

THURSDAY 7 JANUARY 2010

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Present

Henig, B.  
Howarth of Breckland, B. (Chairman)  
Inglewood, L.  
Kirkwood of Kirkhope, L.  
Young of Hornsey, B.

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Witnesses: **Mr Mark Yeoman**, Deputy Director, Convergence Partnership Office for Cornwall and the Isles of Scilly, and **Ms Carolyn Webster**, Chair of Inclusion Cornwall – a sub group of the Cornwall Strategic Partnership, and European Programmes Manager for Jobcentre Plus, Convergence Partnership, Cornwall and the Isles of Scilly; **Mr Steve Arnott**, Head of European Programmes, Government Office for Yorkshire and the Humber; **Mr Greg Burke**, Chair of Regional Committee; and **Mr Shay O'Rourke**, Head of ESF, Government Office for the North West (representing Merseyside), examined.

**Q150 Chairman:** Could I formally welcome you to the meeting. There are a number of you and we only have, as you know, a little over an hour, so when you do come to give your evidence I would be grateful if evidence is not repeated but you may wish to add to it if you have a different view or a different perspective. You have before you a list of interests so that you know the interests of the members. This session is on the record and I think you have to recognise that although there are not a lot of people here it is webcast and people do tune in to webcasts and, therefore, will be interested from another perspective. There will be a transcript at the end of the session which will come to you. We need you to turn that round pretty rapidly in terms of whether or not you have things that you believe are not quite accurate. We move at speed here and would be grateful for that. I need to apologise that we have not got the full number of members here this morning. This is not because, unlike you,

they have not all been able to get here but we have got some sickness amongst members, so I just give the information because I cannot really apologise for that; it is not something we can do anything about, and other people are stuck in different places. I feel rotten saying that because I know where you have all come from and, therefore, what a journey you must have had. When you begin you need to state your name for the record. That is so that you are stating that you are who we believe you are, and if you want to make a brief opening statement that will be received but it needs to be brief and not repeating what you are going to be saying in answer to the questions. Could we begin, therefore, by asking you to state your names for the record and where you come from.

**Mr O'Rourke:** I am Shay O'Rourke from Government Office North West.

**Mr Burke:** Greg Burke, Government Office North West.

**Mr Arnott:** Steve Arnott from the Government Office for Yorkshire and the Humber.

**Mr Yeoman:** Mark Yeoman from the Convergence Partnership Office for Cornwall and the Isles of Scilly.

**Ms Webster:** Carolyn Webster, Convergence Partnership Office for Cornwall and the Isles of Scilly.

**Q151 Chairman:** Thank you very much indeed. Can we begin by looking at this issue of the ESF priorities and asking how has your ability to respond to the local needs through ESF changed since the last programming period? We are quite interested in these changes between the programme periods. Do you believe there are or have been elements present in your programmes which offer advantages over the mainstream areas?

**Mr Arnott:** From my perspective in Yorkshire and the Humber I think the programme in South Yorkshire has been able to respond quite positively, particularly to the changing economic circumstances that we face and certainly different circumstances from the ones that were pertaining when the programme and the regional priorities were being planned. We

have been able to respond, I think, positively to that. You are probably aware that in the previous programme South Yorkshire had Objective 1 status, so it received the very highest level of EU support that a region can get. For this programme it became a phasing-in region, which was good news in the sense that it was no longer one of the least developed regions in the EU. However, one of the consequences for South Yorkshire is that the level of resourcing has been reduced, although there has been transitional funding to, if you like, help cushion that reduction in funding, which has helped. If I could perhaps give you a couple of examples of things that we have been able to do in the programme through phasing-in status. The two phasing-in regions in the English programme did have more flexibility in terms of programming and planning than the remaining regions and that was to take account of the fact that they were moving away from Objective 1. For example, in South Yorkshire the previous Objective 1 programme had invested quite heavily in schools in supporting children from 14 onwards, which is unusual for ESF, and we were able with the phasing-in funding to continue supporting that work in schools. It is primarily encouraging the links between schools and businesses and helping children cope with and prepare for the world of work. We have been able to continue to do that through phasing-in funding at least until 2010/2011. The second thing I would mention is that the partners in South Yorkshire were very keen to provide more intensive support to people who were most disadvantaged and perhaps furthest away from the labour market. One of the things that had happened during the previous programme was that although unemployment was falling we did not seem to be making the same sorts of reductions among the long-term unemployed and the economically inactive who were not engaged in the labour market, so one of the things we are doing in the first half of the programme is funding what we call the Progress Together model, which is a much more holistic approach to supporting the most disadvantaged through a series of measures beginning with outreach work, actually getting out to people and trying to encourage them

back into the labour market by providing mentoring and key worker support, both during periods of training before employment and when they are in employment afterwards, and providing a range of other training, advice, guidance and support. The additional money that has been available in South Yorkshire through phasing-in has helped us to do that.

**Q152 Chairman:** Could I just ask you a supplementary to that, and that is that you may not have seen this but we have had a submission from the Yorkshire and Humber Regional Forum which suggests that they feel they have lost out in terms of being able to take more active roles, and particularly with the NGOs feeling that they are, if you like, being marginalised. What would your response to that be? We are quite prepared to give you a copy of this and ask for your written submission but you may want to comment on it.

**Mr Arnott:** I saw the submission on the web page and I was surprised about some of it because it seemed to suggest almost that we were ignoring social inclusion as an issue whereas my view is that things like the Progress Together model that I have just described were an attempt to deal with inclusion in a much more holistic and positive way. I think there may be a feeling that because of the way the programme is managed now perhaps some of their constituent members may not be able to access ESF funding in the same way as they may have done in previous years. I would not be able to comment fully on that but I can assure you that the Third Sector is quite engaged in the ESF programme in South Yorkshire, primarily as a sub-contractor to the main providers who are contracted with DWP, Jobcentre Plus and the Learning and Skills Council.

**Q153 Chairman:** I should say that this is not the only area where we have had this, if you like, complaint that they are finding it more difficult to become part of the mainstream activity, so we were very interested to hear what your response was.

**Mr Arnott:** Could I just say one other thing? Not just in South Yorkshire but also across the country we do provide small grants, mainly to small Third Sector organisations which would find it difficult to access ESF because of the size of the organisation. We have got something like £1.6 million in South Yorkshire available in the first four years of the programme, and I think that is likely to support several thousand individuals through very small, Third Sector organisations in South Yorkshire doing probably pre-mainstream activity, helping and encouraging people who may be disadvantaged in the labour market to make the first steps towards it.

**Q154 Chairman:** If you had statistics we would find it quite useful to know how many of the NGOs have been able to access money and whether or not there is a change over time. Thank you very much indeed. It is just that it is something that has come up, not just here but in a number of areas.

**Mr Arnott:** I am not sure I have actual figures. I am not sure I could provide you with information that said how much money the Third Sector got in the old programme because we did not collect that information in the old programme and we do not collect it at the moment, but I can certainly provide examples ---

**Q155 Chairman:** Whatever you have we would be pleased to have it. Can I move on to the second part of this question, which is, in the light of your respective experiences (and other people may want to comment on this), where do you think the focus of ESF spending should be and where do you think the balance should lie between the provision of higher level skills and lower level skills, again, if you like, reaching the hard-to-reach?

**Mr Burke:** I think it is absolutely essential that ESF has room for both, that it does need to address both the lower level skills and the higher level skills, but, picking up very much on the Leitch recommendations, it does need to have an emphasis on the lower level skills

because this is where there is very strong evidence that market failure happens, so individuals are much less likely to either choose or be able to invest in the skills they need at basic level and level 2, which are the foundations for employability, whereas once you get more to level 3 and level 4 skills the market tends to work much better - the signals are given, individuals pick up the signals, identify that if they invest in that level of training they are likely to get an economic return from it, so although it is important to balance across the skill provision it is really important that ESF focuses on the lower level skills because these are really the absolute basic employability skills that people need to be able to move from being out of work into a long-term employability agenda.

**Q156 Chairman:** Do you think that is happening though, because we are going to come to the economic downturn? One of the suggestions is that because of the economic downturn and more people being unemployed, funding is actually now moving up the scale. Is that anyone's experience?

**Mr Yeoman:** From a Cornwall and Isles of Scilly perspective I think we would probably have a slightly different emphasis. We are very happy with the splits that we have at the moment between the Welfare to Work agenda and the Workforce Development agenda, if you like. It is about 40 per cent under Welfare to Work and 60 per cent under Workforce Development, and 25 per cent of that 60 per cent is specifically on the higher skills, and that is probably because we have a slightly different economic geography in Cornwall and the Isles of Scilly. We had a lack of higher education facilities until the Objective 1 programme, so we feel very strongly that the ESF agenda should travel across the entire employment and skills agenda, all the way from those who are hardest to reach in terms of getting into work through to the higher skills, because that is what our economy needs. Going back to your original question, we feel that we have had the flexibility and we have been able to use the European Social Fund across that whole pathway of employment and skills, because at the

end of the day people who are economically inactive need skills as well as those people who are already in work, and we need to make sure those people coming out of universities and colleges are fit for work as well, so there is a whole range of skills and we are quite happy with the splits that we have at the moment.

**Ms Webster:** Just to add to that, I think the balance of ESF funding needs to be set in the context of the other resources that are available in the region to tackle employment and skills, so we need to take into account the mainstream and other funded delivery and get ESF to add value to that. It is not going to be the same in each area. In Cornwall and the Isles of Scilly we have a very coherent strategy<sup>1</sup> around tackling worklessness and raising employment rates, ESF is one funding stream that helps us to deliver that. That is why we have got slightly less ESF in the project for Priority 4, overcoming barriers to employment ---

**Q157 Chairman:** Before we move on, do you think it is the localisation, because you have more of that, I think, in Cornwall and the Isles of Scilly because you are a special status, and that has had an advantage there?

**Ms Webster:** Absolutely. We have a strong history of partnership working and we have got a number of investment streams that come into Cornwall and the Isles of Scilly. The lesson we have learned from the old programme is that in convergence we needed to join up much more strategically so that we are much more intelligent about all of the resources we have and where ESF fits within those.

**Q158 Lord Inglewood:** At the risk of stating the obvious, the economic outlook now is rather different than when the programme was drawn up and if I could have a response in

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<sup>1</sup> Cornwall Works

respect of each of the three bits of Britain that you represent it would be helpful. What do you think has changed in terms of the challenges that you face in deploying the ESF in your own areas and how have you responded to that challenge? That is the most concise way I can put the question. I would like to hear what you think.

**Mr Arnott:** I think I alluded to this in my first answer, but clearly when the programme started we were in a position of falling unemployment and there was quite a heavy focus on the most disadvantaged in the labour market and the inactive and so on. Obviously, as economic conditions changed the programme needed to respond, particularly to the increase in unemployment and particularly to the increasing number of people who were either being threatened by redundancy or being made redundant. I think the programme has responded quite well to that challenge. I think the programme itself, in the way it was drawn up, was not absolutely prescriptive, and the range of activities that one was allowed to support (and we could only support what was in the programme) have been drawn, I think, sufficiently widely to enable us to do that. We also had the benefit that, as you know, the money that comes from Brussels comes in euros and because of the exchange rate the value of the programme in sterling went up by something like 20 per cent in cash terms in the first half of the programme. That sort of flexibility and that additional money meant that we were able to continue providing a focus on the most disadvantaged but we were also able to put in place special measures to respond very quickly to people who were being made redundant or were under threat of redundancy, and we have certainly had particular initiatives in the region to do that.

**Q159 Lord Inglewood:** I am trying to boil it down to essentials. Is then the proposition that you are explaining to us that because of the change in the exchange rate you have had more cash to spend?

**Mr Arnott:** Yes.

**Q160 Lord Inglewood:** And, given that the concerns you are addressing now are wider because of increasing unemployment, you have used the financial windfall from the exchange rate to push things in favour of those who are threatened with redundancy, and have you still left the same amount of money going towards the long-term and most difficult propositions, or have you, in fact, cut back on that?

**Mr Arnott:** One of the consequences of the recession and the downturn is that there has been more pressure from unemployed people and recently unemployed people, in a sense more people looking for support through the ESF, and, looking at our statistics for South Yorkshire in terms of the participants we are helping, I think the one area where we are supporting fewer people proportionately than we were expecting to at the start is in terms of the economically inactive. In terms of other disadvantaged groups like disabled people, ethnic minorities, older workers, the figures have held up quite well, but the figures we have at the moment are only just starting to feed through so I would like to see them over a slightly longer period. The economic circumstances have certainly meant that there were more unemployed people and people becoming unemployed who were probably looking for ESF support than we might have anticipated when the programme started. The extra money that we got through the exchange rate changes has helped us to support that client group but also to try and maintain the focus on those that are a long way from the labour market.

**Q161 Lord Inglewood:** Is that the experience of those of you from other parts of the UK?

**Mr O'Rourke:** I would very much echo what my colleague says but I would add one more thing, and this particularly came to the fore in the North West. I am sure you know that we have a high academic concentration around Greater Manchester, graduates, and it became pretty apparent fairly quickly that the graduates were also finding extreme difficulty in finding work. What we have been able to do with additional funding is get together ---

**Q162 Lord Inglewood:** Is that the additional funding because of the exchange rate or is this other money?

**Mr O'Rourke:** This is in addition to that. This is what is known as the innovation transnational and mainstreaming programme. What we have been able to do through that funding is get together a consortium of eight higher education institutions in the North West, one of which is in Liverpool but it does cover the whole of the region, to give specific support to unemployed graduates. Again, one thing that I think became fairly clear as well was that as graduates were finding it difficult to get jobs they were moving into lower level jobs and by definition they were then blocking those lower level jobs from the less academically qualified, so what we are hoping to try and do, albeit in a small way, is try and free that up a little bit.

**Q163 Chairman:** Could I just ask for clarification? One of the issues we are interested in is where our government funding comes in as part of this as against the European Social Fund, and I am just not clear as to whether that is European social funding or a combination of government and ESF funding or government funding.

**Mr O'Rourke:** No; it is the ESF money but it is specifically identified for innovation projects.

**Q164 Chairman:** And that ring-fencing priority has been set by our own central Government or by your region?

**Mr O'Rourke:** No; this is the national ESF programme.

**Q165 Chairman:** That is interesting in itself; thank you. Can I just ask one other thing? Do any of you have a view about the fact that it took 14 months for the money to be allocated, from it becoming clear it was available to getting it to the "front line"? Did it feel that there was a gap or did you feel you got the money to fit your programmes in good time?

**Mr Yeoman:** From the Cornwall and Isles of Scilly's perspective I am not sure the 14 months is entirely right but with all European programmes it always takes a while to get it sorted out and it just comes with the territory, really.

**Q166 Chairman:** So you have got used to it?

**Mr Yeoman:** Yes, and you make the best of what you have got.

**Q167 Chairman:** You have got used to the inefficiency?

**Mr Yeoman:** I am not saying it is inefficiency. It is just the way the game is played and you play to that environment. Just to go back to the previous question, if we could, from a Cornwall and Isles of Scilly perspective, what I would do is concur with what my colleagues have said, that the exchange rate variations have been very helpful in terms of being able to respond to the changing economic and financial climate, but also from a Cornwall and Isles of Scilly perspective we have been very fortunate in having this strategic approach that Carolyn alluded to earlier,<sup>2</sup> because it has meant that when new initiatives come on stream, whether it is due to exchange rate variations in the case of the European Social Fund or central government initiatives, because we know what the landscape looks like in terms of provision for the economically inactive we know what the needs are and we can help use the new initiatives to hit need rather than, as sometimes may happen, just provide duplicative support. Carolyn can probably give you a little bit of hard evidence if you would like that in terms of performance.

**Chairman:** We would love to receive written information of hard evidence. At least you are well prepared to respond quickly when the money does arrive.

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<sup>2</sup> Cornwall Works

**Q168 Lord Inglewood:** Do you have trouble with matching funding, given that you have got more euros coming along?

**Mr Yeoman:** Not for the European Social Fund because it is through co-financed activity.

**Q169 Lord Inglewood:** But you are not finding trouble down the line from the fact that more sterling is available?

**Mr Yeoman:** No. If we were talking about the European Regional Development Fund my answer might be different, but for the sake of this set of discussions we have not had that problem.

**Q170 Baroness Young of Hornsey:** We have got the European Commission consultation paper on the Jobs and Growth Strategy, which aspires to achieve “a new sustainable social market economy, a smarter, greener economy”, the knowledge economy, and so on, and we have become over-familiar perhaps with some of those terms, but do you think that is the right aspiration and the right objective and achievable objective in each of your respective regions? Could you also say a bit about how you would see the ESF supporting the development of those green skills, particularly in those cases where you have got a low level of skills? We touched on this earlier on. I have another question which relates to that but if you would start with those two that would be helpful.

**Mr Burke:** I think the first part of your question is a policy question to raise with the DWP Minister when he comes to give evidence, but, in terms of what we have done at a regional level, we have recently redrafted our regional framework for ESF and we have very much put green jobs at the centre of what we are looking to develop and take forward in the next phase of the programme. In terms of our own implementation, we absolutely see green jobs as being very much a key part of our development, and, although it is not in the actual Merseyside area, we do have a specific project that we are supporting called Green Ways to

Work, which is developing this whole idea of green jobs as being a key part of the strategy, so we will very much pick that up in the development of the next phase of our work.

**Q171 Baroness Young of Hornsey:** You have got the pool of labour within your region. How long do you think it will take to get up to speed on that? Are we talking about long-term or long, long-term, or what?

**Mr Burke:** I think we are seeing this as being a potential growth area of employment both for people who are long-term unemployed and people who are nearer the job market. We have got strategies to bring green jobs in for both groups; it is just that the timescale is different depending on the group we are working with. One of the interesting aspects is the Social Cohesion and Connecting Communities agenda which can be achieved through some of this investment. It is about helping people to work and develop skills on properties that they then might live in or that they are living in so it becomes not just a job and skill development programme but part of making the communities and houses that they live in better places as well. One of the things we are looking at is developing programmes around how we make communities work better so people are developing skills but also it is improving the environment they live in through this green agenda. That is very much starting but it is quite an exciting area of work that is kicking off.

**Mr Arnott:** I think it is a similar story in South Yorkshire as well. Like colleagues in the North West have said, we have got an innovation project looking at green skills and how the curriculum and courses and so on can be adapted to pick up on green skills. We are talking to the Dearne Valley College in South Yorkshire. Dearne Valley is a former coalfield community which I think aspires to be the lowest carbon community in England as part of its own strategy. We are talking to them about similar ways in which we might be able to develop and integrate green skills more effectively into the broader agenda. One of the areas where I have picked up potential for better skills training around green issues is in the

construction industry, particularly in installation issues, where increasingly equipment is being installed in domestic and commercial properties which have green issues, like solar heating and water storage and retention systems and so on, and I know the LSC in Yorkshire at the moment is commissioning research to see how we can develop specific skills modules that can be built into training to give people who might have general construction skills an edge in terms of future employment. It is something that we are all going to have to work at. We know that there will be in the longer term probably tremendous job opportunities around the green agenda, and we have obviously got to try and plan and prepare to take those opportunities as they come along.

**Mr Yeoman:** From a Cornwall and Isles of Scilly perspective in terms of policy argument, yes, is the simple answer, and I know Cornwall Council are particularly keen on the vision that has been articulated through the consultation on the EU 2020 strategy. In terms of is there a role for ESF, I think there is probably more of a role for ESF than there has ever been because we are moving away from a linear education/employment/retirement type of life to one that is much more about training and retraining, and there are horrible terms like “portfolio career” and things like that, but I think that sense of iteration through one’s working life and the need for new skills, both from an employer’s point of view and an employee’s point of view, is going to be really important. In terms of looking at the strands that are built into the EU 2020 consultation, I think the knowledge based economy is really important and what that means, and there needs to be a whole strand of skills around that, also around IT. We are looking at, I think, another quantum leap in terms of infrastructure for IT, if you look at the broadband strategy for the UK. I suspect that the digital economy will take another leap along with that infrastructure. As far as the green economy is concerned, I think it is important to look at the skills needs for a green economy, not simply green skills. Just to try and unpick that a little bit, in Cornwall and the Isles of Scilly we have a number of really

important embedded sectors for employment, particularly around agriculture and food processing and tourism, and all of those traditional industries need to become greener and that is about doing what you are doing now but doing it in a slightly different way. Even if you look at some of the very highbrow activities in the City, things like trading, carbon trading is going to be really important and that is probably just about re-engineering those trading skills that already exist in the City of London; as well as looking at those new technologies that will come along with low carbon technologies and renewable energy. I think it is important to look at the skills needs from that point of view, as a green economy, and not green skills *per se*, because otherwise we will not play the game properly; we will end up silo-ing green over in the corner somewhere and not putting it across the whole of the economy. If the low carbon agenda is real it must be pushed across all parts of the economy, the existing parts of the economy that we want to keep as well as those new areas, and, as with colleagues, we are already starting to look at the second half of the European Social Fund for the present round to make it more integrated with what is going on in the European Regional Development Fund investments, through ERDF Convergence, as well as the needs of the existing economy.

**Q172 Baroness Henig:** I am sure you are all familiar with the suggestion that richer Member States such as the UK should not receive European Social Fund funding in the future. Obviously, I might guess at your response to that, but I am interested to hear it formally. Can you say what the ESF offers that cannot be delivered through domestic programmes? Also, how effective do you think the transition process has been for your sub-regions and what lessons does your experience offer for areas if funding does decline steeply in the future?

**Mr Arnott:** On the question of whether money will shift to the poorer Member States, I guess that probably will be a political decision at the end of the day but it has happened in this current programme. The fact that we have got ten accession countries with low levels of GDP

and so on has inevitably meant that money has shifted away from the UK, and the ESF programme, not in South Yorkshire in the first half because of transitional funding, has been cut by about a half compared to the previous programme. I personally think that the structural funds should focus on the least developed in the main and on those who are hardest to help, so I would support that general proposition.

**Q173 Lord Inglewood:** Do you think the UK should drop out? That is the crucial question.

*Mr Arnott:* I do not really think that is for me to answer, to be truthful, but we are having to adapt to some extent in the current round because of changes and we will no doubt continue to have to adapt in the light of future changes. What I would say is that ESF has to be additional. It is absolutely clear in the regulations that it must not be used as a substitute for domestic funding, so it has to be additional, but then I think there is a choice about what you do with that additionality. You can do several things. You can just buy more of the same, I suppose, is one way forward, or you can do things that are slightly different or add value to what is already there. I think in South Yorkshire we are doing probably more of the latter than the former, so, for example, with a lot of the employment programmes we are using ESF to enable people to start on those programmes more quickly than they would be able to do under the normal rules. We are also, through adult training and Train to Gain, trying to support activities that are not possible under the main Train to Gain rules. We are buying additional provision with ESF but a lot of it is to support people more quickly or to support people who would not normally get support through ESF, so I do think it adds value in that way. If I could make one final point about our experience with the money. Clearly the transitional money that we have received in South Yorkshire as a phasing-in region has been tremendously helpful. If you look at the level of ESF funding that the sub-region received under Objective 1, if we had gone back to the general level for England it would have been an extremely sharp drop and I think it would have caused difficulties in the marketplace and in

the provider network and so on. The only comment I would make is that I still think that the funding profile for the transitional money that we are getting is quite steep. It comes to an end next year and it would have been preferable, I think, to have had a slightly more gradual decline in funding, but we have to live with the funding profiles that come from Europe.

**Q174 Baroness Henig:** I wonder if there is a different view from Cornwall.

**Mr Yeoman:** I would take a slightly different approach. Firstly, we will be looking in great detail at the spending profiles of the transitional areas in the present set of programmes because Cornwall and the Isles of Scilly will almost certainly be in a similar position next time round and we would like to learn the lessons that we can from this. In terms of the bigger question, Steve is entirely right, that will end up being a political issue, but I would personally like to make a number of observations on the value of cohesion policy because I think that it really does set out the test from a local UK perspective of whether cohesion policy and structural funds should be concentrated just on the poorer Member States. That is really the big question that you are asking, and Steve, quite rightly, just batted that away into the long grass and said that would be a political issue. Personally, I think you have to stand slightly back and say, "What are the gains of cohesion policy?". Cohesion policy is a big meta-European policy agenda which at the moment has great value from a European perspective applying across the entire European Union, so everybody is treated in an equal way. If you are a lagging region in a relatively well developed Member State, like Cornwall and the Isles of Scilly and Yorkshire and Humber and Merseyside have been in the past, you are treated to that European perspective and that does provide a commonality of interest and a way of tackling economic regeneration that goes beyond your immediate area, which I think is terribly important. There are then two other big picture items in cohesion policy that are really valuable to learn the lessons of. The first one is that cohesion policy has always been built on two complementary but different strands of intervention, recognising that you need

those two different strands of intervention working together. One is based on people and giving people opportunity, the equity-type activities that the European Social Fund invests in, and then there is the need for more competitive business, which is what the European Regional Development Fund invests in. At a local level from a Cornwall and Isles of Scilly perspective, the fact that we have been able to integrate those two different but complementary strands of investment together over two programme periods has been very valuable, because you are looking at equity issues and business competitiveness issues together, and, to be honest, in any economic regeneration activity it will only work if you look at both of those two things together. Somebody once said to me, “What if we build a factory and nobody comes?”. You can build the buildings but if you have not got the businesses with the right levels of support and, if necessary, things like equity investment or other investments going into those businesses or those businesses do not have access to the right skills in their workforce or, if they are expanding, people entering the labour market to become part of that workforce, then it<sup>3</sup> will not work. Equally, if you are training people with the most up-to-date skills that are market relevant but you have not got the businesses which need them because you are not growing the businesses, then you will not get economic regeneration either. Personally, I think cohesion policy, recognising that you need those two big complementary but separate sets of intervention, is really valuable. The next bit, just as a check list, is what else do structural funds - the European Social Fund and the European Regional Development Fund as they are at the moment - actually give you as an area? They give you an agreed multi-annual budget, which is incredibly powerful. You know what you are going to do for seven years, which gives a sense of purpose to economic regeneration, and as those investments roll out it gives a sense of confidence to an economy and that is what you are

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<sup>3</sup> Economic regeneration

really buying at the end of the day. It also acts as a magnet for domestic funding and for cohesion around the private sector in terms of investment. Also, the way the governance works is quite remarkable. If you look at the Programme Monitoring Committee for Convergence in Cornwall and the Isles of Scilly, around the same table in a room not a dissimilar size to this you have the Chief Executive of the Regional Development Agency, you have people from CLG, from BIS and from DWP, you have the Chief Executive of Cornwall Council, you have the leadership and portfolio holders from Cornwall Council, you have social and economic partners, including the TUC and the voluntary community sector, you have representatives from the Commission and you have representatives from the environmental sector, all talking about one thing and that is the economic regeneration of Cornwall and the Isles of Scilly. Just bringing that power together to concentrate on one single area makes sense at a community level, because Cornwall and the Isles of Scilly does have a sense of place, as many of you will realise. All of those things I personally think are tests. If you want to re-nationalise structural funds, and cohesion policy is what is going to be replaced, is the replacement going to achieve the same thing?

**Chairman:** We may want to pursue some of those issues, and Lord Kirkwood particularly is going to talk about the future alignment of the European Regional Development Fund and may want to pick up some of the points you have made, but we may also want to come back to this issue about what happens if the fund ends because I think some of the things that you have just illustrated highlight some of the other anxieties that have been raised, which are whether these regional models, which you have just described and which seem to function as local models will continue if the separate funding is not still available, and how we sustain those.

**Q175 Lord Kirkwood of Kirkhope:** Absolutely; that is a very powerful argument. It resonated with me because in a former existence I had a rural consistency where I saw some

of those. We had Objective 2 in south east Scotland, and I recognise some of your points are very powerful - bringing people together is very powerful. I really want to ask you a question about the alignment of ERDF and ESF because even in my own experience I could see that there always are going to be tensions about the competitiveness agenda and the investing in people side of things. We, as a Committee, chose to do this report because I think we are at break point in the second half of the ESF. I think the whole European budget going forward post-2013 could be potentially completely recast, so we could have an opportunity that does not come very often in terms of reconfiguring things. We have got a lot of experience as a Committee now from the Lisbon agenda, which is morphing into the 2020 agenda, and that is an important part of the debate too, and we have got experience of how the programmes have gone. Speaking for myself, just in parenthesis, I think there is a bit of evidence that the Government has grabbed all of this and some of the niche players in the localities are beginning to lose out and that is something that we are looking at, but if there was one thing that you could change from each of your perspectives about how the ESF works with the ERDF concept and you could do anything you liked but you had only got one wish, how would you change things post-2013 if you had the power in order to make those two strands better aligned in future?

**Mr Yeoman:** By hook or by crook or by regulation I would personally make it a condition that each Member State brought those two strands together and considered cohesion policy as a whole. Implementation is divided even at the European level into ERDF through DG Regio and ESF through DG Employment, and then if you look at the UK model ESF comes through DWP and then it goes through co-financing. If you look at ERDF it goes through CLG and BIS plays a part and then it goes down to the RDAs as intermediate bodies, and it is only at the bottom (and I do not use that in a pejorative sense) in terms of Cornwall and the Isles of Scilly, the bottom left-hand corner of the UK, that we start to join it up again. What I would

like to see is the Government, the Member State, try to understand those complementary but different interventions in the economy in a more joined-up way.

**Q176 Lord Kirkwood of Kirkhope:** Have you got a problem with subsidiarity about that potentially if the centre is telling ---

**Mr Yeoman:** No. All I am asking is that they discuss it.

**Q177 Lord Inglewood:** Does this happen with other Member States in the same way as it does here?

**Mr Yeoman:** I do not know, to be honest. All I am saying is that from my perspective of working across two and a half programmes now the policy is right, the strategy is right, cohesion policy seems to make a lot of sense to me, as I have tried to illustrate to the Committee this morning, and maybe I am a born-again cohesion policy believer and to a certain extent I am a little bit too enthusiastic, but in terms of the two strands, which I think are terribly important, why not join it up at the government level as well?

**Q178 Lord Kirkwood of Kirkhope:** That is a good answer.

**Mr Yeoman:** Thank you.

**Mr Arnott:** I think there is plenty of evidence of it being joined up at a local level.

**Mr Yeoman:** At a local level, yes.

**Mr Arnott:** The description of how a monitoring committee works is replicated with every programme. I think the mechanisms are there now to achieve effective integration between the two programmes. At a practical level, one of the issues that I always feel with ESF and ERDF is that the interventions that ESF can make to support the harder infrastructure investments that ERDF make tend to come later in the programme but the funding profile is the same for both programmes. Looking at our own ERDF programme in South Yorkshire, I

think there will be many more opportunities to get better linkages between what ESF does on the back of what ERDF has done in the second half of the programme when the ERDF investments start to come through than has probably been the case so far.

**Q179 Lord Kirkwood of Kirkhope:** It is only a timing issue you are concerned about?

*Mr Arnott:* There is a timing issue about it, certainly.

**Q180 Lord Kirkwood of Kirkhope:** That is all you are concerned about?

*Mr Burke:* Building on that point, for me the issue is about how we make it join up at the local level. I think there is a lot of benefit in having ESF linked to employment training programmes at a national level because then we can pool together a whole package of support that really can work on the ground, and if you disentangle that then that is quite difficult to do, but I do not think at the local level we make the links as well as we could. When we are doing ERDF activity we are not always thinking early enough how does ESF activity, or other activities - it might not just be ESF but other mainstream activity - support the people development that might go along with that ERDF, which is very important. What tends to happen is that the ERDF projects go along and have a life of their own and then the ESF stuff is always a bit catch-up, so I think there needs to be more joining up at the conception stage to say, "Okay, what is the timescale for these things? How do we need to make sure that when this infrastructure is in place we have done the necessary development for people using potentially ESF funding so those two things come together?" I think often that does not quite happen, but I do not think it is the systems that stop it happening; I think it just needs to be more joined up at a local level.

**Q181 Lord Kirkwood of Kirkhope:** And that needs to be written in *ab initio* at the programme level, the European level post-2013, when, whatever the successful regime is, that needs to be embedded in at the highest strategic level?

**Mr Burke:** I think it does, but not in a restrictive way.

**Q182 Lord Kirkwood of Kirkhope:** No, not in a prescriptive way.

**Mr Burke:** No, but setting out that framework in expectation of how the model should operate at the local level and then enabling people locally to make that happen.

**Lord Kirkwood of Kirkhope:** Just as a codicil to that, if you look at what is happening to some of what are now called the peripheral European States in terms of the structural budget deficits, it is not just accession States that you are going to have to deal with in terms of cohesion, it is Spain, Ireland and Greece, and the next five or ten years are going to be horrendously difficult for them. We have had a windfall exchange rate bonus and I think people in Spain, who you may have noticed are in the Presidency now, may notice this and it may be quite hard for the UK to get away with that kind of benefit in the future. I think it is going to be very difficult, but that is very helpful evidence, thank you.

**Chairman:** We have touched on additionality and Baroness Young is going to pursue additionality.

**Q183 Baroness Young of Hornsey:** Yes, just a little. I think it is one of those deceptively easy-looking questions: "To what extent are ESF projects genuinely additional in your experience?" It sounds easy. I would like particularly, Mr Yeoman, if you could say something in addition to the remarks you made in your submission about what might happen in the future in terms of the need to continue monitoring and perhaps up the monitoring in the future.

**Mr Yeoman:** Yes, what I was alluding to in my evidence, and perhaps I did not make it clear enough, was that, particularly on the Welfare to Work and Response to Redundancy agendas, because there have been (and quite rightly so) a lot of central government initiatives to tackle the economic and financial downturn, and because ESF, as has been explained a number of times this morning, has to be additional, we have at a local level had to look at what the ESF provision is that we have contracted for and make sure that it still really is truly additional, and that becomes an ongoing and difficult process. It is slightly complicated by the fact that sometimes the policy at a UK level or at an England level is entirely right, but it does need to be nuanced and understood at the local level. I will ask Carolyn to give you some examples in terms of jobseeker's allowance differences across the South West, but what I want to illustrate with those numbers is that the labour market conditions, say, in the far south west of Cornwall and the Isles of Scilly, is very different from other places such as Swindon in the South West. The policy may be right, but it does not mean that it must roll out in a uniform way across the whole of the South West or the whole of the UK. We must get to a position, both in terms of large-scale ESF roll-out and in terms of mainstream roll-out, where the procurement does not dictate what the policy looks like at a local level because it will mean that you will get the application of initiatives that do not make sense at a local level, and that just complicates things from the European Social Fund point of view because you must always be looking for that additionality. As colleagues have illustrated this morning, quite often ESF allows you greater flexibility. It allows you to pilot new ways of doing things; it drives innovation, and let us exploit that while we have the opportunity and push that as far as we can so we can learn for the mainstream, but not let the mainstream cut us off at the knees, as it were. Perhaps Carolyn could illustrate that point for me.

**Ms Webster:** The economic downturn has had a different impact in Cornwall and the Isles of Scilly than it has elsewhere, even in the South West. If you look back to jobseeker's

allowance rates in January 2000 in Cornwall when we had a rate of 4.3 per cent and in September 2009 it was 2.6 per cent, and you look at somewhere like Swindon, which in January 2000 had a rate of two per cent and now has a rate of five per cent, you can see that there are differences there and the response we need in Cornwall and the Isles of Scilly is not the same as the response they need in Swindon. There were a number of very helpful new mainstream initiatives that came out from central Government, many of which we were already delivering through ESF in Cornwall and the Isles of Scilly because we have this joined-up approach, so it is about looking at those new offers and asking how do we flex our ESF delivery around that and how do we work with our providers to say there is a group of customers there that can now be dealt with through the mainstream so that you can focus on another set of customers, and it is about continually trying to balance that overall need for the people in Cornwall and the Isles of Scilly.

**Q184 Baroness Young of Hornsey:** But is it the case that the more flexibility there is with the ESF funding and the more complex the funding streams become the more difficult it then is to separate out what the additional impact of the ESF funding is?

**Ms Webster:** It is not as long as you are clear about what you have got and what difference a new programme makes and how you can then adjust the total resources that you have in order to deliver on the agenda that you need to deliver on.

**Q185 Chairman:** Does anyone else want to say anything about that?

**Mr Burke:** I was just going to pick up on the co-financing point. The co-financing model of DWP and the LSC does make it a lot easier to identify explicitly the additionality over the mainstream programmes under the previous model where it was harder to see very clearly what would be there without the additional ESF funding. That model does make it easier to identify.

**Mr Arnott:** I endorse that point, that the additionality is very clear with co-financing because the two main co-financing organisations do tend to tender and procure the additional ESF separately but, regarding your earlier point, I think that, particularly where that additionality is being used to enhance programmes rather than provide something completely different, it does make the impact a bit more difficult to measure. Going back to my first example of a sort of integrated programme in South Yorkshire for the people who are most disadvantaged, those individuals might go through four or five different providers in a lifetime of that programme but there will only ever be one job in terms of an outcome, so it does sometimes make the impact a bit more difficult to extract from that.

**Q186 Chairman:** That does lead into the final and very important question, which is that even if you have got additionality how do you know it is effective? How do you know that what you are doing is adding value and outcome against measurement? We know that there has been a paucity of that kind of statistical information and we just wondered if any of you could help us in looking at effectiveness.

**Mr Burke:** I think it is important to look at the different ways that we might measure this. As Mr Arnott has just mentioned, there is management information around outcomes, so people you have got into jobs or whatever is supposed to be the success measure of that particular programme, but it is also important to look at the longitudinal research, which is probably the most effective way of measuring impact, so looking at individuals over quite a long period of time and what has happened to them, because for many of these programmes we are not just about getting people into a job; we are about moving them from disengagement to engagement and being successful in the labour market and moving through some upskilling and going on to move out of poverty, so it is quite a long-term strategy for individuals. The only real way of measuring that is to look at a longitudinal survey, which DWP are doing around ESF, and that is probably the best way.

**Q187 Baroness Young of Hornsey:** What period of time would that longitudinal study cover?

*Mr Burke:* I do not have the dates, but it is ---

**Q188 Baroness Young of Hornsey:** Will it be over a year?

*Mr Burke:* Yes. It is the full programme.

**Q189 Baroness Young of Hornsey:** So over the lifetime of the programme?

*Mr Arnott:* Yes. It will take quite a big selection, I think, because I think it will produce data at a regional as well as national level, but it will follow a sample of participants over the lifetime of the programme. I do not think we are going to get the first set of information until about the spring of 2011, but it will be an interesting piece of work when that comes out and that will follow up those individuals over a longer period.

*Mr Burke:* We also probably need to look a little bit more at some of the ways we might measure progression. At the moment we are very much focused on measuring job outcomes as being important or formal qualifications, and for some people who are very far from the labour market those steps that they need to take may be more difficult to quantify. At the moment we do not necessarily have quite the measures in place to measure the steps as opposed to the whole journey. Sometimes the ESF intervention has significantly helped them to make some very important steps but maybe has not quite helped them to make that big leap into the job or into the formal qualification, although that does not mean that it has not been valuable and is not essential to getting them to the next stage, but at the moment those mechanisms are not there in all programmes to measure.

**Q190 Lord Kirkwood of Kirkhope:** Hang on; let me ask you the question another way, and this has to be an instinctive, anecdotal response, I guess. If somebody at the beginning of

the seven-year programme had just given you respectively a chunk of money, no strings attached, in your own areas; you have got to spend this, there has got to be an audit trail, you cannot put it all on a horse or anything like that, over a seven-year period could you have done more in your own regions with the €X million that you had to dispense through the ESF? I know Mr Yeoman's answer because he is a committed holy warrior for cohesion and maybe that is right, but there are a lot of other people who think they would rather take the money than have an ESF fund. Very briefly, could you have used the money more effectively if you had been left entirely to your own devices?

**Mr Burke:** It is an interesting question. I think our sense is that the way in which we have delivered the ESF programme within our region has not particularly restricted things that we would have done differently, if that makes sense. The parameters of the priorities and the way in which we have to address things in the North West, and this may be a North West issue and not a national issue, are the priorities that we want to work with and want to address. It is enabling us to do things we feel we need to do, and even in the light of the recession we reviewed what were our priorities and were those priorities still true, and, interestingly, they still held true because they were sufficiently broad and the overall population had not changed that much, so the issues were still the same.

**Q191 Chairman:** Lord Kirkwood asked an important question but I want to move you back to where we were because it is a very important issue that we have had throughout our evidence, which concerns hard and soft evidence issues about the effectiveness. We have visited projects and on those visits met individuals who were having their confidence built or learning anger management or all the other programmes that help people to manage themselves and develop in relation to being able to work in the workplace. The difficulty is not having the hard evidence that often counts in some places and we would be very

interested to know when any of this other longitudinal evidence would be available or whether there is any indicative evidence you could let us have.

**Ms Webster:** I think the longitudinal study is really important and we do have lots and lots of case studies of individuals which are very inspirational, but in terms of hard evidence, from the Jobcentre Plus/DWP co-financing in Cornwall and the Isles of Scilly, at the moment three people every day are going into work as a direct result of the European Social Fund programmes - and that is into work with ongoing training and development because that is something that we insisted on in our ESF delivery to add value, and it is also from a programme that is targeted at the hardest to help people. Looking at our co-financing plan as a whole, which includes our mainstream provision, 50 per cent of the participants are on ESF programmes but 85 per cent of people going into work are from ESF programmes.

**Q192 Chairman:** Those sorts of illustrations we would find extremely useful in terms of our report.

**Mr Yeoman:** At the other end of the scale, going back to your original question: are we happy about the balance between Welfare to Work and higher skills, we have a graduate placement project in Cornwall and the Isles of Scilly. To give you a little bit of background, at the beginning of Objective 1 when it started we knew we had a lot of graduates in the workforce and we knew we had a lot of businesses. We also knew that a lot of the small businesses had no history of taking graduates into the workforce, and so we have a graduate placement scheme. What we monitor in terms of the participant activity in that scheme, and it might be of interest to the Committee, is the outcome for the business of the year's graduate placement in terms of increase in turnover because the placements are geared at specific sets of activity so you can measure the impact on the business. We also monitor the percentage of graduates that are retained in the business and whether the companies give them a pay increase after the subsidy that comes out of the European Social Fund. We can provide that

evidence and on average it is something around an increase in turnover for the business of about £140,000 a year.

**Q193 Chairman:** This is just the sort of evidence we want.

**Mr Yeoman:** Seventy per cent of the graduates are retained and about 70 per cent of them get a pay increase as well, so not only does the business pick up the subsidy element; it pays those graduates more on top of that. In terms of impact on the individual and on the business, we can provide you with that sort of evidence.

**Chairman:** That is what we want, to see if there is additionality and if that additionality has an outcome. That outcome is not always just in straight numbers but in effects on people's lives. That would be really helpful. I am afraid we really have not only come to the end of our time; we have rather overrun our time because we have some more work this Committee has to do this morning, but could I thank you all very much indeed. It has not only been a wonderful effort by all of you to get here but also I think we have found it an extraordinarily useful morning's evidence, so thank you for taking the time. There might be other things you want to say. If you do have other information that you think we have not yet received, do not hesitate to send it in to us. We read an awful lot of material as well as hearing it. Thank you very much.