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Making it work: the European Social Fund

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(Q) refers to a question in oral evidence
(p) refers to a page of written evidence

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SUMMARY

Our inquiry into the effectiveness of the European Social Fund (ESF) was launched against an evolving EU backdrop, with the financial crisis and increased unemployment looming large and the successor to the Lisbon Strategy, Europe 2020, being drawn up.

The ESF is an important tool at Member States' disposal to help improve employment opportunities for workers in the internal market, based on partnership. Key to this role is the concept of developing individuals' employability, above all through targeting the hard to reach and the low skilled.

Currently, there is an excessive emphasis on hard outcomes (e.g. numbers into employment and the obtaining of qualifications) over soft outcomes (e.g. interim steps on the path to employment such as acquiring skills and confidence building). Above all, we believe that the greatest value of the ESF lies in improving participants' employability and helping them progress towards, and ultimately move into, employment. We therefore disagree with the Government's rigid approach of increasingly withholding payment from providers unless they get people into work and keep them there.

Moreover, it is essential that, allied to Member States' efforts to make people more employable, there are sufficient jobs available for people to move into. It is not enough simply to provide ESF participants with the skills they need for work; more and better jobs are also needed. National government job creation programmes must therefore complement ESF programmes, and the European Regional Development Fund (ERDF) too has a role to play in helping to create jobs. The ERDF must be closely aligned with the ESF to ensure that the two can be used effectively alongside one another.

During the course of our inquiry we were struck by the worth of the ESF for all Member States. In particular, we agree with the Commission that the ESF is a concrete expression across the EU of solidarity among all of Europe's citizens. Futhermore, we do not support withdrawal of the ESF from the UK and other more prosperous Member States, at any rate not without a clear indication of what would follow in its place.

It is essential that existing and future ESF projects, and the money directed towards them, are considered in the context of domestic schemes, many of which have similar aims to ESF-funded provision. Regional flexibility is of the utmost importance for the successful operation of the ESF and we consider that regions should have greater flexibility to decide how the ESF can best improve people's employability within their specific local context, while recognising the national and European nature of the Funds.

As the financial crisis has shown, the ability to alter programme targets and move funding between projects and priorities with greater flexibility is desirable. There is however a balance to be struck between flexibility and the need for accountability, as well as avoiding unnecessary and unwelcome alterations in the focus of funding.

Making it work: the European Social Fund

CHAPTER 1: INTRODUCTION

Aims and objectives of the European Social Fund

1. The European Social Fund (ESF) is one of the EU's main Structural Funds and has been in place for over 50 years. Its aim is to improve employment opportunities for workers in the internal market. Two EU Regulations provide the framework for its governance, the first of which applies also to two of the other Structural Funds,[1] and the second of which is specific to the ESF and its current programming period, which runs from 2007 to 2013. As this second Regulation makes clear, there is still a strong emphasis on the original aim of the ESF—it must be used to contribute to the priorities of the EU as regards strengthening economic and social cohesion by improving employment and providing more and better jobs. It is also intended to support 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.[2] The current legislative basis of the ESF is contained in Articles 162–4 and 175 TFEU (Treaty on the Functioning of the European Union).

2. Within the UK there are separate programmes for England, Scotland, Wales and Northern Ireland.[3] In England, the focus of the ESF programme has been narrowed further to support two key priorities: extending employment opportunities and developing a skilled and adaptable workforce (p 209). Each English region develops its own regional ESF framework.

3. The ESF is part of EU cohesion policy, which concentrates on reducing inequalities between different regions of the EU. Under this policy, the ESF contributes to two main objectives: the convergence objective and the regional competitiveness and employment objective.[4] The former promotes growth and job creation in the least developed Member States and regions thereof; Cornwall and the Isles of Scilly and West Wales and the Valleys are the only such regions in the UK. The latter applies to all remaining areas of the EU to help its regions and people anticipate and respond to change in order to strengthen the regions' competitiveness and attractiveness as well as to improve employment prospects. The UK also has two "phasing in" regions (Merseyside and South Yorkshire) and one "phasing-out" region (the Highlands and Islands) all three of which currently receive funding to ease their transition from convergence status to funding under the competitiveness and employment objective (pp 208–9).[5] Convergence, "phasing in" and "phasing out" status provide for a larger amount of funding and increased spending flexibility than with the competitiveness and employment objective.

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1 The European Regional Development Fund and the Cohesion Fund

2 Regulation No 1081/2006, Article 2

3 The Department for Employment and Learning, Northern Ireland did not take up an invitation to give oral evidence for this inquiry.

4 Regulation No 1083/2006, Article 3

5 For "phasing out" regions, the transition takes place over the full seven year length of the programme rather than over the first four years, as is the case for "phasing in" regions.

4. Evaluation of ESF projects is a requirement of the Fund. Included in this is an assessment of the contribution of ESF-supported actions to the implementation of the European Employment Strategy[6] and to the EU objectives in the fields of social inclusion, non-discrimination and equality between women and men, sustainable development, and education and training in the Member State concerned.[7] The aim of these evaluations is "to improve the quality, effectiveness and consistency of the assistance from the Funds and the strategy and implementation of operational programmes".[8] Related to this, the Commission is required to conduct its own strategic reporting.[9]

5. Five priorities for the Structural Funds are established under the convergence and competitiveness and employment objectives:

- Increasing adaptability;
- Enhancing access to employment;
- Reinforcing social inclusion;
- Enhancing human capital; and
- Promoting partnerships for reforms.

6. In addition to the objectives highlighted above, the ESF provides for a certain amount of "Technical Assistance" to finance the preparatory, management, monitoring, evaluation, information and control activities of the programme, together with activities to reinforce the administrative capacity for implementing the funds, at both a national and a regional level.[10] (See Chapter 2)

The context of our inquiry

7. The economic crisis has hit employment across the European Union hard. Unemployment is forecast to keep rising across the EU in 2010 to a level of 10.3%, up more than three percentage points on 2008 levels. This alarming economic background and the development and publication of Europe 2020 formed an important backdrop to our inquiry into the effectiveness of the European Social Fund.

BOX 1

Europe 2020 Strategy—a successor to Lisbon

The ESF is tied into the aims of the Lisbon Strategy for Growth and Jobs, the successor to which, Europe 2020[11], has just been published by the Commission. The Europe 2020 strategy is expected to have a similarly influential position in the European political landscape over the next ten years, guiding policy making and setting the political, strategic framework for future engagement on economic, skills and employment issues, and will therefore be important for the future orientation of the ESF. It puts forward three mutually reinforcing priorities: developing an economy based on knowledge and innovation; promoting a more resource efficient, greener and more competitive economy; and fostering a high-employment economy delivering social and territorial cohesion. These are summarised as smart growth, sustainable growth and inclusive growth.

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6 Article 145 TFEU

7 Regulation No 1081/2006, Article 4

8 Regulation No 1083/2006, Article 47 (1)

9 Regulation No 1083/2006, Article 30

10 See www.esf.gov.uk

11 COM (2010) 2020—the Commission Communication on the Europe 2020 Strategy was due to be considered by the European Council on 25–26 March 2010.

Our rationale

8. Our objectives for this inquiry were threefold:

- To assess the effectiveness of the ESF, both in meeting its objectives and in responding to the challenges raised by the financial crisis;
- To establish whether the policy priorities of the ESF need to be amended in the context of the economic recovery and the imminent adoption of Europe 2020 (see Box 1); and
- To make recommendations on the long-term role and functioning of the ESF, within the context of the EU Budget Review.

9. We have therefore concentrated mostly on the medium- to the long-term. Much of our attention has focused on the English programmes, and certain of our conclusions will apply to the ESF in England or the UK only. But we have also explored elements of the Welsh, Scottish and Northern Irish programmes and many of the issues we have examined have implications for the ESF across all Member States.

10. There are a number of factors which will have an impact on the development of the ESF. The recent introduction of the successor to the Lisbon Strategy for Growth and Jobs, Europe 2020 (see Box 1); the Budget Review is expected to take place later this year, in advance of the next Financial Perspective (2014–2020) and ESF programming period; there is an ongoing review of cohesion policy, and, as we have already mentioned, there is the economic downturn and its consequences. Included in this is the Commission's response, with a series of legislative and non-legislative changes to help Member States' programmes respond more quickly and effectively to the economic challenges (see Box 9). We accordingly considered that an inquiry into the ESF was timely and would be well placed to inform future developments of the ESF.[12]

Facts and Figures

11. The cost of the ESF 2007–13 programme is €76 billion, out of a total EU budget of €862 billion. The UK will receive €4.5 billion, of which €196 million is ring-fenced for Cornwall and the Isles of Scilly as England's only convergence region. West Wales and the Valleys convergence programme receives €834 million. Of the UK total, €3,090 million is allocated to England and Gibraltar; €322 million to Scotland; €897 million to Wales (including the aforementioned amount for West Wales and the Valleys); and €166 million to Northern Ireland (pp 208–9, 218). Structural Funds, including the ESF, are allocated among Member States according to a complex formula negotiated between Member States at the same time as the seven-year multi-annual financial agreement. Allocation takes into account population; unemployment; levels of education; population density and regional prosperity.[13] Within the UK, money has been allocated among the nations and regions according to a formula based on employment and skills criteria (p 208). See Box 2 for a list of Member States' allocations under the current programme.

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12 European Commission, Draft Joint Employment Report 2009/2010 (COM(2009)674) p 2

13 Council Regulation 1083/2006, Annex II

BOX 2

ESF Allocations, 2007–13 programme in descending order (figures shown to the nearest million)

€9,707 million—Poland	€1,028 million—Lithuania
€9,381 million—Germany	€830 million—Netherlands
€8,057 million—Spain	€756 million—Slovenia
€6,938 million—Italy	€692 million—Sweden
€6,512 million—Portugal	€619 million—Finland
€5,395 million—France	€551 million—Latvia
€4,475 million—United Kingdom	€524 million—Austria
€4,364 million—Greece	€392 million—Estonia
€3,775 million—Czech Republic	€375 million—Ireland
€3,684 million—Romania	€255 million—Denmark
€3,629 million—Hungary	€120 million—Cyprus
€1,500 million—Slovakia	€112 million—Malta
€1,185 million—Bulgaria	

Rules and Regulations

12. ESF funding rounds are called programmes and usually run for the lifetime of the Financial Perspective. Expenditure for the 2007–13 ESF programme is to be completed by the end of 2015. The next programme will begin in 2014. Under these multi-annual programmes, the Member States present national strategic reference frameworks, following which operational programmes (OPs) are negotiated with the Commission in order to tailor activities to the specific situation in the respective Member State or region. Once approved, these OPs are adopted as Council Decisions. Across the European Union, there are a total of 117 OPs (Q 208).

13. The Regulations governing the ESF dictate that Member States must contribute national match funding to programmes, the levels of which vary among Member States, and between objectives, as indicated in the relevant Regulation.[14] In England, most of this match funding comes from employment and skills programmes managed by the Department for Work and Pensions (DWP) and the Learning and Skills Council (LSC) under the ESF co-financing system (p 210).

14. Previously, the burden was always on ESF applicant organisations to source and supply their own match funding for projects, in a process known as direct bidding. However, the mechanism of co-financing is now another approach at Member States' disposal (p 210). Under this system, co-financing organisations (such as the LSC in England) identify the match funding before going out to open and competitive tendering amongst the organisations that will deliver the projects on the ground. In this way they can also ensure that the ESF complements domestic programmes and is used to purchase additional provision in order to extend coverage, address gaps and complement domestic

[14] See Regulation No 1083/2006, Annex III

programmes. For example, in England the ESF is used to extend coverage to people who would not otherwise be eligible for programmes such as the Flexible New Deal or Train to Gain and to fund more intensive support for the most disadvantaged jobseekers and learners (p 210).[15]

15. England uses co-financing almost exclusively, while Scotland and Wales have retained the direct bidding system. In Northern Ireland, projects under Priority 1 (working with those furthest from the labour market) are offered a 25% match funding contribution from the Department for Employment and Learning and are required to source the remaining 35% match funding themselves, or can secure it from other sources, for example New Deal and the Disability Advisory Service.[16]

16. Much of the co-financing in England is done through the LSC (which will transfer to the new Skills Funding Agency during 2010, see Chapter 5) and the Jobcentre Plus programme, delivered locally by the DWP. There are some additional co-financers, notably the National Offender Management Service (NOMS) which delivers provision throughout England, and in individual regions, for example the London Local Authorities. A small amount of direct bidding still exists in England, for example the Innovation Transnationality and Mainstreaming (ITM) programme, which supports innovative, experimental provision focused on issues such as climate change and social enterprise. In some regions small "community grants" exist for highly specific, targeted provision—mostly organisational capacity building.

17. Each Member State has a Managing Authority (the DWP in England), with responsibility for managing and implementing the OPs in accordance with the principle of sound financial management. In addition, the Managing Authority's responsibilities include: ensuring that projects are selected correctly and comply with the applicable rules during their lifetime; verifying that projects are delivered and that the declared expenditure is correct (this can include use of on-the-spot checks); and preparing and submitting to the Commission annual and final reports on implementation.[17]

18. In the UK, Managing Authority responsibilities have been devolved to the Scottish, Welsh and Northern Irish authorities, although the DWP retains overall responsibility. In England, the ESF is in turn administered on a regional basis (including individual arrangements for the Cornwall and Isles of Scilly convergence programme), via Government Offices for the regions working in collaboration with regional co-financers.

19. Throughout the UK, the current 2007–2013 programme is being delivered in two phases. A first tranche of provision was commissioned at the beginning of the programming period, which will be completed during 2010/11. A second tranche of provision will be obtained during 2010 for delivery during the remainder of the period. In addition, further ESF funds were made available to the UK in the latter part of 2008 as a result of the devaluation of the pound against the euro. This was added to the programme via additional commissioning activity in 2009, specifically targeted on responses to the emerging economic downturn (see Chapter 4).

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15 www.esf.gov.uk

16 www.delni.gov.uk/niesfopprogjul07.pdf

17 Regulation No 1083/2006, Article 60

20. The Managing Authorities are overseen by a national ESF Monitoring Committee and have a duty to guide the work of the Monitoring Committee and provide it with the documents required to monitor the quality of the OPs' implementation, in the context of the latter's specific goals.[18] The Monitoring Committee's main task can be summarised as to "satisfy itself as to the effectiveness and quality of the implementation of the operational programmes".[19] This includes periodic review of progress towards achieving the specific OP targets. Monitoring Committees' powers include the ability to propose to the Managing Authority any revision or examination of the OP that is likely to secure attainment of the Fund's objectives or to improve its management, including its financial management.[20]

21. Audit requirements and responsibilities are a significant part of ESF funding. Each OP has an audit authority, responsible for ensuring that audits are carried out "to verify the effective functioning of the management and control system of the operational programme".[21] In addition, the authority must ensure that the audits comply with internationally accepted standards, and there is a duty on organisations to retain records for a certain number of years after a project's completion.[22]

22. One of the main requirements underpinning all of these rules is the need to comply with the principle of additionality. This is an overarching principle and dictates that "contributions from the Structural Funds shall not replace public or equivalent structural fund expenditure by a Member State."[23] That is, Member States cannot simply use Structural Funds to substitute for domestic spending on activities they had already decided to carry out. In the case of the ESF, they must demonstrate that the projects supported are truly additional. This principle is monitored by the Commission in addition to the Member States themselves.

23. Finally, while Member States have responsibility for implementing the programmes and helping to ensure that the funds are managed and spent according to the rules, **Article 317 TFEU makes clear that the Commission retains overall responsibility for all Community expenditure.** Therefore the Commission is responsible for checking the management and control systems within Member States (p 211).

Our inquiry

24. While the ESF was the focus of our inquiry, our evidence touched on other Structural Funds, most notably the European Regional Development Fund. The Committee reviewed cohesion policy in its report *The Future of EU Regional Policy* (19th Report Session 2007–08, HL Paper 141). Other reports relevant to the Budget Review are *The Future of the Common Agricultural Policy* (7th Report Session 2007–08, HL Paper 54) and *Adapting to climate change: EU agriculture and forestry* (8th Report Session 2009–10, HL Paper 91).

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18 Regulation No 1083/2006, Article 60 (g)

19 Regulation No 1083/2006, Article 65

20 *ibid.*

21 Regulation No 1083/2006, Article 62 (1)(a)

22 Regulation No 1083/2006, Article 90

23 Regulation No 1083/2006, Article 15 (1)

25. The members of our Social Policy and Consumer Affairs Sub-Committee (Sub-Committee G) who conducted the inquiry are listed in Appendix 1, showing their declared interests.

26. We are grateful for the written and oral evidence that we received for our inquiry; the witnesses who provided it are listed in Appendix 2. In particular, we are grateful to Step Up and Tomorrow's People Trust, which allowed us to conduct site visits, and to those witnesses who gave evidence in person. Our notes on the site visits can be found in Appendix 3. Particular thanks go to John Bell, Policy Editor of the ESF Works website, who was our Specialist Adviser for this inquiry. His interests are listed in Appendix 1.

27. The Call for Evidence we issued is shown in Appendix 4, and the evidence we received throughout is printed in a companion volume to this report.

28. **We make this report to the House for debate.**

CHAPTER 2: THE ESF IN PRACTICE

Experience with the ESF

29. Participants of the projects visited by Sub-Committee G in London were overwhelmingly positive about their experience (see Box 3). Those at the Tomorrow's People Trust project mentioned that they received more time and attention from the project than they would get at a Jobcentre Plus. One participant felt that the programme had built their confidence and particularly appreciated the professional advice they had received. Similarly, a participant at the Step Up project who had learned to touch-type indicated that she too had benefited from the advice available from her mentor, which had allowed her to identify a course that she might then pursue at college. All of the participants at the Step Up project whom the Sub-Committee met favourably compared the project to their experiences in mainstream education (Appendix 3).

BOX 3

ESF projects in London visited by Sub-Committee G

Tomorrow's People Trust

This project is located in the East of London and is targeted at the hardest to reach, such as lone parents, the over-50s, participants with disability or health problems, ex-offenders and the long-term unemployed. It has been in operation for 18 months, and is part of the London Job Centre Plus (DWP) co-financed ESF programme. The project started in July 2008 and will run until July 2011, with ESF funding of £1,550,000.

Step Up

The project, based in Elephant and Castle in London, aims to help 14–18 year olds gain new skills, such as computing, and prepare for employment. It is targeted at those that have been excluded from school, have excluded themselves prematurely from school or have been referred by a school. The project started in September 2008 and is due to finish on 31 July 2010. It will receive £1,012,100 of ESF funding and is co-financed by the Learning and Skills Council (LSC).

30. More generally, most of our witnesses recognised the value of the ESF. The Commission concluded that the history of the ESF "is one of success and we see that it has a great future as well" (Q 198). It pointed in particular to the ways in which the ESF had induced policy change at the national level by introducing new perspectives, observing that Germany had changed its emphasis from a main focus on the already long-term unemployed to preventing the shorter-term unemployed from slipping into this category (Q 199). In Ireland, the ESF had helped to raise awareness about inequalities in the Irish economy and society by helping with the expansion of childcare and funding the Equality Authority (QQ 219, 228). Various witnesses emphasised the contribution that the ESF had played previously in supporting social inclusion (QQ 48, 90, 102). The Government Office for Yorkshire and Humber pointed to its Progress Together model as an example of supporting social inclusion under the current programme. This

was described as "a much more holistic approach to supporting the most disadvantaged" including outreach work, training, advice, guidance and support (QQ 151–2).

31. The Scottish Government had also found the ESF extremely valuable in encouraging equality and social inclusion criteria to be built into projects; gender balance was one important consideration (Q 312). Similarly, tackling gender imbalance had been a priority of the Welsh Assembly Government. It was looking particularly at addressing career development and at gender stereotyping in career choices (Q 313).

32. Others emphasised the economic benefits of ESF intervention. The Department for Employment and Learning, Northern Ireland concluded that "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" (p 247). The Convergence Partnership Office for Cornwall and the Isles of Scilly noted that the ESF was helping to address "the increasingly acute skills and employment needs of individuals in these testing economic conditions", with the South West Regional Development Agency highlighting that three people a day were being helped back into work in Cornwall by the ESF (Q 132, p 86).

Targeting the "hardest to reach in the labour market"

BOX 4

The hardest to reach in the labour market

The "hardest to reach in the labour market" are those who possess the fewest characteristics needed for participation in the labour market as it currently exists and who are likely to be the most difficult to engage in ESF activity as a result of personal or contextual factors, such as:

- multiple or complex problems;
- unstable or transient residence;
- absence of the most basic of skills or employment/learning experience;
- significant disability;
- absence of English language ability.

33. There was broad agreement among our witnesses that the "hardest to reach" (see Box 4) were an important sector of society with which the ESF was well placed to engage. The Mayor of London and London Councils explained that the key aim of the ESF in London was "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" (p 194). The South West Regional Development Agency took a similar view, adding that, in Cornwall and the Isles of Scilly, there were 900 young people not engaged in employment or training (NEETs) and they were "really difficult young people to reach", often living in rural areas, without their own transport. It concluded that the major focus of the Fund should be the hardest to reach in the labour market (Q 110). The LSC confirmed that, at the beginning of the 2007–13 programme, ESF

resources were used to target the 16–18 NEET group and those adults who had been disengaged from the labour market for over 12 months (Q 18).

34. Similarly, the Scottish Government concentrated on moving the hardest to reach back towards work, such as those who were inactive for reasons of discrimination, disability, poor education and social circumstances (Q 276). By way of example, the Scottish Government asked the Skills Development Scotland organisation to work with those who did not usually participate in modern apprenticeships, such as ethnic minorities, in order to ensure that the ScotAction packages engaged with a balance of people across Scotland from disadvantaged communities (see also paragraph 124). ScotAction had been "an extremely useful tool" (Q 312).

35. The LSC emphasised, however, that there was a balance to strike between deploying resource to help those who had suffered disadvantage more recently (such as the Rover workforce made redundant in 2005 and subsequently assisted back into work by the ESF and other means) and those who had suffered disadvantage over a longer period of time. It recognised that the economic downturn had changed the balance slightly given the larger proportion of individuals in the short term unemployed category (QQ 16, 18). (See Chapter 4 for further consideration of the effect of the downturn on ESF provision.)

36. Representatives of the Third Sector (the voluntary sector), which has an important role in delivering the Fund, expressed considerable doubts as to whether the Fund had been reaching those with multiple disadvantages (Q 73, pp 50, 245–6). They observed that there had been a specific priority in the 2000–6 period of combating social exclusion, with 25% of funds targeted at the hardest to reach. This was not replicated under the current programme, and it was estimated that the proportion going to the hardest to reach was probably more in the region of 5% (QQ 76, 90, p 40).

Challenges faced by the Third Sector

37. There was some concern from representatives of the Third Sector that the Sector had been hampered in its involvement in the current programme by the system of co-financing in England (see paragraph 14) and that this was at least part of the reason for the apparent reduction in the proportion of ESF directed at the hardest to reach (pp 91, 246–7). Community Service Volunteers asserted that "our ability to push the boundaries and work with excluded groups has been curtailed" (p 47). It was suggested that the move towards public procurement of large-scale contracts had made it difficult for smaller providers to be involved (Q 76).

38. In order to substantiate their arguments, the Third Sector European Network (TSEN) provided some evidence of those projects that were no longer supported by the ESF. Among 17 organisations sampled in the north east of England which had accessed ESF in the previous round, none had done so in the 2007–13 programme (p 63). A specific example was a project called "Move On", which worked with some 1,300 mental health services users, refugees, asylum seekers, people with disabilities, people with learning difficulties and single parents (Q 78).

39. Other witnesses rejected the suggestion that the Third Sector was under-represented in ESF delivery. The South West Regional Development Agency and the Government Office For Yorkshire And The Humber noted that there

was a specific allocation of ESF funding to ensure that the Third Sector was able to respond to the tendering rounds that the Co-Financing Organisations (CFOs) carried out and thus continued to make a strong contribution (QQ 121, 153). As specific evidence of Third Sector involvement in South Yorkshire, the Government Office for Yorkshire and the Humber pointed to the organisation "VC Train", a consortium for Third Sector skills delivery, which was awarded £4 million of ESF funding in July 2008 for a period of two years (p 107). Others drew our attention to Cornish projects and we also visited voluntary sector run projects in London (pp 82–5, 104–6).

40. In response to the Third Sector concerns, the Government told us that 60% of the sub-contractors in co-financed programmes in England were Third Sector organisations (p 245). The Government had been keen to use the ESF during the recession to ensure that those furthest from the labour market were not pushed further away due to the higher number of people out of employment, work for which the Third Sector was particularly suited (QQ 380–1). The Government also noted that, whereas under the previous system small providers had been required to identify their own match funding, this was no longer necessary with co-financing. It emphasised that the focus should be on an organisation's "ability to help people" rather than its origin (Q 388).

41. Responding to the view that smaller Third Sector organisations were encountering difficulties in accessing funds, the Commission noted that there was no evidence to suggest that their participation was any lower than under the previous programme, but that it had been agreed to improve the evidence base (Q 202). Like the Government, the Commission emphasised that it was interested above all in delivery of the proposed targets in conformity with the programme (Q 204).

42. An alternative perspective on the effectiveness of the ESF in supporting innovative, small projects was provided by our witnesses from the devolved administrations. The Scottish Government was of the view that its system of partnership bidding rather than co-financing allowed "unique little projects" to come forward (Q 291). Similarly, the Welsh Assembly Government considered that its mixed funding approach would give a range of organisations the opportunity to stay engaged more directly with the programmes (Q 293). Nevertheless, both administrations admitted that working with larger organisations rendered it easier to meet the audit requirements of the Fund (QQ 296–8, 303).

Green skills

43. Several witnesses gave practical examples of how the ESF was already supporting the development of "green skills". In North West England, the Green Ways to Work project was being funded by the ESF to develop, test and deliver new skills to address climate change and sustainable development. A similar project was being supported in South Yorkshire at Dearne Valley College (QQ 170–1).

44. The Minister told us that the ESF was already investing £2.8 million in a Sustainable Construction Skills Academy in Dartford in order to develop some of the lower level skills within the green construction industry (Q 393). The South West Regional Development Agency emphasised the same need to improve the skills of those already in work by, for example, training existing plumbers to fit new, greener boilers (QQ 110, 119).

45. Taking a more negative view, the University of Sunderland noted that the restriction in the current ESF programme in England on skills provision to those of levels 1 and 2 (see Box 5) severely limited the possibilities to invest in the higher level skills training required for the development of low carbon technologies (Q 45).

Lower and higher level skills

BOX 5

The skills hierarchy

Lower and higher level skills relate to the degree of sophistication and depth of content tied up in the ability (skill) to perform a particular role or task. There is an internationally recognised hierarchy of skills levels (from level 1—basic, level 2—GCSE, level 3—A level, up to Level 5—postgraduate), against which formalised qualifications or achievement level can be benchmarked. This is how for example an NVQ level 4 can be recognised as at the equivalent level of depth and complexity to a full first degree. In the current ESF programmes in the UK, there is little scope for supporting work to lead to achievement beyond level 3, except within the convergence regions.

46. Our witnesses generally accepted that the focus of the ESF should be on lower level skills. The Government Office for the North West drew the Committee's attention to the recommendations of the Leitch Review of Skills,[24] and concluded that the ESF must have an emphasis on lower level skills "because this is where there is very strong evidence that market failure happens"—once you are beyond the basic levels, the market tends to work better (Q 155). The Minister emphasised that, for those without them, "the basic skills and foundation skills" must be provided (Q 367). In Wales, a focus had been placed on lower level skills in the East Wales Programme (Q 278). Higher Education European Funding Services Limited recognised that "a good 90–95 per cent" of the funds should be spent on those needing support at the lower end of the qualification ladder (Q 41).

47. On the other hand, we heard criticism from the higher education sector about the balance of funding between lower and higher level skills. The North West Universities Association regretted that there was much less of an emphasis on higher level skills in the current programme given that the North West regional skills analysis identified higher level skills provision as an area requiring greater attention (QQ 34, 43). Higher Education European Funding Services Limited commented that this lesser emphasis had hampered the ability to provide higher education, such as mechanical engineering at Huddersfield University, to disadvantaged people locally. It also observed that higher level skills were an important complement to resources devoted to lower level skills (Q 38).

48. Other witnesses recognised the need for a balance between lower and higher level skills. As the Minister pointed out, the Leitch Review (see paragraph 46) also emphasised that the number of unskilled jobs was going to diminish

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[24] Leitch Review of Skills, "Prosperity for all in the global economy—world class skills". Final Report, HM Treasury, December 2006

and there would be a need "to be able to compete with our international competitors on the basis of ever higher levels of skill". He explained that, in the second half of the current ESF programming period, the Government would be increasing the amount of level 3 technical skills that could be gained, and asserted that "there is a skills journey that people need to go on" (Q 367). The West Midlands Leaders Board welcomed this increased focus on higher level skills (P 64–Vol I). Such a balance of skills needs was also recommended by London Councils, which emphasised that, in the context of the London job market, "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" (Q 322).

49. The value of devoting ESF funds to higher level skills was demonstrated by evidence from Cornwall. As convergence regions, West Wales and the Valleys and Cornwall and the Isles of Scilly could devote substantial ESF funding to higher level skills. In the former, about 60% of funding under the convergence programme went to lower level skills and the remainder to higher level skills. For Cornwall, the example of "Unlocking Cornish Potential" (see Box 6) was cited, which was a project enabling recent graduates to stay with companies that would not otherwise be able to keep them on (QQ 110, 278, p 104).

BOX 6

"Unlocking Cornish Potential"

In the first five years of the scheme:

234 graduates were placed with 149 Cornish businesses;

59% of the businesses reported an increase in turnover, with an average of over £128,000 in the first 12 months of employing the graduate;

70% of the graduates were offered a full-time job with their host business after completing their projects; and

over 50% of the graduates were originally from Cornwall.

50. The Convergence Partnership Office for Cornwall and the Isles of Scilly remarked "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". This was of particular relevance to Cornwall and the Isles of Scilly as they lacked any higher education facilities until very recently (Q 156).

Additionality

51. The Minister explained that he interpreted additionality (see paragraph 22) as referring to the addition of scale or quality by, for example, adding more hours to training or enhancing the user experience (Q 369). Lincolnshire County Council defined it as "bigger, better and faster". An example of "bigger" was a new project creating 37 apprenticeships for adults who would not otherwise have been eligible because of their age. "Better" was its Countryside Job Bus which visited villages to provide training and Jobcentre facilities. "Faster" included its ability to respond to industrial change, such as local Siemens redundancies (Q 341).

52. Other witnesses also gave examples of additionality. The LSC and the Government Office for Yorkshire and the Humber cited the example of the Government's Train to Gain programme, which the LSC had been able to supplement by allowing "level 2s" into the programme. In its Response to Redundancy Programme (see Box 10), the LSC attempted to prevent individuals from reaching the stages in the unemployment timeline where they would become eligible for national funding. In all cases, noted the LSC, the ESF was used to work around the edges of mainstream funding (QQ 20, 173). Other examples provided by the LSC included the provision of additional mentoring support, additional English language support and other learning support that people might need for which there was not sufficient mainstream funding, but would allow them eventually to participate in schemes funded nationally (Q 21).

53. The Convention of Scottish Local Authorities (COSLA) pointed to its Community Planning Partnerships (CPPs), a nationally organised scheme providing funding for innovative projects at the local council level, as examples of additionality (Q 262). One example of a recent cash injection from the scheme was £2.8 million of ESF support for "Glasgow Works", a project in Glasgow which targeted groups alienated from the labour market. The Welsh Assembly Government pointed to the ability of the ESF to broaden the scope of the intervention brought by a standard employment programme by boosting confidence and improving motivation. It added that, under the skills priority, the focus of adding value was on adding numbers, putting more people through apprenticeship programmes than would otherwise be the case (Q 287). The South West Regional Development Agency reported that the ESF allowed preparatory work with individuals before using mainstream funding (Q 111).

54. In higher education it was noted that funds available through the ESF in the previous programming period had allowed institutions to address their local market, whereas funds from the Higher Education Funding Council were generally aimed at the national market (QQ 34, 39, 70). The ESF had been used by the higher education sector to waive fees and offer small bursaries to those who would normally be least able to afford the cost of high-level training (Q 62). This amounted to around 70% of ESF spend on higher education in the north east (Q 63).

How is additionality assured?

55. The Government explained that they challenged new projects on their additionality as a first stage of assessment, before the Commission checked compliance. To date, the Government had not encountered any problems with the Commission over the additionality of programmes in England (QQ 370–2). The Welsh Assembly Government confirmed that the Commission checked compliance with the principle of additionality mid-way through, and at the end of, the multi-annual programme (p 187).

56. In terms of assessing additionality, the Scottish Government explained that, when negotiating programmes, it was necessary to establish "baselines" in terms of normal business and then demonstrate what additional activity the ESF could provide (Q 289). The Government Office for Yorkshire and the Humber and the Government Office for the North West had found this easier with the co-financing model as compared to the previous, direct

bidding model, under which it was harder to identify what would be there without the additional ESF funding (Q 185).

57. We heard that establishing additionality at the local level was important. The South West Regional Development Agency told us that it sought to ensure additionality through its local contracting for a particular activity, taking account of what already existed and what was needed, and COSLA concluded similarly that "the more localised you do the interventions, the easier it is to compare and measure" (QQ 129, 262).

58. Witnesses also described the difficulties encountered in identifying additionality. The Convergence Partnership Office for Cornwall and the Isles of Scilly warned that "the additionality of ESF needs constant monitoring" (p 86). For example, a number of initiatives from central Government launched in response to the economic crisis were already being delivered through the ESF in Cornwall and the Isles of Scilly (QQ 129, 183). The Government Office for Yorkshire and the Humber noted that additionality was more difficult to identify where ESF funding was being used to enhance programmes rather than deliver something new (Q 185).

Publicising the ESF

59. The Commission was of the view that the ESF was a very visible and tangible benefit of the EU, reaching, as it does, 10 million people per year, but that participants were not always aware of the EU's involvement. The Commission was working with Member States to improve the visibility of the ESF (QQ 223–4). London Councils agreed with the Commission that the Structural Funds helped to make "Europe real" (Q 356).

60. On this subject, the Minister noted that the Government's budget for publicising the ESF over the period 2007–10 was £935,000, of which £374,000 came from the Technical Assistance strand of ESF funding (see paragraphs 64–66). Explaining some of the work involved, the Minister referred to: the fact that participants must be informed that they are in receipt of ESF money; a national launch event that was held in 2007 with the Commissioner; various events that are held around the country to celebrate some of the achievements of the ESF; over 1,000 regional and local press articles about the ESF; the fact that the Minister does a series of visits and encourages other Ministers to do likewise around their regions; and the use of new media such as YouTube and ESF Works (a website for bringing together best practice). On the other hand, the Minister suggested that recipients might be aware that they were being funded by the ESF but might not understand that this money came from the EU (Q 364).

61. The Scottish Government explained that part of its Communication Plan for the Structural Fund Operational Programmes 2007–13 was to publicise good projects with successful outcomes (p 165). Its methods included: seminars; programme launches; publicity events; and PR campaigns, using radio and website coverage in order to raise public awareness of European Structural Funds across Scotland. Finally, all participants were informed that they were in receipt of ESF support.

62. From the higher education sector, the University of Sunderland recognised that one of the Commission's frustrations had been lack of awareness among recipients, but the University itself emphasised that those being supported for

access to higher education were aware of the provenance of the funding (Q 62).

63. The West Midlands Leaders Board had developed a "Joint Regional Strategy for ESF Communication Policy" along with partners including the LSC, the Government Office for the West Midlands and Jobcentre Plus. The objective of the strategy was to ensure the effective exchange of information and to ensure that coverage was maximised. As part of this, Technical Assistance (see below) had been used to commission a PR Agency to co-ordinate and facilitate events and press coverage (p 252).

Technical Assistance (TA)

64. The Government told us that the TA allocation (see paragraph 6) for the 2007–13 England ESF programme was £98m, of which £20.5m had been committed so far. As it was unlikely that the full TA would be committed by the end of the programme, the Government might make a proposal to re-allocate some of those funds towards additional employment and training provision (p 221).

65. The West Midlands Leaders Board commented that TA had proved essential in supporting the delivery of the co-financing plan, but that providing the necessary matching public funds to the TA programme was difficult. It therefore recommended that either TA funds be incorporated as a ring-fenced element of the main Priorities or that a higher ESF intervention rate be introduced for TA (p 252).

66. The LSC similarly recognised the difficulty that regional partners had experienced in finding sufficient match funding for TA, and also suggested that a higher ESF intervention rate[25] might be permitted for TA (p 2).

The future: ESF transitional arrangements for termination of the Learning and Skills Council

67. One of the main bodies responsible for delivering the ESF in England, the LSC, is due to be dissolved in April 2010, with its responsibilities to be split between the Skills Funding Agency (SFA), the Young People's Learning Agency (YPLA) and local authorities.

68. Lincolnshire County Council warned of the management challenge under the reorganisation to make sure that the ESF was not lost in "an absolutely massive scale of change" in both organisational and programme terms, particularly given that the ESF was a relatively small part of the LSC's portfolio (Q 342).

69. The LSC itself confirmed that it was working on the development of the operating model for the ESF in the future, under which the SFA would be operating for adult skills with co-financing, but also as a shared service on behalf of the YPLA and local authorities in terms of the 14–19 age group. A service level agreement was being drawn up between the SFA and YPLA to clarify the activities for which the SFA would be responsible. The current LSC team working at the national level on ESF would be transferred intact to the SFA. While there would be changes at regional levels, the LSC was

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25 The intervention rate refers to the proportion of total programme or project spend made up by ESF funds. For Technical Assistance, the provider normally receives 50% ESF funds, and must identify matching funds from other public funds at its disposal.

putting in place a training plan to ensure that skills, knowledge and experience were transferred (QQ 2, 4).

70. The Minister was content that adult skills would migrate easily from the LSC to the SFA, but thought an area with greater potential for problems was the targeted work with NEETs on which the DCSF (Department for Children, Schools and Families) leads. In that area, there would be a complex interaction between the YPLA and local authorities, seeking to relate the activities of individual local authorities coherently to the regional employment and skills strategies (Q 412).

Conclusions and Recommendations

71. Our witnesses have recognised the value of the European Social Fund, pointing to its particular benefits in terms of introducing new ideas, social inclusion and economic development and **we conclude that the ESF is an important component of the EU's broader social and economic cohesion policy**.

72. The ESF is funding particularly valuable work with the hardest to reach and least skilled. While higher level skills are crucial for the EU's economic development, the ESF has limited resources and we remain convinced that its added value lies in its ability to make the hardest to reach and the least skilled employable. **We recommend that priority be given to safeguarding this aspect of the ESF's role.**

73. We are concerned that the system of competitive tendering under co-financing in England, whilst having many merits, may have led to providers being incentivised to "cherry pick" participants who are easiest to place into the labour market, at the expense of the hardest to reach. **We therefore recommend that this risk be explicitly addressed by, for example, delivery bodies being contractually required to demonstrate that they are still delivering to the hardest to reach**.

74. It is evident that many of the providers best able to assist the hardest to reach are in the Third Sector. We have heard conflicting evidence as to their reduced involvement in the ESF England programmes in the course of the current programming period. It is critical that the objectives of the ESF are delivered and that the appropriate participants are reached. No particular contractor or sector has a right to funding; any award must be based on merit. We acknowledge, though, the special value that the Third Sector can bring to the programme and therefore conclude that it is important that small operators have a fair opportunity to innovate and to be involved. **We recommend that the Government and the Commission ensure that this Sector is encouraged to participate to its best ability in the programme**.

75. **We welcome the work already being undertaken through the ESF to support green skills and consider this aspect of the ESF to be relevant as it moves forward.**

76. Additionality is a fundamental principle underlying the EU's Structural Funds and measuring it can be complex. We heard particularly that the need to monitor the principle constantly is challenging. **We therefore recommend that Managing Authorities share this responsibility with those disbursing the Fund.**

77. We agree with the Commission that the ESF is a very visible and tangible benefit of the EU. While we were impressed by the efforts being made to publicise it, we agree that its visibility needs to be improved. **We recommend that Member States and the Commission make this a priority. The Commission should assist with the sharing of best practice between Member States and regions as appropriate**.

78. We heard evidence to support the importance of Technical Assistance to the effective delivery of the ESF, **and recommend that Managing Authorities both work with organisations to overcome difficulties encountered in identifying match funding** and explore the possibility of introducing a higher ESF intervention rate for Technical Assistance.

79. We were pleased to hear the plans being put in place by the LSC to deal with the transition to new arrangements for administration of the ESF following the dissolution of the LSC in England. Nevertheless, such a transition will not be simple. **At such a key time for the ESF in England, we recommend that the Government monitor arrangements closely to ensure that the requirements for the delivery of the second phase of funding for the 2007–13 programme this year are handled efficiently and do not lead to delays in commissioning and delivering new provision**.

CHAPTER 3: MEASURING THE EFFECTIVENESS OF THE ESF

How is effectiveness measured?

80. In England, the Department for Work and Pensions (DWP) predicted that "the availability of individual level data for the 2007–13 programme, alongside a longitudinal survey of 10,000 participants ... will improve understanding of who takes up ESF, performance and longer term outcomes." We heard too that the ESF programme in England is regularly reviewed and monitored by national and regional ESF committees[26] and at annual review meetings with the European Commission (pp 2, 212).

81. The Scottish *Evaluation Plan (2007–13)* is refreshed annually. The framework for enhanced monitoring and evaluation systems, as set out by the Scottish Government, includes political accountability and improved programme management and performance. The Scottish Government warned that the methodology for evaluations should not be prescriptive in order to ensure that specific programme priority issues could be addressed and efficiency and effectiveness maintained. It explained that for the Scottish programme there would be evaluations which would cover the overarching themes of the programme, in addition to the issues targeted by each of the priorities (p 165).

82. We heard that in Wales, "evaluations and monitoring reports for the 2007–13 programmes are being designed to meet the information and analysis needs of WEFO [the Welsh European Funding Office] 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." In addition, headline targets were being used to track programmes' progress in meeting their objectives and WEFO was commissioning annual longitudinal surveys of ESF participants in order to supplement the programme monitoring data to assess the effectiveness of the programmes (Q 279, pp 171–2). (See paragraph 90 and Box 8 for more about longitudinal surveys.)

83. The Commission reported that the evaluation system for the current programming round had "been strengthened in order to support the monitoring of ESF interventions in terms of outputs, outcomes and impact". This included switching to an ongoing evaluation system (p 118).

84. In addition to this, a database of Member States' evaluations was set up by the Commission in November 2009 and an "evaluation expert network" will be launched after the summer to synthesise the evaluations. The Commission suggested that this would "improve mutual learning between public authorities involved in evaluations" and "allow for sharing information regarding the effectiveness of the ESF across EU–27" (p 118).

How easy is it to assess effectiveness?

85. Several of our witnesses highlighted a difficulty in assessing the effectiveness of the ESF. Criticism ranged from an apparent paucity of data to suggestions

[26] These include representatives of: Government; the European Commission; voluntary and social enterprise sectors; the social partners (TUC and CBI); further and higher education; local authorities; and regional bodies.

that what data was available was not the right kind or could not be used to assess efficacy at a local, as opposed to a regional, level (QQ 55–6, 97, pp 46, 47, 91, 191, 253). The DWP took a similar view, stating that "it has always been very difficult to estimate the effectiveness of the ESF." In particular, they identified a difficulty in isolating the impacts attributable to the ESF compared with other provision (p 211).

86. While the Learning and Skills Council (LSC) recognised that data had previously come "very late in the day to be able to make any judgments on the performance of the programme as a whole", it believed that data monitoring had improved in the 2007–13 programme (Q 14). The Welsh Assembly Government was also more positive about assessing the effectiveness of the ESF during this programme, highlighting that figures on qualification achievements were already beginning to filter through (Q 279, pp 171–2).

87. The Commission was the most positive about assessing the effectiveness of the ESF and considered that there was "a great wealth of information available through monitoring and evaluation studies that proves the effectiveness of the ESF" (p 114). Like the LSC, it felt that evaluation arrangements had improved in the 2007–13 programme (p 118).

Soft and hard outcomes

BOX 7

Soft and hard outcomes

Hard outcomes tend to be easy to measure and quantify, for example, the number of people participating in ESF-funded provision who enter into employment following that intervention; or the number who obtain a qualification.

Soft outcomes are somewhat harder to measure and to quantify and include acquiring a skill, developing participants' confidence, improving someone's ability to work with others, or securing an improvement in someone's attendance or timekeeping. That is, improving a person's employability. They can be described as the interim steps on someone's journey towards employment.

88. Our witnesses had differing views about the use of soft and hard outcomes and their relative merit. Some stressed the importance of an increased focus on soft outcomes in measuring the effectiveness of the ESF, particularly in work undertaken with those furthest from the labour market, the "hardest to reach" (Q 346, pp 3, 142, 165). This was felt to be particularly important because ESF intervention could help people on their journey towards work, without that necessarily leading to a hard outcome such as a job, at any rate during the life of the programme. The Government Office for the North West stressed that even so, it did not mean such action was not valuable, or essential in helping participants to progress (Q 189).

89. We heard from a participant at Step Up (see Box 3), which works with 14–18 year olds to help them gain new skills and prepare for employment, that the emotional support provided by the project was particularly welcome (Appendix 3). Similarly, we heard from Tomorrow's People Trust (see Box 3) that a large part of their work was motivational in nature and that the

objective of the programme was not only to secure a job for people but to make them more employable (Appendix 3).

90. Longitudinal cohort surveys (see Box 8) measure the progress of participants over time and were cited as a method of capturing and examining soft outcomes: sustainability and retention of employment; whether participants who have improved their qualifications and skills progress to higher level and higher paid work; and participants' views of the support they receive (p 221). Many witnesses, including the Government, recognised the value of longitudinal surveys in informing assessments of the ESF's effectiveness (Q 280, pp 172, 212). The Government Office for the North West in particular suggested that longitudinal research was the most effective way of measuring the impact of the ESF, though it regretted that the necessary measures were not currently in place to "measure the steps as opposed to the whole journey" (QQ 186, 189).

BOX 8

Longitudinal Cohort Surveys

A **Longitudinal Cohort Survey** is the name given to a survey used to record and examine the progress of a group of participants (cohort) over time. This progression can include interim steps on a participant's journey towards employment, such as beginning to actively seek employment or undertaking a work placement, and can follow participants for the lifetime of the programme (QQ 189, 280).

91. Nevertheless, we heard that many providers already used soft outcomes in measuring effectiveness, such as the Scottish Government and the Welsh Assembly Government. Lincolnshire County Council had an index of well being and stressed the importance of an effectiveness assessment that looked at "how a community has changed and how a sector has changed just as much as about the individual" (QQ 276–7, 278, 329).

92. The Commission supported the current soft outcome indicators in the Welsh and English programmes, which include showing the background of those on the programmes and results indicators used to identify soft outcomes such as the number of people engaged in job search activity (p 142). The Commission welcomed further debate and decisions in the UK about whether there could be an evaluation of distance travelled towards employment in future programmes (Q 241).

93. However, the Minister and the Commission both thought that the application of soft outcomes was limited (Q 360, p 142). The Minister in particular was quite critical about their use, stating that they were "all very well … 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" (Q 360). He highlighted that the Government were currently "focusing on what the outcome is right at the end" (Q 361).

94. Other witnesses also had concerns about the use of soft outcomes to assess the effectiveness of the ESF. The LSC agreed that they were difficult to define and hard to capture (p 15). Higher Education European Funding Services Limited felt that it was harder to put a value on a soft outcome and that it was "a bit difficult to accept as a concept". Moreover, it highlighted the potential difficulty in presenting this information "in an accessible way"

(Q 60). Similarly, the WEFO highlighted that there was no single "off the shelf" approach for measuring soft outcomes that would suit all projects because of the wide variety of activities and client groups involved and the difficulty in tying concepts such as "increased confidence" down (pp 188–9).

95. Another disincentive associated with the use of soft outcomes was that organisations "are not paid a high premium for moving people along towards employment, unless they get an employment outcome" (Q 82). This point was echoed by Step Up, which highlighted that while hard outcomes are necessary for the release of funds, they did not reflect many of the soft outcomes, which it thought offered the greatest benefits to participants (Appendix 3).

96. The TSEN felt that hard outcomes were easier to achieve with those closer to the labour market and that the 2007–13 programme focused on these participants as a result (pp 40–41). The Government Office for the North West also identified an emphasis on hard outcomes for the programmes, while the LSC was somewhat more understanding of this focus, recognising that the purpose of the ESF was to help people to return to employment and that this therefore had to be an in-built target in contracting arrangements for ESF programmes (QQ 17, 189). Lincolnshire County Council similarly identified "a clear need" for hard outcomes (Q 329).

97. One of the advantages of using hard outcomes, as recognised by Higher Education European Funding Services Limited and the TSEN, was that they were easy to measure (QQ 60, 82). In fact, we heard that the Government have deliberately moved to more outcome-based measures of performance. Whereas in the past some programmes were funded for activity rather than achieving hard outcomes, the Minister argued that "if they were not getting them into work, then in the end we had to find someone who would" (Q 381). Furthermore, he explained that the Government were "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" (Q 389). The Commission was similarly intent on a greater emphasis on outcomes in future (Q 229).

98. In this context, we heard from Tomorrow's People Trust that whereas under the previous programme providers received funds if they demonstrated that they were fulfilling the obligations under that project, there were now two elements to fees, with a management tranche and an output-related segment. The split between the two varies from project to project and we heard that there were instances where the Trust had decided not to bid for funding because the split entailed too much upfront expenditure and risk for the provider (Appendix 3).

Administrative requirements

99. Many witnesses were critical of the auditing and administrative requirements for previous programmes. The LSC cited a high level of bureaucracy "where they had to go down to the level of providing bus tickets for learners". However, it suggested that "the co-financing arrangements have removed all of that" (Q 6). The Minister agreed that co-financing (see paragraphs 14–16) meant that organisations were under less onerous auditing obligations, having removed the burden for applicants of supplying their own match

funding which was cited as a major source of audit problems in the past, a point echoed by the Commission (QQ 202, 390–1, p 210).

100. Not all of our witnesses agreed that matters had improved under co-financing, however. Off the Streets and into Work (OSW) believed that its introduction had "significantly increased the bureaucratic burden on providers" (p 250) and the South West Regional Development Agency described the audit regime as being "on a scale where there is no comparison with the previous European programmes". It reported that it had attempted to "shield" some of the direct recipients and deliverers from that bureaucracy (QQ 141–2). The Chief Executive of Co-ordinating European Funding for the East Midlands Third Sector (CEFET) suggested that "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" (Q 82, see also p 69). The WEFO and Community Service Volunteers were in agreement that bureaucracy was still an issue under co-financing (QQ 82, 303).

101. OSW highlighted the risk that "the ever-increasing burden of paperwork endemic to ESF delivery" could exclude smaller, specialist providers (p 251). A similar view was expressed by others, including the Commission, the Scottish Government, the WEFO and Community Service Volunteers (QQ 234, 297, 303, p 47). Likewise, the TSEN thought that bureaucracy acted as a deterrent, as did the North West Universities Association which cited the retention period of 10 years for records as a disincentive for institutions to use ESF funding (Q 46, p 62, see also p 164). The Commission responded that "we cannot draw a line and say that there are audit requirements ... except for a range of organisations. That is not possible" (Q 234).

102. Criticisms also included the variation in paperwork requirements between programmes, which Women Like Us thought could be a barrier for clients pursuing involvement in a programme (p 255).

103. While many of our witnesses recognised that there was "an element of bureaucracy associated with the European funding" and the Commission acknowledged that it "would be lying if we said that we are not bureaucratic; of course we are", Higher Education European Funding Services Limited had "no problems" with the reporting requirements and "no real complaints" about the level of administration attached to the programme. Moreover, others thought it was worth accepting the additional auditing obligations and burdens in order to deliver a more detailed project (QQ 9, 46, 229, 308).

104. As Higher Education European Funding Services Limited highlighted, "we would expect any programme of public funding to come with a degree of administration" (Q 46). The Mayor of London and London Councils believed that the audit regime was based on sound principles and ensured accountability of public funding (p 192). In addition, it was recognised that auditing requirements ensured that "money cannot go walkabout" (Q 12).

105. The Commission also stressed the need for some bureaucracy and auditing requirements and highlighted the trade-off between spending money properly and reporting on what was achieved (Q 230). It described more recent innovations to try to reduce the bureaucracy, for example 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" (Q 231, p 119).

106. Moreover, we heard that the Commission adopted a lighter touch approach where a "contract of confidence" has been awarded (the English audit authority became the first to be awarded such a contract during the 2000–06 programming period). This contract formally recognises where the Commission has complete confidence in the audit arrangements and requires the Member State to provide certain assurances on the robustness of monitoring and audit systems (p 211).

Possible improvements

107. The Mayor of London and London Councils wanted to see audits of co-financing organisations that included spot checks earlier in the programme to ensure that systems were compliant with ESF rules and regulations (p 193). The North West Universities Association, meanwhile, commented that the ESF seemed to have been designed for "an age when paper was predominant" and suggested that this had led to challenges for some institutions in transferring electronic records into hard copy for auditing purposes (Q 46).

108. The Welsh Assembly Government called for a single audit body in the Commission with common audit standards, alongside proportionality of audit requirements, including the issue of document retention, which we heard from witnesses could be more of an obstacle for smaller organisations (Q 296, p 171). (See paragraph 101). This point was also addressed by the Government, who, in relation to the amending regulations going through the European Parliament and Council (see Box 9), are calling for EU rules that are proportionate to the nature and size of projects, and relaxation of the rules requiring even small projects to retain project documentation (p 211). The Mayor of London and London Councils were also keen to see a simpler regime (p 192).

Auditing problems

109. Scotland failed to meet the audit requirements in the last programme. The Court of Auditors' report was described as "devastating" by the Commission, which considered that there were still some "major deficiencies" in the ESF audit system in Scotland. It intended to apply a financial correction and to ask the Scottish authorities to improve the management and auditing of the ESF programmes for the 2007–2013 period (QQ 236–7).

110. For its part, the Scottish Government recognised that the audit trail was not perfect. It suggested that because it had moved from over 3,000 relatively small programmes under the old programme (which had difficulty in keeping the necessary audit trail) to larger projects under the current programme, this might prove easier with regard to audits, though it felt there was still an administrative burden (Q 296). Nevertheless, it did not think that the audit requirements would prevent it delivering programmes as it intended, though it suggested there was a risk that unless it could ensure that projects' audit trails were robust, applicants might "back off because the burden outweighs the benefits of drawing down the funds" (Q 307).

Conclusions and recommendations

111. **It is clear to us that a trusted and robust methodology for assessing effectiveness is key to the short- and long-term future of the European Social Fund. We conclude that there is substantial room for improvement.**

112. We welcome moves to strengthen the evaluation systems for the current programme, particularly the improved opportunities for mutual learning and sharing of best practice within and between Member States. However, we note that there are no set dates for evaluations under the new "ongoing" system. Data must be produced more quickly and regularly so that performance issues can be addressed mid-way through a programme, rather than after the seven years has run its course. Otherwise the value of evaluations could be lost and the time taken to conduct them wasted. **We therefore recommend greater use of timely interim reporting to the Commission and the Government.**

113. Above all, it is clear to us that there is an excessive reliance on measuring hard outcomes almost to the exclusion of soft outcomes. We recognise the Minister's argument that job outcomes are the ultimate and legitimate aim of ESF intervention. However, intermediate work with the hard to reach is a necessary route towards the labour market, helping to improve people's employability. Although this may not lead to tangible outcomes during the lifetime of a programme, such action is nevertheless necessary and valid. **We therefore recommend that the Government reconsider their rigid approach of increasingly withholding payment from providers unless they get people into work and keep them there, not least because a failure to secure a job does not in itself indicate a flaw in the activity.**

114. Moreover, we are not convinced that soft outcomes are sufficiently difficult to define to prevent their inclusion in assessments of the effectiveness of the ESF. We are concerned that the complete exclusion of soft outcomes would encourage providers to focus on those closer to the labour market at the expense of the harder to reach. **We were particularly struck by the use of longitudinal cohort surveys and recommend that such surveys be made compulsory at a regional and co-financing organisation level.** Not only do we consider that these would be of use in capturing soft outcomes, we believe they would also facilitate assessments of the sustainability of hard outcomes, such as job retention and progression.

115. We note that the England ESF Operational Programme already includes soft outcome indicators and **we recommend that the Government and the Commission explore what other measures could be used to record progress amongst those further from the labour market. Ultimately, programme providers should be required to collect data on soft and hard outcomes alike.**

116. As many of our witnesses pointed out, it is necessary to have an element of bureaucracy in any programme, particularly with the sums of money involved in the ESF and the sensitivity around the spending of EU money. Nevertheless, it is essential that this is proportionate to the size of the programme. **We therefore recommend that the Government continue to press for the reduction of the 10-year records retention requirement for smaller organisations, whose valuable role in the ESF must not be hindered by disproportionate audit requirements.**

117. **Given the differing views among our witnesses about the effect of co-financing on the bureaucratic burden faced by providers, we recommend that the Government carry out an assessment of this in order that any such issues can be identified and addressed systematically.**

CHAPTER 4: FLEXIBILITY OF THE ESF

Overall flexibility of the Fund

118. Several witnesses commended the flexible nature of the ESF (QQ 20, 112, 183, 310, 311). The Convergence Partnership Office for Cornwall and the Isles of Scilly saw the advantage of this in allowing organisations "to pilot new ways of doing things; it drives innovation" (Q 183). The Department for Work and Pensions (DWP) and the Scottish Government highlighted the pan-EU nature of the ESF's flexibility, which enabled Member States to address different labour market needs (pp 159, 207, 208).

119. The Commission was optimistic that the ESF enabled projects "to develop flexible and tailored support." The mid-term evaluation update for Scotland found widespread agreement among stakeholders that the flexibility offered by the ESF programme was vital in responding to the needs of target groups at risk of drifting away from mainstream provision (p 117). The Welsh European Funding Office (WEFO) said that with a focus on outcomes, the means of achieving them needed to be flexible (Q 310).

120. However, others highlighted downsides to flexibility. The Scottish Government thought it had "a very tricky balance to secure between due diligence and ... flexibility or giving the organisations sufficient scope to implement projects" (Q 282). The Minister warned that, especially during a recession, flexibility should not allow ESF money "to drift off into those people who are much closer to the labour market" (Q 374).

121. Making a case for limited flexibility, the Convention of Scottish Local Authorities (COSLA) warned that the long-term economic development perspective of the Structural Funds limited the potential to proceed with radical changes during the present financial period (p 147).

Policy flexibility

122. Several examples were given of the flexibility of the ESF, most notably following the changed labour market and economic circumstances resulting from the recession (see Box 9). As the Commission noted, social, economic and political contexts change and, particularly following the financial crisis, "policies need to be adapted" (Q 196, p 141). The Learning and Skills Council (LSC) highlighted the Commission's proposal to move to a grant process as "a flexibility opened up ... as part of their response to the economic downturn". Using this process, the LSC reported that it would not have to use open and competitive tendering (OCT) or provide evidence of actual costs where standard scales of unit cost or formula funding were used. This would speed up the process, allowing it to allocate funding to preferred suppliers more quickly, which would "benefit everybody involved in ESF" (QQ 6, 30). The West Midlands Leaders Board agreed that the flexibility to use grants in addition to OCT was welcome and had helped it to respond quickly to economic changes (p 252).

BOX 9

Commission's proposed changes in response to economic challenges

Following the onset of the crisis, the Commission proposed a series of legislative and non-legislative changes to help Member States' programmes respond more quickly and effectively to the related challenges. These included:

- Amendments to Regulations to provide an additional advance payment to ease cash flow at the start of the programmes;
- Amendments to Regulations to extend the types of costs eligible for ESF support.

In addition, there is a further proposed amendment pending 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 doing away with the need for national co-financing during that period. We heard from the Government that there was strong opposition to this amongst Member States (pp 214–5).

123. The Response to Redundancy programme (see Box 10) was highlighted as another example of policy level flexibility within the ESF. This was put in place "rapidly" to respond to the economic downturn and, according to the LSC, had "already had significant impact" (QQ 14, 384, p 2). We heard that "there have been other flexibilities announced as well which predominantly benefit other Member States more than the UK" (Q 30). For example, as described in the Commission's *Draft Joint Employment Report*,[27] Italy had used the ESF to widen the coverage of unemployment benefits, Austria had extended potential ESF participants to include all age groups and Portugal had increased support for entrepeneurs.

BOX 10

Response to Redundancy

The Response to Redundancy programme was introduced as an LSC and DWP combined response to the financial crisis. It aimed to minimise time spent on benefits and was available either from day one of unemployment or while people were under notice of redundancy (p 214). The LSC thought the programme was thus "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" (Q 20).

By way of example, the LSC cited the case of a man who had spent years working in the scaffolding industry before he was made redundant. He had no formal qualifications and therefore experienced difficulty in finding 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 what prospective employers had been looking for. As a result, he was able to secure a job with further training (Q 14).

[27] 2009/2010 (COM (2009) 674 final) pp 7–8

124. At a devolved level, we heard from the Scottish Government that as a result of the changing economic climate it had already amended its programme and had a second amendment pending which would allow money to be shifted into its employment priority (Q 277, pp 158, 166). ScotAction was cited as a particular example of the policy level flexibility of the ESF. This programme was brought forward to respond to a sudden surge in unemployment amongst young people and in redundancies of young apprentices before they had completed their training. It gave employers £2,000 to take an apprentice on part-way through their training and came through "very, very quickly; literally within weeks". Other programmes followed, all of which the Scottish Government reported to be successful, addressing "a very urgent need" and showing "the flexibility of ESF" (Q 311).

125. COSLA was less positive about policy changes and thought that Commission reforms to the Regulations (see Box 9) would have a limited impact on the current programme in Scotland because half of its ESF funds were already committed (Q 249).

126. The Welsh Assembly Government also negotiated some changes to its programme following the recession, such as moving from a 70/30 to a 50/50 split between the hardest to reach and the short-term unemployed. It highlighted the Pro-Act programme, which responded to calls from employers to help keep people in employment, for example through re-training. Pro-Act had already supported over 181 companies, to the benefit of more than 8,300 workers, "people who may well have lost their jobs if it had not been for the flexibility that we have with the European Social Fund" (Q 309, pp 119, 173). Nevertheless, the Welsh Assembly Government thought that its existing programmes had "been remarkably flexible and able to respond to immediate short-term crises with some speed" (Q 283, p 173).

127. The Scottish Government, while positive about the ESF's flexibility overall, drew attention to potential downsides. Changes to rules mid-way through programmes could lead to charges of inequitable treatment between applicants, and it was hard to maintain a full audit trail until closure where requirements changed from year to year (p 164).

128. On the other hand, many of our witnesses criticised the ESF for being insufficiently flexible to respond to external stimuli such as the recession. The Mayor of London and London Councils warned that "without flexibility in changing conditions we risk causing projects to fail" (p 194). Some witnesses, such as the West Midlands Leaders Board and the LSC, highlighted that they were "still constrained by having to meet the target set out in the operational programme", which was proving more difficult in the light of the recession (QQ 22–3, p 252). The LSC suggested that funding would be better aligned over the long term if targets and allocations could be varied and, together with COSLA, called for the ability to move funding between projects and priorities with more flexibility (pp 1, 2, 4, 148). The Welsh Assembly Government praised the recent introduction of limited cross-fund flexibility and suggested that identifying and sharing best practice in this area was a clear opportunity for the Commission (pp 170–1).

129. The Government also called for Managing Authorities to have the flexibility to vire a certain amount of funding between priorities without the need to amend Commission decisions (p 215). However, the Commission thought that programmes in need of changes would be accommodated by its fast

track procedures and thought there was "no need to modify any Commission rule" (p 143).

Regional variation

130. As witnesses highlighted, "different regions have different needs" (QQ 51, 183, p 87). There was consensus about the importance of ensuring flexibility for regions in the ESF, with London Councils highlighting the concept as "crucial" (Q 324, pp 72, 194). The Minister also recognised that a regional view was necessary in order "to identify the need and be able to deploy resources accordingly" (Q 400).

131. Several witnesses were critical of the level of regional flexibility under the ESF. Off the Streets and into Work and the University of Sunderland suggested that there had been an erosion of the flexibility for regions to decide what was most appropriate. The University of Sunderland thought that this was "going to restrict the ability of the region to use ESF to move forward and compete globally" (QQ 37, 44, 45, p 250).

132. London Councils highlighted a tension between effective central management of the programme and local flexibility, "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*" (Q 325). Furthermore, the Mayor of London and London Councils did not think the particular needs of the region were always considered and wanted greater co-ordination between the Government and the regional administration (p 194). The Government recognised that they had "to find a right balance between national priorities and a national response to a national recession and local flexibility and tailoring" (Q 386).

133. Many supported the call for greater flexibility for regional decision-making and "much more flexibility amongst ourselves to decide what is most important" (QQ 43, 112, 144, 309, p 24). The West Midlands Leaders Board thought its "region would benefit from the introduction of increased flexibilities in the funding parameters within Priority 1." It suggested that "the ability of a region to determine the percentage allocation for NEETs and adult provision would ... enable ESF to be more responsive to prevailing conditions" (p 252). The South West Regional Development Agency and the South West Regional Employment and Skills Partnership thought that increased flexibility in moving funds from one part of the region to another would be welcome, such as with the LSC's Response to Redundancy programme (p 72). (See Box 10).

134. Others painted a more positive picture of regional flexibility. We heard from the Welsh Assembly Government that the objectives for the ESF as a whole had been sufficiently flexible for it to design tailored programmes to meet distinctive needs not only for Wales, but also at a sub-regional level. In particular, it highlighted the ability to change the balance of funding within its convergence priorities without the need for Commission approval (p 169). The Convergence Partnership Office for Cornwall and the Isles of Scilly was similarly content, believing that it had "had the flexibility ... to use the European Social Fund across that whole pathway of employment and skills", though it should be noted that due to its convergence status, the region has its own individual programmes, whereas in the rest of England regional plans are subsets of the national programme (Q 156).

135. The benefits of regional flexibility could also be seen from the phasing-in regions in the English programme and the Welsh convergence programme which were granted more flexibility "to take account of the fact that they were moving away from Objective 1" (Q 151). In South Yorkshire, the decision had been taken to invest heavily in schools, in supporting children from 14 onwards (Q 151).

136. The Minister thought the ESF provided reasonable flexibility to support regionally defined priorities but stressed that the Government were "starting to create the coherence that we need to make this somewhat easier for regions to find out about." He stressed that in England "the regions decide". It was the Government's hope and expectation 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" (Q 363).

137. We heard that all government provision had a consultative process built in "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" (Q 385).

Speed of response

138. Commenting on the increased funds available following the revaluation of the euro, Higher Education European Funding Services Limited highlighted "the time it was taking for money to get from their [the Commission's] bank account down to actual projects, something like 14 months" (Q 64, pp 19, 35). The Convergence Partnership Office for Cornwall and the Isles of Scilly was "not sure the 14 months is entirely right" and was more understanding of the reasons for delay, suggesting that "with all European programmes it always takes a while to get it sorted out and it just comes with the territory" (Q 165). Looking to the future, COSLA called for payment processes to be "greatly simplified" in order that projects could be "quickly delivered on the ground" (p 147).

139. We heard from many witnesses that adapting the ESF to improve its flexibility could incur significant delay. It was the Scottish Government's experience that changing the programme "was a very slow process", this despite the fact that the Scottish Parliament and Scottish ministers were extremely supportive of making changes. However, it was "hopeful of getting a much quicker response from the Commission" with its second request and was positive that the Commission had tried to respond with a simplified process to get those changes through (Q 281).

140. The Commission acknowledged the delays in the tendering process of some of the ESF funds in the UK but suggested that this was "a domestic problem" and highlighted that it had shared its concerns with the DWP (QQ 232–234, p 142). For its part, the Commission felt it had been "forced by the crisis to make sure that money gets to the beneficiaries quickly" (Q 229). The Third Sector European Network (TSEN) agreed that the Commission had "done a lot in terms of flexibility, in terms of getting this money spent quickly now". It was more critical though of the DWP for being "much slower at getting those monies on the ground" (Q 104).

141. The Minister agreed that "the Commission have been really helpful in trying to get us the money and get it to where it is needed" but explained that

procuring new provision usually took 18 months and that "part of that is around the European procurement rules". He also suggested that "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" (QQ 383–4).

142. Given the potentially lengthy nature of securing programme revisions, the DWP reported that "programmes usually build in flexibility to respond to changing circumstances without having to re-negotiate their Commission decisions" (p 211). While the Commission agreed with the latter point, it contrasted the Government's view that revisions could be lengthy to agree with its announcement at the outset of the economic crisis that if Member States wanted to make changes to their programmes, it would introduce a fast-track procedure to ensure that they were adopted quickly. As at 14 January 2010, the Commission had modified 12 Operational Programmes in response to Member States' requests (Q 208, p 119, 120, 143).

The financial crisis and the flexibility of the ESF

143. Witnesses were split over the extent to which the recession either showed the existing flexibility of the ESF or highlighted the need for changes to the Fund to ensure greater flexibility in future. The Government came down on the former side, stressing that existing ESF provision was able to respond to the downturn and help those who were coming onto the labour market. They thought "things look as though they are remaining broadly stable in terms of our contractors delivering against their job outcome targets" (QQ 379, 387, pp 207, 213). The Commission agreed that "the ESF is currently proving to be a valuable and flexible source of funding in times of crisis", as did the Mayor of London and London Councils and the Welsh Assembly Government which cited the "considerable flexibility offered through both the ESF priorities and the design of the Welsh programmes" that allowed it to respond to a changing labour market "without taking away from the important medium-term goals" (pp 123, 174, 192).

144. Many witnesses were concerned that the hardest to reach were particularly affected by the recession as funds were diverted towards the more recently unemployed and those under threat of redundancy. European Structural Funds Voluntary Organisations Northern (ESFVON) thought that at a time of recession the ESF did "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" (Q 104). The TSEN agreed that "people furthest from the labour market in an economic recession are probably going to be pushed even further back". However, it felt "straitjacketed" because primary contracting arrangements were, it suggested, cumbersome and lengthy (Q 104).

145. Presenting a contrasting view, the Government Office for Yorkshire and the Humber thought that "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" (Q 158). However, the Government Office for Yorkshire and the Humber qualified this by highlighting that the one area where it was supporting fewer people than it was expecting to at the outset of the programme was among the economically inactive (Q 160).

146. The Government recognised the risk that in a recession "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." However, support for the recently unemployed could at least mitigate against this (Q 380).

147. The Government Office for the North West reported its experience that graduates were also having difficulty in finding work as a result of the recession, which in turn affected the less academically qualified as the graduates moved into lower level jobs (QQ 161–2). The Scottish Government agreed that as a result of the more competitive labour market it was "much more difficult for people who are starting from quite a long way away from the labour market to actually make it into jobs" (Q 280). This point was echoed by the Mayor of London and London Councils, which informed us that "many providers have reported difficulties in achieving their targets as job opportunities are in short supply" (p 194).

148. Turning to the future, the Convergence Partnership Office for Cornwall and the Isles of Scilly stated that "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" (p 86). The Commission agreed that the challenge post-2013 would "be to ensure that the ESF has both the capacity and the flexibility to respond to the needs of all citizens, and achieve the objectives of the Treaty, i.e. full employment in an inclusive society" (p 121). COSLA called for more flexibility in terms of adjusting timescales and targets to take account of the changing economic environment (p 147).

Conclusions and recommendations

149. We recognise the need for a Fund that is sufficiently flexible to respond to external factors such as changes in domestic policy and the recent recession. However, there is a balance to be struck between flexibility and the need for co-financing organisations and project providers to remain accountable and for the project to remain within the rules and the authorisations made under them. It is also important to avoid unnecessary or unwelcome derogations of funding.

150. We note the wealth of responses that have been introduced as a result of the changed labour market and economic circumstances and we commend the Commission's efforts to ensure that where necessary, changes to programmes were delivered on the ground as quickly as possible. We are concerned by the delay experienced in the UK in money reaching programmes following the release of extra funds due to the revaluation of the euro. **We recommend that the Government, working with the Commission, conduct a full review of the situation in order that this does not hinder the ability of the ESF to respond quickly to rapidly changing circumstances in future. The Commission should share the findings of the review with other Member States in order to facilitate learning across the EU.**

151. Our witnesses' views differed as to the effect of the recession on the ability of providers to deliver the original targets set for programmes. The rapid onset of the recession and the changes this has necessitated in the ESF in the UK demonstrate that a multi-annual programme such as this must be cast with sufficient flexibility from the outset to cope with unforeseen and rapid changes in the economic and employment environment. **We recommend**

that the Government monitor closely how providers' ability to deliver their targets has been affected as we hopefully move into a period of economic recovery. It is vital that Member States and the Commission use the opportunity provided by the recession to learn valuable lessons about how the flexibility of the ESF can be improved in future, as also about where it is working well.

152. **The ability to alter programme targets and move funding between projects and priorities with greater flexibility is desirable. We recommend that such flexibility be integrated into the operating rules and that the Government advocate this approach in discussions on the future of the policy.**

153. Priorities for the use of the ESF will differ between regions across the European Union and within Member States. Regional flexibility, allowing for the different economic profiles of regions, is therefore essential for the efficient and effective delivery of the ESF. **We recommend to the Government that in future, there should be real and substantive opportunity for regional priorities to be built into the programme while recognising the national and European nature of the Funds. We consider that there is room to address this in the next phase of the 2007–13 programme and in any new programme after that date.**

CHAPTER 5: FUTURE OF THE ESF

The policy landscape

154. The European Commission launched Europe 2020, the renewed Lisbon Strategy, in March 2010 (see Box 1) and later this year it plans to consider how to revise its whole cohesion policy, including the ESF. Later in 2010, the EU's budget is due to be reviewed in advance of deciding the new financial framework for the period 2014–2020. Against that background we therefore consider in this chapter the future policy orientation of the ESF and its position within the EU budget, including its future alignment with the European Regional Development Fund (ERDF).

Future policy orientation

155. According to some of our witnesses, sustainable development and green growth should be central to Europe 2020. The Welsh Assembly Government drew our attention to its response to the Commission's consultation on Europe 2020 in which it suggested that Europe 2020 provides a fresh opportunity to develop a strategy built around a central position for sustainable development from the outset. It emphasised the benefits of developing existing green jobs and stimulating new ones (Q 315). Similarly, the Scottish Government suggested that green growth should be among the priorities in the medium and long term in order "to raise prosperity, increase opportunity for all, and ensure sustainable and low-carbon growth" (p 167).

156. Looking at how the priorities of Europe 2020 might be translated into the future ESF, a consistent theme throughout our evidence was the increasing importance of green skills. The Learning and Skills Council (LSC), the Government Office for the North West, Lincolnshire County Council, the Mayor of London and London Councils all agreed that green technology was an important sector for future growth, employment and ESF investment (QQ 26, 170–1, 347, pp 4, 194). According to COSLA, the ESF would have an important role to play in this agenda for three reasons: first, it could provide training to people who could not find their way in the old economy; second, it would thus demonstrate additionality; and third, it could help the wider economic development and modernisation of the regions (Q 253).

157. Some of our witnesses pointed to specific actions that might be taken in order to develop green skills. The Government Office for Yorkshire and the Humber observed that one area for green skills training might be in the construction industry, particularly installation of new, green equipment, such as solar heating and water storage and retention systems (Q 171). Lincolnshire County Council suggested that the ESF could be used for retraining of existing professionals, for example teaching plumbers to use and install photovoltaic panels (Q 347). It was noted by the Convergence Partnership Office for Cornwall and the Isles of Scilly that existing traditional industries, such as agriculture, food processing and tourism, needed to modernise by becoming greener. The low carbon agenda must therefore be "pushed across all parts of the economy" rather than being placed in a policy silo (Q 171). The South West Regional Development Agency gave the example of a community seeking to develop its own energy supply company. The ESF could ensure that local people were being equipped with the skills

to work in the new businesses, including working with the hardest to reach to ensure that they get on the pathway to economic growth (Q 119).

158. Looking more generally towards the future spending priorities for the ESF, we have noted that there might continue to be a tension between support for higher level skills and support for lower level skills and the hardest to reach (see Chapter 2). The LSC emphasised that judgments would continue to be made on the balance to be struck between targeting those with the greatest need and investment in the economy for the medium and long term (Q 26). Meanwhile, in calling for a greater focus on higher education in the ESF post-2013, Higher Education European Funding Services Limited referred back to a European Commission paper in December 2008[28] which indicated that, over the subsequent decade, jobs requiring high levels of education would grow significantly, at the expense of jobs at the lower end of educational attainment (p 19). The Minister acknowledged that there was already a slight shift towards higher level skills and that this would continue but that it would still be necessary to develop lower level skills, including amongst the disadvantaged groups that could be helped through the ESF (Q 394).

159. Finally, in considering the orientation and role of the ESF, we were interested to hear from the Commission that Europe 2020 would require "much more pro-active labour market policies" from Member States, with more intervention from Brussels but co-ordinated through mechanisms such as the ESF, which should have a "significant role" (Q 205).

Future financing of the ESF

BOX 11

The Budget Review and the UK Rebate

The December 2005 agreement on the 2007–13 EC budget stipulated that the Commission should "undertake a full, wide ranging review [of the budget] covering all aspects of EU spending, including the Common Agricultural Policy (CAP), and of resources, including the UK rebate, to report in 2008/9"[29]. The Commission issued a consultation paper in 2007[30] as part of that preparatory work and a further paper is expected later in 2010. Future spending on the Structural Funds, including the ESF, is likely to form an important element of these discussions alongside the UK rebate and CAP reform. Under the rebate, two thirds of the difference between the UK's contribution to the EU budget and its share of allocated expenditure are reimbursed. As regards the countries that acceded in 2004 and 2007, it was agreed that the UK would contribute fully to their costs apart from the CAP and that the rebate should reflect this agreement.

160. It is within the context of the forthcoming Budget Review (see Box 11) that we considered the future financing of the ESF. The UK Government stated that they would like to see a phasing out of Structural Funds, including the

28 COM(2008)608 16.12.2008 Communication from the Commission, "New Skills for New Jobs"

29 Council of the European Union, Financial Perspective 2007–13, 19 December 2005, 15915/05, p. 80

30 "Reforming the Budget, Changing Europe—A Public Consultation Paper in View of the 2008/2009 Budget Review", Communication from the Commission, 12 September 2007, SEC (2007) 1188

ESF, in the richer Member States post-2013. In arguing their case, the Government asserted that, "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". The Government acknowledged that this would necessitate consideration of whether and how to sustain employment and skills provision that is currently financed by the ESF in the richer Member States (p 217). The Minister was unable to be more precise about how this might be achieved. Indeed, he admitted that, by definition, the programmes were additional to what could otherwise be done. Nor was he able to explain how other Member States were likely to respond in the course of negotiations (QQ 396–8, 401). We noted too that a common UK negotiating position ought ideally to be established through discussions between the Government and the devolved administrations and that the Welsh Assembly Government did not agree that Structural Funds should be phased out in the richer Member States (Q 407).

161. In our most recent consideration of the Government's policy on the future of EU regional policy,[31] in 2008, we took a nuanced position in reaction to the Government's policy. The report, which focused on the ERDF and Cohesion Fund rather than the ESF, concluded that future funding "should be concentrated in the poorest regions" and that "richer Member States should remain responsible for the majority of their own regional funding".

162. Among our witnesses, we detected little support for the Government's position. A recurring defence of the status quo was the value of the guarantee of funding over a seven year period, which was a benefit of EU schemes over national schemes. The latter, by contrast, might be amended as priorities shift or governments change at short notice. This guarantee of funds over a multi-annual period was described by the South West Regional Development Agency as rare, or even unique, and by COSLA as a form of "insurance" (QQ 122, 257). The Convergence Partnership Office for Cornwall and the Isles of Scilly added that the ability to plan over a seven year period gave a sense of purpose and confidence to economic regeneration (Q 174).

163. Witnesses were concerned about how the ESF would be replaced. Even the Minister acknowledged that, due to the unpredictability of politics, priorities at a national level could change and thought "the effect is that these people we care about who do suffer disadvantage get less good provision" (Q 376). The Convergence Partnership Office for Cornwall and the Isles of Scilly emphasised that if "renationalisation" was to be the chosen option, one needed to be clear whether the replacement would deliver the same results (Q 174).

164. An argument expressed by several witnesses in opposing the Government's policy was that unemployment did not respect national boundaries. The LSC argued that "the artificial boundaries of nation states do not define where unemployment hits and affects people ... resource should follow need, as opposed to resource following geographical boundaries" (Q 28). The Commission illustrated this point when it reported that the unemployment rate in Brussels, the third richest region in Europe, was more than 20% (Q 223). London Councils emphasised that, "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", a view shared by the Welsh Assembly

[31] 19th Report (2007–08): *The Future of EU Regional Policy* (HL 141)

Government, the University of Sunderland and the Convergence Partnership Office for Cornwall and the Isles of Scilly (QQ 69, 174, 317, 356).

165. The role of the ESF in encouraging innovation and the generation of new ideas that might not otherwise come to fruition was also emphasised (QQ 122, 257). Similarly, CEFET (Co-ordinating European Funding for the East Midlands Third Sector) commented that it would be easier to make the case for all Member States to retain access to funding if those funds "were seen to be thematically targeted at something that was not done by the mainstream, doing some different rather than doing more of the same" (Q 107).

166. The Commission also pointed to the legal status of the ESF. The European Social Fund is founded on the EU Treaty (Articles 162–4 TFEU) and the content of this part of the Treaty was not amended substantively by the Lisbon Treaty (Q 220). The Treaty applies equally across the European Union and does not restrict the application of the ESF to the poorest Member States. It was considered too that social exclusion needed to be tackled as an expression of EU solidarity (Q 223, 226).

167. Within future financing discussions, the Commission noted that there was a strong case to reinforce the ESF in the next programming period, not least in the context of the financial crisis which had left the EU in particular need of labour market intervention (QQ 208, 215).

Future alignment of the Structural Funds

168. Cohesion policy was built on two key strands of intervention, explained the Convergence Partnership Office for Cornwall and the Isles of Scilly: one based on people and the other investing in more competitive business. The former would generally be supported by the ESF and the latter by the ERDF (see Box 12) (Q 174). Witnesses gave examples of how the ERDF and ESF were effectively aligned within current programmes. In Cornwall, the ERDF had funded higher education buildings and research capacity, while ESF had enabled some money to be spent on postgraduate research (Q 110). In the Highlands and Islands, ERDF had been used to support renewable energy infrastructure and research while the ESF had supported renewable energy skills development (Q 315).

BOX 12

European Regional Development Fund (ERDF) and alignment with the ESF

The operating provisions of the ERDF are governed by the same Regulation as the ESF, but the ERDF has a separate Regulation (1080/2006) laying down its scope. Under the Regional Competitiveness Objective (covering most of the UK), projects should focus on:

- innovation and the knowledge economy;
- environment and risk prevention; and
- access to transport and telecommunications services of general economic interest.

Furthermore, the ERDF Regulation includes a recital emphasising that there should be synergy between support granted from the ERDF and support granted under the ESF and other Funds.

169. The Welsh Assembly Government, COSLA and the South West Regional Development Agency advocated the creation of a "mono fund" of European investment (QQ 125, 259, pp 73, 175). The South West Regional Development Agency explained that structures had been specially created in South West England in order to try to bring the two together (Q 126). The Welsh Assembly Government thought there was a need to integrate the ERDF and ESF more closely because while the ESF would provide the skills for employment, it was important that the corresponding job opportunities existed, and that was where the ERDF could assist. Both COSLA and the Welsh Assembly Government drew attention to the differing operating rules applying to the Funds. We heard that this was a particular concern for local government, which found it burdensome to deal with different systems (QQ 260, 314).

170. Other witnesses agreed that there was a need for greater alignment but questioned whether the solution was a mono fund. The Commission emphasised that any mis-alignment between the Funds would not be solved simply by "lumping together all EU funds into one single department and then continuing as we have been". Rather, policy co-ordination at EU, national, regional and local levels was necessary (QQ 243–4). The Government also argued against a mono fund, explaining that there was merit in the ESF's distinct labour market focus and its ability to complement employment and skills strategies. Instead, the focus should be on creating the appropriate regional structures (QQ 410–1).

171. The Scottish Government, West Midlands Leaders Board, the Convergence Partnership Office for Cornwall and the Isles of Scilly, the Government Office for the North West, the European Trade Union Confederation (ETUC) and Slovak government all argued for greater integration at the EU, national and local levels, but not for a single fund (QQ 175, 180, 314, pp 244, 247, 249, 252). The Slovak government was keen to ensure that projects could be jointly financed by the two Funds and the Government Office for the North West would support an inclusion in the EU-level framework of an expectation as to how delivery should operate at the local level in a joined-up fashion (Q 182).

172. Local government representatives mentioned the link with JESSICA (Joint European Support for Sustainable Investment in City Areas), a scheme offering loan capital for urban development primarily from the European Investment Bank. London Councils, Lincolnshire County Council and COSLA argued that JESSICA too ought to be aligned more closely with the ERDF and ESF. Both JESSICA and the ERDF lacked grants for training and employment, and for this reason it would be useful to link them with the ESF (QQ 352–3, p 147).

Conclusions and recommendations

173. **We agree that the EU's new Jobs and Growth Strategy should drive the future direction of the Structural Funds, including the European Social Fund. The extent to which the ESF and the Commission are able to assist in co-ordinating pro-active national labour market policies, as advocated by the Commission, is likely to be a political choice driven by the economic health of Member States.**

174. The focus of Europe 2020 and the ESF should appropriately be on sustainable development as the development of the low-carbon economy is likely to be an important element of the EU's future economic growth. **We**

therefore recommend that, when designing priorities for the European Social Fund in the 2014–20 period, the appropriate contribution of green skills across the economy, in terms both of greening existing jobs and professions and developing new skills, should be recognised and supported.

175. Over the course of the 2014–20 period, **we recommend that the limited resources of the ESF continue to be focused on assisting the hardest to reach and least skilled into work or back into work.** In some instances, a regional skills analysis might suggest that there is a need to increase the proportion of funding devoted to skills at level 3 and beyond. Where resources permit, the ESF may have a role in this type of assistance as long as additionality can be demonstrated and as long as the ESF continues to meet the needs of the hardest to reach and least skilled.

176. The Government advocate an end to the availability of Structural Funds in the more prosperous Member States, including the UK. This policy raised concern among most of our witnesses. Opponents of the policy favoured the certainty of a multi-annual budget, considered that unemployment does not respect national boundaries and were worried about what would replace the ESF given its provision is, by definition, additional to existing national programmes and practices. **We note the Commission's view that the ESF should in principle be available throughout the EU, and, like the Commission, consider that the ESF is a concrete expression across the EU of Europe's solidarity with its citizens.**

177. We were unconvinced by the arguments presented to us by the Government and we were particularly disappointed to note that the Government have no plan as to how the ESF should be replaced in the UK specifically. Undoubtedly, the focus of the ESF ought to be the less prosperous Member States. However, unemployment does not respect national boundaries and, in the particular context of the economic downturn, **we do not support withdrawal of the ESF from the UK and other more prosperous Member States without a clear indication of what would follow in its place.**

178. We note too a lack of consensus between the UK Government and at least one of the devolved administrations. **We therefore draw the Government's attention to the importance of involving the devolved administrations as fully as possible in discussions seeking to establish a common UK negotiating line on the future of the ESF.**

179. We are not convinced that alignment of the ERDF, ESF and other Funds is best achieved by creation of one single Fund; each Fund has particular objectives which ought to be retained. **We recommend that the Funds be strategically aligned according to overarching policy priorities such as the development of a low carbon economy.**

180. The systems for processing the respective Funds should not differ and alignment between them would be facilitated by approximating the administrative requirements, timetable and scheduling, and operational liaison for each Fund. **We recommend that the Government review these arrangements before the start of the next programming period, and in the post–2013 period, with a view to operational simplification at the local, national and EU levels.**

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

Chapter 2: The ESF in practice

181. Our witnesses have recognised the value of the European Social Fund, pointing to its particular benefits in terms of introducing new ideas, social inclusion and economic development and **we conclude that the ESF is an important component of the EU's broader social and economic cohesion policy** (paragraph 71).

182. The ESF is funding particularly valuable work with the hardest to reach and least skilled. While higher level skills are crucial for the EU's economic development, the ESF has limited resources and we remain convinced that its added value lies in its ability to make the hardest to reach and the least skilled employable. **We recommend that priority be given to safeguarding this aspect of the ESF's role** (paragraph 72).

183. We are concerned that the system of competitive tendering under co-financing in England, whilst having many merits, may have led to providers being incentivised to "cherry pick" participants who are easiest to place into the labour market, at the expense of the hardest to reach. **We therefore recommend that this risk be explicitly addressed by, for example, delivery bodies being contractually required to demonstrate that they are still delivering to the hardest to reach** (paragraph 73).

184. It is evident that many of the providers best able to assist the hardest to reach are in the Third Sector. We have heard conflicting evidence as to their reduced involvement in the ESF England programmes in the course of the current programming period. It is critical that the objectives of the ESF are delivered and that the appropriate participants are reached. No particular contractor or sector has a right to funding; any award must be based on merit. We acknowledge, though, the special value that the Third Sector can bring to the programme and therefore conclude that it is important that small operators have a fair opportunity to innovate and to be involved. **We recommend that the Government and the Commission ensure that this Sector is encouraged to participate to its best ability in the programme** (paragraph 74).

185. **We welcome the work already being undertaken through the ESF to support green skills and consider this aspect of the ESF to be relevant as it moves forward** (paragraph 75).

186. Additionality is a fundamental principle underlying the EU's Structural Funds and measuring it can be complex. We heard particularly that the need to monitor the principle constantly is challenging. **We therefore recommend that Managing Authorities share this responsibility with those disbursing the Fund** (paragraph 76).

187. We agree with the Commission that the ESF is a very visible and tangible benefit of the EU. While we were impressed by the efforts being made to publicise it, we agree that its visibility needs to be improved. **We recommend that Member States and the Commission make this a priority. The Commission should assist with the sharing of best practice between Member States and regions as appropriate** (paragraph 77).

188. We heard evidence to support the importance of Technical Assistance to the effective delivery of the ESF, **and recommend that Managing Authorities both work with organisations to overcome difficulties encountered in identifying match funding** and explore the possibility of introducing a higher ESF intervention rate for Technical Assistance (paragraph 78).

189. We were pleased to hear the plans being put in place by the LSC to deal with the transition to new arrangements for administration of the ESF following the dissolution of the LSC in England. Nevertheless, such a transition will not be simple. **At such a key time for the ESF in England, we recommend that the Government monitor arrangements closely to ensure that the requirements for the delivery of the second phase of funding for the 2007–13 programme this year are handled efficiently and do not lead to delays in commissioning and delivering new provision** (paragraph 79).

Chapter 3: Measuring the effectiveness of the ESF

190. **It is clear to us that a trusted and robust methodology for assessing effectiveness is key to the short- and long-term future of the European Social Fund. We conclude that there is substantial room for improvement** (paragraph 111).

191. We welcome moves to strengthen the evaluation systems for the current programme, particularly the improved opportunities for mutual learning and sharing of best practice within and between Member States. However, we note that there are no set dates for evaluations under the new "ongoing" system. Data must be produced more quickly and regularly so that performance issues can be addressed mid-way through a programme, rather than after the seven years has run its course. Otherwise the value of evaluations could be lost and the time taken to conduct them wasted. **We therefore recommend greater use of timely interim reporting to the Commission and the Government** (paragraph 112).

192. Above all, it is clear to us that there is an excessive reliance on measuring hard outcomes almost to the exclusion of soft outcomes. We recognise the Minister's argument that job outcomes are the ultimate and legitimate aim of ESF intervention. However, intermediate work with the hard to reach is a necessary route towards the labour market, helping to improve people's employability. Although this may not lead to tangible outcomes during the lifetime of a programme, such action is nevertheless necessary and valid. **We therefore recommend that the Government reconsider their rigid approach of increasingly withholding payment from providers unless they get people into work and keep them there, not least because a failure to secure a job does not in itself indicate a flaw in the activity** (paragraph 113).

193. Moreover, we are not convinced that soft outcomes are sufficiently difficult to define to prevent their inclusion in assessments of the effectiveness of the ESF. We are concerned that the complete exclusion of soft outcomes would encourage providers to focus on those closer to the labour market at the expense of the harder to reach. **We were particularly struck by the use of longitudinal cohort surveys and recommend that such surveys be made compulsory at a regional and co-financing organisation level.** Not only do we consider that these would be of use in capturing soft

outcomes, we believe they would also facilitate assessments of the sustainability of hard outcomes, such as job retention and progression (paragraph 114).

194. We note that the England ESF Operational Programme already includes soft outcome indicators and **we recommend that the Government and the Commission explore what other measures could be used to record progress amongst those further from the labour market. Ultimately, programme providers should be required to collect data on soft and hard outcomes alike** (paragraph 115).

195. As many of our witnesses pointed out, it is necessary to have an element of bureaucracy in any programme, particularly with the sums of money involved in the ESF and the sensitivity around the spending of EU money. Nevertheless, it is essential that this is proportionate to the size of the programme. **We therefore recommend that the Government continue to press for the reduction of the 10-year records retention requirement for smaller organisations, whose valuable role in the ESF must not be hindered by disproportionate audit requirements** (paragraph 116).

196. **Given the differing views among our witnesses about the effect of co-financing on the bureaucratic burden faced by providers, we recommend that the Government carry out an assessment of this in order that any such issues can be identified and addressed systematically** (paragraph 117).

Chapter 4: Flexibility of the ESF

197. We recognise the need for a Fund that is sufficiently flexible to respond to external factors such as changes in domestic policy and the recent recession. However, there is a balance to be struck between flexibility and the need for co-financing organisations and project providers to remain accountable and for the project to remain within the rules and the authorisations made under them. It is also important to avoid unnecessary or unwelcome derogations of funding (paragraph 149).

198. We note the wealth of responses that have been introduced as a result of the changed labour market and economic circumstances and we commend the Commission's efforts to ensure that where necessary, changes to programmes were delivered on the ground as quickly as possible. We are concerned by the delay experienced in the UK in money reaching programmes following the release of extra funds due to the revaluation of the euro. **We recommend that the Government, working with the Commission, conduct a full review of the situation in order that this does not hinder the ability of the ESF to respond quickly to rapidly changing circumstances in future. The Commission should share the findings of the review with other Member States in order to facilitate learning across the EU** (paragraph 150).

199. Our witnesses' views differed as to the effect of the recession on the ability of providers to deliver the original targets set for programmes. The rapid onset of the recession and the changes this has necessitated in the ESF in the UK demonstrate that a multi-annual programme such as this must be cast with sufficient flexibility from the outset to cope with unforeseen and rapid changes in the economic and employment environment. **We recommend**

that the Government monitor closely how providers' ability to deliver their targets has been affected as we hopefully move into a period of economic recovery. It is vital that Member States and the Commission use the opportunity provided by the recession to learn valuable lessons about how the flexibility of the ESF can be improved in future, as also about where it is working well (paragraph 151).

200. **The ability to alter programme targets and move funding between projects and priorities with greater flexibility is desirable. We recommend that such flexibility be integrated into the operating rules and that the Government advocate this approach in discussions on the future of the policy** (paragraph 152).

201. Priorities for the use of the ESF will differ between regions across the European Union and within Member States. Regional flexibility, allowing for the different economic profiles of regions, is therefore essential for the efficient and effective delivery of the ESF. **We recommend to the Government that in future, there should be real and substantive opportunity for regional priorities to be built into the programme while recognising the national and European nature of the Funds. We consider that there is room to address this in the next phase of the 2007–13 programme and in any new programme after that date** (paragraph 153).

Chapter 5: Future of the ESF

202. **We agree that the EU's new Jobs and Growth Strategy should drive the future direction of the Structural Funds, including the European Social Fund. The extent to which the ESF and the Commission are able to assist in co-ordinating pro-active national labour market policies, as advocated by the Commission, is likely to be a political choice driven by the economic health of Member States** (paragraph 173).

203. The focus of Europe 2020 and the ESF should appropriately be on sustainable development as the development of the low-carbon economy is likely to be an important element of the EU's future economic growth. **We therefore recommend that, when designing priorities for the European Social Fund in the 2014–20 period, the appropriate contribution of green skills across the economy, in terms both of greening existing jobs and professions and developing new skills, should be recognised and supported** (paragraph 174).

204. Over the course of the 2014–20 period, **we recommend that the limited resources of the ESF continue to be focused on assisting the hardest to reach and least skilled into work or back into work.** In some instances, a regional skills analysis might suggest that there is a need to increase the proportion of funding devoted to skills at level 3 and beyond. Where resources permit, the ESF may have a role in this type of assistance as long as additionality can be demonstrated and as long as the ESF continues to meet the needs of the hardest to reach and least skilled (paragraph 175).

205. The Government advocate an end to the availability of Structural Funds in the more prosperous Member States, including the UK. This policy raised concern among most of our witnesses. Opponents of the policy favoured the certainty of a multi-annual budget, considered that unemployment does not

respect national boundaries and were worried about what would replace the ESF given its provision is, by definition, additional to existing national programmes and practices. **We note the Commission's view that the ESF should in principle be available throughout the EU, and, like the Commission, consider that the ESF is a concrete expression across the EU of Europe's solidarity with its citizens** (paragraph 176).

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207. We note too a lack of consensus between the UK Government and at least one of the devolved administrations. **We therefore draw the Government's attention to the importance of involving the devolved administrations as fully as possible in discussions seeking to establish a common UK negotiating line on the future of the ESF** (paragraph 178).

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209. The systems for processing the respective Funds should not differ and alignment between them would be facilitated by approximating the administrative requirements, timetable and scheduling, and operational liaison for each Fund. **We recommend that the Government review these arrangements before the start of the next programming period, and in the post–2013 period, with a view to operational simplification at the local, national and EU levels** (paragraph 180).

APPENDIX 1: SUB-COMMITTEE G (SOCIAL POLICY AND CONSUMER AFFAIRS)

The Members of the Sub-Committee which conducted this inquiry were:

Lord Cotter
Lord Eames
Baroness Gale (until November 2009)
Baroness Henig (from November 2009)
Baroness Howarth of Breckland (Chairman)
Lord Inglewood
Baroness Jones of Whitchurch
Lord Kirkwood of Kirkhope
Baroness Miller of Hendon (from November 2009)
Baroness Morgan of Huyton (until November 2009)
Baroness Perry of Southwark (until November 2009)
Baroness Prosser (from November 2009)
Lord Wade of Chorlton
Baroness Young of Hornsey

Declarations of Interest

Lord Cotter
No relevant interests

Lord Eames
No relevant interests

Baroness Gale
No relevant interests

Baroness Henig
Chair, Security Industry Authority
President, Association of Police Authorities

Baroness Howarth of Breckland
Patron and Trustee, Little Hearts Matter
Chair, CAFCASS (Children and Families Court Advisory and Support Service)
President and Chair, Livability
Secretary, All Parliamentary Group for Children
Member, British Association of Social Workers
Associate, Association of Directors of Adult Social Services

Lord Inglewood
Political Adviser, House of Lords for the Estates Business Group
Chairman, CN Group (Media)
Chairman, Carr's Milling Industries plc (food and agriculture)
Director, Pheasant Inn (Bassenthwaite Lake) Ltd (hotel)
Membership of public bodies:
Chairman, Reviewing Committee on the Export of Works of Art
Friends of the Lake District (nominated by the Committee for the National Consultative Council)
President, Cumbria Tourist Board
Member, Historic Houses Association Finance & Policy Committee
Chairman of the Carlisle Cathedral Development Trust Project
Trustee, Elton Estate, Cambridgeshire
Trustee, Raby Estates, Co Durham and Shropshire

Trustee, Thoresby Estate, Nottinghamshire
Trustee, Calvert Trust
Trustee, Settle-Carlisle Railway Trust
Trustee, Whitehaven Community Trust Ltd
Member, Bar
Member, Royal Institution of Chartered Surveyors
Fellow, Society of Antiquaries of London

Baroness Jones of Whitchurch
No relevant interests

Lord Kirkwood of Kirkhope
Non-Executive, non-remunerated Board Member of the Wise Group

Baroness Miller of Hendon
Director of Multrex Securities Ltd (private family-controlled property investment company)
Significant shareholdings: Blanway Investments Ltd, Multrex Securities Ltd and Parkwood Securities Ltd
Landholdings: (commercial) factory premises in Newport, Gwent; 50% share in premises in Bridlington, Yorks and Wigan, Greater Manchester
Trusteeship: Minerva Educational Trust

Baroness Morgan of Huyton
Non-Executive Board Member of Southern Cross Healthcare PLC
Member Advisory Panel Lloyds Pharmacy
Board Member Olympic Delivery Authority
Non-Executive Board Member of Carphone Warehouse PLC
Advisor to Board of a charity (ARU), (one of whose areas of work is deinstitutionalisation in Romania and Bulgaria)

Baroness Perry of Southwark
No relevant interests

Baroness Prosser
Deputy Chair, Equality and Human Rights Commission
Non-Executive Director, Royal Mail Holdings Board

Lord Wade of Chorlton
Davies Wallis Foyster (non-parliamentary consultant)
King Sturge (non-parliamentary consultant)
William Wild & Son Ltd (remunerated directorship)
Choulton Services Ltd (remunerated directorship)
NIMTECH (remunerated directorship)
RisingStars Growth Fund Ltd (remunerated directorship)
Country Pubs Ltd (remunerated directorship)
Midas Capital Plc (remunerated directorship)
Rocktron Ltd (remunerated directorship)
Choulton Services Ltd (consultancy and investment) (controlling shareholdings)
William Wild & Son Ltd (farming and property (controlling shareholdings)
Farmland and commercial property in Cheshire (landholdings)
Chairman of Trustees of Cheshire Historic Churches Preservation Trust
Member of Foundation for Science and Technology
Vice-President, North of England Zoological Society
Chairman of Trustees of SAGAR Pension Fund
Chairman of Trustees of Vymura Pension Fund
Chairman of Trustees of Children's Safety Education Foundation

Trustee of John Beckett Foundation

Baroness Young of Hornsey

Member, All Party Parliamentary Group for Humanists
Non-Executive Director, The National Archives
Non-remunerated:
Board of Directors, South Bank Centre
Member, Court of Governors at LSC
Visiting Professor, Birkbeck College
Hon. Assoc. fellow at Warwick University
Ambassador, Ethical Fashion Forum
Patron, Josephine Wolf Trust
Patron, Post Adoption Centre
Patron, Action Space, visual arts and learning disabled people
Member, Culture Committee of UK UNESCO Commission

A full list of registered interests of Members of the House of Lords can be found at http://pubs1.tso.parliament.uk/pa/ld/ldreg/reg01.htm

John Bell acted as Specialist Adviser for this Inquiry and would like to declare the following relevant interests:

John Bell is an independent researcher and consultant who is senior partner of curvedthinking partnership.

Policy Editor of the ESF-Works.com web site since August 2009, working as a sub-contractor via curvedthinking partnership to contract holder Tribal Education. ESF-Works.com is supported by the ESF England 2007–2013 programme via the National Technical Assistance budget, contract managed by DWP ESF Division.

Independent evaluator of the SAM project, delivered by Ipswich CSV. Appointed as independent evaluation contractor in November 2009 via curvedthinking partnership, funded under the Innovation Transnationality and Mainstreaming ESF England 2007–2013 programme.

Currently shortlisted as potential evaluator of London Groundwork trust Employability project, in partnership with Rocket Science, funded under the Innovation Transnationality and Mainstreaming ESF England 2007–2013 programme.

APPENDIX 2: LIST OF WITNESSES

The following witnesses gave evidence. Those marked with * gave oral evidence.

*	Community Service Volunteers (CSV)
*	Convention of Scottish Local Authorities (COSLA)
*	Convergence Partnership Office for Cornwall and the Isles of Scilly
*	Co-ordinating European Funding for the East Midlands Third Sector (CEFET)
	Department for Employment and Learning in Northern Ireland
*	Department for Work and Pensions (DWP)
*	European Commission, DG EMPL
	European Trade Union Confederation (ETUC)
*	Government Office for the North West
*	Government Office for Yorkshire and the Humber
*	Higher Education European Funding Services Limited (HEEFS)
*	Mr Jim Knight MP, Minister of State, DWP
*	Learning and Skills Council
*	Lincolnshire County Council
*	London Councils
	Mayor of London
	Ministry of Labour, Social Affairs and Family of the Slovak Republic
*	North West Universities Association
	Off the Streets and into Work
*	Scottish Government
*	South West Regional Development Agency (SWRDA)
	South West Regional Employment and Skills Partnership
*	Third Sector European Network (TSEN)
*	Universities for the North East
*	Welsh Assembly Government
	West Midlands Leaders Board
	Women Like Us
	Yorkshire and Humber Regional Forum

APPENDIX 3: SITE VISITS

European Social Fund inquiry: visit to hardest to help support provision at Tomorrow's People Trust, 3 December 2009

The Members of the Sub-Committee that visited Tomorrow's People Trust were Baroness Howarth of Breckland (Chairman) and Lord Inglewood. Kate Meanwell, the Clerk to the Sub-Committee, and John Bell, the Specialist Adviser for the inquiry, were also in attendance.

Tomorrow's People Trust is a charity that has been established for 25 years and works to tackle the cycle of unemployment. Its ESF-funded project is located in the East of London and is targeted at the "hardest to help", such as lone parents, the over-50s, participants with disability or health problems, ex-offenders and the long-term unemployed. It has been in operation for 18 months, and is part of the London Job Centre Plus (DWP) co-financed ESF programme, under Priority 1. The project started in July 2008 and will run until July 2011, with ESF funding of £1,550,000.

The Sub-Committee was met by Margaret Strickland (Local Operations Manager, Tomorrow's People Trust), Chris Dunne (DWP Contract Manager), Sam Shearer (Head of Marketing Department at Tomorrow's People Trust), Greg Mavroudis (Employer engagement team, Tomorrow's People Trust), Steve Swan (Director of Welfare to Work for Tomorrow's People Trust), Paul Salisbury (Lancaster Office Cleaning), Sharlene DeCourtney-Odle (District ESF Manager for City & East District), Matt Price (Short Term Limited) and Graham Flooks (Short Term Limited).

The visit began with an overview of the Tomorrow's People Trust's work in Bow under its ESF-funded LO4 project, that is "hardest to help support provision", a large part of which involves motivational work and confidence building with the participants.

It was reported that there is no distinction between which parts of the project are financed by the EU and which by the UK. It is comprised of two main strands – "ready to work" which targets the long-term unemployed who could quickly be moved back into work with a little training; and "care to work" which is predominantly aimed at lone parents and provides them with the necessary qualifications to work in the care industry. Participants can engage with the programme for up to 19 weeks in a one year period, and can leave and return during that time.

Chris Dunne, commenting on the distinction between ESF supported activity and national mainstream programmes, felt that the ESF contract was able to work more actively around employers' and participants' needs. He suggested that the provision from Tomorrow's People Trust was a more approachable option for people, which worked much more closely with clients in comparison with the New Deal, which operated more systematically.

Sharlene DeCourtney-Odle highlighted that unlike some other national programmes, participants did not have to be in receipt of Job Seeker's Allowance to be eligible for the ESF-funded support. Chris Dunne echoed this point, stating that the ESF-funded programme filled the gap between signing on and the New Deal, and after leaving the New Deal, when participants would not be able to re-join for 18 months. It was felt that this enabled more "joined up" provision and kept beneficiaries in touch with the possibilities of employment and training which they could not otherwise access.

Steve Swan estimated the participant cost per job at £5,000 which he thought was an appropriate level of funding for those furthest away from the labour market. Chris Dunne emphasised that the objective of the programme was to make people more employable as well as to secure a job for them and reported that so far the project had met the district's expectations quite well.

Project specifications and bids

In discussing project specifications, Chris Dunne reported that the DWP District outlines key areas of a programme that it would like to be addressed within the overall scope of the relevant co-financing plan, in this case the first funding round of the London Job Centre Plus plan for 2007–2013. Most recently for the City & East London district these were care work and provision for New Deal leavers, with the focus of the round being the hardest to help. It was reported that the percentage of different client groups expected (such as ethnic minorities and lone parents) is set at the National level in agreement with the EU.

From the provider's perspective, Steve Swan stated that upon seeing a specification advertised, they would analyse how it fits with the Trust's mission, what needs to be achieved, and how realistic the targets are. The Trust also looks for opportunities where it can deliver the model that it has found to work and tries to make it a demand led process by researching employers' needs. In the most recent commissioning cycle, the Trust bid for four programmes, two in London and two in the west of England. The Trust's no-bid rate is about 75%, and the success rate when it does submit a bid is about 60%.

Co-financing provision

Steve Swan felt that co-financed funding was a double edged sword. He highlighted the advantage of the Trust not having to find match funding itself, but thought that the previous system whereby SRB (Single Regeneration Budget) and ESF match could be used together had worked well and brought benefits by co-ordinating ESF with SRB provision. He highlighted the Getting London Working project as an example of this.

Another change discussed under the provision of co-financing related to how the funding is divided. Whereas under the previous programme the organisation received the funds if it demonstrated that it was fulfilling its obligations under that project, there are now two aspects to this, with a management fee and an output-related element. Steve Swan reported that with some commissioning strategies the Trust had decided not to bid for the provision because the split between the two entailed too much upfront expenditure and risk for the provider. For the current LO4 programme there is a 50/50 split between the management fee and output related funding, whereas with some projects Steve Swan and Chris Dunne confirmed that this could be weighted as a 30/70 split.

Responding to the suggestion that future ESF programmes might target only the poorer Member States with funding, Margaret Strickland felt that there was real poverty in the UK and that much of it was hidden. She stressed that there are people in the UK in need of the support that the ESF provides.

Adaptability of the programme

Sharlene DeCourtney-Odle commented on the usefulness of the ESF contract in delivering tailor-made training that could be adapted according to the needs of participants, albeit within certain parameters. Margaret Strickland emphasised the evolutionary nature of the project and its ability to change in response to new ideas, needs and external stimuli. Examples of this included the creation of a customer service course, the addition of food hygiene to the "care to work" course, and of CCTV training to the security package. These changes were made after discussion between the provider and DWP and financed from the discretionary fund in the contract.

Work with employers

The importance of employers in the work of the programme was emphasised by Margaret Strickland, who highlighted the relationship between Tomorrow's People Trust and Lancaster Cleaning Company, which employs just over 4,000 people nationwide. The two started working together several months ago, and the Company has since trained 200 participants and employed 50, of whom only four have not continued in employment. Margaret stated that the Company provided people with the potential to progress once they had started work with the organisation and stressed that the sustainability of this employment was an important factor in its success.

In this context, it was highlighted that Tomorrow's People Trust provide in-work support to participants for six months across both LO4 (hardest to help support provision) and LO5 programmes (pre-employment and in-work support). This includes regular dialogue with the employer and the employee, which Margaret Strickland and Paul Salisbury felt enabled small problems to be resolved before they escalated, aiding the retention of staff.

Paul Salisbury explained that the Lancaster Cleaning Company's involvement with Tomorrow's People Trust followed its establishment of a Corporate Social Responsibility Committee. He highlighted the high turnover of staff in the industry and stated that they were now matching the right people with the right jobs. He also commented on the positive attention the relationship received from clients, who were keen to be associated with the work.

Another company recruiting some of its staff through the ESF-funded LO4 programme of Tomorrow's People Trust is Short Term Limited, a recruitment company in the construction industry which is based in the same building as the Trust. This company has been working with the project for 6–8 months. Matt Price explained that he had not realised the use they could have from the Trust in filling vacancies. He explained that Tomorrow's People Trust can facilitate various aspects of training for them too, such as the Construction Skills Certification Scheme (CSCS) card and security training. Paul Salisbury underscored the importance of this, stating that it used to cost Lancaster Cleaning Company over £1,000 to train an employee.

Graham Flooks highlighted the cost of training as a barrier to many wishing to return to employment. For example, with Security Industry Authority (SIA) training it can cost over £300 to obtain the relevant card, which he felt would be out of many people's reach. He identified a particular problem in the construction industry where there have been a number of redundancies. Whereas previously many of these positions did not require a CSCS card, it was explained that this may not be the case with new positions in the industry, following the implementation of CSCS across the board. Pre-employment checks were another area where it was felt that the programme benefited employers.

Regional Issues

The primary barrier identified for the project was that it can only help those within the defined District, and the Trust has had to turn away prospective participants because they did not meet this requirement. Chris Dunne recognised that people in other areas should be able to find support locally but stressed that there was a motivational aspect to it, whereby people might not want to go back to the programme they had come from.

Paul Salisbury commented on the regional approach, recognising that Lancaster Cleaning Company had a model that works well in getting people out of long term unemployment and into work, and emphasising that national agreements along the same lines as that with Tomorrow's People Trust would be welcome.

The project

Members looked at the support being provided to people using the Trust's services. This included people using the computer facilities to search and apply for jobs, training sessions in customer care and a motivational project. Users mentioned that they received more time and attention from the project than they would get at a Jobcentre Plus. They were also positive about the ability and opportunity to work alongside others and foster peer support. One participant felt that the programme had built their confidence and particularly appreciated the professional advice they had received and the way things were tailored to their needs.

Members also spoke to some of the advisors who carry out one-to-one support with participants. They stated that they were getting 40–50% of people into jobs and thus meeting their targets, notwithstanding the current recession. It was explained that upon registration, participants have an initial assessment of their needs and are given an individual action plan with targets.

9 December 2009

European Social Fund inquiry: visit to Pecan, Elephant and Castle, London to discuss the project "Step Up", 3 December 2009

The Members of the Sub-Committee that visited Pecan were Lord Kirkwood of Kirkhope, Lord Wade of Chorlton and Baroness Young of Hornsey. Alistair Dillon, Policy Analyst to the Sub-Committee was also in attendance. The Sub-Committee was met by Michael Bradford (Contracts and Quality Manager, Pecan), Steve Rawlins (Deputy Director), Andy Tuck (Fundraising Officer), Ellen Fung (Youth Programmes Manager), Mark Smith (Youth Training Manager), Tope Chiedozie (Step-Up Caseworker/Trainer), and Lucy Masters (Step-Up Caseworker/Trainer).

The project aims to help 14–18 year olds to gain new skills and prepare for employment. It is targeted at those that have been excluded from school, have excluded themselves prematurely from school or been referred by a school. The courses offered are both accredited and non-accredited, so while some of them see the young people gaining an officially recognised qualification (such as the European Computer Driving Licence), the non-accredited courses are often simply designed to improve the confidence of the young people by awarding them an in-house certification upon course completion or providing a taster of courses the young people might be interested in studying, such as photography. The project started on 1 September 2008 and is due to finish on 31 July 2010. It will receive £1,012,100 of ESF funding and is co-financed by the Learning and Skills Council (LSC). The cost of each student per year is around £1200–£1400.

Members had an opportunity to see the computer facilities available to participants and were photographed by those learning photography skills. There followed a structured exchange of views with participants and with project managers.

Views of the participants

The participants were supportive of the project, considering that it adds value compared to their experiences within mainstream education. They also stated that they would recommend their friends to attend. One participant, who learned to touch-type through the project, indicated that she had benefited particularly from the advice available from her mentor which had enabled her to identify a course that she might then pursue at college.

Another participant, who had undertaken a photography course, noted that there was important value in securing a qualification in order to obtain a job in media. He considered that it would not have been possible to secure the qualification without the support of the project.

The emotional support provided by the project was particularly welcomed by one participant. Previously out of school, she has now finished an English course and is currently training for the ECDL. In her view, she would eventually have made progress without the course, but over a much longer period of time.

Another participant, who had been excluded from school, welcomed his course in touch-typing which he didn't feel he could have completed at school, and he considered that the one-to-one attention available at the project was a particular benefit.

Views of the project managers

The dominant theme from the managers was that the "**hard outcomes**" (number of participants, achievement of qualification) necessary for the release of funds do not reflect many of the "soft outcomes" which offer the greatest benefits to participants.

The "**soft outcomes**" highlighted included: the provision of advice; the development of confidence; the ability to work with others; regular attendance; distance travelled (for example, simply attending might be a huge development for one person, relative to another person's achievement of a qualification);

It was agreed that it was more difficult to put a financial value on soft outcomes although, as each young person is already assessed against individual goals set with their own case-workers, it was considered possible. It was thought that tutors would usually know if a young person was on a "meaningful journey" towards **employability**.

As regards **co-financing**, they considered that the rigid criteria for projects have deterred some small organisations from getting involved, including those with which Pecan might have worked.

Managers noted that they use volunteer mentors to stay in contact with young people after they have left the project. None of this **follow-up work** is funded.

There was some discussion of the **evaluation** requirements, which were considered to be onerous. It was the provider's view that all of the paperwork undertaken is to claim the funding, with no other benefit accruing to the organisation itself. There is some audit undertaken by the LSC and by OFSTED.

Pecan considered that the **main benefit** of a youth project such as this is the one-to-one attention that cannot be provided by mainstream education. It was thought that the ideal **contract length** would be three years, to be extended to five years if appropriate, rather than the current two years. It was reported that at the end of each contract period, the organisation faces possible redundancies.

9 December 2009

APPENDIX 4: CALL FOR EVIDENCE

EU Sub-Committee G (Social Policy and Consumer Affairs) is conducting an Inquiry into the effectiveness of the 2007–13 European Social Fund (ESF) thus far, and how it might be amended and resourced in the future.

The European Social Fund (ESF),[32] worth €75 billion over the period 2007–13 (out of a total budget of €862 billion), is one of the EU's "Structural Funds", set up to reduce differences in prosperity and living standards across EU Member States and regions, and therefore promoting economic and social cohesion.

When the overall EU budget for 2007–13 was agreed in 2005, it was decided that a "budget review" should be undertaken in 2009, with a view to informing the spending priorities in the next financial programming period (2014–2020). A first consultation document was published by the Commission in 2007[33] and another one is expected in late 2009. As one of the largest single spending programmes, the ESF will be an important consideration in the review.

The European Commission considers the ESF an important tool at Member States' disposal to help tackle the effects of the global financial crisis. It made a number of suggestions to that effect in its Communication, *A Shared Commitment for Employment*,[34] published on 3 June 2009. That Communication also makes it clear that the ESF is likely to have an important role in the post-2010 Strategy for Growth and Jobs, which includes the European Employment Strategy.

Our objectives are threefold:

- To make recommendations on short term changes that might be made to the European Social Fund to allow it to respond effectively to the evolving challenges raised by the financial crisis;
- To assess the contribution that the ESF can make in the medium term to the post-2010 Strategy for Growth and Jobs, including the European Employment Strategy;
- To make recommendations on the long term role and functioning of the European Social Fund, within the context of the EU budget review.

Particular questions to which we invite you to respond are as follows:

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)?

32 Regulation (EC) No 1081/2006 of 5 July 2006 on the European Social Fund

33 SEC(2007)1188 12.9.2008

34 COM(2009)552 3.6.2009

Delivery and effectiveness of the ESF

(2) What has been your experience with the operating rules of the ESF?[35] What has worked well? What problems have you encountered and how might the process be improved?

(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?

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

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

(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?

Medium term: the ESF 2010–2014

(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?

(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?

Long term—the ESF post-2013, and the EU budget review

(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?[36]

Interested parties are invited to submit a concise statement of written evidence to this inquiry by Friday, 2 October 2009.

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35 Where applicable, please refer to the principle of additionality.

36 Such as: the European Regional Development Fund; the Cohesion Fund; the European Agricultural Fund for Rural Development; and the European Fisheries Fund.