

DEPARTMENT FOR WORK AND PENSIONS

**EVALUATION OF THE INITIAL IMPLEMENTATION
OF ESF CO-FINANCING IN ENGLAND**

GOOD PRACTICE GUIDE

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CONTENTS

Section		Page
1	Introduction	2
2	Improving the Drafting of Co-financing Documents	3
3	Providing Strategic Leadership	5
4	Producing Relevant Socio-economic Analysis	6
5	Linking Proposed Actions to the RDP	7
6	Co-operation Between CFOs	9
7	Sustaining Partnership between GOs, Regional Committees and CFOs	11
8	Open Competitive Bidding / Supplier Development	13

1 INTRODUCTION

This Guide has been prepared from the findings of the Evaluation of the Initial Implementation of Co-financing, undertaken by Fraser Associates for Department of Work and Pensions between Autumn 2001 and Spring 2002. The Guide inevitably reflects the extent to which co-financing had developed in that period. Accordingly, its focus is substantially on the development of co-financing plans and the management of relationships between the parties to co-financing.

The aim of the Guide is not to replace or to duplicate the detailed guidance provided by the Co-financing Unit. Rather it focuses on a limited number of significant issues that emerged during the course of the study. It suggests possible solutions to problems, mainly by pointing to examples of how Secretariats, Regional Committees and co-financing organisations (CFOs) have tried to get to grips with these issues.

2 IMPROVING THE DRAFTING OF CO-FINANCING DOCUMENTS

The points raised here are very basic. However, it is clear from the study that many of the difficulties experienced among partnerships and with co-financing documents could have been eased if the bids for CFO status and the co-financing plans had been prepared to a higher standard.

Answering the Questions

In many cases the responses provided to the questions set in the guidance were vaguely and incompletely answered. The worst examples appeared to avoid answering the questions. Unsurprisingly, this created doubts about the motives of some CFOs and a poor impression of their capacity to implement co-financing successfully.

The moral is clear. CFOs need to invest an appropriate level of effort in preparing their bids for status and their co-financing plans:

- questions should be answered directly and / or significant issues discussed in some depth.
- if prospective CFOs are unsure how to answer questions, they should seek guidance from their Government Office Secretariat.
- if information is unavailable or approaches undecided, CFOs should explain the reasons for this and when the matter is likely to be resolved.

Assertion and Justification

A common weakness in the applications for CFO status and the co-financing plans reviewed was the use of bald statements without sufficient explanation or reference to objective information to allow the reader to assess the validity of what was being said.

Two examples are given below:

Assertion
"Anytown Borough has high unemployment".
Justification
"Anytown Borough has high unemployment as demonstrated by its Development Area status (which places it within the worst 15% of TTWAs in relation to unemployment). In January 2002 the area had an unemployment rate of x% compared to a GB figure of y% - source: Department For Work and Pensions".

Assertion
"Anytown CFO will operate a transparent project appraisal process."
Justification
Anytown CFO will operate a project selection process involving the following elements. 1. Each application will initially be appraised against criteria derived from the regional strategic context and which will be published in the prospectus. The purpose of the initial appraisal is to gauge the strategic quality of the proposals. 2. After initial appraisal, applications meeting the required standard will be considered for fit with the package of action that Anytown CFO wishes to procure, in terms of: <ul style="list-style-type: none">• the types and scale of activities provided.• the beneficiary groups targeted.

- the areas in which delivery will take place.
- the scale of resources requested.

The projects selected will be those deemed by the selection panel as achieving the best combination of quality and strategic fit.

3. The selection panel will be made up of professional officers of Anytown CFO and members of its Council who are drawn from several sectors. An invitation will be extended for the Government Office and / or the Objective 3 Regional Committee to observe the selection process.

4. Documented records will be maintained of the initial appraisal and the issues influencing the final selection.

5. Both successful and unsuccessful applicants will be provided with information on how their project performed at initial appraisal. Unsuccessful applicants will be welcome to discuss the strengths and weaknesses of their bid with an officer of Anytown CFO.

6. Anytown CFO will publish a list of successful projects, identifying the provider and scale of resources awarded.

Distinguishing between assertion and justification is fundamental to the preparation of a good quality bid for CFO status or co-financing plan. Although providing full justification is time consuming, it is essential to allow a comprehensive appraisal to be undertaken.

3 PROVIDING STRATEGIC LEADERSHIP

One of the main potential benefits from co-financing is an improvement in the strategic quality of expenditure. Under co-financing, this is expected to arise as a result of key organisations, with a well developed knowledge of labour market needs and opportunities, taking the lead in procuring an appropriate package of training and other HRD provision.

The study identified two legitimate models of co-financing and competition which are compatible with these aims.

Model 1: The CFO translates its delegated element of the Programme into a series of projects and invites bids from providers. The key characteristics of this process are that rival providers are competing to fulfil the same defined project at a fixed point in time. This is fully competitive tendering and, as such, no appeals procedure is appropriate.

Example - London West LSC

In the First Round, London West LSC invited competing bids to carry out a limited number of projects on the basis of a detailed specification for each project. The bids deemed to represent the best value for money in terms of cost, quality, volume and focus of activity were awarded the contracts.

Model 2: The CFO issues a prospectus outlining the type of provision that it wants to procure. It periodically makes available a fixed sum of resources and invites bids that are in line with its prospectus. Competition is between different projects for a fixed sum of resources, with the best projects that deliver an appropriate mix of activity being awarded contracts. Under this model, an appeals procedure is possible, but only by holding aside resources as a contingency. If there are no appeals upheld, this resource can be allocated to a reserve project.

Example - West Yorkshire LSC

West Yorkshire LSC published a good quality prospectus highlighting the rationale for their priority themes and the types of activity that they wished to procure under each theme. It was up to providers to submit proposals to carry out all or some of the elements of activity highlighted under each theme. Applications achieving a sufficient standard against a scoring process were thereafter the subject of negotiation to achieve an appropriate balance of activity against the themes and activity the LSC wished to generate.

In the course of the study it became apparent that some CFOs were publishing very general prospectuses, and essentially looking to providers to generate ideas for projects. In these instances, it is difficult to see how co-financing is adding value over direct bidding.

Even less desirable, were the very small number of CFOs where the co-financing plan appeared to be little more than the assembly of expressions of interest from providers. Again, such a provider-driven approach does not clearly add value over direct bidding, but more importantly, is high risk as it raises doubts about the competitiveness of the selection process. The European Commission has reiterated that expenditure that does not result from a proper, competitive process, will be deemed ineligible, and may be recovered from providers rather than the CFO who will cease to be the final beneficiary.

4 PRODUCING RELEVANT SOCIO-ECONOMIC ANALYSIS

Again, this may seem a basic point, however, the quality of the socio-economic analysis was among the least consistent elements in co-financing plans. Some presented detailed labour market analyses, in some instances far superior to those contained in the corresponding RDP. However, others were cursory. Examples of weaknesses included:

- where the socio-economic analysis consisted mainly of some data sets, with little accompanying exploration of the implications of the data or consideration of what relevant conclusions could be drawn from it.
- where a co-financing plan proposed quite specific, niche actions, but asserted their justification against the background of a very general set of region-level data.
- where the targets in a draft co-financing plan could clearly be seen to be unrealistic in relation to the scale of the target beneficiary group.

Apart from establishing the credibility of the co-financing plan, the presentation of a good quality socio-economic analysis can be important where the Regional Development Plan presents only summarised labour market information and / or provides limited guidance on regional priorities. In these circumstances, the co-financing plan needs to be able to stand on its own merits.

To be a well justified plan, as far as possible, the socio-economic analysis should present data that are relevant to the types of action that are proposed:

- if the plan is concerned with workforce development, it should present data on qualification levels within the workforce, on sectoral trends in employment and skills shortages. Evidence from employer surveys would be particularly valuable.
- if the plan is concerned with tackling disaffection with school among young people, it should present data on school performance, educational attainment, staying on rates, unemployment rates among 16-18 year-olds, etc.

Having good baseline data on beneficiaries is also important for justifying the scale of effort and the relative weight given to different activities. This should be used to justify the proposed allocation of resources within the plan.

5 LINKING PROPOSED ACTIONS TO THE REGIONAL DEVELOPMENT PLAN

A common complaint of Government Offices and a cause of difficulties between Regional Committees and prospective CFOs was the lack of clarity concerning the linkages between the strategy set out in the co-financing plan and the RDP.

Where a CFO has its own strategy, for example an LSC local strategy, the CFO should make clear how actions under its strategy will also contribute to the aims of the RDP. In some instances where this has not been done effectively, concern was raised that the CFOs were subverting ESF to their own ends rather than delivering the agreed Programme.

The examples below show slightly different approaches that go a long way towards linking the co-financing plan and the RDP.

The approach taken by Birmingham and Solihull LSC identifies which specific Measure scope points are covered by its plan (and by implication those which should be supported by another CFO or by direct applications). It then goes on to identify the types of project it wants to procure in order to deliver this part of the RDP.

Example – Birmingham and Solihull LSC
Policy Field 1 – Active Labour Market Policies

Measure 2: *To improve the employability of the long-term unemployed, returners and young people of working age, through targeted intervention to enhance vocational and other key skills and removing external barriers to labour market entry.*

RDP Actions being addressed:

- *Improving employability through the development of basic skills and recognition of prior learning.*
- *Involving businesses in schools to encourage employability and motivation.*
- *Providing support through integrated approaches, including the provision of vocational social and key skills.*
- *Research and analysis to support active labour market policies.*

Proposed Actions:

- *To provide customised training that meets the needs of employers, particularly those offering employment in growth sectors.*
- *Linking unemployed people and communities to employment opportunities through training. Development of direct routes to employment opportunities.*
- *To develop Student Apprenticeship programmes for 16-18 year olds, linking young people in school or college with employers to gain work-based skills.*
- *Targeted guidance, tasters and vocational training for the long-term unemployed entering specific sectors including Health and Care.*
- *Development of sustainable job opportunities via alternative routes, such as social enterprises, community programmes, ILM activities and projects to support employer sectors and clusters.*
- *Enhance business involvement and activities linked to the Learning Gateway to strengthen the student's chances of success and progression.*

Whereas Birmingham and Solihull LSC made the link through activity, the approach taken by Tees Valley LSC is to focus on forms of action and beneficiary groups. The targets are justified by reference to evidence of need and a quantified contribution to the Programme

targets is also shown. The presentation of beneficiary data within the body of the co-financing plan and not just within the interactive application form is particularly helpful for the purposes of appraising the plan.

Example – Tees Valley LSC
Policy Field 4 - Adaptability and Entrepreneurship

Measure 1: *To update and upgrade employees' vocational skills, including basic and key skills*

Target Groups

- *SME employees, with particular emphasis on those with outdated or outmoded skills.*
- *SME employees in those sectors likely to experience further decline.*

Demonstration of Need

- *6% of the adult working population is judged to have "very low" literacy skills and a further 13% to have "low" literacy skills (Tees Valley LSC Task Group Report, 2000).*
- *Those with poor basic skills are likely to have difficulty in acquiring other skills and qualifications without first improving basic skills (Tees Valley LSC Task Group Report, 2000).*
- *A third of Tees Valley employers mentioned problems with literacy and numeracy in their workforce (Tees Valley Skills Audit, 1999).*
- *A high proportion of the North East workforce is semi-skilled or unskilled (RDP, 2000).*
- *60% of business units in Tees Valley employ less than 5 people (RDP,2000).*
- *The North East remains behind national levels for people qualified to level 3 or 4 (RDP, 2000)*
- *Up to half of employees have insufficient understanding of ICT skills, according to their employer (RDP, 2000).*
- *Over a third of employers had hard-to-fill vacancies and "got by" by increasing overtime and recruiting more widely (Tees Valley Skills Audit, 1998). Small firms are more likely to be affected, but least likely to take corrective action (Tees Valley LSC Task Group Report, 2000).*

Expected Results

<i>No. of beneficiaries supported</i>	<i>3,969</i>
<i>Beneficiaries in employment</i>	<i>3,969</i>
<i>No. registered as working towards a qualification</i>	<i>3,969</i>
<i>No. achieving basic level qualification</i>	<i>2,540</i>
<i>No. of work-based assessors, trainers trained</i>	<i>100</i>
<i>No. moving into further training, FE etc.</i>	<i>794</i>

6 CO-OPERATION BETWEEN CFOs

Co-operation between CFOs will deliver benefits for the management of co-financing on two levels:

- improving systems and processes through sharing of good practice or development of consistent approaches at regional level.
- resolving issues relating to potential overlap in remit or duplication of provision.

Improving systems and processes

One of the key impacts anticipated from the introduction of co-financing was the simplification of application systems and reduction of administrative burden on providers. There are a number of examples of joint working between CFOs to achieve progress in this area:

Example – East Midlands LSCs / JobCentre Plus / Lincolnshire and Rutland Connexions

Are working on / towards a common application pack, prospectus and business process, including a common date for applications under co-financing, covering almost all of the CFOs in the region.

Example - Birmingham City Council / Birmingham & Solihull LSC

Have established common tendering procedures, appraisal and selection systems. Dialogue has resulted in the harmonisation of systems and procedures in a way that benefits providers by reducing administrative burdens. Joint consultations were held with providers to agree appropriate arrangements, notably around the application and appraisal process.

Example – South East LSCs

LSCs in this region have held a joint training session for ESF staff on project assessment and have developed a joint ESF prospectus and application form.

Overlap in Remit / Duplication of Provision

Co-operation is more critical where there are potentially significant overlaps of interest. To date there has been little potential for overlap in activity, since CFOs are largely LSCs, each targeting different geographical areas, however this issue is likely to become more problematic as a wider range of CFOs come on board and the coverage of Measures increases.

There are a number of examples of CFOs co-operating to address overlaps in activity:

Example - Birmingham City Council / Birmingham & Solihull LSC

Co-operation has involved planning within the framework of Birmingham Regional Partnership to promote co-ordination and avoidance of duplication. The organisations jointly mapped remits and agreed the scope of actions that each would cover, published similar, but complementary co-financing plans and established a joint gateway for enquiries. This includes the use of a joint database and joint presentations at ESF co-financing events. The Employment Service has been included in discussions in anticipation of its becoming a CFO at local level in 2003.

Example – Tees Valley LSC

Is developing a co-financing Tracking Database to identify if any projects are being submitted across several Measures. This information will be circulated between CFOs, locally and regionally, to ensure that no one is applying both to a CFO and GONE.

Example – Association of London Government

Has limited the potential for duplication due to the narrow focus of its plan, which is concerned with asylum-seekers and the homeless. Support provided is likely to offer the first step on a pathway to employment and consultations have been carried out with partners to gain their input into programme design and to ensure integration of provision. Representatives from umbrella organisations for the voluntary and community sector acted as observers to the project selection process.

7 SUSTAINING PARTNERSHIP BETWEEN GOVERNMENT OFFICES, REGIONAL COMMITTEES AND CFOs

While it offers benefits, co-financing is to some extent at tension with partnership processes through which ESF programmes have historically been developed and supervised at regional level.

While partners cannot expect to exert unlimited leverage over the match funding that is the responsibility of the co-financing organisations, through the Regional Committee they do have a legitimate interest in ensuring:

- that the co-financing plan reflects the Regional Development Plan / RDP and that the actions supported remain consistent with the co-financing plan.
- that, within bounds of reasonableness, the contracting process is transparent.
- that the ESF resources delegated under the co-financing plan are managed effectively.

Co-financing has been introduced more smoothly in some regions than others, and the recent study suggests that this is largely down to the quality of liaison between prospective CFOs and regional partners, at two points in particular:

- when CFOs set out their priorities and proposals and consult with partners on these.
- when CFOs make decisions on contracting with providers.

A number of examples of good practice were identified in the course of the study:

As regards dialogue on proposals:

A better understanding of the relationship between co-financing plans and the Regional Development Plan has been obtained in some regions by dialogue between the CFOs and representatives of the Regional Committee in the course of developing CFO capacity and preparing the co-financing plans.

Example - London

In London, a representative of the Voluntary Sector accompanied the Government Office Secretariat during visits to CFOs to establish progress in dealing with issues highlighted when provisional CFO status had been awarded.

Example - East Midlands

In the East Midlands, the Regional Committee had concerns about the level and quality of information provided within the co-financing plans submitted in the first round. Negotiations were sometimes difficult. In order to ensure that the whole co-financing process proceeds more smoothly in the future, a group, comprising some members of the Regional Committee and representatives from each CFO have formed a Co-financing Negotiating Group to take forward the development and negotiation process for the next round of bidding.

As regards meaningful oversight of the project selection process:

The transparency of the project selection process has been assisted in several areas by affording the Regional Committee some meaningful oversight of the process. This does not necessarily mean that they have a deterministic role, but have the opportunity to verify that the process is above board and to understand the thinking of the CFO in relation to qualitative aspects of decision making.

Example - London West LSC

The appraisals in the First Round were carried out by a combination of LSC and Government Office Staff, with representatives of a Voluntary Sector umbrella organisation being invited to observe and inspect the process.

Example - Birmingham City Council

While applications were appraised by Birmingham City Council staff, the Council invited partners from the West Midlands European Network to scrutinise the process. Scrutineers were briefed on the appraisal process and provided with a sample of projects to shadow score. They were able to compare their own results with those reached by Council staff. As a result, the partners came to a clear understanding of the thinking that lay behind the process, including how qualitative factors, such as the need to achieve a balance of activity in target areas, were taken into account.

8 OPEN, COMPETITIVE BIDDING / SUPPLIER DEVELOPMENT

A number of CFOs have regarded the introduction of Co-financing as a means of extending their supplier base and developing the range of provision within their area. Several reported that, following on from consultations and briefing sessions, up to 50% of their supplier contact list was made up of new providers.

Clearly, there is tension between the requirement to ensure open, competitive tendering and the desire to support and develop new providers. The components of open, competitive bidding can be defined as:

- sufficient dissemination and availability of the bidding prospectus to allow agencies not previously involved to consider tendering.
- publication of selection criteria to be used by the appraisal panel, including details on how value-for-money will be assessed.
- publication of timescale for tendering, deadline for submissions and appraisal schedule.
- treatment of all applications on an impartial basis.
- equal access to advice and guidance.

At present, support for new providers varies from briefing sessions for those with no experience of ESF, to support for bid development, quality improvement programmes and capacity building. There is a need to determine what constitutes an appropriate level of advice and guidance while maintaining impartiality and what constitutes longer-term development of learning infrastructure. CFOs may also need to establish some form of needs assessment for providers in order to establish what level of support is required.

Examples of different approaches to supplier development are provided below:

Example - Gloucestershire LSC

Applies the LSC Risk Management Criteria to all providers and offers support and mentoring to those identified as high risk (possibly new providers). The LSC also offers a "hot line" telephone support service for potential bidders to discuss issues with the Development Team.

Example – South Yorkshire LSC

Contract Officers discuss applications with proposers, and either develop further to contractable status, re-shape, re-develop or suggest alternative courses of action or funding. Applications are then presented by case officers to the Prospectus Management Board, who make recommendations to LSC Directors for acceptance, rejection or deferment/further development.

The LSC has recently produced a comprehensive contracting guide that is for both internal and external use. The document is issued at pre-contracting stage and contains a provider guidance section that explains the bidding process and the documentation to be used.

Example - Hampshire and IoW and Berkshire LSCs

Encourage providers who are addressing common themes to work together. When a provider bid is unsuccessful because of duplication issues, the organisation may be paired with a successful provider and the two encouraged to work together. While this may go against the idea of competitive tendering, the LSCs regard it as an effective way of raising quality standards overall.