



Department
for Business
Innovation & Skills

Effectiveness of European Social
Fund Delivery

APRIL 2013

The views expressed in this report are the authors' and do not necessarily reflect those of the Department for Business, Innovation and Skills.

Department for Business, Innovation and Skills

1 Victoria Street

London SW1H 0ET

www.gov.uk/bis

April 2013

Contents

Contents	3
Summary.....	5
Methodology.....	5
Views on current ESF delivery	5
Perspectives on future ESF delivery	6
1. Introduction	8
1.1 Summary of Research Context and Aims	8
1.2 Methodology.....	9
1.2.1 Phase One: Desk-based research	9
1.2.2 Phase Two: Qualitative interviews with stakeholders	9
1.2.3 Phase Three: Stakeholder Workshops	10
1.2.4 Phase Four: Final Stakeholder Inputs and Analysis	10
1.3 Report Structure.....	11
2. Context.....	12
2.1 Introduction	12
2.2 Overview of Current ESF Delivery	12
2.2.1 Overall programme and delivery architecture	12
2.2.2 Main models of ESF delivery and types of provision	14
2.3 Profile of Case Study Areas	16
2.3.1 Greater Manchester	16
2.3.2 Tyne and Wear.....	18
3. Views on Current ESF Delivery	20
3.1 Introduction	20

3.2 Stakeholder perceptions of European Funding	20
3.3 Views on the existing ESF delivery architecture	21
3.3.1 Delivery Infrastructure	21
3.3.2 Delivery Activity	23
3.3.3 Alignment of ESF and ERDF	24
3.4 Contribution of ESF to city and city-region level priorities	24
3.5 Conclusion	25
4. Perspectives on future ESF Delivery	26
4.1 Introduction	26
4.2 The potential to adopt a revised focus for ESF support	26
4.3 Approaches to meeting local needs	28
4.4 Potential delivery arrangements and infrastructure	30
4.4.1 The appropriate spatial level for delivery	30
4.4.2 Delivery infrastructure	31
4.4.3 Governance arrangements	32
4.5 Potential procurement and contracting approaches	32
4.6 Potential delivery organisations and activities	34
4.7 Future alignment of ESF with ERDF	36
4.8 Conclusion	37
5. Summary of key findings	39
5.1 Introduction	39
5.2 Key findings	39
5.2.1 Views on current ESF delivery	39
5.2.2 Perspectives on future ESF delivery	39
Annex 1	41

Summary

This summary presents the key findings of a research study on the *Effectiveness of European Social Fund (ESF) Delivery* undertaken by Ecorys on behalf of the Department for Business, Innovation and Skills (BIS). The aim of the study was to inform thinking and negotiations around the forthcoming round of structural and cohesion programmes that will run from 2014 to 2020. In particular the research examined how ESF might be used to promote economic growth and the creation of employment opportunities through, for example, supporting activity around self-employment, entrepreneurship and the provision of re-skilling opportunities for individuals.

Methodology

The approach to the study was underpinned by an adaptation of the Policy Delphi method. This offered a systematic mechanism for obtaining, exchanging, and developing informed opinion from a range of stakeholders on the policy issues under investigation. Within this framework the research was based around two case study areas, selected to gain insights into how ESF delivery arrangements are working at the local level and how they might best serve city-level priorities in the future. Given the remit of the study to examine ESF in the context of two of BIS' 'core cities', Manchester and Newcastle were selected as case study areas. Following initial consultation with city-level stakeholders, a decision was taken to focus the case studies on the geographical areas of Greater Manchester and the Tyne and Wear city-region to best represent the functional economic areas concerned.

The study commenced with a small amount of desk research to inform the main research elements of the work. Face-to-face and telephone interviews were then undertaken with three broad stakeholder groups: representatives of ESF co-financing organisations (CFOs), city-level policy makers and stakeholders, and delivery level actors. A total of 33 individuals were interviewed across the two areas. Subsequently, those consulted were invited to half day workshops. A workshop was held in each case study area to further explore the issues under consideration in an interactive and collaborative setting.

The key findings arising from this approach in respect of current and potential future ESF delivery are presented below in addition to a summary of the main policy implications emerging from these findings.

Views on current ESF delivery

Although current ESF delivery is seen as contributing to addressing employability and skills issues, a number of clear issues for consideration emerged from the study. While it reflects the city or city region focus of the research, there is a common view that ESF could better link with or contribute to local / city based economic development priorities. In part this relates to a widely held view that the focus and overall management of ESF delivery is overly influenced by national policies and CFO processes relative to regional or sub-regional ones. Current ESF governance arrangements are seen as a factor in this, given the perception that effective stakeholder engagement at the local or sub-regional level in terms of informing programme design and delivery is difficult to achieve at present.

While current delivery arrangements are viewed as having benefits – particularly around efficiency and consistency – the shift towards contracts covering large areas and operating on the basis of prime / sub-contractor models is also seen as having drawbacks. These include a reduced ability to introduce flexibility and local responsiveness into provision, and reduced opportunity for some actors with local knowledge and experience to play a role in delivery. In particular current procurement and delivery arrangements are viewed by some stakeholders as making it difficult for smaller, often locally based organisations, to become involved. A common perspective of organisations involved in delivery is that the complexity and burden of administrative requirements also poses a challenge to their involvement and to effectively meeting the needs of those benefitting from support.

There is also concern that ESF management and delivery arrangements make it difficult to respond to changes in economic circumstances. The impact of the recession coming part way through delivery of the current programme, and the difficulty of responding flexibly to this, was commonly cited. Flexibility also emerged as a key issue in terms of perceived inflexibility in eligibility criteria, with postcode based approaches to eligibility seen as a problematic aspect to previous ESF and current ERDF programmes in particular. The lack of effective inter-linkages between ESF and European Regional Development Fund (ERDF) was also cited as a concern by many, though not all, stakeholders. Finally, for some stakeholders current provision is viewed as being overly generic, partly due to being delivered through large contracts as opposed to being more locally focused and oriented around meeting specific local needs.

Perspectives on future ESF delivery

Those consulted for the study were generally in favour of using ESF in future to support economic growth and employment opportunities within a locality based context. The logic of using the next programme to support the creation of jobs, in addition to supporting individuals through social inclusion measures, was generally seen as appropriate providing a good balance can be found between these objectives. A number of requirements were commonly cited in respect of adapting the focus of ESF from this perspective. These included governance and management mechanisms sufficiently attuned and responsive to local priorities and needs, a more flexible approach to procurement and contracting able to ensure the effective purchasing and delivery of different types of provision at different spatial levels, and the engagement of new delivery bodies in some areas of provision.

There was some support for the use of Local Enterprise Partnership (LEP) boundaries as the key level around which decisions on programme priorities could be taken and the procurement and delivery of provision oriented. However, there was also a preference for a flexible approach to designing, commissioning and delivering provision at a scale appropriate for the type of provision in question and the ends it would be looking to achieve. Views varied on the potential for LEPs to lead on defining and articulating local priorities or to provide a sub-national programme governance mechanism. Concerns around capacity, consistency and neutrality meant that stakeholders tended to question whether LEPs could act in these ways. There was a preference instead for developing forms of dedicated, partnership-based governance arrangements at local levels wherein LEPs would be one of the partners engaged. Views varied on whether these arrangements should operate at the level of individual LEP geographies or cover several LEP areas.

In terms of the overall ESF management and delivery infrastructure there was general support for continuing with a model based around CFOs co-ordinating and delivering provision under a Managing Authority. On balance few radical changes were advanced in terms of MA or CFO roles, though it was noted that the latter would need to concentrate on incorporating a more flexible and local focus into their operations. In light of this some concerns over resourcing and capacity were raised. There was also general agreement that better aligning ESF and ERDF in relation to management and delivery should be a priority. The feasibility of a fully joined up single approach to the administration of the two funds was questioned. However, improved collaboration, along with shared decision making and project development at strategic levels, was seen as feasible and potentially highly beneficial if clearly guided by a 'place based' identification of needs.

Relative to the current programme, adapting ESF to support self-employment, re-skilling for new economic opportunities and entrepreneurship was seen as requiring a different and broader selection of providers. For entrepreneurship and self-employment support in particular, the specialist nature of provision was seen as necessitating the engagement of organisations that may have limited or no ESF delivery experience. However, the fact that such organisations would probably have benefitted from ERDF or RDA single pot funding in the past meant that stakeholders foresaw no major barriers to their involvement. Accepting this, some considerations or pre-requisites for such organisations to play an effective delivery role were raised. These included adequate pre-procurement engagement and information provision, procurement and contracting mechanisms being designed so as to facilitate the involvement of smaller and more specialist providers, and CFOs being able to provide ongoing delivery support and advice.

A wide range of suggestions for specific activities able to facilitate the objective of using ESF to support economic growth and employment opportunities also emerged through the research. These included the provision of specialised advice services for business start-ups, potentially supporting export led growth; supporting graduate placements in Small and Medium Sized Enterprises; developing re-skilling provision relating to the development of the green economy; promoting social enterprise and social innovation activities; delivering entrepreneurship education aimed at inspiring future entrepreneurs; subsidising post-graduate opportunities in specialised potential growth sectors; and developing loan funds to support business start-ups. In addition, the need to offer provision oriented around supporting higher level skills development in line with the potential revised focus of ESF in the next programme was widely noted, though not at the expense of continued support for entry level skills.

1. Introduction

This study, exploring issues concerning the effectiveness of European Social Fund (ESF) delivery, was commissioned by the Department for Business, Innovation and Skills (BIS) and undertaken by Ecorys. The research is intended to inform thinking and negotiations around the forthcoming round of structural and cohesion programmes that will run from 2014 to 2020. This opening chapter summarises the background to the research and study aims, the methodology used to undertake the work, and sets out the structure for the remainder of the report.

1.1 Summary of Research Context and Aims

BIS is currently considering how ESF might be used to support the Department's key policy priorities in the next programming period. These include a strengthened focus on supporting economic growth and the creation of employment opportunities. In line with these priorities BIS is interested in how ESF might be used to support, for example, self-employment, entrepreneurship and the provision of re-skilling opportunities for individuals to respond to new opportunities in the labour market.

By way of informing BIS' thinking in this area, this study aims to:

- Provide insight into the effectiveness of current ESF delivery.
- Assess how well current ESF arrangements could help deliver against revised policy priorities.
- Develop an understanding of what is currently being delivered and by whom.
- Develop an understanding of those actors with the potential to be involved in the future in relation to BIS' views on priorities in the new programme.
- Add value to the existing arrangements for evaluating ESF put in place by Department of Work and Pensions (DWP).

In addressing these aims the study has gathered evidence and information to inform BIS' thinking and review of options as it works alongside the DWP, as managing Authority for the ESF, in negotiations with the European Commission on priorities for the next funding period. It should be noted that the study does not intend to act as a substitute for the more formal consultation process with stakeholders that will be undertaken at a later stage in the negotiations for the 2014-2020 programme. Rather it aims to provide an early 'sense check' to BIS' emerging thinking on the shape and focus of the forthcoming programme.

1.2 Methodology

The study is based around two case studies, selected to gain insights as to how ESF delivery arrangements and activities are working at the local level and how they might best serve city-level priorities in the future. Given the remit of the study to examine ESF in the context of two of BIS' 'core cities',¹ Manchester and Newcastle were selected as case study areas for the purpose of the work. This provided a selection covering two different regions which offered a wide base of stakeholders in respect of which the research team and representatives at BIS had existing links. Following initial consultation with city-level stakeholders in each of the selected areas, it was considered that the case studies should focus on the geographical areas of Greater Manchester and the Tyne and Wear city-region in order to best represent the appropriate functional economic areas concerned.

The approach to the study was underpinned by an adaptation of the Policy Delphi method.² This offered a systematic method for obtaining, exchanging, and developing informed opinion on the particular policy issues under investigation from a range of stakeholders. Consultees were drawn from a wide range of backgrounds, along with having different levels of involvement with and experience of European funding. In broad terms stakeholder groups included those representing co-financing organisations (CFOs), city-level policy makers and stakeholders, and delivery level actors. This latter group included those with experience of delivering European funded provision, along with those without such experience but with the potential to provide services relevant to BIS' thinking on the possible future use of ESF. As part of the Policy Delphi approach, stakeholder opinion was gathered across three main phases of research with the findings from each stage informing those that followed.

The main methodological elements of the study are summarised here:

1.2.1 Phase One: Desk-based research

The first stage of the study involved desk-based research to better understand the socio-economic context for the case study areas. The desk-research also focused on providing an overview of ESF funded activities implemented across the case study areas over the course of the current programme.

1.2.2 Phase Two: Qualitative interviews with stakeholders

Two sets of interviews were undertaken in phase two. The first set engaged strategic stakeholders with an overview of ESF and its potential use (stage one interviews). The second set sought to engage individuals and organisations with experience of, or a potential role in, ESF delivery on the ground (stage two interviews). A list of participating organisations is included at Annex A.

¹ The core cities are Birmingham, Bristol, Leeds, Liverpool, Newcastle, Nottingham, Sheffield and Manchester, the eight largest and most economically important English cities outside of London.

² The Policy Delphi approach seeks to gather stakeholder input to inform and provide evidence for policy consideration. It thus differs from classical Delphi approaches where the aim is to *drive*, rather than inform, decision making through reaching consensus. See *The Delphi Method: Techniques and Applications* (ed. Linstone and Turoff) 2002 section III.2 for further detail of this approach.

1.2.2.1 Stage One Interviews

Following the desk research stage qualitative, semi-structured interviews were undertaken with strategic actors in the fields of European funding and city-level policy in Greater Manchester and the Tyne and Wear city-region. Interviews were largely conducted face-to-face with telephone interviews also being undertaken when required. An initial long-list of interviewees was developed through consultation with BIS representatives in the relevant regions. This was then refined and agreed with the BIS project manager for the study. Stage one interviews were undertaken with eight individuals across Greater Manchester and ten individuals across the Tyne and Wear city-region. In addition, a further four stage one interviews were undertaken with representatives of BIS, DWP and the Skills Funding Agency involved with ESF arrangements and delivery at a national level.

1.2.2.2 Stage Two Interviews

Stage one consultations were used to identify organisations with previous, current or potential future roles in ESF delivery which might inform emerging thinking on the future use of the fund. This use of 'snowball sampling' was complemented by supplementary desk research to identify additional relevant organisations. Through this process a long-list of potential consultees was drawn up. This was subsequently refined and agreed with the BIS project manager for the study. Interviews were undertaken with the identified actors and organisations on the same basis as those in stage one. Six interviews were undertaken with individuals in Greater Manchester and five in Tyne and Wear.

1.2.3 Phase Three: Stakeholder Workshops

As part of the Policy Delphi approach of engaging stakeholders at different points in the research process, following the qualitative interviews a workshop was held in both Manchester and Newcastle to bring together those stakeholders previously consulted. The workshops were designed to focus on the key issues pertinent to the study whilst building on the findings of the research to that point. Each workshop involved an introductory session setting out the planned focus of the discussions and summarising findings from the preceding research phases. Two break-out sessions were then held one after the other. The first session considered current ESF provision and delivery. The second focused on how ESF arrangements and delivery might best contribute to BIS policy priorities in the 2014 to 2020 programming period. A final plenary session then sought to summarise the key points of the break-out sessions and invite final contributions and discussion from attendees.

1.2.4 Phase Four: Final Stakeholder Inputs and Analysis

The methodological approach also made provision for stakeholders to feed any additional contributions into the research process following the interviews and workshops. Outputs from the qualitative interviews and workshops were analysed thematically to identify key issues, themes and considerations relating to the focus and aims of the study. The main findings of this process are presented in the following chapters.

1.3 Report Structure

The remainder of the report is structured as follows:

- **Chapter 2** sets the context for the study, including an overview of current ESF delivery arrangements and brief scene-setting socio-economic profiles for Greater Manchester and the Tyne and Wear city-region.
- **Chapter 3** examines issues concerning the effectiveness of ESF delivery within the current programming period.
- **Chapter 4** focuses on potential future ESF delivery arrangements and how these might support BIS' policy priorities.
- **Chapter 5** summarises the key findings from the research.
- **Annex 1** details the organisations consulted as part of the research.

2. Context

2.1 Introduction

This chapter first provides an overview of current ESF delivery arrangements to help contextualise the analysis that follows. Short scene-setting profiles of the case study areas are then presented for the same purpose.

2.2 Overview of Current ESF Delivery

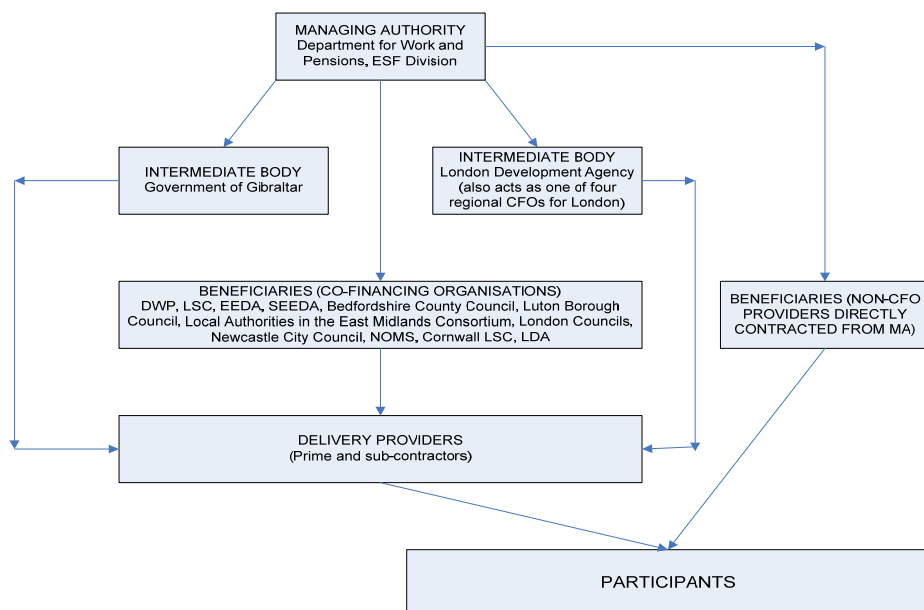
2.2.1 Overall programme and delivery architecture

The current England and Gibraltar ESF Operational Programme (OP) covers the 2007-2013 period. DWP acts as the Managing Authority (MA) for the programme with overall delivery responsibility. Building on the 2000-2006 programming period, the system of co-financing has been retained as the primary mechanism through which funding is channelled to support delivery. Co-financing provides a mechanism to 'match' European funding with domestic funds as required for national governments to benefit from the ESF.

Figure 2.1 illustrates the intended delivery architecture at the outset of the current programme. The Government of Gibraltar and London Development Agency (acting on behalf of the Mayor of London) were designated as intermediate bodies, allowing them to receive delegated authority from the MA to manage delivery. However, the vast majority of funding has been channelled directly through co-financing organisations (CFOs) who manage the delivery of activities and funding on behalf of the MA. Within this the majority is routed through the two main CFOs – DWP and the Skills Funding Agency.³

³ Prior to the establishment of the Skills Funding Agency its predecessor body – the Learning and Skills Council (LSC) – acted as a CFO.

Figure 2.1: 2007-2013 England and Gibraltar ESF Delivery Architecture



In broad terms the programme is divided into two main delivery periods: 2007-2010 and 2011-2013. For each period, the main national CFOs – DWP, Skills Funding Agency and the National Offender Management Service (NOMS) – have been required to draw up regional co-financing plans to guide the design and procurement of delivery activities. The smaller regional and sub-regional CFOs were likewise required to develop co-financing plans for each half of the programme.

These co-financing plans set out the regional and sub-regional priorities for activity, the type of activities to be procured and the implementation process for delivery. Activities are designed, procured and delivered under specific ESF Priorities defined in the national OP. Priorities 1 and 4 aim to reduce barriers to sustainable employment for unemployed and economically inactive groups. Priorities 2 and 5 aim to enhance the skills base of the workforce and are principally targeted at those in work. Priorities 3 and 6 cover technical assistance intended to support the delivery of the OP.⁴

As part of the ESF governance arrangements for 2007-2013, Regional Committees in all nine English regions were also established at the outset of the current programming period to support and guide implementation in line with regional priorities. With the change in Government in 2010, and the reduction in a regional policy focus and supporting infrastructure, the Regional Committees were disbanded. Governance responsibilities now rest at the national level with the Programme Monitoring Committee (PMC).⁵

⁴ Priorities 1, 2 and 3 cover the Regional Competitiveness and Employment Objective of the OP covering all of England and Gibraltar excepting Cornwall and the Isles of Scilly. Priorities 4, 5 and 6 broadly mirror Priorities 1, 2 and 3 but cover the Convergence Objective of the programme encompassing Cornwall and the Isles of Scilly.

⁵ Formerly Regional Committees acted as sub-committees to the main national PMC.

2.2.2 Main models of ESF delivery and types of provision

While the above description offers a broad impression of how ESF is managed and delivered, to further set the context for the analysis that follows it should be noted that there are significant differences in procurement and delivery within this overall infrastructure. These differences relate both to the various CFOs engaged in delivery and changes between the first and second half of the programme. Given that the majority of ESF activity delivered in Manchester and Newcastle and surrounding areas is DWP or Skills Funding Agency co-financed provision, the further context provided below concentrates on these organisations whilst also briefly covering NOMS provision.

Since the outset of the programme DWP co-financed provision has been based on a prime contractor / sub-contractor model with a relatively small number of larger contracts operating in sub-regional 'contract package areas'. The main contractual relationship between DWP and organisations delivering provision is thus with the prime contractor which in turn contracts with sub-contractor organisations to support delivery (often covering particular geographical areas or delivering specialist provision to support particular groups). While contracts are centrally managed, a Performance Manager in each region liaises with the prime contractor to manage performance and delivery. A 'payment by results' model wherein providers receive a mixture of engagement, progression and outcome payments is utilised to promote effective performance.

Geographically, the provision procured by DWP has been relatively consistent across different regions within the current programme. Hence the range of provision offered is relatively common to both Greater Manchester and Tyne and Wear. There has been a significant change, however, in the type of provision commissioned in the second half of the programme compared to the first. In the first half general employability support delivered by private and VCS organisations was aimed at the range of target groups the OP seeks to support such as the unemployed, economically inactive, those with disabilities, lone parents and so on. This principally involved support aimed at enhancing individuals' employability through building confidence, equipping them with general employability skills and addressing any specific skills needs.

The second half of the programme has seen ESF used in a more distinctive way to support 'families with multiple problems' and those claiming Incapacity Benefit (IB) or Income Support (IS) who wish to voluntarily benefit from provision delivered under the Government's Work Programme. The provision targeted at families aims to provide holistic but employment focused support on the basis of the family unit, addressing the specific barriers workless members of households may have in terms of securing sustainable employment. The IB / IS voluntary Work Programme element is intended to ensure that individuals in these claimant groups that would not necessarily engage with the Work Programme otherwise have a voluntary route to doing so. Both key elements of the second half of the programme are delivered by private and VCS organisations.

Other than the introduction of some specific support in response to the recession, LSC / Skills Funding Agency provision has remained fairly consistent over the current programme in terms of the nature of the provision and the types of activity supported. This is the case for both the Greater Manchester and Tyne and Wear case study areas. The main focus of provision has been on adult skills development and supporting engagement, learning and progression activities for young people not in education, employment or training (the NEET group). The latter type of provision is designed and developed in

collaboration with the Education Funding Agency (formerly Young People's Learning Agency). Adult skills activity has focused on the unemployed, those suffering or facing redundancy and workforce / skills development amongst those in work. Within this the focus has largely been on supporting the development of lower level skills. Similar to DWP co-financed provision, payment by results models have been utilised with providers receiving funding on the basis of outputs and outcomes.

There have been some notable changes, however, in terms of how Skills Funding Agency provision is delivered and managed over the life of the current programme. Relative to DWP, in the first half of the programme LSC / Skills Funding Agency provision tended to be comprised of a larger number of smaller contracts purchasing blocks of activity on sub-regional or local levels. Some contracts involved one organisation delivering provision directly, whilst others utilised a lead provider / delivery partner model where the direct contractual relationship was between the LSC / Skills Funding Agency and the lead provider. Partner organisations involved in delivery did so as part of a partnership or consortium, or through acting as sub-contractors to lead providers.

The second half of the programme has seen a shift to a smaller number of larger contracts being managed by the Skills Funding Agency. This has resulted in a move from having contracts involving delivery by a single organisation to the majority of contracts involving some form of delivery chain on a lead provider / delivery partner basis. Over time the programme has also seen the development of Account Managers with responsibility for managing contracts with particular organisations, as opposed to undertaking contract management on a (regional or sub-regional) geographical basis. These changes have been most notable in respect of adult skills provision. Activity supporting the NEET group has tended to be procured and delivered on a Local Authority (LA) boundary basis in line with the specific statutory role that LAs play in respect of the NEET group.

The final main set of provision relevant to the focus of this study is that delivered through NOMS as a CFO. As with DWP and Skills Funding Agency co-financed provision, NOMS ESF activity has been developed and procured within the framework of regional co-financing plans. Similar to DWP provision NOMS provision has been procured on the basis of a prime contractor / sub-contractor model over the current programming period. Prime contractors are a mixture of Probation Trusts, colleges, private sector organisations and VCS bodies with contracts being let on a regional basis.⁶

NOMS co-financed provision is relatively consistent in geographical terms with a focus on developing and funding activity to support offenders, whether in the secure estate or undertaking community sentences. NOMS provision has increasingly prioritised employability and skills considerations over the life of the current programme⁷ with an equal increase in attempts to provide support to offenders within prison prior to release. Whilst ESF is used to support skills development, provide debt-counselling and to offer support for issues such as substance abuse, this is undertaken in the context of these

⁶ Other than for the Cornwall Convergence area, and South Yorkshire and Merseyside 'phasing in' (former Objective 1) areas.

⁷ In contrast to the other national CFOs NOMS only delivered provision from January 2010. The first half of the programme as it relates to NOMS provision thus covered 2010-2011 with the second half covering 2010-2014.

issues being barriers to employment on the transition from prison or community sentences to full community re-engagement.

2.3 Profile of Case Study Areas

2.3.1 Greater Manchester

Greater Manchester is the UK's largest functional economic area after London⁸ with a combined authority area population of approximately 2.5 million, representing 4.3% of the overall UK population in 2011.⁹ Despite this, the labour market of Greater Manchester is characterised by lower levels of economic activity and higher levels of unemployment relative to national averages. This is reflected in its economic activity rate which stood at 72.9% in 2011 compared to 76.2%¹⁰ for England as a whole. Greater Manchester has also fared less well during the economic downturn relative to the national position (with the economic activity rate having fallen by 1.7 percentage points since 2007, relative to a drop of 0.5 percentage points for England).¹¹ Likewise, the unemployment rate increased from 6.2% to 9.5% across this period, exceeding the national change of 5.3% to 8%.¹²

The economic challenges that Greater Manchester has faced since the since the 2008 recession are also highlighted by an increased benefit claimant count amongst the working age population. Just under one-fifth (18%) of Greater Manchester's working age resident population was claiming some type of benefit support in 2011, an increase of 1.4% since 2007.¹³ This compares with a 1.1% increase over this period for England as a whole.¹⁴ When added to the picture regarding employment and economic activity, this context has provided a challenging backdrop for the operation of ESF activities locally. This is particularly the case in light of the fact that the ESF programme was initially designed in pre-recessionary times.

In light of the study focus other aspects of Greater Manchester's socio-economic profile are also significant, including its relatively low levels of self-employment and business survival rates. Whilst levels of self-employment rose slightly from 10.2 to 10.9% of the employed population between 2007 and 2011,¹⁵ levels are lower than for the country as a whole. Equivalent figures for England show an increase in self-employed workers from 12.7% to 13.3% over the same period.¹⁶ Business survival rates have worsened since the

⁸ Roy, A (2011) 'Greater Manchester Local Economic Assessment: Summary and Conclusions' A report for Association of Greater Manchester Authorities (AGMA) Manchester: New Economy.

⁹ New Economy (2011) 'Local Economic Assessment: People' Available at

http://neweconomymanchester.com/stories/1424-local_economic_assessment (accessed 10 May 2012).

¹⁰ Nomis. Annual Population Survey, Greater Manchester/ England Economic activity rate - aged 16-64, 2011, [accessed 14 May 2012]

¹¹ Nomis. Annual Population Survey, Greater Manchester/ England Economic activity rate - aged 16-64, 2007, 2011, [accessed 14 May 2012]

¹² Nomis. Annual Population Survey, Greater Manchester/ England, Unemployment rate - aged 16-64, 2007, 2011, [accessed 14 May 2012]

¹³ Nomis, benefit claimants - working age client group, Greater Manchester, 2007, 2011 [accessed 14 May 2012]

¹⁴ Nomis, benefit claimants - working age client group, England, 2007, 2011 [accessed 14 May 2012]

¹⁵ Nomis, Annual Population Survey, % in employment who are self employed - aged 16-64, Greater Manchester [accessed 14 May 2012]

¹⁶ Nomis, Annual Population Survey, % in employment who are self employed - aged 16-64, England [accessed 14 May 2012]

onset of the recession. In this respect, the number of business closures (VAT de-registrations) exceeds that of start ups (12,640 compared to 9310 in 2010).¹⁷ On the other hand, business survival rates highlight that of over 11,000 businesses started up in Greater Manchester in 2007, 96% were still surviving after 1 year, this falling to 81% after two years and 61% after 3 years.¹⁸

Other competitiveness indicators show a similar pattern. The value of the goods and services produced in the area has also fallen over recent years relative to England as a whole, again indicating the impact of the 2008 economic recession. Gross Value Added (GVA) per head for Greater Manchester fell from £20,539 in 2007 to £20,341 in 2009, having previously increased steadily between 2001 and 2007 prior to the onset of economic difficulties. Over the 2007-2009 period the percentage change in GVA per head was -2.98% compared to a change of -0.73% for England as a whole.¹⁹

Although levels of economic competitiveness have decreased in recent years, statistics indicate that skill levels across the region have increased since 2004. Whilst the proportion of the working age population with no qualifications decreased from 15.8% in 2007 to 12.8% in 2010, the proportions of the population having achieved education levels NVQ 3 and 4 have increased (and also NVQ 1 to a lesser degree). For instance, over 28% of the working age population was qualified to NVQ level 4 or over in 2010 compared to 23.3% in 2004.²⁰ On the other hand, the proportion of the population with Trade apprenticeships and NVQ 2 as their highest qualification level has decreased over this period.

The sectoral breakdown of Greater Manchester's economy is also significant. Public sector employment as a proportion of the overall workforce is slightly higher than for England as a whole. Just over one quarter of those in employment work in the public sector (25.8% in 2011, compared to 23.8% for the country as a whole).²¹ In particular, employment sectors that traditionally require higher level skills (such as Information, Communications and Technology (ICT)) are less prevalent, whilst there is a relatively high reliance on wholesale and retail jobs.

For example, the ICT sector accounts for 2.7% of the population compared to the national average of 4%.²² At the same time, Greater Manchester also has a higher than national proportion of the employed population working in administrative and support services (9.2% compared to 8% nationally).²³ However, it is important to note that there is a geographical division in this sense between central Manchester, which has a labour market wherein jobs are often dependent on higher level skills, and the more outlying parts of Greater Manchester. Greater Manchester's economy is, though, relatively representative in terms of its profile of businesses by size with around 65% of the

¹⁷ Nomis, count of births of new enterprises, Greater Manchester/ England, 2009-2010. [accessed 14 May 2012]

¹⁸ Nomis, survival of newly born enterprises, Greater Manchester/ England, 2009-2010. [accessed 14 May 2012]

¹⁹ Nomis, Headline GVA at current basic prices, Greater Manchester/ England, [accessed 14 May 2012]

²⁰ Annual population survey, highest educational attainment, Greater Manchester/ England 2007/2010. [accessed 14 May 2012]

²¹ Business register and employment survey, Greater Manchester/ England, 2008 [accessed 14 May 2012]

²² Business register and employment survey, Greater Manchester/ England, 2008 [accessed 14 May 2012]

²³ Business register and employment survey, Greater Manchester/ England, 2008 [accessed 14 May 2012]

employed population working in organisations of between 1-4 people. This broadly aligns with the national figure.²⁴

2.3.2 Tyne and Wear

Tyne and Wear City Region represents a functional economic area, reflecting travel to work patterns for the Tyne and Wear conurbation. It encompasses five local authorities (Newcastle, Gateshead, Sunderland, North Tyneside, and South Tyneside) and also covers part of Northumberland and Durham.²⁵ Newcastle and Sunderland represent the main centres of employment and economic activity in the City Region.²⁶

A key feature of the area is its overall economic make-up. Over recent decades, employment has shifted towards services from a reliance on more traditional industries, although manufacturing still plays an important role. Tyne and Wear also has a higher proportion of its population employed in public administration, education and health sectors relative to the UK average, but a lower proportion in those sectors associated with the highest levels of economic growth, (e.g. finance, IT and other business activities). In 2008, the former accounted for 32.1% of the employed population, whilst 19.8% was based in finance, IT and business sectors (27% and 22% respectively for the UK).²⁷ The area is also more dependent than the country as a whole on public sector employment, whilst having a lower proportion of the employed population working in small businesses. Public sector employment was 28.5% in 2008 and 25.9% in 2011,²⁸ whilst 57% employees were employed in businesses of between 1-4 people in 2011 and 18% in businesses of between 5 and 9 people.²⁹

The city-region also displays levels of economic competitiveness that are below the average for the country as a whole, with its GVA per head decreasing over recent years from £17586 in 2007 to £17083 in 2009.³⁰ The economic recession has meant a challenging operational environment for businesses in Tyne and Wear as is reflected in the number of business start ups relative to the number of business closures and business sustainability rates. For example, whilst 2460 businesses started up 2010, 3470 closed.³¹ Tyne and Wear's new businesses have also faced difficulty in terms of sustaining their operations. Of businesses started in 2007, 94.5% were still operating after their first year whilst only 60.2% still existed three years after start-up in 2010.³²

²⁴ Business register and employment survey, Number of Local Units in VAT and/or PAYE Enterprises, Greater Manchester/ England, 2011.

²⁵ Tyne and Wear City Region Multi Area Agreement July 2008
<http://www.southtyneside.info/CHttpHandler.ashx?id=1181&p=0>

²⁶ Tyne and Wear City Region Multi Area Agreement July 2008
<http://www.southtyneside.info/CHttpHandler.ashx?id=1181&p=0>

²⁷ Business register and employment survey, Tyne and Wear/ England, [accessed 14 May 2012]

²⁸ Business register and employment survey, Tyne and Wear/ England, [accessed 14 May 2012]

²⁹ Business register and employment survey, Number of Local Units in VAT and/or PAYE Enterprises, Tyne and Wear 2011.

³⁰ Nomis, Headline GVA at current basic prices, Tyne and Wear, [accessed 14 May 2012]

³¹ Nomis, count of births of new enterprises, Tyne and Wear, 2009-2010. [accessed 14 May 2012]

³² Nomis, survival of newly born enterprises, Tyne and Wear, 2009-2010. [accessed 14 May 2012]

The challenging economic context for Tyne and Wear is reflected in indicators of economic activity, employment and self-employment.³³ The area has experienced falling levels of economic activity, self-employment and overall employment rates in the period since the economic recession. Whilst the economic activity rate dropped from 73.8% in 2007 to 72.8% in 2011,³⁴ the employment rate has fallen from 68.7% to 64%.³⁵ Levels of unemployment have also increased to a greater degree than for England as a whole over the same period (from 7% in 2007 to 11.6% in 2011 compared to equivalent figures for England of 5.3% to 8%).³⁶ In addition, the proportion of the workforce that is self-employed has dropped from 5.9% to 5.7%.³⁷ Irrespective of this slight decrease, the low numbers themselves illustrate the low level of entrepreneurship in the area relative to English averages where equivalent figures are 12.7% in 2007 and 13.3% in 2011.³⁸

Finally, in contrast with national trends (and those in Greater Manchester), overall skill levels have not really increased across Tyne and Wear in recent years. This is the case particularly in respect of higher level skills. The proportion of the population with qualifications at NVQ level 4 and above has fallen from 25.5 to 25.1 between 2007 and 2010 while those with NVQ level 3 qualifications fell from 24% to 22.2%.³⁹ However, over the same period the proportion of the population with lower level qualifications did increase (for NVQ2 from 17.3% to 17.9% and NVQ1 from 13.7% to 14.2%) while those with no qualifications fell from 13.9% to 12.9% over the same period.⁴⁰

As the above snapshot illustrates, the Tyne and Wear city region faces some of the same challenges evident in Greater Manchester but the scale of these challenges tends to be more significant. Relatively high unemployment and low economic activity reflect an overall economic context wherein the area struggles to be competitive relative to other parts of England. Limited progress in the area of higher level skills and the low levels of entrepreneurship and self employment are also particularly notable. Again, therefore, the current ESF programme has operated in a challenging context which has worsened since the onset of recession. Likewise, seeking to utilise ESF to support activities around entrepreneurship, self employment and business growth in the next programming period would appear to be potentially appropriate given this context.

³³ City relationships: Economic Linkages in Northern City Regions, Tyne and Wear City Region, The Northern Way, 2009.

³⁴ Nomis. Annual population survey, Tyne and Wear/ England Economic activity rate - aged 16-64, 2011, [accessed July 2012]

³⁵ Nomis. Annual population survey, Tyne and Wear, Employment rate - aged 16-64, 2007, 2011, [accessed 14 May 2012]

³⁶ Nomis. Annual population survey, Tyne and Wear / England, Unemployment rate - aged 16-64, 2007, 2011, [accessed 14 May 2012]

³⁷ Nomis, annual population survey, % in employment who are self employed - aged 16-64, Tyne and Wear [accessed 14 May 2012]

³⁸ Nomis, Annual Population Survey, % in employment who are self employed - aged 16-64, England [accessed 14 May 2012]

³⁹ Annual population survey, highest educational attainment, Tyne and Wear 2007/2010. [accessed 14 May 2012]

⁴⁰ Annual population survey, highest educational attainment, Tyne and Wear 2007/2010. [accessed 14 May 2012]

3. Views on Current ESF Delivery

3.1 Introduction

This chapter examines a series of issues concerning the current, and to some degree previous, rounds of European structural funds. While the focus is principally on ESF, given some of the key themes of this study such as enterprise, self-employment and economic growth, where relevant experiences and views concerning the European Regional Development Fund (ERDF) are also taken into account. The chapter first examines stakeholders' general experiences and perceptions of European funding under current or previous programmes. Views on the existing ESF delivery architecture and activity delivered under the current ESF programme are then considered. The chapter then reviews the degree to which ESF is felt to align with ERDF and the extent to which ESF is believed to contribute to city and city-region level priorities. Finally, the key findings and conclusions relating to the preceding analysis are presented.

3.2 Stakeholder perceptions of European Funding

Consultation with the various stakeholder groups engaged through the research gave the opportunity to gather a range of broad perspectives on European funding in general and the current ESF programme in particular. In respect of the latter, stakeholders involved in local economic development in particular tended to argue that from their perspective it was sometimes difficult to identify how ESF was being used. In particular the funding stream was regarded as lacking visibility in terms of its strategic contribution to city or local level development goals. However, this perception was acknowledged as perhaps relating to limited awareness and information on the part of key stakeholders involved in this policy area. Conversely, stakeholders from CFOs felt that ESF did make contributions at the local level, such as addressing worklessness, but that a shift to larger contracts covering bigger geographical areas may tend to obscure this within particular localities.

While their overall perceptions of ESF and ERDF varied, the main consistent view expressed by representatives of delivery level organisations was that procedures and requirements were overly complicated under the current programmes. This was felt to have discouraged providers from bidding to deliver provision. Several also expressed the view that ESF was too prescriptive or 'output driven' which led to compromises in the type of activities that organisations could offer. Eligibility concerns were also commonly raised. These included the view that target group restrictions made delivery challenging as some potential beneficiaries could not be supported, for example due to living in a particular area or postcode.

Another key theme, expressed across the different stakeholder groups consulted, was that ESF had difficulty in terms of responding quickly to changing circumstances. ESF provision and the infrastructure supporting its delivery were commonly viewed as insufficiently flexible to reflect the changed economic circumstances that occurred part way through the current programme. In respect of this some CFO and local economic development representatives noted that there had been limited opportunities to re-

negotiate spending priorities in line with changing circumstances. As one stakeholder commented:

“Spend has taken place ... with no review of how ESF funding should be used in an economic crisis. This has been a fundamental failing of the current programme.”
(CFO representative)

A need for more flexibility in management, procurement and contracting to ensure that provision can change as challenges and priorities in a particular locality change was commonly cited. The requirement for effective governance structures able to monitor programme delivery and identify necessary adjustments on an ongoing basis was likewise highlighted.

3.3 Views on the existing ESF delivery architecture

3.3.1 Delivery Infrastructure

Current ESF delivery approaches were often seen as being likely to benefit from a greater focus on local level concerns or priorities. In this respect, the current programme was regarded by some as being somewhat 'national' and 'top down' in terms of the way that provision is designed and managed. The majority view was that while national priorities, such as addressing worklessness or raising skill levels, were likely to be relevant in all areas, there were nonetheless specific local issues and priorities that might vary in their nature and level of local importance. As one stakeholder commented from a city level perspective:

“There has been a shift to central prescription which has aligned with national requirements. This has fitted comfortably in terms of ensuring a nationally consistent programme and it has made savings. But, was it ever sufficiently sensitive to local needs?” (city level stakeholder)

It was acknowledged that specifications drawn up to procure ESF provision in different areas did have some flexibility but it was often felt that this was insufficient. The issue of whether local stakeholders could sufficiently feed into this process was also raised, with some of those consulted noting that they were unaware of how or if this happened.

Some of the issues raised around local responsiveness were linked by stakeholders to the changes made in the governance of the current ESF programme. The loss of Regional Committees was cited as having some negative effects in this sense. Most stakeholders felt that the Committees had effectively ensured that the programme was informed by local (or at least regional) priorities, whilst also bringing together and building trust and collaboration amongst stakeholders. The Government Offices for the North East and North West were also seen by some as having provided an effective and impartial administrative role in respect of ESF which had been lost in the second half of the programme. Overall, therefore, the majority view was that current provision lacked structures through which the regional or local perspectives could feed into delivery arrangements.

In terms of the management of ESF funding some consultees (particularly those engaged in delivery) felt that the transition from the Learning and Skills Council (LSC) to the Skills Funding Agency had resulted in some negative effects. As a CFO the LSC was perceived

to have been more locally focused and engaged, whereas management of ESF was felt to have become more distant once the Skills Funding Agency had taken on the role. Accepting these views, some stakeholders (particularly CFO representatives) argued that there had been gains from this process in terms of greater efficiencies and more consistency in how contracting and delivery was managed. The necessity of changing management approaches in the context of scarce resources was also highlighted.

The issue of ESF contracts covering large geographical areas was also raised as a challenge to sufficiently localising provision. This was commonly felt to lead to a scenario whereby the nature and delivery approach of ESF did not always align with needs, challenges and in some cases opportunities at the local level. Some city-level and delivery actors also noted that more stringent procurement requirements and use of prime contractor models meant that only large organisations were able to bid successfully to deliver provision. Related to this, concern was expressed that having prime contractors based outside of a local area but delivering within it was problematic in terms of local understanding and responsiveness. While the potential role of local sub-contractors in lessening the issues caused by this was recognised, it was also noted that they tended to have little influence over provision or its delivery compared to prime contractors.

As a result of some of these factors a common view, expressed particularly though not exclusively by Voluntary and Community Sector (VCS) representatives, was that smaller and more locally based organisations had been 'squeezed out' of delivery. This was seen as representing a missed opportunity for ESF to benefit from local knowledge and experience. As one CFO representative commented:

“Lots of smaller organisations have been squeezed out by large contracts but there is a need for community based organisations to be involved in delivery.” (CFO representative)

While some consultees felt that acting as sub-contractors meant that such organisations could still engage in delivery, others (particularly from the VCS) noted that the risks of this can act to discourage involvement. In part this view related to the use of payment by results (PBR) mechanisms. There was a perception that risks connected to this were passed down the delivery chain from prime contractors to delivery partners, in addition to PBR systems presenting a challenge in terms of managing cash flows. While those making these points were not necessarily opposed to such approaches in general, there was particular concern over their effects when limited up-front payments were used relative to outcome payments.

Related to this, some delivery actors made the point that organisations were often cautious about becoming involved under prime / sub-contractor based models due to concerns about having funds 'clawed back' if performance was not as expected. In particular, the point that this was likely to be due to issues outside their control within a prime / sub-contractor model was noted. Some of those consulted also offered the view that what they saw as the 'commercial nature' of existing contracting can work against the overall client group that ESF aims to support. From this perspective it was felt that delivery is sometimes focused on servicing 'outputs' or targets rather than addressing real needs.

Finally, there was also a feeling amongst some stakeholders that resources are not always efficiently allocated due to having too many layers of contracting below CFO level. This

was cited as being particularly evident where prime contractors simply managed funding on behalf of CFOs whilst not directly delivering provision. Some CFO stakeholders, however, noted that capacity constraints to some degree necessitated such an approach and that it could work well if carefully managed. Examples offered included use of 'fund manager' models whereby a contractor managed a budget and the provision delivered through it, hence reducing the administrative burden on the CFO. From this perspective such approaches did not fundamentally preclude effective and efficient delivery but required careful selection and management of prime contractors or fund managers.

3.3.2 Delivery Activity

ESF was generally recognised as representing a considerable investment in employability support and skills development. However, there was some concern as to the extent to which the fund and the activities it supports are visible in the context of particular areas or communities. This was described by one interviewee in the following terms:

“The ESF programme is not well understood [at the local level] – it is more obscure than ERDF. It is remote from the local level and highly centralised.” (city level stakeholder)

It was commonly noted by stakeholders with a role in local economic development was that ESF activity tends to focus on individuals rather than being oriented around benefitting communities or areas. Likewise there was a view that the focus on relatively large contracts was leading to the delivery of generic provision, with this having few links with specifically local priorities in terms of the type of activity on offer. The fund's wider impact and links to (local) economic growth and competitiveness were thus seen as hard to determine. However, CFO representatives did note that while the current programme has not focused much on community based enterprise support, the skills development aspect to provision does support local economic development.

Broader concerns were also raised around the type of ESF activity being delivered and the added value it offered, particularly in respect of the second half of the current programme. The decision of DWP to focus on supporting 'families with multiple problems', for example, was seen as having clear potential added value relative to mainstream employability provision, but stakeholders tended to feel this was as yet having little direct or identifiable impacts locally. Conversely, the focus of Skills Funding Agency provision on skills development was viewed as appropriate by some from the perspective of addressing labour market and competitiveness issues. However, stakeholders tended to feel that the added value of this in terms of filling gaps in mainstream provision or providing wraparound support was less clear. In particular, some felt that this focus simply added volume to mainstream activity, rather than achieving the distinctive or different contributions ESF was seen as making in previous programming periods.

It was also noted that certain policy decisions or constraints limited the way in which ESF could be used in the current programming period. The most commonly raised point here was the limited ability to develop activity to support higher level skills development. In particular, the limited support available for higher level skills was again linked by some to their view that ESF was not necessarily meeting local needs from an economic development perspective. Some representatives, including those from higher education backgrounds, also felt that a sectoral focus to the identification of need and allocation of funding support had been lost since the demise of the Regional Development Agencies

(RDAs). In addition, from this perspective the potential value of higher education as a means to link ESF provision to (sectoral) skills needs within the labour market was viewed as not having been realised due to the focus of activity within the current programme.

3.3.3 Alignment of ESF and ERDF

The majority of stakeholders agreed that under the current programme ESF has had very limited alignment with ERDF in either Greater Manchester or Tyne and Wear. Whilst it was noted that there had been attempts to develop linkages at a strategic level, these were viewed as having been largely unsuccessful. However, there were mixed views as to whether the funding streams should have been more integrated as part of the current programme. Some stakeholders felt that the lack of alignment was a missed opportunity to ensure that physical and economic development interventions were effectively linked with employment, skills and training interventions. As one interviewee noted:

“There is a real disconnect between ESF and ERDF which needs to be addressed to better support local growth.” (CFO representative)

Conversely, others questioned the degree to which this could or should have been a policy aim. The main argument here was that timescales made any simple linkages difficult in terms of ERDF interventions having a long lead in and completion time. As a result any attempt to link them to specific skills or employability projects was seen as problematic. Accepting this, others felt that such linkages were operationally possible and should have been a priority.

3.4 Contribution of ESF to city and city-region level priorities

As reflected in the above discussion, a key theme emerging from the research was that ESF is limited in the degree to which it serves city-level policies for economic growth and aligns with city-region challenges and priorities. The key reasons cited for this were the loss of regional infrastructure (which facilitated local input during the first half of the programme), a lack of engagement with local level providers by CFOs, and the perception that the types of activity ESF is used for are driven by national priorities. While stakeholders acknowledged that issues such as worklessness and the requirement to develop skills were to some extent common across all areas, some interviewees (particularly those with a role in city level economic development) argued that the economic intelligence available had not been effectively used to inform the programme.

In particular it was considered that Regional Committees and ESF Regional Frameworks added value to delivery arrangements in the first part of the programme through effectively identifying regional and sub-regional needs and gaps in existing provision. The consensus was that the second half of the current programme has not had sufficient mechanisms through which priorities for ESF investment are identified and reviewed on an ongoing basis. CFO representatives did highlight that in the future there would be an increased expectation on, and routes for, local level stakeholders to contribute in this area. The localism agenda and development of Local Enterprise Partnerships (LEPs) were viewed as necessitating this. The potential for this greater engagement and issues concerning it are examined in the next chapter.

3.5 Conclusion

Although current ESF delivery is seen as contributing to addressing employability and skills issues, a number of clear issues for consideration emerged from the study. While it reflects the city or city region focus of the research, there is a common view that ESF could better link with or contribute to local / city based economic development priorities. In part this relates to a widely held view that the focus and overall management of ESF delivery is overly influenced by national policies and CFO processes relative to regional or sub-regional ones. Current ESF governance arrangements are seen as a factor in this, given the perception that effective stakeholder engagement at the local or sub-regional level in terms of informing programme design and delivery is difficult to achieve at present.

While current delivery arrangements are viewed as having benefits – particularly around efficiency and consistency – the shift towards contracts covering large areas and operating on the basis of prime / sub-contractor models is also seen as having drawbacks. These include a reduced ability to introduce flexibility and local responsiveness into provision, and reduced opportunity for some actors with local knowledge and experience to play a role in delivery. In particular current procurement and delivery arrangements are viewed by some stakeholders as making it difficult for smaller, often locally based organisations, to become involved. A common perspective of organisations involved in delivery is that the complexity and burden of administrative requirements also poses a challenge to their involvement and to effectively meeting the needs of those benefitting from support.

There is also concern that ESF management and delivery arrangements make it difficult to respond to changes in economic circumstances. The impact of the recession coming part way through delivery of the current programme, and the difficulty of responding flexibly to this, was commonly cited. Flexibility also emerged as a key issue in terms of perceived inflexibility in eligibility criteria, with postcode based approaches to eligibility seen as a problematic aspect to previous ESF and current ERDF programmes in particular. The lack of effective inter-linkages between ESF and ERDF was also cited as a concern by many, though not all, stakeholders. Finally, for some stakeholders current provision is viewed as being overly generic, partly due to being delivered through large contracts as opposed to being more locally focused and oriented around meeting specific local needs.

4. Perspectives on future ESF Delivery

4.1 Introduction

This chapter considers a series of issues relating to the potential future delivery of ESF support in light of BIS' emerging thinking on the use of the fund in the 2014-2020 period. The potential to adopt a revised focus for ESF in terms of supporting priorities around self-employment, entrepreneurship and the provision of re-skilling opportunities is examined first. The chapter then examines perspectives on how ESF might more effectively meet local needs on a city or city region basis. Options for contracting, procurement and potential delivery arrangements are then considered, prior to examining views on potential delivery activities and actors. Perspectives on whether and how to better align ESF and ERDF in the next programming period are then examined. The chapter concludes by presenting the key findings of the preceding analysis.

4.2 The potential to adopt a revised focus for ESF support

There was general support for the concept of ESF delivering against revised priorities oriented to a greater extent around promoting economic growth and employment opportunities within a locality based context. In particular, there was widespread agreement that enterprise support represented an appropriate focus for activity. This was seen as being particularly relevant in the context of relatively low levels of self-employment and entrepreneurship in the case study areas. The logic of using ESF to support the creation of jobs, in addition to promoting employability and skills development for individuals, was thus generally viewed positively. However, some city-level policy makers did note that from this perspective ESF should in the first instance focus on assisting the realisation of city-level priorities, rather than enterprise in itself being a focus of support.

Accepting this, the importance of retaining a focus on social inclusion and supporting individuals furthest from the labour market was also widely noted. In light of this some stakeholders expressed concern that the role of ESF should not shift too far towards a focus on entrepreneurship and related support, and that an appropriate balance would be required. The importance of carefully developing this balance was also cited. From this perspective spreading support across too many investment priorities, particularly if their focus was not well defined and complementary, could be problematic and reduce the potential effectiveness and impact of ESF. The concept of developing a broad menu of potential types of activity or support from which local level initiatives could be developed emerged in workshop discussions as a way of working through this potential issue.

In discussing the potential of ESF to support new types of activity stakeholders raised a series of points they felt required consideration. The need to support higher as well as lower level skills was commonly mentioned from the perspective of re-skilling, supporting entrepreneurship and business growth, and enhancing employment opportunities. There were different views on the degree to which higher level skills should be prioritised, with some stakeholders arguing that addressing basic skills remained a key priority from a

social inclusion perspective. Others felt that utilising ESF to support the development of new economic opportunities would require a far greater and more thoroughgoing prioritisation of higher level skills. Higher Education representatives offered the view, for example, that ESF could be used to subsidise postgraduate study in priority sectoral areas. From this perspective investment in higher level skills was felt to align well with priorities articulated at European, national and local levels.

Accepting this variance in views, the majority of stakeholders felt that a potential focus on the development of higher level skills related to, for example, enterprise was not mutually exclusive from a focus on developing basic skills. Importantly, however, the need for a variety of provision to meet different needs was seen as significant. In particular there was concern that any new programme would need to recognise the difficulty of using large scale contracts to deliver provision to support higher and lower level skills within the same project. An example given was that assisting individuals with a degree to retrain to access new employment opportunities would necessarily be very different from seeking to support the long term unemployed back into the labour market. Large scale generic employability or skills development provision, delivered by a single contractor, was seen as being likely to prove inadequate for the needs of both of these groups.

Another point raised was that using ESF differently, or to support different ends, should not necessarily imply the need to develop new and innovative interventions at the expense of interventions which have been seen to work. In this respect, there was support for using ESF to extend and build on types of activity that already assist entrepreneurship, re-skilling and self employment being delivered in the case study areas. Examples of this are highlighted in discussing possible activities below. It is worth noting here, however, that in both case study areas interventions of this type (often benefitting from ERDF or RDA 'single pot' funding) have been relatively common in recent years. The view of some was that this offers a great deal of learning that could be carried into the new programme regarding 'what works'. A meta-analysis of relevant RDA evaluations and engaging local stakeholders involved in such programmes were suggested as possible routes to this.

The need to review and re-consider monitoring and measurement approaches was another key theme expressed in discussing the potential for a revised ESF focus. From this perspective the type of interventions being considered would not necessarily be amenable to simply counting outputs as a measure of success. For instance, assessing progress on the basis of metrics such as the number of training sessions delivered, or number of attendees at support sessions, was felt to be an overly mechanistic approach which would not reflect the aims of interventions. For some, such an approach could actually mitigate against effective delivery through leading those delivering to focus overly on outputs, at the expense of (more important but equally harder to define) outcomes and impacts. As one interviewee commented:

“One of the policy drivers through EU funding is up-skilling but the measure is just NVQs. This led to the creation of an NVQ in enterprise which for many people starting businesses is silly. It’s just counter-productive.” (delivery level actor)

More appropriate and flexible ways of measuring the results of interventions were thus felt by some consultees to be an essential complement to revised activities.

Finally, there was also some concern that the present ESF target group approach may prove to be a restrictive model for delivering against the new priorities of a forthcoming programme, especially in terms of a focus on entrepreneurship support or re-skilling. In this view it was felt that any ESF OP developed would need to facilitate the targeting of support at new target groups. Examples given included the 'semi employed' with non-traditional employment arrangements, those working for agencies where staff find it hard to progress, and those already in employment. As such the need to avoid an overly restrictive approach to eligibility was commonly cited.

4.3 Approaches to meeting local needs

As discussed in the previous chapter, the limited formal or informal mechanisms through which local level needs can be identified was widely seen as problematic in respect of the current ESF programme. In line with this, developing effective mechanisms and processes wherein these needs can be identified, articulated and used to form the basis of local priorities was almost universally highlighted by those consulted as a key consideration. This was seen as not necessarily implying that delivery should be completely managed at the local level, but that there should at least be effective mechanisms through which local views could feed in to programme planning and design. As one city level stakeholder noted:

“In terms of ensuring local involvement in ESF delivery we wouldn’t want to be precious about undertaking all day to day management at the local level ... as long as there is some local input into the design of provision.” (city level stakeholder)

A detailed review of existing gaps in city-level provision was viewed as an essential pre-requisite to inform how ESF could best be used to deliver in a particular area. Likewise, the need for effective gathering and analysis of local intelligence was widely cited. Potential sources mentioned included local economic strategies, along with local authority and other data sources such as those produced by DWP or HM Revenue & Customs (HMRC). It was also highlighted that Greater Manchester in particular has a network of organisations that have developed a detailed understanding of the economic development and employment challenges faced in their areas. For instance Manchester's Commission for the New Economy (which works with the Association of Greater Manchester Authorities to develop economic intelligence) and the Chambers of Commerce were felt to have potential in contributing to analyses of local needs.

Beyond the analytical pre-requisites for identifying and articulating local needs those consulted also felt that early stakeholder input at a strategic level would be important in ensuring effective local responsiveness in the next programming period. Local Enterprise Partnerships (LEPs) were seen by some as having the potential to lead this process. Most stakeholders were of the view that LEPs could contribute and add value in this area, particularly in terms of supporting CFOs by providing one mechanism through which local needs and priorities might be identified. However, a number of issues and concerns were highlighted in respect of the role of LEPs, particularly if their remit were to extend beyond initial strategic inputs around local need to encompass some form of governance role.

In particular it was noted that the role of LEPs nationally might be problematic given that the variance in their stages of development. Issues of accountability, impartiality and

representation were also concerns. While LEPs were seen as a potentially effective means of engaging with local employers, stakeholders were unsure that they would offer a neutral mechanism for representing the real needs of local populations. The effectiveness of LEPs in supporting the design of ESF delivery was also seen as depending on the effectiveness and enthusiasm of the individuals involved. The fact that LEPs currently had limited resources was also widely commented upon, as was the view that they would find it difficult to play a role in areas outside major conurbations. Potential issues with consistency, capacity and geographical coverage were thus cited as significant concerns. The need for some sort of agreement to formalise and fund any potential role for LEPs was also noted. In particular many stakeholders felt that it would not be sufficient to merely have an informal expectation that LEPs would collaborate with CFOs.

Irrespective of whether LEPs were felt to represent a potential lead for identifying and articulating local needs, stakeholders felt that an improved mechanism was required for this purpose. The requirement for any mechanism(s) to do more than simply articulating needs at a broad, strategic level was also noted. In line with this there was felt to be a need to facilitate local contributions to co-financing plans (whether developed regionally, sub-regionally or locally), to feed into the development of specifications to procure provision, and to enable ongoing governance and monitoring to be effectively undertaken. Views on possible options for this varied and are considered further in the sections below. It is worth noting here, however, that on a broad level these suggestions included:

- Developing a dedicated infrastructure specifically to support and oversee ESF on a city or city region basis.
- Re-configuring some equivalent to the Regional Committees that previously operated, although potentially on a sub-regional or LEP area basis.
- Enabling LEPs themselves and supporting secretariats to undertake this wider role in addition to providing high level strategic inputs
- Relying largely on CFOs to implement consultation processes to meet these requirements, allied to some other form of governance structure.

The interplay between the identification of local needs and the development of a national ESF OP was also discussed in both the interviews and workshops undertaken for the study. Some stakeholders noted that central government could call on LEPs or other bodies established for this purpose to flag up (ESF) priorities for their local area, with options for national provision then being developed on the basis of the common themes emerging. It was thought that the design of ESF provision could then be shaped locally by CFOs, informed by local stakeholders through the potential mechanisms outlined. Conversely, others felt that such a bottom-up approach was impractical and that the most that could be done would be to develop an initial 'menu' of interventions through the OP at national level which could then be prioritised or otherwise on a local basis.

A further issue worth highlighting is that while the need to engage with local partners in determining and delivering ESF provision was emphasised, it was felt that there was a need to balance this with ensuring that consultation did not take place at too local a level. There was recognition that significant resources could be taken up through seeking to engage too many small community groups and neighbourhood interests. It was widely felt,

however, that there would be a need to draw on the expertise of local stakeholders with experience in delivering revised forms provision similar to those being considered to inform local programme development. The potential to engage those with delivery experience in strategic structures as part of programme development was thus raised as another consideration and potential route to more effectively responding to local needs.

4.4 Potential delivery arrangements and infrastructure

In discussing possible arrangements for the forthcoming programme, at the level of overall delivery infrastructure the current system of co-financing organisations managing delivery under a Managing Authority with overall responsibility was largely seen as appropriate. As such there were no real suggestions for radical change to the broad overall delivery infrastructure for the current ESF programme outlined in section 2.2 earlier in the report. However, some stakeholders did feel that changes in the way the system operates would be beneficial, or required, in the context of emerging thinking on the future use of ESF. These are discussed below in respect of the appropriate spatial level for delivery, the wider delivery infrastructure and governance arrangements.

4.4.1 The appropriate spatial level for delivery

A key aspect of overall delivery arrangements and infrastructure concerns the issue of the spatial scale around which delivery should be oriented – for example, regional, sub-regional or local. In general, LEP boundaries were viewed by most stakeholders as representing an appropriate scale for delivery, especially in terms of responding to core-city priorities. Delivery oriented around the LEP level was principally advocated in order that support could align with functional economic areas but also to reflect the potential role of LEPs in informing local level needs.

Interestingly, however, there were some subtle variations in the thinking of stakeholders between the two case study areas as to the deeper rationale for adopting this spatial scale. In Tyne and Wear there was actually a strong preference for the overall governance and management of delivery to be undertaken at the regional level, with the North Eastern LEP boundary being seen as appropriate partly due to circumstance. Specifically, it was felt that the other LEP in the region, Tees Valley, might not be a consideration given that this area may benefit from additional funding under the next programme due to its relative GDP level. There was thus a general feeling that, partly for pragmatic reasons, the remainder of the region was an appropriate scale at which delivery and governance arrangements could be managed in line with the LEP geography established.

Conversely, in the Greater Manchester (GM) context there was much stronger support for GM as a sub-region and LEP area to act as the locus for planning, management, governance and delivery from first principles. In part this was felt to reflect longstanding functional geographies, reflected in the presence of bodies such as AGMA acting as an umbrella for the LAs in the sub region and other organisations with a GM focus and remit. The fact that GM's LEP covers this area was thus seen as bolstering the argument for ESF to be considered at this spatial level in the core city context. As this illustrates, while LEPs may be the appropriate spatial scale in the case study areas selected, variations in the reasons for this and how clearly key stakeholders identify with 'LEP geography' is likely to require consideration if overall planning for the new programme precedes on this basis.

While LEP areas were generally seen as appropriate levels around which to organise delivery, stakeholders also raised issues for consideration related to this. Following on from earlier discussions, the need for greater flexibility in terms of translating OP priorities into local level delivery emerged as a key theme. As noted, the concept of a menu of national delivery priorities that could be adapted and differentially prioritised on a local basis was raised as a potential broad guiding model. In addition, for the development of some forms of provision it was noted that sub-LEP levels might be more appropriate, or that at the least a mechanism would be required to facilitate more specific local inputs to planning and delivery. Examples given were provision oriented around NEETs and any provision that might need to reflect the specific context or peculiarities of very local areas. As one interviewee noted:

“A critical issue for ESF going forward is the spatial unit of procurement. At the moment this is too large – the biggest geographical level of procurement should be LEP’s. Some activities need to be delivered at a sub-LEP level.” (city level stakeholder)

A further issue was that orienting delivery around LEP areas may mean that the approach to procurement and contracting for ESF delivery may need to change. Specific issues relating to contracting and procurement are considered in detail below. However, it is worth noting here that stakeholders felt that the geographical area around which contracting was based would need to reflect LEP boundaries. In many cases it was felt that smaller contract areas would be required than at present, though not necessarily in respect of the two case study areas examined due to the unusually large geographical coverage of their LEPs.

4.4.2 Delivery infrastructure

While there was general support for a model based around a Managing Authority and CFOs, some stakeholders felt that there may be a need to re-consider which organisations might play the latter role if ESF were to be more sub-regionally focused. Some felt that, for reasons of resource and capacity, the existing national CFOs would need to remain as the primary delivery mechanism in the next programming period. This was seen as not necessarily precluding local responsiveness, but it was noted that such CFOs would need to concentrate on incorporating a more flexible and local focus to their operations. One interviewee articulated this view in the following terms:

“I am not bothered about local partners having control of the cash – the bank account is not the issue. But I am interested in appropriate partners being able to articulate what is required in their area ... I am happy with the existing role of CFOs, the issue is building local input into the decision making” (city level stakeholder)

Conversely, others felt that in at least some areas (for example, larger cities) that Local Authorities (LAs) might act as CFOs. However, in common with LEPs, the majority view was that such an approach may prove challenging, in part due to the perception that conflicts of interest may arise in terms of LAs also wanting to act as delivery bodies.

Some stakeholders also expressed reservations around the capacity of CFOs to play the sort of local management role they did in the 2000-2006 ESF programme, and to some degree the first half of the current programme. This was noted as a concern in the context

of the likely need for more locally oriented delivery in the next programme, and in light of the widely expressed view that CFO management of provision has become more nationally driven. In line with this, the need to re-think the co-ordination and management role of CFOs in order for them to play a more locally oriented role was widely noted. Some stakeholders also noted that this might have resource implications that would need considering.

4.4.3 Governance arrangements

In line with the earlier discussion of the current ESF programme, the need for an effective sub-national governance structure was similarly highlighted by stakeholders as a key consideration. This was seen as important to ensure that delivery remained on-track, was sufficiently responsive to local priorities, that clear decisions could be taken in the case of requirements to adjust the programme, and that ongoing monitoring and high level assurance was undertaken in an effective way. In particular, representatives of CFOs with a potential role in the next programme highlighted that they would benefit from effective governance to 'check' their approach and provide an accountability mechanism locally.

While there was discussion of the potential for LEPs to play this role on a sub-regional basis, a similar range of concerns to those discussed in section 4.3 emerged. Issues around capacity, impartiality and consistency were the most commonly cited challenges. The general view was that without significant attention being paid to LEP development on the part of central Government the use of the partnerships in a governance role would remain problematic. For some stakeholders, there were also deeper concerns in that even if capacity and consistency issues were addressed, the legitimacy of LEPs playing a governance role would remain questionable. The key concern here was around conflicts of interest, even if only perceived, along with the lack of a clear centrally mandated role and remit for the partnerships.

As a result there was a clear consensus in favour of developing some form of dedicated sub-national governance arrangements to work alongside the Managing Authority and any Programme Monitoring Committee (PMC) established. Most stakeholders felt that LEPs should certainly play a role in respect of these structures but should not form them in their entirety. When views were expressed as to the level at which these arrangements should operate there was less of a clear consensus. Whilst some felt that arrangements should reflect LEP boundary areas if this was the main delivery level adopted, others questioned the practicality of this particularly in terms of local commitment and resourcing. As such, one perspective offered was that governance mechanisms might cover several LEPs in a role analogous to that which Regional Committees used to play.

4.5 Potential procurement and contracting approaches

The main issue raised in respect of procurement was the need to incorporate more local input at all stages if ESF delivery is to effectively reflect and respond to local priorities and needs. In particular stakeholders emphasised the need for locally commissioned provision, the design of which would need to draw upon and reflect local intelligence to ensure activities effectively supported local priorities. As one interviewee noted:

“Contracts can work effectively as long as the specification is clear about how provision is tailored to the local level.” (city level stakeholder)

There was thus broad agreement on the need to develop a mechanism firstly to identify and agree local priorities, then to inform the procurement process by influencing specifications for provision. However, beyond this there was limited consensus on what such a mechanism might look like.

Reflecting the earlier discussion around local inputs and responsiveness, there was a division of opinion as to whether LEPs offered an appropriate mechanism for this. On balance there tended to be more support for two alternative broad approaches. The first of these involved CFOs engaging in extensive consultation and drawing in views and intelligence on a local basis with which to collaboratively draw up specifications for activity. The second was to develop some form of dedicated partnership comprised of key local stakeholders able to input views and, potentially with the support of a small secretariat, develop frameworks to guide delivery. Importantly, however, in the case of these latter two models stakeholders felt that LEPs would play a key role in feeding in to the process, even though they might not be appropriate in terms of providing such a mechanism themselves.

While there was some support for these approaches, there was also concern that they would prove too resource intensive in the context of a programme seeking to ensure the majority of funding reached end beneficiaries. As part of the workshop discussions in particular, however, the requirement for some form of mechanism to facilitate the influencing of procurement was generally seen as essential. In light of this discussions tended to focus on the need for such a model to be as efficient as possible and to avoid becoming overly bureaucratic. Accepting the inherent difficulties involved, therefore, it was generally felt that there were possible mechanisms by which procurement could be determined in line with local priorities, and through which those priorities could be reviewed and made responsive to changing local circumstances over time.

Connected to this there were a number of stakeholder views offered as to how contracting processes might best support a more locally oriented approach to ESF delivery. A key theme raised was the need to balance efficiencies in contracting with ensuring that provision commissioned was sufficiently localised and specialised to meet the sort of aims being envisaged for it in the next programme. While there was widespread recognition that the new programme should not involve large amounts of small contracts with an overly local focus, there was equally a view that existing prime contractor based models with contracts covering very large areas would be inappropriate and / or ineffective.

There was some discussion as to how a balance between these two approaches this might be achieved. For example, the idea of utilising the standard disaggregation of ESF activity into Priorities and Measures was raised as a route to enabling procurement to occur at different geographical levels and spatial scales. From this perspective whilst some provision may best be procured and contracted on a regional or sub-regional basis, for other provision the appropriate level might be LEP areas whilst further types of provision might best be very locally targeted, procured and managed.

Several stakeholders also argued strongly that those providing activities in the next programming period should be able to demonstrate some form of presence in, and local knowledge of, the areas in which they sought to deliver. As such, it was widely felt that specifications and selection criteria for contract awards should place greater weight on this. This was linked to perceptions that current selection criteria and assessment processes unduly favour organisations able to put quality bids together and meet

procurement requirements, irrespective of their delivery experience. Again, the sort of issues discussed in the previous chapter around payment by results approaches and cash-flow difficulties precluding the engagement of smaller providers were highlighted here. As a result careful design of the detail of procurement and selection processes was noted as a key consideration for the next programme.

4.6 Potential delivery organisations and activities

Relative to the current programme, adapting ESF to support self-employment, re-skilling for new economic opportunities and entrepreneurship was widely viewed as requiring a different and broader selection of providers. This was felt to be particularly the case for entrepreneurship and self-employment support, although potentially less so for re-skilling or life-long learning (LLL) assistance. The latter aspects were felt to be amenable to colleges and other providers that currently deliver being involved. However, if ESF were to have more of a LLL focus in the coming programme this was seen as potentially requiring the additional engagement of more community level providers, such as community colleges or the Workers Education Association.

For self-employment and entrepreneurship support in particular, the specialist nature of provision was seen as requiring the engagement of organisations that may have limited or no ESF delivery experience. However, given the cross-over in this area with ERDF support, it was clear that this did not necessarily mean that likely organisations had no experience of delivering European funded projects. In both Greater Manchester and Tyne and Wear a number of organisations engaged through the research had extensive experience of delivering provision through ERDF. Equally, other organisations including VCS bodies, universities, local authorities and private sector providers had delivered related provision benefitting from RDA 'single pot' or other funding sources in recent years.

While there were some organisations with the potential to deliver support of this type that had not previously done so, as was the case for those with prior experience stakeholders generally felt that there were no insurmountable barriers to their involvement. However, several issues were raised that were viewed as important in encouraging and supporting such providers to play an effective delivery role in the next programme. These included:

- Adequate information provision prior to tendering rounds, potentially including pro-active engagement of providers on the part of CFOs through, for example, information sharing or pre-tendering events.
- Procurement and contracting mechanisms being designed so as to facilitate the involvement of smaller and more specialist providers delivering specific contracts rather than necessarily having to act as sub-contractors (the partial exception to this was the view that a 'fund holder' model could be used if CFO capacity meant that managing more contracts would be problematic).
- More direct ongoing support and advice being provided by CFOs for those delivering provision than in the current programming period, particularly for those organisations with limited prior experience of European funding.

- Re-consideration of monitoring and audit requirements to make them more proportionate to the size of contracts involved (on the basis that such contracts would probably be smaller than in the current programme, there was a view that a scenario whereby requirements were as onerous for a £1 million contract as for £50 million would be problematic and self defeating in terms of effective delivery).

In both the consultations and workshop sessions stakeholders also offered a number of more specific suggestions for how ESF might be used in line with emerging thinking on revising the programme's focus. These included:

- Facilitating locally based, dedicated one-to-one support delivered by specialised business growth advisors for new businesses with growth potential.
- Linking in with Enterprise Zones to ensure that employment opportunities arising from these interventions can be met through the skills of the local workforce.
- Offering more focused support for in-work training for small and medium sized enterprises (SMEs) in addition to supporting graduate placements in SMEs.
- Responding to opportunities relating to the development of the green economy, for example developing re-skilling provision around the renewable technologies sector or supporting the development of social enterprises engaged in recycling.
- Promoting social enterprise and social innovation activities through providing support to start-ups in these areas.
- Delivering entrepreneurship education or short 'taster sessions' in schools and colleges aimed at inspiring future entrepreneurs.
- Subsidising post-graduate opportunities in specialised potential growth sectors including high technology manufacturing and engineering.
- Providing specialised advice to support businesses to grow through accessing export markets.
- Developing loan funds to support business start-ups, potentially utilising innovative financial instruments similar to JESSICA.⁴¹
- Using ESF to provide brokerage and advice services to potential entrepreneurs and those considering starting businesses, including signposting to options for support and assistance.

⁴¹ JESSICA - Joint European Support for Sustainable Investment in City Areas, is an initiative of the European Commission developed in co-operation with the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB). It supports sustainable urban development and regeneration through financial engineering mechanisms.

- Linking in with the Science, Technology, Engineering and Mathematics (STEM) agenda to build on mainstream provision which currently exists in this area.

With the demise of a number of funding sources to deliver activities such as those listed above, stakeholders also frequently noted that utilising ESF in these areas would potentially provide clear added value in terms of what would be available otherwise. It was also noted that a significant amount of expertise and understanding of effective delivery has been built up over recent years in both case study areas around activities similar to those being considered. The perception was that the design and development of activities in the next programming period should seek to take advantage of this. Again, this was frequently linked by those consulted to the need for effective engagement in programme development and procurement as discussed in the sections above.

4.7 Future alignment of ESF with ERDF

Despite a divergence of views on the potential greater alignment of ESF with ERDF in the context of delivering against revised priorities, it was emphasised that in general more should be done to link economic development and infrastructure investment to employment and skills support. In particular, employment growth, self-employment and entrepreneurship support were seen as key areas in which ESF and ERDF investment could be potentially combined or aligned, given the relevance of these themes to both funding streams.

A clear view emerged that any attempts to link ESF more closely with ERDF should start with an assessment of the economic development and business growth needs of a place, prior to determining the potential use of funding across or between both funding streams. An integrated 'place based' approach was therefore thought to be important in designing interventions that truly integrate economic development and employment / skills elements, rather than, for example, opportunistically tagging on projects conceived in response to the availability of a particular funding pot. The need for a strategic approach in this area in the early stages of planning for the next programming period was thus emphasised, as was the potential to orient this around LEP areas. As one interviewee commented:

“There are no real problems in aligning ERDF and ESF if there is strategic oversight of the funded activities.” (CFO representative)

While there was broad support for such an approach, stakeholder perspectives did vary however in terms of the extent that such alignment would prove feasible in practice and how it should be facilitated. While some argued for developing a shared funding pot at the outset to combine elements of the funding streams, others doubted whether this would be achievable. Issues around governance and how funds would be controlled, along with allocation decisions taken, were seen as particular issues. From this perspective, the lack of an obvious governance model and supporting infrastructure meant that there would be a significant capacity gap in terms of administering joint funding approaches.

Partly as a result of these issues there was a tendency for stakeholders to favour approaches aimed at strategically and operationally aligning funds, rather than focusing overly on developing jointly planned and funded projects through a 'shared pot'. Again, however, there were felt to be significant governance and delivery infrastructure barriers

that would need to be consciously addressed to facilitate this. The difficulties of achieving much alignment in the current programme were frequently raised in this context.

In broad terms, similar views to those discussed above in sections 4.4.2 and 4.4.3 were offered in respect of possible governance and overall delivery arrangements from the perspective of combining ESF and ERDF. Overall there was a preference for some form of dedicated governance structures based on LEP areas to be developed as a planning and ongoing monitoring mechanism able to support alignment at a strategic level. Importantly, however, it was also noted that this would require active engagement on the part of CFOs and whatever the equivalent to the current ERDF Local Monitoring Committees (LMCs) are for the next programme.

Beyond this views diverged as to whether a single governance structure encompassing both programmes should be established, or whether linkages, for example through selective cross-membership or a joint secretariat, should be adopted. Again, perspectives tended to be influenced by experiences within the current programme. Where alignment was perceived as having been limited, stakeholders tended to argue that only a fully joined up single committee would be able to address this. Conversely, where it was felt there had at least been some progress in this area, stakeholders were more open to other options for linking the two programmes such as selective cross membership. From this perspective fully joining things up was also noted as being difficult in practical and capacity terms.

While views on issues such as governance varied, stakeholders almost universally felt that better delivery linkages would be required to ensure European funding had the sort of impacts hoped for at a city or city region level. One option commonly advanced to support this involved developing projects and funding allocations on a sectoral basis, with ERDF being used for the development of infrastructure and ESF for supporting skills specific to that sector. Early planning of major ERDF projects within the programme cycle was also noted as key if the two funds were to effectively support overall objectives within a 'place based' approach. Finally, the need to programme documentation (such as OPs and co-financing plans) to be aligned more closely from the early stages of defining investment priorities was also raised as an important point to consider.

4.8 Conclusion

Those consulted for the study were generally in favour of using ESF in future to support economic growth and employment opportunities within a locality based context. The logic of using the next programme to support the creation of jobs, in addition to supporting individuals through social inclusion measures, was generally seen as appropriate providing a good balance can be found between these objectives. A number of requirements were commonly cited in respect of adapting the focus of ESF from this perspective. These included governance and management mechanisms sufficiently attuned and responsive to local priorities and needs, a more flexible approach to procurement and contracting able to ensure the effective purchasing and delivery of different types of provision at different spatial levels, and the engagement of new delivery bodies in some areas of provision.

There was some support for the use of LEP boundaries as the key level around which decisions on programme priorities could be taken and the procurement and delivery of provision oriented. However, there was also a preference for a flexible approach to

designing, commissioning and delivering provision at a scale appropriate for the type of provision in question and the ends it would be looking to achieve. Views varied on the potential for LEPs to lead on defining and articulating local priorities or to provide a sub-national programme governance mechanism. Concerns around capacity, consistency and neutrality meant that stakeholders tended to question whether LEPs could act in these ways. There was a preference instead for developing forms of dedicated, partnership-based governance arrangements at local levels wherein LEPs would be one of the partners engaged. Views varied on whether these arrangements should operate at the level of individual LEP geographies or cover several LEP areas.

In terms of the overall ESF management and delivery infrastructure there was general support for continuing with a model based around CFOs co-ordinating and delivering provision under a Managing Authority. On balance few radical changes were advanced in terms of MA or CFO roles, though it was noted that the latter would need to concentrate on incorporating a more flexible and local focus into their operations. In light of this some concerns over resourcing and capacity were raised. There was also general agreement that better aligning ESF and ERDF in relation to management and delivery should be a priority. The feasibility of a fully joined up single approach to the administration of the two funds was questioned. However, improved collaboration, along with shared decision making and project development at strategic levels, was seen as feasible and potentially highly beneficial if clearly guided by a 'place based' identification of needs.

Relative to the current programme, adapting ESF to support self-employment, re-skilling for new economic opportunities and entrepreneurship was seen as requiring a different and broader selection of providers. For entrepreneurship and self-employment support in particular, the specialist nature of provision was seen as necessitating the engagement of organisations that may have limited or no ESF delivery experience. However, the fact that such organisations would probably have benefitted from ERDF or RDA single pot funding in the past meant that stakeholders foresaw no major barriers to their involvement. Accepting this, some considerations or pre-requisites for such organisations to play an effective delivery role were raised. These included adequate pre-procurement engagement and information provision, procurement and contracting mechanisms being designed so as to facilitate the involvement of smaller and more specialist providers, and CFOs being able to provide ongoing delivery support and advice.

A wide range of suggestions for specific activities able to facilitate the objective of using ESF to support economic growth and employment opportunities also emerged through the research. These included the provision of specialised advice services for business start-ups, potentially supporting export led growth; supporting graduate placements in SMEs; developing re-skilling provision relating to the development of the green economy; promoting social enterprise and social innovation activities; delivering entrepreneurship education aimed at inspiring future entrepreneurs; subsidising post-graduate opportunities in specialised potential growth sectors; and developing loan funds to support business start-ups. In addition, the need to offer provision oriented around supporting higher level skills development in line with the potential revised focus of ESF in the next programme was widely noted, though not at the expense of continued support for entry level skills.

5. Summary of key findings

5.1 Introduction

By way of concluding the report, this final chapter summarises the key findings of the research. In line with the focus of the study the findings are grouped under the two main areas of 'views on current ESF delivery' and 'perspectives on future ESF delivery'.

5.2 Key findings

5.2.1 Views on current ESF delivery

1. There is a widespread view that ESF could better link with and contribute to local / city based economic development priorities than it does at present.
2. Stakeholders commonly feel that the focus and overall management of ESF delivery is overly influenced by national policies and CFO processes relative to regional or sub-regional ones.
3. The lack of ESF governance arrangements at the local or sub-regional level is seen as making effective stakeholder engagement difficult in terms of informing programme design and delivery.
4. While current delivery arrangements are viewed as having benefits – particularly around efficiency and consistency – the shift towards contracts covering large areas and operating on the basis of prime / sub-contractor models is equally seen as having drawbacks, particularly in terms of reduced ability to introduce flexibility and local responsiveness into provision.
5. There is a widespread perception that the limited flexibility in ESF management and delivery arrangements makes responding to changes in economic circumstances more difficult.
6. The lack of effective inter-linkages between ESF and ERDF is viewed as a concern by many stakeholders.
7. For some stakeholders current provision is viewed as being overly generic, partly due to being delivered through large contracts as opposed to being locally focused and oriented around meeting specific local needs.

5.2.2 Perspectives on future ESF delivery

8. Stakeholders were generally in favour of using ESF in future to support economic growth and employment opportunities within a locality based context.
9. Certain requirements were commonly cited in respect of using ESF in this way. These included governance and management mechanisms sufficiently attuned and

responsive to local priorities and needs, a more flexible approach to procurement and contracting, and the engagement of new delivery bodies in some areas of provision.

10. There was some support for the use of LEP boundaries as the key level around which decisions on programme priorities could be oriented. However, there was also a preference for a flexible approach to designing, commissioning and delivering activity at a scale appropriate for the type of provision in question.
11. Views varied on the potential for LEPs to lead on defining and articulating local priorities or to provide a sub-national governance mechanism. Concerns around capacity, consistency and neutrality meant that stakeholders tended to prefer the development of dedicated, partnership-based governance arrangements at local levels.
12. There was general support for continuing with a model based around CFOs co-ordinating and delivering provision, though it was noted that the latter would need to concentrate on incorporating a more flexible and local focus into their operations.
13. There was general agreement that better aligning ESF and the ERDF, through improved collaboration clearly guided by a 'place based' identification of needs, should be a priority.
14. Suggestions for ESF funded activities to support economic growth and employment opportunities included: the provision of specialised advice services for business start-ups; supporting graduate placements in small and medium sized enterprises; developing re-skilling provision relating to the green economy; promoting social enterprise and social innovation activities; delivering entrepreneurship education aimed at inspiring future entrepreneurs; subsidising post-graduate opportunities in specialised potential growth sectors; and developing loan funds to support business start-ups.

Annex 1

Organisations Represented
Department of Business, Innovation and Skills
Skills Funding Agency
Department for Work and Pensions
Manchester's Commission for the New Economy
Oldham Borough Council
Greater Manchester Chamber of Commerce
Manchester City Council
Association of Greater Manchester Authorities
North Tyneside Council
Universities for the North-East
Sunderland University
Newcastle City Council
Education Funding Agency
North-East Local Enterprise Partnership
Workers Educational Association
Prince's Trust North-West
Network for Europe

Organisations Represented
Manchester Enterprise Centre
Manchester Solutions
Entec
Entrepreneur's Forum (North-East)
Newcastle Science City
North-East Business and Innovation Centre
WISE Group

© Crown copyright 2013

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. Visit www.nationalarchives.gov.uk/doc/open-government-licence, write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

This publication available from www.gov.uk/bis

Any enquiries regarding this publication should be sent to:

Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET
Tel: 020 7215 5000

If you require this publication in an alternative format, email enquiries@bis.gsi.gov.uk, or call 020 7215 5000.

BIS/13/788