thinking, on the back of JESSICA—metaphorically of course—as to how the European Social Fund, with its focus on skills and employment outcomes, could perhaps replicate an investment model not that dissimilar to JESSICA’s.

Baroness Henig: That takes us to Lord Kirkwood’s question. Shall we move to—

Chairman: Absolutely, I had the same thought. I think this is the moment to take your question, Lord Kirkwood.

Lord Kirkwood of Kirkhope: To follow up on JESSICA, presumably it is a scheme within ERDF. I have never heard of JESSICA, if you know what I mean—actually, it is my mother’s name, so I knew her rather well. How many cities are qualified? How much money is involved? Is this fund unique to London? How much money is there in it?

Chairman: Lincolnshire seems to know the answer to that.

Q349 Lord Kirkwood of Kirkhope: Lincolnshire is—not as big a city as London, my O level Geography tells me.

Mr Brown: It is not, but it has the population of greater Sheffield.

Q350 Lord Kirkwood of Kirkhope: Okay, I withdraw!

Mr Brown: JESSICA is not new money. It is part of European Development Fund programmes; so each region has a European Regional Development Fund allocation and has the opportunity to use some of that allocation to fund a programme called JESSICA, which is effectively a way of creating investment in an asset and then being able to use any returns on the asset to continue to contribute to economic development in an area.

Q351 Lord Wade of Chorlton: It is an investment rather than a grant, you say.

Mr Brown: Yes. It is very welcome in that respect. One of the things that we are doing—and I would, would I not, coming from a rural area with a relatively small city in it—is saying: “Is this actually about urban development, and therefore places like Lincoln, Grantham, Boston and so on would fit, or is it genuinely about cities, and is there a list of cities that it fits?” We are still waiting for that response.

Q352 Lord Kirkwood of Kirkhope: From whom? Is that an operational programme question or is it a European question?

Mr Brown: It is a European question at the moment, and the Regional Development Agency in the East Midlands is working hard to resolve that for us. From our point of view, we think that JESSICA would be beneficial because it creates investment and enables you to look at economic development with a return and therefore a future that does not rely entirely upon the grants. I would see significant capital investment from JESSICA, smaller capital investment and support for business from the European Regional Development Fund and the European Social Fund allied to that, to give people the skills that can benefit. I would see the three of them linking up together as opposed to JESSICA plus ESF on its own.

Q353 Lord Kirkwood of Kirkhope: There is obviously a lack of communication, it comes through very powerfully in your evidence. Councillor Nicholson mentioned earlier about how these funds are co-ordinated and integrated and interpreted. It is a potential recommendation that we could make but we need to look to witnesses as to how you would do that. It is all very well to say “this must be done”, but what is it that needs to be done in order to achieve it?

Cllr Nicholson: My Lord Chairman that is a major strand, if I could come in on that. There is one other very, very significant partner involved with JESSICA, which brings with it a considerable volume of additionality, and that is the European Investment Bank, which in effect is underwriting the ERDF contribution and bringing a considerable amount of match to that as well. It would be safe to say that my experience both in London and in Brussels to date has been that JESSICA is undoubtedly a city-focused entity. However, I must stress that is only because it is in its infancy and only very recently has the initiative in effect been designed and developed with, of course, the full involvement and participation of
the European Investment Bank itself. It has every possibility of becoming quite meaningful and quite relevant. I think the point picked up by my colleague about how the European Social Fund in the future could also align itself within such an investment relationship, is something that is worth pursuing. At this stage it may be a case of asking the European Investment Bank to come along and have a conversation about JESSICA and its potential into the future. Suffice it to say, certainly the colleagues that I have in the European Investment Bank, are very, very keen indeed to see this as an investment platform for the future and for future regeneration.

Mr Redding: On the more practical side of this, as you will gather JESSICA, ERDF, enable equity investments, loans, and that type of thing to be financed. What it does not have at the moment is activities through ESF, which are mainly about grants for training and employment, to link to them. The big difference is that, as I understand it, the EC’s employment directorate controls ESF; the regional policy directorate controls ERDF. To some degree there needs to be an appetite for those things to work together.

Lord Kirkwood of Kirkhope: The final question from me is a very short, easy one: if you were looking post-2013 and you could have anything you wanted but you have only got one wish, what would you change to improve the effectiveness of the ESF? You cannot have two; you can only have one wish.

Chairman: One sentence.

Q354 Lord Kirkwood of Kirkhope: What is the most important thing that we can recommend to change the ESF that would make your jobs easier?

Cllr Nicholson: Four-borough partnerships into which delivery is brought about, which uses the European Social Fund, the resources of Jobcentre Plus, the Department for Work and Pensions, and uses the resources of Uncle Tom Cobley and all; and they are focused into a four-borough—roughly a million people. This is in London: I am being very selfish and very London-centric.

Mr Redding: I think I would say a similar thing. There is this whole notion that local authorities have the responsibility for place, and actually they are giving them the ability to have the tools to be able to do that by bringing all these different streams together and giving them an ability to shape that. That is what is important.

Mr Brown: I would follow the recommendations of the Government’s sub-national review into economic development which says the upper tier authority level is the level at which economic strategy should be delivered; and I would see—and I have used colons so it is one sentence—that the European Regional Development Fund and the European Social Fund are used as a means to an end and considered in that way, rather than as an end in themselves.

Q355 Chairman: We have really run out of time, but the one thing we wanted to ask—and it is really “yes” or “no”—is your response to the suggestion that richer Member States such as the UK should not receive ESF funding in the future.

Cllr Nicholson: That we should not? We do not get any, my Lord Chairman—is that right?

Q356 Chairman: How important is it to you to continue to receive funding?

Mr Redding: I would say it is of key importance, because whatever happens we will continue to have large pockets of population that need detailed intensive help and support to enable them to play their role in society. The important thing in all this is that the nature of employment and economic mobility within the EC means that a lot of those people who have struggled in their own countries have come here to seek ways and opportunities, and somewhere or other that ends up causing other issues around social policy support and public service support that falls on the Exchequer in this country to have to pay for.

Cllr Nicholson: My Lord Chairman, it makes Europe real for us, and that is important.

Q357 Chairman: “It makes Europe real”: we heard that from Europe actually, who felt that the UK were probably rather misguided in thinking that they did not need the fund because it had a different dimension to it, was the suggestion. I am sorry to rush you towards the end but we have gone over time anyway because your evidence has been really useful to us. Thank you very much for taking the time. We are now going to be very impolite and ask you to leave quickly so we can get on with the rest of our business. You have been extraordinarily helpful. If there is anything you think you have not been able to tell us, please send it to us in writing. We know we have asked you for some bits of evidence; if you could get that to us, we would be grateful.

Mr Redding: There may be others as well, I think. Thank you.
TUESDAY 2 FEBRUARY 2010

Present Cotter, L Howarth of Breckland, B Miller of Hendon, B
(Chairman) Prosser, B Wade of Chorlton, L
Inglewood, L Young of Hornsey, B
Jones of Whitchurch, B

Memorandum by the Department for Work and Pensions

SUMMARY

1. The UK Government supports the strong alignment of the European Social Fund (ESF) to the Lisbon Strategy for Jobs and Growth. This provides a clear framework within which Member States concentrate funding on complementing their employment and skills policies. It also provides flexibility to address different labour market needs across the European Union (EU).

2. The EU regulatory framework for 2007–13 has strengthened the strategic focus of programmes and introduced improvements to delivery. However there is a need to continue to simplify monitoring and audit requirements, and to give greater emphasis to the effectiveness and results of ESF action.

3. In England, ESF complements the Government’s policies to extend employment opportunities and develop workforce skills. The England ESF programme aligns ESF with national welfare reform and skills strategies while also providing scope for regions to address their distinctive needs.

4. ESF is making a significant contribution to the responses of the EU and UK Government to the economic downturn. The flexible nature of the England ESF programme has enabled it to adapt to the changing economic climate and expand support for people seeking work or facing redundancy.

5. In the medium term, the ESF should remain focused on supporting Member States’ policies to achieve the goals set out in the Lisbon Strategy. Within these priorities there should continue to be a strong focus on measures to support economic recovery, up-skill people for new jobs and promote innovative approaches to tackling employment and skills challenges.

6. The long-term future of ESF should be considered as part of the fundamental review of the EU budget. The UK’s principled approach to budget reform suggests that ESF should contribute to building a prosperous Europe by supporting Member States’ efforts to make the transition to high value added economies, with resources focused on those with the greatest transition to make. In particular ESF should invest in modernising labour market services and building the capacity of employment and training systems in the least developed Member States.

INTRODUCTION

7. This memorandum provides evidence to inform the inquiry into the European Social Fund by the House of Lords Select Committee on the European Union. The memorandum is structured around the issues identified in the press notice announcing the Committee’s inquiry. As the Department has overall responsibility for ESF in England, the memorandum includes background information on the EU regulatory framework and the England ESF programme to inform the Committee’s inquiry. The memorandum has been prepared in consultation with other government departments. References to Scotland, Wales and Northern Ireland have been discussed with the devolved administrations which have responsibility for ESF programmes in their territories.

8. The ESF was established by the Treaty of Rome to improve employment opportunities in the internal market and so help raise standards of living. It is now a significant part of the EU budget and is the EU’s main financial instrument for investing in Member States’ employment and skills policies. Since 2000, it has been part of the EU’s Lisbon Strategy for Growth and Jobs.

9. Together with the other Structural and Cohesion Funds, the ESF also seeks to reduce differences in prosperity across the EU and enhance economic and social cohesion. Most ESF funding is therefore targeted at those Member States and regions where economic development is less advanced.
10. In 2007, the EU launched a new round of ESF programmes for the seven years to 2013, which are worth €76 billion. The UK’s share of this funding is €4.5 billion which has been allocated among UK nations and regions according to a formula based on employment and skills criteria. Of the UK’s ESF funding, England receives €3 billion for which the Department for Work and Pensions has responsibility. Annex A sets out the allocation of ESF funding to Member States and within the UK.

OBJECTIVES AND FUNDING

11. The UK Government supports the current priorities and scope of the ESF, which align funding closely to the Lisbon Strategy and the European Employment Strategy. The strong coherence with the EU’s agenda for growth and jobs provides a clear framework within which Member States concentrate funding on complementing their employment and skills policies. The Government welcomes the flexibility this provides Member States to target funding where it can best support their labour market needs. Therefore the balance of projects and funding between priorities varies across the EU. In England, ESF funding is aligned with the Government’s employment and skills policies, and the balance of resources reflects current labour market needs.

ESF regulation

12. The Government supports the labour market role of the ESF set out in the Treaty and EU regulations. The ESF regulation covering the 2007–13 Financial Perspective, states that:

“The ESF shall contribute to the priorities of the Community as regards strengthening economic and social cohesion by improving employment and job opportunities, encouraging a high level of employment and more and better jobs. It shall do so by supporting Member States’ policies aiming to achieve full employment and quality and productivity at work, promote social inclusion, including the access of disadvantaged people to employment, and reduce national, regional and local employment disparities.

“In particular, the ESF shall support actions in line with measures taken by Member States on the basis of the guidelines adopted under the European Employment Strategy, as incorporated into the Integrated Guidelines for Growth and Jobs, and the accompanying recommendations.”

13. The 2007–13 Regulation also describes the scope of the fund in terms of the employment and skills activities that can be funded. These reflect the Integrated Guidelines. They are designed to provide flexibility to Member States to develop ESF programmes that address their national and regional labour market needs. The Regulation emphasises that Member States must concentrate ESF funding on supporting the strategies set out in their Lisbon National Reform Programmes and social inclusion action plans. They must also support the implementation of relevant employment recommendations made to Member States through the open method of co-ordination.

Structural and Cohesion Fund general regulation

14. In addition to the ESF regulation which sets the policy focus of the fund, there is a general regulation covering all the Structural and Cohesion Funds which establishes their geographical targeting and common financial rules. There are three geographical objectives in 2007–13.

15. The Convergence Objective aims to promote the convergence of the least developed Member States and regions with the rest of the EU. It provides the highest intensity of EU funding. In England, only Cornwall and the Isles of Scilly benefits from ESF funding under the Convergence Objective. Across the EU as a whole, 69% of ESF funding falls within the Convergence Objective, compared with 6% in England.

16. The Regional Competitiveness and Employment Objective covers all areas outside of the Convergence Objective. The whole of England is covered by this objective, except Cornwall and the Isles of Scilly. Within this objective, Merseyside and South Yorkshire benefit from transitional funding as former Objective One...
regions in 2000–06. Across the EU as a whole, 31% of ESF funding falls within this objective, compared with 94% in England.

17. The European Territorial Co-operation Objective supports cross-border co-operation. The ESF does not operate under this objective.

**England ESF programme**

18. The 2007–13 regulations provide the framework within which Member States develop their ESF operational programmes. The England ESF programme focuses funding on two key priorities: extending employment opportunities; and developing a skilled and adaptable workforce.

19. Priority 1 (extending employment opportunities) supports projects to tackle the barriers to work faced by unemployed and economically inactive people. There is a particular focus on people at a disadvantage in the labour market. Target groups include disabled people, lone parents, older workers, ethnic minorities, low skilled people, young people not in education, employment or training, and people facing multiple disadvantages. Priority 1 reflects the Government’s approach that work is the best route to independence, health and well-being for most people of working age, and that jobs are the key to social inclusion. €1,794 million of ESF money is available for this priority in 2007–13 (62% of the funding for the Regional Competitiveness and Employment Objective in England).

20. Priority 2 (developing a skilled and adaptable workforce) supports projects to train people who do not have basic skills and qualifications needed in the workplace. It focuses on those who are least likely to receive training. It also supports training for managers and employees in small businesses. Priority 2 aims to help people gain relevant skills and qualifications needed for their career progression, and for business growth and innovation in the knowledge economy. €984 million of ESF money is available for this priority in 2007–13 (34% of the funding for the Regional Competitiveness and Employment Objective in England).

21. These priorities apply across the whole of England except Cornwall and the Isles of Scilly which has separate but similar priorities reflecting its Convergence status. €196 million of ESF funding is ring-fenced for Cornwall and the Isles of Scilly.

22. The priorities are designed to focus ESF funding on supporting the Government’s employment and skills policy objectives, and also provide scope to address distinctive regional and local needs. They also respond to the EU’s Employment Recommendation to the UK to “increase basic and intermediate skills, in order to raise productivity, and further improve employment prospects for the most disadvantaged”.7

23. The division between the two priorities is not an employment/skills split. The main distinction is that Priority 1 focuses on helping people who are not currently in work especially the most disadvantaged groups, whereas Priority 2 focuses on improving the skills of the existing workforce. Priority 1 supports integrated employment and skills provision to help jobless people enter sustainable employment. Both priorities therefore support the Government’s commitment to achieve the ambitions for world class skills set by the Leitch Review into the UK’s skills needs.8

**Balance of resources**

24. The balance of funding between Priorities 1 and 2 was based on an appraisal of how ESF could best address labour market needs in England and on evaluation evidence from the 2000–06 programme.9 In particular it reflects the need to improve the employment prospects and skills of disadvantaged people. The increase in unemployment since 2008 has reinforced the need for a substantial investment of resource in Priority 1. The Government therefore believes that the balance of investment between the two priorities in England continues to be relevant to current labour market conditions.

25. Other Member States have different sets of priorities and a different balance of resources between priorities, reflecting how ESF can best contribute to their labour market needs and complement their national funding. Across the EU as a whole, the European Commission estimates the following allocation of ESF funding:

- improving access to employment—30%;
- improving human capital—34%;
- improving social inclusion—14%;

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7 Council Recommendation of 27 March 2007 on the 2007 update of the broad guidelines for the economic policies of the Member States and the Community and on the implementation of Member States’ employment policies.


— increasing the adaptability of workers, enterprises and entrepreneurs—18%; and
— strengthening institutional capacity at national, regional and local level—3%. 10

26. Priority 1 in England covers both the improving access to employment and social inclusion themes, while Priority 2 relates to the increasing adaptability theme.

27. The themes on improving human capital and strengthening institutional capacity primarily relate to activity in Convergence areas to modernise and strengthen employment and training systems. The Government believes that it is right to focus significant resources in this way to help those Member States with the greatest transition to make.

Delivery and Effectiveness of the ESF

Delivery rules

28. Member States implement their ESF programmes within the framework of EU regulations, rules and guidance. 11 The Government believes the EU regulatory framework for 2007–13 has helped to ensure that programmes are better focused on the EU’s Strategy for Growth and Jobs by requiring programmes to earmark funding for Lisbon priorities. The new regulatory framework has also introduced improvements to programme delivery, for example by reducing the layers of programme documentation and simplifying the structure of priorities. A further simplification is that eligibility rules are now defined at national level except where they are specified in EU regulations.

29. The Government supports the key rules or principles of Structural Fund implementation such as additionality, match funding, multi-annual programming and shared management. However there is a need to continue to improve and simplify monitoring and audit requirements resulting from the principle of shared management between the Commission and Member States. Greater emphasis should be placed on the effectiveness and results of ESF action.

30. The principle of additionality means that “Contributions from the Structural Funds shall not replace public or equivalent structural fund expenditure by a Member State.” 12 The funds “provide assistance which complements national actions, including actions at the regional and local levels”. 13 In the case of ESF this means complementing employment and skills priorities set out in Lisbon National Reform Programmes.

31. Member States must contribute national match funding to programmes as the Community contribution is subject to a ceiling. In the more prosperous Member States the maximum Community contribution is normally 75% for the Convergence Objective and 50% for the Regional Competitiveness and Employment Objective. The additionality principle does not apply to national match funding.

32. In the England ESF programme most of the match funding is identified from national employment and skills programmes managed by the Department and the Learning and Skills Council under the ESF co-financing system. The introduction of ESF co-financing has improved and simplified administration by removing from applicants the burden of supplying their own match funding, which had previously been a major source of audit problems.

33. The Department, the Learning and Skills Council and other public bodies now identify the match funding, and use ESF to buy additional provision to extend coverage, address gaps and complement domestic programmes. 14 For example, ESF extends coverage to people who would not otherwise be eligible for the Flexible New Deal or Train to Gain, and funds more intensive support for the most disadvantaged jobseekers and learners. This approach has increased coherence with national employment and skills priorities as required by EU regulations, and made the additionality of ESF funding explicit.

34. Structural Fund programmes are multi-annual and normally run for the life of the Financial Perspective. 15 Member States negotiate operational programmes with the Commission, which are adopted in the form of Commission decisions. The multi-annual nature is designed to provide stability of funding and a
strategic, long-term approach to investment. It is possible to negotiate revisions to programmes in the light of significant socio-economic changes, major changes to policy priorities, evaluation findings or implementation difficulties. However, this can be a lengthy process, so programmes usually build in flexibility to respond to changing circumstances without having to re-negotiate their Commission decisions.

35. The Department’s experience of developing and negotiating the 2007–13 England ESF programme was generally positive. The programme was one of the first to be agreed by the Commission, in August 2007.\textsuperscript{16} The process took about 18 months, including informal and formal negotiations with the Commission and a public consultation exercise.

36. The Structural Funds are implemented “within the framework of shared management between the Member States and Commission”.\textsuperscript{17} Although Member States are responsible for implementing programmes and for helping to ensure the sound financial management of programme funds, the Commission retains ultimate responsibility for all Community expenditure.\textsuperscript{18} In particular, the Commission is responsible for checking the existence and proper functioning of management and control systems in the Member States. These systems set out how Member States will manage and monitor programmes to ensure the correctness and regularity of expenditure declared to the Commission.

37. The management and control system for the 2007–13 ESF programme has been agreed with the Commission. For the 2000–06 period, the English audit authority (part of the Department’s Risk Assurance Division) became the first to be awarded the Commission’s contract of confidence for ESF. The contract of confidence is a Commission initiative that formally recognises where the Commission has complete confidence in the audit arrangements. This requires the Member State to provide certain assurances on the robustness of monitoring and audit systems. In return the Commission adopts a lighter touch by relying largely on national systems rather than conducting its own audits.

38. Although the Commission is committed to simplifying the regulatory framework, the rules governing the Structural Funds remain complex and can be interpreted or applied in different ways by Member States, Commission Directorates-General and the European Court of Auditors. Member States are working with the Commission to identify further simplifications that maintain a high standard of financial control while minimising the administrative burden.

39. The UK has put forward a number of proposals to improve the process including:

- There should be no retrospective enforcement of EU rules. Programmes should be monitored and audited on the basis of the rules that applied when they were implemented.

- EU rules must be proportionate to the nature and size of projects. For example, it is not appropriate to apply the same rules to a community based ESF training project as to a major infrastructure project. In particular, rules requiring even small organisations to retain project documentation should be relaxed. Currently documentation relating to the 2007–13 programme must be retained until at least 2019 for audit purposes.

- A single audit principle should be introduced. Common audit standards should be laid down, control activities should be co-ordinated and audit findings should be reciprocally accepted to avoid duplication of controls and different interpretations.

- The current emphasis on monitoring and auditing processes and payments has overshadowed the effectiveness and added value of ESF action. There should be a greater emphasis on examining the results and achievements of ESF activities and their contribution to the policy priorities set out in the Lisbon Strategy.

**Effectiveness**

40. It has always been very difficult to estimate the effectiveness of ESF. The predominantly voluntary nature of the provision, the number and diversity of projects and client groups, and the alignment with match funding, means that it is difficult to isolate the impacts and value for money attributable to ESF compared with other provision. Evidence around the effectiveness of ESF is currently limited to management information for recording gross outcomes and survey data which have measured longer term outcomes and collated views of ESF participants and stakeholders to elicit best practice.

\textsuperscript{18} Article 274 of the Treaty establishing the European Community.
41. The 2005 longitudinal follow-up survey of ESF participants (under the 2000–06 England ESF programme) provided some evidence that ESF helps out-of-work individuals to secure employment after participation. Nearly 70% of those surveyed who had been unemployed or inactive on joining ESF thought that participation had helped them to secure jobs to some extent. The survey also estimated that over 60% of those who were not in work at the time of the survey (i.e., some 18 months after leaving ESF) but who were looking for work thought that the ESF training had made them better skilled for the types of jobs they were looking for. The European Commission is currently undertaking the final evaluation of ESF in 2000–06 across the EU.

42. The 2007–13 England ESF programme aims to help 1.79 million people improve their skills and job prospects. By May 2009, almost half a million participants had joined the programme. Although at an early stage, 26,327 unemployed or inactive participants have gained jobs, 31,122 participants have gained basis skills or qualifications and 37,982 young people not in education, employment or training have moved into learning or a job. Further data about key programme performance indicators are at Annex B.

43. The availability of individual level data for the 2007–13 programme, alongside a longitudinal survey of 10,000 participants, which is currently underway, will improve understanding of who takes up ESF, performance and longer term outcomes.

44. In terms of how information of effectiveness is shared, evidence from evaluations of the 2000–06 programme fed into recommendations for the second half of that programme and the development of the 2007–13 programme. Information gained from the ongoing evaluation of the 2007–13 programme is currently being used to inform planning for 2011–13 provision. In the longer term, ESF evaluations will highlight examples of best practice which will be fed into and influence plans for future support offered by both ESF and mainstream providers.

45. The progress of the England ESF programme is regularly reviewed and monitored by national and regional ESF committees, and at annual review meetings with the European Commission.

Regional Delivery

46. There is a single ESF programme for England in 2007–13, which is delivered mainly at regional level. This approach aligns ESF with national employment and skills strategies while also providing scope for regions to address their distinctive needs. It recognises that almost all the match funding comes from national programmes, and ensures a consistent approach to procurement, monitoring and audit of ESF across England.

47. The Department works closely with regional ESF teams based in the Government Offices for the English regions. The Department’s ESF Division and the regional Government Office teams collectively comprise the managing authority for the England programme.

48. Each region has developed its own regional ESF framework to show how ESF will address its regional and local employment and skills issues within the national priorities and targets in the England ESF programme. The frameworks aim to ensure that ESF contributes to the delivery of Regional Economic Strategies and complements European Regional Development Fund programmes. The frameworks may, for example, identify priorities for targeting ESF skills funding in key sectors for regional economic development, or set out how ESF will support specific disadvantaged groups, areas or communities within a region. They provide the basis, alongside the ESF programme, for the development of detailed regional delivery plans by the Department, Learning and Skills Council and other agencies.

49. The frameworks were originally developed by regional skills partnerships in 2007, in consultation with other regional partners with an interest in ESF. The frameworks are being revised during autumn 2009 to take account of the changing economic environment and to inform planning for the 2011–13 phase of the ESF programme.

50. An evaluation of the first round of regional ESF frameworks was published by the Department in August 2009. The evaluation report describes how the frameworks have informed delivery so that ESF complements regional strategies and national programmes. The report also indicates the strong commitment
from regional partners to the development of the frameworks. The report sets out a number of areas of good practice which the Department is encouraging regions to take forward when they revise their frameworks.

51. Regional ESF committees monitor the delivery of ESF at regional level and provide feedback to the national monitoring committee. They are chaired by Government Offices and usually include representatives from the European Commission, government departments and agencies, Regional Development Agencies, local authorities, third sector, trade unions, further education and higher education. Some regions have chosen to operate joint ESF-European Regional Development Fund committees to promote complementarity between the two funds.

52. In London these arrangements have been adapted to reflect the devolution of some responsibilities to the Greater London Authority. The Mayor leads the development of the London ESF framework and his representative chairs the London ESF committee. The Department delegates regional managing authority functions, which are carried out by Government Offices in other regions, to the London Development Agency. These arrangements provide the Mayor with an important strategic role within the parameters of the England ESF programme while enabling the Department to discharge its accountability for ESF funding and meet EU regulatory requirements.

Devolved administrations

53. The implementation of Structural Funds is a devolved matter. The Department works closely with the devolved administrations which are responsible for ESF programmes in Scotland, Wales and Northern Ireland. The Department represents the UK on the EU ESF Advisory Committee and Technical Working Group. It consults the devolved administrations and co-ordinates the UK position on issues discussed at those meetings, and provides feedback to the devolved administrations. There are regular UK ESF liaison meetings between the Department and devolved administrations to share information and good practice across programmes, and to co-ordinate responses to the European Commission.

Other departments

54. The Department works closely with the Department for Business, Innovation and Skills (BIS) which has responsibility for co-ordinating UK policy across the Structural Funds as a whole, and which has lead responsibility for negotiations on the general Structural Fund regulation.

55. Both BIS and the Department for Children, Schools and Families (DCSF) have a policy interest in ESF in relation to its support for skills and young people not in education, employment or training. The England ESF programme’s managing authority is located in the Joint International Unit which also works to BIS and DCSF, so that ESF complements relevant policies and programmes across the three departments.

SHORT TERM: USE OF THE ESF TO RESPOND TO THE FINANCIAL CRISIS

56. ESF is making a significant contribution to the responses of the EU and UK Government to the economic downturn. The European Economic Recovery Plan, which was endorsed by the European Council in December 2008, emphasises the role that ESF can play in supporting measures to reintegrate unemployed people into the labour market.

57. The flexible nature of the England ESF programme has enabled it to adapt to the changing economic climate and expand support for people affected by the downturn. When the programme was agreed with the European Commission in 2007, the indicative activities included early interventions to help people at risk of redundancy to adapt their qualifications and skills, and training for workers who have been made redundant. At the same time, the focus on disadvantaged groups has enabled the programme to intensify support to jobless people who are finding it even more challenging to enter work.

58. Many of the projects that started during 2008 have therefore been able to help tackle the increase in the number of people who are facing redundancy or have been made unemployed. For example, in the West Midlands, a consortium of trade unions, including Unite, GMB and Community, is running the “Better West Midlands” redundancy support project with £22.75 million of ESF funding from the Learning and Skills Council. The project offers an extended range of support and training to workers under threat or notice of redundancy, prior to their current employment ending. The aim is to maximise their capability to move straight into new employment. The project will help about 14,500 people from companies across the West Midlands in manufacturing and other sectors. The beneficiaries include workers made redundant by LDV in Wolverhampton.
59. Another example is the “Making Changes” project which is delivered by North Wessex Training in 19 disadvantaged wards in Wiltshire and Swindon. The project provides an outreach service in these communities to help jobless people find suitable and sustainable employment. Earlier in 2009 the participants included a number of workers made redundant from Woolworths. “Making Changes” advisors supported them through a difficult situation and helped them look for alternative work and produce CVs and job applications. So far 45 redundant workers have completed the programme of whom 20 have entered new jobs, a job entry rate of 45%.

60. To enhance the support that was already available through national programmes and ESF, the Government announced in the Pre-Budget Report, in November 2008, that it would invest an additional £158 million of ESF funding (which had become available as a result of the rise in the value of the euro) to help people facing redundancy or already looking for work. Half of the additional funding is being delivered through the Department and half through the Learning and Skills Council.

**Additional support for disadvantaged jobseekers**

61. The Department is using £79 million ESF to support additional activities which are expected to help 66,000 disadvantaged jobseekers to develop their confidence, life skills and motivation while looking for work.

62. The ESF money is primarily targeted on people who have been claiming Jobseeker’s Allowance over six months, and other Jobseeker’s Allowance customers from day one who face the greatest barriers to employment. Those who can be helped from day one, at advisers’ discretion, include: ex-offenders, refugees, homeless people, people with drug and alcohol problems, people leaving residential care, former armed forces personnel, people with language, literacy and numeracy problems, lone parents and disabled people.

**Response to Redundancy and nextstep**

63. The Learning and Skills Council is using £79 million of ESF to support two initiatives. ESF is contributing £53 million to the £103 million Train to Gain/ESF Response to Redundancy programme which is targeting over 90,000 individuals across England. Providers are delivering short, focused training interventions which are tailored to the needs of local employers. The training interventions are available either from day one of unemployment or while people are under notice of redundancy. The aim is to minimise time spent on benefits and offer a complementary service to the Jobcentre Plus Rapid Response Service.

64. The Learning and Skills Council is also investing £26 million of ESF in a £78.4 million “nextstep” contract to enable additional capacity to be purchased to respond to the downturn. This will help provide labour market focused careers information and advice which supports individual progression in learning and work.

**Amendments to EU regulations**

65. There have been a number of proposals to amend EU regulations using the economic downturn as a justification. The Government examines these on a case-by-case basis. Although there may be benefits to relaxing rules to ease implementation, especially where Member States are facing financial constraints, this must be carefully weighed against the risks of breaching sound financial management and budgetary discipline.

66. As part of the European Economic Recovery Plan, the European Commission proposed a series of measures, both legislative and non-legislative, to help programmes respond more quickly and effectively to the economic challenges. They included amendments to regulations to provide an additional advance payment to ease cash flow at the start of programmes, and to extend the types of cost eligible for ESF support. The amendments were welcomed by the UK and other Member States, and adopted in April and May 2009.24

67. On 22 July 2009, the European Commission proposed further amendments, most of which relate to European Regional Development Fund and Cohesion Fund infrastructure projects.25 The Government supports those amendments which would further simplify and accelerate the implementation of current Structural Fund programmes. However, it does not support a proposed amendment to introduce a temporary EU-wide option to allow all Member States to request ESF payment reimbursements from the Commission at 100% during 2009 and 2010, thus suspending the need to provide national co-financing during that period.

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In particular, the Government has always made clear that any EU proposal needs to respect both the current financial framework and the principle of budget neutrality within it.

68. The Swedish Presidency has scheduled working party meetings in September and October to discuss the proposals. At the initial working party discussions, there was strong opposition to the 100% reimbursement proposal. Some Member States argued that it should be extended to the European Regional Development Fund while a larger group argued that the proposal was too broad and its overall impact too expensive. The Presidency concluded that the proposal was not acceptable in its current form and that further consideration would be needed.

Adjustments to ESF programmes

69. In its communication on A shared commitment to employment, the Commission indicated that it would introduce a fast-track procedure to amend ESF programmes if adaptations were required, shortening the process to no more than one month. Although there is no need currently to revise the England ESF programme, the Department will make use of this procedure should adjustments become necessary. The Department is continuing to work closely with the Commission to use the flexibilities that exist within the current England ESF programme, and welcomes the Commission’s positive support for the additional measures it has taken.

70. The changes to the economy over the past year have reinforced the need for programmes to incorporate sufficient flexibility to respond to changing circumstances without the need to embark on potentially lengthy and technical legislative procedures. To make programmes more responsive, managing authorities should have the flexibility to vire a certain amount of funding between priorities without the need to amend Commission decisions.

Medium Term: The ESF 2010–14

71. In the medium term, the Government believes that ESF should remain focused on supporting Member States’ policies to extend employment opportunities and develop workforce skills. The fund should continue to be deployed in line with the EU’s employment guidelines so as to add value to national policies and to the co-operation between Member States that contributes to the EU’s economic and social goals.

72. As well as continuing to provide real help to people affected by the economic downturn and to engage the most disadvantaged people in the labour market, ESF should also be used to promote economic recovery. By investing in people and skills, the ESF can contribute to the future competitiveness of the EU and the return to sustainable growth.

73. Within the existing ESF funding envelope, the Government believes that resources within the skills and adaptability priorities of programmes should be used to expand up-skilling activities and strengthen investment in the workforce for the jobs of the future. There should be a particular focus on skills for the “green jobs” needed in a low carbon economy.

74. The English regions are currently revising their regional ESF frameworks to reflect the economic changes and the implications for targeting ESF funding at a regional level in 2011–13. The revised frameworks will reflect how ESF funding will be used to support measures to:

- respond to the economic downturn by providing additional support to disadvantaged jobseekers, people who have recently been made redundant, and people facing redundancy; and
- support economic recovery—including how ESF will be targeted to address weaknesses in low and intermediate skills, and to up-skill people to meet future skills needs, including for a low carbon economy.

75. The Government has also introduced an innovation strand to the England ESF programme to stimulate new approaches to addressing the labour market dimension of challenges such as living within demographic and environmental limits. From summer 2009, £22 million ESF is being invested across six themes:

- active inclusion (of disadvantaged groups in the labour market);
- demographic change (older workers and migrants);
- engaging with employers (to help unemployed people back to work and ensuring they have the right skills for the jobs available);

27 The Lisbon Strategy comes to an end in 2010 but the process will continue after that and the 2010 Spring European Council will discuss a new strategic framework for this co-ordination.
ICT and the digital divide (training in computer skills); 
— skills for climate change (training for green jobs); and 
— social enterprise.

Projects funded under the innovation strand must include at least one partner from another EU Member State to share best practice and new ideas.

EU Growth and Jobs Strategy

The UK wants the EU to agree an ambitious successor to the Lisbon Strategy for Growth and Jobs, which responds to the new and significant challenges that Europe faces—including an ageing workforce—and ensures the EU emerges stronger from the economic crisis than it went into it.

The objectives should be strong growth, fair growth and green growth: to raise prosperity, increase opportunity for all and ensure sustainable and low-carbon growth. These are interdependent and mutually reinforcing goals; and maximising the synergies between them (for example by investing in new technologies) should be at the heart of the new strategy.

Critical to this will be: ensuring active labour market policies that help those who have lost their jobs find new employment; raising skills levels; helping the most vulnerable move closer to the labour market; and improving the working environment for Europe’s employees through, for example, more flexible working.

The Government sees the EU’s economic, environmental and social goals as complementary rather than competing. Strong, prosperous and cohesive societies, working to achieve opportunity for all, are key to the Government’s vision. Europe needs skilled and flexible labour markets combined with strong social safety nets.

The EU has an important role to play in achieving this vision—in setting benchmarks, promoting the use of proven policies for addressing social problems and, in some cases, setting minimum standards. But the Government’s view, and that of many of our partners, remains that social and employment policy should be led by Member States. The successor to the Lisbon Strategy will play a key role in reinforcing the governance structures needed to achieve this.

Member States will continue to have the main responsibility for funding their employment and skills policies. By complementing these policies, ESF investment during the remainder of the 2007–13 programme will contribute to the successor to the Lisbon Strategy and the European Employment Strategy. A consensus on the objectives of a new strategy is emerging through, for example, informal Council discussions. These clearly recognise the need to maintain consistency with the existing ESF programme.

ESF should continue to support Member States’ policies to increase employment and develop workforce skills, with a particular focus on preparing people for the jobs that will be created as the economy recovers. It has a particularly important role to play in modernising and building the capacity of labour market institutions and policy-making mechanisms in the newer, less developed Member States.

LONG TERM: THE ESF POST-2013 AND THE EU BUDGET REVIEW


The UK Government strongly welcomes the Budget Review. It is an important opportunity to reform the EU Budget so that the EU is better equipped to meet the challenges of the 21st century. The Budget Review must be genuinely fundamental, strategic and ambitious—and should be conducted openly, creatively and from first principles, with the aim of helping achieve the outward-facing, flexible EU needed to meet the challenges and opportunities of globalisation.

The Government published its vision for a 21st century budget in June 2008. Global Europe argues that resources should be reoriented towards EU action in three priority areas:

— building a prosperous Europe within a strong global economy;
— addressing the challenges of climate change; and
— ensuring security, stability and poverty reduction.

Global Europe also sets out three principles for designing a future EU budget:

30 HM Treasury, Global Europe: vision for a 21st century budget (June 2008).
— First, the EU should only act where there are clear additional benefits from collective efforts or EU added value, compared with action by Member States, either individually or in co-operation.

— Second, where EU-level action is appropriate, it should be proportionate and flexible. The limits to EU budgetary intervention must be recognised. Expenditure is just one of a number of policy levers, alongside co-ordination, sharing best practice, and legislation or regulation. In addition, the full range of financing options should be considered, including both grant and loan finance.

— Third, there must be sound financial management at all times, including the highest standards of financial control and independent audit, and greater focus on delivery of outcomes in programme design and evaluation. It will be important to maintain budget discipline.

88. Reorientation of the budget towards the new challenges requires the targeting of funds to be assessed against these principles. According to the UK’s budgetary principles, Structural and Cohesion Funds should be targeted towards the less prosperous Member States to help them invest in measures to increase their productivity and adjust to the economic challenges of globalisation: for example, research and development capacity, skills development, and building basic institutions and infrastructure that are essential to future growth. These investments can provide EU added value by contributing to the economic prosperity of the EU as a whole.

89. Redistribution to less prosperous Member States has been and should continue to be a function of the EU budget. For the UK, European budgetary solidarity is about helping those Member States that have the greatest economic transition to make and the least financial capacity to make it.

90. However, much of the redistribution in today’s EU budget does not conform to the UK’s budgetary principles. Whilst there is some distribution from richer to less prosperous Member States, there is still significant redistribution of funds between prosperous countries of similar wealth. Where Member States have the institutional structures and financial strength to develop and pursue their own policies, they should be enabled to do so within a common EU strategic framework. Consequently Structural Funds in the richer Member States should be phased out.

91. Within this approach to budget reform the ESF would primarily contribute to the priority of building a prosperous Europe by supporting Member States’ efforts to make the transition to high value added economies, with resources focused on those with the greatest transition to make. This suggests that ESF should invest in modernising labour market services and in building the capacity and effectiveness of employment and training provision particularly in the least developed Member States.

92. If ESF funds were primarily targeted on the least developed Member States, consideration would need to be given to whether and how to sustain employment and skills provision that is currently financed by ESF in the other Member States, especially in measures to promote economic recovery and train people for the jobs of the future.

93. Whatever the geographical distribution of the Structural and Cohesion Funds after 2013, ESF investment should continue to be aligned with the Lisbon Strategy for Growth and Jobs and the European Employment Strategy, and should continue to complement Member States’ employment and skills strategies.

94. To avoid duplication with, and to complement, other EU funding streams, ESF should retain its distinctive labour market focus on improving employment opportunities and skills. This should allow ESF funding to be deployed effectively and efficiently alongside domestic employment and skills programmes. Links to other EU funding streams, especially to the European Regional Development Fund, should be encouraged where they add value, as long as these do not increase administrative burdens or dilute the policy focus of ESF.

September 2009
Annex A

ESF ALLOCATIONS 2007–13

<table>
<thead>
<tr>
<th>Member State</th>
<th>Allocation in €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>524,412,560</td>
</tr>
<tr>
<td>Belgium</td>
<td>1,073,217,594</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1,185,459,863</td>
</tr>
<tr>
<td>Cyprus</td>
<td>119,769,154</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>3,774,521,428</td>
</tr>
<tr>
<td>Denmark</td>
<td>254,788,619</td>
</tr>
<tr>
<td>Estonia</td>
<td>391,517,329</td>
</tr>
<tr>
<td>Finland</td>
<td>618,564,064</td>
</tr>
<tr>
<td>France</td>
<td>5,394,547,990</td>
</tr>
<tr>
<td>Germany</td>
<td>9,380,654,763</td>
</tr>
<tr>
<td>Greece</td>
<td>4,363,800,403</td>
</tr>
<tr>
<td>Hungary</td>
<td>3,629,088,551</td>
</tr>
<tr>
<td>Ireland</td>
<td>375,362,370</td>
</tr>
<tr>
<td>Italy</td>
<td>6,938,007,896</td>
</tr>
<tr>
<td>Latvia</td>
<td>550,653,717</td>
</tr>
<tr>
<td>Lithuania</td>
<td>1,028,306,727</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>25,243,666</td>
</tr>
<tr>
<td>Malta</td>
<td>112,000,000</td>
</tr>
<tr>
<td>Netherlands</td>
<td>830,002,737</td>
</tr>
<tr>
<td>Poland</td>
<td>9,707,176,000</td>
</tr>
<tr>
<td>Portugal</td>
<td>6,512,387,865</td>
</tr>
<tr>
<td>Romania</td>
<td>3,684,147,618</td>
</tr>
<tr>
<td>Slovakia</td>
<td>1,499,603,156</td>
</tr>
<tr>
<td>Slovenia</td>
<td>755,699,370</td>
</tr>
<tr>
<td>Spain</td>
<td>8,057,328,822</td>
</tr>
<tr>
<td>Sweden</td>
<td>691,551,158</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>4,474,917,728</td>
</tr>
</tbody>
</table>

Source: European Commission.

INDICATIVE ALLOCATION OF ESF FUNDING TO UK PROGRAMMES

<table>
<thead>
<tr>
<th>Programme</th>
<th>Allocation in €</th>
</tr>
</thead>
<tbody>
<tr>
<td>England and Gibraltar Convergence, Competitiveness and Employment Programme</td>
<td>3,089,886,379</td>
</tr>
<tr>
<td>Lowlands and Uplands of Scotland Regional Competitiveness and Employment Programme</td>
<td>269,920,942</td>
</tr>
<tr>
<td>Highlands and Islands of Scotland Phasing-out Convergence Programme</td>
<td>52,150,195</td>
</tr>
<tr>
<td>East Wales Regional Competitiveness and Employment Programme</td>
<td>63,597,452</td>
</tr>
<tr>
<td>West Wales and the Valleys Convergence Programme</td>
<td>833,585,460</td>
</tr>
<tr>
<td>Northern Ireland Regional Competitiveness and Employment Programme</td>
<td>165,777,300</td>
</tr>
</tbody>
</table>

**UK Total** | 4,474,917,728 |


INDICATIVE ALLOCATION OF ESF FUNDING TO THE ENGLISH REGIONS AND GIBRALTAR

<table>
<thead>
<tr>
<th>Region</th>
<th>Allocation in €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cornwall and the Isles of Scilly</td>
<td>196,433,940</td>
</tr>
<tr>
<td>East of England</td>
<td>230,268,927</td>
</tr>
<tr>
<td>East Midlands</td>
<td>248,035,653</td>
</tr>
<tr>
<td>Gibraltar</td>
<td>3,361,599</td>
</tr>
<tr>
<td>London</td>
<td>490,824,946</td>
</tr>
</tbody>
</table>
Merseyside €205,254,596
North East €238,590,865
North West (excluding Merseyside) €336,188,690
South East €228,779,381
South West (excluding Cornwall and the Isles of Scilly) €144,110,443
South Yorkshire €180,694,217
West Midlands €372,365,585
Yorkshire and the Humber (excluding South Yorkshire) €214,977,537

**England and Gibraltar Total** €3,089,886,379


### Allocation by Priority within the England and Gibraltar ESF Programme

<table>
<thead>
<tr>
<th>Objective</th>
<th>Priority</th>
<th>ESF Funding</th>
<th>National Match Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Competitiveness and Employment Objective</td>
<td>Priority 1—Extending employment opportunities</td>
<td>€1,793,940,512</td>
<td>€1,793,940,512</td>
</tr>
<tr>
<td></td>
<td>Priority 2—Developing a skilled and adaptable workforce</td>
<td>€983,773,829</td>
<td>€983,773,829</td>
</tr>
<tr>
<td>ESF Co-financing Rate: 50%</td>
<td>Priority 3—Technical Assistance</td>
<td>€115,738,098</td>
<td>€115,738,098</td>
</tr>
<tr>
<td></td>
<td>Regional Competitiveness and Employment Objective total</td>
<td>€2,893,452,439</td>
<td>€2,893,452,439</td>
</tr>
<tr>
<td>Convergence Objective (Cornwall and the Isles of Scilly)</td>
<td>Priority 4—Tackling barriers to employment</td>
<td>€74,644,897</td>
<td>€24,881,633</td>
</tr>
<tr>
<td></td>
<td>Priority 5—Improving the skills of the local workforce</td>
<td>€117,860,364</td>
<td>€39,286,788</td>
</tr>
<tr>
<td>ESF Co-financing Rate: 75%</td>
<td>Priority 6—Technical Assistance</td>
<td>€3,928,679</td>
<td>€1,309,560</td>
</tr>
<tr>
<td></td>
<td>Convergence Objective total</td>
<td>€196,433,940</td>
<td>€65,477,981</td>
</tr>
<tr>
<td>England and Gibraltar total</td>
<td></td>
<td>€3,089,886,379</td>
<td>€2,958,930,420</td>
</tr>
</tbody>
</table>


### Allocation of ESF Funding by Lisbon Theme within the England and Gibraltar Programme

<table>
<thead>
<tr>
<th>Lisbon Theme</th>
<th>ESF Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of life-long learning systems and strategies in firms; training and services for employees to step up their adaptability to change; promoting entrepreneurship and innovation</td>
<td>€1,034,766,447</td>
</tr>
<tr>
<td>Development of specific services for employment, training and support in connection with restructuring of sectors and firms, and development of systems for anticipating economic changes and future requirements in terms of jobs and skills</td>
<td>€55,081,710</td>
</tr>
<tr>
<td>Implementing active and preventive measures on the labour market</td>
<td>€747,434,164</td>
</tr>
<tr>
<td>Measures encouraging active ageing and prolonging working lives</td>
<td>€93,429,270</td>
</tr>
<tr>
<td>Measures to improve access to employment and increase sustainable participation and progress of women in employment to reduce gender-based segregation in the labour market, and to reconcile work and private life, such as facilitating access to childcare and care for dependent persons</td>
<td>€186,858,541</td>
</tr>
</tbody>
</table>
Lisbon Theme

Pathways to integration and re-entry into employment for disadvantaged people; combating discrimination in accessing and progressing in the labour market and promoting acceptance of diversity in the workplace

Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses

Total

EUROPEAN SOCIAL FUND: EVIDENCE

<table>
<thead>
<tr>
<th>Lisbon Theme</th>
<th>ESF Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pathways to integration and re-entry into employment for disadvantaged people; combating discrimination in accessing and progressing in the labour market and promoting acceptance of diversity in the workplace</td>
<td>€840,863,434</td>
</tr>
<tr>
<td>Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses</td>
<td>€11,786,036</td>
</tr>
<tr>
<td>Total</td>
<td>€2,970,219,602</td>
</tr>
</tbody>
</table>


Annex B

ENGLAND AND GIBRALTAR ESF PROGRAMME 2007–13 PERFORMANCE INDICATORS

Key Programme (ESF and Match Funding) Performance Indicators

<table>
<thead>
<tr>
<th>Participation indicators</th>
<th>Target 2007–13</th>
<th>Cumulative Achievement to May 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total participants (starts)</td>
<td>1,790,000</td>
<td>492,782</td>
</tr>
<tr>
<td>Unemployed participants</td>
<td>381,000</td>
<td>169,073</td>
</tr>
<tr>
<td>Economically inactive participants</td>
<td>311,000</td>
<td>114,800</td>
</tr>
<tr>
<td>Young people not in education, employment or training (NEET)</td>
<td>181,900</td>
<td>84,256</td>
</tr>
<tr>
<td>Participants with basic skill needs</td>
<td>355,000</td>
<td>64,205</td>
</tr>
<tr>
<td>Disabled participants</td>
<td>19%</td>
<td>29%</td>
</tr>
<tr>
<td>Participants aged 50 and over</td>
<td>19%</td>
<td>17%</td>
</tr>
<tr>
<td>Participants from ethnic minorities</td>
<td>19%</td>
<td>16%</td>
</tr>
<tr>
<td>Female participants</td>
<td>51%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Results Indicators

<table>
<thead>
<tr>
<th>Results Indicators</th>
<th>Target 2007–13</th>
<th>Cumulative Achievement to May 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployed and inactive participants in work on leaving (Priorities 1 and 4 only)</td>
<td>201,000</td>
<td>26,327</td>
</tr>
<tr>
<td>Young NEETs entering education, employment or training</td>
<td>82,200</td>
<td>37,982</td>
</tr>
<tr>
<td>Participants who have gained basic skills</td>
<td>160,000</td>
<td>1,226</td>
</tr>
<tr>
<td>Participants who have gained full qualifications at level 2 or above.</td>
<td>174,000</td>
<td>29,896</td>
</tr>
</tbody>
</table>

Supplementary memorandum by the Department for Work and Pensions (DWP)

Administration Costs

The Structural and Cohesion Fund regulation allows for a proportion of funding to provide Technical Assistance for the running of programmes. This can be used to finance the preparatory, management, monitoring, evaluation, information and control activities of programmes, together with activities to reinforce the administrative capacity for implementing them. Technical Assistance is used both by the Managing

Notes:

The England and Gibraltar ESF programme document states “The purpose of the targets is to steer and stimulate the programme’s performance. The targets are not a prediction of actual outputs and results, and should not be applied mechanistically. Actual performance may be different, particularly if there are changes in the labour market. If there are significant labour market changes or policy developments, it may be necessary to revise the targets.”

The results indicators show the achievements of participants who have left ESF provision. As more participants finish, more results will be recorded. A longitudinal survey is examining the long-term impact of ESF funding on individuals, including whether participants are in work six months after leaving.

Authority and also by external organisations. For example, Technical Assistance is available to third sector networks to support participation by voluntary and community organisations in the programme.

The maximum limit for Technical Assistance is 4% of the total amount allocated under the Convergence and Regional Competitiveness and Employment Objectives. Technical Assistance must be match funded. The current Technical Assistance allocation for the 2007–13 England ESF programme is £98 million in Priorities 3 and 6. Of this £20.5 million has been committed, representing 1.7% of ESF funding committed so far. It is unlikely that the full Technical Assistance allocation will be committed by the end of the programme. The Department is currently assessing the future demand for Technical Assistance funding, and will make a proposal to the European Commission to re-allocate some Technical Assistance money to fund additional employment and training provision in Priorities 1, 2, 4 and 5.

The maximum amount that Co-financing Organisations may spend on administration is fixed at 5%. A small amount of activity is delivered outside of Co-financing (for example Higher Education projects in Cornwall). There is no limit for the administration costs of projects delivered outside of Co-financing, but their indirect costs (which include administration) cannot exceed 20% of direct costs under EU rules.

The Department and regional Government Offices incur running costs in administering the England ESF programme, which are not financed by ESF. In 2009–10 these running costs are planned to be about £4.5 million. In addition the Department plans to incur capital costs of £934,000 relating to the ESF IT system.

The Department does not hold information on the “opportunity costs” to organisations which apply for ESF funds. The procurement systems operated for ESF are usually the same as for domestic employment and training programmes, and therefore “opportunity costs” may not be substantially different.

LONGITUDINAL SURVEY OF PARTICIPANTS

The England ESF programme contains an indicator on the number of jobless participants who are in work six months after leaving ESF. This indicator is measured through longitudinal cohort surveys of participants. Cohort surveys involve contacting a sample of participants whilst on, and after leaving, projects. The first cohort of participants were interviewed while they were on ESF provision during spring and summer 2009, and follow-up interviews with leavers will take place in early 2010. The initial results will be available by June 2010. Cohort surveys examine the progress of participants over longer periods. They look at issues such as soft outcomes, sustainability and retention, and whether participants who have improved their qualifications and skills have progressed to higher level and higher paid work. They also provide information on participants’ views of the support they receive.

Examination of Witnesses

Witnesses: Rt Hon Jim Knight, a Member of the House of Commons, Minister of State, Mr Alan Cave, Delivery Director, Employment Group and Ms Wendy Violentano, Head of ESF Division, Department for Work and Pensions, examined.

Q358 Chairman: May I say welcome to the Sub-Committee? We think this is an important inquiry and we are very pleased that you have been prepared to give quite a chunk of time and we have made sure that we do not have a lot else on the agenda today so that we can really go through the questions that we need to ask. I have to explain that you have seen a list of interests of the Sub-Committee and therefore you know what your background interests are. We are fairly keen on that here because Lord Eames is a member of the Sub-Committee and he did a lot of work on that. I have to do this curious thing of asking you all to state who you are for the record before you begin and then ask whether you would like to make a statement before we go into the questions. The only other thing to say is that the PA system is rather illusory. If you do not raise your voice in these rooms, which is why I am speaking quite loudly, it disappears. It would be really helpful if people could speak as though they are public speaking, even though we feel it is quite an intimate room. Welcome and over to you.

Jim Knight: Thank you very much. I will try to recall my background, my first career in theatre, and remember to project for you. I am Jim Knight, the Minister for Employment and Welfare Reform at the Department for Work and Pensions and I am joined by Alan Cave and Wendy Violentano.

Mr Cave: I am Delivery Director for the Employment Group of DWP.

Ms Violentano: I am Head of the European Social Fund Division of the Department for Work and Pensions.

Q359 Chairman: Thank you very much. Do you want to make an opening statement or shall we go to questions?

Jim Knight: No. In the various select committees I have ever appeared in front of I have only ever given an opening statement once, where there was a
particular issue of the day which I felt needed to be addressed right from the start. Normally I think it is better to give you the maximum time for questions rather than using up our valuable time with a statement.

**Q360 Chairman:** That is really helpful because we do have witnesses who come and answer the questions in their opening statement, which is not always helpful, so we are very grateful to you for that. You know the question areas and we will go straight into the first one about the greater emphasis on examining effectiveness. We have heard a lot of anecdotal evidence about effectiveness. We have asked people to send us any evidence but in fact it has been quite difficult to assess. We are very interested, in the light of your belief that effectiveness is very difficult to estimate, how the evaluation of effectiveness can be improved in future in order that such assessments can be made. To what extent do you consider it might be possible to use soft outcomes, and by that we mean the things which take people to the point where they might be able to get employment rather than the actual counting when they are in employment, as indicators of ESF effectiveness?

**Jim Knight:** In the end I take what some might describe as a fairly hard line on this, particularly when you start to talk about softer outcomes. The general direction of travel that we have taken as the European Social Fund has evolved, has been to move more and more towards judging effectiveness on the basis of job outcomes. In terms of improvement, in an ideal world, which is something I have some other responsibility to try to take us towards in terms of digital transformation of public services, we would be able to get national insurance data quicker from Her Majesty’s Revenue and Customs so that we could get much closer to real-time job outcome information. That would help us across the piece in the Department for Work and Pensions and that is something we are working on across Government. While we are waiting for real-time job outcome information through the taxation and national insurance system, there are really two ways that we can measure effectiveness and outcomes. One is through what we would describe as longitudinal cohort surveys; basically going back to people and asking them whether they have a job, what they are doing, so that we can measure through that route. We have a certain amount of management information which can inform that sort of activity. We have some good outcomes that we are recording. I did not mention that I am also the Regional Minister for the South West and I can give you some details of that but in my region, for example, alongside those sorts of fairly straightforward cohort surveys which inform our management information, we do also do more detailed impact analysis which involves looking in more detail to overcome the weakness we have with the surveys, which is that in the end you have to make some assumptions about how many would have got into work anyway. With the impact analysis you have a more control group/treatment group type approach where you can see those who have not benefited from the European Social Fund programmes, how they have got on as a control group, see the net effect of the ESF in terms of its effectiveness. For me that is the most important way of seeing the impact of the programmes. The softer outcomes, around whether or not they have got closer to the labour market, are all very well and if we can easily gain that sort of information that is great, that is fine, it helps, but in the end getting close to the labour market does not mean much until you have a job and that is what we want to get people into.

**Q361 Chairman:** We have heard from quite a large number of witnesses about building confidence, working with people who have been in prison, drug addicts, ex alcoholics, the really difficult end of the spectrum, and in fact we have done some visits and seen a couple of projects, not a huge amount to see but we have been and we have talked to people in the South-West as well as others. Clearly, as much as wanting the hard outcome, for people to get a job, it is building that confidence which takes them closer to the labour market and it is how you then measure clearly, when they are into work. However, it takes longer in order to get to that outcome and that is the area where we were interested as to whether or not you were prepared to be looking at the work which was going on to reach the outcome.

**Jim Knight:** Naturally I entirely accept that for many of the disadvantaged groups we are targeting the European Social Fund programmes on, they are going through quite a journey in order ultimately to get that job outcome which I am after. We can agree some of those soft outcomes between the co-financing the organisation and the provider, if we want to be able to track with our providers how they are doing in taking people along that journey. I am more comfortable, again in the spirit of where we have gone in the DWP programmes as a whole and that Alan has been overseeing on the contracting side, with what we describe in the business as black-box approaches from providers. So we are dictating far less to people how they do things and there is a danger with some of these soft outcomes that you might stray into that territory. We are therefore just focusing on what the outcome is right at the end. It should be in the interests of our providers—and there are things we are trialling and piloting at the moment around the rewards in the contracts—but it should be in the interests of the contractors to ensure they are taking everyone down that journey. That is the only way they are going to get the people into work and,
as we move more towards paying on the basis of results and particularly with the accelerator model of payment which we are starting to pilot, then they are going to have to be taking people down that journey and then we do not need to have a pretty subjective process about agreeing what these soft outcomes are.

**Q362Lord Inglewood:** Clearly getting a job is a hard outcome but what about obtaining a qualification? That is tangible, it is hard but it is not a job.

**Jim Knight:** That is a very important area. We are seeking to integrate employment and skills more and you will have noticed from the White Paper that we published in December that we now have agreed—this is outside of ESF—a single skills fund that is a shared fund between ourselves and BIS who have the skills responsibility, for exactly that reason that skills can become an outcome. The bit of theology which is still a little bit up for grabs is the extent to which qualifications should be a direct proxy to taking you down that road. With the development of the qualification credit framework, we are getting much closer to that point of being able to say that we can now start to see people’s progression down the road of acquiring qualifications. If I am frank, there is still more work to be done at the foundation level of skills qualification before I could be completely confident that is a reliable proxy for going down the road of becoming more employable for all of those disadvantaged groups because some of those would be reliant upon those foundation level qualifications and across Government a little more work has to be done to have the necessary confidence in that.

**Q363Chairman:** Lord Inglewood takes me into my next question because it is this area where we heard from a number of witnesses that they would like to do something different with their funding and it is impossible under your rules, the DWP policy, not only at the really hard-to-reach end but some of the higher skills where universities would like to give opportunities to people who cannot get jobs but actually have qualifications. We heard somewhat of this from the South West too as well as from the North where they would like to develop other programmes but that your policies just do not allow it. Do you believe there is sufficient scope in the current programmes for regionally defined priorities to be supported by the ESF? In addition we have heard how successful locality seems to be as against the wider programmes.

**Jim Knight:** I do think there is reasonable flexibility but there is a balance. Across Government we are starting to create the coherence that we need to make this somewhat easier for regions to find out about. I am largely talking about England because obviously Scotland and Wales do their own thing and they get offended if I describe them as regions. I will stick to England. The decisions are made regionally about the allocation of the European Social Fund money and the programmes and then we help out with the procurement, as I understand it, which at times can be a bit of a struggle with some of these European things because I am not the expert that you are. The regions decide. What we have seen over the period, certainly since July, which is, only by coincidence, the period I have been in this post—actually since April—was the New Industry/New Jobs strategy which came out of BIS. We have since had the growth strategy and last week or the week before that it was supplemented with the meeting of the Regional Economic Council and a document published by Peter Mandelson’s Department about regional growth strategies and how those should be put together. We have a statutory process now also for the development of those regional economic strategies. That then does allow for more coherence around being able to say that these are the priorities agreed within the region and our hope and expectation would be that the regional ESF committees would make sure that they have a fit between their priorities and what the overall regional economic priorities should be. Clearly a substantial part of the prioritisation within ESF is helping us meet the skills needs of employers within their region for those disadvantaged people.

**Chairman:** We are going to move on to Lord Cotter who is going to talk about publicising the ESF.

**Q364Lord Cotter:** Publicity is always a challenge and in this particular instance we are looking really to ensure publicity towards the recipients but also towards the public generally, the awareness generally of what is being done. To be specific, you are obliged under the Structural Funds Regulation 1083/2006 to publicise ESF-funded operations. Could you explain what publicity you have undertaken to meet this requirement, how this has been managed, what budget has been devoted to it and how successful you consider it to have been? What efforts might be made to improve public awareness of the ESF?

**Jim Knight:** The budget, which is always a useful starting point, for 2007-2010 is £935,000, of which just over one third, £374,000 comes from Technical Assistance which is, from memory, priorities three and six. That is then spent in a number of different ways. We require all providers to inform participants that they are in receipt of ESF money and that probably does not draw on that £935,000 but that is part of raising awareness amongst the participants. We had a national launch event back in 2007 with the Commissioner. We have done various other events and celebrations and awards; I have one coming up very soon in the South West region to celebrate some of the achievements of the European Social Fund within my region; that is in Exeter, next month. We
sponsor various awards. We have had over 1,000 regional and local press articles that we have used our communications people to place. I go on a whole series of visits and I encourage my regional minister colleagues also to visit ESF projects to give them a little bit of focus. We are using new media, which I know is a particular favourite, things like YouTube, in order to profile things as well. We also have something called ESF Works and one of my very first ministerial engagements in this role was to launch that, which is a website for bringing together best practice. That has also been able to give a little bit of profile to the programme. What I would also say, as something where it would also be helpful to me to get the Sub-Committee’s view in respect of publicity, is that to some extent we have focused a lot of activity on trying to raise awareness of the ESF brand and nail the brand ESF in people’s minds. You could take a view—and there is a genuine question in my mind—as to whether we should focus more on this being European Union money rather than talking about ESF all the time. I gather that there is quite good recognition of ESF as a brand in the North of England, but that is because it is the name of a bus company, so that does not really help us! Whereas I think people understand what the European Union is—some may not love it—but to understand that we are spending £365 million a year of European money on helping people who are disadvantaged get back into work might be a better way of going than ESF, although that is a simple communications task.

Q365 Lord Cotter: Colleagues may want to say what they feel about that question, about being European money and concentrating on that. I do not know what colleagues feel but I thought perhaps £935,000 was not an excessive figure and you said that you do a lot of publicity through more modern means, which presumably you try to ensure do not cost you much money, and spread publicity in that way. There is an issue between the recipients but also the overall issue of public awareness. I would not hesitate to answer a question about how much we should be concentrating on change as a European issue.

Jim Knight: It may not be fashionable to answer a question with a question but—

Q366 Chairman: We have to get you to give the evidence and we are very pleased you have said what you have said to members. What is quite clear is that our Select Committee talks a lot about how we help citizens to understand about the European Union and the benefits we gain as well as the difficulties that everyone sees. We met recipients who knew that it was ESF money but did not know that it was European Union. That is the link which does need to be made and you may well be helping us to make a recommendation about that. It is a useful point. It is not Europe, it is ESF and that is really where the question comes from.

Jim Knight: It is probably worth saying, in order to credit the people who do this work, that as far as the European Union itself is concerned, they regard the UK as one of the best of the Member States in the publicity it does around ESF. I should just get that on the record.

Chairman: There is no doubt about ESF; it is the connection that ordinary folk do not necessarily make which you have made very clear to us and that is very helpful. Thank you.

Q367 Baroness Prosser: My understanding is that your assessment and the assessment of your Department is that there are too many people within the European Union whose skills do not come up to the requirements as we would see them and measure it for what is needed in the 21st century. Do you think that the ESF can address that, particularly given that which we were talking about only a few moments ago, that these programmes are aimed almost entirely at getting people who are really in need of help onto the first rung of the ladder and given that the labour market for the 21st century is going to need people with much more sophisticated skills? Is there a gap there?

Jim Knight: ESF and the programmes which they fund are helping considerably with those groups to address those skills needs. The skills needs of the nation were well addressed first by Sandy Leitch’s work that was published around the turn of 2005-06. That has obviously been the guiding piece of work for us since, in terms of what we do on the generality of meeting those skills needs of the nation. The figures he used were pretty stark about the numbers of unskilled jobs which were going to diminish and the need for us to be able to compete with our international competitors on the basis of ever higher levels of skill. If that is the overall backdrop for thinking about this, if we were then to say that for some people this is just too big a mountain to climb so we are just not going to bother about them, I find that a repugnant attitude frankly and I do not hear it by and large so that is fine. People accept that we have to ensure that the basic skills and foundation skills needs of those who do not have them are met and I was very pleased to be the Bill Minister for legislation which we took through in order to give people entitlements to some of those basic skills. We have a little bit more work to do on the foundation skills side of things. What Skills for Growth has then said at the end of last year is that we just need to adjust that overall analysis that Lord Leitch gave us to give us more Level 3 technical skills because we are not competing well enough on those skills with countries like Germany, for example. In the second half of the European Social Fund, we will be increasing the
amount of Level 3 technical skills that can be gained. There is a skills journey that people need to go on. We have already talked about journeys and sometimes it as straightforward as the entry to employment programmes that ESF funds when it is targeting the NEET groups, that sometimes it is just about engagement, getting people motivated and wanting to get up in the morning and wanting to come to do some activity and then taking them into basic skills work. When I visit and see some of the work, for example the elite sports clubs, premier football clubs and rugby and all sorts of others have done with children and now I am starting to see them do with people who are unemployed, you see them pulling off the trick of pulling the two together, of activity in a highly aspirational environment which almost tricks people into then getting their basic skills along the way. I have an example in my own constituency in the Tank Museum, where they have very successfully done that with ex-offenders. They are mostly blokes and they want to come in and fiddle about with tanks and along the way they get their basic skills qualification in Maths and English. Massively successful and the Probation Service have given it various awards for what it does in that area. Then, once they have acquired those, they then have the confidence, the self-belief, et cetera, and some of the skills, to move into apprenticeship programmes and they can then go on into Level 2.

Q368 Baroness Prosser: You spoke earlier about how a lot of this work links in within the regions and the regional frameworks. Is there any kind of formal link to ensure that the work that ESF does is a stepping stone in a way into the other skills programmes like the Sector Skills Councils or Learning and Skills Councils?

Jim Knight: I guess you touch on an area where, if I had a magic wand to improve the ESF programme, it would be that in the regions we have our Employment and Skills Boards and it would seem a logical piece of rationalisation to have those boards make the decisions about the European Social Fund allocations and then you could ensure that fits definitely happens. In most cases by and large they are populated by pretty much the same groups of people from the same sort of organisations, so it therefore happens. However, it is just a bit weird that they have to be separate for auditing purposes or whatever and it is an area where I am keen that we should be pushing the Commission as we go into the next phase and design the next phase so that we can get that sort of common sense way of administering and allocating the schemes.

Chairman: Thank you; that is useful because we shall be coming onto rationalisation more a little later and its value. Lady Young, you were going to ask about additionality.

Q369 Baroness Young of Hornsey: We have had a number of contributions discussing additionality; some had a very clear view of what constitutes additionality; some made a distinction between additionality and added value just to complicate matters; others perhaps are giving us some very useful examples. I would like you to explain, please, how you assess additionality and to what extent you feel the principle of additionality with regard to ESF is really currently respected by programmes in England? What action do you take if a project looks as though it is not delivering on additionality? Do you believe additionality has become any more difficult to deliver in the context of the current economic climate?

Jim Knight: The definition that I have is the one in inverted commas “contributions from the ESF and the other Structural Funds should not replace public (or equivalent) expenditure by a Member State”. My interpretation then of that definition of additionality is that it should either be on the basis of scale, so we can afford to do a certain number of training places and we can add scale and/or quality. You might be able to add more hours; you might be able to add to the experience. What it is not—which is where you get into added value—is things like child care and it is not things like transport to and from the provision. In terms of my rule of thumb of trying to understand the difference between added value and additionality, because that is pretty murky territory, that is how I try to explain the difference between the two. Yes, additionality is doing more and doing it at a higher quality or more intensely, but it is not the bits around the edges which we need to fund and which are really, really important; I do not want to diminish those. We have things like ‘Care to Learn’, which is funded separately to deal with child care. Those are things which are dealt with in other ways. That was the first question. Where did you go next?

Q370 Baroness Young of Hornsey: The next bit is whether you think on the whole it is respected throughout the programmes? Do you think we do well on additionality or is it something which gets fudged?

Jim Knight: I think we do but partly I am straying into one of your other questions in that I think it is getting harder; partly it is getting harder, to stray into your last question, because of the economic climate. The overall fiscal position means that we are asking for more and more efficiencies and that makes additionality more difficult to prove. If you were a sceptical auditor you might say “In the end you have scaled back funding and then you are adding it back in through ESF so it is therefore not additional”. We have to be able to answer that. The area where we have to be clear to the auditors around additionality is in the convergence funding because across the
European Union the vast majority of funding is spent on structural and cohesion funding. I think that is more straightforward because in the case of England, if you look at Cornwall where we spend £23.5 million, you can look at the provision there, you can compare it say with the other counties of the South West and see the additional effect of that provision. The rest, across the piece, in terms of regional competitiveness and employment objectives, we just have to be sure that we are really clear about the job outcomes that we would have, if we did not have ESF, and how we have added to it through the ESF programmes. That becomes slightly more difficult but we can still demonstrate it and indeed the feedback we get from the Commission is that they are very happy with what we are doing. I know this is the area where I have been banging my head against the desk and Ms Violentano might help.

Ms Violentano: The thing to say about additionality is that the Commission will actually come in and measure it to make sure we have complied with that requirement, as they did under the last programme. In terms of ensuring that it is happening rather than waiting until that end point, it is almost the first question asked by me and my team when new projects, new ideas come forward from whatever source that may be. We challenge where the additionality is in that to ensure that this is not a substitution for what would otherwise be funded from core government funds. It is very much at the top of our agenda that that is our first point of challenge “Where is the additionality?” and, with all due respect to the gentleman on my left, that is regardless of where that idea for use of the ESF comes from. I see that very much as our role and we do bounce that back with the Commission because they will ask us this question as well. They will challenge us on an ongoing basis.

Q371 Baroness Young of Hornsey: So it is monitored constantly rather than waiting until you get to a point where you think “Wait a minute, something has gone wrong”. You do not get to that point?
Ms Violentano: The actual measure is done by the Commission later on but we challenge it on an ongoing basis and we monitor that that is actually the case.

Q372 Baroness Young of Hornsey: So you do not get to a point where for some reason something has gone horribly wrong on additionality?
Ms Violentano: We have not encountered that and I think that is because we have an element of challenge.

Q373 Baroness Jones of Whitchurch: I was just thinking, notwithstanding what you are saying about the Commission ultimately coming in and assessing you, a cynic might say that it is in the Government’s interest to fudge some of this, particularly when finances are difficult, times are hard. The opportunity to do some substitution with some of that money is all too real, is it not? It would save you money on some of your other budgets. So it is not in your interests to be scrutinised too closely or to apply your test that you said you were very keen to apply.

Jim Knight: No-one looking, certainly at the processes which are gone through in Cornwall, but generally, can accuse the Commission of not scrutinising us carefully enough to make sure that we are fulfilling the requirements of the money. They appear extremely rigorous to me and I get pretty robust advice whenever I am tempted to say “Could we not just deal with that through ESF?”. If it is not going to fulfil the additionality criteria, for example, then I am told in no uncertain terms “Sorry Minister, we can’t do that”.

Lord Inglewood: Is there not an intellectual problem at the heart of this? If you happen to be one of those people who think that the European Union is an organisation which we should not have anything to do with, you would then argue that the money which goes in as a contribution would be staying at home and that you would use the money on programmes such as this, but you would then have complete control over what they were.

Jim Knight: Yes. That argument, to run it to its logical conclusion, would be that currently, on the current exchange rates, we receive £365 million from the European Union and we match that with £365 million and the gain we get from being able to spend the £365 million of UK money more flexibly is so much that it outweighs the £365 million that we get from Europe. I do not see that. I do not see that gain is worth £365 million for having more flexibility. In the end, the people who are gaining from the ESF, those ex-offenders, those drug addicts, those people you have been to see in programmes, need that money being spent on them. It is actually quite good for us to ensure that we are spending it on those people and that flexibility is not then, particularly when times are hard during a recession, allowing that money to drift off into those people who are much closer to the labour market. As I said before, I find pretty repugnant the notion that we should leave those people behind. I am not saying you are suggesting that.

Q375 Lord Inglewood: In a sense what you are saying is that it keeps us honest.
Jim Knight: Yes, it gives a focus to that spend which I think is very helpful.
Q376 Lord Inglewood: Which you think otherwise might be vulnerable to other pressures.

Jim Knight: You just would not rule it out that at some point in the future, ministers come and go, things happen, the fiscal position as it is, circumstances might arise where you would be tempted to say “Maybe we can just trim a bit off here and trim a bit off there and fudge things a little here and fudge things a little there” and the effect is that these people we care about who do suffer disadvantage get less good provision.

Chairman: We are likely to pursue you on that answer when we come later to another question; fairly ferociously bearing in mind what you have just said. We are very pleased you have just said what you have said, but you may live to regret it when we get a little further along. We would like to move on to the response to the economic downturn.

Q377 Lord Inglewood: In the evidence we have had, at one end from the Commission and at the other end from those closer to the actual coal face, everyone has said they are gearing up to deal with the problems which have been put in our way by the economic crisis. Could you not say that actually in terms of what the Social Fund does, the Social Fund is not really affected by the economic crisis? The problems that it is dealing with now are the problems it was dealing with before the crisis and will be the problems that will be dealt with once the crisis has gone.

Jim Knight: I suppose it depends which end of the telescope you are coming at. Yes, even in good times there are people who are suffering disadvantage which takes them a long way from the labour market and you need to be able to allocate the resource and commission the programmes in order to be able to help them. At the other end of that—and this goes back to our conversation right at the beginning about job outcomes—is that we want them to get into employment. When the labour market conditions narrow, as they do during a period of recession, that is a tougher proposition because there are not as many jobs for them to chase after. So it is more difficult to do what the ESF is funding us to do during these times and we have been able to benefit from the exchange rate changes we had and to try to target some money to be able to help us to address that and I am pretty satisfied with how they are doing so far on that.

Q378 Lord Inglewood: Just to go back to the first point of your reply, are you in fact saying that for each pound spent in ESF you are actually, in difficult economic times, probably likely to create fewer jobs than you would in an easier time? You said that the job creation was the hard test that you were measuring the outcomes by.

Jim Knight: The job outcomes are hard.

Q379 Lord Inglewood: Yes, so you expect to see the number of jobs created by ESF to decline in the face of the economic problems. Is that unfair?

Jim Knight: Logically that is what you would expect. The reality is what Paul Gregg has described as something a little short of a miracle. The employment story during this recession is a six per cent fall in output compared with a two and a half per cent fall in output in the recession of the early 1990s. To see us having a fall in unemployment in the last employment statistics—I do not know whether it will go up or down next month—is quite remarkable. Similarly, you look at levels of inactivity and in previous recessions those have all gone up; for some of the reasons that were related to this they have remained stable during this recession, which is equally remarkable. Then, when I look at the outcomes from our ESF programmes and the programmes in terms of the employment of people from disadvantage, things look as though they are remaining broadly stable in terms of our contractors delivering against their job outcome targets. That is equally impressive. We have a lot of churn going on in the labour market: 360,000 people left Jobseeker’s Allowance last month. There are lots of people going out of work but there are lots of people going into work and what I am very satisfied by is the success of officials, Jobcentre Plus and our providers, in ensuring that similar sorts of percentages from disadvantaged backgrounds are some of those which are getting into work even during these tough times.

Q380 Lord Inglewood: Again, I do not want to delve into it, but the greater the churn the greater the chance of somebody unemployed finding a job because there is more going on. Anyway I do not want to pursue that further.

Mr Cave: One point is that we have a spectrum of provision which in effect matches almost the degree of distance from labour markets. So we have provision which is very much geared to those who are recently unemployed right through to programmes like Pathways dealing with people on employment support allowance and those who have mental health difficulties or physical difficulties and then ESF, the bulk of which has also been at that harder end. The risk in a recession is that everything pushes to the right and that the queue just gets progressively longer, so that those who are furthest from the labour market do not just get a bit further from the labour market, they get a lot further. You can argue that is what has happened in previous recessions. What we have been very determined to do through the whole range of recession responses, of which ESF has been one, is to ensure that the early months’ strain was taken up by extra provision to stop the risk of it all just
progressively moving further and further to the right. That is what seems to have happened. Provision responses which look as though they are specifically designed for people who have just become unemployed and are job ready, yes, they do do that, but they also have the consequence of preventing the queue getting progressively longer for those further down in the system.

Q381 Chairman: We have heard from a number of witnesses that the queue is getting longer and it is getting longer because smaller programmes are being supported less and that the regional structure and co-financing has in fact deterred some of those smaller voluntary agencies from continuing to run their programmes and they are the sort of programmes where people walk off the street in difficulties and will not go to a government programme. Is that your experience?

Mr Cave: It is of course true that the overall funding available reduced from one programme through to another, so it will be the case that there are some organisations which were previously able to get funding through ESF which are not there. However, the composition of those organisations has not really changed so it is really the case that over half of our sub-contractors, the smaller providers, are Third Sector organisations, many of exactly the local voluntary sort you described and we have quite a few examples of that.

Jim Knight: The note of caution I would give around those points would be that we have deliberately, not just in this area but more generally too, moved to more outcome-based measures of performance going to providers who can give us those outcomes. There are some perhaps who in the past were funded for activity rather than outcomes and some of those clearly would mourn the loss of the funding that allowed them to keep people active, but if they were not getting them into work, then in the end we had to find someone who would do it and that has created a little bit of noise in the system. When I meet the Third Sector providers, as I try to do regularly, the response I get back is that they agree with the move that we have made around outcomes; they think that is the right thing to do. They understand there have been winners and losers out of that but they think of any of the departments across Government, we are developing our relationship with the Third Sector better than any.

Q382 Chairman: We have heard some different evidence and it would be really useful if you could just let us know how you get to the 50 per cent and where the statistics come from. Evidence is what we are interested in and we have had a lot of views as well as some evidence and it would be useful to have that if we could.

Jim Knight: Yes; certainly.

Q383 Lord Inglewood: May I go on in a way which picks up something you mentioned earlier in your evidence which was the fact that there is additional money because of the change in the exchange rates between the euro and the pound. We have had evidence from a number of witnesses that there has been an inordinate delay in being able to get your hands on the cash. We put it to the Commission when we were in Brussels that this was a problem and they batted the thing back to Britain by saying “Yes, European procurement will supply in these circumstances but the way in which the rules are implemented domestically has meant that the delay has been longer than it needed to be”. Do you have any views about that? Do you agree with them, think they have got it wrong?

Jim Knight: The Commission have been really helpful in trying to get us the money and get it to where it is needed but obviously we have all been operating within some rules and some constraints. Around £158 million in autumn 2008 was additional through that exchange rate and that is split broadly half and half between DWP and LSC. Within the £79 million for the DWP, spend of around £40 million went through a new procurement phase because the other thing we could do was scale up existing programmes which did not require us to go through procurement. We were just able to do that straight away and we did do that and it was successful. However, there are some areas where those providers did not have the capacity to scale up to the extent we wanted or they were targeting a particular group which were going to be well enough provided for and we needed to target a different group in that locality so we needed to contract new provision. Normally the rule of thumb—and I tease Alan about it on a regular basis—is that it takes 18 months to go through that procurement process. We did get it down to about 12 months.

Q384 Lord Inglewood: Is this for when you need to do it for a new project?

Mr Cave: That is right.

Jim Knight: Yes. Part of that is around the European procurement rules. They set some minimums which means that in theory you could do it much quicker than 12 months but where we come in is obviously ensuring, through the pre-qualification questionnaire stage, through the competitive dialogue stages, that we can ensure we get good quality out of this and it is properly targeted and it is properly going to do what we want. So we do need to take a little bit of time to get it right, however urgent the situation is in terms of dealing with the recession. That was the DWP side. On the LSC side, as I understand it, you had £26 million spent on nextstep, on the interviews that were
going on with us and then around careers information, some of which was taking place within Jobcentres and then the remaining £53 million through the Response to Redundancy programme which also required contracting. You would get those who were patiently going through the contracting process getting frustrated that it was taking a little bit of time but then others who were benefiting from us being able to roll things out straightaway.

Q385 Lord Inglewood: I suppose it is always the case that we hear the bad news and not the good news. In the context of this, you obviously have to have procurement and you cannot do it instantly; it is quite a drawn-out process but do you think, in terms of the circumstances we are in, the delays have paid benefit by getting better quality provision out than would have been the case had you had a more streamlined process?

Mr Cave: The answer is yes and it relates to two issues which previous questions have touched on: one is the breadth of the providers we have been able to involve in the provision and the second has been the issue of locality which you touched on earlier. To take that one first, in all of our provision now we build in a consultative process which enables local partners, skill boards, whatever it is, really to do their utmost to ensure that when it is applied our provision does meet local specifications and local requirements, the needs of local labour markets. Inevitably that does take a bit of time; it has to be done properly. If anything, we were criticised for shortening that aspect rather more than we are comfortable with in most of our provision but that was a trade-off. On the second bit, we do a lot of work during the period when our bidders who want to take the prime contracts are putting their bids together effectively to introduce a process by which they can understand who the potential sub-contractors are who would best be placed to deliver for population groups that we want helped in those areas. We are quite proactive in that. We run events, we use our website, we have even given advice to Third Sector organisations about how to form consortia and how to get involved in bids and we think that is very important. In the evidence which I will provide on the involvement of the Third Sector, that is directly attributable to the fact that we have over 51 per cent of our sub-contractors—

Q386 Lord Inglewood: We have heard quite a lot of evidence from the regions that actually the way the system is working is in their view too metropolitan-focused and too inflexible. They would say “If you let us get on with it and gave us more discretion, we could actually do all this better and faster”. What is your reaction to that proposition?

Mr Cave: The answer is that we try to do both. We do have to find a right balance between national priorities and a national response to a national recession and local flexibility and tailoring. Our approach and our policy has not been to say “OK, you have it” because that would create its own barriers and own boundaries but to say “There is a national programme now. What can we do to help you wrap around activities that you would otherwise do in an unaligned way to get a bigger bang for those bucks? What can we do to make sure that when we let contracts they have the kind of providers in who really understand your locality and the population in it?” There is bound to be a balance and we try to do both.

Q387 Lord Inglewood: Do you reckon the balance is about right?

Mr Cave: We think it is getting better. In a self-critical way, we still have a lot to learn about it.

Ms Violentano: I should like to make two additional points, one on the procurement aspect. As well as making sure we are getting the quality of provision by going through that rigorous process, it also means that further down the line we can be fairly confident we will not fall foul of any audit issues in terms of the process we actually went through. That would result in us actually not being able to take maximum advantage of the ESF. Also, in terms of the response to the downturn, it is really important that we recognise that existing ESF provision that was already in place was able to flex and respond to the downturn and help those who were coming onto the labour market.

Chairman: We could all pursue some more on this but we had better move on to the medium and long term.

Q388 Baroness Jones of Whitchurch: We have already touched on this. I want firstly to explore just a little bit more what you think in the medium to long term the role of the Third Sector ought to be. Are they somehow an unforeseen victim of the way the schemes work? In contrast to what you have said, they have come to us and said they feel they are being marginalised and excluded by the way the processes are working at the moment so that schemes they used to be involved with are now no longer getting the funding because of things like the co-financing issues, because sometimes they had specialisms in the hardest to reach and that is no longer the area that the funding is focusing on. For our own peace of mind, what is the role of the Third Sector in the future because they are feeling hurt at the moment?

Jim Knight: Some are and some are not. They will continue to have a really important role. There are niche specialisms within Third Sector providers which it is very difficult for the big prime contractors to be able to replicate. They are not just niche
specialisms in terms of particular client groups; they are also niche in respect of geography. The better we get at contracting provision, the stronger their position will be so long as they are delivering outcomes, which relates back to my point about activity versus outcome. In respect of co-financing, just to try to address some of the criticism of that, my understanding of the situation in the past, when it was a situation where you applied with your match funding in your back pocket, was that created a lot of activity with people trying to corral their match funding together, often from somewhere else in the public sector, and that people were judged on their applications as much by whether or not they got their money as what they were then going to be able to do with the clients. Now that we have simplified that by co-financing and coming up with the money centrally, we can get round all of that; we do not have to worry about people’s ability to match fund, we just worry about their ability to help people. That in the end is what we should be focusing on.

Q389 Baroness Jones of Whitchurch: They would say in part that their real added value, what they bring to the table, is being able to work very often with the hardest to reach and to help them on the journey we have all been talking about. However, their specialism is not necessarily that simple task of an unemployed person into work, which is what you are not putting an emphasis on, in a sense understandably, but that is not their specialism, that simple added push to get someone a new job.

Jim Knight: Yes and that is where, in our relationship with the prime contractors and how we are evolving our contracting with the prime contractors, it is important that we are exploring things like the accelerator model of payments, you get more money the more people you get in, disproportionately more, because that then incentivises them to get to the hardest to reach and gets round some of the accusations of parking from the prime contractors. That in turn then should benefit those niche providers, including those who do not necessarily deliver the outcomes but will do the engagement part of the process for the contractor, and then the contractor can bring in another sub-contractor as a main contractor and can then finish the job off and get them into work.

Mr Cave: The system is becoming more demanding; there is no doubt about that. We are holding prime contractors to account for outcomes in a way we have not done nearly so much before. We are not paying them unless and until they get them into work and keep them there to a much higher extent than before. What they will do in turn is to be quite selective about those sub-contractors they use, in order to take people through that journey. We were seeing a lot of learning going on and it is the case that a lot of the prime contractors are learning now that for some of the Third Sector organisations who, for example, have a specialism which is about outreach or about understanding a particular community or about dealing with a particular disadvantage, the sensible thing is to pay them on a kind of fee basis rather than an outcome basis. So a lot of that is going on. The fact of the matter is that there is more competition because the programme budget overall has gone down from programme to programme and because we are putting more pressure on outcomes. Some Third Sector organisations are frankly better than others and the better ones are by and large coming through and finding a lot of opportunities; they are in demand. It is an uncomfortable time; we do appreciate that. What we have been determined to do is to give as many opportunities up front for Third Sector organisations and indeed other specialists to put their stall out, to make connections, to be able to participate but at the end of the day it is really for the supply chains to form and for the performance to come from that.

Jim Knight: The management of the supply chain, ensuring that the Third Sector specialisms are properly deployed, is something that we are wise to having to keep an eye on, particularly as we move to rationalising the number of contractors we directly deal with. As well as the code of practice which is written into the contract, in terms of how the supply chain works, we have also developed something called Merlin, which is much more of an additional piece of voluntary supply chain management that is agreed by the industry as a whole and it has the smaller Third Sector partners sat around the table with the larger ones to agree effectively what that additional code of practice looks like.

Q390 Lord Inglewood: Co-financing means that you are under less onerous auditing obligations, does it not, than you would have been if you had matched funding?

Jim Knight: Yes.

Q391 Lord Inglewood: That is an advantage in itself.

Jim Knight: Yes.

Mr Cave: Yes, that is true. So we take away from the provider organisations a lot of the detailed requirement which now falls on us and on the private contractors, that is very true.

Q392 Chairman: We do not have a question about bureaucracy but reduction of the bureaucracy and simplification is something which has come out in relation to both the Commission end of the issue and the DWP end. We know you need bureaucracy, you need audit trails, but sometimes they can be rather gold-plated and complicated. Are you saying you are
trying to get that as simple as possible? The Commission said they were trying to do this too.

Jim Knight: Yes. I occasionally jest that we could do with an impact assessment of the number of impact assessments we have. The move to try to ensure that the regulation that we are applying, not just in statutory terms but in terms of process, is very strong, very powerful, within Government and external to Government, continues to be a focus in the conversations we have.

Chairman: Baroness Jones of Whitchurch wants to follow up on the green issue.

Q393 Baroness Jones of Whitchurch: Just going back to the medium and long term in terms of where the funds might be going and might be used, we have had the EU jobs and growth strategy document and then the Government's own paper on the EU Compact for Growth and Jobs, all of which are now beginning to emphasise higher level skills and the green agenda, carbon efficiency, etcetera. I wonder how you think that is going to work in practice. Is there not a danger we will spend too much of the funds on higher skilled jobs and new technology which, while certainly in the shortish term investing in low carbon technology has to be a desirable objective, is mainly focusing on higher skills. There are not that many jobs for people doing the base level jobs in new technologies. I just wonder how that is going to skew the way that the money is spent.

Jim Knight: I will just challenge the presumption around the jobs for the future and green jobs all being at the higher skill level. Clearly there will be some very important high skilled jobs in green sectors. If I look in my own region, the National Composite Centre based in Bristol in carbon fibre technology, very high end skills and trying to apply our expertise in aerospace into turbine manufacture. Yes, you can look at all sorts of different examples where, using this country's fantastic science base and then applying it with employers to create things that will give us global competitiveness in the green sectors, is a really important part of the future that we have set out in our growth strategies. However, if you look at something like retrofit in buildings, you have a range of skills which will start from insulation and work up into the boiler scarpage scheme and you obviously need skills to install and take out new boilers, which will be technical Level 3 skills, and insulation is probably a level below that. You can build up a picture where, as we achieve, as I am sure we will, our targets in respect of carbon emission reduction, we have to go and do a lot of that retrofit and I know this is something Ed Miliband in the Department for Energy and Climate Change is working very actively on. That is an example of how we will have the range of skills we need to be developed. As an example, the European Social Fund is investing £2.8 million in a Sustainable Construction Skills Academy in Dartford in order to develop precisely some of those skills in the construction sector, some of which may be at Level 2, a few at Level 3 and we have been explicit in the second half of ESF about wanting to develop more Level 3 skills and this may well be an area where those would come.

Q394 Baroness Jones of Whitchurch: Do you think overall in the future, medium term, if the ESF continues, that we will be talking about a different balance, or higher skills, less spent on the harder to reach, those people really who are finding it very difficult to get a foothold in the job market?

Jim Knight: We have said that in the future we will want some more Level 3 technical skills so to some extent yes, the balance is shifting already. I do think that equally, when I look at the jobs in the future, yes, there are jobs in technology, in advanced manufacturing, in the green sector with a full range of skills; there is going to be a lot of demand for jobs in care and those will again have the full range of skills needs. We have our Routes into Work in the care sector which will generate 50,000 jobs for young people, many of them at relatively low levels of skill. We can be confident that we will still have the jobs and we will still need to develop lower levels as well as the higher levels of skills to meet those jobs, including amongst the disadvantaged groups that we want to help through ESF.

Q395 Chairman: To finish off this point, we did have evidence about people becoming unemployed from building sites, plumbing, gas programmes and being re-trained at a different level in relation to carbon and the European Social Fund being a central plank in being able to do those kinds of programmes. Those were people who might be seen at the lower end of the market, probably coming through hard-to-reach programmes, who have been working, find themselves then in need of the skills. Do you see that as a real part of this programme?

Jim Knight: Yes, I do; obviously as long as it is targetting the right groups and it is achieving the additionality that we have been talking about. I too, in talking to our staff and talking to some of our customers and ex-customers, remember up in Glasgow an individual who had been working at Sun Micro systems and was made redundant and even before he started a claim he was able to be retrained to fulfil his dream of becoming self-employed and working as a tiler, working on roofing. Completely different occupations, completely different level of skill but helped through by early intervention by our systems in order to be able to get on. Those are the sorts of stories we want to hear lots of.
Chairman: We are going to move on now to Lord Wade of Chorlton and begin asking you questions about the Structural Funds in richer Member States and the possible phasing out from the UK.

Q396 Lord Wade of Chorlton: What you will have been aware of is the fact that the Government would like to see, or say they would like to see, the Structural Funds in richer Member States, including the UK, phased out. Clearly this is an issue which concerns a number of the people who have given evidence to us. I would like to ask three specific questions to you on this subject which I will do separately and I would be grateful if you would answer them separately. Which Member States already share your view? How do you intend to build a coalition in support of your position?

Jim Knight: In the past Denmark, the Netherlands, Sweden have supported proposals to focus on the poorer Member States and there is a little bit of an argument about just trying to reduce the overall budget of the European Union and therefore focusing on where need is the most. Recently Estonia has made similar comments, that the richer parts of the EU should not be considering funding. We are continuing to discuss the reform of Structural Funds across Member States and different ministries in different Member States support our position, others support different positions. The emergence of a consensus, as ever with 27, is an interesting process that we have some excellent people in UKRep trying to help us pull off. Right now we are still waiting for the Commission to publish its Budget Review White Paper and expecting a communication from the Commission on cohesion policy in the autumn of this year. How those come out and how they are received are the next really pivotal points in where we go with this.

Q397 Lord Wade of Chorlton: The Commission apparently does not necessarily agree with the position you are taking. How do you respond to its argument that while, in theory, net contributing Member States could finance the types of projects that receive ESF funding, in practice they do not and would not?

Jim Knight: It goes back to our earlier discussions. Some would query whether £365 million, if that is the current price, would be enough on its own, whether we could make it work. I have already said to you that I think at the moment we can get more out of an additional £365 million than £365 million on its own. You then have the bigger picture—which to some extent is for others of a higher pay grade than I to answer on, but he is currently answering questions in the House of Commons—around the amount of money that we pay into the European Union, the overall budget of the European Union and whether or not that should be trimmed back. The ESF in the previous period was larger because the budget was larger. If in the end the view of the 27 and the Commission is that the current fiscal environment means that none of us can afford to continue the contributions that we make and we have to scale back the budget, then you start to come up against a question as to whether or not a smaller ESF is adding sufficient value compared with a Member State on its own. If you went with our proposals that we have talked about in terms of Structural Funds no longer being applied to richer Member States in order to trim the budget right back down, then obviously we would have to look at what mechanisms we have to ensure that we are still looking after those disadvantaged groups that we are concerned about and that we have discussed and that we all agree need to continue to have a priority area. People might be satisfied with various mechanisms that have been used, the PSA-type mechanism,1 but at its hardest end targets we have legislated for on climate change, on fiscal responsibility, child poverty could go down that road. I do not have an agenda on what the answer would be on that right now because we are still quite some way from getting the agreement that we are talking about in order to change the way this mechanism works.

Q398 Lord Inglewood: Are the Government optimistic that they are going to achieve their objective?

Jim Knight: I certainly would not rule it out because of the overall fiscal position that all the Member States of the European Union are in. Yes, I guess the people who have always been net gainers might say of course we have to keep the budget big because we are claiming from it, but that is a moving picture anyway, it is not, and when I look at the situation in the Mediterranean countries, for example the unemployment situation in Spain where we have been doing a little bit of work together as to how we can help each other on that, when I look at the situation in Greece, there have been net gainers from the European Union but things have shifted to the east somewhat so they might have a slightly different view. Where things will end up at a point at which these discussions come to a conclusion, again, in a different place to where I would imagine that I will be, I cannot really predict but I do not rule it out.

Q399 Chairman: May I just put to you some of the points and your own point, if you like, which is that one of the values of the ESF has been that of...
longevity in terms of the application of the funding and that is what projects have found useful in that they are not perpetually going through the rounds, they actually can plan for their projects. We have also been told that there are all sorts of countries, which might be seen as richer by the poorer, where there are slices of that country—we have it here—where there are poor pockets and the Member States learn across. The Commission was very keen on this point about learning across from one to another country and that the UK, if it did not have any funding, might not then contribute to that learning. There are those sorts of issues. The very significant point is that you declined to talk about the devolved nations, but we have heard from the devolved nations and I notice in your submission you talk about consulting with the devolved nations and they, to the contrary, believe that we should not lose the whole of the focus of the ESF funding because it does bring that flexibility and renewal in terms of programmes which they do not see a central government programme being able to continue during the recession. While the broader picture is there in terms of the total Structural Fund, when it comes down to ordinary folk operating ordinary projects, there is going to be quite another journey to go on to take them to the point of understanding these issues. Do you have a response to all of that?

Jim Knight: Of course I have a response.

Q401 Lord Wade of Chorlton: I was going to ask a third question which you have really referred to about what you would do in the event ESF funding is discontinued but I thought that was a rather unsatisfactory answer so I might come back to it, if I may. Clearly it is an issue which is in many people's minds. The Government have made it clear that it is their policy to try to persuade others to stop the ESF to the more wealthy countries and yet you have referred all the way through your presentation so far to the importance of what the ESF now does or such programmes do. It is very clear that something has to be put in its place or be prepared to be put in its place about how you tackle this issue which is now using this money. Are you going to propose that the Government put it up entirely, in other words it is funded directly by the Government under a similar system as it is now, or are there other ways of tackling this issue, either through the educational system, through creating more pull in the marketplace, through assisting companies. There are a number of issues here which I would have thought would have needed to be clarified.

Jim Knight: The answer I have which you will find even more unsatisfactory is that this is of course a matter for future spending reviews. I will try to be slightly more helpful. It is difficult to give you a satisfactory answer when by definition we are saying that these are targeted programmes which are additional to what we can otherwise do. When you then start to answer the question as to what happens if it is not there, then if Ms Violentano is going to carry on with her job as the police of additionality, then I have to answer that it would not happen. In practical terms, if the decision is made that ESF should cease to be, then obviously we do then have that funding which is currently being used to match fund to try to continue programmes. Then I guess governments would look at what other ways there might be for us to do things. For example, we are in the course of starting the process of going to market on Invest to Save. Maybe you would look at whether or not that is a mechanism you could use of financing.
mainly from the Annually Managed Expenditure\(^2\) and use that route. In the end it is up to future spending reviews. I am just speculating in order to try to be slightly more helpful. You would have to find another way but at the moment they are clearly additional and it is right to target those particularly disadvantaged groups. The bigger debate will take place and should take place about whether or not the European Union can continue to sustain itself with its current level of finance.

Q402 Lord Inglewood: In the context of this country and its budgetary arrangements, in the event of the ESF alone ceasing to be, we would actually get a rebate, would we not? So there is going to be a payback to the Treasury; not 100 per cent but two thirds I think. So you are actually having more cash. Jim Knight: You are really testing my knowledge of the rebate and the overall level of contribution that we make and what we then get back.

Q403 Lord Inglewood: The argument that you only have your own co-financing amount to spend on this area is not in fact entirely fair because there is going to be some more cash somewhere in Whitehall. They may, needless to say, not want to spend it on this.

Jim Knight: Yes and if I were to say almost anything in response to that, I would probably get into all sorts of trouble.

Lord Inglewood: That is why I asked the question!

Q404 Baroness Prosser: I think we would have to add into the balance the extra expenditure which would be incurred in keeping people, who hopefully would find employment through these programmes, on some kind of welfare payment. So I do not think these figures are that straightforward.

Jim Knight: Which in the end is why I mentioned whether or not you would use the Annually Managed Expenditure. If Invest to Save is a concept we can test in the market and it works, then it might be that these would be candidates for that. Again, it is a big “might” and I am probably, unhelpfully for me, speculating.

Q405 Chairman: We will leave that and go back to devolved administrations. Hearing as we did their different views, presumably the UK has to go with a common negotiating position to the debate about whether or not the Structural Funds should be redistributed and we assume that is going to be achieved by some negotiation.

Jim Knight: We take part in those negotiations as the UK and the UK Government will negotiate.

Q406 Chairman: What about Wales, Scotland and Northern Ireland?

Jim Knight: They always take a keen interest and occasionally they like to see whether or not they can attend and sit behind.

Q407 Chairman: If they have a different view, how do you come to a common negotiating position?

Jim Knight: Those are the discussions and negotiations that take place between the UK Government and the devolved administrations with the Secretaries of State for Wales and Scotland and Northern Ireland taking a very active role.

Q408 Lord Inglewood: Presumably the UK Government conduct the negotiations and the UK Government take a keen interest in what they are told by the devolved administrations, is that not correct?

Jim Knight: Of course.

Chairman: I think that is what the Minister has just said.

Lord Inglewood: I was just clarifying.

Chairman: I am sure the other administrations are going to be interested in the answer, from what they have told us. Can we move on?

Q409 Lord Wade of Chorlton: Please could you elaborate on the suggestion of the Government that there should be no retrospective enforcement of EU rules on the programmes. Why do you consider this to be undesirable and what action is likely to be taken?

Jim Knight: It is a fairly standard principle for us that if you believe that a rule is not correct and you have taken it down, you do not accept the rule. It is a similar problem that it is clearly highly undesirable that programmes and projects should be audited on the basis of new rules or new interpretations of existing rules after they have set up their systems or even after they have finished. Unfortunately, it is not uncommon for auditors to interpret rules in different ways; we all know that in all sort of walks of life, even as parliamentarians we are stumbling across it. As an example, in the last 2000-2006 programme in order to comply with the financial monitoring requirements projects had to obtain an external audit certificate annually before final payment could be made. A European Commission audit in 2002 said that this practice met requirements, but a further audit two years later said that the first auditor was incorrect and that the system of external audits did not meet the requirement. Then we had a suspension of payments for 12 months by the Commission while alternative arrangements were put in place and that is exactly the kind of thing which makes people very irritated with having to work with Europe. The Commission agrees that it is not a desirable way to carry on.

\(^2\) Note by witness: Annually Managed Expenditure is spending that cannot reasonably be subject to firm multi-year limits, such as benefits expenditure.
Lord Wade of Chorlton: I am glad to hear that. Thank you very much.

Q410 Chairman: We had a discussion earlier on about rationalisation and you suggested a way in which you could see rationalisation. Some of our witnesses have argued that the ESF and the ERDF in particular are misaligned. The Commission notes that ERDF activities can be necessary for the implementation of an ESF project before it can be funded by the ESF. It has also been suggested by some of our witnesses that the various Structural Funds, those as well as the Rural Development Fund and indeed the Fisheries Fund specifically, could be merged into a single mono-fund of European investment. We have heard this from a number of sectors. How well aligned do you think ESF and ERDF funds are? What use has been made of the possibility to fund ERDF activities through the ESF? What is your view of the suggestion that regions or areas should be allocated a mono-fund that would be used for all the types of activities currently supported by the various funds? You get the gist of this.

Jim Knight: I do. There are good examples of ESF and ERDF complementing each other; obviously we cannot double-fund. There are examples in my own region, in Bristol and Torbay and Plymouth. As I hinted earlier on, I think that should get easier as there is greater clarity for RDAs and regional bodies through the new regional economic plans that will emerge through the RDAs and the strategic leaders’ boards agreeing them and there is a statutory process for that and, given that they are then linked through into the growth strategy and the newly rediscovered industrial activism in BIS, it is a much clearer framework for coherence that will then mean that regional skills strategies should be able to fit in more easily and then within that ESF can fit in too. I have already said that I think there is room for rationalising some of the regional structures around ESF and absorbing them and I think that will be helpful. I also, incidentally, think that more flexibility in the future between priorities will be helpful. If you look at priority one and priority two, for example, in my quest for not just any old job outcome but for sustained job outcomes and the integration of employment and skills, to have more integrated programmes around post-employment skills training as well as pre-employment skills training will be very helpful. At the moment the priority one/two split does not exactly help us with that. In respect of the mono-fund, I am not convinced that is the best way to do it. There is merit in the distinctiveness of the labour market focus that we get from the European Social Fund and the ability for it to complement employment and skills strategies. As long as we have created that regional structure right, in terms of the regional economic plan and how the skills strategy fits into that, then we get the gains of the mono-fund without creating some kind of big beast where you cannot be that specific and identify exactly what is going on within it very easily.

Q411 Chairman: So you think that so long as the framework is clear those working within it, who are often the same people—and that became clear to us too—will be able to use those funds in a much simpler and straightforward way, to put it into absolutely plain language.

Jim Knight: Yes and targeting it in those areas of future growth which we need to ensure will benefit disadvantaged groups as much as they benefit everybody else.

Q412 Chairman: May I just ask you another quick question? Just how confident are the Government that the ESF delivery will not be harmed by all the changes of the LSC to the Skills Funding Agency? How are you going to ensure continuity through that change?

Jim Knight: I think it is relatively straightforward, but I am pretty bullish about it because I was the Bill Minister for the legislation which made the change. The adult skills migrate in a pretty straightforward way from LSC to the Skills Funding Agency sitting within BIS. I do not see anything very complicated about that transfer. So the area where there would be most reasonably a questioning of how this will work in the new environment would be around the 16- to 19-year-olds and the targeted NEET work that DCSF leads on. There obviously you then have the local authority responsibilities and the Young People’s Learning Agency responsibilities. The YPLA has been designed as a relatively small ego which is there to co-ordinate commissioning arrangements for further education colleges by and large and that is principally what it is there to do and to make sure, because those colleges have relationships with lots of local authorities, that their commissioning arrangements are clear and they do not have to have lots of different commissioning relationships. The NEET responsibility then really sits with the local authority on a local-authority-by-local-authority basis and we have tried to give them the tools to be able to deliver on that through, for example, giving them their responsibility for Connexions. It is then making sure that the strategic leaders’ board structure can bring together that local authority interest in a coherent way to make sure that then relates through into the regional employment and skills boards and properly represents the interests of resolving the NEET issues.

Chairman: Does anyone want to follow up on this?

Baroness Prosser: I should like to make a comment, if I may? This is an explanation of a simplified system. I say no more.
Chairman: Do you mean the replacement of one quango by three?
Baroness Prosser: Yes. It is very complicated, even for those of us who take an interest in these matters.

Q413 Chairman: That is a comment, Minister, rather than a question. You might want to say something or not.
Jim Knight: I understand that there are those views that are held that it is complicated. It is not going to be easy when you shift from a break at 16 to a break at 18. In the end that is the question you just have to answer: do you believe in making that shift? I think most people, and this is something we have in common with both employers and trade unions, believe that it is right for us to raise the participation age to 18. Having done that, of all the things I have done in my ministerial career probably the most historic will be to have taken through the legislation to raise the participation age to 18. I passionately believe it was the right thing to do to meet the skills needs of the country and to allow individuals to achieve their full potential but making that change is a big thing. We have an infrastructure which is designed around 16 so shifting it is complicated. I am sorry it is complicated but it is.

Q414 Chairman: We have a few minutes and Baroness Young of Hornsey has a couple of questions on your annex. Are you happy to answer?
Baroness Young of Hornsey: If you do not have the answers to hand perhaps you can write to us.
Chairman: It has been so valuable we would like to keep you.
Baroness Young of Hornsey: One of the questions comes back, to use your term “bullish” in a slightly different context, to your approach to the effective outcome being getting a job. Looking down the list of the Lisbon themes in the last grid of Annex A and the allocation of ESF funding to that, there are some areas which are not directly related to getting a job, areas, for example, such as “to reduce gender-based segregation in the labour market, and to reconcile work and private life” “acceptance of diversity in the workplace” et cetera. Some of those aims are not directly related to getting a job. Would you say then that it was legitimate for some of those areas to be squeezed out in the face of the priority which you have identified? That is one question. The other question is about the first grid in Annex B.

Q415 Chairman: Let us take the first question first because it also relates to something you said about the difference between additionality and added value, where we did hear of schemes where there was child care in order to help women get into work, those sorts of schemes in some of the devolved countries. It does link into the question asked.
Jim Knight: Clearly there are examples, discrimination for example, which are massive obstacles to people getting a job. I do regard being able to help address those as being extremely valid uses of resource.

Q416 Baroness Young of Hornsey: They are quite hard to measure though, are they not?
Jim Knight: They are but we are making some effort. I am chairing the ethnic minority employment group tomorrow and one of the things we are discussing there is the blind CV testing that we did in order to assess how much discrimination there may be amongst employers towards people from ethnic minorities. That is a good example of us commissioning work to test whether or not things still existed and they certainly did. I do not think we should be thinking about gender-based segregation or discrimination, and progressing in the labour market as being anything but quite fundamental obstacles to some people in being able to get close to the labour market and get a job.

Q417 Baroness Young of Hornsey: That is helpful. The second question was about the grid at the beginning of Annex B and you may not be able to answer this right now unless you have stacks of statistics to hand. I just wondered about the extent to which what you have achieved cumulatively indicates whether or not you are on track to achieve those targets.
Jim Knight: I have some here.

Q418 Baroness Young of Hornsey: Some of them look as though you might not be and some of them look as though you might be.
Jim Knight: We can probably supplement what you have there in terms of cumulative achievement to May 2009. I have here—and I do not see any reason why I cannot allow the Sub-Committee to have it—a cumulative achievement to November 2009. Obviously up to May it was relatively early days in some of these programmes because you have a period of wind-down at the end of the 2000-2006 period and then things wound up for us and became quite a smooth process of almost seamless moving from one to the other. It is not the case that a lot of these programmes started in 2007. If I just read off the first three lines, we have moved in November in total participants or starts from 492,782 to 951,432 starts in November. In terms of unemployed participants for the same period in May 169,073 to 333,082 in November and the final one—because it gets boring for you after a while I am sure—in May 114,800 for economically inactive participants to 177,774. You see some pretty good growth in that period between
May and November. I am assured and happy that we are working to profile on all of these things. Even the extra programmes that we commissioned using the £79 million out of £158 million, whilst some of those are slightly slower to get going, we are still pretty happy with how those are performing.

Baroness Young of Hornsey: I was just interested in whether you are on track.

Q419 Chairman: Clearly you do have the statistics so could you let the Committee have the new sheet because it is important and it is factual evidence.

Jim Knight: We are happy to do that.

Q420 Baroness Young of Hornsey: It is also whether they are on track. The target for the penultimate category in the results indicators “Participants who have gained basic skills” was 160,000. The cumulative achievement obviously may have gone up but I am just interested to know, it is important for us to know, whether you are actually on track to achieve those targets.

Jim Knight: Just for your information, the figure has gone up by 5,000 to 6,266 in November.

Ms Violentano: There is a technical problem around gathering the basic skills information from the Learning and Skills Council. Where individuals are on a progression path, have done basic skills and have done Level 2, we are only seeing them come through a Level 2 achievement. We have some extra work to do with the LSC, which we can let you have the output from when we have done it, as to what the actual basic skills achieved figure is. It is certainly higher.

Q421 Chairman: Could you make sure that is sent to us as well?

Ms Violentano: We can let you have that when we have resolved that technical issue with those statistics.

Further supplementary memorandum by the Department for Work and Pensions (DWP)

Question 382 and 385: To provide a breakdown of the number of contractors and sub-contractors of DWP ESF funded provision showing the number of Third Sector sub-contractors.

All ESF contracts that have been funded from the 2007–10 funding allocation, including the revaluation money, were procured using DWP’s Commissioning Strategy and approach to engaging the Third Sector which is outlined below.

Commissioning Strategy

— The DWP Commissioning Strategy, published 28 February 2008, is a more strategic approach to the commissioning of employment programmes and sets out our vision for modernising and strengthening the welfare to work market. It outlines a set of high level principles which will simplify and rationalise contracts.
The new contracts will be larger and longer and will focus on strong linkages with local partnerships, improved performance management and outcome-based funding. Increased flexibility will permit providers greater investment in staff and the infrastructure of their organisation. This in turn will allow them to deliver a more personalised, flexible service for our customers, raising the quality of provision on offer and achieving best value for money for the taxpayer.

Flexible New Deal is the first programme to be fully commissioned using the values and principles laid out in the Commissioning Strategy. Phase One went live on 5 October 2009.

Smaller and Third Sector organisations which deliver support for the hardest to help and specialist groups play a valuable role in welfare provision and are well placed to offer services because of their local experience and knowledge of what the community needs. Under Commissioning Strategy principles prime contractors will be expected to ensure that DWP provision is joined up with local partnership arrangements. They will be expected to work proactively with smaller specialist providers.

Capabilities Framework

The capabilities described in our capabilities framework will, collectively, need to be demonstrated by all contractors as part of the contract award. There are elements within that capabilities framework that, realistically, can only be demonstrated by having specialist (often Third Sector) organisations within the supply chain. These elements include local credibility and outreach capability; specialist understanding of sources of disadvantage and strategies to overcome it for all customer groups based on evidence; flexibility and personalisation. The DWP will contract, inspect, manage and intervene on the basis of these capabilities and requirements.

Code of Conduct

In addition the Commissioning Strategy includes a Code of Conduct which spells out the key values and principles of behaviour which the DWP expects of providers together with the responsibilities of prime contractors. It states that the development of smaller sub-contracted providers should be supported and encouraged. All providers are expected to operate in accordance with the Code.

The Code of Conduct was developed in consultation with officials from the Office for the Third Sector and used the principles of the Compact’s Procurement code, and good practice from the Employment Related Services Association (ERSA) code of conduct.

Merlin Standard

The DWP is currently developing an independent industry-led accreditation and information service as part of a two year pilot (the Merlin Standard).

The Merlin Standard is being developed with providers and representative bodies to help evolve successful, high performing supply chains.

Pilot assessments of Flexible New Deal Phase 1 prime providers will begin in March 2010.

Merlin Standard—Background

The Government committed itself to the development of healthy high performing supply chains when it published the DWP Commissioning Strategy. A “lessons learnt” review of the Flexible New Deal phase 1 competition made 22 recommendations for improvements to DWP commissioning and also sought to gain insight into the position the DWP should take going forward to encourage healthy and high performing supply chains. Importantly, there was also an unanswered question about what happens in the event of providers breaching the Code of Conduct.

As a direct response to this, it was proposed that a two year pilot of a “Merlin Standard” should be developed to produce an industry supported accreditation process specifically designed to address the Code of Conduct, taking into account and dovetailing with existing standards and internal processes. In addition there should be an arbitration and mediation function to consider grievances which have failed to be resolved through normal dispute resolution processes.

For the duration of the two year pilot, the contractor selected through Official Journal of the European Union (OJEU) procurement exercise (Carley Consult) will externally host the development of the standard and accreditation process in anticipation of an expected handover to a stand alone industry-led enterprise.
MERICAN SICIAL FUND: EVIDENCE

MERLIN ADVISORY GROUP

— A Merlin Standard Advisory Group has been formed for the duration of the pilot to represent the interests of providers and the DWP in the development of the standard. Representatives from several Third Sector and non-profit organisations sit on the Advisory Group, including ACEVO, Faith Action, LEAP, RNIB and Tomorrow’s People.

MERLIN WORKING GROUP

— An internal DWP Working Group helps to ensure that Merlin dovetails successfully with the development of internal standards and systems.

WAYS DWP ENGAGES WITH THE THIRD SECTOR

— The Third Sector was substantially involved in advising on the Commissioning Strategy Code of Conduct.

— The DWP ran a series of market development events in 2009 for providers and potential providers of all sizes looking to get involved in delivering DWP welfare to work services. Events to link prime providers with existing and potential sub-contractors were held in September.

— The DWP has close links with the Office of the Third Sector, working together to engage the Third Sector in delivering welfare to work services.

— The DWP is currently taking part in the Social Ambassador programme organised by the Office of the Third Sector where Social Ambassadors are attached to different Government departments to explore the role of Social Enterprise. In the DWP’s case, the programme is aimed at our future prime and larger sub-contractors (our primary Third Sector and social enterprise commissioners), as the Department already fully supports the Social Enterprise ethos.

— The DWP has worked with external organisations to deliver specialist workshops with a focus on developing Special Purpose Vehicles (SPVs). These workshops are specifically aimed at smaller organisations to help them compete on an even footing with larger prime type organisations by coming together as consortia and bidding for larger contracts.

— The DWP has developed a standard pro-forma to facilitate initial contact between prime contractors and sub-contractors. This will significantly reduce the burden on sub-contractors during the initial discussion stages with primes.

— The DWP has seconded a member of staff to the Office of the Third Sector (OTS) to join the Third Sector Contracting Unit. The Unit, reporting to a Cabinet Committee, will investigate the barriers faced by Third Sector in gaining government contracts and looking to remove them.

Annex A

PRIME CONTRACTORS

ESF Third Sector Prime Providers

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Code
EoE—East of England
EM—East Midlands
LO—London
NE—North East
NW—North West
SE—South East
CO—Cornwall
SW—South West
WM—West Midlands
Y&H—Yorkshire and the Humber

Key Facts
3rd Sector % of ESF Prime Contracts—21.2%.
3rd Sector % of ESF Contract Starts—19.8%.
3rd Sector % of ESF Contract Job Outcomes 22.6%
3rd Sector % of Contract Values 18.5%

Annex B

ESF Third Sector Subcontractors by Contract

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— Ascend
— BRCC,
— CVS
— Shaw Trust,
— Signpost,
— Millrace IT Ltd (Social Enterprise),
— Cornerstone
— Millrace IT Ltd (Social Enterprise),
— Meridian East,
— Move on East
— Shaw Trust,
— Enable Learning Champions,
— Meadows Partnership Trust,
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|     |             |      | Pathways Community Interest Company |
|     | ESF066201   | TWL Ltd | 8  
|     |             |      | Accent Group,             |
|     |             |      | Dering Associates,        |
|     |             |      | Acorn,                   |
|     |             |      | West Cumbria Trades Hall Centre, |
|     |             |      | Midstream,               |
|     |             |      | Gingerbread,             |
|     |             |      | Bootstrap Enterprises,    |
|     |             |      | The Women's Centre       |
| NW  | ESF062901   | Working Links | 9  
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|     |             |      | Inspired Sisters,        |
|     |             |      | RNID,                    |
|     |             |      | Groundwork,              |
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|     |             |      | Places for People,       |
|     |             |      | Inside Track,            |
|     |             |      | Action For Blind People, |
|     |             |      | Faith Regen              |
| NW  | ESF062601   | Shaw Trust | 3  
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|     |             |      | Groundwork               |
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|     |             |      | Big Issue in the North,  |
|     |             |      | MNT (Neurosupport)       |
|     |             |      | Leasowe Development Trust, |
|     |             |      | Action 4 Blind,          |
|     |             |      | Helena Housing,          |
|     |             |      | VCS Network for Europe   |
| NW  | 4000417     | In Training | 1  
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| NW  | 4000419     | Seetec | 1  
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| SE  | ESF061801   | Scout Enterprises | 3  
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|     |             |      | WEA,                     |
| SE  | ESF061901   | A4e Ltd | 4  
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|     |             |      | Women and Work,          |
|     |             |      | Work in Progress,        |
| SE  | ESF062001   | VT Southern Careers Ltd | 3  
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## European Social Fund: Evidence

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### Code
- EoE—East of England
- EM—East Midlands
- LO—London
- NE—North East
- NW—North West
- SE—South East
- CO—Cornwall
- SW—South West
- WM—West Midlands
- Y&H—Yorkshire and the Humber
**Key Facts**

- % of Primes that have at least one 3rd sector sub-contractor: 67.8%
- % of all ESF sub-contractors that are 3rd sector: 60.0%

**Question 418–419:** *An updated grid for Annex B in the original memorandum*

**Question 420–421:** *The actual figure for basic skills level achieved following on from Q418*

**Key Programme (ESF and Match Funding) Performance Indicators**

<table>
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<tr>
<th>Participation indicators</th>
<th>Target 2007–13</th>
<th>Cumulative Achievement to May 2009</th>
<th>Cumulative Achievement to November 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total participants (starts)</td>
<td>1,790,000</td>
<td>492,782</td>
<td>1,025,914</td>
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<td>Unemployed participants</td>
<td>381,000</td>
<td>169,073</td>
<td>366,829</td>
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<td>Economically inactive participants</td>
<td>311,000</td>
<td>114,800</td>
<td>183,754</td>
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<tr>
<td>Young people not in education, employment or training (NEET)</td>
<td>181,900</td>
<td>84,256</td>
<td>170,017</td>
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<td>Participants with basic skill needs</td>
<td>355,000</td>
<td>64,205</td>
<td>171,856</td>
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<tr>
<td>Disabled participants</td>
<td>19%</td>
<td>29%</td>
<td>24%</td>
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<tr>
<td>Participants aged 50 and over</td>
<td>19%</td>
<td>17%</td>
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<tr>
<td>Participants from ethnic minorities</td>
<td>19%</td>
<td>16%</td>
<td>18%</td>
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<tr>
<td>Female participants</td>
<td>51%</td>
<td>38%</td>
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<th>Results Indicators</th>
<th>Target 2007–13</th>
<th>Cumulative Achievement to May 2009</th>
<th>Cumulative Achievement to November 2009</th>
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<tr>
<td>Unemployed and inactive participants in work on leaving (Priorities 1 and 4 only)</td>
<td>201,000</td>
<td>26,327</td>
<td>66,915</td>
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<td>Young NEETs entering education, employment or training</td>
<td>82,200</td>
<td>37,982</td>
<td>98,334</td>
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<td>Participants who have gained basic skills</td>
<td>160,000</td>
<td>1,226</td>
<td>16,163*</td>
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<tr>
<td>Participants who have gained full qualifications at level 2 or above</td>
<td>174,000</td>
<td>29,896</td>
<td>79,725</td>
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*Source: ESF Management Information, 12 February 2010.*

The cumulative achievement to November 2009 has increased since the figures reported at the evidence session on 2 February, as further data has been received from regional Co-financing Organisations in the meantime.

* The figure for basic skills gained is the most recent figure provided by the Learning and Skills Council. Some regions have not yet reported all basic skills gained so far, and the figure will increase as the Learning and Skills Council reports more basic skills outcomes to the DWP.
Written Evidence

Memorandum by the Department for Employment and Learning in Northern Ireland

INTRODUCTION
1. This memorandum provides evidence to inform the inquiry into the European Social Fund (ESF) by the House of Lords Select Committee on the European Union. The submission is structured around the issues identified in the press notice announcing the Committee’s inquiry. The Department for Employment and Learning in Northern Ireland is the Managing Authority for the Northern Ireland ESF Programme (NIESF) 2007–13.

OBJECTIVES AND FUNDING
2. The overall strategic aim of the NIESF programme is to help reduce economic inactivity and increase workforce skills. The programme budget for 2007–13 is €414 million of which the ESF contribution is €166 million. DEL has made a first call for the period 1 April 2008–31 March 2011, committing £66 million to Priority 1 “Helping people into sustainable employment”; £46 million to Priority 2 “Improving workforce skills” and £2 million to Priority 3—Technical Assistance.

PRIORITY 1
3. The objective of Priority 1 of the programme is to increase employment, reduce unemployment and to improve the employability of those groups experiencing significant employment gaps. Priority 1 aims to help people into work, with particular emphasis on those who experience difficulty in getting into and staying in work.
4. This is being achieved by funding a wide range of project activities for the unemployed including providing action plans, work placements; job search help, advice and guidance, pre-vocational and vocational training, work skills and team working, Essential skills of literacy, numeracy and ICT and work with employers. This priority has been allocated €239 million—58% of the total programme funding for 2007–13.

PRIORITY 2
5. The objective of Priority 2 is to develop a skilled and adaptable workforce by increasing the number of workers qualified to level 2 and level 3; reducing the number of workers without essential (basic) skills; and reducing gender segregation in the workforce. By improving workforce skills, Priority 2 will help increase productivity, enterprise and competitiveness and ensure the right workforce skills for future employment opportunities. Priority 2 has been allocated €168 million—40% of the total NIESF programme funding.

PRIORITY 3
6. Priority 3 relates to the Technical Assistance for the NIESF programme and €7 million has been allocated to this priority.

DELIVERY AND EFFECTIVENESS
7. In tandem with the Department of Finance and Personnel (DFP), who acts as Member State for all European Funding in NI, we have recently completed a thorough review of the programme spending priorities against the needs of existing Northern Ireland employment, skills and economic policy during the economic downturn. The findings from our review have confirmed that the NIESF strategy and priorities remains appropriate and relevant to our local labour market challenges.
8. The conclusions from the review of NIESF were:
   — The strategic aim of NIESF to reduce economic inactivity and increase workforce skills remains valid in the current economic downturn;
   — The NIESF’s inter-related objectives of contributing to employment and skills policies, increasing employment and reducing unemployment, raising the skills levels of workers and ensuring the right
workforce skills for future employment opportunities, will enable Northern Ireland to move quickly
towards economic recovery;

— The activity under Priority 1—helping people into sustainable employment—will support the
European Economic Recovery Plan by continuing to fund activity which concentrates support on the
most vulnerable, specifically young people experiencing disadvantage in the labour market;

— NIESF Priority 2—Improving workforce skills—will support the European Economic Recovery
Plan to match skills to labour market needs by continuing to fund activity to increase the number of
workers qualified to level 2 and level 3, reducing the number of workers without essential (basic) skills
and reducing gender segregation in the workforce.

REGIONAL DELIVERY IN NI
9. Priority 1 is being delivered, during the period of the first call: April 2008–March 2011, by over 70 voluntary
and community section projects. Priority 2 is delivered by the ApprenticeshipsNI government programme
which is implemented by the Department directly.

CONCLUSION
10. The ESF continues to make a significant contribution to supporting economic growth in Northern Ireland
aimed at creating a knowledge-based economy, with a highly skilled, and flexible workforce. It also supports
activity targeted at reducing the productivity gap between NI and the best performing regions in the UK and
beyond by helping to reduce the level of economic inactivity and increasing workforce skills. The Department
for Employment and Learning will, as invited by the Commission, continue to take advantage of the new
programme flexibilities to accelerate required interventions, as appropriate, to respond to the economic
downturn, while meeting their expenditure targets.

30 September 2009

Memorandum by European Trade Union Confederation (ETUC)

1. PARTNERSHIP IN THE ESF

The principle of partnership

The Structural Funds operate on four main principles: concentration, partnership, additionality and
programming.

For ETUC the partnership principle is a fundamental principle in guaranteeing the successful operation of
structural fund measures. High-quality partnerships should be pursued, involving the social partners in every
phase of the funds’ interventions.

ETUC regrets that the structural funds rules don’t set out the partnership principle clearly and, again, rely on
“current national rules and practices”.

Is it to be noted that in the framework of the new Regulations, the definition of the partners is broadened. A partnership can be organised with authorities and bodies such as:

(a) the competent regional, local, urban and other public authorities;

(b) the economic and social partners; and

(c) any other appropriate body representing civil society, environmental partners, non-governmental
organisations, and bodies responsible for promoting equality between men and women.

The new Regulation stipulates that the partnership shall cover the preparation, implementation, monitoring
and evaluation of the operational programmes. Member States shall involve, where appropriate, each of the
relevant partners, and particularly the regions, in the different stages of programming within the time limit set
for each stage.

In the ESF

The Regulation on the ESF strengthens the “good governance and partnership” principles. It stipulates that
the ESF shall promote good governance and partnership. Its support shall be designed and implemented at
the appropriate territorial level taking into account the national, regional and local level according to the
institutional arrangements specific to each Member State.
Moreover, the Member States shall ensure the involvement of the social partners and adequate consultation and participation of other stakeholders, at the appropriate territorial level, in the preparation, implementation and monitoring of ESF support.


Member organisations from the Czech Republic, Denmark, Finland, France, Germany, Italy, Latvia, Poland, Portugal, Romania, Slovenia and Spain answered.

PART 1. General Involvement of Social Partners in the Present Programming Round

1. Analysis of current priorities
   — In general, member organisations consider that the priority areas of the Operational Programmes are well chosen to promote employment.
   — However most of them consider that given the present economic crisis they should be strengthened and/or re-orientated.

2. Involvement of Social Partners
   — Almost all member organisations answered positively to the question.
   — However, almost all of them don’t consider that the needs of the Social Partners were taken sufficiently into account.
   — It has to be noted that they consider that consultation was mostly formal.
   — Concerning the calls for proposals, half of them are informed in an appropriate way of the launch of the calls, above all at regional level.

3. Improvement of the procedures to access ESF resources. Suggested practical measures.
   — All member organisations answered positively and made the following concrete proposals:
     — To reduce bureaucracy.
     — To decentralise even more.
     — To create statistics to measure the progress of getting the target within a programme/project.
     — The use of a language understandable to all.
     — More premise guide line, the interaction with the Management Authority more flexible and increasing the involvement of the Management Authority in helping the social partners to develop ESF projects.

PART 2. ESF Support to Recovery

1. Were any of the Social Partners’ Joint Recommendations presented to the Employment Summit translated into actions?
   — Member organisations of Portugal, Latvia, Italy, Denmark and Romania gave negative answers.
   — Germany: ESF measures in Berlin and Brandenburb as well as Saxonia already take into account the priorities the European Social Partners recommended.
   — France: In June 2009, the national monitoring committee decided to give the priority to the projects [to train instead of dismiss] and the projects in favour of jobseekers, but it is too early to know which are the concrete results of this decision.
   — Poland: All, except for youths.
   — Finland: The target group has been widened to unemployed and lay offs.
   — Spain: measures have been taken to give the priority to the training of workers with difficulties to find a job—Qualification of unemployed in specific and strategic sectors—Increase the programmes of mixed training (training and employment)—support to SME.
   — Czech Republic: in line with some “anticrisis” measures and also in line with recommendations, new calls reacting on the needs of people negatively impacted by crisis have been opened. Not specifically in framework of the ESF projects then the (current) government submitted other measures like
improving unemployment benefits (we support), lowering of the social insurance payments for employers (we oppose), contributions for those who are going to buy new cars and so on. On the other hand it seems to be impossible for the government to endorse infrastructure and other investments to economy (reason (fake?) is the growing deficits of public finance). We are even confronted with attempts to cut investments to science and research.

2. Are new priorities needed to respond to the crisis?

— Almost all member organisations consider that they have to be adapted to the present situation of economic crisis.

— They are of the opinion that the ESF should focus on the following objectives:
  — To focus on support to women, young people, older workers, most vulnerable groups and “non standard” workers (atypical contracts).
  — To define the contents of “training in times of crisis” on the basis of discussions on trends in sectors and regions.
  — To set up Observatories of the labour market.
  — To disseminate good practices.
  — To strengthen the social dialogue through joint trainings for social partners.
  — To ensure the link between the European Social Fund and the European Regional Development Fund.
  — To ensure a coherence between the European Social Fund and the European Globalisation Fund.

Memorandum by the Ministry of Labour, Social Affairs and Family of the Slovak Republic

In reference to your letter of 17 July 2009 we are sending you our response to the questionnaire aimed at identifying the shortcomings and the direction of the ESF. Our responses may be divided into the general part and proposals.

GENERAL PART

In view of the ongoing processes of actual convergence in the new Member States we believe that the role of the ESF should be maintained also beyond 2013 and should be focused on the support for employment in order to increase the competitiveness of the economy. To put it differently, the ESF should be directed, to a greater extent, at the enterprise community which is capable of the production, export, innovations, etc. and, to a lesser extent, on the unemployed losing jobs owing to failure of the management incapable of managing its business.

By focusing on the functioning enterprises we will support their competitiveness, which entails, inter alia, job creation, that is, for those who become unemployed through the fault of incompetent management. This holds true at a time when the market is not affected by the financial and economic crisis.

At a time of a financial and economic crisis the ESF is a tool that the Member States of the European Union will use to tackle the effects of the crisis in connection with retaining jobs. Considerations of supporting new job creation or even of supporting micro enterprises in doing business through a repayable financial assistance is wrong in our opinion, because the micro business as a family business does not comprise the principal group that should help tackling problems of the crisis. The support should be focused on SMEs, which make products directed for export, i.e. for the EC common market and also beyond. If ESF was to support the above, a mechanism should be specified of joint financing of projects from ESF in parallel with ERDF.

PROPOSALS FOR THE DIRECTION OF THE ESF:

— Retaining employment, new job creation and mobility support;
— Deepening the education with the labour market needs;
— Improving the access to employment.

To this effect it would be desirable that the regulating provisions for the ESF implementation specify more accurately the demarcation line for the ministry of education in relation to the ministry of labour since one ministry is proving education while the other is responsible for deepening training in the business sphere.
From the experience of tackling the effects of the crisis on employment we recommend to focus the ESF, also in the ensuing programming period, on enabling to create the tools:

— for the support of maintaining employment—as a contribution;
— for the support of the creation of a new job—as a contribution;
— for complementarity of the wage—as an addition to the minimum wage;
— for the support of self-employment—as a contribution;
— for the support of public administration in setting up municipal enterprises—as a contribution.

We propose to link the above tools with the possibility of financing of capital expenditure in a way allowing one project to be financed from two structural funds—ESF and ERDF.

September 2009

Memorandum by Off the Streets and into Work (OSW) (supported by St Mungo’s, Crisis, Connection at St Martin’s and Broadway)

About OSW

OSW is a registered charity that tackles homelessness by empowering individuals to access education, training, volunteering and employment opportunities, and to move into their own home in the private rented sector. We provide a range of direct services to help homeless people into employment or training, based on a highly personalised and aspirational job coaching model. We also work with a variety of other specialist agencies who deliver co-ordinated services as part of our programme.

Based on our research and experience of service delivery, OSW aims to influence policy makers, service providers and homeless people themselves, so that individuals can chart a clear, co-ordinated, supported route out of homelessness towards independence. By linking policy and practice, we test new approaches and generate new ideas, which are promoted widely to policy makers, service providers and homeless individuals.

Our Response

This response has been drafted by Ian Perkins, Director of Development at OSW, with the input and cooperation of the following partners: St Mungo’s Association; Crisis; Connection at St Martin’s and Broadway. It does not aim to address all of the inquiry questions, rather those where we have relevant evidence from the homelessness sector.

Question 1

What is your view of the current objectives of the European Social Fund? Does the available funding align with those objectives? How appropriate do you consider the balance of projects funded by the ESF to be?

1.1 The 2007–13 Operating Programme (OP) states that within Priority 1 “there will be a particular focus on people with disabilities and health conditions, lone parents, older workers, ethnic minorities and young people not in education, employment or training.” In our view, these measures of disadvantage are too restricted and narrowly defined, creating a situation where other measures have been overlooked or de-prioritised by CFOs in the development of regional plans and funding prospectuses. Homeless people, for example, face a range of additional labour market disadvantages such as drug and alcohol dependency, a lack of social networks, problems with confidence and self-esteem, long-term debt, and transient, unstable and “chaotic” lifestyles. Indeed, as the DWP itself notes in its Research into multiple disadvantaged groups in ESF Objective 3, “single homeless people often have a wide range of needs which can both contribute to and be exacerbated by their homelessness—and all of which can be positively addressed by engagement in learning and skills.” It is essential, therefore, that ESF services commissioned by CFOs do not exclude people who may need extra support, for longer durations.

1.2 The 2007–13 OP states “the programme will focus EU funds where they can most effectively add value to national and regional resources and strategies”. However, we feel that in recent years there has been an increasing blurring between added value and substitution within the funding prospectuses of CFOs. Over the past decade, funding from the EU, and in particular ESF, has made it possible for voluntary sector organisations to provide targeted services that help disadvantaged people develop skills, improve their employability, and for some, move into work or mainstream learning provision. From our experience, as
pressure on mainstream budgets intensifies, CFOs now place an overwhelming emphasis on the actual achievement of PSA targets such as full Level 2 qualifications and jobs, rather than supporting the hardest to help to progress towards the mainstream and ultimately contribute to national targets.

**QUESTION 2**

*What has been your experience with the operating rules of the ESF? What has worked well? What problems have you encountered and how might the process be improved?*

2.1 The 2007–13 OP suggests the Co-financing system has made it simpler to access ESF by removing the requirement on applicants to supply their own match funding. Although this is clearly a distinct benefit to applicant organisations, many of our smaller network members report application processes that have become unnecessarily complex and impenetrable. Our own experience shows that for those successful in acquiring ESF, the Co-financing system has in fact significantly increased the bureaucratic burden on providers due to a failure to align the substantial management and monitoring requirements of ESF and the CFO. This clearly contradicts one of the main objectives of the Co-financing system and, at best, takes providers away from delivering services to beneficiaries. At worst, the ever-increasing burden of paperwork endemic to ESF delivery excludes smaller, specialist providers and creates a barrier to participants already distrustful of government bureaucracy.

2.2 The 2007–13 OP states the Managing Authority will provide CFOs with guidance on good practice, including how to work effectively with voluntary and community sector organisations. We believe it is not a lack of guidance that is the problem, but an inability or unwillingness of some CFOs to implement best practice principles. Indeed, OSW and our partner organisations have experience of many practices that breach the conditions of the Voluntary Sector Compact, particularly in relation to payment arrangements and the sharing of financial and operational risk. The regulations of the European Commission and European Structural Funds are often cited as a reason for these non-compliances. We firmly believe all CFOs must be required to apply the principles of the Government’s Compact with the voluntary sector. The procurement and contracting procedures of CFOs should strike a better balance between risk and reward and CFOs should not seek to manage their risks at the expense of the provider.

**QUESTION 3**

*How effective do you consider the ESF to be? How is that effectiveness being monitored? And how is that information on effectiveness being used and shared?*

3.1 It is difficult to make an informed response to this question. We are not aware of any regularly published information from CFOs analysing the impact of the 2007–13 programme. Indeed, the lack of consistent data collection systems and methodologies across CFOs will make meaningful analysis difficult. Despite the welcome principle of “capture once and use many times” highlighted in the 2007–13 OP, we are concerned most CFOs have a long way to go before this is achieved. Our experience suggests that data collection and reporting requirements are different not only across CFOs, but also within some CFOs. For example, between mainstream and ESF programmes and between the local and regional programmes of LSCs.

**QUESTION 4**

*How successfully have national and regional administrations worked together in delivering the ESF, where appropriate?*

4.1 In recent years there has been evidence of better collaboration and strategic planning between CFOs in London. The work of the London Skills and Employment Board and the priorities of the Skills and Employment Strategy for London 2008–13 have helped in this regard. We are concerned, however, that there remains a high potential for tension between the regional priorities of the Mayor and the regionally translated national priorities of the LSC and DWP. The application of the DWP’s national Commissioning Strategy to ESF procurement and contracting has seen a further erosion of local responsiveness and flexibility. Increasingly, delivery is managed through a relatively small number of “prime contractors” leading a supply chain of sub-contractors across large geographic areas. The risks inherent within the new contracting and payment mechanisms mean that only large organisations can afford to invest upfront, but these organisations often lack access to the most vulnerable job seekers. There is a fear within the provider community that ESF resources will increasingly be channelled through large contractors incentivised to “cherry pick” those participants who are easiest to help, whilst “parking” the hardest to help in the pursuit of a rapid return on investment.
ESF has historically been the main funding source for services addressing the needs of those furthest from the labour market. Since the establishment of co-financing arrangements and prime contracting structures, ESF has increasingly been closed off as a flexible and responsive source of funding.

**QUESTION 5**

*How useful has the ESF been as a tool to respond to the financial crisis? How might its usefulness in responding to the current crisis be improved, and how might it be amended to ensure that it is able to respond more effectively to a changing economic climate in the future?*

5.1 AS unemployment rates rise, there has been increased investment at national and regional level targeting support at those at risk of redundancy or who have recently lost their jobs. Whilst this is wholly reasonable and appropriate, there is a risk ESF resources will be diverted away from the long-term unemployed, many of whom face multiple and complex barriers to employment. We firmly believe ESF resources should be used to address the needs of participants not well served by mainstream programmes. Without it, we will see a growing “underclass” of the unemployed who are consistently overlooked by successive welfare to work initiatives. The 2007–13 OP states “the programme will focus EU funds where they can most effectively add value to national and regional resources and strategies.” However, in recent years there has been an increased blurring between added value and substitution within the funding prospectuses of some CFOs. As specific recession measures put even greater pressure on mainstream budgets, the risks of substitution are further exacerbated.

21 September 2009

**Memorandum by West Midlands Leaders Board**

**OBJECTIVES AND FUNDING**

1. **What is your view of the current objectives of the European Social Fund? Does the available funding align with those objectives? How appropriate do you consider the balance of projects funded by the ESF to be (for example the volume of projects designed to increase the adaptability of workers as compared to those designed to reinforce the social inclusion of disadvantaged people)?**

Over the successive ESF programmes the objectives have in the main remained constant with a focus on supporting disadvantaged groups, tackling unemployment and up-skilling the workforce to improve adaptability and flexibility. In the West Midlands these objectives remain relevant today to address increasingly high levels of unemployment and in providing support for the restructuring of the economy.

The simplification of the programme and the identification of two priorities has made these objectives clearer. However there is still a perception that Priority 1 is exclusively for unemployed people and it would be helpful if ESFD could provide additional guidance and information to raise awareness and understanding.

During the second half of the programme, the increase in the proportion of funding that can be used for higher level skills is welcomed, and this will enhance the linkages with ERDF and support the development and diversification of the regional economy.

In addition to this change this region would benefit from the introduction of increased flexibilities in the funding parameters within Priority 1. The ability of a region to determine the percentage allocation for NEETs and adult provision would enhance responsiveness and would enable ESF to be more responsive to prevailing conditions and the investment strategies of a range of partners. Furthermore, a review of the limits defined for Community Grants would also be beneficial. Community Grant activity has proved successful in reaching and supporting groups that are the hardest to reach and flexibility to increase the financial allocation above 2.5% together with the flexibility to provide grants greater than £12,000 annually, would further assist this target group and build the capacity of the Third Sector to deliver co-financed provision.

**DELIVERY AND EFFECTIVENESS OF THE ESF**

2. **What has been your experience with the operating rules of the ESF? What has worked well? What problems have you encountered and how might the process be improved?**

Within the West Midlands, ESF has provided an opportunity for the Learning and Skills Council and the West Midlands Local Government Association (now known as the West Midlands Leaders Board) to develop a unique partnership for the management of ESF funds in the region. This partnership supported by ESFD and Government Office West Midlands and acknowledged for its best practice has enabled the LSC to work with all local authorities within the region to determine funding strategies and priorities and to ensure that these funds are used to maximise impact in the region.
Operationally, the simplification of the programme has enabled CFOs to improve the delivery and performance management of the programme. However, delivery of Priority 1 specifically, support for unemployed and disadvantaged adults has been adversely affected by changes to national policy and the plethora of funds and initiatives that have been made available to support this group. It is clear that a more coherent approach to the delivery of the national strategy for tackling worklessness is needed. In developing a more coherent approach, policy makers must take account of ESF and ensure that effective communication strategies are established with partners and stakeholders in order to eliminate potential duplication and overlap.

The flexibility to use grants in addition to OCT as a mechanism for commissioning has been welcomed and has assisted this partnership in responding quickly to changes in the economy.

Technical Assistance has proved essential in supporting the delivery of the Co-financing Plan, however the matching of the Technical Assistance programme is difficult and this limits the funding that can be utilised and deployed. It would be helpful if Technical Assistance funds could be incorporated as a ring fenced element of the main priorities, this would enable the co-financing match to be found more easily and would increase the number of projects supported. As an alternative, consideration could be given to the introduction of a higher ESF intervention rate for the Technical Assistance programme.

3. How effective do you consider the ESF to be? How is that effectiveness being monitored? And how is that information on effectiveness being shared and used?

In the West Midlands, NEET and provision to supported individuals affected by redundancy have proved very effective. The redundancy provision delivered through Unity (a consortium of trade unions) is widely acknowledged for best practice and to date the project has supported 5,000 individuals to retrain and seek alternative employment. In addition, Community Grant delivery has been effective in assisting the hardest to reach groups.

The effectiveness of the programme is monitored rigorously by the LSC/West Midlands Leaders CFO Board. This Board which includes Jobcentre Plus and the National Offender Management Service, meets on a monthly basis to determine the strategic direction of the programme and ensure that financial and operational targets are achieved. Performance information is reported to the Regional Programme Monitoring Committee on a quarterly basis and regular meetings are held with Government Office West Midlands and ESFD.

A Joint Regional Strategy for ESF Communication and Publicity has been developed by partners and a regional steering group that includes LSC, Government Office West Midlands, Jobcentre Plus, West Midlands Leaders Board has been established to ensure the effective exchange of information and to ensure coverage is maximised. Technical Assistance funds have been used to commission a PR Agency who on behalf of all partners, co-ordinate and facilitate events and press coverage.

The region has recently commissioned an impact assessment of the programme and this study will be used to inform future strategy, policy and approaches.

4. How successfully have national and regional administrations worked together in delivering the ESF, where appropriate?

Overall the programme is managed well and both ESFD and Government Office West Midlands provide guidance and support as required. The regular Article 13 and KIT Meetings have proved particularly helpful in resolving funding and policy issues.

To ensure linkages between ESF and ERDF in addressing these structural issues, it would be helpful if both funds were managed by the same body in the region, such as the Government Office.

An area of improvement that would assist the partnership and the region in managing the programme would be the sharing of performance data and management information from all co-financing organisations. To illustrate this point, to date DWP and Jobcentre Plus, have been unable to provide detailed information on the delivery and impact of their programme in the region and as a result partners have not had a complete understanding of the gaps that exist in the delivery of provision at client and geographical level. A potential solution to this issue could be that Jobcentre Plus manage contracts regionally with Government Offices supporting the co-ordination of this process and enabling a fully integrated regional approach. The identification of this and resultant solutions could be used to inform the integration and management of the National Offender Management Service CFO Plan.
5. How useful has the ESF been as a tool to respond to the financial crisis? How might its usefulness in responding to the current crisis be improved, and how might it be amended to ensure that it is able to respond more effectively to a changing economic climate in the future?

The flexibility of ESF has been beneficial to the West Midlands in addressing the economic downturn and has assisted the region to respond effectively. The revaluation process and the extra funding made available by the LSC has provided valuable funds for the region during this challenging period.

The learning gained at the time of the collapse of MG Rover and the use of ESF at that time, has enabled the LSC to progress commissioning activity quickly and ensure that a range of provision is available to support the employers and individuals affected.

However it should be noted that as a result of the economic downturn, the operational programme outputs for sustained employment will be more difficult to achieve and the opportunities to assist those furthest away from the labour market into employment will prove increasingly challenging. Similarly within Priority 2, there is a need to consider whether the easing of the qualification output should be applied in the short term, as experience shows that employees within SMEs require shorter courses or part qualifications to either sustain employment or alternatively re-enter the workforce following redundancy and this is at odds with the full qualification criteria for this priority. This easing would also support the current reform of qualifications and support unitised attainment that is now available through the Qualifications and Credit Framework.

6. How might the potential of funds deployed via the ESF to promote life-long learning, skills for new jobs, security of employment and flexible labour markets across the UK and EU be improved?

The increased focus on higher level skills is welcomed as this will improve linkages with ERDF to address regional needs and is more readily differentiated from existing provision. Further links with ERDF could be embedded if there were a requirement for an agreed proportion of the programme to provide skills support for emerging new or growth sectors as identified through ERDF priority 1. However, it should be noted that listed qualifications for skills development in new sectors may not always be available due to the development and accreditation process and as such appropriate outputs to measure the progress of individuals in gaining relevant skills in new sectors may require review and agreement.

To further enhance linkages with ERDF, ESF could be used to deliver Entrepreneurship Training within Priority 2, and this may require the development of “businesses support” style outputs rather than the qualification focused outputs that are currently used for this priority.

The impact of ESF on the Lifelong Learning agenda may need to be considered in context to the emerging approaches and mechanisms for delivering qualifications to individuals i.e. the adult entitlement and skills accounts.

7. What contribution can the ESF make to the EU’s renewed Jobs and Growth Strategy post-2010, including the European Employment Strategy? How can the EU best contribute to “jobs and growth” in the period 2010–2014?

As the UK emerges from the recession, Government will be required to review public spending budgets and priorities and as such it is likely that ESF will continue to play a prominent role in supporting economic diversification and growth and social cohesion. As a result the programme will need to focus on the industrial sectors which offer employment and growth opportunities for the future as prioritised within regional economic and skills strategies and work with identified groups who are most at risk of disaffection.

8. Bearing in mind the depressed economic context and the EU’s budget review which is intended to consider spending priorities post-2013, what do you consider the role of the ESF should be, if any, post-2013? On what sort of priorities should it focus, and how might it most effectively complement, rather than duplicate, other spending programmes?

Whilst it is highly likely that post-2013 the West Midlands economy will have recovered from the recession, it is anticipated the challenges of a restructuring economy will remain and interventions to reduce the high levels of worklessness within a number of inner city areas will continue to be a priority for action.

BACKGROUND TO RESPONDENT

The West Midlands LSC Regional Office and the West Midlands Leaders Board are unique in England being the only such joint Co-financing Organisation partnership. The partnership ensures that there is commissioning aligned to the objectives of national funding policy balanced with the needs of local government area agreements and the city strategy.

September 2009
Memorandum by Women Like Us

1. **What is your view of the current objectives of the European Social Fund? Does the available funding align with those objectives? How appropriate do you consider the balance of projects funded by the ESF to be (for example the volume of projects designed to increase the adaptability of workers as compared to those designed to reinforce the social inclusion of disadvantaged people)?**

1.1 **Coupled parents**

The ESF prioritises a group of people they believe to be most disadvantaged, which includes lone parents but does not mention coupled parents. Nearly half of all children living in poverty live in a coupled household. We believe that these parents need additional support to get back to work and should be included in the target groups, especially in the economic downturn.

2. **What has been your experience with the operating rules of the ESF? What has worked well? What problems have you encountered and how might the process be improved?**

2.1 **Paperwork**

For the client

The aim of the ESF funding is to support those who are unemployed or have become inactive in the labour market. In particular, it focuses on people who are most likely to face disadvantage or discrimination. It is this very client group that are very uncomfortable with filling in paperwork due to a lack of confidence with their literacy skills. This can provide a barrier for clients pursuing their involvement in a programme. Some programmes require the client to fill in a nine page document before they start and others just two. We appreciate that there needs to be a registration process but every effort needs to be made to make it as accessible as possible for the client group.

For the provider

Each organisation that matches the funding with the ESF have their own forms, collecting most of the time the same information but presented in very different ways. The projects all use ESF as match funding but have hugely different paperwork/evidence requirements. This makes it much harder than necessary (considering most projects are effectively setup with the same objectives) for providers to be flexible both in terms of efficient delivery and being able to easily match clients to projects/services which best meet their needs. As most providers will have multiple contracts there are increased administration costs in collecting the same information for the different commissioning organisations. It would be more streamlined if the ESF and their partners had a core form to collect information.

2.2 **Additionality**

In terms of additionality, there needs to be greater alignment between London co-financing bodies to ensure that clients can receive a more seamless end to end service. Currently many of the programmes duplicate service offers, which can limit the range of distinct services offered to clients. As eligibility criteria for programmes also differ widely, certain client groups are unable to process through different programmes e.g. coupled mothers are entitled to access ESF provision through London Councils co-financing programmes pan London yet DWP has only in 2009 offered provision for this client group, and within a restricted geographical area.

2.3 **Length of Contracts**

In order to best help those furthest from the labour market, programmes need to be commissioned for at minimum two years. Contracting can often squeeze this into eighteen months within which six month sustainable job outcomes need to be delivered. This only allows twelve months for delivery which pushes providers to focus support on those clients closest to the labour market.

1 October 2009