



House of Commons  
Work and Pensions Committee

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# European Social Fund

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Sixth Report of Session 2002–03

*Volume I*





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***Volume I***

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## Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

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### Committee staff

The current staff team of the Committee is Philip Moon (Clerk), Mick Hillyard (Second Clerk), Maxine Hill (Committee Specialist), Djuna Thurley (Committee Specialist), Kevin Candy (Committee Assistant) and Emily Lumb (Secretary).

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## Summary

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The European Social Fund (ESF), which is one of four European Structural Funds, aims to improve the employability of individuals across the EU, especially those people who have the most difficulties in the labour market. The ESF supports projects that are involved in employment, training and ways of countering social exclusion.

The Department for Work and Pensions has the lead policy responsibility for ESF, although much of the administration of ESF is delegated to Government Offices and devolved bodies.

We have received evidence from a range of witnesses and have visited a number of projects that are currently supported by ESF. We have been impressed by the effort and commitment of all those involved in ESF and especially those people at the frontline involved in supporting vulnerable people .

Throughout this report there are two persistent concerns about ESF. First, we have been struck by the sheer cumulative weight of the bureaucracy associated with the administration of the fund that organisations are expected to shoulder. Second, we recognise that there is a great deal of uncertainty about future funding, particularly after EU enlargement.

As regards excessive bureaucracy, we believe that the administration of ESF represents a significant burden on local authorities, Government Offices and other public and voluntary organisations. The evidence indicates that many organisations, especially those working in the community and voluntary sector, have a problem managing the administrative burdens flowing from applying for funding, making regular claims and monitoring outcomes. We make a number of recommendations which, taken together, should go some way to easing the burden on service providers. In our view there is an opportunity for the Government to weed out some of the management layers and excessive bureaucracy surrounding ESF.

We also assess the new system of co-financing that the DWP has recently introduced, especially the criticisms that it has attracted. We call for better written feedback to be given to applicants.

With respect to uncertainty about future funding, we recognise the reduction in ESF funding which is likely to hit the UK after the current programming period in 2006. This will leave many service providers currently working in the areas of employment, training and social inclusion in a very difficult position. Although some service providers will, without too much disruption, find alternative sources of funding, other service providers will face such a catastrophic loss of funding that they will be forced to close or drastically scale back their activities. We recommend that the Government uses next year's Comprehensive Spending Review to remove much of the uncertainty about future levels of funding. We also assess the Government's proposals to repatriate regional funding and comment on the omission of the social agenda from the Government's consultative paper.

We recognise that projects must demonstrate added value. However, we are concerned

that excessive bureaucracy and financial uncertainty are smothering service providers and that the needs of the final beneficiaries – who in many cases are vulnerable people – are being overlooked.

# 1 Introduction

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## Overview

1. The aim of the European Social Fund (ESF) is to develop the labour market and human resources in a number of policy areas, such as encouraging lifelong learning, equal opportunities and entrepreneurship.<sup>1</sup> The focus of the ESF is on preventing and combating unemployment, promoting training and integrating into the labour market those at risk of social exclusion, including disabled people, members of ethnic minorities, ex-offenders and the homeless. In short, the ESF seeks to improve the employability of individuals by providing financial support to people and projects across the EU. As Mr Lönnroth, Deputy Director General at the European Commission, told us, the ultimate beneficiary of the ESF is the individual. He said:

"We want to be at the service of those who have the most difficulties in society and the labour market."<sup>2</sup>

2. Although member states remain responsible for their own employment policies, the ESF, as the EU's main employment instrument, has a distinctive role in supporting national employment policies. While the ESF promotes projects that counter social exclusion, it is important to note that the ESF does not support social welfare projects. Instead, the ESF is part of a strategic framework through which the EU seeks to improve the workings of the labour market and to achieve one of the EU's strategic goals: to become one of the "most dynamic and knowledge-based economies in the world."<sup>3</sup>

3. The ESF has funding of €60 billion for the seven years to 2006, and is able to support a range of projects throughout the EU including:

- Education and vocational training projects
- Schemes to promote and encourage employment and self-employment
- Initiatives to generate new sources of employment
- Improvements to national, regional and local employment services
- Schemes to foster links between the worlds of work, education and research
- Innovative measures and pilot projects to create work in local communities.

4. Mr Lönnroth, described the distinctiveness of the ESF. He said:

" The particularity of the European Social Fund is that it covers all [three structural fund] objectives; it is working under all areas across the whole Union because it has, as a basic objective, the development of human resources which is based on a national strategy. The second particularity of the European Social Fund is that it is

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<sup>1</sup> The ESF was created in 1957

<sup>2</sup> Q2

<sup>3</sup> Lisbon European Council Conclusions, March 2000 and also see EC Treaty Articles 146-148 on the ESF

the only fund which focuses on the individual. The ultimate beneficiary - if I can use that word because it is a complex term - is the individual."<sup>4</sup>

5. During our inquiry into the ESF, we witnessed at first hand some good examples of projects. In our report, we describe these projects and discuss some of the criticisms of the ESF that were reported to us. Despite the ESF's relatively large budget and the undoubted success of a number of organisations that have benefited from financial support from the ESF, it became evident to us during our inquiry, that there was scope for improvement in some aspects of the way in which the ESF was administered. In our view it is essential that the ESF's distinctive contribution is not lost as a result of excessive bureaucracy surrounding ESF or by a failure of the Government to provide appropriate transitional funding at the end of the current programming period. We believe it would be timely for the Government to weed out some of the management layers and excessive bureaucracy that surrounds the ESF and stifles service providers. We are especially interested to safeguard the role played by ESF in helping vulnerable people to get back into the labour market. In our view, the interest of the final client is at risk of being lost amidst a bureaucratic quagmire.

## Inquiry

6. The Committee launched its inquiry into the European Social Fund on 13 February of this year. The deadline for submissions was 2 April. We received 21 memoranda from individuals and organisations. The list of appendices gives the details of those organisations that have submitted evidence and the written evidence is published with this report. The submissions fall into three distinct categories. The first group includes various government bodies/agencies, including DWP,<sup>5</sup> Learning and Skills Council (LSC) (local and national) and some Government Offices (GOs).<sup>6</sup> The second group includes some support organisations for voluntary and community (V&C) groups, many of which are involved in countering social exclusion. The third group includes a few memoranda from individuals who have particular complaints about rejection or late payment of grant.

7. We heard oral evidence from representatives of the European Commission, Learning and Skills Council, V&C organisations and Government Offices (London and Yorkshire and the Humber). We also took oral evidence from Chris Pond, Parliamentary Under Secretary of State, Department for Work and Pensions. We wish to record our thanks to all those individuals who helped the Committee.

8. From the outset, we have been interested in investigating the policy and management of the ESF, looking for examples of good practice and opportunities for improvement and assessing the implications for the UK after the end of the current programming period in 2006. In terms of the background information on the structural funds generally and the ESF in particular, much of the written evidence, as expected, was descriptive and generally non-controversial. However, a number of organisations, especially project sponsors from the voluntary sector, expressed serious reservations about the new system of co-financing

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<sup>4</sup> Q2

<sup>5</sup> The Department for Work and Pensions took over policy responsibility for ESF from DfEE in the Machinery of Government changes following the General Election in June 2001.

<sup>6</sup> There are 47 local LSC and nine Government Offices in England.

that has been introduced in England. The case for and against the system of co-financing became one of the dominant themes of the written evidence. We decided to concentrate on this aspect since it falls within the responsibility of the DWP and hence the remit of this Committee. It also has a bearing on a number of other concerns about ESF, especially the role of the community and voluntary sector organisations and the level of administration that organisations are expected to shoulder. Throughout the inquiry we were keen to focus on how ESF functions at the micro-level, especially the way in which ESF projects are selected, managed, administered and audited. We decided to visit a number of service providers to see and hear at first hand what service providers themselves felt about the ESF. We were pleased that a number of witnesses provided helpful case studies illustrating their work.<sup>7</sup>

9. We have marshalled a great deal of evidence on ESF.<sup>8</sup> However, we were mindful that the mid-term evaluation would provide the most comprehensive body of knowledge about the workings of the ESF in the UK and throughout the EU.<sup>9</sup> However, at the time of writing little is known about the results of the evaluation. The UK Government is expected to publish its findings later in the year and the Commission is expected to publish the results from all EU member states sometime early in 2004.

10. We wish to record our thanks to those individuals and organisations that generously shared their experience and expertise with us. We hope that this report and the supporting evidence will go some way to raising the profile of the ESF and encouraging the sharing of best practice to the benefit of individuals wishing to improve their access to the labour market.

## 2 Background

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11. A basic objective of the European Union, as reflected in successive Treaties, is the elimination of economic and social disparities across the EU member states. The European Council of Lisbon of 23-24 March 2000 set a new 10 year strategic objective for the European Union: to become “the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”.<sup>10</sup> It is within this European context that the EU seeks to “regain the conditions for full employment, and to strengthen regional cohesion in the European Union”.<sup>11</sup> One of the ways in which the European Commission seeks to achieve this is through the work of its four European structural funds: the European Social Fund (ESF), the European Regional Development Fund (ERDF), the European Agricultural Guidance and Guarantee Fund (EAGGF) and the Financial Instrument for Fisheries

<sup>7</sup> Material on selected projects is published with the evidence.

<sup>8</sup> The Commission and Government bodies produce a large amount of information on the ESF in the form of programming documents, guidance, and newsletters.

<sup>9</sup> The mid term review provides the opportunity for programmes to be adjusted in the light of mid-term assessment and for the performance reserve to be allocated. Member States would submit their reviews of their use of structural funds in line with European Commission’s guidelines. The Minister told us that the Commission has made it clear that only fairly marginal changes to existing programmes are likely to be approved. (See Q 215) The Commission’s mid-term review guidelines were expected to be published sometime in April 2003, they were delayed and not adopted until 28 August, a delay of four months. Meanwhile member states continued with their evaluations. (See Q213) The DTI is responsible for co-ordinating policy on the future of structural funds.

<sup>10</sup> Presidency Conclusions, Lisbon European Council, 23 and 24 March 2000.

<sup>11</sup> Ibid

Guidance (FIFG). These funds provide financial support for employment and training (ESF) infra-structure projects (ERDF), agriculture or rural development (EAGGF) and fisheries (FIFG).

## Structural Funds

12. All four Structural Funds are governed by an overarching Structural Fund regulation, which lays down general provisions including priority objectives, criteria for geographical eligibility and financial provisions.<sup>12</sup> Each fund also has its own specific regulation. In the case of ESF, this is Regulation 1784/99 of the European Parliament and Council, which, amongst other things, sets out the purpose of ESF (i.e. employability and labour market related matters).<sup>13</sup> The structural funds contribute, in varying degrees, to promoting what are loosely called Objectives. For the current programming period (2000-06) there are three Objectives:

- Objective 1 promotes the development and structural adjustment of regions whose development is lagging behind. These are defined as regions whose per capita GDP is less than 75% of the EU average. Objective 1 regions receive the most generous funding levels: up to 75% of the total project cost<sup>14</sup>
- Objective 2 supports the economic and social conversion of areas facing structural difficulties. Objective 2 is funded by only the ERDF and ESF. Funding in Objective 2 areas is up to 50% of the total project cost.<sup>15</sup>
- Objective 3 supports the adaptation and modernisation of policies and systems of education, training and employment.<sup>16</sup> Objective 3 is funded solely by the ESF. Funding in Objective 3 areas is up to 50% of the total project cost.

13. As the Deputy Director General (Mr Lönnroth) told us, these are not truly objectives, but simply a particular way of classifying territory in the European Union<sup>17</sup>. Beyond these objectives, the EU also provides further European funding from the structural funds for specific Community Initiatives.<sup>18</sup> These Community Initiatives support the development of new ideas across Europe. The community initiative that relates to the social and employment field is called Equal. Equal is also funded from the European Social Fund and is also the subject of this report.

14. The priorities and budgets for all four structural funds and the Community Initiatives are agreed on a multi-annual basis, or for entire programming periods that may last six or seven years. The current programming period covers the seven years: 2000-06. The next programming period is expected to cover the period 2007-13. When the Commission

<sup>12</sup> Council Regulation No. 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds (OJ L 161, 26. 6. 1999, pp.1-42)

<sup>13</sup> Q 3

<sup>14</sup> Objective 1 is funded by all four Structural Funds.

<sup>15</sup> ODPM leads on Objective 1 and Objective 2 areas in England

<sup>16</sup> It also provides a 'policy frame of reference' for all Structural Fund activities to develop human resources.

<sup>17</sup> The classification of the various parts of the UK are available on the DTI website.

<sup>18</sup> The Community Initiatives are Interreg, Urban, Leader and Equal.

publishes its mid-term evaluation of structural funds in early 2004, member states will have an opportunity to make some adjustments to their current programmes.

## Financial allocation

15. The total financial allocation for the four Structural Funds for 2000-06 throughout the EU is €183,564 million with an additional €11,500 million available for the four Community Initiatives and innovative actions, making a total of €195,000 million for support for structural operations for the period 2000-06. This financial support for structural operations accounts for nearly one third of the EU budget.

16. The UK has been allocated €16,100 million, or 8.5% of the total budget for the four structural funds for the current programming period (2000-06).<sup>19</sup> Of the UK's total allocation from all four structural funds, 45% (amounting to €7,200 million), is channelled through the ESF.<sup>20</sup>

17. The ESF in the UK represents a more significant element in preventing and combating unemployment than is the average in the EU. According to estimates by the European Commission, the percentage of public expenditure on active labour market policies in the UK is 14.6% compared with an EU average of 8.1%.<sup>21</sup> Although these figures are broad estimates and do not include some relevant public expenditure such as adult learning programmes, they serve to underline the relative importance of the ESF as a source of financial assistance for improving training and job opportunities in the UK.

18. As noted above, during the 2000-06 programme period, £4,467 million (€7,200 million) is available from the ESF in Great Britain. This includes £962 million for Objective 1, £323 million for Objective 2, £2,940 million for Objective 3 and £241 million for Equal. In Northern Ireland, £274 million is available from the ESF, of which £174 million is allocated to the Objective 1 transitional programme, £93 million to the EU Programme for Peace and Reconciliation (PEACE II), and £7.25 million to Equal. Objective 3 funding is available in all areas except those covered by Objective 1.

19. The European Commission has provided some useful statistical data, which are reproduced in the evidence. These show that, amongst other things, when expressed in 1999 prices, the average annual support from the ESF for the UK for the programming period 2000-06 is €2,234 million, or 8.5% of the EU total, which is the sixth largest programme of the EU.<sup>22</sup> This compares with €2,022 million or 8.4% of the EU total for the previous programming period (1994-99). Overall, the UK is expected to receive a 10% increase in real terms over the two programming periods, although its share of the financial resources has remained fairly constant.

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<sup>19</sup> Figures for each member state are shown in Ev 11

<sup>20</sup> Including Equal

<sup>21</sup> Communication on European Social Fund support for the European Employment Strategy, Com (2201) 16 final/2

<sup>22</sup> Q10

## 3 European Social Fund

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20. The ESF aims to tackle barriers to labour market participation. Its focus is on funding activities that prevent and combat unemployment, promote training and integrate into the labour market those at risk of social exclusion. The ESF does not fund capital expenditure projects. The second Article of the specific Regulation (Reg 1784/99) governing the ESF states that the ESF is to support the European Employment Strategy (EES) by giving "community added value to the actions".<sup>23</sup> Its explicit priorities or policy fields are to support: active labour market policies, equal opportunities for all and social inclusion, lifelong learning, adaptability and entrepreneurship, and the participation of women in the labour market. Below we outline the focus of each policy field with examples of relevant national policies.<sup>24</sup> The financial allocation for GB Objective 3 is given in table 1.

### Policy Field 1: Active labour market policies

21. Active labour market policies are measures that combat and prevent unemployment, especially long-term unemployment. They include the reintegration of the long-term unemployed and young people returning to the labour market after a period of absence. According to the Government, the examples of relevant national policies that relate to this priority include adding value to New Deals and Employment Zones.<sup>25</sup>

### Policy Field 2: Equal opportunities for all and promoting social inclusion

22. The promotion of equal opportunities for all in accessing the labour market, with particular emphasis on those exposed to social exclusion is a major priority for ESF.. According to the Government, the examples of relevant national policies include New Deals for Lone Parents, Disabled People and Communities, Sure Start and National Childcare Strategy.<sup>26</sup>

### Policy Field 3: Lifelong learning

23. As regards lifelong learning, the ESF promotes training, education and counselling and facilitates job mobility and access to the labour market.. According to the Government, the examples of relevant national policies covering this priority include development of the University for Industry and innovative employee development schemes.<sup>27</sup>

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<sup>23</sup> Q2

<sup>24</sup> The European Commission has published a set of brochures on ESF in each Member State. The brochures provide the basic details of the fund, including a map, an explanation of how the fund operates generally and in the country concerned. See Commission website [http://europa.eu.int/comm/employment\\_social/esf2000/index-en.htm](http://europa.eu.int/comm/employment_social/esf2000/index-en.htm)

<sup>25</sup> The UK Policy Frame of Reference, available from the DWP

<sup>26</sup> Ibid

<sup>27</sup> Ibid

#### Policy Field 4: Adaptability and entrepreneurship

24. The ESF supports the development of a trained and adaptable workforce, innovation and adaptability in the work place, entrepreneurship, job creation, and human potential in research, science and technology. This policy field also includes the promotion of new employment opportunities to meet the challenges of international competitiveness and globalisation. According to the Government, the examples of relevant national policies relating to this priority include New Deals, Youth Enterprise Initiative, Skills Task Force and National Targets.<sup>28</sup>

#### Policy Field 5: Improving the participation of women in the labour market

25. The ESF supports specific measures to improve women's access to and participation in the labour market, including their career development and their access to new job opportunities and to starting up businesses. According to the Government, the examples of national policies that promote the employability of women and men who have been excluded from the labour market include New Deals for Lone Parents and Partners, National Childcare Strategy and Family Friendly policies.<sup>29</sup>

**Table 1: The Financial allocation for Objective 3 made in each country of the UK under each of the priorities**

Priority	England	Scotland	Wales	GB
1.Active labour market policies	£642 m	£72m	£21m	£735m
2.Equal opportunities for all and promoting social inclusion	£634 m	£110m	£17m	£761m
3.Lifelong learning	£716m	£30m	£18m	£764m
4.Adaptability and entrepreneurship	£325m	£68m	£19m	£412m
5. Improving the participation of women in the labour market	£179m	£21m	£6m	£206m

*Figures provided by the Department for Work and Pensions, 2003*

## 4 Administrative structure

26. The system for managing and administering ESF in the UK is very complex. Although the Department for Work and Pensions (DWP) has overall responsibility for policy on ESF

<sup>28</sup> Ibid

<sup>29</sup> Ibid

within the UK, most of the administrative tasks are performed by other departments and bodies. As regards policy, the European Social Fund Division, which is part of the Department's Joint International Unit with the Department for Education and Skills, takes the lead responsibility on ESF.<sup>30</sup> In very broad terms, within the context of the EU, the Joint International Unit seeks to place the UK at its most advantageous position within the EU. For example, it may seek to minimise the UK's net contributions to the EU budget by constraining the growth in the ESF budget-line and consequently the overall EU budget.<sup>31</sup> In addition to its overall policy responsibility, DWP is also responsible for managing Objective 3 in England (and Gibraltar) and the Equal Initiative in Great Britain.<sup>32</sup> However, while the DWP is heavily involved at these higher levels of policy on ESF, the responsibility on the ground for the administration of the ESF lies elsewhere. On a day to day basis, the responsibility for administering ESF and about 84% of the ESF Objective 3 budget is delegated to Government Offices within England,<sup>33</sup> which fall under the departmental responsibility of the Office of Deputy Prime Minister (ODPM), and to the devolved administrations.<sup>34</sup> In Scotland and Wales, the Scottish Executive and Welsh European Funding Office (an executive agency of the Welsh Assembly Government) are responsible for the implementation of Structural Fund programmes and making ESF payments to projects within Objectives 1, 2 and 3 in their respective countries. In Northern Ireland, while the devolved arrangements are suspended, the Northern Ireland Office is responsible for the implementation of Structural Fund programmes.<sup>35</sup>

27. In England, Government Offices administer the ESF on behalf of the Government in its capacity as managing authority for the Fund in the UK. Although the details may vary slightly from region to region and depending upon which Objective is being considered, the core responsibilities of each Government Office within England are the same. The Government Office puts in place a regional management structure for the Fund, which includes the key decision-making bodies (the Regional Committee for Objective 3, or the Programme Monitoring Committee, for Objective 1 or 2). The Government Offices chair these committees and provide the secretariat function for managing the project selection and monitoring process, including taking decisions, issuing grant letters, granting claims, monitoring expenditure and inspecting projects.<sup>36</sup> Ms Henderson (Government office, South West) said that "over and above all this" Government Offices also make sure, with their regional partners, that the programmes have a strategic focus and are benefiting the region.<sup>37</sup> The Regional Development Plan (RDP) identifies the activities that are to be

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<sup>30</sup> In terms of organisation, the unit reflects the link between the skills agenda and employability, which is mirrored in the ESF area. See Q179

<sup>31</sup> Q219

<sup>32</sup> DWP's specific tasks in this area involve programme delivery, monitoring and liaising with other departments (e.g. with Home Office). The DWP also provides the accounting officer for ESF.

<sup>33</sup> Government Offices perform the various tasks of separate Whitehall departments. In this sense they are Whitehall departments in miniature.

<sup>34</sup> ODPM also has responsibility for managing Objectives 1 and 2 in England.

<sup>35</sup> Further details are available in Ev 90, including the arrangements or managing transitional arrangement in Highlands and Island and Northern Ireland.

<sup>36</sup> The Monitoring Committees represent the range of partners who help to deliver ESF In England. Objective 3 includes not only the European Commission, regional Government Offices and co-financing organisations but also trade unions, employers, Higher Education and Further Education organisations, local authorities and v&c groups. QQ78 and 177

<sup>37</sup> Q78

supported at the regional level.<sup>38</sup> To the extent that other bodies undertake the administrative functions, the DWP takes a back seat in those Objective 1 regions and 2 areas where ESF activity supports ERDF projects. For example, within Objective 1 and 2 areas of England ODPM is the lead department for regional affairs and regional Structural Funds programmes, even when the ESF is involved.<sup>39</sup>

28. The primary responsibility for co-ordination of structural funds lies with the UK Structural Funds Steering Group, which is chaired by the Department of Trade and Industry (DTI). The DTI is the co-ordinating Department for Structural Fund policy within the UK.<sup>40</sup> The DWP holds UK liaison meetings on ESF matters with the devolved administrations and attends networking meetings with Government Offices. This scattering of the responsibility for policy and administration between the various Government Departments and devolved bodies inevitably constrains the extent to which DWP, acting alone, can implement changes to the way in which ESF is administered. For example, the Minister told us that it would be wrong for the DWP to make any judgements about the decisions by the devolved administrations.<sup>41</sup> Our recommendations seek to reflect this reality. We concentrate on Objective 3 (England) funding and Equal initiative since this falls within the responsibility of the DWP. Wherever possible we make comparisons with the experience elsewhere.

## Role of mainstream sector and voluntary and community sector

29. A large proportion of ESF grant is channelled through mainstream training and employment bodies, such as colleges of further education, local authorities, Connexions Partnerships, Business Link operators, Regional Development Agencies, Higher Education institutions, trade unions, private companies and other mainstream providers. However, during our inquiry we also heard about the important role played by the Community and Voluntary Sector (C&VS), especially in connecting with hard-to-reach groups. For example, on a visit to Newham, East London, we found that a project successfully attracted women who, for one reason or another, felt generally excluded from mainstream education /training services. In Edinburgh, we visited a similar project that provided skills training to hard-to-reach people from minority ethnic groups. Ms Flanagan (Chair-TSEN) illustrated the distinctive contributions of the mainstream and the C&VS. She said:

"I have just come from awarding ceremonies at the Arsenal to young people who were all part of a young people's work-based training programme; they do not use any ESF money, they have a great time, they are doing sports and leisure delivery in that setting, they are achieving their NVQs, they spend about 18 months in that project, and that is great, that is a government programme that is working. But, equally, we have a programme very similar to that, in another part of London, working with people with quite entrenched difficulties, who may need to spend two

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<sup>38</sup> A Regional Development Plan expresses what the national employment plan means in a particular region, by describing the economic conditions in the region, such as, unemployment and sparsity of population and deriving a set of regional priorities around specified themes. The analysis leads to conclusions about the various activities that might be carried out within the already pre-set policy fields within the programme. See QQ79 and 83

<sup>39</sup> Q179

<sup>40</sup> The Steering Group includes DTI and other departments, devolved administrations and Government Offices.

<sup>41</sup> Q210

years and not actually achieve NVQ2, or 3, in that time, and they are the ones who are not going to suit government programmes."<sup>42</sup>

30. The role of the C&VS organisations was also illustrated by Mr Pascoe (LSC) who told us

"A lot of this money is actually going into organisations that may be working in the community that can get it, perhaps young people who opt out of education, who are not going to come to the mainstream programmes. They are just not going to come to a FE institution; somebody has to go out there, get them, engage them, build their confidence, give them some basic skills in order to get them to a point where they will then come into the mainstream."<sup>43</sup>

31. Compared with other EU countries, the C&V sector in the UK has greater direct access to European Funds.<sup>44</sup> We are aware of the threat that the C&VS sector could become over-professionalised with the loss that that entails to the sense of community and motivation of the volunteers. However, we see nothing wrong in the community and voluntary sector adopting a more systematic approach if it improves efficiency and effectiveness. As one project provider in Seville told us, the methods used for their ESF supported projects, such as the need to demonstrate added value and performance against targets, were also adopted when dealing with their other work since they saw the benefits of the approach.

32. ESF is involved in jobs, training and not just countering social exclusion. As Mr Cragg (LSC-Birmingham and Solihull) explained ESF Objective 3 is

"going towards addressing issues like basic skills in the workplace, qualifying those who, although in work, are not qualified and do not have transferable skills, and making therefore a wider economic contribution in terms of key sectors of employment and key occupational areas where people are not adequately skilled."<sup>45</sup>

33. We welcome the involvement of a diversity of organisations that this remit brings. We would not like to see ESF restricted to jobs and training only for the enterprise sector.

## 5 Concepts

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### Programmes and Projects

34. The specific activities that can be supported by the ESF are set out in some detail in a series of programming documents known as Single Programming Documents or Operational Programmes. In the UK 20 different Structural Fund programmes contain ESF funding. These are: the Objective 1 programmes in Cornwall and the Isles of Scilly, Merseyside, South Yorkshire and West Wales and the Valleys; the transitional Objective 1 programmes in the Highlands and Islands and Northern Ireland; the Objective 2 programmes in the East of England, East Midlands, London, North East, South West, West

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<sup>42</sup> Q151

<sup>43</sup> Q48

<sup>44</sup> Q130

<sup>45</sup> Q49

Midlands, Yorkshire and the Humber and West Scotland; the Objective 3 programmes in England, Scotland and Wales; the Equal programmes in Great Britain and Northern Ireland; and the PEACE II programme in Northern Ireland. In the case of Objective 3, there is a national programme for each of the countries comprising Great Britain (Northern Ireland does not qualify for Objective 3 because it benefits from a transitional Objective 1 programme). The overall framework for the Objective 3 programmes throughout GB is set out in a so-called Community Support Framework (CSF). The CSF "sets the broad strategy and priorities for using Objective 3 to support employability and human resource activities in Great Britain. It shows how Objective 3 in Great Britain will contribute to the European Employment Strategy and the UK's National Action Plan for Employment."<sup>46</sup> Outlines of the GB's Objective 3 Community Support Framework and Objective 3 Programme for England are included in the written evidence.<sup>47</sup> The structural funds regulations emphasise the importance of partnership. For example, member states are required to draw up the types of funded activities in partnership between the Commission and local authorities and other bodies, as designated by Member States. In the UK, a range of organisations are consulted on the content of programmes, including, public authorities, economic and social partners, equal opportunities and environmental agencies and V&C sector.<sup>48</sup>

35. Any "legally constituted organisation" may apply for ESF money, including voluntary organisations, local authorities and individual companies. Potential projects are scored, appraised and selected through a process of bidding or tendering. The process is managed by Government Offices, the Scottish Executive and the Welsh Assembly Government in their respective areas. Successful projects on the ground need to demonstrate that they:

- "add value (in other words, they would not have taken place or would be less effective without ESF support);<sup>49</sup>
- give good value for money;
- contribute to meeting the ESF Objectives or Community Initiative (and therefore, the National Action Plan for Employment); and
- meet the more specific targets and requirements of the appropriate Regional Development Plan<sup>50</sup>, Single Programming Document or Operational Plan."

In short, projects must be able to demonstrate that without EU money they would not have taken place, or would have taken place in a different, less effective way.

## Additionality

36. ESF funding pays for a proportion of a project's total costs, with the remainder, which is known as "match-funding" or "co-financing", being provided from public and (less

<sup>46</sup> Ev 89

<sup>47</sup> Ev 98-99

<sup>48</sup> Ev 88, para 3-19

<sup>49</sup> Adding value could mean increasing the number of beneficiaries; helping beneficiaries who would not be eligible for mainstream programmes; providing enhanced or more intensive support, such as one-to-one provision; and providing additional outcomes, such as higher qualifications or more jobs.

<sup>50</sup> Ev 92, para 5.6

likely) private sources, with at least 10% being provided by a public authority. For example, a college of further education or some publicly funded training body, such as a Learning and Skills Council may provide match-funding. There are, therefore, two distinct components that make up the funding stream for ESF supported projects: the ESF grant itself for a proportion of the total costs and the so-called match-funding component, which covers the balance of the project's total cost. As noted, the ESF grant varies up to 45% of the total project cost in Objective 2 and 3 areas to a maximum of 75% in Objective 1 regions. Match-funding may be provided as "benefits in kind" contributions, or (less likely) in the form of hard cash.<sup>51</sup> The former can take the form of staff time or accommodation.

37. Expenditure from the ESF, like structural funds generally, must comply with the principle of additionality. The Structural Fund Regulation states that "In order to achieve a genuine economic impact, the appropriations of the Funds may not replace public or other equivalent structural expenditure by the Member State."<sup>52</sup> This indicates that the ESF grant, as the appropriations from the ESF, must represent an extra funding stream to the spending provided by domestic programmes and cannot be used as a replacement for that mainstream funding. In this way, expenditure from the Structural Funds is required to result in additional activity. Mr Pascoe (Learning Skills Council) gave us an example, when he told us that the £150 million the LSC receives from the ESF was additional money. He said: :

"It is an extra £150 million a year to add to our budget. That may not sound like a lot of money against a £7 billion budget, but in reality it does actually have a lot more effect than perhaps that might suggest because most of our core funding is already predicated on continuing to run schools and FE institutions and workplace learning."<sup>53</sup>

38. The principle of additionality is sacrosanct. Its importance is reflected in the European Commission's continuing interest in ensuring that Member States fully comply with the principle and the steps taken by member states to ensure their full compliance. A breach of the additionality principle is likely to result in repayment to the Commission of monies disbursed and possible decommitment of the programme and loss of subsequent funds. Compliance with the additionality principle is verified in a number of ways:

"When programmes are prepared, Member States are required to indicate: their total public or equivalent expenditure in regions covered by Objective 1; and their total public expenditure on active labour market policy for Objectives 2 and 3. As a general rule, the level of national expenditure should be at least equal to that achieved in the previous programming period.

"In the current programming period, additionality is verified at three stages: following the adoption of programming documents; at the mid-term stage, no later than 31 December 2003; and by 31 December 2005. Member States provide the Commission with the appropriate information at each stage. The Department for Work and Pensions is responsible for co-ordinating the verification of additionality for Objectives 2 and 3 in consultation with the devolved administrations. The

<sup>51</sup> At least 10% being provided by a public authority

<sup>52</sup> See Annex D, Ev 117.

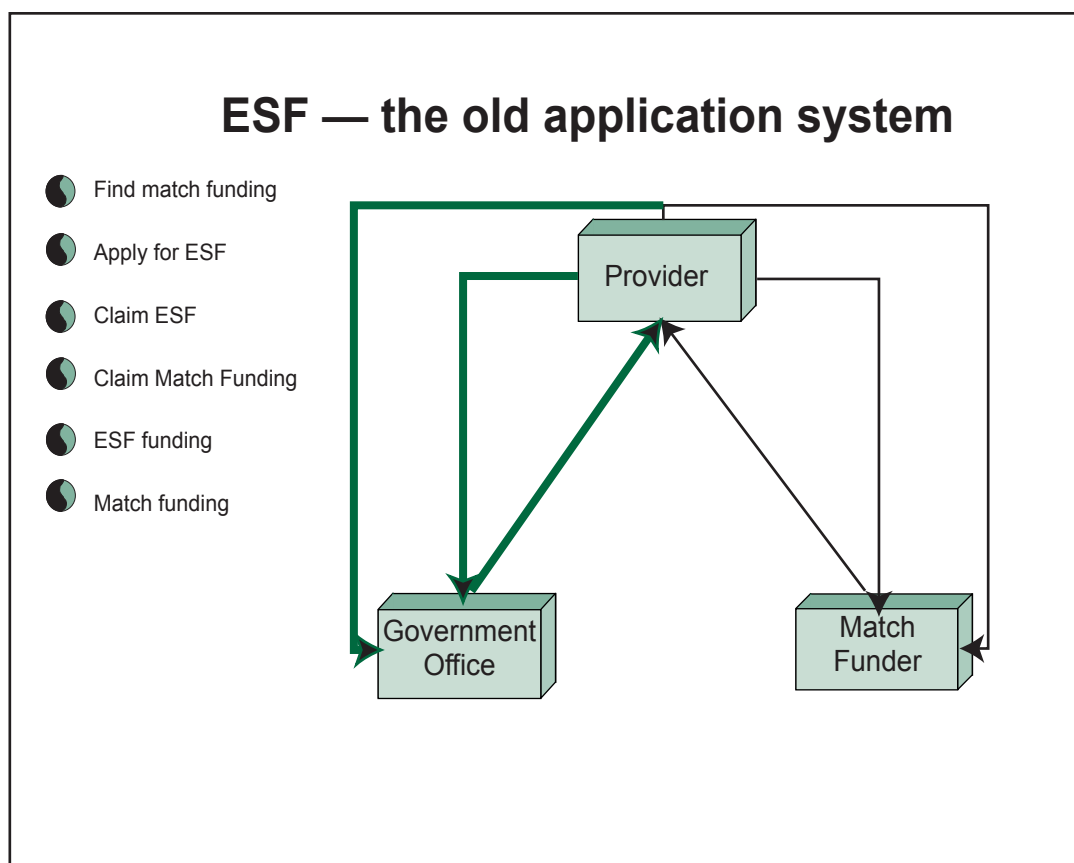
<sup>53</sup> Q41

Department of Trade and Industry is responsible for the verification of additionality in Objective 1 regions."<sup>54</sup>

## Direct bidding and co-financing organisations

39. In the UK there are two distinct systems of allocating ESF funding: direct bidding and co-financing. Under the system of direct bidding, applicants apply directly to Government Offices for ESF funding. The Government Offices manage the process of appraising and selecting the best applications. Selection panels comprising Government Office staff and regional partners score applications and recommend lists of projects for approval to Regional Committees. Approved projects are required to find the match-funding while also bidding for ESF grant. The system of direct bidding is described in the following chart<sup>55</sup>:

ESF – The Old Application System



European Union 2003

40. In September 2001, a new system called co-financing was introduced in England.<sup>56</sup> Under co-financing, the ESF grant and the match-funding are provided jointly from co-financing organisations (CFOs). CFOs are certain large public sector bodies that have been awarded CFO status and currently include the Learning Skills Council, Jobcentre Plus, six

<sup>54</sup> See Annex D, Ev 118

<sup>55</sup> Source is DWP

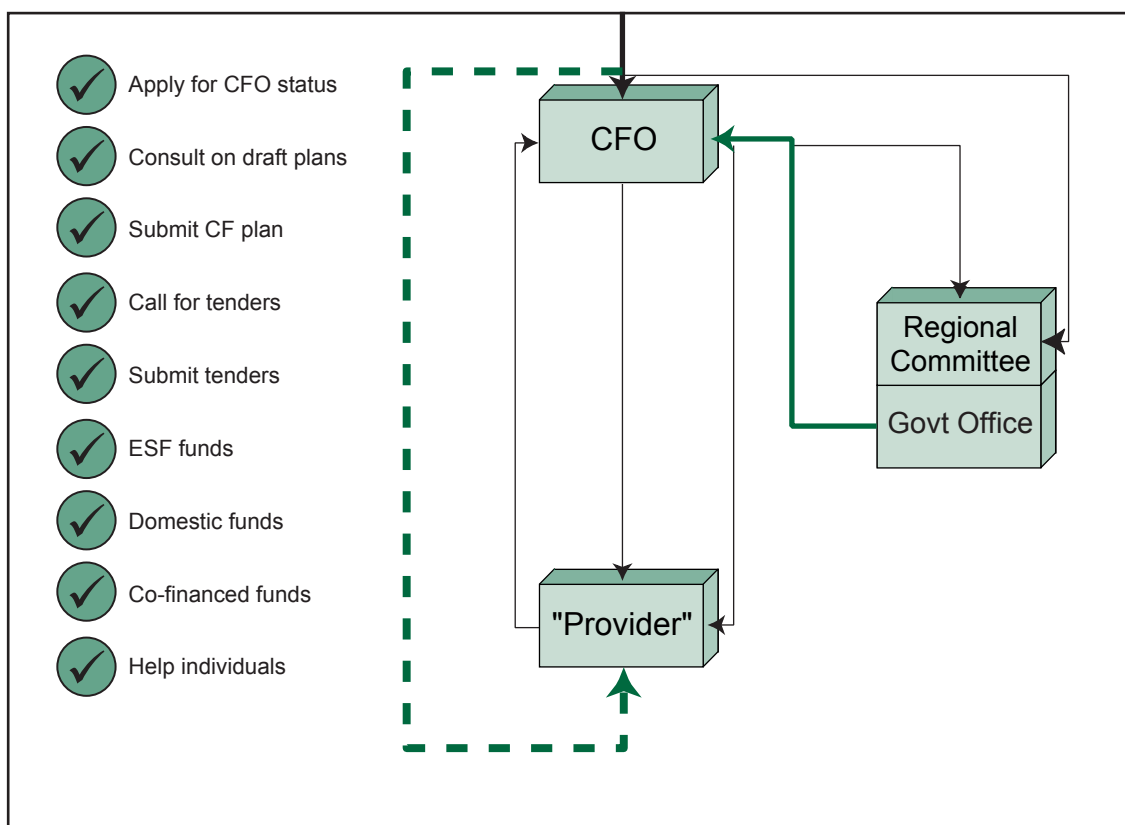
<sup>56</sup> The first CFOs became operational from September 2001 following the creation of Learning and Skills Council. The origins of co-financing stem from the White Paper "Learning to Succeed" (June 1999) and two subsequent technical funding consultation papers published in early and mid 2000.

local authorities, one Connexions Partnership, three Regional Development Agencies and one Business Link.<sup>57</sup> CFOs have a number of distinguishing features, such as being public bodies with their own budgets that can be used for the purpose of match-funding and have a remit for supporting ESF funded activities and entering into contracts with third parties. According to the DWP, under co-financing:

"Applicants no longer have to make separate applications for ESF and match-funding, but can make a single application to a Co-financing Organisation (such as the Learning and Skills Council or Jobcentre Plus) which is responsible for bringing together ESF and domestic match-funding streams. Co-financing Plans must indicate the activities that ESF will fund against the corresponding activities and outcomes funded through match-funding."<sup>58</sup>

41. The system of co-financing is described in the following chart<sup>59</sup>:

#### How does it work?



European Union 2003

42. When organisations apply for CFO status, they must set out how they intend to improve the effectiveness and efficiency in the management of ESF funding while reducing the administrative burdens on service providers. Applications to become CFOs are judged by Regional Committees. The CFO submits a co-financing plan to the Government Office setting out, amongst other things, its consultations with partners, its priorities and

<sup>57</sup> The full list of CFOs is set out in Annex C, Ev 100-101

<sup>58</sup> Annex D, Ev 118

<sup>59</sup> Source is DWP

expected results. The CFO then publishes its prospectus, against which it invites service providers to submit tenders. The CFO assesses tenders against the published criteria and accepts those that best fit the criteria. There is no right of appeal under co-financing when an application for funding is rejected.<sup>60</sup> From 2003, the majority of the regional ESF funding in England will be channelled from Government Offices to providers via CFOs.<sup>61</sup>

43. For the Objective 3 programme, an element of direct bidding still exists in all areas of Great Britain, except London. Co-financing, on the other hand, only exists in Objective 1 regions and 3 areas of England. The relative merits of direct bidding and co-financing are discussed in section 6.

## 6 Issues

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### Relative merits of direct bidding and co-financing

44. The biggest single issue that has emerged in our evidence is the issue of co-financing. During our inquiry, a number of witnesses, especially from the C&VS, were very critical of co-financing. They identified various disadvantages, which they contrasted with the reported strengths of direct bidding. On the other hand, other witnesses identified a number of strong arguments in favour of co-financing. Below we set out some of the arguments surrounding direct bidding and co-financing that have emerged during our inquiry.

45. Direct bidding has tended to produce a large number of small projects, which it is argued sometimes lack the strategic focus on regional employment and skills priorities.<sup>62</sup> With direct bidding there is also a risk that match-funding would not be forthcoming and that projects that would have otherwise become established with ESF grant, may instead struggle through lack of match-funding. According to DWP, a disadvantage of allocating monies by direct bidding is that service providers experience heavy administrative burdens when applying for funds.<sup>63</sup> For example, some voluntary groups do not have the specialist skills or time for engaging in a lengthy direct bidding process, nor the necessary skills or contacts to find matching funds. In fact, the system of CFOs was introduced in England in response to a perception that ESF was performing weakly because of "over-complex administrative systems and the unstructured award of funding."<sup>64</sup> Successive studies into ESF had apparently shown that:

- delays in awards meant that ESF supported actions could not be completed in the planned timescale.
- time-limited match-funding had to be re-deployed.
- provider-driven direct applications to the Government Office had produced a pattern of activity that was not always well matched to need or opportunity.

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<sup>60</sup> Q199

<sup>61</sup> Ev 85 para 1.5

<sup>62</sup> Ev 92

<sup>63</sup> Ev 92, para 5.7. See also Ev 135, para 3.7, Q 178.

<sup>64</sup> Fraser report <http://www.esf.gov.uk/evaluation/documents/Final%20Report%20vf.doc>

- there had been significant duplication in provision.
- very large amounts of ESF that could have been directed to address regional needs had to be absorbed by central initiatives.<sup>65</sup>

46. According to our evidence, co-financing brings a number of advantages. The ESF grant and the matching funding are brought together in one funding stream, to the benefit of the service provider. This removes from the service providers the onerous task of having to find match-funding and simplifies the application procedure. Mr Pascoe (LSC) told us that under co-financing the application process had been simplified. He pointed out that the application form had been reduced from 69 pages and 6 pages of annexes to 10 pages under co-financing.<sup>66</sup> Mr Cragg (LSC-Birmingham and Solihull) also told us :

"If you are looking at a voluntary or community organisation we can *de facto* allow them to use 100 per cent European Social Fund and match that against other eligible activities wholly allowed and reasonable and agreed within the European Commission rules. That allows us therefore to take a big picture view - a strategic view - of any particular area of work and apportion the funds to meet the need rather than being driven by projects and by administrative expediency."<sup>67</sup>

47. This single funding stream under co-financing also means that service providers account to a single funding body. Under co-financing, service providers do not need the specialist skills for writing bids that are needed under the previous bidding process.<sup>68</sup> Co-financing also allows the audit trail to end with CFOs, thereby easing the burden on service providers, although CFOs will still need to ensure that funds have been used properly.<sup>69</sup> Under co-financing, the nature of the auditing process is also different. Mr Cragg (LSC-Birmingham and Solihull) told us that under the conventional approach to ESF, service providers are required to provide evidence of the actual costs of the provision and not just at the level of the project but at the level of the individual participant. Whereas under co-financing, the audit regime relies on the contract cost, which reduces the burden on service providers.<sup>70</sup> Mr Cragg (LSC-Birmingham and Solihull) told us:

" there is a lot of simplification around contract management, substantial reduction in the bureaucracy associated with that, and most importantly the contract cost rather than the individual participant cost needing to be justified."<sup>71</sup>

48. We also heard that CFOs can provide an agreed profile of payments, which can help ease the cash flow problems of small organisations.<sup>72</sup> It is also argued that CFOs allow a more systematic monitoring of projects with more emphasis on quality.<sup>73</sup> Co-financing was

<sup>65</sup> Fraser report <http://www.esf.gov.uk/evaluation/documents/Final%20Report%20vf.doc>

<sup>66</sup> Q178

<sup>67</sup> Q42

<sup>68</sup> Q178

<sup>69</sup> QQ203 and 205

<sup>70</sup> Q42

<sup>71</sup> Q42

<sup>72</sup> Q42

<sup>73</sup> Ev 94, para 6.4

thought to encourage greater innovation and creativity by taking more risks.<sup>74</sup> We were told that one of the greatest strengths of co-financing was that it allowed greater flexibility on the ground, since local CFOs could tailor what they were doing with ESF to the specific needs of their local communities.<sup>75</sup> For example, we heard that the West Yorkshire Learning and Skills Council had determined, with the help of its regional partners, that the level of basic skills in the region needed to be improved.<sup>76</sup> We also heard that another advantage of co-financing was that it encouraged new organisations to come forward for funding. Ms Henderson (GO, SW) told us that

" co-financing is bringing in not only new providers to the market, very often grass roots community organisations, but also extending to individuals that have not been accessed before."<sup>77</sup>

49. Mr McVey (GO, SW) gave the example of six new organisations that had come forward in Devon and Cornwall.<sup>78</sup> Ms Biddulph (GO, Yorkshire and Humber) mentioned that a recent study commissioned by the West Yorkshire LSC found that 94 per cent of the people who applied for funding under co-financing had said they would apply again.<sup>79</sup> The Co-ordinating European Fund for the East Midlands Third Sector (CEFET) gave some evidence that CFOs had widened the involvement of some V&C sector projects (from 23% to 24%) in areas where the voluntary sector had not figured strongly in the past, such as policy fields other than social inclusion.<sup>80</sup> Co-financing, it was argued, allows greater coherence of policies by adding value to Government programmes. Actions within national plans on employment and Regional Development Plans were aligned more closely. Thus providing greater strategic coherence than existed under direct bidding.

50. As regards criticisms of co-financing, some of the written evidence, especially from the Voluntary and Community Sector (V&C sector) groups, identified a number of concerns. Third Sector European Network (TSEN) told us that "consultation on the introduction of the policy was politically driven, hurried and incomplete."<sup>81</sup> European Structural Funds Voluntary Organisations Northern (ESFVON) expressed concern about the tendering process favoured by CFOs, which it said was a move towards competitive tendering rather than applying for approval against a criteria as existed under direct bidding.<sup>82</sup> ESFVON argued in favour of "project driven" or a "bottom-up" approach and against the top down approach characterised by co-financing.<sup>83</sup> CEFET told us that CFOs equate strategic

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<sup>74</sup> Ibid

<sup>75</sup> Q89

<sup>76</sup> Q89

<sup>77</sup> Q90.

<sup>78</sup> Q100

<sup>79</sup> Q100

<sup>80</sup> Ev 140

<sup>81</sup> Ev 61, The Co-financing consultation document was published in October 2000. The consultation report and the Government's plans for co-financing were published in February 2001. The Operational Framework was published in March 2001.

<sup>82</sup> Ev 128

<sup>83</sup> Ev 129

control with a top down, large-scale activity approach whereas when dealing with social inclusion work, the opposite approach was most appropriate.<sup>84</sup>

51. ESFVON also criticised the greater specificity of projects that existed in the tendering process. As a result, some worthwhile projects could find themselves without ESF support by falling between the specifications. Ms Flanagan (TSEN) told us that the competitive tendering element had given rise to some very specific sorts of contracts that ended up "being exclusive rather than inclusive".<sup>85</sup> ESFVON was critical of the Government's line not to allow direct bidding in some policy fields, which it said left CFOs with an effective monopoly position in those policy fields.<sup>86</sup> ESFVON said there was a common view amongst the C&VS groups that the influence of CFOs had been to "ghettoise" voluntary organisations into countering social exclusion.<sup>87</sup> SAVAGE stated that the first round of applicants found that there was a divergence between the tried and tested approach of direct bidding and that being prescribed by co-financing.<sup>88</sup> London Voluntary Sector Training Consortium (LVSTC) described the delivery of ESF in the past as an example of national priorities being delivered in local terms. However, it argued, that this balance in marrying top-down with a bottom-up approach had unwittingly been undermined by co-financing. It called for arrangements to support direct bidding.<sup>89</sup> It was also argued that the system of co-financing was likely to support a move away from small-scale projects, which tended to be favoured by direct bidding, towards large, high impact co-financing projects.<sup>90</sup> We were told that in contrast to the UK system, the Swedish programme funded some 36,000 projects directly. The obvious difference with the UK system was that in the Swedish programme strategic control was extremely difficult.<sup>91</sup>

52. Tomorrow's People said "overall evidence to date [of co-financing] suggests a pattern of increasing centralisation and delivery by Government bodies."<sup>92</sup> It questioned whether sufficient consultation amongst independent service providers had taken place prior to CFO status being conferred.<sup>93</sup> It was also alleged that CFOs did not understand the needs of the smaller service providers.<sup>94</sup> SAVAGE referred to an inbuilt majority enjoyed by CFOs and other Government agencies on important Committees, such as the Budget Allocation/Monitoring Committees. It claimed that the Budget Allocation Sub-Committee in the South East Region was "obviously self-serving and not representative."<sup>95</sup> We have no evidence that this criticism is shared generally amongst the V&C sector within the South East region. In contrast, we note that the South East Regional Committee includes a representative from the V&C sector. In general, SAVAGE argued that CFO threatened to

<sup>84</sup> Ev 138

<sup>85</sup> Q146 and see Q147

<sup>86</sup> Ev 130, para 36

<sup>87</sup> Ev 129, para 34

<sup>88</sup> Ev 150, para 3.10

<sup>89</sup> Ev 70, para 5.1

<sup>90</sup> Ev 42, para 8.4 and Ev 138 para 6(a)

<sup>91</sup> Q19

<sup>92</sup> Ev 136, para 3.9

<sup>93</sup> Ev 135, para 3.3

<sup>94</sup> For example, see Ev 150, paras 3.8 and 3.10

<sup>95</sup> Ev 148 para 2.3

direct money away from the most marginalised beneficiaries in favour of those at less risk and of achieving outcomes towards national targets. LVSTC said that all ESF stakeholders should be fully involved in the Monitoring Committees.

53. As regards the specific advantage that CFOs provide match-funding, we heard concerns that the amount of funding was being reduced by the use of notional rather than real match-funding. (See below). It was argued that although the opportunity of not having to secure match-funding has its attractions, this advantage was reduced if the chance of securing that match-funding was correspondingly reduced.<sup>96</sup> We also heard that some organisations had little problem in obtaining match-funding under direct bidding and that CFOs providing the ESF grant and the match-funding in one stream was not always an advantage. For example, NEWTEC told us that it did not have a problem finding match-funding. Ms Flanagan (TSEN) reinforced this point and told us a number of organisations were happy to look for match-funding themselves.<sup>97</sup> She added that in the East Midlands, less than two per cent of the match-funding for social inclusion work came from mainstream programmes. She said projects were using things like the Community Fund, Single Regeneration Budget, trusts and foundations.<sup>98</sup> SAVAGE told us that another advantage of using such bodies as charitable trusts for their match-funding was that they were more knowledgeable about the inherent risks when dealing with projects that helped disadvantaged groups.<sup>99</sup> CFOs seemed less prepared to accept the higher risks associated with helping and training people in the hard-to-reach groups. LVSTC told us that co-financing had produced confusion and disengagement amongst the V&C sector as they tried to identify how CFO priorities had translated the broader Policy Fields and measures of the Fund.<sup>100</sup> LVSTC said that in London, its 10 CFOs had replaced the five Policy Fields and 12 measures with 10 prospectuses detailing in excess of 100 tender specifications. Service providers were expected to endure a two-year wait between staggered rounds before the whole picture of funding opportunities had emerged.<sup>101</sup> We heard that the 10 different CFOs in London had slightly different bidding timetables and that organisations faced a dilemma, not knowing whether to apply to all CFOs or to put their eggs in one basket and apply to one CFO. In response to this specific criticism, the Minister told us that the Government Office for London (GOL) was looking at ways in which the process in London could be made simpler, but pointed out that service providers in London were unlikely to apply to all 10 CFOs since they were unlikely to be in the geographical areas covered by all 10 CFOs.<sup>102</sup>

## Assessment

54. In July 2002, the first evaluation report into co-financing was published.<sup>103</sup> The review focused on the process. Its main findings included:

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<sup>96</sup> For example, see Ev 141 para 25, Ev 126, para 12

<sup>97</sup> Q142

<sup>98</sup> Q142

<sup>99</sup> Ev 151

<sup>100</sup> Ev 71

<sup>101</sup> Ev 71

<sup>102</sup> Q198

<sup>103</sup> Evaluation was conducted by Fraser Associates, published 24 July 2002.

- "Co-financing has the potential to enhance the quality of ESF expenditure. However, in order to fully realise this potential the intensity of co-financing needs to be increased.
- "It was found that most CFOs had a positive attitude towards working with V&C sector organisations and analysis of early contracting shows a significant allocation of resources towards those providers.
- "Whilst project providers have benefited from simpler applications procedures, synchronised match-funding and a single reporting channel, it is not clear that the intended reduction in the overall administration cost has materialised yet."<sup>104</sup>

55. We note that this first evaluation into co-financing found little evidence that the system reduced the overall administration cost on service providers. Perversely, many of the criticisms about co-financing that we heard came from the very organisations that one would have expected to welcome co-financing, such as those from the V&C sector who could benefit from the reduction in the administrative burdens. To some extent, the pro- and anti- views on co-financing may simply relate to particular experiences in different regions. For example, in some regions, the V&C sector groups may be reasonably satisfied with the way in which the system is being applied. A second review into co-financing, which started in February 2003, reported its interim findings in August 2003. That review focused on the impact of co-financing, and whether the implementation of co-financing had met its objectives. The main findings, which are summarised in Appendix 16, are broadly consistent with the views of this report.

56. An important advantage of the co-financing approach, which should not be underestimated, is that it provides more of a strategic approach when it comes to approving projects, compared with direct bidding, but without the centralising controls associated with a purely top-down system.<sup>105</sup> We believe that this is important in ensuring that the agreed social and employment goals are met. However, we are concerned that parts of the C&VS are very critical of co-financing generally. We would like to see compelling evidence that the administrative burden is reduced under co-financing. There was insufficient evidence to make a conclusive recommendation on whether or not co-financing should be introduced in Scotland during the current programming period, although we note it is being investigated in the Highlands and Islands Objective 1 Area. Given the disruption that such a change is likely to cause, this was hardly surprising. However, to the extent that ESF support may be available after 2006, there may be a case for providing some detailed comparative analysis on bidding and co-financing, and specifically the size of any likely savings in administration. Co-financing seems an acceptable compromise between a bottom-up approach characterised by the bidding system and the top-down approach preferred in some European countries, such as that in Germany where pet projects are more likely to be funded. **We believe the Government should quantify the potential administrative savings for service providers that can be generated by co-financing and identify ways in which these savings can be realised.**

**57. We further recommend that the DWP compares the implementation of ESF in areas where there are a few CFOs with those areas, such as London, where a larger**

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<sup>104</sup> Evaluation of the Initial Implementation of European Social Fund Co-Financing in England, DWP, 31st July 2002.

<sup>105</sup> Q154

number of CFOs operate and, in consultation with the ODPM, describe how it proposes to improve the co-ordination between CFOs to the benefit of applicants.

## Notional match-funding and the shrinkage of the Community and Voluntary Sector

58. Much of the criticism that we have heard about alleged breaches of additionality under co-financing centres on whether the EU rules require match-funding to be additional. We have heard that match-funding under co-financing is already committed to existing CFO or mainstream activity and that very little of the match-funding found its way to the voluntary sector. For example, ESFVON claimed that CFOs used existing mainstream programmes that met the policy fields and measures of the ESF to legitimise new applications being funded through the ESF. In effect, this "means that new activity is funded 100% by the ESF grant since existing programmes are already funded."<sup>106</sup> In short, it is argued that LSC's match-funding is notional since it would have occurred anyway.

59. We were warned about the unreliability of figures in this area. Ms Flanagan (TSEN) said the figures were especially unreliable when comparing direct bidding with co-financing since direct bidding in Objective 3 had been running out since the end of 2002.<sup>107</sup> She said it was too early to compare the full effect of co-financing.<sup>108</sup> Mr Phillips (LVSTC) told us that

"It is not easy to see the full picture, the 100 per cent picture, because of IT failures, and I believe they are being remedied. But, of course until that comes through and you actually see the full 100 per cent picture, you cannot be very convinced about what the ESF programme looks like at the moment."<sup>109</sup>

Nevertheless, a number of witnesses tried to estimate the effect of co-financing. For example, ESFVON said that match-funding did not represent any additional commitment of resources, but suggested a 55% reduction in spending compared with the position prior to the introduction of co-financing.<sup>110</sup> ESFVON estimated that project outputs were likely to be reduced in the North East by some £76 million, a factor of 43%.<sup>111</sup> TSEN referred to shrinkage in Objective 3 activity of about 31% as a result of the loss of match-funding.<sup>112</sup> CEFET said that very little match-funding was provided in the form of cash, an argument that, on the face of it, seems to reinforce the idea that match-funding is notional and refers to funding that was already committed by CFOs to existing projects.<sup>113</sup> CEFET calculated that the voluntary sector had experienced a reduction (from 36% to 33%) in the proportion of successful bids with a smaller role on social inclusion work.<sup>114</sup> CEFET also made the point that on current trends in its region, ESF funding and match-funding would amount

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<sup>106</sup> Ev 125

<sup>107</sup> Q130

<sup>108</sup> Q130 and see Ev 126

<sup>109</sup> Q130

<sup>110</sup> Ev 125

<sup>111</sup> Ev 126

<sup>112</sup> Appendix 15

<sup>113</sup> Ev 141

<sup>114</sup> Ev 140

to £100 million over two years or more. But with ESF of some 45% (£45 million) the V&C sector was likely to attract only £15 million over the same period whereas prior to co-financing this would have brought forward £18 million in match-funding, providing a total amount of expenditure of £33 million.<sup>115</sup> In terms of measures to promote capacity building, it was claimed that this had dropped from 8% to 1% of the entire East Midlands Objective 3 programme.<sup>116</sup> This, according to CEFET, could undermine the entire regional strategy.<sup>117</sup>

60. In response to the claim that match-funding was notional, the DWP made clear that contrary to what was often claimed:

"public expenditure, including Government programme money, has always been a major source of match-funding for ESF projects in the UK and that the new system of ESF co-financing in England has not altered the nature of match-funding, but has simplified the process of accessing both ESF and match-funding."<sup>118</sup>

The DWP confirmed that the arrangements for co-financing had been agreed with the European Commission and that under co-financing, ESF funding continues to be additional to domestic public expenditure.<sup>119</sup> Mr Cragg (LSC-Birmingham and Solihull) told us:

"The additionality principles are absolutely adhered to in the normal processes which were agreed with the European Commission."<sup>120</sup>

61. As regards the criticism that, under co-financing, the C&VS organisations were losing out, the Commission told us that such criticism was not warranted by the figures. Mr Lönnroth, (European Commission) told us:

"Looking at Objective 3 in England the V&C organisations have secured, in this period, 20 per cent of the committed ESF funds, whereas this percentage was 13 per cent in the last period (1994 to 1999). In terms of the access of voluntary organisations to funding, this seems to be improving rather than going down. Whether or not this is due to the co-financing it is difficult to say, but from the Commission point of view I think this is a rather ingenious way of working because what previously happened was that the voluntary organisations had to do a double act in a sense."<sup>121</sup>

Mr Pascoe (LSC) also said that their evidence suggested:

"that 31 per cent of the funding is going via the voluntary sector and it does vary with 38 per cent, for example, in London. We have more difficulty in making comparisons with previous periods because our predecessor bodies are no more.

<sup>115</sup> Ev 141

<sup>116</sup> Capacity building helps communities develop their response to their own identified problems. Q148

<sup>117</sup> Ev 141

<sup>118</sup> Ev 118

<sup>119</sup> Ev 118

<sup>120</sup> Q45

<sup>121</sup> Q22

However, the voluntary sector in the West Midlands did some work and produced a paper which suggests that they have seen their involvement increase from 23 per cent to 35 per cent."<sup>122</sup>

62. In evidence, the Minister confirmed the figures and said that since 31 per cent of providers were in the voluntary sector, it suggested that organisations were getting through this process.<sup>123</sup> We were told that in the Yorkshire and Humber region both the actual share and success rate of bids from the V&C sector had improved and that "in the latest bidding round from North Yorkshire over half the community and voluntary organisations who applied for funding were successful."<sup>124</sup> In its initial report Fraser Associates concluded:

"Although it is still very early in the process, the available evidence suggests that the voluntary sector accounts for a significant proportion of resources allocated via CFOs, both by Local Authority and LSC CFOs.

"In the course of the research, we have not encountered any hard evidence that the voluntary sector in aggregate will be disadvantaged by co-financing, although individual organisations may be more or less successful in securing funding than in the past.

"Given that ESF is unlikely to be available on a comparable scale after 2006, co-financing presents an opportunity for the voluntary sector to develop relationships with organisations that have a longer-term interest in their field of operations."<sup>125</sup>

63. We found some evidence that there was a misconception about two aspects of the principle of additionality. Firstly, it was often assumed that additionality applied to individual projects and that Governments should show that the spending in a locality was additional to their domestic spending programmes. In fact, the additionality principle applies only to the national programmes and Governments may demonstrate compliance with the principle by separately distinguishing between European funds and domestic spending plans. At the project level, however, Governments are required to demonstrate added value and that the project makes a contribution to national objectives. Secondly and contrary to a widely held view, additionality applies only to the ESF grant and not to the match-funding element. As mentioned above, the match-funding may be provided from a number of other sources, and may not even be provided in the form of cash. In practice, what happens and has always happened, is that match-funding organisations find the match-funding from within their own budgets, which are (of course) ultimately determined by the UK Treasury. Mr McVey gave the example of a project concerned with helping people with disabilities to get back into the labour market where the match-

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<sup>122</sup> Q52

<sup>123</sup> Q178

<sup>124</sup> Q108

<sup>125</sup> Evaluation of the Initial Implementation of ESF co-financing in England, Fraser Associates, July 2002

funding came from the existing social services budget. He emphasised that while the match-funding was not additional money, the additional money was the ESF grant which produced the extra support.<sup>126</sup> Mr Cragg (LSC-Birmingham and Solihull )pointed out:

"The overwhelming majority of match-funding is conventional public sector investment and that meets all the additionality criteria."<sup>127</sup>

64. If match-funding were additional in the way that some witnesses have argued, then the European Commission and not the UK Government, would essentially be determining the allocation of important parts of the UK domestic public spending programmes. The DWP told us: "EU regulations do not require match-funding to be additional expenditure or to provide 'added value.'" <sup>128</sup>In our view, the rules make this clear. Indeed, we were told that the European Commission confirmed the Government's interpretation. **We recommend that steps should be taken by the Government to make the EU rules on additionality, and specifically that match-funding need not be additional, more widely understood.**

### Process for deciding funding applications

65. One of our main concerns during this inquiry has been to consider the types of projects that are being supported by the ESF and those projects that are being rejected. As evidenced by the written evidence, ESF supports a range of projects. We heard that ESF money supported opportunities and activities that would not otherwise be done and that ESF added value to the mainstream programmes.<sup>129</sup> In sum, it is the output of a given project rather than the component parts of the funding package which must demonstrate added value of that project.

66. In broad terms, the process for deciding whether or not to approve an individual project is similar across the UK, regardless of whether the system is direct bidding or co-financing, although co-financing involves open and competitive tendering.<sup>130</sup> For example, in the case of Objective 3, the applications are checked by the GO or CFO in England and Programme Management Executive (in Scotland and Wales) and commented on by advisory groups, which comprise individuals and organisations in the field. The advisory groups help identify possible pressures on the programmes. In this way, the applications are subject to a form of peer review, reflecting the partnership approach between programme administrators and service providers that the EU regulations seek to encourage. A decision to fund or reject a project is made by the Regional Committee or CFO in England and the Programme Management Committee (in Scotland and Wales). Under direct bidding, if an appeal is made against a rejection, the appeal is heard by the GO Regional Director or his/her nominee. Ultimately, approved projects are approved on behalf of the relevant Minister. In theory, the process from application to decision can take about three months.<sup>131</sup> One possible reason for the relatively speedy process through the

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<sup>126</sup> Q106

<sup>127</sup> Q46

<sup>128</sup> Ev 118

<sup>129</sup> For example Q111

<sup>130</sup> See paras 5.7 and 5.8 of the DWP Memorandum

<sup>131</sup> We were told that in Scotland it took about three months from the end of June when there were about 450 applications before approval by the Minister was given.

various layers is the assistance that may be provided to potential applicants by support networks or consortium members and GOs/CFOs in England and PMEs (in Scotland and Wales). For example, consortium members may have established some expertise that they make available to individual service providers. During our visit to Scotland we heard that the PMEs work intensively with the applicants before they make their applications for funds.

67. We heard that sometimes there were excessively long delays before decisions were made. We raised the problems that one applicant experienced when applying for funds in North London.<sup>132</sup> We publish the response from the LSC.<sup>133</sup> At the start of the current programming period, structural funds programmes throughout the EU had a later than expected start. For example, in the UK, some projects were not approved until the end of 2001, two years after the start of the programming period, because the Commission and Member States did not reach agreement on Single Programming Documents and Operational Programmes until mid-2000. In the case of the England Objective 3 programme, this was approved in June 2000 with the first bidding round taking place shortly thereafter. The first projects were approved in September 2000.<sup>134</sup> We heard that the commitment of funds for Objective 3 for the current programme was currently on target.<sup>135</sup>

68. Although the decision making process for project approval is not unduly long, we suspect that the process between application and decision can be further shortened while still maintaining the quality of the project. In any such fast-track procedure, all applications should still be subject to the same quality thresholds irrespective of the size of the application. We understand that all applications are subject to the same degree of scrutiny, regardless of the size of the project and the amount of grant that has been applied for. **We recommend that the DWP investigates the possibility of providing a fast-track procedure for relatively small grant applications, such as those under £50,000. We also recommend that the DWP ensures that suitable transitional funding is in place before the end of the current programming period as protection against delays in granting programme and project approval at the start of the next programming period.**

## Successful projects

69. A well-known problem faced by many organisations, especially those in the voluntary sector, is the need for longer term funding to cover their core activities. In general, ESF funding is limited to 12-24 months and occasionally 36 months, although applicants may reapply for more funding.<sup>136</sup>

70. We were privileged to visit a number of ESF supported projects in England and Scotland. Details of various projects are published with the evidence. What struck us during our visits was the obvious commitment of the service providers and their clients to

<sup>132</sup> Q56

<sup>133</sup> Ev 34

<sup>134</sup> The previous (1994-99) programmes were extended to June 2000 to cover the gap.

<sup>135</sup> For example, see Q13, Q177

<sup>136</sup> We were told that given labour market changes, it would be a little unwise to give core funding permanently to organisations when the need might not always be there. See Q189

achieving their stated objectives. We saw examples of projects that seemed successfully to combine business and social aims to produce effective support for clients. The atmosphere at the projects we visited was always friendly and purposeful. For example, during a visit to Aberdeen, we visited Rosie's Café, a relatively small project that provides training placements for people with mental health problems. Rosie's Café, which has been in existence for some 3½ years, has successfully acted as a platform for obtaining employment for a number of clients. It is an example of a social firm and member of Social Firms Scotland and one of only five projects supported by Turning Point Scotland - one of the larger national voluntary organisations provides support to disabled and disadvantaged clients throughout Scotland. We heard that Rosie's Café receives funding from a number of sources, including ESF Objective 3, mental illness-specific grants and income generated from within the business.<sup>137</sup> But during our visit it was made clear to us that the future of Rosie's Café was in the balance and that the staff was unsure whether there would be sufficient funding for the start of next year. We heard that for Rosie's Café ESF funding was critical to its survival and that without it, it and similar projects would close. The visit gave us an opportunity to make direct contact with service providers and the problems that small organisations faced. It also underlined the importance of good network support, especially for the smaller community projects.

71. We also visited projects in North London (Delta Plus Project), East London (NEWTEC), and Edinburgh (Skillnet). In addition to meeting several members of staff at some projects, we were also delighted to meet a number of clients of the projects. We heard a number of interesting cases of people who had benefited from ESF support. All three organisations were highly impressive. We were struck by the commitment and vision shown by project leaders and staff and the enthusiasm of the final beneficiaries. We were also impressed at the range of training provided by various organisations that was available. For example, NEWTEC and Skillnet, which were both concerned with providing IT training, were also involved in widening the training they offered, to include, for example, childcare training. We welcome the widening of skills training that can be offered by such ESF projects.<sup>138</sup>

## Rejected projects

72. During our inquiry, we were also interested in examples of projects that had been unsuccessful in applying for ESF funding. TSEN claimed that some projects had lost out as a result of co-financing because there had been a much narrower focus on employment and training at the expense of actions to combat discrimination, work with disabled people, and capacity building, which it claimed were substantially lost from the programme under co-financing. Ms Flanagan (TSEN) told us that:

“in London there is no longer direct bidding at the moment, so that there are people falling between the narrow specifications of particular co-financiers, covering particular kinds of interests.”<sup>139</sup>

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<sup>137</sup> A social firm such as Rosie's café is required to generate 50% of its income through sales of goods or services and has social aims.

<sup>138</sup> ESF can also support training in the more traditional skills such as building skills, especially plumbing and plastering. We welcome such provision, which we view as being especially helpful for women and people from ethnic minority groups.

<sup>139</sup> Q138

TSEN claimed that co-finance was inconsistent with the Government's policy as expressed in the Compact, the National Action Plan on Social Inclusion and Cross Cutting Reviews as it withdraws resources from the VCS for capacity building and inclusion work.<sup>140</sup> Mr Phillips (LVSTC) told us "that there is not enough 'joined-upness' in the way in which the DWP operates across the employment and social inclusion agendas" and that it was important that the social agenda was kept in sight.<sup>141</sup> He expressed concern that projects related to the social inclusion side of the ESF agenda were being squeezed.<sup>142</sup> Witnesses from the regional training networks were especially interested in funding capacity building for projects involved in the social inclusion agenda.<sup>143</sup> TSEN claimed that co-financing had caused resources and focus to be lost from the current programme and recommended that at least 35% of funding should be retained in all regions and earmarked for inclusion activities, capacity building and work with hard to help groups.<sup>144</sup> Tomorrow's People expressed concern that Jobcentre Plus, acting as a CFO, could stifle innovation, if a proposal was perceived as duplicating existing Government services.<sup>145</sup>

73. Tomorrow's People suggested that innovation is being stifled as the majority of funding from LSC is awarded to FE colleges rather than independent providers.<sup>146</sup> Tomorrow's People believed that the past track record was given little or no weight when bids were being awarded. Tomorrow's People also complained that overhead costs of service providers were not always reflected in the indicative bids from funding bodies. We also heard<sup>147</sup> that within some areas funding was being drawn to larger organisations in larger towns at the expense of smaller organisations or those based in local communities. In reply to this specific point, the Minister told us that this impression possibly arose since funds were disbursed by the larger organisations to the smaller organisations.<sup>148</sup>

74. As regards the argument that ESF funds were being used to reinforce government mainstream programmes, we would expect and indeed welcome this trend. The fundamental purpose of ESF spending is to support the aims of the European Employment Strategy that are also reflected in the Government's mainstream programmes. We agree with the Minister when he says that

"the European Social Fund's focus on employment is consistent with our view that employment is the best route out of poverty and therefore the best way of combating social exclusion."<sup>149</sup>

75. The problem arises only if the distinctive role that the C&VS can contribute to those objectives, for example, in providing specific training in small groups to hard-to-reach communities, is lost. But we have not seen any convincing evidence that this is so. We

<sup>140</sup> Ev 65

<sup>141</sup> Q130

<sup>142</sup> Q133

<sup>143</sup> Q149

<sup>144</sup> Ev 66

<sup>145</sup> Ev 135

<sup>146</sup> Ev 135

<sup>147</sup> Q185, see also written answer HC Deb, 19 June 2003, cc 406-8W

<sup>148</sup> Q186

<sup>149</sup> Q177

recognise that there may be a risk that worthwhile projects may fall between specifications if the CFOs make them overly prescriptive<sup>150</sup> For example, we were told, on the one hand, that providing ICT training to unemployed women in East London could easily fall outside the declared specifications. On the other hand we heard of an established project in Bristol that had only continued because it had received direct funding, after having failed to receive funding under co-financing.<sup>151</sup> We recognise that the lack of some specificity in the prospectuses produced by the CFOs would generate an overwhelming number of (inappropriate) bids, leading to a waste of effort and resource for all involved. Clearly, a balance needs to be struck. However, in our view, there is a recognisable risk that some worthwhile projects may fall between specifications. It is crucial that the transparent and impartial role of the advisory groups is maintained. As ESF funding decreases, there will be a growing number of projects which do not qualify for ESF as well as a number of projects which do not meet the quality threshold. **We recommend that the Government considers two changes in the way in which project approval is considered. First, we would like to see service providers, possibly in the form of advisory groups, included more in drawing up the plans and specifications if a conflict of interest can be avoided.**

**76. Second, we suggest that some direct funding be retained as a safety net for those worthwhile projects that fall between specifications.<sup>152</sup> We therefore recommend that some direct funding be retained in all regions and re-introduced in London.**

77. We also heard that some projects may fail to attract funding because the indicative costs specified in the Regional Development Plans (RDPs) might be unrealistically low, especially for those service providers who serve hard-to-reach groups or include the cost of childcare facilities to their clients in their tenders. We heard criticism that the cost constraints specified in the RDPs could mean that in some activities, such as combating social exclusion, most voluntary organisations would be unable to deliver the service required at the low indicative costs. We heard that the voluntary sector might not be able to target individuals outside government programmes while remaining inside the cost norm. The lack of a detailed statistical analysis of successful and rejected projects makes it difficult to assess how funds are being allocated.<sup>153</sup> **It is our belief that a detailed statistical analysis of the awarding of grants is needed. We recommend that, in replying to this report, the DWP investigates the concerns expressed by some members of the C&V sector that funding under co-financing is being channelled through mainstream programmes at the expense of the C&VS organisations. We have already recommended that the Government undertakes a comparative study into direct bidding and co-financing. We suggest that that study also investigates whether there are any marked differences under the two systems with respect to the types of projects supported and rejected.**

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<sup>150</sup> Q138

<sup>151</sup> Q137

<sup>152</sup> Q138 and 142

<sup>153</sup> Although there are statistics that show which projects have been successful and unsuccessful during each round in each region, there is no consolidated information to show what has happened to the same application in those regions over successive rounds or why, in detail, a bid may have been rejected.

78. Government Offices in England hold 5% of the ESF funding as global grants to support grass roots community groups to undertake activities that achieve the objectives of the programme.<sup>154</sup> Global grant awards are relatively small, but provide funding to

"real grass roots organisations in the community that cannot manage the bureaucracy that does surround some of the ESF support. Bureaucracy for them has been pretty clearly stripped out so that they can get the money with the minimum of fuss."<sup>155</sup>

We recognise the important role that global grants serve in helping small organisations. We would like to see the use of global grants retained for the purpose of supporting grass roots organisations, but that they should not be used to fill the gaps in the support left by the removal of direct grants.

79. Although CFOs must have arrangements for providing feedback to applicants and for dealing with complaints from providers about the selection process, we are concerned that feedback should be sufficiently detailed for applicants to understand the reasons behind the decision for the failure of these applications. There is no right of appeal against a decision not to award ESF funding under co-financing. The Minister told us that this was because there is no money left to meet any successful appeals.<sup>156</sup> The initial Fraser report recommended that an appeals process should not be obligatory.<sup>157</sup> We agree. Despite calls from the C&VS for an appeals system to be established, we do not see a compelling case for an obligatory appeals system. As Mr Philips (LVSTC) recognised, an appeals system does not exist in the commercial world when a contract goes elsewhere.<sup>158</sup> We would rather see the partnership approach strengthened by including representatives from the C&VS more closely before specifications are drawn up. As noted above, we would also like to see GOs able to use some element of direct funding as a way of filling any identifiable gaps that may arise. Although not constituting a formal appeal system as such, we believe that this system could address many of the concerns raised and provide unsuccessful applicants with a second chance of obtaining funding.

## Childcare

80. During our inquiry, we repeatedly heard from service providers and clients about the importance of providing proper support towards childcare when offering training places.<sup>159</sup> The Government told us:

"The England Objective 3 programme reflects the important role of childcare in helping many parents back to work. Priority 5 of the programme supports specific projects to tackle barriers to labour market participation faced by people with childcare and other caring responsibilities. In addition, the programme encourages projects within all priorities to provide for the care of participants' children and other

<sup>154</sup> Global grants are made to intermediary bodies which are required to provide the match-funding. The intermediary bodies then make grants of up to £10,000 to small organisations.

<sup>155</sup> Q188

<sup>156</sup> Q199

<sup>157</sup> <http://www.esf.gov.uk/evaluation/documents/Final%20Report%20vf.doc>

<sup>158</sup> Q145

<sup>159</sup> We published our report into *Childcare for Working Parents* on, 18 June 2003, HC564—I, Fifth Report 2002-03

dependants. Childcare costs, such as the provision of crèches, are eligible expenditure within all priorities. This applies to the newer approach of co-financing ESF with domestic funding, as well as to the alternative process of bidding directly to Government Offices. Data collected from the final reports of ESF projects that were completed during the period 2000 to 2002 show that nearly 22,000 participants received childcare support and that 40% of all participants were on projects that offered childcare support.

"As part of the mid-term evaluation of the England Objective 3 programme, the Department has commissioned a research project on the effectiveness of the programme in promoting equal opportunities. The evaluation is looking at all parts of the programme, including projects funded through co-financing. Childcare support is one of the issues that are being examined."<sup>160</sup>

We looked into a specific case where it was thought that a bid had been refused to a well-established service provider because their costs were above the CFO's indicative bid as a result of including the cost of childcare facilities. When we questioned the relevant GO about this, we were told that on that occasion there "were other providers who were better placed to meet the terms of the tender or because applications did not score sufficiently highly against the tender criteria, rather than because of high childcare costs."<sup>161</sup> The Government told us that bids that do not include childcare provision are examined to ensure that equal opportunities issues are not being overlooked. We welcome this, but we would like the Government to go further. While recognising the support that the ESF provides to childcare, **we recommend that the Government guarantees that bids which include support for childcare are not disadvantaged compared with bids that do not budget for such costs.** We note that some 40% of participants have some element of childcare support, but would like to see support for childcare on ESF projects provided to all those clients who need it.

## Bureaucracy surrounding claims and financial monitoring

81. Although the European Commission is responsible under Article 274 of the EC Treaty for all Community expenditure, Member States are responsible for implementing Structural Fund programmes and making payments to projects. EU regulations specify the minimum controls that Member States must apply to ensure Structural Fund money is used correctly while enabling the Commission to verify the validity of Community expenditure.<sup>162</sup> The Government told us that Commission auditors visit the UK about four or five times a year to check compliance with the regulations and that Auditors from the European Court of Auditors (ECA) visit the UK about once or twice a year.<sup>163</sup> The DWP controls the financial monitoring for ESF, which along with the devolved administrations is also the paying authority. Service providers submit financial information on a quarterly

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<sup>160</sup> Ev 116

<sup>161</sup> Ev 116

<sup>162</sup> Although relatively small, the number of irregularities detected or reported to the Commission is increasing. It is now 0.68 per cent of the total funds. The UK has the fourth highest number of reported irregularities. Q20

<sup>163</sup> All cases of non-compliance with the regulations must be communicated to the Commission. The usual sanction imposed by the Commission for non-compliance is repayment of funding, non-payment of outstanding claims for funds, or decommitment of the programme, where the entire funding for a specific programme is deemed ineligible and has to be repaid.

basis to the regional Government Offices (in England) and the Programme Management Executives (in Scotland, via the Scottish Executive) and the Welsh European Funding Office.

82. We heard a number of criticisms about claim forms and the manner in which financial monitoring was conducted. Under the usual arrangements, approved projects are paid 30% in advance of their first year's profiled ESF expenditure on receipt of a payment profile and advance claim. Projects then claim reimbursement of their actual expenditure on a monthly, quarterly or half-yearly basis.<sup>164</sup> The final balance is held back and only paid on receipt of a final cumulative claim and project closure report. In the event that the value of the final claim is lower than the total cumulative amount already paid, a refund is sought from the projects. Under co-financing, many projects are funded on a monthly basis. Under certain circumstances, CFOs may provide some up-front funding.<sup>165</sup> Unlike direct bidding, CFOs do not withhold a final balance. The Co-financing Guidance (April 2001) says: "Funding of providers must be done so that they are no worse off than under direct bidding arrangements. The Co-financing plan needs to show how providers that require advance funding will be funded accordingly so that there are no adverse cash flow implications."<sup>166</sup>

83. We heard anecdotal evidence that some smaller service providers were forced to divert scarce resources from the frontline services into administration simply to fulfil the bureaucratic demands associated with making claims and proving that claimed outputs had been achieved. For example, one training organisation told us that in a project of only 12 trainers, it needed to employ five support staff simply to fulfil the administrative demands required by various funding streams, including the ESF. We were also told of an incident where members of the support staff were required to duplicate certificates for each trainee for the separate funding partners. Mencap told us that "smaller organisations in particular are not equipped to deal with all the paperwork and audit processes" associated with direct bidding or the administrative burdens under co-financing.<sup>167</sup> Grampian ESF Network commented that the quarterly submissions of claims could present administrative problems for the voluntary sector organisations. We heard a number of complaints against the requirement that documents relating to EU funds should be kept for 12 years<sup>168</sup>, which contrasts with the requirement to keep documents for only six years under domestic law.

84. In Scotland, where most of the administrative work (processing claims and providing advice) is handled by Programme Management Executive (PMEs)<sup>169</sup>, we heard that the failure rate on some claim forms could reach as high as 95%, with a large percentage of forms being returned, unpaid. The errors ranged from the relatively trivial, such as misspellings, to the more serious involving the wrong budget headings being used. Consistent thresholds of quality are vital in all applications and administrative scrutiny must be balanced against the costs of excessive bureaucracy. **The accuracy of those making the claims needs to be tightened up. In view of the high error rate we**

<sup>164</sup> The percentages are laid down in the EC regulations

<sup>165</sup> Upfront funding is available from CFOs, but it needs to be requested and justified by the provider. Q145

<sup>166</sup> European Social Fund, co-financing guidance, April 2003 available from [www.esf.gov.uk](http://www.esf.gov.uk)

<sup>167</sup> Ev 156

<sup>168</sup> According to the regulations, original documents must be kept until 31 December 2011. See ESF in GB, page 48.

<sup>169</sup> These are companies limited by guarantee. In Scotland there are 5 PMEs for each of the programmes.

**recommend that the design of the claim form also needs to be drastically improved and streamlined and that the process for settling claims be speeded up, including making greater use of claiming over the internet.**

85. We also heard reports that the size of the claims forms and the amount of information required when making a claim could vary greatly between regions. For example, we heard complaints from organisations in the Grampian region of Scotland that they were required to complete forms comprising 47 pages, whereas a few miles south, similar organisations in the North East of England were required to complete forms of only 10 pages. It seems to us that the difference in the size of forms may reflect a difference in the perception that officials in the different regions have about possible future actions by the Commission. For example, on the face of it, the request in the Grampian area for more information than that taken by its counterpart in the north of England seems to reflect a more cautious view about the level of detail that the European Commission will accept. It is too early to say whether the more cautious and burdensome approach is right or wrong. We may find that over the next 12 years, there will be a discernible difference in the way in which the Commission scrutinises payments made by regions applying differing standards. If this anecdotal evidence is typical across the regions of the UK, it represents a major distortion in the way that the ESF is implemented in different areas. We recognise the desire to avoid having to make a refund to the Commission through poor accounting procedures, but at the same time we believe that some project sponsors and project providers may be shouldering excessively high administrative costs needlessly. We would like to see core national standards that minimised the administrative burden on service providers. It is essential therefore for the Commission to give further explicit guidance so that the administrative burdens can be reduced. **In order to reduce the risk of wide regional variations, we consider that the DWP should press the European Commission for greater clarification on how intense the monitoring regime should be.**

### **Easing the administrative burden on service providers**

86. We have heard complaints about excessive bureaucracy throughout the system involving institutions of the EU, especially the Commission, through to Government departments, devolved and delegated bodies, and the various intermediary bodies. The weight of this edifice seems to fall on the service providers and the final beneficiary. In purely financial terms, some of the costs of supporting ESF are met from the budget for technical assistance with other costs being absorbed by organisations such as CFOs. However, some one to two per cent of ESF funds is also top-sliced for technical assistance and available for management, monitoring, evaluation and publicity activities. Technical Assistance cannot be substituted for DWP/GO running costs, but is used, for example, to help TSEN and other networks facilitate the participation of V&C sector organisations. Ms Henderson (GO, SW) told us that £10 million of DWP and Government Offices' running costs were involved in administering ESF in England, which amounted to about two per cent of the total value of the programme of £460 million.<sup>170</sup> She said that the cost of administration was divided equally between Government Offices and Whitehall headquarters. In addition, to these direct costs there is likely to be a substantial indirect cost involving staff in frontline service providers who have lost time and resources to serve the

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<sup>170</sup> Q129

bureaucratic demands of the system. The direct and indirect costs of administering ESF are likely to represent a significant burden on Government Offices, local authorities and other public and voluntary organisations and raises questions about whether it is the best use of scarce resources.

87. We heard about a number of ways in which support for service providers could ease the administrative burden. For example, as noted above, CFOs in England found the necessary match-funding and acted as a buffer between them and Commission officials in terms of auditing.<sup>171</sup> Ms Minett (LSC) acknowledged that there was scope for improving the way that CFOs were monitored, although it was something that DWP needed to do with the European Commission. She pointed out that CFOs were large non-departmental public bodies with extremely well presented and well-used assurance mechanisms, including the use of internal audit. She said:

"We are surprised that the European Commission are still insisting on the degree of spot checks. We, of course, will comply with them, but we would suggest that that is an area that still needs to be developed and simplified when you are dealing with large public bodies in co-financing."<sup>172</sup>

88. According to the research by Fraser Associates, the main benefits of co-financing for service providers seemed to be simpler application procedures that concentrated on project development and delivery rather than strategic rationale and that a single source of funding created only one reporting channel.<sup>173</sup> In Scotland, we heard that a new IT project, costing some £1 million, was expected to reduce the time and effort spent in processing claims for ESF and other structural funds.<sup>174</sup> This should speed up the claims process significantly. We also heard that a telephone hotline was available to provide technical advice and guidance to service providers. Royal National Institute for Deaf People (RNID) proposed a number of specific recommendations relating to the administration, such as BAC payments should include reference numbers and called for a reduction in the number of paper records.<sup>175</sup> Grampian ESF Network commented that anecdotal evidence suggested that the system used to manage and administer claims in the English regions was much more effective than that used in Scotland, especially regarding the payment of accurate claims and the design of the claims form.<sup>176</sup>

89. Project providers and their sponsors can also help themselves more when dealing with the administrative demands. We suspect that potential economies of scale exist when individual projects tap into the expertise of project networks.<sup>177</sup> Support networks clearly

<sup>171</sup> We were told that the Commission accepts that where open and competitive tendering is used to allocate bids, the audit trail will, in the vast majority of cases, stop with CFOs.

<sup>172</sup> Q63

<sup>173</sup> See <http://www.esf.gov.uk/evaluation/documents/Final%20Report%20vf.doc>

<sup>174</sup> We were told that the IT system would allow claims forms to be submitted online with certain parts of the form that require re-submission of information presented with pre-populated entries. The electronic form would be subject to detailed electronic checking at the point of submission, which it is hoped would help correct errors.

<sup>175</sup> Other recommendations include abolition of management fees, better information and support for Project Management System, more consultation with beneficiaries

<sup>176</sup> Ev 143

<sup>177</sup> For example, the Third Sector European Network (TSEN), which brings together the v&c sector support agencies in all nine English regions and their sister organisations in Scotland, including Social Firms Scotland and Grampian ESF Network

have a part to play in providing advice, managing outcomes, and administering (consolidated) claims. We note that LVSTC called for funding for technical support to be available to support networks around the social inclusion agenda of ESF under the National Action Plan on Social Inclusion.<sup>178</sup> While we recognise the important contribution played by providing such support to service providers, we are concerned that any expansion in the budget lines for technical assistance may divert much needed funding from frontline services into further various layers of the infrastructure. In our view, a more effective solution is to streamline the bureaucratic demands placed on service providers. To that end, **we request that an assessment be undertaken into the total administrative costs (both direct and indirect) that organisations face when dealing with ESF. We recommend that the DWP undertakes a value for money study into the use of technical assistance in the delivery of ESF.**

90. We heard that in some regions a risk assessment was made of all newly approved projects in order to plan the intensity and frequency of the monitoring regime for each project.<sup>179</sup> The intensity and frequency of visits would be determined by the amount of money involved and how novel the project was.<sup>180</sup> We welcome this risk assessment and were also pleased to hear that the visits were not only inspectorial, but were also used to help service providers "deliver their project in the best possible way".<sup>181</sup> We recognise that the system of monitoring claims needs to be fairly robust and that the requirements should be sufficiently detailed for the paying authority, or its agents, to be reasonably confident that the audit trail is intact and the risk of fraud is being managed efficiently. However, as we heard about aspects of the claims procedures, many of the detected errors on the claims forms are unlikely to neither compromise the audit trail nor affect the amount of the claim. **We recommend that the Government ensures that all newly approved projects are assessed for their risk and are subject to a monitoring regime that is proportionate to that risk.**

## Cash flow problems

91. We were told that some organisations faced difficult cash flow problems, especially when claim forms were delayed or their records could not fully substantiate their specified outcomes. Tomorrow's People points out the financial problems that arise when voluntary providers were awarded a contract to help a specific number of people, but were only paid for the number of clients who attended the programme. If clients refused to attend, which is not uncommon when dealing with hard-to-reach groups, the provider is left with outstanding costs that were incurred to set up the programme for the full number of clients. Tomorrow's People said that "there is a clear impact on project viability, which contrasts with the original premise of ESF, which covered the full cost of provision providing the organisation could legitimately prove those costs were incurred."<sup>182</sup> Tomorrow's People called for a greater sharing of risks between providers and CFOs. We understand that a fast track facility for processing claims is available in some parts of the

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<sup>178</sup> Ev 69

<sup>179</sup> Q92

<sup>180</sup> Q92

<sup>181</sup> Q92

<sup>182</sup> Ev 136

UK, although it is not widely promoted. Clearly, the paying authorities should not be expected to know the cash flow details of the service providers that they are contracted to. However, there is a risk that some eligible organisations, especially those on a fragile financing footing, may unnecessarily experience acute cash flow problems, possibility leading to redundancies and closure. **We recommend that a fast-track service for processing claims be more widely available and that the authorities make clear that, subject to certain conditions, an emergency cash advance could be made available.**

## Monitoring outcomes and Inspections

92. The European Commission requires that all member states evaluate how well ESF is working in their country. For ensuring that the member states own systems are satisfactory, the Commission has "a rather complex monitoring and evaluation system" in place.<sup>183</sup> The Commission focuses on how the monitoring systems work, leaving it up to member states to set up the particular way in which they monitor the actual beneficiaries.<sup>184</sup> The Commission undertakes regular check-ups and issues recommendations and comments to individual member states on their monitoring systems.<sup>185</sup> In the case of the objective 3 programme, the Commission told us

"it was rather positive picture because the UK has set a rather elaborate set of indicators which are partly indicators on programme efficiency, partly how the control systems work, the management system, and how the funds are being used. If you look at the beneficiaries.[.]50 per cent of the beneficiaries of social fund programmes are in work after leaving the programme. That is a relatively good figure when you think that we are focussing on those at a disadvantage in the labour market. We have 88 per cent of the beneficiaries who are given training or some form of course who are actually completing their courses. About 40 per cent have increased their qualifications through the structural funds. Then we have a set of surveys where we ask about satisfaction. In 2001, 80 per cent said that ESF funded courses met their needs, so they are relatively happy with this; 55 per cent of participants felt that they improved their computing skills or their IT skills which is a key area. This should be looked at with the background that 35 per cent of participants in the ESF funded courses had no prior qualifications whatsoever. We feel that it is effective."<sup>186</sup>

93. The Government told us that there was some encouraging evidence that the performance of the England Objective 3 was good.<sup>187</sup> The Minister told us:

"16 per cent of participants on that programme are long-term unemployed; 35 per cent have no prior qualifications; 13 per cent have disabilities and 15 per cent are

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<sup>183</sup> Q16

<sup>184</sup> Q18

<sup>185</sup> In the UK, evaluations of ESF programmes are conducted by the Evaluation Team, which is based in the Analytical Services Directorate of DWP in Sheffield. Data is collected from the applications forms and the project closure forms. ESF service providers submit information, usually quarterly, on their performance against their planned expenditure and the delivery of their training outputs. These quarterly reports form the basis for payments. In addition to project monitoring, the DWP organises financial inspections covering at least 5% of all ESF expenditure each year.

<sup>186</sup> Q16

<sup>187</sup> Ev 93

from black and ethnic minorities. In the period 2000-02, 360,000 people in England benefited from ESF. The final reports of projects tell us that 41 per cent of those gained a qualification, many more gained or improved IT and computing skills and over three quarters—76 per cent—of those who completed ESF courses were in jobs or had started further education."

The Government also said that the programme exceeded its expenditure target of £179 million for 2002 and so avoided decommitment of any funding by the European Commission and was on course to achieve its expenditure target for 2003.<sup>188</sup> The Minister also told us that the UK was on course to achieve the £100 million (performance reserve) for the Department's Objective 3 (England) programme.<sup>189</sup>

94. More information will be available from the mid-term evaluation. For example, the evaluation of England Objective 3 includes the issues of employment, skill development, and the employment of women and information and communications technologies (ICT).<sup>190</sup> There is a separate evaluation of Equal, which is testing new ways of combating discrimination and inequality in the labour market. The Scottish Executive and the Welsh Assembly Government are undertaking similar evaluations of Objective 3 in Scotland and Wales respectively. The DWP will bring together the England, Scotland and Wales Objective 3 evaluations, in an evaluation of the overarching Great Britain Community Support Framework.

95. We are not in a position to comment on the effectiveness of the ESF programme as a whole. However, we heard some indications that the GB's Objective 3 programme was performing well. For example, we were pleased to hear the European Commission describe the GB Objective 3 programme as an exemplary model in terms of linking outcomes with National Action Plan on employment (NAP) and that it was used in the Commission's training.<sup>191</sup> According to the Minister, the DWP was on track to secure the performance reserve, which is an additional 4% of ESF expenditure that is performance related and that the spending target for the year had been achieved.<sup>192</sup>

96. We also note that in a written answer, the Minister said:

"[Objective 3 and Equal]. are part of a system of active labour market policies that, together with steady economic growth, has contributed to 1.5 million more people into work since 1997, of which 850,000 are additional women in employment."<sup>193</sup>

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<sup>188</sup> Ev 93 para 5.12. As regards Objective 1 programmes, these met their ESF expenditure targets in 2002.

<sup>189</sup> The performance reserve is funding that is withheld by the European Commission until the performance of the country's programme is assessed.

<sup>190</sup> Much of the evidence is taken from monitoring data and surveys. Sometimes, independent research is also commissioned. One of the main research studies being conducted is the Leavers Survey that involves a six-month follow-up survey of a sample of ESF beneficiaries. The Monitoring Committee will consider the findings of the mid-term evaluation and any proposals to amend the programme on the basis of those findings. See written answer The Minister

<sup>191</sup> Q3

<sup>192</sup> The European Commission is required by European Union legislation to allocate by 31 March 2004 the 4 per cent performance reserve for Structural Fund Objectives 1, 2 and 3, which in the case of England Objective 3 programme has a performance reserve of £105 million. The performance reserve will be released if the programme is judged to be successful on the basis of indicators that will be assessed as part of its mid-term evaluation. The Department will submit the mid-term evaluation report to the Commission at the end of 2003. The Department will agree the timing of the distribution of the performance reserve with the Commission in early 2004.

<sup>193</sup> HC Deb 7 July 2003, c606

97. As the DTI's consultation identified, while funding was thought to be a useful source for skills-related projects, there were concerns that Objective 3 funds may be spread too thinly to all parts of the UK and that they may be poorly co-ordinated with expenditure on Objective 2. Some respondents expressed the view that targeting funding to areas of need would be better though others disagreed and wanted continued wide coverage. **We recommend that Objective 3 funding should continue to be widely available.**<sup>194</sup>

98. The need to demonstrate "added value" has meant that projects are subject to detailed monitoring. A recurring criticism of ESF funding is the difficulty of quantifying the so-called "soft outcomes" associated with some training projects. For example, it is widely recognised that concepts such as "employability" are exceedingly difficult to measure accurately. One obviously narrow way of quantifying some aspects of employability would be simply to count the number of beneficiaries that find jobs at the end of the training programme. Although relatively easy to quantify, such a measure, however, would be too narrow to do justice to the full range of training activities undertaken or the progress made by individual clients towards their training objectives. For example, some final beneficiaries on ESF projects may have made great strides towards work, without necessarily obtaining employment. This progress should be recognised in any measure of outcomes as a worthwhile activity. This progress is especially important for those final beneficiaries with mental or physical problems or those who lack basic skills. For some people, the transition to work may be a long journey and their acquisition of key skills or progress towards future employment, however slight, should be recognised.<sup>195</sup> For example, an individual's self-confidence may be improved or their mental and physical condition stabilised as a result of participating on a project. Projects that encourage this should not be penalised. We raised this issue with the Minister and he told us:

"[NEWTEC ]..used the very powerful example of a lone parent with very few English language skills who is making the journey—from being totally excluded—towards the labour market but has not got there by the end of the project, but nevertheless there has been considerable value added for her as well as for the economy as a whole. That sort of thing is very difficult to measure at a national evaluation level and certainly in a European evaluation level of a programme like Equal, but you can get some qualitative notion out of the reports at the end of each phase of these projects. I think that is something from which, particularly with a programme like Equal, you can make some assessment about how valuable it is comparing with what is happening in other parts of the European Union."<sup>196</sup>

99. While we recognise that in a world of targets and quantification, it is inevitable that some monitoring of outcomes is needed, we believe that it is equally important to devise meaningful and valid measures that do not make excessive demands on service providers for data. Under the current programming period, the responsibility for monitoring projects and programmes has shifted from the EC to the Government Offices and Monitoring Committees. This delegation of responsibility allows different regions some

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<sup>194</sup> Extract from <http://www.dti.gov.uk/europe/future.html> and [http://www.scottish.parliament.uk/S1/official\\_report/cttee/europe-02/eur02-03-01.htm](http://www.scottish.parliament.uk/S1/official_report/cttee/europe-02/eur02-03-01.htm)

<sup>195</sup> This problem of measurement is further compounded if unemployment is on the rise in the area.

<sup>196</sup> Q191

scope to apply different monitoring standards. According to a study into the implementation of structural funds by Strathclyde University:

“The process of developing a monitoring and evaluation framework has been largely directed from the ‘top down’, driven by central government departments, but with scope for some regions to make their own decisions on indicators, monitoring procedures etc.

"While the national authorities have had a key role in setting the framework and providing guidance, it has been the regional Government Offices (in England) and the Programme Management Executives (Scotland, Wales) that have given practical effect to the guidance and the increasing commitment of resources to evaluation. As in other areas of Structural Funds implementation, the approach to monitoring differs between the constituent parts of the UK. In England, the emphasis is on ensuring that project monitoring is carried out efficiently and effectively, so that national government can ensure compliance with the financial management, monitoring and control requirements of the EU. An integrated system for reporting physical outputs is currently being developed, with a common structure for collating core output information across the English regions, and guidance on standard monitoring procedures is being issued to regions as part of a Structural Funds Manual. The English regions vary greatly in the sophistication of their monitoring arrangements and the range (and definition) of monitoring information collected. In Wales, the emphasis also appears to be on regulatory compliance with respect to financial and physical monitoring. By comparison, in Scotland the greater transparency required as a result of devolution has led to significant investment in new frameworks and systems for monitoring, led by the Scottish Executive, to collate standardised information across all Structural Fund programmes with common definitions. These efforts are not only to ensure compliance with the EU regulations but also to provide accountability to the Scottish Parliament and to create an effective programming tool"<sup>197</sup>

100. This difference in the degree of monitoring in different parts of England and the UK generally was indicated to us during our visit to Scotland. We heard that the rate of returned forms were dramatically reduced when claim forms were being checked by a different PME. The DWP told us:

"The Commission has adopted regulations which lay down detailed rules on the eligibility of expenditure and on management and control systems.<sup>198</sup> These specify the minimum controls that Member States must apply to ensure Structural Fund money is used correctly and enable the Commission to verify the validity of Community expenditure. Commission auditors visit the UK about four or five times a year to check compliance with the regulations. The Commission is subject to

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<sup>197</sup> [http://www.eprc.strath.ac.uk/iqnet/iq-net/downloads/IQ-Net\\_Reports\(Public\)/8.2Monitoring.pdf](http://www.eprc.strath.ac.uk/iqnet/iq-net/downloads/IQ-Net_Reports(Public)/8.2Monitoring.pdf). Although this study concentrates on objective 2 areas, its description of the monitoring process applies equally to Objective 3.

<sup>198</sup> Commission Regulation (EC) No 1685/2000 of 28 July 2000 laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards eligibility of expenditure of operations co-financed by the Structural Funds; and Commission Regulation (EC) No 438/2001 of 2 March 2001 laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds.

independent scrutiny by the European Court of Auditors. Auditors from the Court visit the UK about once or twice a year."<sup>199</sup>

101. As we commented above, there is anecdotal evidence that suggests that different GOs and Programme Management Executive Committees may have different perceptions of the risk that the Commission or the EUROPEAN COURT OF AUDITORS will intervene. As a result, the degree of monitoring and financial control that is imposed on service providers may vary considerably between regions. **We recommend that the DWP provides a comparative analysis of any variation in monitoring standards across the UK and reassures us that monitoring of service providers is proportionate to their assessed risk and broadly comparable across the UK and the EU.**

## Feedback and accountability

102. We heard some criticism of the poor standard of feedback provided to applicants whose application for ESF funding had been rejected, specifically that the reasons for rejection were not always given.<sup>200</sup> In a note, the Government describes the feedback that is given to unsuccessful applicants, including the fact that feedback letters are quality assured by the relevant Regional Jobcentre Plus ESF manager and at a national level by Jobcentre Plus Internal Audit during any audit of ESF-related contracting activities. The Government says that

"Following the appraisal of tenders for ESF activity, the Jobcentre Plus Regional Office issues letters to all unsuccessful applicants explaining that their application cannot be supported. The letters either provide written feedback or inform applicants that written feedback is available to them on request.

"Written feedback is provided in the form of a pro-forma indicating how the bid fared against the selection criteria or by letter giving reasons why the application was unsuccessful and providing advice on how any future bids might be improved. Additionally, Jobcentre Plus Regional Offices arrange face-to-face meetings, if unsuccessful applicants require more detailed feedback on their application."<sup>201</sup>

103. We are pleased to hear that applicants are able to receive written feedback, although in some cases this is clearly considered insufficient. For example, in the case of Jobcentre Plus the standard pro forma which uses ticked boxes is unlikely to provide the necessary information to applicants to help them understand the reasons for their rejection and to improve their subsequent applications.<sup>202</sup> In our view applicants need a reasonably detailed assessment of the reasons why their application was unsuccessful. We do not wish to see any further delay in awarding contracts, but we consider that there is a case for more support and feedback being given to applicants. Given the time that tender applications and bids take to produce and the scarce resources that a number of organisations invest in their applications, **we recommend that the Government considers ways in which it can provide more support to potential applicants, before and after formal applications are**

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<sup>199</sup> Ev 88

<sup>200</sup> See appendix 12, Ev 159

<sup>201</sup> See Annex B, Ev 116

<sup>202</sup> Q201

made. We believe that all rejected applicants should be provided with reasonably full written feedback that identifies clearly the areas in which the tender could be improved. We urge the Government to review the use of the standard pro formas used by Jobcentre Plus when informing applicants that they have been unsuccessful.

## 7 Community Initiative: Equal

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104. Equal is a Community initiative that funds new ways of combating discrimination in the labour market, for those in work and those seeking work. Equal is funded from the ESF, but separately from the funding for Objectives 1, 2 and 3. For the current programming period, Equal's total financial allocation is €3 billion. The GB has been allocated £241 million for 2000-06, of which £21 million is for Scotland and £13 million for Wales.<sup>203</sup> Equal is administered nationally by the DWP. Project applications are assessed by the Equal Support Unit,<sup>204</sup> and reviewed by thematic groups of policy specialists before a recommendation is made to the Equal GB Monitoring Committee. The Equal programme operates across eight themes that are defined in terms of the European Employment Strategy, plus an additional theme directed at helping asylum seekers, which is of particular interest in London. The nine themes are: employability, combating racism, business creation, strengthening social economy, promoting lifelong learning, supporting adaptability of firms and employees, reconciling family and professional life, reducing gender gaps, and helping integration of asylum-seekers. To be awarded funding, organisations operate in one of the thematic areas, having agreed a strategy that encourages innovation and trans-national links. According to the Government:

" Equal operates by bringing together in 'development partnerships' the key players in a geographical area or sector. The partnerships enable partners from the public sector, non-governmental organisations, social partners and business sector (in particular SMEs) to pool their expertise and experience. They operate in one of the thematic areas having agreed a strategy within which they will consider, develop and try out new ways of dealing with problems of discrimination and inequality"<sup>205</sup>

105. Equal's distinctive contribution is to support innovation in countering inequality and sharing good practice across national borders. Organisations taking part in Equal seek to help "victims of discrimination and inequalities, whether employed or seeking employment opportunities. Such groups include women, ethnic minorities, people with disabilities, older workers, refugees, ex-offenders, drug and alcohol misusers and asylum seekers."<sup>206</sup> One controversial aspect of the GB Equal programme is the treatment of asylum seekers.<sup>207</sup> The Greater London Authority (GLA) told us that "the Government decision to deny ESF support to any training project catering for asylum seekers has serious implications for London." It goes on to add that there is

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<sup>203</sup> There are separate programmes for GB and Northern Ireland. The Department is responsible for implementing Equal in Great Britain in partnership with the Scottish Executive and Welsh Assembly Government.

<sup>204</sup> For more information on the Support Unit see [www.equal.co.uk/support](http://www.equal.co.uk/support)

<sup>205</sup> Ev 95

<sup>206</sup> [www.go-london.gov.uk/europeanprogramm/equal.asp](http://www.go-london.gov.uk/europeanprogramm/equal.asp)

<sup>207</sup> The asylum seeker theme is managed on a UK basis as part of the Great Britain programme.

“the possibility of giving ESF support to courses that recruit asylum seekers for pre-vocational training: for example ESOL [English for Speakers of Other Languages] and basic skills, advice and guidance, confidence building and orientation. But this would need explicit agreement by relevant Government departments that asylum seekers could be treated as eligible for these courses.”<sup>208</sup>

106. The Greater London Authority (GLA) called on the DWP to encourage the Home Office to repeal its ruling so that asylum seekers would be deemed eligible for pre-vocational training courses supported by European Social Fund resources. In evidence, the Minister told us that the Government was planning to issue new guidance on this. He said:

“There are now plans to revise the ESF guidance so that asylum seekers, without permission to work, can be eligible to benefit from pre-vocational activities funded by mainstream ESF and from the whole of the Equal programme. As you know up to now it has only been within the asylum seeker element of Equal that pre-vocational training can be provided. It does mean that of course asylum seekers would not be entitled to vocational training or the normal range of help provided by Jobcentre Plus into employment until their status has been confirmed as refugees. However, we are planning to issue new guidance soon to ESF organisations to make it clear that this is now the change that will take place.”<sup>209</sup>

We welcome this. The guidance was issued in June 2003 and applies to mainstream ESF and not just Equal.<sup>210</sup> Although Equal encourages innovative projects, it is important that the projects should not just be interesting, but should allow best practice to be shared across international borders. The sharing of information may be accomplished by organisations developing partner organisations in other countries for the purposes of networking and organising exchange visits. Some projects may be involved in “blue skies” thinking on ways of addressing things like gender pay gap issues – without necessarily providing tangible outcomes.<sup>211</sup> The guidance, case studies and examples of best practice are a useful source of information. The Minister told us that Equal was “a programme which should be fairly light on its feet in terms of trying to find new ways forward in a way which is not always possible through mainstream programmes.”<sup>212</sup>

## 8 Post 2006

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107. The current programming period runs to the end of 2006, although some ESF payments under the current programme may continue until 2008 under the N+2(years) rule. In 2004, the Commission is expected to publish its proposals for the next programming period, which is likely to be for the years 2007-13. During the next few years, a number of applicant members will join the EU.<sup>213</sup> One consequence of EU enlargement is that spending plans for EU structural funds under the next programming period are

<sup>208</sup> Ev 157

<sup>209</sup> Q194

<sup>210</sup> Changes to ESF disability rules for asylum seekers, ESF Division, June 2003.

<sup>211</sup> Q190

<sup>212</sup> Q190

<sup>213</sup> The enlargement of the EU in 2004 will not affect the Structural Fund allocations of the current member states in the 2000-06 programme period. Separate funding has been allocated for accession members.

expected radically to alter the level and pattern of structural funds that are currently allocated to existing member states. For example, in the case of the UK, it is possible that after 2006 only Cornwall will receive Objective 1 status and that the coverage for Objective 2 will be greatly reduced, with some reduction in Objective 3 spending. Some transitional assistance may be available to some areas. Mr Lönnroth, (European Commission) indicated that there was a need to concentrate funds on the objective 1 regions, whatever they might be, but also that problems of social cohesion, including problems of criminality, poverty and lone parents, extended across the EU.<sup>214</sup> In describing what happens to the areas outside Objective 1 regions, Mr Lönnroth, said:

There are two options - presuming that there will be something outside these objectives - one is to take the Lisbon Strategy and the European Employment Strategy and other strategies at the top as an umbrella. The European funding would be based on these themes: managing change, alleviating poverty, pockets of criminality and social exclusion, and then the zoning would be left for the member states. Or you would have the other option which would be to define in advance the regions, including the mountainous areas, the sparsely populated areas and so on and then within those areas there would be a set of criteria which the member states would then fund. I cannot take a stand on this because this is something which the leaders - the political decision makers - will decide at the end by unanimity.<sup>215</sup>

108. The Commission's proposals for the next programming period will be made in the Third Cohesion Report with draft legislation and decisions made sometime in 2005-06. The detailed timetable is set out below:

"Following the Third Cohesion Report, it is expected that the Commission will move swiftly to publish draft Structural Fund regulations for the next financial period, possibly in early 2004. Negotiations will then begin between Member States and the Commission, with a European Council meeting in the second half of 2005 expected to agree the Structural Fund budget. If this timetable were adhered to, then the process of setting up the next Structural Fund programmes should be able to get underway in 2006 for a 2007 start. The Commission has committed to trying to get a prompt start to the next Structural Fund programmes after the lengthy delays to programmes experienced at the start of the current programme period."<sup>216</sup>

109. As part of the continuing debate on the future, the UK Government set out its position in "*A Modern Regional Policy for the United Kingdom*".<sup>217</sup> In its paper, the Government highlighted "its commitment to a modern devolved and decentralised regional policy". The Paper proposed that a new EU framework for Devolved Regional policy should form the basis of the UK position on reform of EU regional policy. In broad terms, the Government proposes to repatriate regional funding and concentrate funds on the poorer countries of the EU. According to the Government, its proposals were based on the following key objectives:

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<sup>214</sup> Q38

<sup>215</sup> Q39

<sup>216</sup> Ev 117

<sup>217</sup> *A Modern Regional Policy for the United Kingdom*, published March 2003.

- an EU regional policy that fully supports, and adds value to, the ambitious devolution, decentralisation and regional development agenda already being pursued domestically.
- significantly simpler and more flexible implementation and monitoring arrangements, which are proportionate to the amount of funding available and which allow integration with other policies.
- EU regional policy that actively supports the EU's agenda for higher productivity and employment and for developing human resources.
- continued need for strong regional policy in all Member States, which is both fair, and the most effective use of funds, to concentrate the EU's limited financial and administrative resources on the poorest Member States, where they will add most value.
- ensure that expenditure on EU regional policy, as with other elements of the EU budget, achieves a fair budgetary deal for the UK taxpayer.<sup>218</sup>

110. The Government's consultation document contained no reference to the social inclusion agenda and only a few references to ESF specifically. Mr Philips (LVSTC) told us that apologies for the omission of the social inclusion agenda had been given at meetings. He added:

"I think that, in a 100-page document, it is more than an apology that is needed not to have mentioned the social inclusion agenda. So one wonders where a lot of the vision is, in terms of the future, on the governmental side; on the voluntary sector side, I think it is a real challenge, because, as we said earlier, we have never had a big stake in the capital investment that goes on through the Structural Funds. We are minor players there, if players at all, where the main contribution has been in the revenue side, the human resources side. Essentially what is happening with the Structural Funds is that they are homing in on social inclusion and the issues of inequality, and the fact of the matter is that we have become a prosperous but more unequal society, and there are major issues there that we have got to tackle. We would see the sector making a major contribution in delivering on that equalising agenda, and we would expect the Structural Funds to come in, across Europe, to address this particular agenda."

111. The consultation period on the Government's proposals ended on 4 July. The Department for Trade and Industry made a brief statement analysing the responses to its proposals on 17 September.<sup>219</sup> A more detailed statement is expected sometime in the autumn and is expected to cover how employment, skills and social inclusion priorities would be incorporated in the new approach. According to the Government's analysis, most respondents commented on the contribution that structural funds had made to particular projects. Many respondents also stated their belief in the added value of the Structural Funds, particularly the way that Structural Funds were operated. The benefits included the use of strategic programming with EU-wide priorities, the value of partnership working and policy innovations that were supported by specific funds (technical assistance,

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<sup>218</sup> [http://www.dti.gov.uk/europe/sep\\_statement.html](http://www.dti.gov.uk/europe/sep_statement.html)

<sup>219</sup> <http://www.dti.gov.uk/europe/analysis.html>

Regional Innovation Strategies, the PEACE Programmes for Northern Ireland). As regards employment, skills and social inclusion, the analysis also stated that many of the stakeholders interested in ESF:

"asked for more information on how the types of projects funded under Objective 3 or through the European Social Fund in Objectives 1 and 2 areas could be supported under the Government's proposals. Some were not convinced about the Government's commitment to the social inclusion agenda and felt that it had historically been driven by the Structural Funds rather than by domestic initiatives."<sup>220</sup>

112. Relatively few of the written submissions to our inquiry commented on the position of the ESF after 2006. Of the few that did, one commented that enlargement "will inevitably shift the majority of resources to the East" but reaffirmed the need for cities such as London to exploit structural funds to combat unemployment and poverty.<sup>221</sup> Mencap expressed concern that "ESF funding is due to come to an end in 2006".<sup>222</sup> It mentioned that Mencap's Education and Employment services relied heavily upon ESF funding. It called for reassurance that funding from DWP would be made available to replace ESF funding after 2006.

113. It became evident during the course of our inquiry that very little forward planning has been done on what happens after 2006. To some extent, this is understandable given that the uncertainty about the various scenarios that may emerge. However, despite the uncertain future, we did sense a strong belief in the case for a robust regional and employment policy in the UK, regardless of whether the policy is devised domestically or at a European level. Ms Henderson (GOSW) told us:

"Some of the benefits of European Funds one would not want to lose: one is the fact that it is a partnership approach so it involves lots of people and locks them into a strategy for an area, or a theme. The other advantage is that it is generally cross-cutting, going back to the question you asked a moment ago, we are not looking just at skills alone, or building alone. But, inevitably, there are bits of process associated with European Funds, even though we are mitigating some of them, and match-funding used to be the bugbear but co-financing is helping address that. The other one tends to be the monitoring regime, which sometimes can seem to people rather onerous, though we try to make sure that it is not excessively onerous in relation to the risk."<sup>223</sup>

114. Mr Philips (LVSTC) told us that ESF had been a "very good way of opening up discussions between match-funding bodies, local agencies, on the statutory side and the voluntary sector, and that has been very much valued."<sup>224</sup> Clearly, the details of any detailed proposals from the UK Government and the European Commission will need to be assessed and compared, but we were left in no doubt that public funding will still be needed

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<sup>220</sup> Some commented that tackling social exclusion and promoting sustainable development and equal opportunities should be higher up the agenda than they are now compared to economic growth.

<sup>221</sup> For example, Ev 73

<sup>222</sup> Ev 156

<sup>223</sup> Q123

<sup>224</sup> Q153

to support employment, training and social inclusion. Although the ESF grant represents a relatively small proportion of the spending on training in the regions, it still represents, on average, some £500 million of spending in England per year. However, we are concerned that some worthwhile projects may be too dependent on ESF funding, especially those outside the mainstream and that after 2006 they may be left stranded without adequate funding. Of course, projects should do all they can to find alternative funding streams. But Government also has an important role to play. The Minister told us that lessons from ESF should be learned, but that it would be too early to say what transitional arrangements would be in place.<sup>225</sup> The Minister said that while there were some organisations that would find alternative funding, "there will be other organisations for whom [.]. it is going to come as a bit of a shock ..[.]. and we need to make sure that those organisations are aware first of all that this particular umbilical cord is going to have to be cut after 2006."<sup>226</sup>

115. Ms Jane Evans, Head of the European Social Fund Division,, Joint International Unit pointed out to us that the Government's consultation paper offers some comfort in that if the Government's proposals were adopted by the EU, it proposes what is called the net funding approach - that "no country or region of the United Kingdom should lose out as a result of the change." She also pointed out that the DWP and DfES have also indicated their strong interest in ensuring some sort of similar arrangement that reflects the Structural Fund money that comes into their particular policy areas.<sup>227</sup> As regards transitional funding, the Minister told us that " It does not mean that it is not going to be there, but all that can be guaranteed at this stage is that arrangements will be put in place to ease that transition."<sup>228</sup> Although we were told that the Government's proposals contained some comfort about levels of future funding, we are concerned that that they provide a less than full commitment to providing comparable funding and as such are likely to provide only cold comfort to service providers and their clients. The next Comprehensive Spending Review (CSR), which will cover the years 2005/6 to 2007/8, coincidentally includes the final years of the current programming period and the start of the new period. In our view it is essential that the Government reduces the financial insecurity that may blight service providers, especially those in the community and voluntary sector, over the coming years, by using the next CSR to identify the funding that it will make available to support ESF activities, regardless of whether the Government's proposals for reforming regional policy within the EU are adopted or not. Although the decisions determining the next programming period are unlikely to be made before 2005/6, we believe that worthwhile projects, many of which are already in a fragile financial position, should be given greater certainty about their future funding stream. Such projects should not be left without funds in the run up to the new programming period, while negotiations are under way within the EU. As the Minister acknowledged, a factor behind the Government's consultation paper on regional policy was the wish to minimise the effect on the UK's contributions to the EU budget following EU enlargement. While this desire is understandable, we are concerned that the social agenda issues, which were not addressed in the consultation paper, may be neglected. **We request that the Government explains the reasons for the omission of the social inclusion agenda from the Government's consultation paper. We also**

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<sup>225</sup> Q216

<sup>226</sup> Q217

<sup>227</sup> Q217

<sup>228</sup> Q218

**recommend that the Government assures us that work on the labour market and countering social exclusion, which is funded by the ESF, will not be lost under the Government's proposals for the post-2006 regime and that proper transitional funding will be in place in good time.**

## 9 Conclusion

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116. According to the evidence that we received, the most controversial issue currently facing ESF in GB is the system of co-financing. Many of the concerns raised in the written evidence flow from this new arrangement. As discussed above, some critics of co-financing accept that it has some advantages, such as providing a single funding stream. But the tensions over co-financing that we have identified seem to reflect some cultural divide, between the hard headed approach favoured by Government agencies and the softer approach, although not necessarily any less efficient, that is favoured by the local community groups. Much of the written evidence suggests that the new system of co-financing seems to have brought to a head an underlying tension between, on the one hand, certain large Government bodies (such as Government Offices, Learning Skills Councils and Jobcentre Plus) and, on the other hand, a number of community & voluntary or independent sector providers, especially those groups that are involved in combating social exclusion or hard-to-reach people.

117. The picture that emerges is that the former group are wedded to a top-down, competitive, hard-output, contract-driven provision that supports Government programmes whereas the second group seems to be associated with a bottom-up, self-motivating and more co-operative approach. Despite their cultural differences, there is benefit for both approaches to continue to work together, playing to their comparative strengths, to improve employment and training opportunities for all concerned. The evidence of added value means that many of the ESF funded projects would not exist without ESF and all would not exist to the same extent. It is an open question whether the Government will fill the funding gap after 2006. However the few references to ESF in the Government's consultation paper and the total omission of any reference to the social inclusion agenda do not suggest that the Government fully recognises the importance that ESF plays in countering social exclusion and helping vulnerable people gain access to the labour market. The Post 2006 period will represent a "big bang" for ESF funded organisations in the UK. For many such organisations, ESF will represent crucial pump-priming to enable the project to come into being, and other sources of funding will be gradually introduced as 2006 beckons. For others, the withdrawal of ESF will be catastrophic with a consequential adverse effect on labour market policy and programmes within the UK.

118. We have made a number of suggestions and recommendations. These reflect our desire to help some of the most vulnerable people in our society by reducing the cumulative bureaucratic weight on the shoulders of service providers and by providing greater certainty about their future levels of funding.

## 10 Conclusions and recommendations

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1. We believe the Government should quantify the potential administrative savings for service providers that can be generated by co-financing and identify ways in which these savings can be realised. (Paragraph 56)
2. We further recommend that the DWP compares the implementation of ESF in areas where there are a few CO-Financing Organisations with those areas, such as London, where a larger number of CFOs operate and, in consultation with the ODPM, describe how it proposes to improve the co-ordination between CFOs to the benefit of applicants. (Paragraph 57)
3. We recommend that steps should be taken by the Government to make the EU rules on additionality, and specifically that match-funding need not be additional, more widely understood (Paragraph 64)
4. We recommend that the DWP investigates the possibility of providing a fast track procedure for relatively small grant applications, such as those under £50,000. We also recommend that the DWP ensures that suitable transitional funding is in place before the end of the current programming period as protection against delays in granting programme and project approval at the start of the next programming period. (Paragraph 68)
5. We recommend that the Government considers changes in the way in which project approval is considered. We would like to see service providers, possibly in the form of advisory groups, included more in drawing up the plans and specifications if a conflict of interest can be avoided. (Paragraph 75)
6. We suggest that some direct funding be retained as a safety net for those worthwhile projects that fall between specifications. We therefore recommend that some direct funding be retained in all regions and re-introduced in London. (Paragraph 76)
7. It is our belief that a detailed statistical analysis of the awarding of grants is needed. We recommend that, in replying to this report, the DWP investigates the concerns expressed by some members of the Community and Voluntary sector that funding under co-financing is being channelled through mainstream programmes at the expense of the C&V sector organisations. We have already recommended that the Government undertakes a comparative study into direct bidding and co-financing. We suggest that that study also investigates whether there are any marked differences under the two systems with respect to the types of projects supported and rejected. (Paragraph 77)
8. We recommend that the Government guarantees that bids which include support for childcare are not disadvantaged compared with bids that do not budget for such costs (Paragraph 80)
9. The accuracy of those making claims needs to be tightened up. In view of the high error rate we recommend that the design of the claim form also needs to be drastically improved and streamlined and that the process for settling claims be

speeded up, including making greater use of claiming over the internet. (Paragraph 84)

10. In order to reduce the risk of wide regional variations, we consider that the DWP should press the European Commission for greater clarification on how intense the monitoring regime should be. (Paragraph 85)
11. We request that an assessment be undertaken into the total administrative costs (both direct and indirect) that organisations face when dealing with ESF. We recommend that the DWP undertakes a value for money study into the use of technical assistance in the delivery of ESF. (Paragraph 89)
12. We recommend that the Government ensures that all newly approved projects are assessed for their risk and are subject to a monitoring regime that is proportionate to that risk. (Paragraph 90)
13. We recommend that a fast track service for processing claims be more widely available and that the authorities make clear that, subject to certain conditions, an emergency cash advance could be made available. (Paragraph 91)
14. We recommend that Objective 3 funding should continue to be widely available. (Paragraph 97)
15. We recommend that the DWP provides a comparative analysis of any variation in monitoring standards across the UK and reassures us that monitoring of service providers is proportionate to their assessed risk and broadly comparable across the UK and the EU. (Paragraph 101)
16. We recommend that the Government considers ways in which it can provide more support to potential applicants, before and after formal applications are made. We believe that all rejected applicants should be provided with reasonably full written feedback that identifies clearly the areas in which the tender could be improved. We urge the Government to review the use of the standard pro formas used by Jobcentre Plus when informing applicants that they have been unsuccessful. (Paragraph 103)
17. We request that the Government explains the reasons for the omission of the social inclusion agenda from the Government's consultation paper. We also recommend that the Government assures us that work on the labour market and countering social exclusion, which is funded by the ESF, will not be lost under the Government's proposals for the post-2006 regime and that proper transitional funding will be in place in good time. (Paragraph 115)

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## 11 Formal Minutes

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**Wednesday 22 October 2003**

Members present:  
Sir Archy Kirkwood, in the Chair

Ms Karen Buck	Rob Marris
Mr Andrew Dismore	Andrew Selous
Mr Paul Goodman	Mr David Stewart
Mrs Joan Humble	

The Committee deliberated

Draft Report (European Social Fund), proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 5 read, and agreed to.

Paragraph 6 read, amended and agreed to.

Paragraphs 7 to 11 read and agreed to.

Paragraph 12 read, amended and agreed to.

Paragraphs 13 to 25 read and agreed to.

Paragraph 26 read, amended and agreed to.

Paragraphs 27 to 32 read and agreed to.

Paragraphs 33 and 34 read, amended and agreed to.

Paragraphs 35 to 44 read and agreed to.

Paragraph 45 read, amended and agreed to.

Paragraphs 46 to 55 read and agreed to.

Paragraph 56 read, amended, divided and agreed to.

Paragraphs 57 to 62 (now paragraphs 58 to 63) read and agreed to.

Paragraph 63 (now paragraph 64) read, amended and agreed to.

Paragraphs 64 to 66 (now paragraphs 65 to 67) read and agreed to.

Paragraph 67 (now paragraph 68) read, amended and agreed to.

Paragraphs 68 to 71 (now paragraphs 69 to 72) read and agreed to.

Paragraph 72 (now paragraph 73) read, amended and agreed to.

Paragraph 73 (now paragraph 74) read and agreed to.

Paragraph 74 (now paragraph 75) read, amended, divided and agreed to.

Paragraphs 75 and 76 (now paragraphs 77 and 78) read and agreed to.

Paragraph 77 and 78 (now paragraphs 79 and 80) read, amended and agreed to.

Paragraphs 79 to 81 (now paragraphs 81 to 83) read and agreed to.

Paragraphs 82 and 83 (now paragraphs 84 and 85) read, amended and agreed to.

Paragraphs 84 to 103 (now paragraphs 86 to 105) read and agreed to.

Paragraphs 104 and 105 (now paragraphs 106 and 107) read, amended and agreed to.

Paragraphs 106 to 112 (now paragraphs 108 to 114) read and agreed to.

Paragraph 113 (now paragraph 115) read, amended and agreed to.

Paragraph 114 (now paragraph 116) read and agreed to.

Paragraph 115 (now paragraph 117) read, amended and agreed to.

Paragraph 116 (now paragraph 118) read and agreed to.

Summary read, amended and agreed to.

*Resolved*, That the Report, as amended, be the Sixth Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

*Ordered*, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

Several papers were ordered to be appended to the Minutes of Evidence.

*Ordered*, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.—(The Chairman)

## Witnesses

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### Wednesday 7 May 2003

*Page*

**Mr Karl-Johan Lönnroth** and **Mr Paul Vandermeeren**, Directorate General for Employment and Social Affairs, European Commission. Ev 1

**Mr Ken Pascoe**, **Ms Chris Minett** and **Mr David Cragg**, Learning and Skills Council Ev 25

### Wednesday 21 May 2003

**Ms Jane Henderson** and **Mr Phil McVey**, Government Office, South West. Ev 45  
**Ms Alison Biddulph**, Government Office, Yorkshire and the Humber.

**Ms Tamara Flanagan**, Third Sector European Network. **Ms Sandra Turner**, Community Service Volunteers. **Mr Ray Phillips**, London Voluntary Sector Training Consortium. **Ms Barbara Love**, The Scottish Council for Voluntary Organisations. Ev 73

### Wednesday 25 June 2003

**Mr Chris Pond MP**, Parliamentary Under Secretary of State, **Ms Jane Evans** and **Mr Gordon Pursglove**, Department for Work and Pensions. Ev 101

## List of written evidence

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1	Directorate General for Employment and Social Affairs, European Commission	Ev 9 to Ev 18
2	Learning and Skills Council	Ev 20; Ev 34
3	The Clubhouse	Ev 33
4	Government Office, Yorkshire and the Humber	Ev 36
5	Government Office, South West	Ev 54
6	Third Sector European Network	Ev 61; Ev 167
7	London Voluntary Sector Training Consortium	Ev 67
8	Department for Work and Pensions	Ev 85; Ev 115
9	The Now! Network	Ev 118
10	Berwick Citizens Advice Bureau	Ev 121
11	Community Development Foundation	Ev 122
12	European Structural Funds Voluntary Organisations Northern	Ev 124
13	Tomorrow's People	Ev 134
14	The Sobriety Project	Ev 136
15	Co-ordinating European Funding for the East Midlands Third Sector	Ev 138
16	Grampian ESF Network	Ev 143
17	The Southern Association of Voluntary Action Groups for Europe	Ev 143
18	The Royal National Institute for Deaf People	Ev 154
19	Mencap	Ev 156
20	Greater London Authority	Ev 157
21	Lord Harris of Haringey	Ev 159
22	Notes of the visit to Seville and Lisbon	Ev 160
23	Notes of the visit to NEWTEC and the Delta Project	Ev 165
24	A summary of the Interim Finding from the Second Evaluation of ESF Co-Financing in England	Ev 172

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## Reports from the Work and Pensions Committee since 2001

### Session 2002–03

First Report	Social Security Advisory Committee	HC 296 [including HC 1253–i of session 2001–02]
Second Report	The Committee’s Work in 2002	HC 297
Third Report	The Future of UK Pensions	HC 92 [including HC 1302–i of Session 2001–02]
Fourth Report	Employment for All: Interim Report	HC 401
Fifth Report	Childcare for Working Parents	HC 564
First Special Report	Childcare for Working Parents: Government Response to the Fifth Report of the Work and Pensions Committee (Session 2002-03)	HC 1184
Sixth Report	European Social Fund	HC 680

### Session 2001–02

First Special Report	Integrated Child Credit: Government Response to the Second Report of The Social Security Committee(Session 2000-2001)	HC 292
First Report	‘ONE’ Pilots: Lessons for Jobcentre Plus	HC 426
Second Report	Pension Credit	HC 638
Second Special Report	Pension Credit: Government Response to the Second Report of the Work and Pensions Committee	HC 1006
Third Report	The Government’s Employment Strategy	HC 815