

THURSDAY 19 NOVEMBER 2009

Present

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

**Memoranda submitted by Higher Education European Funding Services Limited,
North West Universities Association and Universities for the North East**

Examination of Witnesses

Witnesses: **Mr Martin McCauley**, Executive Director, Higher Education European Funding Services Limited; **Mr Keith Burnley**, Executive Director, North West Universities Association; and **Mr Bob Brown**, External Funding Manager, University of Sunderland, examined.

Chairman: Good morning. Can I say how grateful we are that you have come to give evidence to what we think is a very important inquiry with some extraordinarily differing views. We are very much looking forward to your evidence this morning. I understand you have received a list of interests which have been declared, but Lord Wade wants to make one other declaration of interest while you are here.

Lord Wade of Chorlton: To make the point that I do know Keith Burnley and have worked with him on a number of occasions on events for the North West Universities Association, so you are aware of my interest in that matter, and my support for it I ought to add.

Chairman: Declarations of interest are fairly important in this place, as you know, particularly as we have on our Committee the Chairman who did the report on declaration of interests.

Q31 Lord Wade of Chorlton: He does not pay me!

Mr Burnley: Definitely not.

Lord Eames: I will note that!

Lord Wade of Chorlton: In fact, he is an annual cost but I do not tell him that!

Q32 Chairman: When you begin, could you state for the record your name and your official title because, although it says it, we have to have it from you for the record. Might I invite you to make a brief introductory statement if you so wish, but we would rather you did not cover the questions until we come to them. Would you like to begin by introducing yourself?

Mr Burnley: I am Keith Burnley. I am Executive Director of the North West Universities Association. Together we did agree that I would say a few words at the beginning rather than us making three introductory statements. It is really simply to say that our main concern is that higher education institutions can continue to participate in the ESF programme and so continue to undertake activities that we think have been beneficial to communities, individuals and businesses in the past.

Mr McCauley: I am Martin McCauley, Executive Director of Higher Education European Funding Services Limited. It is a national support agency for universities and colleges of higher education that wish to participate in European funding programmes.

Mr Brown: I am Bob Brown. I am External Funding Manager at the University of Sunderland.

Q33 Chairman: Thank you very much. We will go straight into the questions. It would be useful if you could begin briefly by explaining your role as regards the European Social Fund. Could you expand on how the sector has assisted regional and national Programme Monitoring Committees in achieving their aims and objectives, and whether there are differences between experiences in former programmes, before the new set-up, and the current 2007-13 period? Who is going to begin?

Mr McCauley: If I could begin. I am the representative for the HE sector on the Programme Monitoring Committee, that is the current Competitiveness Programme and its equivalent programmes since about 1991. We are there in order to support the delivery of the programme as much as to look after the interests of our institutions. From a higher education point of view, all we are asking for is the opportunity to compete for resources. We are not necessarily asking for anything more than that. We are not asking for an allocation of our own. Over the years we have been able to support the programme by encouraging institutions to offer a wide range of provision that meets the needs of each particular programme. Over the years we have had some very successful widening participation projects. We have tried not to duplicate what has been done with normal funding within the higher education sector through our Funding Council, so we have not concentrated on school children, we have looked at young adults, adults, and we have even looked at, if I can use this expression, the elderly, from the point of view of how they can help their grandchildren to at least aspire one day to come to higher education. We have also had projects for business supporting particularly small and medium-sized enterprises. We have carried out research into disadvantage, exclusion and gender issues. Overall, I think we have played a very full and effective part in the national level of programmes. Below that, both Bob and Keith would be able to give you examples of how we have worked with Programme Committees at the regional level.

Q34 Chairman: Thank you very much indeed. Mr Burnley?

Mr Burnley: The North West Universities Association has had membership of the regional committee in the previous programme and the regional committee relating to the present programme, and in the previous programme acted as sector co-ordinator to stimulate and support higher education interests in the Objective 3 programme and the Objective 1 programme also. The thrust of what we have done has been to engage higher education institutions with the programme and also to feed into the programme ways of engaging higher education institutions to try to ensure that the programme is friendly towards higher education institutions where possible. That was considerably easier in the previous programme than it is in the present programme because of the issues of no direct bidding routes in the current programme and the much lower emphasis on higher level skills. In the previous programme in the North West we had 252 projects, there were 12,500 beneficiaries and the ESF support was around £28 million.

Mr Brown: Just to add very briefly, I represent universities in the North East on the regional committee for what was previously ESF Objective 3 and before that in Yorkshire and Humberside. There has been a long tradition of encouraging partners to be involved in the development and delivery of the ESF programmes. The universities, as representatives, have two roles: one is to represent the sector, as you have heard, but also to support the effective management of the programme and bring to that committee experience of teaching, learning and different types of beneficiary groups. That is all part of that role. One is the representative role for the sector and the other one is to support the actual committee in its duties in delivering effective management of the programme within the region.

Q35 Lord Inglewood: You have already touched on the core point of the question that I am going to put to you, which is that both in your verbal comments and in the written remarks that we have seen in front of us a theme has emerged that you feel the kind of provision that

your institutions, if I can put it that way, can provide has perhaps not been given the prominence that it might properly receive. In the words of Mandy Rice-Davies, re-quoted, “You would, wouldn’t you?” Have you got a vested interest in provision of the kinds of things that you do? A deal of the ESF is actually focused on things that, quite honestly, you should not be doing, and I am sure you would accept that. The question is, assuming, as you said, you do not believe in quotas, why exactly do you think the provision of services you provide should be given a great prominence in the allocation and distribution of ESF monies? Do you think there is a kind of general ratio which would be appropriate?

Mr Brown: I would start by saying it is perhaps the other way round, that what we are most frustrated about here is the other extreme, is what is the argument for excluding the benefits of higher level skills within the ESF programme, which is about equal opportunities and ---

Q36 Lord Inglewood: They are not completely excluded, are they?

Mr Brown: I would argue that the facts speak for themselves. They are not completely excluded but they are more excluded than they were previously. Part of the discussion here is not just about funding allocations but a process of taking out the importance of higher level skills to individuals from the programme. That is not something that has come from the Commission, it has been a UK Government decision to prioritise.

Q37 Lord Inglewood: I do not speak for the UK Government but they would no doubt say you could spend many times the amount of money that is available in this general area and it would all no doubt achieve some good. Our job as Government is to prioritise and the way we prioritise is the way we have done it because we believe that delivers the best for Britain. That seems to me to be the point you have got to reply to.

Mr Brown: The prioritisation used to be for discussion by regional committees and that would involve a number of stakeholders and regional partners to decide what was right for the

region. One of the first questions was about what has changed from the previous programme to the current programme, and what we have seen is a shift from the flexibility and ability of regions to decide what is most appropriate, what type of mix is most appropriate, what levels of higher level skills as opposed to lower level and intermediate level skills, what type of industry should be supported. That flexibility has been largely removed from the programme over this change.

Q38 Lord Inglewood: That seems to be a question for the Government, does it not?

Mr McCauley: There is another aspect to all of this and what concerns me most is that the ESF programme has very low aspirations for the people it is trying to help. There is an automatic assumption that if you are unemployed, if you are a single parent, if you have some other form of disadvantage, the only hope for you is to gain an NVQ Level 1 or 2 qualification. Our experience as institutions over the last 20 years, some of us voluntarily embracing widening participation, some of us being dragged more screaming and kicking towards it, has been that you can provide higher level skills training to disadvantaged people if they have the ability to benefit from it in its most simple terms. There are no pre-requirements for educational levels. If you are an adult in the United Kingdom and you can demonstrate the ability to benefit you can be taken on to a course. What we are losing through the reduction in access to ESF is the ability to provide for those people. When we talk about ESF and higher level skills, we are not talking about postgraduate qualifications in theology at Oxford or Cambridge, we are talking about masters provision at the University of Huddersfield in mechanical engineering and some very interesting but accessible programmes at Sunderland University. Huddersfield and Sunderland for some reason are not attracting the sons and daughters of the middle classes, they are recruiting people from their local communities who would not otherwise take part in higher education. We have to bear in mind that there are a number of degrees of participants in this country and, as far as ESF goes,

we are trying to match the use of ESF with people who are at the lower end of the training market, if you like, but we are setting high aspirations for them to actually move them on properly. The other reason why the programme should be involved in higher level skills is the more you load people into the labour market at the bottom, unless you are providing for people to move up at various stages then they are not actually going to go anywhere. You can train as many people up as you like with NVQ Level 1 or 2, but unless you take the existing workers who are trained to that level and move them up there is nowhere for people to go.

Q39 Lord Inglewood: Is ESF the instrument for achieving this?

Mr McCauley: Absolutely. The funds that are made available to us through the Higher Education Funding Council for the normal provision of training is in the main not available to fund programmes of the type that you see under ESF. Therefore, ESF has allowed institutions to address their local market whereas HE provision generally is a national market, so institutions can recruit from those people in their local area who need this form of training.

Q40 Chairman: I suppose the other point we have not addressed is that you assert this particular policy means we are falling behind other Member States. This is one of the things you assert in your evidence.

Mr McCauley: That is one of our main concerns.

Q41 Chairman: Do you have evidence of that?

Mr McCauley: The European Commission produces a simple two page summary of everybody's programmes throughout Europe and 20 of the 27 Member States include a role for their higher education institutions, and one of the seven that is missing is the United Kingdom. I do not think that ESF should do much more than work with people who are in most need in this country. A good 90-95 per cent of the resource under the programme

should be spent on people who need support at the lower end of the qualifications ladder. I do not have any difficulty with that, I just think you are missing out on an awful lot by not allowing a degree of activity.

Q42 Lord Kirkwood of Kirkhope: It gladdens my heart that you are being aspirational about this, but I am a non-executive director of the Wise Group and they produce intermediate labour market opportunities as entry level jobs for people who are suffering from all sorts of barriers to work. My question is if we have got three million people, and nearly a million of those are young people not in employment or training or anything else, five per cent of the caseload could be taken by people who knew what they were doing straight into a tertiary or higher education, high skilled technical type training. You are right to say that the vast majority of this money needs to go to people who are seriously disadvantaged in all sorts of ways. Have you got any evidence that with this five per cent you could apply the kind of support you are advocating successfully, straight in off the street if you like, to get them into a better position in the labour market context?

Mr McCauley: We have used ESF in different ways to support different types of people who are in different positions as regards the world of work and training.

Q43 Lord Kirkwood of Kirkhope: Have you got any data? Have you got any stats that say it is five per cent? Of every 100 of the three million that might be unemployed next year, the higher education sector could help five per cent in the way you are suggesting, or is it ten per cent?

Mr McCauley: I do not have those figures to hand. We can match the provision that people need against the place they are at at the moment and move them on. For some that might mean more of access level support, so some of the activities that we provide under widening participation headings, and they can then be moved onto and into degree training and make

that progress through. Our intention is that everybody who is recruited on an access course will eventually finish up with a higher level skills qualification. I do not know how long that will take, that will depend upon each person we recruit.

Mr Burnley: The whole area is one where statistical proof is actually quite challenging because there are many variables that need to be considered. From the point of view of the North West, to respond to Lord Inglewood, it is not only us saying it, the region is saying that, and the region is saying we have a higher level skills need of a particular sort that, based on the regional skills strategy and the evidence that is annually produced to support forming the regional skills strategy, indicates the importance of higher level skills and the region wish to have the flexibility to allocate a higher proportion of ESF to higher level skills. I have not got the evidence at hand, but what I have is the process that has happened in the North West which is that quite intensive analysis is undertaken of the skills needs, the regional skills strategy is produced and, following from that, regional partners in the North West, along with ourselves, wish there to be a higher level of higher level skills provision in the current programme than there has been, have submitted that to Government and in the review that is now being undertaken of the regional framework is again saying the proportion of higher level skills provision should be increased. The challenge for higher education is that it is not just a proportion of higher level skills provision, it is the routes that are important as well and if there is no direct bidding route that adds a further difficulty for higher education institutions who under direct bidding arrangements would come with match funding to enable the programme to pull more resource into this area rather than have the co-financing arrangement.

Q44 Lord Inglewood: I come from the North West too, as you probably know. The problem seems to be not that there is not a call for more higher level skills training, it is that the Government in London in its wisdom has decided this is not the way that it wishes to see the money allocated; it wishes to see the money spent in a different way.

Mr Brown: That is right. Largely that power and flexibility has been taken away from the regions to decide that. Keith's point is also true in the North East.

Q45 Chairman: Can I put this question so we can get this absolutely clear because we are looking for the evidence from you. What you are actually saying is you have a regional skills analysis that goes into the regional strategy which will then tell you what you are looking for through your regional groupings, but the way the central funding is allocated does not allow the flexibility to meet the regional skills analysis and in particular in this rather narrow but important grouping, in relation to higher skill training. Is that what you are saying has happened, just so that we are absolutely clear?

Mr Burnley: Yes.

Mr Brown: That is exactly what has happened. There is another element of this which causes frustration in some of the regions, which is the competitiveness side of ESF. ESF has been a broad church over many years and the ability to support growth sectors, technology sectors, low carbon, engineering sectors in the North East, for example, to help the North East compete globally, we have used ESF in the past to support that type of activity. Clearly there is a role for NVQ Levels 1, 2, 3, 4 and 5 training in that, but to limit the North East to NVQ Level 1 and 2 training in low carbon technologies is something that is going to restrict the ability of the region to use ESF to move forward and compete globally, and it is something frustrating the regional development agencies.

Chairman: That is very helpful. We pursued it because it is a very important point. We want to move on to the administration of ESF and Lord Wade is going to pursue this question.

Q46 Lord Wade of Chorlton: Gentlemen, I would like to get a bit of a feel for how you believe the administrative system within ESF works. Please could you comment on whether you feel the administrative and accountability requirements seem proportionate and/or

appropriate for the sorts of things the ESF is supposed to achieve. Where do you see the balance lying between administrative burden and delivery? How do you think things could be improved in future ESF programmes? I would also particularly like to know how you see the cost of administration if you think that is an item that needs to be addressed.

Mr McCauley: We would expect any programme of public funding to come with a degree of administration. I have no problems with reporting on activity, reporting on outcomes, reporting on expenditure and, therefore, I accept all the work that goes behind that. I am aware that in the last 20 years people have complained about the level of bureaucracy attached to the European Social Fund, but I am prepared to accept that I am working in a very large chain where people at different levels above me through the government department that we report to, through the Government as a whole, to the European Commission, have certain requirements and we must produce the information that goes up the line. The approach of the higher education sector has been that we would like our institutions to consider being involved in the programme and one thing they must consider is the level of administration that is attached to it. Personally, I have no real complaints about the level of administration involved in the programme and I have no complaints about the cost of that administration. I do not know whether my two colleagues who are nearer to the ground would offer a different view.

Mr Brown: I would support that. People complain about it, but if people want a lot of money and to not have to provide evidence of where they have spent it, how they have spent it and how eligible that is then that is not acceptable to anybody. I have no complaints about the administration. We did have a period in ESF, and they have tried different things over the years, when things were independently audited by private companies on an annual basis. That was very expensive and there was a lot of money draining out of ESF into audit firms. The frustration was it did not really get to the bottom of what we were looking for. The people

looking into it were not always that experienced in what they were looking for. Teams in government offices have been very capable of doing this over the years. The government offices also build up a capacity and understanding of what to look for over a period of time. There is a level of understanding and trust that develops so they can pick out where things are going wrong and learn more. We have gone back to that system now. The ESF has listened and learnt in that sense. I have no complaints about the administration.

Mr Burnley: The only thing I would say is that both ESF and ERDF are really systems that seem to be designed for an age when paper was predominant. Now, as a result of lots of things happening electronically, there are challenges for some institutions in them transferring things to paper records that can be audited. The other issue is that of retention of records. The retention period is a long while and in at least one case I know of an institution that felt it was not inclined to participate in programmes because of that long retention period of ten years. The other observation I would make is that in the previous programme people tended to feel that ESF was as burdensome - I use the word "burdensome" but we have qualified that - as ERDF. Certainly in the current programme there are far more administrative problems and challenges arising under the new arrangements for ERDF than the arrangements for ESF.

Chairman: Thank you, that is helpful. We will move on. The other change that we have got is this change between co-financing and direct bidding, and Lord Eames is going to pursue that question.

Q47 Lord Eames: You are critical of the fact that direct bidding is absent from the ESF programme. Could you tell us a bit more about the implications of that and how it is working as a negative influence in what you want to see? What would you do to rectify it if you had the power to do it?

Mr McCauley: I think it is beyond doubt that the introduction of co-financing means that the whole programme is to some large extent driven by the co-financers rather than by the

programme committees. With something like 94 per cent of the funding being given effectively to Jobcentre Plus and the Learning and Skills Councils it is not surprising that the majority of the thrust of the programme is in areas that those two are charged with delivering. Therefore, the programme is not driving the skills agenda in the United Kingdom, the main co-financers are. Outside of that, the loss of direct bidding does mean a loss of flexibility and innovation. The other sectors previously involved in the European Social Fund, not just the higher education sector, also further education and the voluntary sector and the local authorities, all had the opportunity to devise programmes that specifically met the needs of the target groups they were trying to assist. I am not convinced that Jobcentre Plus or the LSC have that degree of innovation in the sense that they are looking after large amounts of money, need to get it out there and working, need to let an effective number of contracts and, therefore, to some extent will not have the degree of innovation and flexibility that was provided for under the direct bidding route. When the intention to move to co-financing was introduced as part of the consultation exercise on the current programme, 61 respondents referred to direct bidding and all 61 requested the retention of an element of direct bidding. That was not just higher education, that was the local authorities, the RDAs, further education, third sector organisations. Everyone who responded said, “You need to retain an element of direct bidding in order that the programme can be more responsive, a little bit more flexible and a little bit more innovative than you are providing for”.

Q48 Lord Eames: How would this translate into future reforms in the way it is done?

Mr McCauley: Direct bidding, as it operated in the past, would involve the programme committee identifying something that needed to be done and asking the most appropriate partner to go and provide for it. In the case of higher education that would mean the programme committee would identify something, and in the last programme it was research into gender issues and social inclusion. We immediately organised an open competition

amongst universities to come up with proposals. We were able to choose between proposals, not merely go out and prescribe to people what they should do. The result of that was we got over 50 separate pieces of research work done, the need for which was determined by the programme, not by the people spending the money. To me, that is the big issue around this, it is the programme spenders who are determining what gets done and not the people with the ideas.

Q49 Lord Eames: Have you put that forward? Has that been aired?

Mr McCauley: Several times, usually at every set of consultation that takes place to the point that I think now people know what I am going to say before I say it.

Mr Burnley: There are two routes, in a sense. One is a national direct bidding facility that would support the types of activity that Mr McCauley's unit ran in the previous programme. There would also be the potential for direct bidding within the regional framework context and that would allow regional flexibility as well. The challenge in both cases, which is why direct bidding is not favoured by the Government, is that there does need to be administration by Government at national level or at regional level of the direct bidding route, whereas with no direct bidding virtually all the administration is undertaken within the co-financing organisations.

Chairman: I am going to bring Lord Inglewood in because I can see he probably wants to ask the question I want to ask about prioritisation.

Q50 Lord Inglewood: Mine is a slight variation on that. One of the ways the world seems to work is that he who pays the piper calls the tune, and for better or worse that is often how it is. You are slightly trying to say, "We want to convince the paymaster from the other end", as it were. I can see why, but if the guys shelling out the money say, "This is the way it is going to be" and it is their responsibility ---

Mr McCauley: But who is shelling out the money?

Q51 Chairman: Before you answer that question can I just add another part to it. Lord Inglewood has put that very succinctly, but it is a question of are you seeing this as central prioritisation as against the local prioritisation which actually could be more flexible in meeting need? What is the convincing argument for your position, which is that flexibility at local level would be greater in terms of meeting the needs in the recession at the moment?

Mr Brown: Different regions have different needs. They are well documented within all the regional strategies. What is very interesting in the current ESF operational programme for England is that there is an element of that which is for Cornwall and the Isles of Scilly which recognises the need to encourage higher level skills training and access to new technologies as part of the mix - not more important - but part of the needs for that region. Different regions have different needs. They are not decided by higher education but by the region, by the employers, by the communities. In some areas the regions are being allowed to prioritise and in other regions they are not. The bulk of regions have not been allowed to prioritise. In terms of facts and figures, the results speak for themselves. In the North East higher education had 99 ESF projects in the old programme and now it has one project that is a partnership project which involves eight regional partners. It happens to be led by a university, but it is one amongst many. It is just not true, and you perhaps would not have any sympathy for me if it was, that it is just the higher education sector. I think there is an argument for the higher education sector, but in terms of the governance, the fact that has also happened to the FE sector and the voluntary sector - it differs from region to region - means as far as I am concerned there is something going wrong with the governance which is restricting the number of partners who used to engage in the programme to continue to engage and contribute. It is not just the money, which was our starting point, it is about who is making

those decisions, why they are making those decisions and in whose interests are those decisions made.

Q52 Lord Inglewood: What has happened is that in 1997 when the Labour Party came in as the new Government there was a great emphasis on regionalism, which I think with a change of personnel and so on perhaps is less enthusiastically aspired to than it was, and that has caused the problem.

Mr Brown: That is not supported by the Commission.

Chairman: I think that is a different sort of question.

Q53 Lord Cotter: You are making a very key point about the regional approach. As you say, the needs are different in different areas and it is a key point that I think we have to raise again at a later stage because there are concentrations of industry and expertise, and it is coming from industry very much so. It is key for this country that we do build on the initiatives in different parts of the country, like the North West where there are lots of initiatives in terms of industry and technical concentrations of one sort or another. It is very concerning indeed that it has exposed, both with this question and previously, the concern you have that opportunities are not being given to the regions to say, "This is what we actually need in our region". The South West, where I come from, is very different from you, I appreciate your industrial background and so on. It is a very key point that is coming through.

Mr Burnley: It is also important to recognise that this does not relate to what the regional governance structures are. The point is to set national level priorities in relation to higher level skills is an error. There needs to be the ability to set priorities at a lower level. Regions are the way that that could be done at the moment. Equally, city regions could be another way of that happening. It is not a case of it being an argument for regionalism, it is really an

argument for there to be a different level at which priorities can be set. We are confident that if that were the case then in many of the English regions and sub-regions there would be a desire for a higher level of higher level skills provision than we currently have.

Q54 Chairman: Before I move on to Lady Young, could I clarify one point that Mr Brown mentioned and that is some regions have greater flexibility than others. Is there a rationale for that?

Mr Brown: I do not know if there is a rationale for that. Cornwall and the Isles of Scilly have a different status, and it is the same for former Objective 1 areas. The rationale for that is there is a recognition that those regions require support in industry sectors which involve higher level skills. Why that is not afforded to other regions I do not know.

Q55 Baroness Young of Hornsey: Good morning. I note that there is not much comment from any of you regarding the effectiveness of the ESF in terms of how you measure that. In view of the fact that a number of submissions have highlighted a perceived difficulty in assessing the effectiveness of ESF, principally due to a lack of data, what is your view of the monitoring of ESF performance at both EU and national levels? How well is it working? Do you think there are any areas for improvement and, if so, what might they be? Perhaps also you could comment on the appropriateness of trying to assess less tangible things like innovation and also - lots of big questions here - how you measure intermediate results as well as final outcomes. You can break that down if you like. The first part of the question is, is it your perception that it is difficult to assess the effectiveness of the ESF?

Mr McCauley: I think it is difficult. It is a very large programme and certainly on the national programme committee you tend to get an awful lot of very large, almost meaningless figures. You are looking at how £120 million has been spent on a couple of hundred thousand beneficiaries, so in a sense, as far as I can see, you are almost trying to evaluate or assess the

successful management of the programme rather than trying to assess what it has achieved. You do get information on the numbers of qualifications earned and the people who secure employment, but they are pretty meaningless if for no other reason than a qualification gained in one region might be worth more or less than a single qualification gained in another region.

Q56 Baroness Young of Hornsey: Are you saying it is not necessarily to do with the lack of data, but it is not the right kind of data?

Mr McCauley: It is not the right kind of data and it is almost too large for anyone to assess the effectiveness of the programme other than by the use of headline figures. If this programme helps 42 per cent of people into jobs, is that good or is that bad? There is not much information around to indicate whether that is a good outcome or a bad outcome.

Q57 Baroness Young of Hornsey: So in terms of benchmarking data, that is not there?

Mr McCauley: That is not there. As you get down to regional or local level it is possible to see more because you have got a greater understanding of the real people you are dealing with.

Mr Brown: There were a number of questions in there. At one level we have plenty of evidence and data on results and outputs. Part of the whole programme monitoring process involves asking all of those questions and collecting that data. In the North East, for example, we can collect all that data but we come back to your benchmarking problem. Sometimes we exceed targets in certain areas and in all honesty we are not sure whether that is because we have done a fantastic job or the targets that we set ourselves were probably way off mark in the first instance. It is trying to get benchmarking across the UK and across Europe to say what kinds of things we should support and at what level. There are huge differences between the costs and the outputs gained from supporting NVQ Level 1 training and in the old programme soft outcomes that are predominantly delivered by local community voluntary

sector groups. That is much more complicated to collect and monitor. Those organisations were very good at working out the difference between projects that produced soft outcomes that were not very good and those that were very good. There was local knowledge that has been lost on that. It comes back to benchmarking and understanding the figures. If you use the money to support expensive but high qualification activities, long training and long support, then clearly you have fewer beneficiaries for your pound than from cheaper activity or short advice guidance sessions and we have to understand that. The final point I would make on this in terms of moving forward and understanding better is that there were plenty of evaluations of ESF and a lot of money spent and there was a point where all programmes and projects had to be independently evaluated. What was sometimes frustrating was you would get the answers that you would expect, you would spend a lot of money being told what you already knew in terms of, “We aimed to support 100 people but we supported 101 or 99 or whatever. We aimed at achieving so many qualifications and we did not or we did because of these factors”. It was very straightforward, very simple and largely superficial. I think what has been lacking is coming back to governance and perhaps evaluation of the process of implementation and what makes different things happen and understanding, if you like, the small politics of that, the decision-making process, the involvement of partners, what happened in different regions, not, “Has the project had a target of 100 and delivered 100?” There is a role for that, but there is a role for something more fundamental, deeper, a better understanding of what goes on and what conditions you require for something to work for that region.

Q58 Baroness Young of Hornsey: That sounds like a much more sophisticated take, a multi-layered take on what constitutes success really.

Mr Brown: That has been missing.

Q59 Baroness Young of Hornsey: I guess that would be quite expensive or incur additional expense, but not too much maybe.

Mr Brown: There is a great deal of money being spent on the former which has not taken us much further than we already were. I was not suggesting that we should spend any more money on it but use the money in different ways.

Q60 Baroness Young of Hornsey: I do not know if you have anything to add to that, Mr McCauley? We have discussed a little bit about how you assess so-called “soft” outcomes and “soft” skills, but I do not know if you have got anything more you would like to add to that.

Mr McCauley: I think a lot of work has been done using ESF to look at soft outcomes. I think the difficulty for the programme management, if you like, has always been that we can almost put a value to a hard outcome and we can demonstrate how effective the programme has been, whereas it is less easy to put a value on a soft outcome. I would always personally prefer to try and look at what used to be referred to as “distance travelled”, how far you had taken somebody along the line from the situation they were in to the situation they wanted to get to and, instead, looking at how their confidence has been raised or looking at how their assertiveness has been assisted. It is, for me, a bit difficult to accept as a concept, although you can accept with individuals that it is important. It is a difficult thing for a programme management committee to measure, present and take decisions on, so I am fully supportive of soft outcomes, but I personally am struggling with them, as many people are, to find out how you can actually present this information in an accessible way.

Mr Brown: The voluntary sector is very good at this and this is the benefit of a partnership approach, that people bring different experience and expertise to the table.

Q61 Chairman: Just listening, one almost feels like asking the question: well, what is the point? The way you are answering makes me ask the question: what is the point of the

programme if we cannot make any assessment at all as to whether anyone anywhere benefits? I am sure that is not what you are indicating, so I am giving you an opportunity to have another go.

Mr McCauley: Sure, I accept that. I think the point I was trying to make is that at the national level it is very difficult to do anything more sophisticated than try and match targets with outcomes, to say that we intended to work with 100,000 people and we have worked with 110,000 or 90,000. What is important is understanding why there is a difference and that is very, very difficult to do at the national level because each of your nine regions are different and within a region there is not necessarily commonality across the region and you have various different local labour markets. I am content that the programme monitoring committees, which have existed in the past and currently, can match one set of numbers against another and say, “Well, the programme’s done what it intended to”, but I am not sure how much more you can drag out of that information.

Mr Brown: Can I answer that question very briefly because I think the other element of the level of evaluation point in all of this, at the European level again, is that the Structural Funds are about convergence and supporting those regions that are lagging behind economically and socially. Now, we know that there are characteristics of the successful regions that are not shared by the less successful regions, and that is things like business start-up, entrepreneurship, it is about numbers of people in employment in areas, including women, and there are different characteristics across the regions, but they circle around a core characteristic. Now, supporting those activities through ESF, there is a logic chain, if you like, we assume, and there is academic research on this that supporting activity in those areas to bring them up to a level to compete with the other regions will help those regions. Now, it is widely accepted in academic literature that the plan to help all the regions and equalise the regions has been very slow to succeed, but it is also accepted that, if you did not do anything,

those regions which were behind before would be even further behind now, and I think that is probably all we can say in terms of the logic chain.

Q62 Baroness Young of Hornsey: On the question about additionality, could you tell us, with examples to illustrate, to what extent you consider ESF contributions to higher education-related projects in the last programming period and in this period have been in line with the principle of additionality?

Mr Brown: I think I answered that question in the submission. Certainly in the North East, and again in different regions, we have used ESF for a number of activities, including funding participation and business support, but high-level skills training has been predominant, and it is quite right and proper that universities should do that. We have used the ESF largely to waive fees and offer small bursaries to those people who would normally least be able to afford the cost of high-level training and, therefore, be excluded from the benefits that that brings. I know one of the Commission's frustrations over a long, long period has been the lack of awareness amongst its citizens of the benefits that ESF brings and I am very proud that under those programmes those individuals knew they were benefiting from ESF, they knew it was making a difference between their coming into universities and doing that training and not. It was helping them with a bursary, they knew where the money was coming from, which satisfies all the requirements of the Commission, and it was life-changing for them. Without the ESF, they would not have been able to afford it and that opportunity would have been restricted to those who could afford and, as I say, then, now and in the future it is probably the part of the ESF, the contribution which universities have made, of which I am most proud.

Q63 Baroness Jones of Whitchurch: Can I just follow that up as I was interested there in what you were saying. So the money that you have is not really being used to run courses,

but it is more to provide bursaries? Am I right in what you are saying? Can you give me some proportion here because initially, when you were talking, I got the impression that you were doing some outreach work and almost encouraging people to think about doing higher education, but now you are saying that it is a more specific thing about giving funding to individuals.

Mr Brown: There is a range of activity across and within regions and it is different in each region. In the example of the North East, percentage-wise, let us say, 70 per cent would have been used for that type of activity, again coming back to regional need identified locally. We have a problem with low levels of participation, particularly at NVQ 5 level, compared with other regions in the UK and across Europe. It was recognised that that should be supported, not by the universities, but it was recognised by the regional committees, by the partnership, that that was an element, not the most important element in the region, but an element of need. Yes, we use that money and we can use it in a variety of ways, but the bit that I was proud of was that the individuals benefited. Yes, the institution benefits, but the real people who benefit are the people who should benefit.

Chairman: That is a very useful answer, but we are going to have to move on.

Q64 Lord Kirkwood of Kirkhope: Thank you for your evidence which is interesting. I am interested in the theme that emerges that the current system lacks responsiveness, it is less able to quickly respond to changing economic circumstances. Is that merely, if I can put it that way, a result of the fact that we are now using large-scale public programmes rather than small amounts of responsive projects, or is there any more tangible evidence than that? Could you do us a note to substantiate what drives you to the conclusion that the current system is less responsive than the previous system?

Mr McCauley: We can do. That note will rely on the minutes of the programme monitoring committee where the Commission complained about the time it was taking for money to get

from their bank account down to actual projects, something like 14 months. Now, the Department for Work and Pensions said not that that is not true, but what they said was that it is a requirement of the Commission's Public Procurement Regulations that it is taking that long to go through, so we can provide information on that. I can also give you, from the HE sector's point of view, the timescale for a direct bidding round which is that, once we are told what we have to spend the money on, it is a couple of months to give people time to come up with proposals, but it is less than a couple of months to select between proposals and then the money is out there.

Q65 Lord Kirkwood of Kirkhope: I want to come back to direct bidding in a minute, but I am interested in what you just said which is captured in paragraph 15 of your own evidence, and I was really quite struck by it because I think it was known to us, not to me, that in October 2008 there was another tranche of money released, as it were, and then in two sentences in paragraph 15, you say, "However as a result of DWP procurement arrangements a significant proportion of this resource would not filter through to projects until December 2009". This is in the middle of a credit crunch when people are desperate to get support and you have got that period of time. You then go on in the second sentence, "The European Commission blamed DWP contracting arrangements, the DWP blamed unnecessarily strict EU regulations concerning the issue of contracts", and you go on to say, "Whatever the reason..." and that sidesteps quite an important issue for the Committee. Whose side are you on in this? Do you think it was the DWP's fault or is it the EU restrictions in the bureaucratic arrangements which are at fault here because it is important that we should know?

Mr McCauley: I will tell you what I know and what I know is that they were the two arguments put forward, and I do not think it is right for me to conclude one way or the other.

Q66 Lord Kirkwood of Kirkhope: So you are sidestepping it?

Mr McCauley: I am not sidestepping and I will not sidestep things. I have given you the evidence that it takes a hell of a long time to get money from the programme out to providers.

Q67 Lord Kirkwood of Kirkhope: Well, let me ask the question in a softer way. How do we reach a recommendation that fixes this? It is our job here to oversee this important programme and, if we discover that there are delays of this kind embedded in the system, I think people would expect us to make recommendations to fix that. Well, how do we do that?

Mr McCauley: You require DWP to go back and look again at their contracting arrangements and shorten the timescales involved and, from my point of view, you reintroduce an element of direct bidding and we can get it an awful lot quicker.

Q68 Lord Kirkwood of Kirkhope: Let us just think about direct bidding, and I do not want you to take this the wrong way because I am actually on your side on the question of direct bidding, but I have a very clear recollection from previous experience that direct bidding had its own problems. Firstly, there was an opportunity cost, that is to say, a whole lot of people did a whole lot of work to make bids which failed, that a whole lot of people spent a whole lot of time and energy, particularly the voluntary sector, for absolutely the square root of nothing at all by way of outcome and, secondly, the programme spend became very, very difficult and they were in danger of running up big overspends because, although the programme was agreed and the partners were put together, they could not get the matching finance. Now, do not get me wrong, I am not arguing in favour of that system, but I am just saying to you that there are problems with the direct bidding system which have to be addressed as well, and you might be able to help us solve some of those problems.

Mr McCauley: I would be very willing to. Part of our difficulty is that virtually every European programme has always underspent. The programme that has just finished began this process of moving towards co-financing and one of the arguments was, "It will end this

culture of programmes underspending”, and, guess what, it has underspent by five or six per cent which is the figure that every programme has always underspent by, so co-financing does not solve everything. I am happy to admit there are difficulties with whatever system you operate. I just think there are enough problems with co-financing that the programme management committee should look at that which was suggested by virtually every other partner that was a non-co-financer which was, “You need to retain an element of direct bidding”. We all agree here that the majority of the money under these programmes should be spent alongside the major government programmes and, therefore, co-financing here or co-financing there, it is not an issue, you spend it the way that you spend on the main government programmes. What we are asking for is not 100 per cent of the government programmes and not 100 per cent through co-financing.

Q69 Baroness Jones of Whitchurch: Moving on to the future, do you think there is a point that there may be other countries in greater need than the UK in terms of being long-term recipients of European Social Fund funding?

Mr Brown: It is interesting that you said “other countries”. Again, this is regional funding and the Structural Funds were always intended to support those regions which were lagging behind. Now, clearly there are regions in Europe that are lagging further behind than some of the regions in the UK, but it is not the case that all the regions in the UK are equally capable of competing globally economically, and I think that is why it should be retained, the element, back to my earlier point that the regional needs should be identified, not a central Member State policy where you are either in or out, but which regions within which States?. That goes back to the core principles of the European Structural Funds and I see no reason why that should change.

Q70 Baroness Young of Hornsey: The second point is: are there not other ways that we could fund higher education or that European funding could be used to fund higher education rather than using the ESF? It seems like a bit of an obscure route to go to get that additional funding that you are looking for.

Mr McCauley: You have to accept that it might be an obscure route, but it is doing things that other funding agencies are not. As I said at the beginning, we look at widening participation, but we do not duplicate the activities that are already going on, so we are not looking at schoolchildren, but we are looking at those groups of people who cannot be supported under any other UK programme. Many of the training initiatives cannot be funded elsewhere. I think it is fair to say that we have always viewed ESF as the grant of the last resort. If you can get your project funded somewhere else, go somewhere else. The reason we are all still here is that there is nowhere else.

Chairman: Thank you very much. I am afraid we are going to have to stop there. As you can hear, the Committee could have gone on asking questions. We are immensely grateful to the three of you for being prepared to be pursued, but you will understand that we have to get you to give the evidence, we have to get you to tell us. We cannot have some sort of theory from what you say, so, if you feel pursued, it is simply to make sure that you are giving us the information that we really need, and I think you have. We are very grateful.