Third evaluation of European Social Fund co-financing in England

Richard Lloyd and Colin Gilfillan

A report of research carried out by GHK and the Gilfillan Partnership on behalf of the Department for Work and Pensions
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Summary

1 Introduction and context

This report presents the findings of a study to evaluate the impact of the ESF Objective 3 co-financing regime in England, undertaken by GHK Consulting and the Gilfillan Partnership. Co-financing was introduced in September 2001, and brought European Social Fund (ESF) and match funding together in a single funding stream with the aim of improving the strategic direction and effectiveness of ESF expenditure, reducing the level of bureaucracy and administrative burden on providers (including removing the requirement to secure match funding), and promoting alignment with Government programmes and maximising added value to their delivery. Under co-financing a commissioning model is followed, with funding being allocated through a series of competitive tendering rounds rather than by providers submitting bids to Government Offices as under direct bidding.

The study took place between March and December 2005, and sought to assess the impact of the co-financing ‘mechanism’, rather than individual co-financed contracts and projects per se, as well as updating previous evaluation studies. Three investigative ‘themes’ were followed, namely: maintaining and raising standards (to explore the steps taken by co-financing organisation (CFOs) to maintain or raise the standard of provision under co-financing), access and targeting (to examine the influence of co-financing on access to ESF funding for providers and beneficiaries) and coherence and contribution (to examine how co-financing has influenced the degree of coherence with, and contribution to, local, regional and national policy aims, and supported a more strategic approach to the use of ESF).

The study followed a qualitative approach, with an initial scoping stage and visits to Government Offices in each English region. The main fieldwork stage featured case studies with three CFOs in each of five regions, including interviews with a range of regional stakeholders and over 40 current and former Objective 3 providers. Reflecting the dominance of LSC and Jobcentre Plus CFOs nationally, the case study CFOs included seven LSC, four Jobcentre Plus, two local authorities and two Regional Development Agency (RDA) CFOs.
2 Developments since previous evaluation studies

The study identified a series of developments in the implementation of co-financing since the previous studies, and as the mechanism has evolved over time. The main developments identified by CFOs, stakeholders and providers included:

- **increased levels of co-financing activity** – with successive tendering rounds and increased Jobcentre Plus involvement leading to the embedding of the mechanism, an increased familiarity with its principles and processes, and the view that CFOs ‘have got better at what they do’;

- **increased levels of co-ordination** – between CFOs and stakeholders, including the development of harmonised approaches and increased collaborative activity;

- **the increased influence of regional and sub-regional strategies and the Objective 3 Mid-Term Review** on CFO plans and services, although while Regional Development Plans (RDPs) remained the key ‘strategic reference points’ in each region, the influence of LSC and Jobcentre Plus CFOs’ organisational priorities were a continued concern for some stakeholders;

- **a tendency towards fewer, larger contracts**, amongst the LSC CFOs at least, with partnership/consortium approaches being encouraged to enable smaller providers to participate. However, this was paralleled in some CFOs by an increase in smaller contracts, focusing on the more challenging target groups;

- **the further development of approaches and systems for collecting data on match funding** – particularly for LSCs, where concerns were raised in the second evaluation report and where national systems have been introduced.

The majority of CFOs considered that the co-financing mechanism was an appropriate means for the distribution of ESF, although often with provisos, and the potential for enhancing strategic co-ordination and targeting was, to varying degrees, starting to be realised. However, a series of continued challenges were experienced by the case study CFOs, including: the variable ability to report on their successes and difficulties evaluating the impact of co-financed ESF; the continued need to develop understandings between providers and stakeholders on the co-financing approach; the need to further reduce bureaucracy while ensuring monitoring data is robust and fit for purpose; and ensuring that CFO staff are appropriately trained to manage the process.

**Provider** perspectives and experiences of the co-financing mechanism varied considerably, with the majority also considering co-financing to be (in theory) an appropriate means of allocating ESF. While the most common benefits included removing the need to secure match funding and improved application and contract management approaches, providers also recognised a series of challenges. These included project specifications being too restrictive and a tendency to be planned from the ‘top down’, the requirement for open and competitive tendering (OCT) risking missing local knowledge in specification development, and inconsistencies in practice between CFOs.
3 Maintaining and raising delivery standards

In the absence of more quantitative performance data, the study followed a qualitative approach and explored the steps taken by CFOs to raise standards. It concluded that delivery standards had been at least maintained, if not raised, in the case study regions, with key CFO practices including:

• **The application and appraisal process** – CFOs’ own contract tendering procedures formed the basis of the approaches followed under co-financing, which in all cases were found to be effective and equitable. A key component of each was the requirement for providers to have secured, or to work towards, the appropriate standards in the OFSTED/Adult Learning Inspectorate Common Inspection Framework (ALI CIF) for education and training provision. From the provider perspective, while the approaches followed were considered to be equitable overall, concerns were raised (in some cases based on early experience) regarding specification development and the feasibility of their requirements, compliance with open and competitive tendering (for example, in restricting discussions with potential providers), the provision of feedback and the contract negotiation process.

• **Enhanced monitoring procedures** – the introduction of co-financing was accompanied by a shift in responsibility for delivery monitoring from Government Offices to CFOs. While the scale of resources devoted to monitoring varied between the case study CFOs, they represented an increase over what Government Offices were able to provide previously. While the CFOs considered these extra resources were having a positive impact on standards, the providers commonly considered monitoring to be an additional burden with limited benefit to them beyond evidencing contract compliance. However, a small number reported benefiting from enhanced monitoring activities, where closer observation had led them to raise their standards.

• **Increased focus on outputs and outcomes** – the increased focus on beneficiary outputs and outcomes under co-financing, primarily through their link to provider payments, had also contributed to delivery standards. For some providers, the requirement to achieve, and report, beneficiary outputs and outcomes was a positive driver for improvement – with a small number of providers citing the emphasis on outcomes as a driver for raising standards.

In addition to the factors above, other influences on delivery standards included the strengths of local partnership approaches (with providers having to demonstrate their ability to meet local needs), the ability to make links between specifications, delivery plans and monitoring schedules (supporting improved monitoring and delivery standards from the outset), and in some cases, the extension of the local provider base.
4 Access and targeting – providers

The case study CFOs had contracted with a wide range of providers, although data on their distribution by sector and size was variable. While emphasising the centrality of provider standards to their contracting approaches, the CFOs recognised the important role that different organisations could play (notably small, locally-focused voluntary and community organisations) in engaging with individuals facing particular disadvantage.

The case study CFOs had taken three main steps to ensure that the most appropriate providers were engaged in service delivery, namely:

- **Communicating opportunities to tender for contracts** – with CFOs extending their existing contractor databases to use in mailshots to communicate tendering opportunities. Other approaches followed included the use of CFO, Government Office and partner websites, advertising in the regional press, collaborative marketing and events and by word-of-mouth.

- **The application and appraisal processes** – as well as influencing delivery standards, the process could also influence provider access by reducing the bureaucracy and administrative effort associated with applying for funding. The introduction of common or simplified application forms, initial Expressions of Interest (EoI) or Pre-Qualification Questionnaires (PQQs), and common plans or prospectuses were welcomed by many providers – although not all felt that the administration associated with applications had reduced, often due to the requirement for new LSC providers to evidence their capability to deliver. This illustrated the continued tension for all CFOs around evidencing provider capacity and delivery standards and the need to minimise bureaucracy.

- **Support and preparation for delivery** – in addition to support with preparing bids, CFOs often offered support before and during delivery where appropriate. Technical Assistance funds were often used here, and a range of direct or contractual models used for delivery. The LSC CFOs were the most likely to offer formalised support through their ‘new provider’ programmes, which featured a common core of services to ensure providers reached the required standards for provision, such as learner health and safety, the use of ICT, equal opportunities policies and their implementation and wider quality measures.

Views varied on the impact of co-financing on the current ESF provider base. While a degree of churn was expected as a result of steps to raise standards, the (limited) quantitative and anecdotal information collected suggested that co-financing had led to a widening of the range of providers used by the case study CFOs – with up to 50 per cent of some CFOs’ current providers being new to them. These new providers were often reported as being small and from the voluntary and community or private sectors, engaged to work with particularly challenging target groups where their specialist abilities and experience were required. However, the study identified that these providers could face barriers to their participation, including:
• the actual and perceived risks associated with output-/outcome-related payments – the linking of payments to beneficiary achievement carried a risk for all providers, the positive effects of which must be balanced against the implications of under-performance for smaller providers and others working with more challenging beneficiary groups;

• the actual/perceived scale of bureaucracy associated with working under ESF – again, the positive influence of increased monitoring activities was balanced by providers’ views on the level of bureaucracy associated with operating under ESF – even without the need to secure match funding;

• the move towards larger scale contracts – and the reduction of opportunities for smaller providers to participate as sole contractors;

• provider perceptions of co-financing – in some cases acting as a barrier to participation, and based on experiences of the mechanism in its early stages.

The case study CFOs had taken steps to reduce these potential barriers, including being more flexible about the nature of the outcomes required under contracts (and considering what is appropriate and ‘achievable’ for the target group in question), encouraging partnership or consortia approaches, offering smaller, more specifically focused contracts, and continuing to promote co-financing opportunities widely.

5 Access and targeting – beneficiaries

The study found that across the case study, CFO beneficiaries were being targeted in line with the RDPs for their respective regions, with LSC and Jobcentre Plus CFOs focusing increasingly on more challenging target groups in line with sectoral policy developments and the recommendations of the Objective 3 Mid-Term Review. However, factors were identified which could lead to providers being less willing to work with the more challenging target groups, and were of particular relevance to smaller private and voluntary sector providers.

According to their most recent co-financing plans, the case study CFOs were operating across the Objective 3 Policy Fields and measures and targeting a range of beneficiaries. Across the case study regions:

• Jobcentre Plus CFOs most frequently targeted the long- and short-term unemployed, individuals threatened with redundancy, the economically inactive (including those in receipt of Incapacity Benefit) and a range of individuals facing single and multiple barriers to the labour market. In each CFO, co-financed resources had enabled existing mainstream services to be enhanced and allowed CFOs to work with target groups they had not been able to specifically target previously, as well as extending coverage to fill ‘gaps’ in eligibility for mainstream programmes.
• The LSC CFOs targeted both unemployed and employed learners with a range of needs, including limiting levels of basic and workplace skills, young people not in employment, education or training, individuals disengaged or disaffected from education and training and workers within Small and Medium Sized Enterprises (SMEs). Again, the LSC CFOs considered that co-financing had allowed them to work beyond their mainstream services, and fill gaps in provision such as training for employees with Level 2 needs through Employer Training Pilots. In working with individual beneficiaries outside the workforce, co-financing was supporting approaches to engage learners from disadvantaged backgrounds and enhance provision for the NEET (not in employment, education or training) group of young people.

• The local authority CFOs targeted different client groups – with one focusing on providing integrated services to individuals with disabilities to address barriers to employment, and the other working with individuals at the margins of the labour market and living in particularly disadvantaged communities. In both cases, the authorities described how co-financed resources had allowed them to continue and expand their work with their specific target groups.

• The two RDAs followed their competitiveness remit and targeted different client groups in Policy Fields 3, 4 and 5, including SMEs and their employees, existing and potential entrepreneurs, the voluntary and community sector and regional/sub-regional policy makers through research projects. In Region 2, the RDA’s emphasis was on using co-financed resources to test and demonstrate new approaches to be taken forward under mainstream funds, for example, new measures to support social enterprise and a regional manufacturing advisory service.

While the LSC and Jobcentre Plus CFOs had increasingly focused on more challenging and ‘hard to reach’ target groups, some of the barriers identified to provider participation could also influence participation for these particular beneficiary groups. The case study CFOs had taken steps to reduce these influences, for example, by establishing outcomes and targets which were achievable for specific target groups, producing more directed tender specifications and ensuring tenders were based on good quality labour market information. In some cases, the CFOs had re-balanced the emphasis between the ‘hard’ and ‘soft’ outcomes required, and changed their expectations of drop-out to completer ratios when working with specific client groups.

6 Coherence and contribution

The final theme of the study explored the extent to which the co-financing mechanism had influenced the degree of coherence with and contribution to local, regional and national policy aims, and led to increased collaboration in the delivery of ESF and its use on a more strategic basis.
In each region, the RDPs continued to be the ultimate reference point for CFO planning, with strategic fit being ensured through the role of Government Offices in approving CFO plans. However, previous evaluations identified that RDPs did not uniformly provide the level of detail to inform sub-regional planning.

In updating their RDPs, the GO’s had drawn on a range of regional and sub-regional strategic documents, as well as the findings and recommendations of the Mid Term Evaluation of Objective 3. The case study CFOs also drew on these documents in developing their own plans, with their influence increasing since the previous evaluation studies. Across the CFO sectors, reference was commonly made to Regional Economic Strategies (RES), Frameworks for Regional Employment and Skills Action (FRESAs), the activities of Regional and Local Skills Partnerships and other sub-regional/local documents – in addition to LSC and Jobcentre Plus national strategy documents.

In each case study region, an increased level of collaborative activity between CFOs and CFOs and their stakeholders was reported, with key developments including:

- the development of shared understandings between CFOs – based on the exchange of information, establishment of trust and dialogue on coverage on a Policy Field/Measure, target group or spatial basis;

- an increase in collaborative planning between CFOs and their stakeholders – through joint working to improve the identification of needs, avoiding duplication and improving the effectiveness of resource targeting;

- the establishment of regional lead CFOs, most commonly LSCs, to support joint working between CFOs and drive collaborative actions between CFOs and their wider stakeholders. The lead CFO role also included the provision of information and advice, and the exchange of good practice;

- the development of shared plans – co-ordinating and managing the delivery of regional ‘Measure level’ LSC plans, and, in one region, leading on a recently produced joint LSC and Jobcentre Plus plan.

The study identified a series of key success factors for promoting effective partnership and co-ordinating provision under co-financing, which emphasised the importance of good working relationships between organisations and individuals, the maturity of the local and regional infrastructure, and a supportive and informed Government Office.
7 Recommendations and suggestions for consideration

A series of recommendations and suggestions for consideration in the next programme round were provided. Recommendations for the current round included:

- for CFOs to take steps to ensure the quality of Project Closure Reports (PCRs) and that complete details of beneficiary characteristics are collected;
- that CFOs should continue their efforts to communicate the achievements of co-financed activities across their local and regional stakeholder groups;
- that Government Offices and CFOs should identify funding opportunities, such as Technical Assistance monies, to take preparatory steps for the next programme round.

Recommendations for the next programme round were predicated by ongoing negotiations on the scale and direction of ESF for 2007 to 2013. Suggestions for consideration for the next programme round included:

- encouraging moves towards the increased regional co-ordination between CFOs - building on existing developments and good practice in joint working between CFOs;
- exploiting the opportunity offered by the new programme to ensure that a strategic approach is ‘built in’ to the allocation of ESF from the outset – for example, through collaborative approaches between CFOs, other regional/local stakeholders and Government Offices to developing RDPs (or their equivalents) – and allowing links to be made between CFO responsibilities and areas of activity;
- ensuring that each region has an appropriate mix of CFOs to achieve their objectives, and that if gaps in coverage are identified, any additional organisations recruited are able to evidence the capacity and capability to meet the requirements of CFO status;
- taking steps to mitigate the potential risks and stakeholder concerns associated with the co-financing mechanism, including ensuring effective local consultations and the use of local provider and labour market information in developing specifications, and taking steps to address perceptions of limited transparency through enhancing communications and extending opportunities for partner and provider contributions to needs analysis and planning.
More practical considerations for the next programme period included:

- exploring opportunities to simplify current approaches to identifying and reporting match funding, as practical and practicable;

- taking steps to further reduce the administrative burdens associated with the co-financing regime – for example, through further harmonisation of processes and documentation, and the development of plans and prospectuses between CFOs;

- considering undertaking research into the feasibility of developing integrated beneficiary ‘progression routes’, to support progression through a series of ‘stepped’ services resulting in entry to mainstream provision and employment;

- reviewing national monitoring requirements to develop a set of indicators more appropriate to the beneficiary groups targeted, and exploring the potential for appropriate mechanisms and indicators to measure individual progress.
1 Introduction

This is the final report of a study to evaluate the impact of the European Social Fund (ESF) Objective 3 co-financing regime in England, undertaken by GHK Consulting and the Gilfillan Partnership. The study followed a qualitative approach and sought to assess the impact of the co-financing mechanism, rather than individual co-financed contracts and projects per se. It was undertaken between March and December 2005, and featured case study fieldwork in five English regions, including interviews with Government Offices, co-financing organisations (CFOs), a range of regional stakeholders and former and current providers.

1.1 Study aims and objectives

The initial aim of the study was to evaluate the impact of the co-financing mechanism on beneficiaries and on accessibility to ESF for disadvantaged groups and individuals, building on the findings of the previous evaluation studies. The more specific study objectives included exploring the impact of co-financing on: delivery standards, beneficiary participation and the quality of outputs; the extent to which beneficiaries new to ESF had been drawn in; and the engendering of a more coherent and strategic approach to the delivery of ESF.

However, considerable variations in the availability of appropriate quantitative data were identified early in the study, with data also being limited due to the small number of contracts completed and Project Closure Reports (PCRs) returned. Consequently, a more qualitative approach was followed, focusing on the impact of the co-financing mechanism rather than of individual contracts per se. Three ‘themes’ for investigation were established, namely:

- **maintaining and raising standards of provision** – to explore the steps taken to maintain or increase the quality and appropriateness of provision under co-financing, and so improving beneficiary outcomes;

- **access and targeting** – to examine the influence of co-financing on access to ESF funding, for both providers and beneficiaries (particularly disadvantaged groups);
• **coherence and contribution** – to examine how the co-financing approach has influenced the degree of coherence with, and contribution to, local, regional and national policy aims, and engendered a more strategic approach to the delivery of ESF.

### 1.2 Study methodology

The study followed a qualitative methodology, as summarised below. Commencing in March 2005, the methodology consisted of three main stages:

- **Scoping stage** – including the review of co-financing documentation and related research, and consultations with representatives of CFOs, the National Learning and Skills Council (LSC), Jobcentre Plus, the voluntary and community sector and a local authority. These consultations and the resulting scoping report suggested the refocusing of the study approach as described above.

- **Government Office visits** – each Government Office was visited and interviews undertaken with key staff with ESF responsibilities. In the majority of cases, presentations and workshop events took place featuring Government Office staff, CFO representatives, regional stakeholders and providers. In addition to providing information on the implementation of co-financing and views of its strengths and weaknesses, the Government Office visits also helped identify potential case study CFOs in each region.

- **Case study fieldwork** – a programme of detailed case study fieldwork took place in five English regions, selected to ensure a good spread in terms of geographical coverage and CFO engagement. Case studies were undertaken with three CFOs in each region, including interviews with a range of regional stakeholders including Regional Development Agencies (RDAs), local authorities and voluntary and community sector umbrella groups. A total of 43 current and former Objective 3 providers were also interviewed, and Government Offices were revisited to review the key regional findings. Further details on the interview groups included is provided in the Appendix.

All interviews were undertaken on an anonymous basis to ensure openness in responses, with the case study regions being numbered 1 to 5 throughout the report. The distribution of CFOs studied in each region is shown below, and reflected the dominance of LSC and Jobcentre Plus CFOs nationally:

- **Region 1** – one LSC, Jobcentre Plus and a local authority.
- **Region 2** – two LSCs and an RDA.
- **Region 3** – one LSC, Jobcentre Plus and a local authority.
- **Region 4** – two LSCs and Jobcentre Plus.
- **Region 5** – one LSC, Jobcentre Plus and an RDA.
1.3 Report structure

The remainder of this report is set out as follows:

• Chapter 2 provides a summary overview of the co-financing mechanism, and the key developments in implementation in the case study regions since 2003.

• Chapter 3 explores the theme of maintaining and raising standards for provision under co-financing.

• Chapter 4 examines the theme of access and targeting – in terms of provider involvement.

• Chapter 5 also explores the theme of access and targeting – in terms of beneficiary coverage.

• Chapter 6 examines the theme of coherence and contribution.

• Chapter 7 provides our conclusions and recommendations.

The report also contains an Appendix, describing the organisations interviewed as part of the case studies.
2 The co-financing mechanism – overview and key developments

2.1 Introduction

This chapter provides an overview of the co-financing mechanism, and reviews the main developments in its implementation in the case study regions and amongst the case study co-financing organisations (CFOs). Two national evaluations of co-financing have been undertaken previously, which reported on the mechanism at an early stage in its implementation, and at a time when there were significant uncertainties about how the approach would work in practice.

2.2 Co-financing – an overview

The Objective 3 co-financing approach was introduced in September 2001, and brought ESF and match funding together in a single funding stream for the delivery of European Social Fund (ESF)-funded activities. The first round of applications to become co-financing organisations (CFOs) were submitted to Government Offices in the summer of 2001 from local LSCs, local authorities, Connexions partnerships and a Regional Development Agency (RDA), with Jobcentre Plus becoming a CFO in seven regions in April 2003 and the remaining two in April 2004. Having successfully applied for CFO status, CFOs allocate funding on a contract basis through a series of competitive tendering rounds, following the production of prospectuses and specifications for delivery. This represents a major change to the previous direct bidding approach, where providers submitted bids to deliver services on a project basis to Government Offices, to a commissioning model where CFOs are responsible for the management of ESF-funded activities.

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In summary, the aims of the co-financing approach are to:

- improve the strategic direction and effectiveness of ESF expenditure;
- reduce the level of bureaucracy and administrative burdens on providers by removing the requirement to secure match funding;
- promote alignment with Government programmes and maximise added value to their delivery.

In addition, co-financing sought to promote more co-ordinated and targeted provision, support innovation and creativity, place an emphasis on quality provision and ensure more systematic monitoring procedures. Other accompanying changes included an increased focus on outputs through their link to provider payments.

While the majority of ESF Objective 3 funds are now allocated through co-financing, the approach has run in parallel with the direct bidding model in all regions except London, where a 100 per cent co-financing route was introduced. Since the introduction of co-financing and commencement of delivery following the first tendering rounds in 2002, co-financed provision has represented an increasing share of all Objective 3 activity. By the end of 2005 over 1,100 co-financing projects had been started across the current range of CFOs (the majority of which, 84 per cent, were with LSC CFOs), supporting over 1.3 million beneficiaries.

The latest national Monitoring Committee report shows that funding committed to CFOs represents 58 per cent of the total Objective 3 commitment (£1,457.6 million of a total commitment of £2,502.1 million). The distribution of funding committed by CFOs, with ESF and match funding expenditure, by region is shown in Table 2.1.

### Table 2.1 ESF committed, and ESF and match funding expenditure declared, by CFOs, by region

<table>
<thead>
<tr>
<th>Regions</th>
<th>ESF committed to CFOs £m</th>
<th>ESF expenditure declared by CFOs £m</th>
<th>Match funding expenditure declared £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>East</td>
<td>143.3</td>
<td>66.5</td>
<td>80.7</td>
</tr>
<tr>
<td>East Midlands</td>
<td>129.6</td>
<td>57.4</td>
<td>62.1</td>
</tr>
<tr>
<td>London</td>
<td>317.1</td>
<td>133.2</td>
<td>163.6</td>
</tr>
<tr>
<td>North East</td>
<td>136.4</td>
<td>48.59</td>
<td>72.6</td>
</tr>
<tr>
<td>North West</td>
<td>138.0</td>
<td>63.0</td>
<td>79.3</td>
</tr>
<tr>
<td>South East</td>
<td>139.7</td>
<td>69.1</td>
<td>90.6</td>
</tr>
<tr>
<td>South West</td>
<td>71.5</td>
<td>25.1</td>
<td>28.9</td>
</tr>
<tr>
<td>West Midlands</td>
<td>249.8</td>
<td>86.0</td>
<td>99.1</td>
</tr>
<tr>
<td>Yorkshire &amp; the Humber</td>
<td>132.2</td>
<td>63.4</td>
<td>75.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,457.6</strong></td>
<td><strong>612.4</strong></td>
<td><strong>752.2</strong></td>
</tr>
</tbody>
</table>


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The distribution of committed funding by CFO type, as in Table 2.2, shows that LSC CFOs account for over three-quarters (77 per cent) of all CFO-committed ESF.

Table 2.2  ESF commitment, by CFO type

<table>
<thead>
<tr>
<th>CFO Type</th>
<th>ESF Committed £m</th>
<th>All Co-financed ESF %</th>
</tr>
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<tbody>
<tr>
<td>LSC</td>
<td>1,120.2</td>
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<tr>
<td>Jobcentre Plus</td>
<td>242.0</td>
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</tr>
<tr>
<td>Other*</td>
<td>95.4</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>1,457.6</td>
<td>100</td>
</tr>
</tbody>
</table>


* Includes local authorities, RDAs, Business Links and Connexions Partnerships.

The proportion of Objective 3 funding allocated via co-financing is expected to continue to increase towards the end of the programme period, with the study identifying the intention that most funding remaining/becoming available prior to the end of the programme would be allocated through this route. Data from the latest monitoring report, which showed that £168 million of the £183 million (92 per cent) allocated between June and October 2005 was via the co-financing mechanism, also supports this view.

2.3  Developments since 2003

2.3.1  The position in 2003 – key findings from the second evaluation of co-financing

While the first evaluation of the co-financing regime took place during its pilot stage, the second evaluation, undertaken by Fraser Associates and published in May 2004, was based on fieldwork undertaken in the first six months of 2003. The overall aim of the study was to explore progress with implementation and evaluate the extent to which the benefits originally envisaged for co-financing were being realised. More specifically, the study examined the strategic content and direction of co-financing plans, bidding processes and associated administrative efforts, and the impact of co-financing on beneficiaries and on access to ESF.

The report focused on the activities of LSCs and CFOs in other sectors given the recent involvement of Jobcentre Plus, with the key findings being as follows:

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• **Progress** – although available data was limited, the report found ‘grounds for cautious optimism’ in regard to contributions to Programme targets. However, the difficulties facing LSCs in identifying match beneficiaries was highlighted as a current and potential future issue.

• **Strategic quality** – the quality of RDPs was found to be variable, and concerns were raised about their adequacy as a means of providing an effective and sufficiently detailed framework for driving co-financing. The influence of other regional strategic documents, such as Frameworks for Regional Employment and Skills Action (FRESAs), was noted.

• **Implementation** – the study found that the process of bidding for CFO status, and the development of co-financing plans, had become significantly easier. However capacity issues were identified, including staff turnover and changes in CFOs’ organisational structures, which had led to operational difficulties. The report identified the opportunity to develop common approaches to implementation, such as shared prospectuses and application materials, between LSCs at least, while recognising that the scope for wider systems integration was limited.

• **Provider participation** – the report concluded that opportunities to provide services under co-financing had been widely communicated to potential providers, and that no particular sectors (or providers new to ESF) were facing systemic disadvantage. CFO quality standards did not pose significant barriers, and the levels of awareness of opportunities to bid were high amongst the providers interviewed. However, poor feedback on unsuccessful applications and the level of help provided in application preparation were sources of provider dissatisfaction – although improvements in both areas were noted.

• **Impacts** – a series of impacts were identified, including adding value and extending mainstream provision, organisational impacts for providers and the involvement of new providers. Little evidence was found of co-financing reducing access for disadvantaged groups, although regional variations in the participation of organisations serving them were noted.

• **Administering co-financing** – CFOs faced a series of challenges with the introduction of co-financing, exacerbated by staffing changes and organisational restructuring, which impacted on early implementation and management. Administrative savings from simplified application procedures were balanced by increased monitoring demands and doubts were raised whether the objective of reducing bureaucracy was being met when Government Office, CFO and provider requirements were considered.
2.3.2 Developments since 2003

Since the second evaluation was undertaken, the co-financing mechanism has continued to evolve. The main developments identified across the case study CFOs, stakeholders and providers interviewed, some of which relate to the issues and concerns raised in the second evaluation, included:

- **Increased levels of co-financing activity** – in terms of successive CFO tendering rounds and increased Jobcentre Plus involvement, leading to the embedding of the co-financing mechanism and an increased familiarity with its principles and processes. In addition, an extension of coverage amongst the case study LSCs – from an early focus on Policy Field 3 (Lifelong Learning) to an increased involvement in Policy Fields 2 and 4 (Social Inclusion and Adaptability, respectively).

- The **influence of the Objective 3 Mid-Term Review, and subsequent revisions to RDPs** – leading to an increased focus on individuals aged 25 and above, lone parents, substance users and other hard to reach groups (in line with the new target groups for LSC and Jobcentre Plus CFOs).

- A view amongst many providers, stakeholders and CFOs themselves that **CFOs have ‘got better at what they do’** – due to a combination of experience, increased clarity on rules and regulations, improvements in delivery and support systems and better understanding of the differences between co-financing and direct bid regimes. A number of CFOs described their early involvement in co-financing as a ‘steep learning curve’, in some cases being their first experience of ESF, and that support from Government Office and other CFOs was particularly beneficial. The role of Government Offices in providing continued, and in some cases, increasing support to CFOs was also recognised.

- Amongst the LSC CFOs at least, **a tendency towards fewer, larger contracts** – paralleled with the **increased encouragement of partnership/consortium approaches** to enable smaller providers to participate. However, more recently, some of the case study CFOs had let smaller contracts with a particular focus on hard to reach groups\(^4\) and targeting smaller, niche and voluntary and community sector providers.

- The **further development of approaches and systems for collecting data on the match funding component** – particularly for LSCs, where concerns were raised in the second evaluation report and where national systems have been introduced. While there is considerable variation in the systems used by different CFO sectors, both Jobcentre Plus and the LSCs now have their own formalised approaches for capturing and providing evidence of match beneficiaries. However, issues still remain with the effectiveness of the LSC approach, notably on the creation of additional bureaucracy for providers not in receipt of ESF funding.

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\(^4\) Including individuals at greatest distance from the labour market, such as individuals with physical, sensory or mental disabilities, refugees, those disaffected from education and employment and others facing multiple labour market disadvantages (such as ex-offenders, substance abusers, the homeless, etc).
• **Increased levels of co-ordination** – both between individual CFOs and at the regional and sub-regional levels, and including the development of harmonised approaches (such as common application forms and joint plans/prospectuses between LSCs in a region), and increased collaborative activities between CFOs (for example around information exchange, planning and avoiding duplication, and in one case the production of a shared co-financing plan). This has been paralleled with an overall move towards more regional approaches, in line with wider policy developments, and was considered to be supporting the more strategic use of ESF resources. CFOs considered that they were increasingly able to base tender specifications on more accurate and fine-grained analysis of needs, although concerns between increased regional planning and the risk of missing more local needs were also reported.

• The **increasing influence of regional and sub-regional strategies** in the distribution of co-financed resources and directing supported activities – although Regional Development Plans (RDPs) remain the ultimate ‘strategic reference points’. Perhaps inevitably, however, the influence of LSC and Jobcentre Plus CFOs’ own organisational priorities was a continued source of concern for some of the stakeholders interviewed – illustrating the often strongly held views on the role of co-financing in supporting national policy, or on its sectoral emphasis to date.

### 2.3.3 CFO perspectives

Each of the case study CFOs considered that the co-financing mechanism was an appropriate means for the distribution of ESF, although often with provisos. The potential of the approach for enhancing strategic co-ordination and targeting over the direct bidding regime was, to varying degrees across the regions but to some extent in all, starting to be realised. However, a series of continued challenges were described across the case study group, the most common of which included:

• a lack of clarity on the scale, nature and focus of ESF in the next programming period – which hindered forward planning, although in each region specific forums were in place to consider future issues;

• the ability to comprehensively and robustly report on their successes – given issues with identifying LSC match beneficiaries, and as PCRs were not considered to capture the good work done on the ground;

• following this, the difficulties in evaluating the impact of co-financing and co-financed ESF, and the ability to robustly assess the ‘quality’ of services delivered;

• continuing to develop a common understanding between providers and stakeholders on the co-financing approach – recognising both its potential but also its weaknesses and challenges;
• continuing to reduce bureaucracy – recognising that a certain degree of burden is inevitable for ESF, irrespective of the allocation model followed, and the importance of ensuring that any Management Information and beneficiary data required is accurate and appropriate to ensure accountability and robust evaluation;

• ensuring all staff involved in co-financing are appropriately trained to manage the co-financing process, and allowing the exchange of learning and good practice to reach the standards of the best.

More specifically, Jobcentre Plus CFOs considered key challenges for them were in operating sufficient flexibility at the local level within a prescriptive national framework, and the continued requirement for different reporting formats between national and individual Government Offices – a source of additional and, in their view, unnecessary bureaucracy.

For the LSCs, the most common specific issue was the collection of match funding data. While the new system was considered an improvement on the initial position, the overall approach is considered highly bureaucratic, unwieldy and inequitable in the demands placed on providers (whether they benefit from co-financed funding or not).

### 2.3.4 Provider perspectives

A total of 43 current and former Objective 3 providers were interviewed as part of the case study fieldwork, including representatives of the voluntary and community/not-for-profit, private, Further and higher education, and local authority sectors. In addition, two health sector providers and an employer organisation were also included. The provider sample sought to be illustrative rather than wholly representative, and had a bias towards current providers (although these also included organisations who had submitted unsuccessful applications and who had experience of more than one CFO). The sample was also biased towards providers in the voluntary and community/not-for-profit sector (21 of the 43), and voluntary sector umbrella groups were also interviewed in each region.

The experiences and perceptions of the providers varied considerably, and showed differences by provider type, region and the specific CFOs they had engaged (or attempted to engage) with. Where commonalities existed, they were on the basis of the specific CFO engaged with, rather than sector or even the success or otherwise of applications submitted. This emphasises the importance of the processes followed by each CFO, and the way in which these processes were implemented.

The findings from the provider interviews are referred to throughout this report, with their overall views on the key benefits and challenges of the co-financing mechanism being summarised below. Overwhelmingly, the providers considered that the co-financing mechanism was, in theory, an appropriate model for the delivery of ESF – although with certain provisos around implementation as illustrated overleaf.
From the provider perspective, the **benefits** of the co-financing approach most commonly reported included:

- The removal of the need for match funding – and the implications of this in terms of reducing the administrative burden of application preparation and delivery.
- Improved application processes – faster, cleaner, simpler and more effective.
- Improved pre-application support – which was often described as a weakness in the earlier stages of co-financing.
- The introduction of monthly payments – where offered, and a particular benefit for smaller organisations in helping with cash flow issues.
- The introduction of common prospectuses and application forms – in terms of reducing time and offering potential providers a more coherent view of available opportunities. However, providers continued to report lengthy application forms in some cases, with little improvement over the direct bidding regime.
- Improved guidance for applicants – again, a common area of improvement, and one which had helped foster understandings of the differences to the direct bid regime.
- Improvements in contract management approaches – while still an area of perceived weakness for some CFOs, approaches were considered to have improved with CFOs being more approachable and open to positive discussion.

The main **challenges** reported included:

- Restrictive specifications requirements – for example around profiles, where, in some cases, providers described highly specific requirements for the number of outcomes for beneficiaries with certain characteristics in specific months.
- A tendency for planning of tender specifications to be too ‘top down’, with limited room to be flexible to meet needs on the ground, and a perception that, in some cases, appraisal processes were more internal to the CFO and less open than previously.
- The requirement for open and competitive tendering (OCT) – while recognised as key in ensuring equitable appraisal processes, OCT was also considered to risk reducing the influence of local knowledge in the formulation and fine tuning of CFO specifications. In addition, it was also considered by some CFOs to hamper their ability to factor previous delivery performance into the provider selection process, and in others, to restrict the degree of dialogue with potential providers in the development of specifications.
- Inconsistencies between different CFOs – both spatially and sectorally. Inconsistencies focused on the length and complexity of application forms (in some cases considered greater than under direct bidding), and more importantly, in CFOs’ capacity and capability to manage the co-financing process effectively.
• The move towards larger contracts – particularly expressed by smaller providers, but also larger organisations concerned about retaining ESF’s former ‘niche’ role.

• Reduced opportunities for smaller organisations to build internal capacity – while the provision of support pre- and post-application was widely welcomed, smaller organisations, in particular, reported this could often focus on their capacity to work under co-financing, rather than to deliver quality and sustainable services per se.

Views were evenly divided on:

• The increased emphasis on outputs and outcomes – while welcomed by some providers (from all sectors) in terms of bringing clarity to tender requirements and for focusing efforts, others working with clients less able to achieve traditional outcomes, expressed concerns over the links between such outcomes and payments.

• Whether co-financing has led to the production of better bids and better defined projects – as one FE college described, there is a trade-off between clarity on what is required under a contract and reduced flexibility/increased restriction.

• The impact on innovation – similarly, with the potential for innovation to be stifled, while at the same time ensuring funding is more targeted. However, some providers considered that innovation in delivery was still possible – notably where performance targets were set but their method of achievement left to the applicant.

• The quality and appropriateness of feedback on unsuccessful applications – while in most cases this was felt to have improved, in others it was considered inadequate. As one provider described ‘two lines of feedback for a £1 million bid is not sufficient’.

• Concerns over strategic ‘ownership’ and direction – as one local authority provider described ‘I can see the value of putting ESF into a strategic framework, but whose framework is it?’ Elsewhere, concerns were raised that specifications reflect the interests of the CFO’s own agenda – emphasising the need for transparency and inclusion in planning.

Only one of the providers interviewed (an FE college in Region 5) expressed a preference for the direct bid route. In their view co-financing represented too close a tie to CFO strategies and targets, represented a risk for the participation of smaller organisations, and in their experience had represented an increase in the levels of bureaucracy.

Given the diversity of experience and opinion reported by the providers, irrespective of their sector, the case examples below offer additional insights.
Provider experiences and views

Current providers

Provider 1 was a Primary Care Trust currently working with drug users aged over 25 to support them into training and education, including up to NVQ level, for Jobcentre Plus. While appreciating the benefits of co-financing in terms of match funding and closer working with their CFO, concerns were raised over the appropriateness of the outputs and outcomes they were expected to deliver for their target group. Securing employment outcomes for recovering heroin and crack cocaine users was extremely difficult, although helping to develop life skills and moving individuals closer to the labour market was more realistic for an initial intervention.

The provider was also concerned that specific pockets of local need could be overlooked without the involvement of organisations with specific local knowledge and routes into disadvantaged communities. In their view, the requirement for OCT was a barrier to accessing and utilising local knowledge, and hindered CFOs’ abilities to use their considerable experience of contracting to select the most appropriate providers. However, they recognised the centrality of OCT to equitable application and appraisal procedures.

Provider 2 was a medium-sized voluntary and community sector provider offering support services to disadvantaged groups and the hard to reach in particular. They have successfully applied for three co-financing contracts with two CFOs, and in both cases found the guidance issued useful, and welcomed the assessment and monitoring procedures as beneficial to both the services delivered and to the organisation more broadly. Although they found the overall level of bureaucracy manageable, this was due to having an ‘excellent’ administration officer, with considerable experience of bid preparation.

The requirement to secure outcomes was considered to have acted as an ‘incentive to get the job done’, and not out of line with other funding mechanisms they have also accessed. They felt that they had benefited from networking opportunities and profile raising resulting from being a CFO provider, as well as being able to employ additional staff for the period of the current contracts at least.

Continued
Providers not participating in co-financing

Provider 3 was a small voluntary and community sector provider with a history of providing youth re-engagement and skills development programmes under direct bidding in a rural area. They welcomed the introduction of co-financing as a means of removing the burden of securing match funding, which represented a consistent difficulty for them. Informed of the opportunity to apply through their regional voluntary sector umbrella group and Learning and Skills Council (LSC) contacts, they applied under two LSC contract rounds to continue their work.

Their experience of preparing their applications was positive, with support being offered by the LSC through workshops which explained the co-financing procedure and what could be funded. However, both bids were unsuccessful, and while they considered the appraisal approach was fair and equitable, the feedback received was ‘woolly’ and unhelpful. The main reasons for their lack of success were considered to be an emphasis on NVQ outcomes (which were not considered appropriate for their target group and was not felt to be sufficiently clear in the guidance), and the scale of spatial coverage they were able to offer. They were able to support their provision through a successful direct bid application, and still supported the co-financing approach in principle and would consider applying again. However, they found the requirement for the achievement of qualifications restrictive, and not always appropriate for the client groups they worked with.

Provider 4 was an FE college who had also applied to their LSC to deliver a programme of NVQ training to provide language, IT and customer service training. Attracted by the removal of the requirement to provide match funding, their bid under the first co-financing round was unsuccessful and they have not considered applying again.

There were two reasons for their decision, one around the potential take-up of training of the nature they proposed in the area, but most importantly on the basis of the reasons given for their initial rejection. Feedback received suggested that their approach was not felt to be supporting the progression of individuals towards further mainstream provision, a point with which they did not concur.

A national perspective

Provider 5 was a large registered charity providing training and wider support to vulnerable groups, including individuals with physical and learning disabilities, and running over 300 ESF-funded projects under both direct bid and co-financed regimes across the country. While their experience of working with the case study LSC CFO had been positive, their national office reported very different experiences across, and inconsistencies between, the other LSC CFOs they had engaged with.
Key issues included:

- Variable and sometimes restrictive timescales for application preparation – restricting opportunities for new partnership formation.
- Variable and, in some cases, more complex application process than under direct bidding.
- The requirement for precise profiles of beneficiary characteristics – although a requirement for both co-financing and direct bidding, they considered that some CFOs had unfeasible performance expectations.

While the removal of the need to secure match funding was a benefit, this was sometimes mitigated by delays in payments – less of an issue for them but a critical factor for smaller organisations. More widely, co-financing was felt to have had little effect on other aspects of bureaucracy, and additional steps to standardise application and monitoring approaches would be helpful.
3 Maintaining and raising delivery standards

3.1 Introduction

One of the central objectives of the co-financing approach is to ensure that the standard of Objective 3 service delivery is maintained, or raised, in comparison to the previous programming period. This chapter explores the influence of the co-financing regime on delivery standards, based on a qualitative approach to identify the steps taken by co-financing organisations (CFOs) and their impacts in the experience of stakeholders and providers.

A more quantitative approach was not possible due to the limited number of completed contracts and Project Closure Reports (PCRs) available at the time of study. It is recognised that additional work could usefully be undertaken once more contracts have been completed, with consideration to the balance between available PCR data by CFO sector. However, any robust assessment of service quality will continue to be challenging due to the absence of appropriate baselines and a meaningful counterfactual, and will limit the extent to which robust conclusions can be drawn.

The CFOs commonly used a series of mechanisms which were considered to have contributed to the standard of delivery, as described below.

3.2 The application and appraisal process

The appropriateness and effectiveness of the contract application and appraisal processes followed by individual CFOs are central to ensuring acceptable delivery standards. While the approaches followed by the case study CFOs were commonly based on the respective organisations’ existing contract tendering procedures, many had taken steps to improve their appropriateness and effectiveness in the context of the co-financing regime. Despite the concerns raised by certain providers and stakeholders and described below, there was no evidence that the approaches followed by each CFO were other than effective and equitable.
An important element of the application and appraisal process, and one introduced under co-financing, is the requirement for providers to have secured, or to work towards, the appropriate standards in the OFSTED/Adult Learning Inspectorate Common Inspection Framework (ALI CIF) for education and training provision. For new providers to LSC and Jobcentre Plus CFOs, additional documentation was required to report on financial and delivery capacity, including processes for self-assessment under the CIF. In the case of LSC CFOs, new provider support was available if the applicant was successful – as described in Chapter 4.

The CFOs unanimously considered that the overall quality of bids received had improved over time – as a result of their improved efforts to communicate opportunities and raise awareness/provide support at the bid development stage. Increased understandings amongst potential providers of what was required of a good application had also helped. However, applications continued to be received from organisations across all sectors which had effectively ignored key aspects of the tender specifications.

While a range of practices were followed across and within the CFO sectors, a series of key components could be identified based on practice across LSC CFOs as summarised below.

**CFO application and appraisal approaches – common features**

**Specification development and circulation**

- The development of tender specifications – in the context of the appropriate co-financing plans. These included different levels of consultation with other CFOs (to avoid duplication) and with other representative bodies.

- Specifications are then distributed to potential providers (see Chapter 4 for more detail) – with deadlines being set for submission.

**Application appraisal**

- Following an initial filtering, a two stage approach was commonly followed:
  - Applications are scored by appraisal panels to meet certain thresholds – including reference to CFO, CIF and ALI standards.
  - Applications meeting threshold standards are submitted to ‘moderation groups’, for a more strategic review considering wider issues such as strategic fit and complementarity with mainstream provision.

- Final decisions rest either with moderation groups or, in some cases, the senior management teams or Boards of individual CFOs.
Appraisal panels were usually chaired by CFO staff but commonly included external representation, whose roles ranged from observation to active participation depending on the specific CFOs and at different appraisal stages.

**Provision of feedback**

- Feedback is increasingly (but not exhaustively) provided by the case study CFOs to unsuccessful bidders. Where provided, the detail and the quality of feedback varied considerably between the case study CFOs.

**Negotiating contracts**

- Successful applications then progressed to the contracting stage, which often focused on the finalisation of appropriate outputs/outcomes and payment regimes.

**Complaints/appeals procedures**

- CFOs followed their own complaints and appeals procedures, which varied in terms of the likelihood of changing any final decisions made.

Within the context of the application and appraisal process, a series of good practice examples were identified, as summarised below:

**The use of Expressions of Interest (EoIs) or Pre-Qualification Questionnaires (PQQs)**

Several of the case study CFOs described requesting initial EoIs or PQQs at the start of the application process, as a means of providing early notification to potential providers, identifying potential providers to whom full invitations could be sent, and helping save provider time when their applications were not likely to succeed.

CFOs also found them particularly helpful in managing the often considerable number applications they had received in the past, and in one case reported considerable savings in cost and effort having to distribute full application packs to all potential providers.

The majority of providers offered the opportunity to submit EoIs also considered them to be helpful, primarily in providing an early alert to opportunities and focusing their attentions accordingly. Where their EoIs had not led to a tendering opportunity, this was preferred to losing time submitting a complete application.

However, the approach was not considered universally beneficial:

Continued
• One LSC CFO described initially requiring EoIs prior to full applications, but returned to a single application model due to the extra workload involved and the inevitable delay in the contracting process. They reported that it had been difficult to meaningfully involve external partners in the EoI assessment process, and that their input was best focused at the full appraisal stage.

• A national charity described that while the opportunity to submit EoIs was helpful, their experience had varied considerably between different CFOs. In some cases, they considered that the amount of information required was close to that of a full application, and information on the key factors which would lead to a tendering opportunity was not always clear.

**Using potential beneficiaries to appraise applications**

A local authority CFO in Region 1 sought, as a matter of policy, to include potential beneficiaries in their application appraisal process. As their target group was specifically individuals with often severe disabilities, this proved to be challenging but provided useful insights into the factors affecting successful interventions.

Beneficiaries were recruited from the local service user network, and offered introductory training and support throughout the process. Key challenges included ensuring all beneficiaries were equally able and willing to contribute, and avoiding any negative stress or other impacts for participants. However, the approach was considered invaluable at looking at the ‘mechanisms’ for delivery, rather than the outputs, and can be very illuminating for all concerned. In addition, the individuals and their parents and carers found the process empowering, and was considered to enhance commitment to the services resulting.

**Communications and transparency**

A CFO in Region 4 provided perhaps the best example of openness and transparency in terms of reporting and publishing the results of each stage of their application process. This included publishing the results of the tenders by Measure and lead organisation on its website, with a detailed breakdown of the number and value of tenders through each of the three stages of their appraisal process.

On completion of the process, the CFO provided a geographic breakdown of the localities where lead organisations submitting tenders had come from, as well as successful applications by local area. It also provided a breakdown of both applicants and successful applicants by type of organisation, and the value of tenders for each organisation.
The provider and stakeholder interviews described a range of experiences of the application and appraisal process. While the approaches followed were considered to be equitable, a series of concerns were raised. While in many cases these were based on experience in the early implementation of the co-financing process, and often reported in the context of how the position had changed for the better, issues were raised with regard to:

- **Specification development** – with both stakeholders and providers in some cases questioning the basis for particular specifications, their direction and content, and their feasibility based on local labour market and demographic information. Several providers reported not applying for contracts due to unfeasible requirements – including the number of disabled beneficiaries expected to be targeted in a comparatively small area.

- **Compliance with Open and Competitive Tendering (OCT) practices** – the application and appraisal processes followed by the case study CFOs were found to comply with OCT requirements. However, compliance in some cases was considered to restrict discussions with potential providers prior to specifications being released, and so risk not benefiting from specific local knowledge. In addition, adherence was also considered to mean that potential providers’ previous delivery history could not be considered as part of the appraisal process, risking contract managers’ knowledge of organisations’ capacities and capabilities not being fully factored in.

- **Representation and transparency** – while many of the case study CFOs had involved representatives of partner organisations in their appraisal procedures from the outset, for some this was a comparatively new development. The reasons cited for involving external representatives ranged from improving the effectiveness of the process to helping improve perceptions of openness and transparency. The role and make-up of external representation varied between CFOs and by the application in question, but commonly included representatives of Objective 3 management and advisory groups, other CFOs, local authorities, the voluntary and community sector, Regional Development Agencies (RDAs) and Government Offices.

- **The provision of feedback** – the extent to which CFOs provide feedback to unsuccessful applicants, and the adequacy of any feedback provided, was a source of concern amongst the providers interviewed, and risked creating (and sustaining existing) feelings of distrust. As one provider described ‘… two lines are not enough for a £1 million application’.

- **The contract negotiation process** – many providers found the contract negotiation process helpful in finalising arrangements for delivery, particularly in terms of agreeing appropriate targets, the outputs and outcomes by which their achievement would be measured and the flexibility often allowed. However, in some cases the process was considered to be unduly lengthy, and more importantly examples were reported where successful providers faced significant changes in the specification to be delivered or even the withdrawal of the contract offer. For example:
– One voluntary and community sector provider described bidding to their local authority CFO to provide advice and guidance services to severely disabled individuals. Despite their application being successful, the specification was withdrawn as ‘funding had been diverted elsewhere’.

– In another case, a provider successfully bidding for a Jobcentre Plus contract found that the nature of the services they were asked to provide differed significantly from that specified. In this case, the reason given was a change in delivery policy (around providing preparatory services for a major Jobcentre Plus programme), and the CFO were extremely helpful and supportive in negotiating a final delivery plan acceptable to both parties.

3.3 Enhanced monitoring procedures

The introduction of co-financing has led to a shift in responsibility for the monitoring of delivery away from Government Offices to CFOs and an improvement in the resources available for monitoring at the local level. While the scale of resources devoted to monitoring varied between the case study CFOs, there was no doubt that they represented an increase over what Government Offices were able to provide previously.

Provided that the monitoring undertaken is appropriately focused and effective, undertaken by individuals with sufficient knowledge and experience and capable of being sustained through staff and organisational change, then the co-financing approach should be helping ensure that the standards of delivery under it are being maintained. While many of the case study CFOs initially found their new responsibilities challenging, most have taken steps to ensure they have necessary capacity and capability in place. While the nature, frequency and responsibilities for monitoring varied between the case study CFOs, in the majority of cases they were undertaken by individuals with wider contract management responsibilities.

In the Jobcentre Plus CFOs, for example, monitoring responsibilities rested at District level with District Programme Quality Management Teams (DPQMTs). They were responsible for day to day monitoring, including liaising with providers around starts and referrals, and authorising provider claims. Monitoring took place on a quarterly basis six weeks into contracts (although most wait until the first beneficiaries had started), although not all case study offices had sufficient resources to meet this requirement⁵. In the LSC CFOs, monitoring tended to be the responsibility of either specific European Social Fund (ESF) teams or contract managers with responsibilities for particular areas of provision. In both cases they, like staff with monitoring responsibilities in other CFOs, had to become familiar with the specificities of monitoring ESF projects rapidly.

⁵ Since the study fieldwork was undertaken, the Jobcentre Plus Organisation Design Review has introduced changes to the way in which procurement and contract management will be organised in the future, and the role of the former DPQMTs is expected to be revised.
Good practice example – specialist support for contract management staff

Through a combination of initial learning requirements and continued staff turnover, the provision of internal ESF expertise to support monitoring staff emerged as a key success factor for effective monitoring practices.

One model amongst LSC CFOs is for internal teams with specific experience of all aspects of ESF to provide support for their own, and often other, CFOs. Where such teams are found, they have proved to be invaluable in developing internal capacity across a range of issues, including the effective monitoring of ESF.

These teams are by no means common, but where they exist they often provide advice and support to other CFOs, again across a range of issues and more recently, taking lead roles in enhancing sectoral and regional co-ordination.

The impact of monitoring under co-financing

In the views of CFO staff with monitoring responsibilities, the enhanced levels of monitoring over those under direct bidding have helped to ensure that delivery standards have been maintained and, in some cases, contributed to their improvement. While recognising that for many providers ESF monitoring was viewed as a source of considerable and continued burden, the increased focus on beneficiary outcomes enhanced its relevance and offered an opportunity to contribute to an ethos of continuous improvement. However in some cases the focus was restricted to monitoring ‘by the numbers’, rather than on service quality per se.

For the most part, providers’ views of monitoring arrangements under co-financing were expressed negatively, in terms of the burden they were considered to present and the absence of any perceived benefit to the provider outside of contractual compliance. In this way they differed little from reported experiences under direct bidding, although a small number of providers considered that the monitoring activities of their CFO had led to an improvement in the quality of the services they provided and the way in which they were delivered. An example of the experiences of one provider is described overleaf.
Positive influence of CFO monitoring on delivery standards – provider experiences

Provider 6 was a charitable trust employing 200 full and part-time staff, providing support with accommodation, education and training for vulnerable groups including individuals with mental health issues, learning difficulties and substance abuse problems. The organisation had considerable experience of working under Objective 3, under both direct bid and co-financed regimes. They described how, in their experience, the level of monitoring under co-financing had increased considerably, notably around identifying and recording outcomes.

The provider described this increased monitoring as helpful, as it was:

- appropriate and undertaken positively – so not considered burdensome;
- undertaken by a named individual in a local CFO – so face-to-face visits were easily arranged (not the case under direct bidding with Government Office), and the contact’s local knowledge informed discussions;
- based on a relationship of trust – which allowed problems and issues (and opportunities) to be discussed openly and positively.

Most importantly, their experience of the monitoring regime was considered to have helped improve their delivery standards, which had been a significant benefit to the organisation. The main areas of improvement were in mainstreaming good delivery practice across the organisation, which was evidenced in their LSC audit report at the end of their co-financed contract.

The role of the contract officer emerged as a key factor in effective monitoring procedures, as outlined in the box on good practice below.

Good practice in contract monitoring

While the majority of providers seemed to accept some level of bureaucracy as inevitable, this can be compensated for by clear procedures and the nature of the relationship between provider and contract officers. Good practice in contract monitoring, and wider contract management, included:

- ensuring that clearly defined and agreed delivery plans, with output profiles and timescales, are in place from the outset;
- ensuring that the outputs the provider is working towards are realistic and achievable;
- having clear and communicated parameters and procedures in place in the case of under- (or over-) performance against contract;

Continued
• engendering an approach to monitoring and delivery management where well trained and experienced staff are empowered to be flexible in different circumstances;

• establishing single named individuals to providers for monitoring and other contacts.

The role of contract officers

Providers were less likely to refer to burdensome monitoring procedures, and not appreciate the reason for them, when they had ‘good’ contract officers/advisers at their CFO. For most of the providers interviewed contract officers represent a good point of contact and a source of information and support.

From those with experience of both direct bidding and delivering for CFOs, this can be a very positive aspect (one provider felt that ‘...previously (under direct bidding) our project had largely been left to our own devices once approved...’) and represents an active approach to the management of contracts.

As was pointed out by many providers, however, this relies on ‘good’ contract managers being in place – i.e well trained, knowledgeable and sufficiently experienced to be able to apply the rules flexibly when appropriate. Other providers, some of whom had experienced numerous different contract managers in single projects, felt that where contract managers are inexperienced or inflexible, they can have a negative effect on projects and enhance perceptions of administrative burden.

Co-ordinating contract monitoring and management

One national not-for-profit provider described running ESF programmes across a number of different regions for a number of CFOs, and being particularly pleased in one where a single contract manager had been appointed to ‘look after them’, even though they had multiple contracts with different district offices of the CFO in that region. This contract manager acted as the provider’s single point of contact for the CFO – which meant that they only had to deal with the one contract manager for meetings, communications, etc. This contrasted to practice in another region, where each district had appointed its own contract manager, which had resulted in the provider spending ‘inordinate amounts of time’ tied up in multiple meetings with different district offices and in a lack of consistency in approaches taken by the different contract managers.

3.4 Increased focus on outputs/outcomes

The increased focus on the achievement of beneficiary outputs and outcomes under co-financing, primarily through their link to provider payments, was also considered to have contributed to maintained/improved delivery quality. As the following
chapter describes, the link between the achievement of outputs and payments is a new feature of the co-financing approach, and has a series of actual and potential consequences for providers and the beneficiary groups they engage with.

In the context of delivery standards, the study identified that for some providers the requirement to achieve, and be able to report, beneficiary outputs and outcomes was a positive driver for improvement. In some cases, this represented a change in providers’ approach to provision, and formed a focus for the early stage support offered to them.

In a small number of cases, the providers interviewed described how the emphasis on outcomes had also driven them to consider, and focus on raising, their delivery standards. For others, the requirement to achieve certain outputs, within a set timeframe, had helpfully focused their attentions on ‘getting the job done’.

Examples identified during the interviews with providers are shown below.

**Benefits to providers from the requirement for outcomes**

Three of the providers currently engaged in delivery for CFOs, when interviewed, described benefiting from the more outcome-centred approach under co-financing. For example:

- One voluntary and community sector provider described how the requirement to deliver specific outcomes had forced them to improve the standard of delivery and to establish more formal procedures to monitor service quality. In their opinion, the enhanced discipline required for delivery under co-financing had been a contributory factor for their decision to go for, and achieve, Matrix accreditation for information, advice and guidance provision.

- Another provider in the private sector considered that the need to record and report on the outputs and outcomes achieved by their unemployed and disabled client group had led to an improved service for their clients. The provider had began to analyses patterns in client performance at the individual and ‘target group’ level, which had led to more personalised and individualistic service and support provision.

More widely, providers felt that the output-related approach had focused attentions increasingly on delivery. As one small voluntary and community sector provider described, ‘getting paid for delivery lacks the incentives, while output based payments give the focus that one needs to be driven, and gives providers a better view of their contribution to the wider picture...’.

In other cases, the move to output-related payments for ESF was seen as a reflection of similar moves under other funding streams, and as such, part of a wider, and widely welcomed, shift towards promoting the quality and appropriateness of provision.
The requirement for achievement under co-financing had in one example also permeated to the beneficiaries of one CFO. In Region 3, a Jobcentre Plus CFO reported that the focus on outcomes had also helped motivate beneficiaries, as they were able to see the difference their participation had made through the evidence of progression collected by their provider.

The use of soft outcomes to measure beneficiary progress and trigger provider payments, which had increased but was by no means universally applied across the case study CFOs, also had considerable potential to enhance beneficiary motivation, self-review and ultimately, achievement. Issues of the appropriateness of the outcomes required under co-financing, and their application to individuals from different target groups, is discussed further in the following chapter.

3.5 Additional influences

Finally, in addition to the most common factors contributing to maintaining or raising delivery standards described already, a series of additional influences were also identified. For example, in Region 3:

- the local authority CFO considered that the strength of their strategic partnership approach was considered to have contributed to enhanced standards, through the requirement for providers to robustly demonstrate their ability to meet local needs;

- an LSC CFO also referred to the way in which their application and contracting process enabled clear links to be made between specifications, delivery plans and monitoring schedules – so supporting improved monitoring and delivery standards from the outset.

Delivery standards were also influenced by the extension of the provider base in some of the case study regions, with this being examined in the following chapter in terms of provider access and targeting.
4 Access and targeting – providers

4.1 Introduction

While the previous chapter examined the influence of the co-financing mechanism on maintaining or raising delivery standards, a prerequisite to achieving this objective is the effective identification and engagement of an appropriate set of providers. This chapter examines the steps taken by the case study co-financing organisations (CFOs) to ensure they were engaging with the most appropriate providers to meet the needs of their beneficiaries, and any factors which promote or represent barriers to potential engagement. Although the current programme does not operate on a sectoral basis, the distribution of providers by sector and size is also explored.

4.2 Distribution of providers by sector

The case study CFOs had contracted with a wide range of providers to deliver services under co-financing, although data on their distribution by sector and organisation size was, in many cases, limited. While some CFOs were able to provide breakdowns of their contractors by sector, and had made efforts to communicate this information to their wider stakeholders, in many cases the available data was subject to a series of considerations. These included the use of different sectoral definitions and focusing on lead partners in partnership bids, so not allowing any robust assessment of distribution to be made. Consequently, anecdotal information, supported by quantitative data where possible, was collected to establish a picture of participation in co-financed projects by sector, and any changes compared to previous periods or CFO and stakeholder expectations.

As would be expected, the CFOs described an emphasis on ensuring the standard of provision they were contracting, rather than the sector of the organisation delivering it. Nevertheless there was a wide recognition of the important roles that different organisations could play, and particularly small, locally-focused voluntary and
community organisations in engaging with more particularly disadvantaged individuals and those at greatest distance from the labour market. The CFOs also described the difficulties in establishing which provider sectors may have ‘lost out’ under co-financing, given the absence of a suitable baseline measure and changes in programme focus between the previous and current programme rounds. Stakeholders also expressed similar difficulties in commenting, although in some cases strong views were held which could be supported by evidence.

Table 4.1 provides a summary overview of CFO and stakeholder views on the distribution of co-financed delivery by sector, and illustrates the different degree to which this topic has been considered amongst the case study CFOs and their stakeholders. Although frequently based on estimates, the table describes a not unexpected pattern with:

- LSCs most commonly contracting with FE and private sector training providers – although in many cases the level of voluntary and community involvement was not inconsiderable and reportedly increasing over time.

- Jobcentre Plus appearing to contract with a significant share of voluntary and community sector providers in some cases, and increasing this share in others.

Table 4.1  **Anecdotal distribution of co-financing providers by sector, case study CFOs**

<table>
<thead>
<tr>
<th>Region and case study CFO types</th>
<th>Distribution of providers – case study LSCs and stakeholder views</th>
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<tbody>
<tr>
<td>Region 1</td>
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</table>
  *Jobcentre Plus, a local authority, and an LSC*  
  Jobcentre Plus – most contracts with the voluntary and community sector (over 40 per cent) then the private sector. No expectation of provider make-up at start. Mostly sole contracts, but more consortia approaches emerging with voluntary providers in niche roles.  
  LSC – over half of all contracts were with FE and private providers, followed by voluntary and community sector (estimate 20 per cent of contracts) – broadly as expected and no provider sectors considered to be over or under-represented. Tendency for voluntary sector providers to be larger organisations, with difficulties experienced getting smaller ones to engage.  
  Local authority – targeting highly specific beneficiary group, so majority (estimate 75 per cent) of funding with voluntary and community sector, including small local and larger national providers.  
  Stakeholders – increased involvement of voluntary/community sector in collaborative bids over time, and more recently through smaller and more highly focused tenders. Provider types considered to be participating less than under direct bidding/against expectations included the higher education sector and local authorities. |

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<tr>
<th>Region and case study CFO types</th>
<th>Distribution of providers – case study LSCs and study CFO types stakeholder views</th>
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<tbody>
<tr>
<td><strong>Region 2</strong></td>
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<tr>
<td>Two LSCs and an RDA</td>
<td>LSC1 – largest share of projects and funds considered to be with FE, the local authorities and some private providers. FE colleges frequently taking lead role in partnership models. Now only fund voluntary sector providers as part of consortia.</td>
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<td></td>
<td>LSC2 – most commonly fund FE colleges, but approximately one-third of provision with voluntary sector (not including partners in consortia, which has increased with increasing contract size).</td>
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<tr>
<td></td>
<td>RDA – most commonly fund private providers, the voluntary sector and a small amount to HE for research.</td>
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<td></td>
<td>Regional focus posed challenges in their knowledge of providers at the local level.</td>
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<td></td>
<td>CFOs and stakeholders did not consider that any provider types were participating less than under direct bidding, or against wider expectations.</td>
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<tr>
<td><strong>Region 3</strong></td>
<td></td>
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<tr>
<td>Jobcentre Plus, a local authority and an LSC</td>
<td>Jobcentre Plus – around 25 per cent of contracts with the voluntary and community sector, although increasingly more involvement is through consortia approaches.</td>
</tr>
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<td></td>
<td>Local authority – strong representation of the voluntary and community sector, who have been deliberately targeted and received over three-quarters of Round 1 funding. However, an overall shift towards larger training providers more recently.</td>
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<td></td>
<td>LSC – broad distribution between FE, private, voluntary and community providers and local authorities. Increasing partnership approaches, with FE and private providers most commonly leading.</td>
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<td></td>
<td>Stakeholders considered that FE colleges had missed out (in some spatial areas rather than sector-wide), as had some voluntary sector providers and former local authority projects, and that provision overall had shifted towards larger FE or private sector training providers.</td>
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Table 4.1 Continued

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<tr>
<th>Region and case study CFO types</th>
<th>Distribution of providers – case study LSCs and stakeholder views</th>
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<tr>
<td>Region 4</td>
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<tr>
<td>Jobcentre Plus and two LSCs</td>
<td>Jobcentre Plus – reported increasing distribution to voluntary and community sector providers, given increased focus on new and challenging hard to reach groups.</td>
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<td></td>
<td>LSC 1 – strong tendency to use existing providers, mainly FE and private sector, with voluntary and community sector share less than 10 per cent of funding in first two co-financing rounds.</td>
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<td></td>
<td>LSC 2 – most common current providers are from the voluntary sector, with over half of all contracts.</td>
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<td></td>
<td>Stakeholders – lack of information on sectoral share of provision a major concern, and fuelling often negative perceptions of transparency and equity. Strong view from the voluntary sector that providers in their sector have ‘lost out’, particularly the smaller ones. Although it can’t be evidenced, estimate that the voluntary sector share in the region to be half that in 2003.</td>
</tr>
<tr>
<td>Region 5</td>
<td></td>
</tr>
<tr>
<td>Jobcentre Plus, and LSC and an RDA</td>
<td>Jobcentre Plus – voluntary and community sector have largest share of contracts, including both large and small providers.</td>
</tr>
<tr>
<td></td>
<td>LSC – described a broadly even split between private, voluntary and community and FE/Adult Education sectors.</td>
</tr>
<tr>
<td></td>
<td>Provider types considered to be participating less than under direct bidding/against expectations included smaller private and voluntary sector providers.</td>
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- Local authorities reporting that voluntary and community sector providers made up their largest single contractor sector.

- Regional Development Agencies (RDAs) funding a range of providers, but most commonly in the private sector.

It was clear, however, that in at least the perception of many of the stakeholders, smaller and voluntary and community providers were participating at lower levels than previously. This was not a unanimous view, however. In Region 5, the regional voluntary and community sector umbrella group considered that their providers had become more involved in the European Social Fund (ESF) under co-financing, although this was likely to be amongst the medium- to large-size providers. Clearly, the information provided on this and other aspects of provider distribution is limited, and the consultants share many of the frustrations of the stakeholders interviewed at being unable to probe further.

More detail was, however, available on the steps taken by CFOs to ensure that, irrespective of sector, the most appropriate providers were informed of opportunities, encouraged to submit applications, and supported in the delivery of services under co-financing.
4.3 Steps taken to ensure appropriate provision

Across the case study CFOs three main steps were followed to ensure that the most appropriate providers were engaged in service delivery, namely the:

- communication of opportunities to tender for service contracts;
- influence of the application and appraisal processes followed – in terms of contributing to provider access;
- support provided to prepare applications and ensure the capacity to deliver.

4.3.1 Communicating tendering opportunities

While all the CFOs had considerable experience in the letting and management of service contracts, previous chapters have illustrated the additional challenges associated with the introduction of the co-financing regime.

In most cases, the case study CFOs were able to use their pre-existing contractor information, most commonly in the form of provider databases, to communicate their first co-financing rounds. However, many sought to enhance these databases, either to ensure sufficient coverage to meet their remits under co-financing or in attempts to achieve openness and transparency.

From the comments from many of the stakeholders interviewed, this was a necessary process, as there was (and in some cases remains) considerable suspicion surrounding the possibility of restricted tendering opportunities. CFOs were in a difficult position in this regard – they are often highly familiar with the capacities and capabilities of their local provider networks (and so able to effectively select ‘short lists’ for tendering opportunities), although open and competitive tendering (OCT) regulations mean that opportunities must be promoted widely.

In other cases, CFOs identified the need to expand the range of potential providers available to them. One RDA described how they were ‘off the radar’ of many providers due to their regional remit (and vice versa), and lacked the personal contacts to ensure that specifications were targeted towards the right individuals. This was a particular issue with voluntary and community sector providers, so the RDA worked closely with the regional voluntary sector umbrella body to help extend their contacts into the sector and communicate tendering opportunities.

All the CFOs reported increasing the populations of their provider databases – either through direct contact or by the exchange of contacts with other CFOs and partners. In some cases, these ‘mailing lists’ included over 1,000 providers across all sectors, although mailshots from internal databases were often combined with other means of communicating opportunities, including:
• posting tendering opportunities on **websites** – not only the CFOs’ own, but often including those of other CFOs, partner organisations, stakeholder groups (including those representing the voluntary and community sectors in each case study region) and Government Offices;

• by **word of mouth** – with CFO contract managers, partners and networks helping to communicate opportunities (and potentially add to CFO databases);

• **advertising in the media** – most commonly through the regional press, and in two cases CFOs found the use of local newspapers helpful in identifying very local voluntary sector providers.

A series of **more pro-active approaches** were also followed to inform and attract potential providers, often on a collaborative basis between CFOs, their partners, and with wider networks, particularly those representing the voluntary and community sector.

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**Good practice in communication opportunities – workshops and consultation events**

More proactively, many CFOs described holding events on a workshop or wider consultative basis to inform providers of tendering opportunities, as well as promoting and raising awareness of the co-financing mechanism more widely.

• One LSC CFO combined informal awareness-raising with more structured tender writing workshops to raise awareness of opportunities and help contribute to the quality of applications prepared. In the view of the CFO and a provider attending, the tender writing events were particularly helpful – and had led to a recognised improvement in applications received. Subsequent events have included role play exercises, where providers acted as bid assessors. In the CFO’s view, investing time in awareness raising and early support has been worthwhile – in terms of ‘…more astute answers to the questions asked … bids address the specifications better … and providers are collaborating more and building stronger partnerships’.

Elsewhere, close working with voluntary sector groups has helped inform and prepare the sector. Such approaches allow targeting towards the information needs of providers in the sector, and have allowed common concerns over monitoring requirements, payments and eligibility criteria to be discussed.

As collaboration between CFOs has increased on a sectoral and regional basis, many have taken the opportunity to build on the development of common prospectuses to include **common tendering rounds and timetables**.
However, one of the emerging challenges accompanying more co-ordinated and regional approaches is the **regional mapping of potential provision**. CFOs recognised the concerns of their stakeholders and providers that intelligence on local provider stock could be missed. However, without specific regional mechanisms being in place, CFOs involved in regional contracting rounds were less convinced that potential provider coverage was as extensive as in their own areas.

### 4.3.2 Application and appraisal processes

While the influence of the case study CFOs’ application and appraisal processes on delivery standards was explored in the previous chapter, these processes were also influential on provider access.

One of the steps taken was the use of Expressions of Interest (EoI) or Pre-Qualification Questionnaires (PQQs), the strengths and weaknesses of which were described previously, as a means of reducing the bureaucracy and administrative efforts for providers. For the most part, providers recognised and welcomed other approaches to reduce efforts in applying to CFOs, including the:

- **overall reduction in bureaucracy** associated with applying for Objective 3 funding compared to direct bidding;

- **more recent development of increasingly simplified and (amongst LSCs) common application forms and guidance materials** – which were considered a key improvement by the majority of providers over initial CFO practice;

- **development of common plans and prospectuses** – between LSCs and, in one case, between CFOs at the regional level, as a means of providing a single overview of potential opportunities and outlining strategic direction.

However, not all providers considered that the bureaucracy associated with applying for co-financed funding had reduced, with some considering it to have increased. In the majority of cases this was due to the requirements for new LSC providers to provide evidence of their capability to deliver as part of the initial application process. While practice was becoming more flexible around the detail of information requested prior to applications being successful, a tension remains for all CFOs around evidencing provider capacity and delivery standards and the need to minimise bureaucracy.

### 4.3.3 Support and preparation for delivery

While CFOs offered support with bid preparation as part of their awareness raising and communication activities, this was often extended to include support before and during delivery where appropriate. Technical Assistance funds were often used here, and a range of direct or contractual models used for delivery.

Amongst the case study CFOs, LSCs were the most likely to offer formalised assistance through their ‘new provider’ support programmes. In the case of Jobcentre Plus, no such ‘formalised’ approaches were in place, and the availability,
coverage and content of any preparatory and pre-delivery support offered varied between areas.

The LSC new provider programmes were found to have a common core of services, with a common objective of ensuring providers reached the required standards for provision under co-financing. As such, a range of areas were explored, from learner health and safety, the provider’s use of ICT, their equal opportunities policies and wider quality measures. Some flexibility was identified between the LSCs in terms of when delivery was allowed to commence – in one, no delivery was allowed before all the criteria had been met, while in another, delivery could commence on a limited basis providing certain ‘minimum thresholds’ had been met.

Examples of the approaches followed by the case study LSCs to support new and existing providers are shown below.

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**LSC provider support programmes**

In Region 1 the case study LSC’s new provider programme provides support prior to, at the start of and throughout, the delivery cycle. The nature of support offered is based on applicants’ responses to questions on service delivery and organisational capacity on the CFO’s application form, which can lead to the development of a funded action plan for the first six months of the contract period. These action plans may include steps to help providers prior to the start of delivery, although delivery may commence on a restricted scale before the appropriate standards are reached. A key determinant in whether a provider will receive support is their potential to improve, which can count against very small organisations where the capacity for development would be limited. So far, each provider receiving support has reached the targets set in their development plans.

More widely, support offered after the start of full delivery focuses on help with data collection and reporting, and is delivered through visits by CFO staff. The CFO has an internal ESF team as well as a team of contract managers, with the ESF team providing specialist support if needed. They have found that support with data collection intensifies as contracts approach completion, and seminars are provided for contract managers to enable them to brief their providers. The CFO described the main issues facing them at this stage to be around data quality of data and the availability and quality of any evidence provided. This element of support is also considered to have worked well, with each of the dossiers closed at the end of 2004 all meeting the Government Office standards.

Continued
In Region 5 the support structures are available for both new and existing providers, via referral through individual contract managers. If new to the LSC, the provider enters the new provider development programme, which was previously funded with LID monies but is now supported by Technical Assistance and delivered for the LSC by a private provider.

The provider development programme engages once providers’ applications have been successful, although potential providers are supported through their local management network also with ESF funding. The development programme consists of workshops around the Adult Learning Inspectorate (ALI) and Common Inspection Framework (CIF), and so far has been accessed by around 40 per cent of all their co-financing providers.

In Region 4 a specific programme has been developed by the LSC to support the development of capacity amongst voluntary and community sector providers. It currently supports 34 voluntary organisations in the area to undertake benchmarking and capability analyses. While the LSC application form sets out their quality requirements, the LSC has followed a flexible approach rather than inflicting detailed quality checks.

The programme, and the questions it poses, are seen more as ‘a tool for capacity building rather than for selection to co-financing’, although the LSC recognises the need for a ‘cut-off’ time by which time providers must meet the required standards.

While providers and stakeholders welcomed the continuation of support for new and previous providers under co-financing, several commented on the absence of the resources dedicated to capacity development that had featured in the previous programming round. In some cases, individuals considered that support focused more on the capacity to deliver under co-financing than to deliver quality provision per se, although others described accessing support with a wider focus from other LSC and RDA contracts.

4.4 Impact on the provider base

The absence of data on the make-up of Objective 3 providers pre- and post-co-financing makes any robust assessment of the impact on the provider base in the case study regions challenging. Views on potential impacts varied by respondent, although both CFO and Government Office representatives expected to see a degree of ‘churn’ in participating providers to accompany any steps to raise standards. The voluntary and community sector representatives’ views varied by region – from the sector being considered to have increased their involvement in ESF in Region 5 to a marked decline in Region 4. There was a more commonly held view that smaller, local voluntary and community sector organisations faced challenges in successfully securing funding and delivering under co-financing for reasons of scale, while larger bodies and national organisations had the potential to be more successful.
It was possible to establish, on an anecdotal basis, that co-financing has led to a **widening of the range of providers used by the case study CFOs** – although the extent to which these providers were new to ESF was not clear. A review of contract data undertaken by Jobcentre Plus in 2003 suggested that 40 per cent of their co-finance providers were new to them, and in one of the more rural case study regions, for example, both the LSC and the Jobcentre Plus CFOs also described a significant diversification of their provider bases:

- The Jobcentre Plus CFO considered around 50 per cent of their current ESF providers were new to them – considered a particular benefit given the comparatively low numbers of suppliers in the region.

- The LSC similarly described working with a significantly increased range of providers – not having worked with approximately 40 per cent of their co-financing providers previously.

Where new providers were identified amongst LSC and Jobcentre Plus CFOs, they were commonly engaged to work with the more challenging target groups – which might include individuals with severe disabilities, mental health issues, the severely disaffected or disengaged from education, learning and work or individuals with drug and alcohol problems. These providers were most commonly reported to be smaller, voluntary and community/charity or private sector providers, who operated in more specialist areas and were recruited to work with target groups previously less explicitly targeted by the CFOs in question.

In a small number of cases, the requirement for specialist services had attracted new providers into an area. In Region 1 the local authority CFO described how their focus on individuals with severe disabilities had led to two new providers entering, and enriching the provider base in a particularly specialist area. One of the providers, a national charity, described how securing their co-financing contract had enabled them to establish a local presence, and they were exploring further contracting opportunities with other agencies in the area.

Finally, examples were identified of existing providers extending or enhancing their services to work with new target groups. In Region 2, for example, FE and specialist provision had been enhanced with co-financing support to develop specific outreach capacity:

- An FE college developed a community engagement team to establish and implement an information, advice and guidance service delivered on an outreach basis, to target individuals disengaged from learning (particularly travellers and individuals with mental health issues). The college considered that such provision would not have been affordable without European Social Fund (ESF) support, and that it had ‘allowed the college to focus on more than just delivering courses’.
• In a second case, co-financing funds allowed the services of a specialist provider working with people with drug and alcohol problems to incorporate progression to training and education into their offer, as the first steps to a return to employment. This involved recruiting a team of specialist trainers, who were also able to make links with mainstream providers and advocate their clients’ cases. This was considered to add real value to the provision, and motivated both clients and staff by supporting forward progression.

4.5 Barriers to provider participation

While CFO attentions correctly focused on ensuring the most appropriate providers were recruited to deliver the services in their specifications, there was a broad acknowledgement that the co-financing mechanism can potentially present barriers to participation amongst smaller providers – in both the private and voluntary and community sectors.

The extent to which these barriers have led to reduced provider participation is impossible to quantify, although examples were identified in the case study fieldwork and many of the case study CFOs had taken steps to mitigate against them. The key potential barriers to participation included:

• **Actual and perceived risks associated with output/outcome related payments** – where provider payments are based on beneficiary achievement against the outcomes expected in individual contracts. Such risks apply to all providers, and must be viewed in the context of the positive effects of linking outcomes to payments described previously. However, the implications of under-performance will inevitably be greater for smaller providers, notably those working with more challenging beneficiary groups where the risk of drop-out and non-achievement are greatest.

• **The actual and perceived scale of bureaucracy associated with working under ESF** – even without the need to secure match funding, the level of bureaucracy associated with monitoring requirements was commonly raised by the active and inactive providers interviewed. Again, this should be viewed against the potential to improve delivery via increased monitoring activities, and the existing monitoring requirements associated with ESF under both direct bid and co-financing regimes.

• **The tendency towards larger scale contracts** – and the reduction of opportunities for smaller providers to participate as sole contractors, due to delivery capacity or the ability to meet monitoring/audit requirements.

• **Provider perceptions of co-financing** – in some cases provider perceptions of co-financing could themselves act as a barrier to participation, and may be based on experiences of the mechanism in its early stages. For example, one of the niche providers interviewed did not know that their local LSC now allowed ‘softer’ outcomes to trigger payment, after the rejection of an early application on the basis of the outcomes they offered.
In recognising these potential barriers, the case study CFOs had taken a number of steps to reduce potential barriers and balance the potential negative aspects of measures to improve delivery quality and achievement. These included:

- **Being more flexible in terms of the outcomes required under their contracts** – in particular with a view of what was ‘achievable’ for particular target groups and the nature and scheduling of appropriate outcomes. As one Jobcentre Plus interviewee described, for some clients, getting up, washed and arriving at a training provider on time represents an achievement. While soft outcomes may be recorded on a stencil, they are not then reported further as they do not form part of national ESF monitoring requirements. Elsewhere, in both Jobcentre Plus and LSC CFOs, the pattern was for ‘softer’ outcomes, such as progression rather than the achievement of ‘hard’ outcomes such as employment or qualifications achieved, to be introduced. Few formalised approaches to measuring ‘distance travelled’ – in terms of measuring achievements against a set baseline – were identified amongst the case study CFOs, and such formalised approaches were the exception rather than the rule.

### Soft outcomes

A local authority CFO in one of the case study areas made specific reference to the collection of soft outcomes where appropriate, in their prospectus documents. Where they were to be collected, potential providers were required to describe how any soft outcomes would be identified and evidenced in their applications. The authority suggested potentially appropriate measures and measurement approaches, including:

- **Goal-oriented progression** – such as participation in a training event, levels of attendance at work or writing a CV. These should be measured by initial action planning and goal-setting activities to provide a baseline, and records kept of subsequent reviews of progress against plan.

- **Attitudinal progress** – such as improved motivation and self-confidence. This should ideally be measured through multiple choice questionnaires delivered on induction to set a baseline, and on exit to provide an assessment of progress. Providers were encouraged to develop suitable assessment tools themselves, although the authority had a model which could be used if required.

- **The active encouragement of partnership or consortia approaches** – which enabled smaller and voluntary and community sector providers to participate in larger scale co-financed contracts, in recognition of their potential to provide specialist inputs and extend reach.
• **Offering smaller, more specifically focused contracts** – in parallel with encouraging participation in consortia, to allow smaller providers to participate. Examples of such efforts were increasingly identified amongst the LSC CFOs in particular, as part of approaches to engage with the more challenging target groups.

• **Continued efforts to reduce the level of bureaucracy associated with participation** – where possible by streamlining monitoring procedures and ensuring fitness for purpose, while continuing to ensure accountability, compliance with ESF audit requirements and that processes met CFOs’ own organisational requirements.

• **Continuing to promote co-financing opportunities widely** – in order to attract new and niche providers and those who might otherwise not be aware of, or considered applying for, co-financing contracts. As described earlier, advertising contract opportunities widely, and particularly in collaboration with voluntary and community sector regional groups, was considered helpful in this regard.

Having examined the steps taken by CFOs to ensure they are engaging with the most appropriate providers, the following chapter examines the influence of the co-financing mechanism of beneficiary access.
5 Access and targeting – beneficiaries

5.1 Introduction

The chapter examines the influence of the co-financing mechanism on the range of beneficiaries targeted by the case study co-financing organisations (CFOs) and their providers. In most cases, limited performance data on the number and type of beneficiaries targeted precluded a quantitative assessment of performance. However, the CFOs’ most recent plans were reviewed to illustrate coverage by target group, and illustrate the ways in which participation in co-financing had supported provision to them.

5.2 Beneficiary coverage – latest co-financing plans

The most recent co-financing plans for the case study CFOs (2004/05 to 2006/07) were reviewed to identify their coverage in terms of Policy Field and Measure, with the findings being described in Chapter 6. Table 5.1 illustrates the main Policy Fields covered and the headline beneficiary groups targeted by CFO types.
### Table 5.1 Coverage by Policy Field/target group by CFO type, case study CFOs

<table>
<thead>
<tr>
<th>Policy Fields</th>
<th>Title and broad target groups</th>
<th>Jobcentre Plus</th>
<th>LSC</th>
<th>Local authority</th>
<th>RDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Active labour market policies – unemployed individuals (including long-term)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Equal opportunities and social inclusion – individuals facing a range of labour market challenges, singly or multiply</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Lifelong learning – individuals facing a range of labour market challenges, and employees in SMEs</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Adaptability and entrepreneurship – employers and workers, and organisations undertaking research</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Improving the participation of women in the labour market – women and employers, and organisations undertaking research</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

More detail of the intended beneficiary types targeted, and the ways in which co-financed resources were enabling the CFOs to engage with them, is set out below.

#### 5.2.1 Jobcentre Plus CFOs

**Beneficiary coverage – Jobcentre Plus CFOs**

The four Jobcentre Plus CFOs were targeting a range of specific beneficiary groups in their most recent co-financing plans, most frequently:

- The long and short-term unemployed – and those at risk of becoming long-term unemployed – in some cases specifically targeting the newly unemployed and those aged 50 and over.
- People recently redundant or threatened with redundancy.
- People with a range of physical, sensory and learning disabilities, and individuals with mental health problems.
- People from ethnic minority communities, refugees and asylum seekers.
- Offenders and ex-offenders, and individuals with substance abuse issues.
- People with numeracy/literacy problems and poor basic and employability skills.

Continued
The economically inactive/those not currently engaged with Jobcentre Plus and capable of work – such as lone parents, home carers or individuals claiming Incapacity Benefit.

Unemployed individuals seeking to become self-employed.

The Jobcentre Plus CFOs described how co-financed provision had enabled them to enhance existing mainstream services and work with new target groups. Most commonly, co-financing had allowed them to work with a range of potential clients they had not been able to specifically target previously, such as individuals with pre-basic skills needs, disabilities and those in receipt of Incapacity Benefit.

Co-financed provision had also allowed Jobcentre Plus CFOs to extend the target groups they were able to work with by filling ‘gaps’ in eligibility for mainstream programmes. For example, where the eligibility requirements for the New Deal programme meant that clients would normally need to be unemployed for six months or more, co-financed provision allowed participation from the point of unemployment.

Support to move people facing profound or multiple disadvantages or who required significant additional support towards mainstream services was considered a particular benefit in case study Region 3, where co-financing was allowing Jobcentre Plus to do ‘more than the mainstream’. The ability to precisely specify the services required, and who they would be directed towards led, in their view, to provision which could be delivered more flexibly and on a timescale driven by individual need. This had allowed services such as preparatory training for individuals who would normally be ‘frightened off by full-time programmes’ to re-engage with work-focused training. Currently, their target groups included refugees, people with disabilities, learning difficulties and mental health problems. The interviewee also considered that the output focus of co-financed provision could be beneficial, allowing beneficiaries to observe their own progress, which could motivate them to progress further.

In Region 1 the Jobcentre Plus interviewees considered that their experience under co-financing had helped prepare them to work with new target groups in advance of national policy directions. Offering practical experience of delivery to these new groups in advance of changes to mainstream services had given them and their providers invaluable experience, as well as resulting in more effective and effectively delivered services for clients. Their latest co-financing plan has actively sought to fill gaps in provision identified in the Regional Development Plan (RDP), specifically for ex-offenders, Incapacity Benefit clients and individuals with mental health issues. In addition, the European Social Fund (ESF) supports their work with newly unemployed individuals, and, as the interviewees described, allowed them to intervene earlier with the 30 to 40 per cent of beneficiaries who are likely to remain unemployed at 13 weeks. They have also been able to support provision for individuals who lack the skills and confidence to use Jobpoints, as part of wider preparatory/work-finding skills courses.
In Region 5 co-financing had also extended the range of available provision, including supporting work with young people aged between 16 and 18, although their focus is firmly on those aged 18 plus. In the latest tendering round they had also specifically targeted individuals in receipt of Incapacity Benefit, as a response both to the Objective 3 Mid-Term Evaluation and national policy priorities.

Finally, Jobcentre Plus in Region 4 described how they had been able to offer elements of follow-up support to their clients when they are referred onto other mainstream provision. They had contracted with the Royal National Institute for the Deaf to support former beneficiaries (and the providers they progressed to) with hearing difficulties.

5.2.2 LSC CFOs

**Beneficiary coverage – Case study LSCs**

The LSC CFO plans described targeting both individual and employed learners, as summarised below:

- Individuals with basic skills needs or with redundant or limiting skills.
- Individuals disaffected and disengaged with education and training.
- Individuals seeking to return to work.
- Young people not in employment, education and training (the NEET group) – including pre-NEET provision for those at most disadvantage.
- Individuals with a range of barriers to learning and employment – including individuals with physical, sensory and learning disabilities, ex-offenders, lone parents, those with severe literacy/numeracy problems and substance abusers.
- Employed workers in Small and Medium Sized Enterprises (SMEs) requiring basic or entry level skills.
- Employed workers in SMEs requiring intermediate level skills – requiring training to Level 2, and to support those working in a range of sectors including childcare, tourism and engineering, and those requiring support to progress from Level 2 to Level 3.
- Employed workers requiring higher level skills – such as management development training.
- Women working in SMEs – to raise skills, providing networking opportunities and providing positive role models, and to promote female employment in non-traditional work areas.

As with the Jobcentre Plus CFOs, the LSCs considered that co-financing had also allowed them to work beyond their mainstream services, fund a wider range of
provision and support different types of learner, while contributing to their strategic aims and targets. Co-financed provision had, in many cases, allowed gaps to be filled in provision, for example, around the provision of training on a regional or sub-regional basis for employees with Level 2 training needs, often through supporting the national Employer Training Pilot programme—and supporting the competitiveness elements of the RDP in their regions.

In terms of working with individual beneficiaries outside the workforce, co-financing was supporting approaches to engaging learners from disadvantaged backgrounds and communities, which mainstream programmes are unable to reach. Co-financing funding was being used to increase and enhance provision for the NEET group of young people—through both Entry to Employment (E2E) and pre-E2E provision for those where preparatory support was required. Co-financing also supported the Skills for Life programme, targeting adults with literacy, numeracy and language skill needs, as well as in one case providing support for trainer development. In another case, the LSC were certain that ESF provision had resulted in improvements in the performance of mainstream programmes, such as E2E, in improving take up, retention and performance. They acknowledged, however, the difficulty of trying to isolate the ‘ESF’ effect from other factors which were likely to have contributed to improved programme performance. Some other limited local evaluation evidence was also found which illustrated how ESF provision, which, on the face of it, looked similar to mainstream provision, had succeeded in attracting more beneficiaries in ESF target groups than what could be described as equivalent mainstream provision.

Similarly, many of the LSCs described how co-financing was supporting progression for individuals at most distance from the labour market, building on initial or pre-mainstream provision. For example:

- In Region 3 co-financing resources were being used to offers more flexible provision and additional support to young people, through ‘gateway’ projects offering support for the hardest to reach and those not able to access E2E. The LSC were targeting ‘hard to reach’ groups, specifically young mothers, disaffected 13 to 17 year olds and those excluded from school.

- In Region 4 one of the LSCs described targeting young people in particularly disadvantaged parts of the city, especially those from the black and minority ethnic community, to re-engage with learning.

- In Region 1 the focus was very much on learner progression, particularly with the NEET group, with NEET and pre-NEET provision being the focus of a recent cross-regional LSC plan.
5.2.3 Local authority CFOs

Beneficiary Coverage – Local authority CFOs

The two local authority CFOs targeted different client groups under Policy Fields 1 and 2:

Region 1 – the local authority plan focused on individuals with disabilities, to promote equal opportunities and remove barriers to employment for individuals with physical, sensory and learning disabilities and those with mental health problems. The authority also targeted unemployed carers (under each Policy Field and female carers under 5.1).

Region 3 – here, the local authority plan described targeting individuals at the margins of the labour market, including:

- individuals from ethnic minority communities, and refugees and asylum seekers;
- individuals with disabilities or long-term limiting illnesses;
- substance abusers;
- the unemployed disengaged from, or facing specific barriers to, work;
- older workers;
- economically inactive individuals;
- young people.

In both of the local authority case study CFOs, ESF resources were used to continue and expand work with their target groups, utilising match funding which included contributions from local authority resources. In Region 1, co-financed funding was used to continue to support the authority’s contribution to the Joint Investment Plan Welfare to Work agenda, by promoting ‘joined up services’ to support individuals with disabilities to move towards employment and address a shortage of supported employment projects.

In Region 3 the CFO plan followed a particularly targeted approach focusing on beneficiaries living in areas with the highest levels of disadvantage, unemployment and economic inactivity, and where co-financed resources could add most value through supporting existing regeneration efforts and partnerships. In terms of specific beneficiary groups, the plan described targeting individuals from ethnic minority communities, individuals with disabilities or long-term limiting illnesses, refugees and asylum seekers, substance abusers, the unemployed, older workers, economically inactive individuals and young people.
5.2.4 Regional Development Agency CFOs

Beneficiary coverage – Regional Development Agency (RDA) CFOs

The two local authority CFOs targeted different client groups under Policy Fields 3, 4 and 5:

In Region 2:

Under Policy Field 4 – projects to target:

- SMEs and their employees, particularly – in the aerospace, automotive, marine, advanced engineering, creative/media and tourism sectors.
- Female and black and minority ethnic managers/team leaders in the care, construction, advanced manufacturing and voluntary and community sectors.
- Individuals in disadvantaged areas starting new businesses/community enterprises.
- Policy makers, partners and businesses in the region – research projects.

Under Policy Field 5 – research into and actions to target gender discrimination.

In Region 5:

Under Policy Field 3:

- Professional interpreters – to work with incoming and seasonal workers whose first language is not English.
- The community development sector – through a regional leadership programme.
- Farmers and others in rural industries – to upgrading skill levels.

Under Policy Field 4:

- The voluntary and community sector – through capacity development programme.
- Support to key sectors, including biosciences and the food and drink sector, through forums to raise awareness and participation in skills development and training.
- Develop an integrated business start-up offer, and networking/good practice development in enterprise support.

Under 5.1:

- Female entrepreneurs – by developing and improving existing start up support for women, and encouraging entrepreneurship more widely.
As would be expected from their competitiveness remit, the RDA CFOs targeted employers and the employed workforce to support skills and the development of specific industrial sectors. In Region 2, the emphasis of the RDA’s work was on testing and demonstrating approaches that can be taken forward for mainstreaming. Their co-financing resources had been used flexibly to complement and strengthen existing activities, enable new activity to be trialled, and provide access to new audiences. Examples of this approach included:

- supporting activities around lean manufacturing with shop floor staff, which identified potential to extend the concept to cover skills beyond technician level, and include back office functions. Co-financing resources were used to undertake pilot work to inform the development of the regional manufacturing advisory service;

- trialling new activity – co-financing resources allowed the RDA to explore approaches towards supporting social enterprise, and supported its inclusion in the RDAs 2005/07 Corporate Plan and the allocation of mainstream resources;

- engaging the voluntary and community sector – a co-financed leadership programme has provided a vehicle for the RDA to support organisations from the voluntary and community sector, where previous attempts to engage them in leadership activity had been unsuccessful.

5.3 Targeting the hard to reach

As the previous section described, the case study CFOs were both planning and actively engaging with a wide range of beneficiary target groups, with differences in emphasis between them based on the Policy Fields and Measures covered and their own specific objectives. Both the LSC and Jobcentre Plus CFOs had increasingly focused their attentions on the more challenging and ‘hard to reach’ target groups – including individuals facing single or multiple disadvantages to labour market participation, and those disengaged from education, training and the labour market.

The challenges of working effectively with these groups are well known, and previous ESF programmes have provided many lessons on approaches which can be effective with beneficiaries with different needs and in different circumstances. Recruiting providers with the necessary experience to engage and work effectively with more challenging and ‘specialist’ target groups, as the previous chapter suggested, is central to ensuring beneficiary needs are met. While this does not necessarily mean that work with these groups should be restricted to smaller providers or organisations in particular sectors, it is widely acknowledged (and supported by the qualitative interviews undertaken for this study) that in many cases, small, locally focused non-statutory organisations can play a vital, and often unique, role in beneficiary engagement.
The previous chapter described a series of potential barriers to provider participation under co-financing, with the potential to influence smaller providers who, in many cases, may be well placed to work with more challenging client groups. Potentially, the increased focus on beneficiary outcomes risks dissuading providers from participating in co-financed contracts, where outcome types and targets are not considered to be realistic or within the capabilities of the proposed target groups – a concern echoed amongst the smaller providers interviewed.

The case study CFOs either had taken, or are taking, steps to mitigate against such risks, with good practice including:

- **establishing outcomes which are achievable** for the target groups selected – both in terms of their nature and to allow for potentially drop-out and non-completion rates;

- **producing more directed tender specifications** – which specifically detail the characteristics and numbers of beneficiaries to be targeted, as well as the nature of the outcomes expected;

- **ensuring tenders are based on relevant and timely population/labour market information** – to ensure that the scale of delivery proposed is achievable, in terms of the numbers of beneficiaries in a target area combined with an assessment of their potential to engage;

- **considering the nature of the most appropriate organisations** to work with the proposed target groups – and ensuring that such organisations are made aware of opportunities to bid, and that contract size does not become a barrier to their participation.

The above elements have been central to the approaches followed by a number of the case study CFOs from the outset – for example in Region 3 where the local authority was able to build on its considerable experience of both working with ESF and with its providers and communities to work with particularly disadvantaged groups. As experience of, and familiarity with, using ESF to work with more challenging target groups varied across the LSC and Jobcentre Plus staff interviewed, some CFOs had faced a steep learning curve which accompanied the introduction of the co-financing mechanism. Some of the steps increasingly being taken included:

- rebalancing the emphasis between securing ‘hard’ outcomes (such as entering employment or achieving a formal qualification) and other indicators of achievement (mainly based on individual progression, but also including completing programmes for some clients);

- using variable start to completion or outcome ratios – frequently below those that would be expected for other client groups, to allow for potentially higher drop-out rates.
6 Coherence and contribution

6.1 Introduction

This chapter examines the extent to which the co-financing mechanism has influenced the degree of coherence with, and contribution to, local, regional and national policy aims, and against the objectives set out in the Regional Development Plans (RDPs). It also examines the extent to which the co-financing regime has led to increased collaboration in the delivery of the European Social Fund (ESF) on a strategic basis – one of the key aims of the mechanism at its inception.

6.2 Strategic reference points

The RDPs remained the ultimate reference point for co-financing organisation (CFO) plans in each of the case study areas, with CFO services being aligned with the frameworks they provide and strategic fit being ensured through the role of Government Offices in approving CFO plans. However, as identified in the second evaluation of co-financing in 2003, the initial RDPs were not considered to be uniformly able to provide the level of detail required to inform sub-regional planning.

The Government Offices in the case study regions recognised some of these shortcomings, and the challenges in seeking to use ESF on an increasingly strategic basis against RDPs developed from national templates with specific targets and headings that were not always most appropriate locally. In updating the RDPs, the Government Offices had sought to draw upon a range of regional and sub-regional strategic documents, as well as the findings from the Mid-Term Evaluation of Objective 3 and the findings and recommendations therein.

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These additional regional or sub-regional strategic documents were also influential in framing the case study CFO plans – and had become an increasing influence on provision since the previous evaluation. While the most recent Jobcentre Plus plans referred to RDPs and Jobcentre Plus national policy, other regional level strategies such as Regional Economic Strategies (RES) and Frameworks for Regional Employment and Skills Action (FRESAs), and the activities of Regional and Local Skills Partnerships, were commonly referred to in Learning and Skills Council (LSC) and Regional Development Agency (RDA) plans. In the case of the two local authority CFOs, regional strategic documents were paralleled with reference to more local or sectoral strategies, as appropriate to their constituent areas.

An LSC in Region 2 described how their main single reference point was a regionally established statement of priorities, which their co-financing plans had to fit within alongside the RDP, RES and other local documents. Their co-financing plan sought to bridge the gap between the statement of priorities (which is about the LSC meeting national targets) and the RDP (which is about ESF and the needs of the region). In Region 3, the local authority CFO had drawn on a particularly detailed analysis of the core needs of their area, which provided a detailed description of the issues facing it.

The findings of the Objective 3 Mid-Term Evaluation, communicated through the revised RDPs, had also been influential on the more recent CFO plans. This most commonly took the form of specifications for groups to be targeted, including the economically inactive, individuals aged 25 and above, lone parents, alcohol and drug abusers and other individuals facing multiple labour market disadvantages.

6.3 Coverage and contribution by Policy Field

As part of the current study, the most recent co-financing plans for the case study CFOs were reviewed to identify their coverage in terms of Policy Field and Measure. The second evaluation of co-financing found expected differences in coverage by Policy Fields between LSC, Jobcentre Plus and other CFOs – with LSCs tending to cover a wider range of Policy Fields than their counterparts.

This was reflected in the most recent (2004 on) co-financing plans in the case study areas – with coverage by Policy Field and Measure being summarised in Table 6.1.
### Table 6.1 Coverage by Policy Field and Measure, case study CFOs

<table>
<thead>
<tr>
<th>Region</th>
<th>Jobcentre Plus</th>
<th>LSC</th>
<th>Local authority</th>
<th>RDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.1, 1.2, 2.1, 2.2</td>
<td>2.1, 2.2, 3.1, 3.2, 4.1, 4.2, 5.1</td>
<td>1.1, 1.2, 2.2, 3.2</td>
<td>2.3, 5.1</td>
</tr>
<tr>
<td>2</td>
<td>Both LSCs – 1.2, 2.1, 2.2, 3.1, 3.2, 4.1, 4.2, 5.1</td>
<td></td>
<td></td>
<td>4.2, 4.3, 5.2</td>
</tr>
<tr>
<td>3</td>
<td>1.1, 1.2, 2.2, 4.3</td>
<td>1.1, 1.2, 2.1, 2.2, 3.1, 3.2, 4.1, 4.2, 4.3, 5.1</td>
<td>1.1, 1.2, 2.1, 2.2</td>
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</tr>
<tr>
<td>4</td>
<td>1.1, 1.2, 2.2, 4.3</td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>LSC 2 – 1.1, 1.2, 2.1, 2.2, 3.1, 3.2, 4.1, 4.2, 5.1</td>
<td></td>
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<tr>
<td>5</td>
<td>1.1, 1.2</td>
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<td>3.1, 3.2, 4.1, 4.2, 4.3, 5.1</td>
<td></td>
</tr>
</tbody>
</table>

As the table shows, the LSC CFOs continued to cover a wider range of Policy Fields and Measures than their counterparts – with five of the seven case study LSCs targeting each of the five Policy Fields. Conversely, the Jobcentre Plus, RDA and local authority CFOs restricted their activities to two or three Policy Fields. This picture reflects that found nationally, with LSC CFO activities covering a wide range of Policy Fields while Jobcentre Plus activity tended to be concentrated in Policy Fields 1 and 2.

When financial allocations were ranked for each CFO by Policy Field and Measure, it appeared that:

- **The LSCs** were commonly concentrating expenditure in Policy Field 3 (Lifelong Learning) – with Measure 1 (widening access and participation) being ranked highest in all but one case, followed by Measure 3.2 (improving employability of those in work through lifelong learning). Outside Lifelong Learning, Policy Fields 4 (Adaptability and Entrepreneurship) and 2 (Equal Opportunities and Social Inclusion) were ranked highest in terms of expenditure.

- **The four Jobcentre Plus** CFOs concentrated on Policy Fields 1 (Active Labour Market Policies) and 2 (Equal Opportunities and Social Inclusion). Policy Field/Measure 1.2 (improving employability amongst the unemployed, returners and young people) received the largest allocation in each case, followed by 2.2 (improving employability and removing barriers for those at disadvantage in the labour market). Two of the Jobcentre Plus CFOs also targeted Policy Field/Measure 4.3 (encouraging individual entrepreneurship), in both cases to support business start-ups/self-employment for unemployed individuals, although this received the lowest share of funding.
• The two local authorities focused their attentions in Policy Fields 1 and 2, although their focus by Measure and in terms of target groups differed:
  – In Region 1, the local authority focused on people with disabilities who are disadvantaged in the labour market, with an emphasis on activities under Policy Field/Measure 2.2. They also planned to support activity under 5.1 (to remove barriers to employment for women) to support unemployed carers towards employment.
  – In Region 3, resources were fairly evenly distributed between Policy Field/Measures 1.2, 2.1 and 2.2, and focused on supporting the regeneration of particularly deprived areas of a large city and assisting their residents towards, and into, employment.

• The two RDAs both focused on Policy Field 4 (Adaptability and Entrepreneurship – as would be expected given their competitiveness remit) and to a lesser extent, 5 (Improving the Participation of Women in the Labour Market). In Region 5, the RDA sought to increase the level of female entrepreneurship and the support available to them, while the RDA in Region 2 supported research into discrimination in the workplace. In Region 5, the RDA also targeted Policy Field 3, for a range of activities including interpreter training, supporting the employment of disabled individuals and developing regional leadership learning programmes.

As the table shows, examples of activity under Policy Field 5 were identified amongst the LSC, local authority and RDA CFOs. However, actions specifically targeting and seeking to influence the participation of women in the labour market were also identified outside Policy Field 5. These included, under Policy Field 4, steps to stimulate and support female entrepreneurship, and less directly, under Policy Field 2, in working with carers and lone parents who were predominantly female.

6.4 CFO co-ordination and collaboration

The most recent co-financing plans, and the planning processes that underpinned them, benefited from an increased degree of collaborative working between CFOs and their wider stakeholder groups. In the view of all five case study Government Offices, their CFOs had made considerable progress in terms of joint working and the establishment of collaborative approaches – and in their contribution to the strategic priorities of their regions – as summarised in the following examples.
Contribution to strategic priorities – Government office views

In Region 1, the Government Office representative considered that co-financing had had a significant impact on ESF planning and implementation at the regional level. Key factors included the establishment of collaborative planning between CFOs, improvements in the needs identification process and the way in which responses were developed and co-ordinated. Since their first plans, CFOs were considered to have become driven less by solely local needs and towards more of a structured, strategic approach. Key underpinning factors included the quality of relations between CFOs and the presence of experienced and knowledgeable staff.

In Region 5, an improved coherence with, and contribution to, regional strategic priorities over the direct bidding regime was noted – although it was acknowledged that this view was based on planning rather than performance in the absence of closure data. This improved contribution was considered to be due to:

- the influence of the Mid-Term Review and revised RDP – providing more up to date targets and labour market information, as well as responding to a more current policy picture;
- the ability to ‘sub-contract’ targets to the CFOs – whose sub-regional focus made them more able to identify needs and appropriate responses/providers;
- linking payments to outputs – to allow CFOs to control what they buy, and to provide the incentive to help ensure it is delivered;
- increased and regular dialogue about projects/contracts – which was not practicable under direct bidding, and allows their committee structures to identify issues as they arise and take appropriate steps.

The case study CFOs also reported operating on an increasingly collaborative basis – with several acknowledging that their attentions in the early stages of co-financing had centred on establishing their own processes and practices. In other cases, CFOs described operating on a collaborative basis from the outset, and how partnership-based approaches were central to their operations, as illustrated in the good practice example overleaf.
Collaborative approaches – good practice

In Region 3, the local authority CFO worked with beneficiaries from disadvantaged communities and other stakeholders to establish a coherent series of strategic interventions across employment zones in a city. The authority followed a ‘single pot’ approach to funding, using local authority monies, resources from national regeneration programmes (including the Single Regeneration Budget, New Deal for Communities, the Neighbourhood Renewal Fund) and funds from the RDA as match funding. This approach allowed potential beneficiaries who were ineligible for some domestic regeneration programmes to be reached, as well as adding value in combination with spatially targeted regeneration funding. Importantly, the ‘single pot’ approach also helped ensure the strategic focus of any investments as well as avoiding duplication and maximising added value.

6.4.1 Developments in collaboration

Most considered that there had been a move towards a more strategic and structured approach between CFOs (and other regional and sub-regional stakeholders) in each of the case study areas. Initial collaborative steps between the LSC CFOs included the harmonisation of documentation, such as application forms and guidance materials as described in Chapter 4, to improve access and reduce bureaucracy for potential providers. More strategically, developments reported since 2003 included:

• The **development of shared understandings** between CFOs – as a precursor to joint working, and based on the exchange of information, establishment of trust and dialogue on coverage on a Policy Field/Measure, target group or spatial basis. Here, the role of the Government Offices could be key in bringing CFOs together to allow them to understand their individual objectives and areas of interest, individuals to get to know each other and an environment of trust to be established.

Shared understandings between CFOs

In Region 2, the case study LSC and RDA CFOs described their involvement in co-financing having led to greater understandings between them. They were able to identify and discuss their respective roles and strategic direction, largely through attempts to stimulate increased regional thinking by the LSC around co-financing. As one interviewee described, the LSC/RDA relationship was now moving from a ‘shared understanding phase to a shared deployment of resources phase’.
• **Increasingly collaborative planning** between CFOs and wider stakeholders – including working jointly to avoid duplication and to support more effective resource targeting, and improving the needs identification process through the use of more detailed and finer grain labour market/demographic information. Here, increased reference to regional and sub-regional strategies, such as the RES and FRESA, allowed regional and local research to inform the direction and targeting of CFO plans, as well as the interpretation of national and organisational strategic priorities and links with mainstream services.

### Involving partners and stakeholders – tender appraisal process

The lead LSC in Region 4 established a strategic external appraisal panel in late 2003, and described it as ‘one of the best things we have done’ in partnership working and promoting transparency. While many of the case study CFOs routinely included other CFO representatives in their appraisal processes, the LSC now routinely involves their key external partners, including local authorities, voluntary and community umbrella groups, Connexions, the RDA, Business Link, Jobcentre Plus, and the heads of Objective 2 Action Plan partnerships.

The role of the panel is to consider the strategic fit of projects which have been appraised as reaching a certain scoring threshold. As well as reducing the risk of duplication and improving the overall quality of the appraisal process, their particularly inclusive practices have enabled their ESF partners to be involved in decision making and to bring them ‘inside the tent’.

• The establishment of regional lead CFOs, most commonly LSCs, to support initial joint working between their counterparts but increasingly facilitating and driving collaborative actions between LSCs, other CFOs and their wider partners and stakeholders. The wider roles of the lead CFOs included supporting the harmonisation of documents between LSCs, providing advice and supporting the exchange of information and good practice, and the management of collaborative activities at the sector and cross-sector levels within their regions. They also had the potential to inform stakeholders and the wider provider population both about co-financing opportunities and raise awareness of coverage and impacts, as described in the example overleaf.
Role of regional co-ordinators – Region 3

In Region 3, a co-ordinator was recruited by the regional co-financing steering group to work with all the CFOs in the region, and to develop networking and partnership working arrangements. Supported by technical assistance funding and based in the region’s lead LSC, this individual was highly valued and had been important in establishing and sustaining the well developed regional partnership approach. He also played a central role in identifying and exchanging best practice approaches, providing training to support the raising of standards and acting as a ‘third party friend’ to the region’s CFOs.

Amongst other roles, the co-ordinator took a lead on raising awareness of co-financing and communicating its achievements in the region. This included the establishment of a comprehensive and dynamic dataset to map co-financed activities by a range of variables, and illustrate their coverage and achievements (shown spatially via the Geographical Information System (GIS)) – which represented good practice in data collection and use amongst the case study CFOs. This information is collated and examples made available electronically and through presentations by the co-ordinator – which importantly show CFOs the value of the monitoring data they submit.

• The development of shared plans – one of the roles of the lead CFOs was in co-ordinating and managing the delivery (to differing degrees of balance between lead and ‘local’ LSCs) of regional ‘Measure level’ LSC plans. These allowed a concentration on a specific thematic or policy area, as well as supporting providers in attempts to work across regions, and could supplement or enhance each LSC’s own co-financing plans. Although planning for co-financing now routinely featured inputs from different CFOs in each region (as well as other regional and local stakeholders), in one recent example this had been formalised in a joint regional LSC and Jobcentre Plus plan.

Shared LSC and Jobcentre Plus plan

In Region 1, a joint co-financing plan had recently been developed between the region’s LSCs and Jobcentre Plus, as a response to the recommendations of the Mid Term Evaluation of Objective 3 (and revisions to the RDP) and the opportunity to use non-committed ESF to plug gaps in the RDP. Covering all five Policy Fields and with an ESF value of £15 million, the plan has a wide range of target groups including the unemployed, people facing redundancy, individuals in receipt of Incapacity Benefit or with physical or mental disabilities, substance abusers and ex-offenders, lone parents and refugees.

Continued
The plan has nine themes – four of which are to be delivered by Jobcentre Plus and five by the LSCs, as follows:

- **Jobcentre Plus** – engaging customers with the labour market, the provision of advice and guidance, support to remove labour market barriers and support with progression to employment.

- **LSCs** – information advice and guidance for the unemployed, Skills for Life training for public sector workers, vocational training for the Small and Medium Sized Enterprise (SME) workforce, a range of specific initiatives for employed individuals in different LSC areas and entrepreneurship and self-employment skills for women.

The plan was developed through close collaborative working between Jobcentre Plus districts and their LSC partners, to avoid potential duplication and identify specific services against sub-regional needs. At the time of interview, joint LSC/Jobcentre Plus workshops were being undertaken prior to providers submitting applications.

In one region a more formalised approach has recently been introduced to the relationship between the Government Office and the region’s CFOs, with clear responsibilities for each, as summarised below.

**Reviewing progress and formalising working arrangements – Region 4**

In spring 2004, meetings and workshops were held with stakeholders to review progress on co-financing in the region. The first meeting was preceded by telephone interviews with some 15 participants, to identify their views and highlight successes and challenges. The notes and the action plan resulting from the meeting indicate a high level of engagement and involvement. This workshop was followed by a meeting held three months later between the Government Office, the CFOs and others, including representatives of the ESF Division, to draw up an action plan and to allocate responsibilities for progressing each action.

One outcome of the review was the development of a formal ‘joint working agreement’ between the Government Office and the CFOs for the delivery of co-financing in the region. Running to eight pages of substantive content, the agreement took time to get to the stage where it could be agreed. This was partly to take account of improvements suggested by the various stakeholders, and partly because it has been necessary to secure agreement from each CFO at national level.

**Conclusion**
The agreement covers issues common to all CFOs concerned, for example consultation with stakeholders, developing prospectuses, and developing tendering specifications (with the Government Office ensuring these are compatible with the RDP). It also includes the right for the Government Office, in exceptional circumstances, to make certain requests, for example for CFOs to commission specific activities, follow appraisal and selection processes (including feedback arrangements for unsuccessful applicants), and ensure regular review of co-financing plans by CFOs and the regional partnership so priorities can be modified in the light of performance and emerging priorities.

The agreement also makes provision for the Government Office to support CFOs in the identification and dissemination of best practice, and ‘endeavouring to deliver a consistent approach to management processes wherever practicable’.

6.4.2 Key success factors for effective partnership and collaboration

Finally, a series of key success factors were identified for the promotion of effective partnerships and co-ordinating provision under co-financing, as summarised below.

**Key success factors for effective partnership and collaboration**

Key success factors identified across the case study regions included:

- Good working relationships between individual (and individuals in) CFOs – based on mutual understandings and trust, and a willingness to work jointly to consider individual objectives with regional and sub-regional strategies.

- The level of maturity of the regional infrastructure – including experience of planning and using ESF, and the will on the part of the CFOs to realise the benefits of co-ordination.

- Having a strong and highly experienced lead CFO to drive the collaboration process, with a skilled and consistent staffing complement.

- The use of external partnership facilitators where appropriate – to support development, and with the ability to act in an independent third party role.

- The frequency of meetings and networking between CFOs and partners – on both a formal and an informal basis, but with real purpose and including the sharing of lessons and exchange of good practice to add value.

- A supportive and informed Government Office and regional committee structures.

- Developing strategic partnerships which allowed stakeholders to participate in planning, commissioning and management of co-financed services.
7 Conclusions and recommendations

7.1 Introduction

This final chapter provides our conclusions and recommendations, based on the synthesis of the findings of the different stages of the study but drawing primarily on the case study fieldwork.

7.2 Conclusions

Following a challenging introductory period, co-financing has become embedded as the main mechanism for the allocation of the European Social Fund (ESF) under Objective 3 in England. Over time, and consecutive contracting rounds, the processes underpinning the implementation of co-financing have become more refined across the case study areas, with steps being taken to address many of the practical issues experienced initially.

The extent to which the co-financing mechanism has met its initial objectives of improving the co-ordination, strategic direction and targeting and overall effectiveness of ESF expenditure, remain unclear in the absence of comprehensive management information. It is only when a more comprehensive set of performance information, in the form of completed Project Closure Reports (PCRs), becomes available that robust conclusions can be drawn on the impact of co-financed ESF at the beneficiary level. While this is due to a large extent to timing, with comparatively few contracts having completed at the time of the study, there are questions over whether the current management information (MI) required centrally could fully capture the diversity of the outputs and outcomes achieved and the quality of provision underpinning them. Regions could consider the use of Technical Assistance funding as a tool for supporting data collection and analysis activities.

Given these constraints, the qualitative approach followed in this study and the focus on the steps taken to influence delivery standards, ensure provider and
beneficiary access and to promote strategic coherence and contribution serve to illustrate developments since 2003. It is important not to underestimate the scale of the challenges facing co-financing organisations (CFOs) from the outset and recognise their achievements over a comparatively short period of time – and the contribution made to date towards the objective of enhancing the strategic use of ESF.

The study identified the wide range of views held by providers, stakeholders and CFOs on the appropriateness, equity and effectiveness of the co-financing mechanism. It is clear that while considerable steps have been taken to standardise implementation, significant differences in practice remain between CFOs. While at the regional and, to some extent, national levels varying degrees of ‘sectoral harmonisation’ have been achieved and are welcomed, the ability to provide a common approach for providers will inevitably be influenced by different organisational structures and practices. While there will always be differences in the ways in which CFOs in different sectors operate, the next programme period offers the opportunity for broadening collaboration between different sectors in terms of planning delivery, avoiding duplication and maximising added value. The case study CFOs included one local authority where such an approach was followed effectively at the local level.

In terms of the specific thematic objectives of this study, our conclusions are that:

- **Delivery standards** – we consider that the standard of delivery under co-financing has been at least maintained or raised in the case study regions. Although evidence is limited at this time to the perceptions of CFOs, stakeholders and providers, and the influence of mechanisms such as CFO appraisal processes, application of standards, enhanced monitoring and the provision of pre- and post-application support, there was nothing to suggest that the most appropriate and able providers were not being engaged.

- **Provider access** – CFOs have taken considerable efforts to market to, and enable the involvement of, appropriate and able providers from a wide range of sectors and sizes. While also hampered by limited data on the scale of provider involvement by sector and size, we do, however, consider that smaller providers often face challenges in applying and delivering services under co-financing. While many examples were identified to the contrary across the case study regions, factors such as the requirement for outputs/outcomes as payment triggers, increased contract size, continued levels of bureaucracy and providers’ own perceptions can influence both their ability and willingness to participate. While the inclusion of smaller providers in partnership or consortia bids has been widely encouraged, data on participation via this route is particularly sparse, and it is unclear if this route is always an effective means of engagement.

- **Beneficiary access** – based mainly on CFO, stakeholder and provider perceptions, the study findings suggest that the targeting of beneficiaries under co-financing remains in line with the appropriate Regional Development Plans (RDPs) in the
case study regions. While Learning and Skills Council (LSC) and Jobcentre Plus CFOs, particularly in recent co-financing rounds and following new sectoral policy directions, had focused increasingly on harder to reach and more challenging target groups, for other CFOs, disadvantaged groups had been a key focus from the outset. However, we consider that without taking specific steps to counter, providers may be less willing to contract to work with the more challenging beneficiaries, if these groups remain a target group in the next programme period. While this is largely due to the increased focus on outcomes and associated risks, steps such as specifically directed tenders, the use of softer outcomes and smaller contracts (to reflect the nature of organisations often best placed to deliver) were identified amongst the case study CFOs.

- **Coherence and contribution** – while RDPs remain the main strategic reference points in the case study regions, the influence of subsequent regional and sub-regional strategies has increased. In addition, the agendas of the national CFOs have been influential in terms of targeting and direction; and although a key issue for many stakeholders, we consider these to be issues of emphasis rather to opposition to the RDPs. Most significantly, considerable progress has been made in some of the case study regions to promoting coherence and towards the truly strategic use of ESF – first on a sectoral level (between LSCs) but also in the form of cross-sectoral planning and proposal development. The move to more integrated, regional level planning does, however, raise issues and concerns around the potential dilution of local focus and impacts in terms of beneficiary coverage.

While developments in each of the thematic areas are positive, it is clear that they have not been achieved without cost in terms of the staffing inputs required. In each of the case study CFOs, the amount of effort, often at a senior level, required to foster working relationships and establish the necessary strategic links has been considerable. Similarly, efforts to raise standards and enhance monitoring practices have also relied on considerable ongoing inputs to both plan and implement. CFOs’ ability and willingness to continue to meet these requirements will be key in building on these developments in future, and organisational changes amongst both LSC and Jobcentre Plus CFOs will be important considerations.

Finally, the study identified that while overall the co-financing mechanism is increasingly seen as part of the ‘ESF landscape’ by providers and stakeholders, their views on its effectiveness and equity can still vary considerably. In some cases, these views are based on perceptions rather than reality, or on negative experiences of the early stages of the co-financing regime. However, the majority of the providers interviewed described the recognition and understanding of the benefits of co-financing’s benefits as well as the consequences for delivery under it.

Stakeholder views also varied, with key concerns being the emphasis on the organisational agendas and perceived mismatch with the fundamental objectives of ESF. It is clear that there remains a residual mistrust and suspicion surrounding the emphasis on the LSC sector in particular, but more broadly around
links with mainstream national programmes. While a key aim of co-financing was to promote alignment with, and contribution to, mainstream programmes, the case study CFOs were able to illustrate how ESF was adding value to these programmes. In order to counter any suspicion, CFOs should take continued steps to involve stakeholders and to illustrate the distribution and achievements of co-financed ESF to help achieve increased transparency and establish trust.

7.3 Recommendations and suggestions for consideration

Finally, we present a series of recommendations for the current programme round, and a series of suggestions for consideration for the next round, based on the findings of the research with the case study CFOs.

7.3.1 Recommendations for the current programme period

Our recommendations for the current programme period are based on the premise that any significant changes to the current co-financing regime prior to the next programming period are unlikely and could be potentially disruptive.

Recommendation 1 – CFOs should take steps to ensure the quality of PCRs from current contracts, so that achievements are captured and complete information on beneficiary characteristics collected. These include:

- adopting the approaches to PCR review, provider feedback and ‘zero tolerance’ to non-compliance approaches identified amongst the case study CFOs;

- following the good practice identified in terms of informing/reminding providers of their project completion responsibilities in advance (for example through awareness raising events and clear guidance), and providing additional support where necessary (with support from contract managers).

Recommendation 2 – If further contracting rounds are planned, CFOs should attempt where appropriate to base these on harmonised prospectuses, application and monitoring requirements where these are not in place already, insofar as practicable under the current regime.

Recommendation 3 – With a view to the next programming round, CFOs should take steps, or continue in their efforts to, communicate the achievements of co-financed activities across their local and regional stakeholder groups. Where limited understandings and negative perceptions of the co-financing mechanism remain, CFOs should seek to act through their increasingly co-ordinated structures to ensure that stakeholders and providers are informed of the successes resulting from their efforts. Through engaging in such dialogue CFOs, providers and their constituent beneficiaries stand to gain and the stage can be set for the post-2007 period.

Recommendation 4 – Once a national programme framework has been agreed, CFOs, Government Offices and other appropriate local and regional strategic partners should establish appropriate forums to consider planning for the next programme.
Recommendation 5 – In recognition that the above recommendations will not be without cost, Government Office and CFOs should seek to identify funding opportunities, for example from underspend in Technical Assistance monies, to take these preparatory steps forward.

7.3.2 Suggestions for consideration for the next programme round

Negotiations are currently ongoing regarding the scale and strategic direction of ESF in the 2007 to 2013 programme period. While the Objective 3 programme in Great Britain will support the delivery of the Lisbon Agenda employment recommendations, with a sharper focus expected on issues including progress in the labour market, access to skills for 16 to 19 year olds and lower skilled adults in work and women in the labour market, the precise nature of the programme is still to be agreed. In this light, a series of suggestions for consideration for the next programme round are set out below, based on the potential of the co-financing model identified in the study.

Co-financing offers significant advantages over the direct bidding approach in enabling the strategic use of ESF at the local and regional levels. Considerable progress has been made in co-ordinating the planning and coverage of ESF between CFOs in similar sectors (i.e. LSCs) and across sectors at the regional level, in one case leading to the production of a joint prospectus between the regional LSCs and Jobcentre Plus. **Moves towards increased regional co-ordination between CFOs should be encouraged, or accelerated where limited to date, based on good practice in joint working between CFOs.**

While there are limits to the extent to which procurement and delivery requirements can practically be harmonised between CFOs in different sectors (which would require fundamental change to operating practices at the national level), there are clear potential benefits for continued collaborative working between CFOs and Government Offices in the context of the next programme period.

The next programming period offers a focus for collaborative planning approaches between CFOs, Government Offices and strategic partners, to help ensure that a strategic approach is ‘built in’ to the allocation of ESF funding from the outset. As the next programme is likely to follow a national framework with the opportunity to reflect regional characteristics and needs, CFOs have the potential to play an important role in the planning as well as delivery at the regional level. **In particular, the opportunity for CFOs to participate, along with other regional and local stakeholders and lead by Government Offices, in the development of RDPs (or their equivalents) to shape the targeting and implementation of ESF resources should be explored.** In addition to contributing to the overall quality and appropriateness of the resulting document, CFO involvement in the initial planning stages would help ensure clear and explicit links between their responsibilities and activity areas (at a measure or target group level as appropriate to the new programme), which would be reflected in the development of individual or combined CFO prospectuses.
The effective delivery of the next programme will be dependent on each region having an appropriate mix of CFOs to achieve the objectives of their RDPs or equivalents. Should ‘gaps’ in coverage be identified, any additional organisations recruited must be able to evidence the capacity and capability to meet the requirements for being a CFO, including the ability to secure sufficient match funding for their role across the programme period.

The extent to which continued collaboration between CFOs is formalised in individual regions, for example, through the establishment of specific structures (potentially supported by Technical Assistance) or by following a ‘lead regional CFO’ model, will be dependent on a range of factors such as programme scale, nature and regional characteristics and practice. However, the study identified the benefits of having such ‘regional leads’, and the continuation of such approaches should be considered. These ‘leads’ often acted as centres of expertise for other regional CFOs, supported evaluation activity and the sharing of findings/good practice points, and communicated the achievements of the regional CFOs more widely. They could potentially be resourced to provide additional services such as initial and developmental training for CFO staff, technical support on a regional basis and participating in national networks for the exchange of good practice – as well as facilitating enhanced partnership working between CFOs and their stakeholders and the identification of effective practice from other sectors. The ‘lead CFO’ model could also be applied through the allocation of responsibility for specific measure or target group approaches, with the expectation that the expertise of other stakeholders and partners from the wider ESF partnership would be sought, particularly with reference to working with the most challenging and disadvantaged groups. This would ensure policy coherence and credibility in provision design.

Whilst the co-financing mechanism offers a range of benefits to be realised in the next programme round, further developments should consider the following potential risks and stakeholder concerns expressed during the study, and take steps to mitigate against them:

- The risk of more regional approaches leading to reduced focus on ‘local’ need – while no programme can meet the needs of all within its target groups, inclusive and effective local consultations and continued improvements in the use of local provider, labour market and demographic information should be followed.

- Perceptions of limited transparency around strategic focus, participation, ownership and control – addressed through enhanced communications on the planning, direction and achievements of CFO activity, and extending opportunities for contribution to needs analysis and planning by partners and providers.

The following practical considerations are suggested for exploration and action where appropriate, within the constraints of the individual operational practices of CFOs by sector:
• Where practicable, explore opportunities to simplify current approaches to identifying and reporting match funding where they impact variably on the levels of bureaucracy experienced by CFOs and providers. While recognising there will be restrictions on the extent to which a single approach may be possible (and will be influenced by the requirements of the European Commission), developments in this area would help to reduce bureaucracy and offer increased clarity on the overall focus and impact of both ESF and match contributions.

• In addition, steps should be taken to further reduce the administrative burdens associated with the co-financing regime. While much has been achieved in this area, such as the development of common prospectuses, application forms and procedures between CFOs by sector or regionally, further reductions would be helpful. Where not in place already, the development of plans and prospectuses between CFOs should be explored (with the process of their development providing a focus for CFO collaboration as well as illustrating coverage and avoiding duplication), even if the subsequent application and delivery process reflect CFOs’ operational characteristics.

• Consider undertaking research to establish the feasibility of the development of integrated beneficiary ‘progression routes’, to support progression of beneficiaries at a distance from the labour market, to take individuals through a series of appropriately ‘stepped’ services resulting in entry to mainstream provision and ultimately, quality and sustainable employment outcomes. These could potentially support the increased co-ordination of delivery between CFOs.

• Establishing clear, practical and common definitions of the different target groups to be targeted in the next programme period – to support common understandings on needs and appropriate delivery, and to help CFOs articulate the groups they are working with and support planning.

• Review national monitoring requirements to develop a set of indicators more appropriate to the beneficiary groups targeted – in concert with discussions at Commission level, which capture more qualitative aspects of ESF services and, more appropriately, capture beneficiary achievements. Any potential change in this regard would need to be discussed with CFOs prior to implementation, to ensure any changes were practicable and identify the implications for MI systems and practices.

• Following from this, explore the potential for appropriate mechanisms and indicators to measure individual progress. While there are issues around the subjectivity and practicability of national approaches to recording ‘soft’ outcomes, regional approaches could be developed to fit with an overall framework at the national level. As more formalised approaches to monitoring soft outcomes are labour intensive, and require both baseline and follow-up assessment procedures to be effective, resource constraints may limit their use to where soft outcomes may be the key measure of progress. More radically, the development of credit-based systems for recording the achievements of individuals could also be explored, to formalise progression for those at greatest distance from the labour market and support the development of beneficiary progression routes.
Appendix
Interview coverage by case study region
<table>
<thead>
<tr>
<th>Region</th>
<th>CFO case studies</th>
<th>Stakeholders – representatives of:</th>
<th>Providers – 43 providers, as follows:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jobcentre Plus, one LSC and one local authority</td>
<td>Government Office, Regional Monitoring Committee representatives, Regional Development Agency (RDA), higher education forum and regional voluntary and community sector umbrella group.</td>
<td>Four current providers under co-financing – one small voluntary and community sector, a national not-for-profit organisation, a private sector training provider and an FE college. Two former ESF providers not delivering under co-financing – one small voluntary and community sector and an FE college.</td>
</tr>
<tr>
<td>2</td>
<td>Two LSCs and an RDA</td>
<td>Government Office, two voluntary and community sector umbrella groups and a local authority.</td>
<td>Six current providers – two FE colleges, a local authority, one small and one medium-sized voluntary and community sector providers, and an employer organisation. Two former ESF providers – a small voluntary and community sector provider and a higher education institution.</td>
</tr>
<tr>
<td>3</td>
<td>Jobcentre Plus, one LSC and a local authority</td>
<td>Government Office, two representatives of sub-regional groups, two local authorities, a voluntary and community sector umbrella group and a further education (FE) college.</td>
<td>Ten current providers – two private providers, one national charity, one Primary Care Trust, one FE college, two local authorities, and three small voluntary and community sector providers. Three former providers – an FE college, a small voluntary and community provider and a national not-for-profit provider.</td>
</tr>
<tr>
<td>4</td>
<td>Jobcentre Plus and two LSCs</td>
<td>Government Office, Monitoring Committee/Regional Advisory Group members, three local authorities, a Regional Development Agency, a voluntary and community sector umbrella group, a disability network group, FE college group, HE college group and a Chamber of Commerce.</td>
<td>Seven current providers – a private provider, a local authority, a voluntary sector group, two small voluntary and community providers, a national charity and a health group. Two former providers – a medium-sized voluntary and community provider, a private sector provider.</td>
</tr>
<tr>
<td>5</td>
<td>Jobcentre Plus, one LSC and an RDA</td>
<td>Government Office, Monitoring Committee/Local Management Group and a voluntary sector umbrella group.</td>
<td>Five current providers – three medium-sized voluntary and community sector providers, an FE college and a private provider. Two former providers – a small voluntary and community sector provider and a private sector provider.</td>
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</tbody>
</table>