

THURSDAY 10 DECEMBER 2009

Present

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

Witness: **Mr Phil McVey**, Director of European Programmes, South West Regional Development Agency, examined.

Q109 Chairman: Good morning, Mr McVey. I have to do one or two housekeeping things after welcoming you and that is to explain that you have in front of you a list of interests that have been declared. That is rather important at this moment, the declaration of interests. Perhaps you would begin by stating your name. Although we can see it here it is a convention that we have to have you say it for the record. You may want to make an opening statement, and perhaps that could be brief and not necessarily cover the questions that we are going to be asking you. Would you therefore like to begin by stating your name and telling us what you do in your opening statement?

Mr McVey: Thank you, my Lord Chairman. My name is Phil McVey. I am from the South West of England Regional Development Agency. I am the Director of European Policy and Programmes in that agency. Thank you very much for inviting me here today. I will make a very brief statement, first to say that I am representing the South West Regional Development Agency this morning, so anything I say does not represent the views of the entire English regions; I am representing the South West. My role and the role of our agency in European programmes is to successfully, I hope, deliver the European Regional Development Fund

programmes for the South West Region, so we do not have a direct responsibility for the European Social Fund as such. However, we have three major interests. First, we lead the work of the Regional Employment and Skills Partnership; we chair that partnership, and that partnership, which is private sector, public sector, voluntary sector and others, has ownership of the European Social Fund frameworks for the South West Region, so we have a key role there. The second one is that we have a strategic interest in the European Social Fund generally and how it links with the economic strategy for the South West Region, and, thirdly, we sponsor and manage one or two European Social Fund projects directly. For example, we led one recently which was concerned with engaging older people in the labour market, which included people over 50, I have to say, so we have a direct interest in that way. The final point I want to make, and I hope this is brief enough, is to clarify that the South West Region is unique in terms of European programmes in England in that we have two separate European regions. We have Cornwall and the Isles of Scilly, which is a convergence region, and we have the rest of the South West Region, which is a competitiveness and employment region. That brings opportunities and challenges for the region but it is worth bearing in mind that unique distinction within England.

Q110 Chairman: Thank you very much indeed. You did in your evidence make the suggestion that there may need to be a change in focus although you feel that the ESF has been a valuable source of funding across the South West of England. Where do you think the balance should lie between the provision of higher level skills and lower level skills? Could you contrast the position in the competitiveness area and the convergence area of Cornwall and the Isles of Scilly?

Mr McVey: Dealing with the first part of the question, I think it is quite right that the European Social Fund keeps its major focus on the hardest to reach in the labour market. That is the prime purpose of the fund and I would agree that that should remain its focus. For

example, in Cornwall and the Isles of Scilly, which I have mentioned has a separate identity in European programme terms, there are 900 young people currently not engaged in employment or training, and those are really difficult young people to reach, very often in remote rural areas, they do not have their own transport, they do not engage necessarily with facilities in towns, so it is right that the European Social Fund can add to whatever the mainstream programmes are for those young people. However, from an economic point of view, if I think about what we are trying to do in the South West Region, as I know other regions and other countries do in terms of having a greener economy and having skills that can respond to new challenges in terms of renewable energy, changes to the way people heat their houses and so on, there is definitely a need to ensure that people currently in work can improve their skills. A very simple example that we have come across recently is plumbers who are not properly equipped to deal with new boilers that people are installing which are much greener than the ones they have, so it is a balance. I think it is right that the major focus remains on the hardest to reach but we do have to do a bit of refocusing to ensure that the fund can add value to the areas I have described maybe around green skills. To come to the second part of your question, the contrast between the convergence and the competitiveness regions is an interesting one. The Cornwall and Isles of Scilly European Social Fund programme is the only one in England that is able to devote some funding to higher level skills, and by that I mean graduate and postgraduate provision, so most of the rest of the country would focus on level 3 and level 4 NVQ skills. Cornwall has this unique advantage, as I say, in being able to use the ESF to do things such as enable graduates who would otherwise leave Cornwall to work to stay in Cornwall, so it does things like fund, for want of a better word, internships with companies. We have a programme which is called Unlocking Cornish Potential, which enables recent graduates to stay with companies, and that has a two-fold benefit. It enables the company, obviously, to benefit from the skills and knowledge of

that recent graduate but it also enables the graduate to get that really valuable work experience that they require to move on in the labour market. The second part that I would contrast in Cornwall and the Isles of Scilly compared to the rest of the region is the postgraduate angle. The European Regional Development Fund programme has been investing in the creation of higher education in Cornwall. Previously there was not that capacity in Cornwall and that particular fund has been investing in buildings and research capacity. One of the things that the ESF has been able to do is to enable some money to be spent on postgraduate research so that we can again see young people stay in Cornwall and carry out research which is relevant to the Cornish economy, and then, as we have seen in one or two cases recently, some blossoms beginning to emerge of young people starting their own businesses, for example, in one case a mining engineer who invented a particularly fantastic product (which I could not go into the technicalities of) has been able to keep that in Cornwall and create his own company as a result of that.

Chairman: Lord Kirkwood, I know I said I would ask you to ask about the Fund but do you mind if I pursue this question at this point because it seems a good one?

Lord Kirkwood of Kirkhope: Absolutely.

Q111 Chairman: We have a question that we are all quite interested in which I would like to pursue before we move on to the next question, which is about the complexity of funding, that is, between ESF and central government funding and what might be some local government funding, and whether it is possible to clearly identify where ESF funding is adding value as against other funds. Do you have a view about that before we move on?

Mr McVey: As we say in our written evidence, it does require quite detailed arrangements right at the local level to identify the added value of the ESF. Clearly, at a national level the managing authority, the Department for Work and Pensions, will be gathering data about how ESF is at that national level providing additionality, so more money and also added value.

The sort of thing that I would cite as evidence of the fact that we can show ESF is adding value is that, if I go outside Cornwall and the Isles of Scilly, the Learning and Skills Council and Jobcentre Plus, who are the main co-financing organisations, as I think you will know, from ESF, have been letting contracts to providers in areas such as Bristol and Plymouth and Torbay, which in our region have been identified as priorities for the use of ESF, where people who are, to use the phrase, some way from the labour market have added on projects that enable them to be prepared for that mainstream provision, so clearly you can identify a separate track of activity which may be around fairly basic skills that are required in order that they can take up the mainstream provision.

Chairman: We may pursue this further. We are beginning to get a picture of how you see it. I would like to move on to Lord Inglewood who is going to talk about the economic downturn.

Q112 Lord Inglewood: Clearly, the economic landscape has changed very significantly since the drawing up of the proposals for this programme starting in 2007. How do you feel the ESF has been able to respond constructively to the changes and what do you think ESF's role is in the new world?

Mr McVey: First, within the South West Region ESF has been able to respond to the change in economic circumstances. For example, and forgive me if I get the title wrong, the Regional Economic Task Group in the region, which is chaired by the Regional Minister for the South West, Jim Knight, who also happens to be a Department for Work and Pensions Minister, set out its priorities in the light of the recession and what changes it thought needed to be made, including a focus not only on responding to redundancies but also shifting more to higher level skills so that the economy was ready to come out of the recession, which I think is quite important, not just the immediate response but how you prepare yourself for the future, and the fund was able to adapt to those circumstances. If I could mention one slight downside that

we have found, it was that in the South West Region, where the economy is dominated by small and medium enterprises (SMEs) with very few larger employers, we found that one aspect of the national response from ESF to the redundancies which was difficult to work with was that in order to qualify for ESF people had to generally be under notice of redundancy. That works quite well in larger companies where there are formal mechanisms but what we found in the SME part of our economy was that, of course, it does not quite work like that. People's jobs were at risk but they had not been told they were under notice of redundancy. Our ESF partners in the region have been able to work around that (just) within the rules but it did require a bit of creativity, and I think we would probably have had a better response had that wording around "under notice of redundancy" been slightly eased.

Q113 Lord Inglewood: Was that a UK stipulation or was that a Commission or Community stipulation?

Mr McVey: That was an English response to the recession, using the European Social Fund.

Q114 Lord Inglewood: So the words "under notice of redundancy" were in fact a UK Government introduction to the rules rather than a European one?

Mr McVey: To be honest, I would not be absolutely certain about that. I know that was the English response to it. The question would probably better be put to the Department for Work and Pensions in the future.

Q115 Lord Inglewood: I am sorry; do not worry.

Mr McVey: Thank you. In thinking about the second part of your question, which I think I have probably already touched on, the Regional Economic Task Group has, as I say, set out new priorities for skills in the region, including emphasis on higher level skills, and I mentioned a bit in my preamble about green skills and the green economy. At the moment in

the region the European Social Fund frameworks, because we have two – one for Cornwall and one for the rest of the region, are being refreshed, and what we are seeing coming out of that is using ESF to equip people for the economy as it changes in two ways, first, responding to the new industry, new jobs initiative coming from Government, and also, as I have said, an emphasis on how we can equip people for skills in the new green industries that the region is seeking to build.

Q116 Lord Inglewood: You also said in the document you kindly gave us that you feel that increased flexibility in moving the funds around in the region would be beneficial. Indeed, you go on to say later, and that may be touched on later, that you would like to see all the European structural funds become a mono-fund, which I suspect from the South West Regional Development Agency's perspective would be a nice thing to have. What do you think the poor consequences might be of the change? I can understand why you want to do it but what are the disadvantages of increased flexibility? For example, I suspect you might find that some things that those who put the money down would like to see happen will not happen at all.

Mr McVey: First, I would just add that, although that is the South West Regional Development Agency's view, other partners whose experience of previous European programmes was more of working with a single programme with the funds working together I think would agree that a different approach might be helpful in the future from what we have now. To answer directly your question about disadvantages, clearly, if a single pot comes to a region which contains all the funds to do all the economic work and the work of the European Social Fund, there could be a temptation for partners in the region to use that for what seemed to be the single most important thing at the time when the money arrived. I would entirely agree with the proposition I have heard elsewhere that if that were to be the case there should still be drawn up national frameworks that would set out what the role of the employment and

skills part of that money would be and what the priorities would be for that money, and, further, at a regional and local level there should be additional frameworks that would say, in a similar way to the way the European Social Fund frameworks do now in the region, “These are our priorities for that money in the region, so do not be tempted, any one organisation, to spend it all on one thing. There are other priorities or other things we need to do”. Just to add a little bit on that, I would say those priorities are not only in terms of activities and themes, and I have mentioned the green economy; they are about place as well. A region, for example, needs to agree that there are certain areas, whether they be rural or urban, that require greater concentration of funding and it would not be our thinking in any way to lose those two emphases.

Q117 Lord Inglewood: So it is a little bit of flexibility rather than complete *laissez-faire*, I suppose.

Mr McVey: I think, particularly when we are dealing with European money, that one has to recognise that there are underlying principles behind the reason that the UK gets that money that should not be lost as you move down the chain from Europe through national to local.

Q118 Chairman: Could I just pursue this for a second because it goes back to this question about the funding? The balance of the fund was 65 per cent to the hardest to reach and you said in your introduction that you really thought that was what the European Social Fund was about, and 35 per cent for the higher level. That was the original programme. As there is pressure for more higher level skills will this not drive out the harder to reach? You were saying at the beginning that that is really what the ESF funding is for, and you have just said that the European funding should maintain its focus on its original priority. Do you think there is a tension there? We are back to this tension about where the funding should go.

Mr McVey: Yes, clearly there is a tension. I would try and put this within a timeline. If I take the most disadvantaged parts of the South West Region, for example, where, at the beginning of the programme, setting aside current economic circumstances so I am going to talk outside those for a moment, it would be quite right that you would focus a greater concentration of the funding on the hardest to reach, but, given the success of those programmes, one would expect that over time you would see, as is described in parts of our region, a pathway so that people then begin to move on into work, into skills training, into higher level skills, ideally. I recognise that that does not happen in all cases, but that is why I think over time in a programme you should be able to begin a shift from the concentration on the hardest to reach through to concentration on more higher level skills. Clearly, as I have said, I am talking outside the context of the current economic situation, but if you have in a place that sort of package of investments use of the fund, one would hope to see a pathway. I would mention there the strong relationship with what the European Regional Development Fund does because that fund is seeking to create the opportunities, if you like, the businesses, the jobs, into which those people could move. Yes, it is a tension, and it is a tension that is always going to be there, but I think I would also refer back to my previous answer, that it is really important that one has regional and local frameworks that allow partners in those areas to talk through those tensions themselves and decide which is the greater priority.

Chairman: That is a good time to move on to Lady Young and talk about the medium to long term.

Q119 Baroness Young of Hornsey: I guess that you have really addressed the first part of what was going to be my question, which is about this balance that you keep coming back to. In terms of the second part of the question, which is how can the ESF support green skills and the low carbon agenda, you have already mentioned that in quite general terms. I am

wondering if you could give us some specific examples and also say something about your prognosis for that area.

Mr McVey: I can be specific and, if the Committee wishes, we can provide further information on this in writing. The Regional Employment and Skills Partnership, as part of the current refresh of the European Social Fund programme that is going on in the South West Region, carried out some analysis as to, first, what do we mean by green skills, because it is a very easy phrase to bandy about, and, secondly, what might the demand be within the region for that, and it contains a useful glossary, by the way, of what we mean by “green skills” which the Committee might find interesting. Specific examples would be in places, for example, where a community is seeking to develop its own energy supply company so that it becomes less reliant on national sources of energy, and at the same time, of course, can create revenue as a result of its energy supply company, and the Learning and Skills Council in that area ensuring that its mainstream funding and its European Social Fund funding through local colleges and other providers creates courses that will equip local people with the skills that they might need in order to install the right devices in houses and be able to work in new businesses that grow up and so regenerate businesses engaged in new sources of producing power in that area, but, just going back to earlier questions about the hardest to reach as well, working with Jobcentre Plus to ensure that people currently furthest away from the labour market begin that pathway. The bit I have missed there is that you get the European Regional Development Fund in that area providing some money to say, “Would it be feasible to have an energy services company in that area? If so, how would you create it?”, and then you get the European Social Fund doing work on what are the skills required to make that happen and how do we ensure that people furthest from the labour market can begin the journey to get there. That work is going on at the moment in part of the region.

Q120 Baroness Young of Hornsey: That last point you made is interesting because I was thinking as you were speaking that it seemed that many of those skills that would be needed for promoting that agenda might not be at the lower level of skills. Does it change the proportion, do you think, of the basic skills needed to the higher level skills?

Mr McVey: Just referring back to my earlier answer about the current refresh of the European Social Fund framework that is going on at the moment, – and, by the way, I am talking about Cornwall again so I need to be clear about that – that is likely to bring about a shift in balance between the funding from the most basic to the higher level but not in a way that fundamentally affects what the programme is trying to do. I think that is quite an important point and partners in Cornwall and the Isles of Scilly are not shifting what they are trying to do with the money. They still want an emphasis on the hardest to reach, but they recognise that what they could do, rather than make a shift in the proportions of the money, is shift the emphasis as to how that money is being used. It is about saying, in terms of the money we have for higher level skills, could we use it better, could we use it in a way that aligns with the medium to longer term aspirations that we have for the economy?

Q121 Baroness Jones of Whitchurch: Can I just follow up again on the hardest to reach issue because we took evidence recently from third sector organisations and they felt quite aggrieved that the way the fund was developing was, if you like, cutting them out of the programmes and that they had particular expertise in reaching the harder to reach, dealing with the really difficult places. I wonder if that has been your experience and whether you think that the third sector has something to contribute in terms of particularly dealing with the hardest to reach, but you could say that equally about green energy and so on as well?

Mr McVey: To take the last question first, yes, I do agree that the third sector has something significant to offer in this area, so, just for a moment reflecting on my own personal experience because about nine years ago I was head of the European Social Fund in the South

West Region at the time when the co-financing of the ESF was first being introduced, so moving from a very open bidding type of programme to the model we have now, I do recall lots of discussions with the third sector about their role at that time. What we have seen in the region is that the third sector is playing a significant role. I am going to quote for a moment Camborne, Pool and Redruth in Cornwall and the Isles of Scilly, which is the part of Cornwall which has some of the most difficult issues at the moment. ESF is being used by the third sector there to reach those hardest to reach people, so right at the beginning of the pathway to employment it is the third sector that is providing the help that young people and older people require before they get into work, in other words, preparing them for that mainstream Jobcentre Plus, the other programmes that are there, very much the third sector is at the heart of that particular work, so, yes, they do have a role to play. I would add, and again we can provide written information on this further if you wish, that in the South West Region we have taken steps to ensure that that contribution of the third sector continues to be strong by a specific allocation of ESF funding to ensure that the third sector is able to respond to the tendering rounds that the co-financing organisations carry out, so we have put in place ESF money to enable them to have capacity and support to respond to that.

Q122 Baroness Young of Hornsey: What is your view on the suggestion that the richer Member States, such as the UK, should not receive ESF funding in future, and what do you think ESF offers that cannot be generated domestically?

Mr McVey: What I want to avoid doing is giving a history of cohesion policy or why ESF is there. There is a fundamental question, I think, about our membership of the European Union underlying all that. What I would say is that what ESF does, along with ERDF, is that it enables those parts of the United Kingdom and England which are at a disadvantage in comparison with European Union averages to benefit from funding that would not otherwise necessarily be guaranteed. For example, yesterday we were in Cornwall and we heard the

European Commission confirming that the European funding we are receiving is guaranteed for those seven years. You do not very often get that sort of cast-iron guarantee of money – I do not think you ever do, do you? – that you know you can use for the purposes that we have been talking about so far, in addition to which there is an angle that sometimes can get overworked, which is in both programmes, the European Social Fund and the European Regional Development Fund, the ability to innovate and generate new ideas, new ways of tackling worklessness, tackling skills gaps, that would not otherwise happen necessarily within domestic programmes. A particular angle of that, of course, is working with our European partners, working with other regions to develop ways of --- I think I mentioned right at the beginning an older persons' project we were engaged in and a feature of that was how do similar regions facing similar demographic issues tackle those difficulties, so not in isolation trying to find an answer to the problem. It is a pretty fundamental question. I think it would be unfortunate if the funding was concentrated only on the most disadvantaged Member States. I fully understand the reasons why that might be the right thing to do, just in terms of the limited amount of money, but I think English regions and the South West in particular, parts of the region that are the most disadvantaged, gain, as I said, from the opportunity to innovate and do things that would not otherwise be done, understand how other regions tackle the issues, and add that value to the domestic programmes in a guaranteed way.

Q123 Lord Inglewood: I come from another far corner of England. What in fact you are saying is that you think that the Government in Westminster does not necessarily treat far-flung bits of England properly, does not understand them properly?

Mr McVey: I hope that is what I did not say. I can only repeat that I think it is much more about the opportunity to innovate with a guaranteed sum of money.

Q124 Chairman: There has been a suggestion made to us that one way of looking at it might be more on a regional than a national basis in terms of defining need. Do you have a view about that?

Mr McVey: Coming from a region and working with regional frameworks, I do see the advantages of getting down below national trends and national pictures, but at the same time I would argue, as I have said previously, that when we are dealing with European money we do need to take account of the reasons at various levels why the money is being used. It is quite right that the United Kingdom agrees with the European Commission a national framework for the use of European Social Fund because the Member State may well have specific regions to start with that it wants to target through the funding and also specific national initiatives that it wants to concentrate on. For example, in the European Social Fund programmes there was an emphasis which has come through in the programmes on the long-term unemployed, that that was the right thing to do through the national framework, but what regional programmes, as I said, enable us to do is to have that little bit more nuance in how the funding is used and particularly to engage local and regional partners, and, thinking back to the earlier question about the third sector, and I would also add the private sector and business into that, engaging absolutely at the front end where people know what the issues are. That is the important added value of working at a regional or sub-regional level.

Q125 Lord Eames: Mr McVey, I can very easily identify with the sort of area that you have pictured for us in Cornwall and the Isles of Scilly, coming from Northern Ireland, because we had a very similar problem reaching out into isolated areas and so on. I have followed very carefully what you have said about outreach and you have touched on my question to a degree in your reply to Lord Inglewood's question earlier on in that you highlight the disparity between the various funds, misalignment, or whatever way you want to put it. Your suggestion is that in fact there might be a case for some monolithic approach and you feel that

this would be a more unifying approach, given the sort of area you are talking about. Although you have touched on this could you say a bit more about your experience of how that suggestion might work in practice? What has been your experience of those problems, because, as I say, I can identify very clearly with your picture of the area in which you work?

Mr McVey: I suppose in trying to answer the question I reflect a little bit on the previous Objective one European programme which ran in Cornwall and the Isles of Scilly from 2000 to 2006 and which contained a single document which outlined the aims and objectives of four European funds, as it happened, because it also added the Agricultural Fund and the Fisheries Fund. There was very much an opportunity there for partners to take those four different funds which had four different European aims, four different national aims, and convert them into a single aspiration for Cornwall and the Isles of Scilly, but, similarly, outside of Cornwall and beyond, Objective two programmes were doing the same thing. I would not want to pretend that that was a perfect world but what it did enable people to do, as I say, is to take a single view of the funds. What we are experiencing at the moment in the new programmes is the need to create structures, to create documents, in order to ensure that the two, the Development Fund and the Social Fund, were working together. A very practical example of that, and if this is too much detail please stop me, is that we have put together a document that says, "These are the projects that the European Regional Development Fund is paying for, these are the projects that the European Social Fund is paying for, and this is where they need to talk to each other in order to get the best of those two funds". Our ideal world is that you pre-empt that by having a single framework in the region that brings together the national aspirations and the European aspirations of those funds, and at the beginning says, "These are the sorts of projects that we would probably like to see, that would deliver both of those funds but would make that difference at the local level". Working for a Regional Development Agency and being a region, we have a regional economic strategy, of

course, which does bring together at a regional level what partners are seeking to do, but it does not yet do that fine-grained analysis that says that these are the real projects we would like to see. I think that is what we are suggesting moving to, something that is like the European Social Fund frameworks we have plus gives you a little bit more fine grain. I am sorry, because I think you asked two questions and I have forgotten one of them.

Q126 Lord Eames: In a sense you have answered me. I wanted to know your experience of the situation as it is now compared with how it would be under your suggestion.

Mr McVey: I think it is interesting that at the moment we are approaching the mid point of our current programmes and at this time we are still doing work to ensure that those two funds work together as well as they could. We still have examples of projects from the European Regional Development Fund which could benefit from skills and people aspects that the European Social Fund could bring and vice versa. We are now catching up very quickly through the refresh of the ESF framework but I guess in a completely distant and objective way it is interesting that at this point of the programme we still have to do that work. I think it is because we have had to put in place, as I said, structures, groups and partnerships and processes, so pieces of paper, to try and bring the two together retrospectively in the programmes.

Q127 Lord Eames: Do you know of any other regions that are doing similar to your own? Have you heard colleagues talking like that?

Mr McVey: Off the top of my head, I do not know of examples. I do know that a couple of regions were interested in the work we were doing on the European Social Fund matrix, as we call it, which is the document I described with the list of projects and how they fit together, but I do not know whether that has been picked up.

Q128 Lord Eames: Lastly, to go back to your area, and I know your area quite well, given that you are working in isolation, is there a danger that you would generalise, in the so-called philosophy you are talking about, and that that would not necessarily apply to much more urban based areas? Is there a risk – and they all fall into that from time to time – that the suggestion, the solution, that you are putting forward would not necessarily apply in other regions because of their geography?

Mr McVey: Recalling your earlier question to me now, I think you used the word “monolithic”. I would like to emphasise that we are not proposing something of that sort and I hope I have tried to make it clear that we are talking about something that is more fine-grained than that so that you can within a regional framework, as we have done in our current programmes, create a framework, for example, that focuses on Plymouth only. We have asked partners in Plymouth to produce a framework that says, “Yes, there is a national picture, yes, there is a regional picture, and this is what we think our priorities are and how we would use the funding”. In the current programmes we have asked them to do that for the European Regional Development Fund. Our suggestion would be, “Would it not be great if we could move that on and do it in a wider sense?”, and probably it would have to be aligned with things such as local area agreements, so the agreements between local partners and central Government which bring together all the aspirations of the partners in an area. It is possible to overcome that risk that you describe.

Q129 Baroness Henig: We will go back to additionality now. If I can remind you, I am sure you do recall the written submission of your Development Agency where you said that there had been many cases of projects and programmes potentially overlapping with national programmes, which obviously wastes time and resources and prevents effective delivery of the programmes. I wonder if you could expand on that point of overlap and whether you have

evidence of where you believe that has happened and how you think it is best addressed to ensure that we do deliver additionality.

Mr McVey: How do we ensure that additionality? This is going to sound like a process answer but it is in terms of how we contract for that activity, how we draw up the specification for it, so how do we take account of what already exists, what are the needs and then how is it contracted locally to ensure it is something different from what is already in place. I have always been very impressed, standing from a slight distance, by the procurement methods that have been used for ESF which I think have ensured that that additionality is there. However, a little snag that can occur is that at the time you procure ESF you do not necessarily know what changes are going to come along in national government policy and new programmes that are going to be introduced. The specific example we have been working with in the region and probably other regions have is Train to Gain, where we contracted for additional provision over and above Train to Gain for employers and then new provision was introduced in the mainstream. For a small period, therefore, we were thinking, “Hang on; we have got some overlap here”. What the LSC and Jobcentre Plus can do, of course, is make the contracts flexible enough to allow for that potential overlap to be reduced, so that is the specific example, the Train to Gain one, in the region. As I say, having very smart procurement methods is the key to this.

Q130 Lord Kirkwood of Kirkhope: I am fascinated by your experience and I could speak to you and ask questions for the rest of the day, but can I put it to you very briefly, that since 2006 your region, perhaps in concert with the Highlands and Islands, has had more money than any other part of the country from this source? Is that true or not? It is not a trick question.

Mr McVey: I do not have the comparator with the Highlands and Islands; that is my only missing piece of information, but certainly, if we look at the ESF that is going into the South

West Region, and particularly Cornwall and the Isles of Scilly, there is a concentration of funding. We could check. I am not certain that the ESF that the South West gets is more than, for example, the North West or Yorkshire and Humber, but we would need to check those figures.

Q131 Lord Inglewood: It will be on a per capita basis.

Mr McVey: Potentially in Cornwall and the Isles of Scilly, yes.

Q132 Lord Kirkwood of Kirkhope: Has it worked? On a scale from one to ten, and briefly, can you put your hand on your heart and say that in times of challenging public expenditure constraints between now and 2013 every pound that we spend through our system can be just about a cost benefit analysis? It is a soul and conscience answer here.

Mr McVey: Yes. Thank you for putting it in that way because I was thinking this is a from-the-heart answer, actually, and I should declare that I live in Cornwall, so if my answers are biased that is why. It is fair to say that ESF at the moment in Cornwall and the Isles of Scilly is helping three people a day back into work, and that is three more people than otherwise would have been helped back into work.

Q133 Lord Kirkwood of Kirkhope: Is that the additionality factor?

Mr McVey: That is the additionality factor. That is 1,000 people so far through the current European Social Fund framework.

Q134 Lord Kirkwood of Kirkhope: And that would not have happened if the money had not come your way?

Mr McVey: No, because that money is going into that added provision that I mentioned which engages the third sector and others.

Q135 Lord Kirkwood of Kirkhope: That is very helpful. Another dimension to this is whether you would agree with those who say that currently the centralised bureaucracies, if I can describe them that way, have captured the shape and effectiveness of the spend at the local level, that is to say, that those who command match funding, DWP and organisations of that kind, are running away with the gain in a way that squeezes out what I would call community projects, not regional projects, not even local projects but community projects? You also mentioned earlier that you had a guaranteed proportion of spend for local voluntary, third sector programmes. Have you got a figure that would quantify the amount of money that they get currently?

Mr McVey: The straight answer is that I do not have that figure with me, no, but there is a figure, and there is within the programme the pot of money that goes to community grants.

Q136 Lord Kirkwood of Kirkhope: It would be good if you could give us a note about the balance.

Mr McVey: We will.

Q137 Lord Kirkwood of Kirkhope: My main question is that people are saying that ugly big brother central Government is running away with the gain. Tell me what you think about that.

Mr McVey: The straight answer is that it is a challenge to ensure that national requirements fit with what regional and local and community partners want to do, but in the South West Region the way that the region's employment and skills partnership, and below that the local strategic partnerships and others, have used the ESF frameworks to ensure that in plain language they get what they want in their local areas has been as successful as I think it could be, given --- I said earlier on that there are national frameworks for these programmes; there are European frameworks and you have to work within those.

Q138 Lord Kirkwood of Kirkhope: That is a very diplomatically worded language. Can I put it another way? Do you believe that community projects get a fair shout? If we went to Redruth and found a community project, would they be likely to complain to us that they do not get access to the money, because they are dealing with individuals, not with groups like NEETs, and they can do it better than anybody else; you have admitted that yourself? Do you think there will be people in your region who would say that they are not getting a fair shout because big brother, the DWP, is sucking up all the money?

Mr McVey: I think that sort of question always tempts the person responding to say, “I cannot say what others might say”, if you see what I mean, and I am sure there would be people who would say that, but let us look at the evidence. The evidence is, as I said earlier on, that, for example, in Cornwall three people a day are being helped into work, and each one of those individuals will be the sort of person you are describing. Is that individual in a disadvantaged position who is being helped back into work? In addition to that, of course, there will be others. In Cornwall there have been about 1,500 young people who were previously disengaged who have moved on. I think maybe the way that I would look at this is, rather than say, is a specific organisation, whether that is a community organisation, a public sector organisation, a private organisation, receiving money, its share, is the money helping the right people to get back into the labour market, back into work, engaging in the economy in a way that we are aiming for? The answer, in the way the ESF is working in the South West and particularly in Cornwall and the Isles of Scilly, is, yes, it is doing that. I can provide, if the Sub-Committee wishes, the specific example of the project I mentioned earlier on, which is putting European Regional Development Fund money into Camborne, Pool and Redruth, and at the same time the European Social Fund money is helping people in that area and that is a third sector contract.

Q139 Chairman: That would be a useful example.

Mr McVey: I can provide that.

Q140 Lord Kirkwood of Kirkhope: You are in the market for that?

Mr McVey: Yes.

Q141 Lord Kirkwood of Kirkhope: I have two very quick questions just to finalise my slot. Is it all too bureaucratic?

Mr McVey: I am going to answer that by saying that the audit regime in the new European programmes is on a scale where there is no comparison with the previous European programmes.

Q142 Lord Kirkwood of Kirkhope: I think that is a yes.

Mr McVey: My organisation and others have had to respond to that. What we attempt to do at a local level, and I will not flower it too much, is shield some of the direct recipients and deliverers from that bureaucracy.

Q143 Lord Kirkwood of Kirkhope: Thank you. Finally from me, and I think I know the answer to this question as well, can I come to flexibility and discretionary spend? What you have to understand is that we are a humble Sub-Committee. We make recommendations and then we argue our case on the floor of the House of Lords and we get listened to if we are lucky. We make recommendations. About flexibility and discretionary spend, briefly, if I were your fairy godmother and I could only grant you one wish in relation to flexibility and discretionary spend, what would that be in future? This is looking forward to the period running up to 2013, and indeed beyond.

Mr McVey: I wish I had two answers to the question.

Q144 Lord Kirkwood of Kirkhope: No, you can only have one.

Mr McVey: I think the one that I would say would be – and this is probably within our gift, actually but it is the one that I want – much better ability to strike that balance that we have been talking about between the hardest to reach and the skills aspect, much more flexibility amongst ourselves to decide what is most important.

Q145 Baroness Jones of Whitchurch: In your submission you have this quote that says that “regions that spend their Technical Assistance wisely should not be penalised by having funds withdrawn or reduced at a future date.” That sounds like that comes from the heart as well and I wonder if you could explain why you said that. You have obviously had a bad experience with it.

Mr McVey: The experience has been that because of the way the ESF is managed nationally and regionally in the South West Region we have been fully using our Technical Assistance allocation. Not all regions may have been doing quite so well and that has resulted in the overall Technical Assistance money being diverted in other directions. At the time we wrote this, and I have to say there has been a slight change, we thought that would mean the South West would lose some of its Technical Assistance as well. We have managed to secure flexibility on that so that will not be the case, but I guess the underlying issue remains that, because of the national nature of the European Social Fund, if there is underspending in a particular place it might mean that everybody could lose out. As I say, we have secured a commitment in the South West and that will not happen.

Q146 Baroness Jones of Whitchurch: Am I understanding this right? What you are saying is that because some of the other regions have not used their Technical Assistance money it was having an impact on your allocation as well?

Mr McVey: Potentially. I must just emphasise that this does not mean that the European Social Fund was being lost. It meant that the Technical Assistance money would be

transferred into the core ESF budget, so it could be used for a lot of the activities that were being talked about. Just purely from the South West Region perspective, we were slightly concerned at the time because we were intending to fully utilise our Technical Assistance, including, as I mentioned earlier on, the project that relates to the third sector, so we wanted to ensure that that commitment to that sector could be maintained. As I say, we have secured an exception from that, but the underlying principle, you are right, does remain.

Q147 Baroness Jones of Whitchurch: Just so that I understand it, you talked about this older persons' project. That is the sort of project that you are using the Technical Assistance money for, is it, which is something that is about exchanging good practice between regions and countries?

Mr McVey: No; I am sorry if I misled you. That project was not Technical Assistance. That was from the ESF programme. I am trying to recall. I think it was from the then Equal programme which was one of the transnational initiatives at the time.

Q148 Baroness Jones of Whitchurch: Okay, so the Technical Assistance money that you have been using is to give support and literally technical assistance to the third sector?

Mr McVey: Precisely, and we have been doing that through something called the South West Forum, which is the overarching body for the third sector and the voluntary and community sectors in the region.

Q149 Lord Inglewood: Is it fair to describe "assistance" as a slight euphemism for "admin"?

Mr McVey: Partly.

Chairman: That has really been very helpful. Is there anything that you would have wished to say that we have not asked you? If not, I have to say we have found your evidence

extremely helpful because we have been able to probe some of the questions that are concerning us on a wider brief but through your particular expertise in your region, so thank you very much indeed for taking the time to come. The Committee has been probing. There are some questions that you have agreed to write to us about for which we are grateful and we really will value that information when it comes. Thank you very much indeed.