



HOUSE OF LORDS

EUROPEAN UNION COMMITTEE Social Policies and Consumer Protection Sub-Committee

SEMINAR ON THE EUROPEAN SOCIAL FUND 2014-20

8 December 2011
Europe House, 32 Smith Square, London, SW1P 3EU
9.30am – 12.30pm

SUMMARY

Chairman's welcome and introduction

Baroness Young of Hornsey Explained that the Sub-Committee undertook an inquiry in 2009 and reported in 2010, with the aim of assessing the progress of the current round of European Social Fund (ESF) and identifying medium to long term priorities for the future. At the time, we were particularly keen to make a contribution ahead of the Commission's proposal for the next ESF for the period 2014 to 2020. We now have that proposal and we are at a key moment – Member States and the European Parliament will need to come to a common position, against the backdrop of the broader regional policy package, the entire EU budget, and a severe economic crisis. We will work with the Government as negotiations progress on the ESF. Separately, we will also be feeding in to a report on the whole EU budget for the period 2014 to 2020 to be produced by our parent Committee, the EU Committee, next April. Finally, we would hope also to engage with relevant MEPs and the forthcoming Danish Presidency of the EU. The aim of bringing all of you together here today is to seek your views and experiences and to consider those as part of our contribution to the ongoing debate and our engagement with the above stakeholders.

Introductory presentation

John Bell, Specialist Adviser – See Presentation

Presentation of the European Commission Proposals on the ESF and Structural Funds 2014-2020

Thomas Bender, Head of ESF Policy Unit, DG Employment, Social Affairs and Inclusion, European Commission - See Presentation

Q & A with the Commission

Mike Stewart, Centre for Employment and Social Innovation Does the 20% allocation for social inclusion cause any problems for those on the employment side, including less money for other projects? How was this balance/allocation arrived at?

Thomas Bender, European Commission Today's allocation is around 14%, and this was increased to 20% in order to increase its visibility. We wanted to make social inclusion more distinct but the end objective is always helping individuals

toward employment. It is also important to start at an early stage in order to make a chance, i.e. early intervention for children living in impoverished communities. This should be part of a wider policy debate linked to Europe 2020 and the poverty reduction target. We do not want to impose too many restrictions on Member States in this area.

John Bell, Specialist Adviser Point of clarification: 20% was the minimum threshold that could apply.

Tamara Flanagan, Community Service Volunteers Interested in the focus on social inclusion, conditionality and partnership contracts. Would be interested to know how the Commission intends to develop capacities to influence Member State governments. This was particularly in the light of the UK's opt-out from the Euro and therefore consideration that macroeconomic conditionality linked to the stability and growth pact does not apply to the UK.

Thomas Bender, European Commission The Commission is proposing a 'tool box' of instruments but decisions for utilisation lie with the Member States. However, investment decisions made at the Member State level should be aligned with any pertinent framework decisions or Commission and Council Recommendations.

Angus Gray, DWP Regarding the opt-out from macro-economic conditionality, HMG does not acknowledge that the Commission should have oversight in this area.

Tamara Flanagan, Community Service Volunteers Expressed concern that the UK favoured a re-nationalisation of regional policy in 2014-2020.

Angus Gray, DWP Confirmed that was not the case but explained that the Government were keen to avoid hard-wired control from the centre (Brussels).

Mark Yeoman, Convergence Partnership Office for Cornwall and the Isles of Scilly Found Thomas Bender's explanation of the 20% social inclusion level very useful. The challenge, though, is actually identifying such a clear percentage given that many social inclusion measures are embedded in other instruments, and a project could easily be classified in a different manner. Can be defined as either employment creation or social inclusion but the end objective remains 'welfare to work'.

Thomas Bender, European Commission There are some overlaps in our proposals as well between different investment priorities. He acknowledged that it's essentially a programming challenge but is more important than a 'window dressing' exercise. Need to target people that we have 'left behind'. Member State interventions in social inclusion will depend on the indicators used when setting poverty reduction targets in the 2020 exercise – some rely on relative poverty, some on material deprivation and some on jobless households, for example.

Mark Yeoman, Convergence Partnership Office for Cornwall and the Isles of Scilly Enthusiastic about Cornwall's 'delivering for families' project – could be argued that it's a social inclusion measure.

Bob Brown, University of Sunderland What's 'European' about the programme? The Devolved Administrations have chosen to allocate funding to high-level skills in line with the Europe 2020 targets. Does this feature as part of the criteria in other Member States? My impression is that other Member States adopt a broader view than we do.

Thomas Bender, European Commission Yes, it is a part of many ESF programmes in other Member States, in my experience. After their accession to the EU, funding was made available to Portuguese higher education students, including mobility to France and Spain because there weren't enough university places available in Portugal. What we still try to do is steer tertiary education programmes toward those most in need – in Ireland, for example, funds are used to assist those with disabilities to access tertiary education.

Sandra Turner, NCVO The general regulation highlights the principle of partnership with voluntary sector and availability of technical assistance (TA). The ERDF regulation makes specific reference to TA also. Why is there no reference to technical assistance in the ESF regulation?

Thomas Bender, European Commission TA will apply to the ESF (4%) but the provision is included in the general regulation rather than the ESF regulation. The emphasis remains on capacity building including for NGOs outside TA where the ESF regulation provides for a specific investment priority.

John Bell, Specialist Adviser Question: if the package of proposals were to be accepted as they stand, what difference would we notice here in the UK from the current programme?

Thomas Bender, European Commission Some simplification measures would make a difference. Projects <£50,000 will attract reduced accounting requirements which could make a substantial difference.

UK Government perspective on the ESF Proposals

Angus Gray, Head of ESF Division, Department for Work and Pensions We are now at the stage of getting the framework and the individual regulations right, although some of the more detailed preparatory work needs to take place in parallel. The UK negotiating position is that we understand and recognise all the objectives but are sceptical about the wording of some provisions in the proposed measures. We want the Regulations to be as effective and proportionate as possible. UK's overall objective is financial restraint, ensuring value for money of investment and focussing resources on achieving economic convergence of the poorest Member States. Maximum acceptable expenditure through the next Financial Perspective would amount to a real freeze in payments.

In the negotiations, we are trying to ensure that the wording of the investment priorities is correctly aligned with the Treaty base in order to improve employment opportunities. We support the principle of concentration and ensuring that we achieve the 'biggest bang for your buck'. Also keen to preserve Member State flexibility and on this basis we have questioned the proposed ring-fence of the social

inclusion budget. Don't want to be locked into a seven year mechanism which can't react to future developments. Regarding conditionality, this needs to be proportionate and also respect the subsidiarity principle. Future Programmes need to be designed not to interfere with, or duplicate, national programmes, and to respect the UK's devolved arrangements. Regarding accounting and evaluation – clearly, we need to be more conscious of this. Effective evaluation and performance management is needed for ESF programmes, as well as for other more mainstream projects.

Debate

Panel:

- David Macdougall, Avanta Enterprise
- Cllr Dave Wilcox, Chair of European and International Issues, Local Government Association (LGA) and Justin Brown (JB), Head of Economic Regeneration Policy, Lincolnshire County Council (LCC)
- Sandra Turner, National Council of Voluntary Organisations (NCVO)
- Keith Smith, Director of Funding Policy, Skills Funding Agency (SFA)

Introductory statements

David Macdougall, Avanta The ESF performs an important role in contributing to labour market activity and particularly to getting the hardest to reach back into work. Certainly, the ESF could focus on softer outcomes. It must supplement core funding.

Justin Brown, LCC Working with people is the route to economic growth. Programming between the various structural funds is key and must improve.

Cllr Dave Wilcox, LGA Priorities can be summed up as “jobs, jobs, jobs”. Partnership working between Local Enterprise Partnerships and local groups is very important. He sees great value in the ERDF and ESF being administered from one pot. Once the Common Strategic Framework is in place, the Commission must press Member States on how links are being made between the various Funds.

Sandra Turner, NCVO The ESF Regulation puts social priorities back at the heart of the European Social Funds, flowing from commitments made under the Europe 2020 Strategy. Ring-fencing for social inclusion is very important. She would emphasise “access, access, access” for the voluntary, community and social enterprise sector. Strongly in favour of territorial pacts, local initiatives and partnership.

Keith Smith, SFA Simplification and skills development are critical, along with local flexibility. It is important to build on examples of success – i.e. where there is a strong foundation.

Administrative burden

Lord Lexden Asked about the administrative load associated with the ESF and what the top priorities should be in tackling it.

David Macdougall, Avanta Referred to the sheer volume of paperwork. Huge audits stifle the ability to assist the hardest to reach.

Justin Brown, LCC Does not think that small number of large contracts is the solution, but urged the DWP to develop the strength of the UK's financial management systems in order that it can win the argument with the Commission that UK systems are sufficient.

Angus Gray, DWP Confirmed that internal analysis was underway comparing what is required for the ESF and for other programmes.

Sandra Turner, NCVO Community grants, which are there to help small organisations access ESF in a simplified manner, are not always as easily accessible as they ought to be. There is certainly a balance between bureaucracy imposed by the ESF and bureaucracy imposed by national authorities.

Keith Smith, SFA Must be clear what is driving bureaucracy – the SFA is seeking to understand what the issues are that create burdens. We must be robust in the areas that are the real causes of over regulation and create unnecessary transactional processes.

Thomas Bender, European Commission Emphasised that there is no panacea to increasing simplification. The simplified cost options have two purposes: to cut red tape; and to improve outcomes and results. Projects <€100,000 should only be audited once. On audit, it is important that there are clear accounts as, ultimately, Commissioners are politically accountable.

John Bell, Specialist Adviser Useful to note therefore that there is a political backdrop to the bureaucratic process.

Sandra Turner, NCVO Welcomed the development in the current programme of ex-ante audit.

Local and regional flexibility

Penny Phillips, London Councils Asked about local and regional flexibility of the future ESF.

Cllr Dave Wilcox, LGA There are definitional issues regarding regions, particularly in England. Where regions don't exist for administrative purposes, then local authorities become important. In the structural fund framework, perhaps need an understanding of "regions".

David Macdougall, Avanta Local Enterprise Partnerships cross boundaries. There is a need for better methodology in the distribution of ESF: management of funds according to need.

Angus Gray, DWP Noted that there has been some criticism of a new trend towards centralisation of the ESF but referred to a recent visit to Leicester where a provider was operating and delivering locally, working effectively with local businesses.

Keith Smith, SFA A flexible approach to delivery is important, maintaining a balance

with the aims of the national programme. It is not a question of national vs. local. Our collective challenge is to ensure the framework for the overarching policy imperatives are set and then allow local delivery solutions to meet them. The SFA is committed to this in the same way as the Commission is seeking to structure the European programme.

Bob Brown, University of Sunderland Asked where the entry point is for local communities in the absence of Regional Committees and regional structures.

Philip Curry, Employment Related Services Association Raised the issue of how nationally commissioned services can effectively interact with locally funded provision. He cited volunteer centres as an example and stated ERSA was working closely with Volunteering England to resolve potential problems.

Justin Brown, LCC Local Enterprise Partnerships have been created to reflect economic geography. There needs to be a joined up approach in terms of skills and how we deliver locally.

Mark Yeoman, Convergence Partnership Office for Cornwall and the Isles of Scilly Frustrated by the defensive oversight in supply chains. Need an entry point and a locally owned strategy. He has had good experience in Cornwall.

Sandra Turner, NCVO Looking to the future, it is certainly possible to improve local flexibility and responsiveness.

Tamara Flanagan, CSV How can we get the architecture right in the future Programme?

Corine Meier, National Housing Federation By marrying up the European Regional Development Fund and ESF, you can marry up capital investment in energy efficiency or regeneration, boost green skills or help to the unemployed. This approach requires joint working.

Angus Gray, DWP What really matters is what is happening on the ground and delivery – gave the example of the LEADER local action groups partnership in rural development, which might be a useful model, but sounded like a complex way of engaging and delivering locally.

Rita Chircop, Greater London Authority Local management structures in place in London where Mayor has a role in managing and coordinating ESF and work of Co-Financing Organisations (CFOs). Although trend in national policy is towards designing programmes that are intended to give providers flexibility to design provision to meet local needs, there needs to be some co-ordination and accountability at local level in order to ensure that these separate interventions are in-fact collectively addressing local needs and that there are no major gaps or areas of duplication.

Innovative financial instruments

Simona Milio, London School of Economics Asked for views on the use of innovative financial instruments in the ESF in the future, for example as guarantee and

loan funds.

David Macdougall, Avanta In the North East, the WISE Group has a large social enterprise contract.

Sandra Turner, NCVO Highlighted an example from Italy of a local bank match funding an ESF project.

Jane McMillan, Welsh Government Wales will look at financial instruments for small projects but will need to know the precise detail

Angus Gray, DWP Similarly, precise detail is required.

Chairman's summing up, and close

Baroness Young of Hornsey Not everyone has had a chance to intervene. Please do send in any additional comments to the Secretariat. Key messages that have come through are: the need for a flexible architecture; the need to support the hardest to reach; the DWP is clearly in listening mode and that is very important; the alignment of the various funds is critical; and financial instruments have potential within the ESF.