

CONSULTATION ON THE EUROPEAN SOCIAL FUND IN ENGLAND AND GIBRALTAR 2007-2013

GOVERNMENT RESPONSE TO CONSULTATION

Introduction

The European Social Fund (ESF) will invest £2 billion in employment and training opportunities in England and Gibraltar in 2007-2013. This investment will support EU, national and regional strategies to extend employment opportunities and to develop a skilled and adaptable workforce.

On 30 October 2006 the Government launched a consultation on the draft England and Gibraltar ESF Operational Programme for 2007-2013. The consultation period lasted 12 weeks to 22 January 2007. Consultation events were held in each of the nine English regions and in the Convergence area of Cornwall and the Isles of Scilly.

The consultation sought views on the following aspects of the draft programme:

- the analysis of the strengths and weaknesses of the English labour market;
- the strategy for using ESF to support relevant EU, national and regional objectives;
- the proposed indicative activities and indicators;
- the themes for innovative activity;
- the proposed roles of Regional Skills Partnerships and regional ESF strategies;
- the cross-cutting themes of equal opportunities and sustainable development;
- the implementation arrangements; and
- ESF in Gibraltar.

This document provides a summary of stakeholders' responses to each of the questions put in the consultation. It also sets out the position of the Government on these issues and the modifications made to the draft Operational Programme in the light of stakeholders' views. The revised Operational Programme can be downloaded from the ESF website at www.esf.gov.uk

The Operational Programme proposal was submitted to the European Commission on 5 March 2007. It is expected that agreement will be reached with the Commission by autumn 2007, so that the first application rounds can be held during autumn 2007 and project activity can start in early 2008.

In the meantime, activity under the 2000-2006 programme is continuing until mid-2008. The ESF spent £578 million on employment and training projects in England in 2006. Spending in 2007 (under the 2000-2006 programme) is likely to be at a similar or even higher level. Therefore there will not be a gap between the 2000-2006 and 2007-2013 programmes.

The Government continues to encourage all existing ESF projects to make plans for when their current ESF funding finishes. Although there will not be a gap between the 2000-2006 and 2007-2013 programmes, ESF funding will reduce from £4 billion in 2000-2006 to £2 billion in 2007-2013. In view of this substantial reduction in funding, it will not be possible for ESF to fund all the activities that are currently supported. A Readiness Assessment Tool is available to help projects prepare succession or exit strategies, for example by investigating alternative sources of funding. The tool can be accessed at http://www.gos.gov.uk/gol/European_funding/

Consultation responses

There were 176 written responses to the consultation. The breakdown by organisation type and region is shown below.

Region	Number
Cornwall and Isles of Scilly	15
East of England	9
East Midlands	18
Gibraltar	0
London	11
Merseyside	6
North East	20
North West (not Merseyside)	14
South East	18
South West (not Cornwall and Isles of Scilly)	14
South Yorkshire	6
West Midlands	10
Yorkshire and the Humber (not South Yorkshire)	10
National	25
Total	176

Organisation	Number
Business or employers' organisation	2
Further Education college	4
Government department	2
Higher Education institution	19
Individual	4
Learning and Skills Council	1
Local authority	39
Local employment or regeneration organisation	4
Non-departmental public bodies	3
Other ¹	57
Private company	1
Private sector training provider	1
Regional Development Agency	6
Regional Skills Partnership	2
Trade union	2
Voluntary and community organisation	29
Total	176

Regions and sectors took different approaches to their responses. For example, there was a co-ordinated response from the main stakeholders in the London region, and a co-ordinated response from the Trades Union Congress. On the other hand there were several individual responses from local authorities, Higher Education institutions and voluntary and community sector organisations.

Overall the responses were broadly supportive of the strategy and priorities of the draft programme. Many responses suggested amendments to the draft programme, or emphasised the importance of particular target groups or activities contained in the draft programme. Some responses raised points that will be reflected in programme guidance or information systems rather than the Operational Programme document. Some responses raised issues that had been agreed by the Government in its response to the consultation

¹ The others include a variety of regional and sub-regional partnerships and networks, including Structural Fund regional committees and sub-committees.

on the National Strategic Reference Framework and which were not the subject of the Operational Programme consultation exercise.

Copies of consultation responses have been placed on the ESF website at www.esf.gov.uk.

Question 1: What are your views on the analysis of the strengths and weaknesses of the English labour market and/or the labour market in Cornwall and the Isles of Scilly?

About 70% of respondents commented on the labour market analysis in the draft Operational Programme. Of these, approximately 90% commented on the analysis for England as a whole and approximately 10% commented on the analysis for Cornwall and the Isles of Scilly.

A large majority of respondents were broadly satisfied with the analysis for England. Only one respondent disagreed with the whole of the analysis. Many made suggestions for developing and expanding the analysis. For example, it was proposed that the analysis should be updated in the light of the final report of the Leitch Review which was published during the consultation period.

Many respondents sought more information on disparities within regions and on pockets of deprivation. They gave examples of the needs of their own region or local area.

Around 10% of those who commented on this question argued for more analysis of higher-level skills needs. A significant number of respondents from the Higher Education sector as well as some regional organisations argued that the analysis downplayed the role of higher-level skills.

Other respondents argued that there should be more analysis on social inclusion and social deprivation. A number argued that there should be an analysis of the role of carers. Some regional stakeholders requested more detailed analysis on migrant labour.

Partners from Merseyside and South Yorkshire requested an analysis of skills in the phasing-in areas to complement the employment analysis.

Respondents from Cornwall and the Isles of Scilly expressed broad support and agreement with the analysis of skills and employment in the Convergence area. However some respondents requested more detailed analysis of employment in the tourism and hotels and catering sectors. Some other respondents suggested that the analysis had not taken sufficient account of the specific disadvantages faced by people living in rural and remote areas.

Government response

The Government welcomes the comments on the analysis of the strengths and weaknesses of the English labour market. The analysis chapter of the Operational Programme has been updated to take account of the responses

and more recent labour market data. In particular, it now includes information from the final report of the Leitch Review.

The Government agrees that there are significant employment and skills disparities within regions as well as between regions. The Operational Programme recognises that there are areas with high levels of worklessness in all regions, and that the highest levels are in cities. However, it is not the purpose of the national Operational Programme to analyse the needs of each sub-region or local area. The regional ESF frameworks will identify the main sub-regional and local issues based on existing documents such as Regional Economic Strategies.

The Government recognises the importance of higher-level skills to economic growth and competitiveness. It has added to the analysis chapter, information on the UK's higher-level skills needs from the Leitch Review. However, the focus of the analysis remains on lower-level skills as this is where there are the biggest problems and where ESF funding will be concentrated. The analysis has been expanded to include material from the Leitch Review justifying the focus of public investment on tackling low skills.

The Government notes the arguments for more analysis of social exclusion. The analysis chapter emphasises the links between worklessness, low skills and poverty. It includes sections on worklessness and social exclusion, and on multiple disadvantages. Additional material has been added on migrants and carers. A section has also been added on basic skills and qualifications in Merseyside and South Yorkshire.

The analysis chapter of the Operational Programme contains a section on the strengths and weaknesses of the labour market in Cornwall and the Isles of Scilly. Adjustments have been made to this in the light of the consultation exercise. Further information on the employment and skills needs of the Convergence area will be contained in the regional ESF framework for Cornwall and the Isles of Scilly.

Question 2: What are your views on the strategy for using the England ESF programme to support the relevant EU, national and regional objectives and policies?

Approximately 80% of respondents commented on the proposed strategy for using ESF to support relevant EU, national and regional objectives and policies. Of these, approximately 90% commented on the proposed strategy for England, and approximately 10% on the proposed strategy for Cornwall and the Isles of Scilly.

Most respondents supported the proposed strategy, particularly the focus on addressing market failures and supporting people at a disadvantage in the labour market. This concentration was seen as important given the reduction in ESF funding for England.

Many respondents made suggestions for additional material. Some wanted the Operational Programme to reflect the recommendations of the Leitch Review on integrating employment and skills provision. Respondents also wanted to include additional references to the Business Support Simplification Programme, gender equality, equal opportunities and sustainable development.

Several respondents wanted the strategy to contain more scope to support higher-level skills. However, other stakeholders supported the focus on basic skills and qualifications up to level 3.

Most respondents welcomed the regional dimension to the programme, but wanted more flexibility to influence the balance of funding between priorities. Some questioned the capacity of Regional Skills Partnerships to develop regional ESF strategies and to connect with the range of regional stakeholders, particularly the voluntary and community sector and local authorities. They also emphasised the importance of sub-regional and local strategies and partnerships, including the Cities Strategy and Local Area Agreements.

Stakeholders in Cornwall and the Isles of Scilly generally supported the strategy but some respondents suggested that there should be more focus on the specific needs of Cornwall and the Isles of Scilly by aligning ESF more closely to delivery of 'Strategy and Action', the economic development strategy for Cornwall and the Isles of Scilly.

Government response

The Government welcomes the general support from respondents for the proposed strategy for ESF spending in England. The Government agrees with those respondents who emphasised the importance of integrating employment and skills provision. This emphasis has been strengthened in the Operational Programme. In particular, Priority 1 will support both employment and skills provision for workless people.

As suggested by respondents, the Operational Programme has been expanded to include sections on the Leitch Review and Business Support Simplification Programme. A new section has also been added to the strategy chapter on gender equality and equal opportunities, and the section on sustainable development has been strengthened.

The Government has considered the responses on higher-level skills. The Government's Skills Strategy recognises that higher-level skills are essential for a world-class economy with high levels of productivity. The UK must improve its skills performance at all levels. However, in view of the substantial reductions in ESF funding for England in 2007-2013, it believes that it is essential to focus ESF funding on those people most in need of help to enter, and make progress in, the labour market. Therefore the priority for ESF skills funding will be individuals without basic skills or relevant level 2 qualifications. There will, however, be some limited scope for ESF to support higher-level skills, and this is set out in the response to Question 3b.

The ESF regulation requires the programme to concentrate funds where they can add value to activities to address the EU's employment recommendations to the UK. In recent years, the recommendations have called on the UK to increase basic and intermediate skills and to improve employment prospects for the most disadvantaged. This concentration is consistent with the Leitch Review which argues that public funding should be focused on lower-level skills and that at higher levels responsibility should be shared with employers and individuals where there are clear private returns.

The Government believes that regional ESF frameworks should give regions considerable scope to address their employment and skills needs within the national priorities to tackle worklessness and low skills. For example, regions will have flexibility to support level 3 skills training in certain occupations and sectors where Regional Skills Partnerships identify a need for this. There may also be some limited scope for regions to vary the balance of financial allocations between priorities, provided that the programme as a whole respects the overall national priority allocations in the Operational Programme. The Managing Authority's guidance on regional ESF frameworks sets out the scope for flexibility. The response to Question 5 deals with other issues about the role of Regional Skills Partnerships and regional ESF frameworks.

Cornwall and the Isles of Scilly will have its own Convergence regional ESF framework. This will be informed by 'Strategy and Action', the economic development strategy for Cornwall and the Isles of Scilly, and the comments made by stakeholders in the consultation exercise on the ESF programme. The key policy issues in 'Strategy and Action' relevant to ESF are reflected in the section on Cornwall and the Isles of Scilly in the strategy chapter of the ESF programme.

Question 3a: What are your views on the proposed indicative activities and indicators for Priority 1 – extending employment opportunities?

About 80% of respondents commented on Priority 1 on extending employment opportunities. Almost all supported the proposed activities and indicators, especially the focus on people at a disadvantage in the labour market.

Many respondents emphasised the importance of using ESF to support particular groups, and argued that references to these groups should be strengthened or clarified. These groups included people with mental health conditions and problems, offenders and ex-offenders, carers, homeless people and people with substance abuse, alcohol or drug problems. Several of the respondents had experience of using ESF to help these groups in the 2000-2006 programme. Many welcomed the inclusion in Priority 1 of young people not in education, employment or training.

Some responses requested that refugees and migrants should be included as target groups. A number pointed out that these groups were often concentrated in particular areas and faced considerable barriers to

employment and training opportunities. Some referred to the need for English for Speakers of Other Languages provision to overcome language barriers.

Many respondents emphasised that ESF should help those entering jobs to sustain their employment and make progress in the workplace, particularly groups who face discrimination in the labour market. There were calls to strengthen references to challenging employer pre-conceptions of people with disabilities (especially mental health conditions), ethnic minority groups, older workers and offenders. Some respondents wanted ESF to support awareness raising activities and to integrate these groups into the workplace.

There were requests from some respondents to include structured volunteering as a first step towards employment. Some responses stated that this would be of particular relevance in rural areas. A number argued that there should be an additional results indicator to cover volunteering, which could be used as a measure of improved confidence and the development of new skills. Many also called for the retention of small grants for community groups to help disadvantaged people move closer to the labour market.

Some respondents argued for stronger references to activities that support entrepreneurship, including guidance and training to help people develop business ideas and move into self employment. A few proposed that there should be a specific indicator on self employment.

There were a number of comments that technically skilled people under threat of redundancy should be included as a target group and should benefit from early interventions. Respondents argued that this would help those facing redundancy to adapt their skills and qualifications to other potential employment opportunities and reduce the risk of moving into inactivity.

A small number of third sector organisations proposed the creation of a distinct sub-priority and financial allocation within Priority 1 for the social inclusion of the most disadvantaged people who are furthest from the labour market.

Some respondents asked for more information on the measurement of participants' progress in terms of softer skills and outcomes, which are particularly relevant to people who face multiple disadvantages. A number argued that there should be soft outcomes indicators.

Government response

The Government welcomes the support from stakeholders for the proposed indicative activities and indicators on extending employment opportunities. It also welcomes the high level of interest in ensuring that activities are focused on people who are at a disadvantage in the labour market. In response to points made during the consultation it has made a number of changes to Priority 1, including additional references to disadvantaged groups.

The Government agrees with those respondents who argued that ESF should address the needs of people who face particular barriers to work. These include people with mental health conditions and problems. The Operational

Programme has been amended to clarify that references to people with disabilities and health conditions include people with mental health conditions and learning difficulties or disabilities.

Priority 1 of the Operational Programme has also been modified to include specific references to addressing the needs of workless people who are homeless, refugees or have substance abuse, alcohol or drug problems. The programme emphasises that providers should assess and take account of the needs of participants with multiple disadvantages. There is also an additional reference to training to meet the English language skills needs of people from ethnic minorities where such needs are a barrier to work.

The Government agrees that Priority 1 should help those entering jobs to sustain employment and make progress in the workplace. The Operational Programme has been modified to clarify that in Priority 1 training and other employment related support may continue after participants have entered jobs. This support is most likely to be needed by people who were long-term unemployed or economically inactive, especially people with disabilities and health conditions and ethnic minorities. The Operational Programme also now includes a stronger reference to working with employers to integrate into the workplace people with disabilities and ethnic minorities.

The Government recognises that volunteering activities can help some participants to improve their confidence, gain new skills and move towards the labour market. Priority 1 refers to volunteering and community-based activities as part of pathways to employment. Although the key measure of performance for Priority 1 will remain job outcomes, it will be possible to examine issues such as the contribution of volunteering during follow-up surveys and evaluation studies.

Priority 1 of the Operational Programme has been amended to include a specific reference to 'small grants' for community and voluntary organisations to support their capacity to mobilise unemployed or inactive people who are disadvantaged or excluded. The Government response to Question 8 on implementation arrangements describes how these activities will be delivered and match funded in the 2007-13 programme.

The Government recognises the importance of self-employment, business creation and social enterprise, which were referred to in the draft programme. An additional reference to advice and support for entrepreneurship has been inserted in Priority 1. Although there will not be a key performance indicator on self employment, these outcomes will be captured by the indicator on participants in work on leaving, and self employment outcomes can be examined in follow-up surveys and evaluation studies.

Priority 1 of the Operational Programme has also been modified to include early interventions to help people at risk of redundancy to adapt their qualifications and skills for other employment opportunities.

The Government does not believe there should be a sub-priority or financial allocations for the most disadvantaged groups within Priority 1. This would create an artificial distinction and reduce flexibility. Priority 1 is strongly

focused on the key disadvantaged target groups in the Government's employment strategy such as people with disabilities, lone parents, older workers, and ethnic minorities. It will also address the needs of those participants who experience multiple disadvantages.

The Operational Programme recognises that not all participants will be able to achieve a job or qualification and that for the most disadvantaged the outcome may be progress towards the labour market. One of the Priority 1 performance indicators will capture the distance travelled by people who move from inactivity to formal jobsearch activity. In addition, soft outcomes such as improved confidence can be part of ESF contracts and will be evaluated. However, research undertaken in 2000-2006 found that it was not feasible to introduce soft outcome indicators at programme or priority level. In line with Commission guidance, the main indicators of overall performance will be job entries and qualifications gained. Activities or target groups not captured by the indicators can be examined in follow-up studies and evaluations.

Question 3b: What are your views on the proposed indicative activities and indicators for Priority 2 – developing a skilled and adaptable workforce?

About 70% of respondents commented on Priority 2. Almost all of these responses supported the proposed activities and indicators. They also supported the focus on people who lack basic skills and qualifications.

The main issue raised by respondents was the scope for higher-level skills activity. About a quarter of respondents to the consultation wanted Priority 2 to place more emphasis on higher-level skills activity. This was of particular concern to respondents from the Higher Education sector, Regional Development Agencies and some local authorities. They agreed that ESF should primarily support people most in need of help in the labour market, but also thought that it was important to support higher-level training for employees, particularly in small and medium sized enterprises. Some wanted more emphasis on level 3 training, while others also favoured more emphasis on level 4 and above.

Some respondents supported the proposal that managers and workers in enterprises of up to 50 people would be eligible for ESF support at any qualification level, but felt that this flexibility should be extended to medium-sized enterprises, particularly in growth sectors. During the consultation, stakeholders from the phasing-in areas of Merseyside and South Yorkshire argued that they should be able to complete higher-level activities in small and medium sized enterprises begun in their 2000-2006 Objective 1 programmes.

Many respondents emphasised that Priority 2 should take account of the recommendations of the Leitch report, and in particular that ESF skills provision should be demand-led and address employers' skills needs. Some respondents commented that qualifications were not necessarily important to meeting employers skills needs. For example, it was argued that the demonstration of skills was often more important to employers than

qualifications. Some respondents questioned whether qualifications other than NVQs could be funded by ESF.

A number of respondents identified the importance of linking skills provision to the sustainable development cross cutting theme and to ERDF sustainability actions. Responses welcomed the indicative activity on training in environmental management and protection skills. They argued that the range of training opportunities should be widened to include, for example, renewable energy, energy efficiency and recycling. It was argued that it was important to increase the number of professionals who can ensure more efficient use of resources and help to reduce the environmental impact of business, since these are important aspects of business competitiveness.

Several responses, especially from the voluntary and community sector, commented on the importance of supporting social enterprise and social entrepreneurs who could provide new opportunities in deprived communities. They were also concerned that the skills needs of disadvantaged groups should be addressed, and that Priority 2 activities should promote equal opportunities for all. It was argued that there should be a balance between hard and soft outcomes, and that Priority 2 should support activities which engage people who are hard to reach.

Government response

The Government welcomes the broad support from respondents for the proposed activities and indicators for Priority 2.

The Government agrees with those respondents who argued that Priority 2 activities must be demand-led and address employers' skills needs. The Operational Programme has been modified to include a section on the findings of the Leitch Review and to emphasise the importance of demand-led provision. For example, chapter 2 of the Operational Programme indicates that ESF will add value to the Train to Gain which offers a brokering service that is designed to meet employers' skills needs. ESF funding is not restricted to NVQs but can be used to support other qualifications.

The Government also agrees with those respondents who emphasised the needs of those people who may face disadvantage and discrimination in the workplace. Priority 2 will respond to the specific needs of participants with disabilities or health conditions, older workers, ethnic minorities and women. As a result of the consultation, Priority 2 has been modified to include indicators to measure the participation of these groups. The Operational Programme says that providers will be encouraged to record soft outcomes such as improved time-keeping and self-confidence.

The Government agrees that Priority 2 should be able to support entrepreneurship, self-employment and social enterprise. The Operational Programme has been modified to include these as indicative activities in Priority 2.

The Government agrees with those respondents who argued that higher-level skills are essential for a world-class economy with high levels of productivity.

In response to concerns raised by stakeholders in the consultation on the National Strategic Reference Framework, it introduced some limited scope for higher-level skills into the draft Operational Programme. These include: technical, leadership, management and enterprise skills in small enterprises; training of trainers; and preparing people from disadvantaged groups to enter Higher Education. The Operational Programme also provides regions with flexibility to support level 3 skills training where there are skills shortages, in small and medium-sized enterprise, and among women and ethnic minorities where they are under-represented.

However, the Government has decided not to extend the scope of higher-level skills activity further as a result of the consultation on the ESF Operational Programme. As explained in the response to Question 2, the Government believes that the main focus of Priority 2 should be on helping people without basic skills or relevant level 2 qualifications. This reflects the analysis in the Leitch Review that although the UK must improve skills at all levels, the greatest problems are at the lower levels.

The Government has considered carefully the comments that some stakeholders made about restricting training at level 4 and above to small enterprises. However, in view of the reduction in ESF funds, it has decided to maintain this concentration outside the phasing-in areas. Chapter 1 of the Operational Programme explains that employees in micro and small establishments are the least likely to receive training. There is therefore a clear case for ESF intervention to address market failure and support training in small enterprises that would not otherwise take place.

The Government recognises the particular concerns of stakeholders in Merseyside and South Yorkshire to complete higher-level Objective 1 activities in medium sized as well as small enterprises. In view of the transitional phasing-in funding for these areas, the Operational Programme has been modified to allow skills activity at all levels in small and medium sized enterprises until 2010 when their phasing-in funding finishes.

The Operational Programme has also been modified to include additional references to environmental skills under Priority 2 including training which supports renewable energy sectors, energy efficiency and recycling.

Question 3c: What are your views on the proposed indicative activities for Priority 3 – technical assistance?

About 60% of responses answered this question. Most supported the proposals in the draft Operational Programme. The main issues raised were the use of technical assistance for evaluation and cross-cutting themes and its use to support voluntary and community sector and local authority involvement in the new programme.

Some respondents wanted to use technical assistance to support evaluation. They put forward a range of ideas including strengthening capacity in impact analysis and measuring soft outcomes and distance travelled. A small number

of respondents wanted to use technical assistance to support equal opportunities and sustainable development. For example, there were proposals to integrate gender mainstreaming into evaluation, and to update the ESF sustainable development toolkit.

The largest number of respondents to this question raised the use of technical assistance to support participation by partners in the design and delivery of the programme. These respondents welcomed the reference to using technical assistance to support voluntary and community sector participation, and sought further information about how this could be implemented and strengthened. Some respondents wanted similar references to local authorities and other partners.

Government response

The Government welcomes the general support for the proposed use of technical assistance in the new programme. The scope of technical assistance is set by the EU Structural Fund regulation which states that it 'may finance the preparatory, management, monitoring, evaluation, information and control activities of operational programmes together with activities to reinforce the administrative capacity for implementing the Funds'.

The Operational Programme confirms that technical assistance may support programme level evaluations and the cross-cutting themes of equal opportunities and sustainable development. The Operational Programme also confirms that technical assistance will be available to third sector networks to support participation by voluntary and community organisations in the programme. Applications from other partners for technical assistance to support the delivery of the programme will be considered by the Managing Authority.

Question 3d: What are your views on the proposed indicative activities and indicators for Priority 4 – tackling barriers to employment (Cornwall and Isles of Scilly only)?

About 16% of respondents commented on this question. Most supported the proposed activities and indicators as a framework for tackling the main barriers to employment in Cornwall and the Isles of Scilly.

Respondents raised similar issues to those raised under Question 3a on Priority 1 on extending employment opportunities in the Regional Competitiveness and Employment Objective. For example, many stakeholders welcomed the focus on the most disadvantaged people in the labour market and the inclusion of activities to engage young people not in education, employment or training.

Respondents also commented on the specific barriers faced by workless people in Cornwall and the Isles of Scilly. Some respondents emphasised the importance of measures to address barriers related to rural isolation and to unsocial hours in sectors which rely on shift working. They also identified a

lack of sustainable public transport as a particular issue in Cornwall. The main groups affected were young people and low income households which did not have access to personal transport.

A number of respondents argued that activities to support the development of social enterprise should be encouraged, as they provide both voluntary and intermediate labour market opportunities. Supporting community economic development in deprived communities was seen as a way of engaging the most disadvantaged in the labour market in new learning opportunities and stimulating a desire for change.

Respondents supported the activities proposed in Priority 4 to prepare young people for working life. They also asked that a more explicit reference be added to the provision of effective information, advice and guidance.

Government response

The Government welcomes the broad support from stakeholders for the proposed indicative activities and indicators in Priority 4, particularly in relation to targeting groups at a disadvantage in the labour market. Similar changes have been made to Priority 4 as those made to Priority 1.

The Government welcomes the comments on specific barriers to employment in Cornwall and the Isles of Scilly and the proposals on how ESF can be used to help overcome them. The Operational Programme recognises the problems of rural isolation, poor transport services and frequent shift working. Priority 4 provides specific activities to tackle these barriers and provide pathways to employment for people in Cornwall and the Isles of Scilly. It also includes advice and support for self-employment, business creation and social enterprise.

In response to the comments, a number of changes have been made to Priority 4. New activities have been added on: capacity development to support all-age adult information, advice and guidance services; support for youth entrepreneurship and business start-up; and support for individuals to enter sustainable employment by the provision of pre-employment training that meets employers' skills needs in growth sectors.

Question 3e: What are your views on the proposed indicative activities and indicators for Priority 5 – improving the skills of the local workforce (Cornwall and Isles of Scilly only)?

Approximately 15% of respondents commented on this question. Most of these respondents supported the activities and indicators proposed in the draft Operational Programme. Some of the issues raised were similar to those under Question 3b, but there were also a diverse range of issues specific to Cornwall and the Isles of Scilly.

Most respondents from the Higher Education sector felt that Priority 5 should give greater emphasis to building the capacity of the Higher Education sector.

For example, it was argued that increasing the number of students enrolled in the Combined Universities in Cornwall required an expansion in subject choice and mode of delivery, and this meant that ESF funding should be used to support the development of new courses to address sectoral skills needs.

Some responses proposed that 'building capacity in teaching and research staff' should be included as an indicative activity as well as promoting and supporting graduates and post-graduates to set up their own businesses. It was also proposed that ESF should be used to improve ICT infrastructure and that ICT skills should be developed to cover content-creation and delivery across new IT platforms.

It was also pointed out that it may not be possible to deliver all of the Higher Education skills and training that business required in Cornwall itself. It was proposed that Priority 5 include a reference to supporting access to Higher Education modules outside Cornwall where no provision exists in Cornwall to meet business demand.

Several respondents said that Priority 5 needed to give greater emphasis to 'demand-led' provision. It was proposed that ESF be used to extend the range of skills support available through Train to Gain, both by expanding brokerage capacity and widening the range of subsidised training opportunities accessed via Train to Gain. Some responses emphasised the importance of identifying market potential and pre-empting skills needs before the lack of supply had detrimental effects. A few responses also emphasised that training should be flexible, delivered using modules and customised to meet the specific requirements of employers. This should include a more flexible graduate placement scheme that embedded bespoke business support packages.

Government response

The Government welcomes the broad support for the activities and indicators proposed for Priority 5 in the draft Operational Programme. It has considered the additional activities proposed by respondents and has included some of these in the Operational Programme.

The Government confirms that Priority 5 will contribute to the strategy for Higher Education and skills in Cornwall and the Isles of Scilly. This will include supporting the training of researchers and post-graduate students where this is related to labour market needs. However, ESF cannot subsidise core Higher Education activity and will not fund activity that is not relevant to the labour market.

In response to proposals that Priority 5 should support courses outside the Convergence area, the Operational Programme has been modified to include support for access to Higher Education modules available outside of Cornwall where no provision exists in Cornwall to meet business demand.

The list of indicative higher-level skills activities has also been amended to include support for raising the level of technical skills for those in employment to meet existing and potential skills shortages. This will include environmental skills needed for sustainable business development and growth.

The modifications made to Priority 2 have also been made to Priority 5. These include emphasising the importance of demand-led provision to address employers' needs and the needs of disadvantaged groups. The indicative activity on environmental training has also been expanded.

Priority 5 has also been modified to include performance indicators on level 4 and 5 qualifications, and graduates placed in small and medium sized enterprises.

Question 3f: What are your views on the proposed indicative activities for Priority 6 – technical assistance (Cornwall & Isles of Scilly only)?

About 15% of respondents answered this question. The issues raised were broadly similar to those for Question 3c on the technical assistance priority for the Regional Competitiveness and Employment Objective.

The responses emphasised the importance of technical assistance to delivering the Convergence Objective and supported the proposals in the Operational Programme. They wanted technical assistance to support the implementation, monitoring and evaluation of the programme locally in Cornwall and the Isles of Scilly. In particular responses referred to the importance of using technical assistance to manage and monitor the cross cutting themes and to produce timely Management Information which is evaluated in a way that can influence the programme.

Government response

The Government welcomes the general support for the proposed use of technical assistance in the new programme. In addition to the points made in the Government's response to Question 3c, the Operational Programme confirms that in the Convergence Objective technical assistance will be used to invest in administrative capacity to facilitate programme delivery and strengthen capacity in impact analysis and evaluation.

Question 4: In view of the limited funding available, what do you think should be the themes for innovative activity to extend employment opportunities and develop a skilled and adaptable workforce?

About 80% of respondents commented on the themes for innovative activity. Most welcomed the scope for some innovative activity. The responses proposed a very wide range of target groups and activities for innovation.

One of the most comment themes was engaging with employers, for example to integrate disadvantaged people into the workplace and to address employers' skills needs. Several respondents emphasised that innovative activities should be demand-led, and that they should include links to Train to Gain, Sector Skills Agreements and workforce development plans. Others pointed to the need to respond to employers' skills needs identified in

Regional Economic Strategies and to form links with European Regional Development Fund (ERDF) projects. Sustainable development, entrepreneurship and social enterprise were also emphasised by several respondents.

Many respondents proposed that innovative activities should develop new ways of delivering support to the disadvantaged target groups set out in the Operational Programme. Several respondents emphasised the importance of developing non-institutional, flexible and individual support for these groups, and the need to sustain this support once participants have entered work. Several pointed out that voluntary and community organisations could use innovative activities to develop local solutions to tackle barriers to work amongst the hardest to help groups. Many respondents emphasised working with people with disabilities (including mental health problems), ex-offenders, migrant workers, and young people not in education, employment or training.

Some respondents also commented on the delivery of innovative activities. About 15% thought that the themes for innovative activity should be established at regional level. Some of these respondents argued that Regional Skills Partnerships should set the themes.

A few respondents questioned the need for distinct innovative projects. Some of these argued that innovation should be integrated across all activities. Several respondents expressed concern about linking innovative and transnational activities. They argued against a requirement for all innovative projects to have a transnational dimension. A few were sceptical about the value of transnational activities.

Some respondents wanted more information about how innovative projects would operate and how innovation would be defined. A few were concerned that tender specifications would not allow sufficient scope for innovation. Several respondents emphasised the importance of building on the work of Equal Development Partnerships.

Government response

The Government welcomes the ideas for innovative activity proposed by respondents. These ideas will inform the menu of themes for dedicated innovative activity that the Managing Authority is required to produce by the ESF Regulation. The Government agrees that innovative activities should be demand-led, and that they should address the needs of both employers and disadvantaged people.

In response to the calls for regions to set their own themes for innovation, the Government has decided to invite Regional Skills Partnerships to identify regional priorities for innovative activity in the regional ESF frameworks. The Managing Authority will take these themes into account when it develops the national menu of themes.

In view of the significant reduction in ESF funding, the funding for dedicated innovative activity will of course be limited, and it will not be possible to support all the themes in every region. Regions will therefore have the

flexibility to choose those themes from the national menu which are most relevant to their needs.

The Government understands the concerns of those respondents who argued that there should not be separate innovative activities, and that it should be possible to integrate innovation across all activities. It has modified the Operational Programme to clarify that innovation may be a feature of any activity. However, as required by the ESF Regulation, there will also be dedicated innovative activities within Priorities 1, 2, 4 and 5.

In view of the concerns expressed about linking innovative and transnational activities, the Government has modified the Operational Programme to remove the requirement for innovative activities to have a transnational dimension. However, dedicated innovative projects will be encouraged to share good practice with other Member States. The Operational Programme has also been modified to allow transnational outside of dedicated innovative activities.

The Operational Programme indicates that dedicated innovative activity will be delivered through Co-financing. It states that the specifications for this activity will emphasise the outcomes that are to be achieved rather than how they are to be achieved. It also emphasises that innovative projects may take forward and develop best practice and ideas from Equal. The Managing Authority will produce guidance on the implementation of dedicated innovative activities alongside the menu of themes for innovation.

Question 5: What are your views on the proposed roles of Regional Skills Partnerships and regional ESF strategies?

About 85% of respondents answered Question 5. Most of these responses supported a strong regional dimension to the programme but asked for greater clarity about how the regional arrangements would operate.

Many respondents questioned whether Regional Skills Partnerships, as relatively new organisations, had the resources or capacity to play a significant role in the new ESF programme. These respondents requested further information on the role and responsibilities of Regional Skills Partnerships in ESF. A few respondents did not want Regional Skills Partnerships to play a role in ESF.

Several respondents were concerned that Regional Skills Partnerships and regional ESF strategies would not take sufficient account of social inclusion and the needs of disadvantaged groups, and that they would focus on employers' needs and the skills agenda. On the other hand, a few responses thought that Regional Skills Partnerships were not sufficiently focused on the needs of employers.

Many respondents were concerned that some Regional Skills Partnerships did not include representatives from ESF partners such as local authorities and the voluntary and community sector. They wanted these partners to be

involved in the development of regional ESF strategies. There were also questions about the accountability of Regional Skills Partnerships and their relationship to regional ESF committees.

Although most respondents supported the introduction of regional ESF strategies, some wanted reassurance that these would take account of sub-regional and local initiatives such as the Cities Strategy and Local Strategic Partnerships. They pointed to the significant employment and skills variations within regions, and argued that regional ESF strategies should take account of sub-regional and local needs.

Government response

The Government welcomes the support for a strong regional dimension to the 2007-2013 England ESF programme, and has considered carefully the issues raised about Regional Skills Partnerships and regional ESF strategies.

In the light of suggestions made at regional consultation events, the term 'regional ESF framework' will replace 'regional ESF strategy' to avoid confusion with other regional strategies such as Regional Economic Strategies. The regional ESF frameworks will be developed on the basis of existing regional strategies and will show how ESF can add value to their regional employment and skills priorities within the parameters of the national ESF priorities. These existing regional strategies have already been subject to extensive consultation. The regional ESF frameworks will not be new regional strategies or duplicate existing strategies.

In response to the consultation, the Government has modified the Operational Programme to clarify the role of Regional Skills Partnerships. The Regional Skills Partnerships will not replace or duplicate the 'delivery' role of regional ESF committees. Regional ESF committees will be responsible, as they are in 2000-2006, for monitoring programme performance at regional level. Regional Skills Partnerships will have a 'strategic' role to develop and review the regional ESF frameworks. They will not implement the programme.

The strategic role for Regional Skills Partnerships is consistent with their existing role and responsibilities. They bring together the key regional planning and funding stakeholders, and have a strong employer and demand-led focus. They are therefore well placed to develop regional ESF frameworks to ensure that ESF supports regional employment and skills priorities and complements other employment and skills funding streams. In London, the Mayor will have a leading role in developing the London ESF framework in consultation with stakeholders. The London Skills and Employment Board, which is chaired by the Mayor, will formally agree the London framework.

The Government has noted the concerns of some respondents that Regional Skills Partnerships and regional ESF frameworks would not give sufficient priority to tackling labour market disadvantage. However, the Regional Skills Partnerships have a clear remit for both employment and skills issues. The regional ESF frameworks must address both the employment and skills priorities of the national Operational Programme and respect the concentration of ESF funds on people at a disadvantage in the labour market.

The Government has considered the points made about the membership of Regional Skills Partnerships. It believes that Regional Skills Partnerships should be responsible for determining their own membership and structures. It notes that local authorities and the voluntary and community sector are important stakeholders in all Regional Skills Partnerships and that Regional Skills Partnerships recognise the importance of engaging with them. However, it wants to ensure that all relevant partners have the opportunity to give their views on the development of regional ESF frameworks. It has therefore issued guidance on regional ESF frameworks that requires Regional Skills Partnerships to consult all relevant partners including local authorities and regional voluntary and community sector networks where they are not otherwise represented on Regional Skills Partnerships.

The Operational Programme makes clear that regional ESF committees will include representatives from local authorities and the voluntary and community sector, as well as representatives from the core members of the Regional Skills Partnerships. This will also apply where there are joint regional committees covering both ESF and the European Regional Development Fund (ERDF). The Government is encouraging regions to establish joint committees to promote complementarity between ESF and ERDF.

The Government agrees with respondents that regional ESF frameworks should reflect sub-regional and local employment and skills issues. In particular, the frameworks for the North West and Yorkshire and the Humber will take account of the phasing-in funding for Merseyside and South Yorkshire. The Government expects regional ESF frameworks to refer to relevant sub-regional and local strategies, especially the Cities Strategy. They may set out how ESF resources should be focused on specific areas or communities as well as disadvantaged groups. However, regional ESF frameworks will be concise, high-level documents and so will not duplicate the analysis of sub-regional and local needs in other strategies.

Question 6: What are your views on how the gender equality and equal opportunities cross-cutting theme should be implemented?

About 70% of respondents to the consultation answered this question. Almost all of these respondents supported the approach to implementing equal opportunities in the draft Operational Programme. They also put forward a diverse range of views and ideas about implementing this cross-cutting theme.

Some respondents commented on the importance of ensuring that ESF Co-financing Organisations, providers and partners have a good understanding of equality legislation including public duties such as the Gender Equality Duty. Regional equal opportunities strategies and Co-financing plans should be consistent with these duties. Respondents also emphasised that provision should be tailored to the needs of the individual.

Some respondents commented on the importance of sharing good practice. Respondents suggested that technical assistance should be used to support

the cross-cutting themes, for example by producing good practice guides and material. Some suggested using technical assistance to develop the capacity of partners in terms of equal opportunities awareness, knowledge and good practice. Several respondents emphasised building on good practice and principles developed in the 2000-2006 Equal and Objective 3 programmes.

Some respondents commented on the issue of equality indicators. All of these were in favour of some form of indicators to monitor the participation of key equality target groups. Some argued that indicators would help to embed the cross-cutting themes in delivery.

Some respondents commented on the need to integrate equal opportunities criteria into the procurement process. Some argued that equal opportunities considerations should be made explicit in tenders, and also in the delivery, monitoring and evaluation of project activities. It was also suggested that a provider's track record in helping people from different groups should be taken into account.

Government response

The Government welcomes the support from respondents for the cross-theme on gender equality and equal opportunities. In the light of proposals made by respondents, it has made a number of changes to strengthen section 4.9 of the Operational Programme on gender equality and equal opportunities.

The Government agrees that it is important that all partners and providers involved in the delivery of the programme have a good understanding and awareness of equality legislation, and that they comply with the relevant public duties on equal opportunities. This has been emphasised in the Operational Programme.

As indicated in the Government response to Question 3c, technical assistance will be used to support the gender equality and equal opportunities cross-cutting theme. Section 4.9 of the Operational Programme has been expanded to include a reference to using technical assistance to support training to develop the capacity of partners to mainstream gender equality and equal opportunities.

The Government agrees that it is important to develop and share good practice on gender equality and equal opportunities. Good practice identified in the 2000-2006 Equal and Objective 3 programmes will be used to inform the programme. The Managing Authority is currently developing good practice guidance on ESF support for people with disabilities, and the Equal programme is producing a range of good practice guidance booklets. The Equal-Works website will continue to be maintained and promoted at least during the first half of the 2007-2013 programme.

The Government agrees that equal opportunities should be incorporated into procurement processes and contract management. The good practice implemented by Co-financing Organisations in the 2000-2006 programme will be continued and developed in the new programme. The national sub-

committee for gender equality and equal opportunities will advise the Managing Authority on mainstreaming these issues in the new programme. Indicators will be used to monitor the participation of women, older people, ethnic minorities and people with disabilities and health conditions.

Question 7: What are your views on how the sustainable development cross-cutting theme (including environmental sustainability) should be implemented?

About three-quarters of respondents to the consultation expressed views on the cross-cutting theme of sustainable development. Almost all respondents supported the proposals for implementing the sustainable development theme as outlined in the consultation document. A diverse range of views and ideas were expressed, ranging from the strategic to the operational.

Some respondents commented on the need for clear guidance, including clear definitions of sustainable development. For example, some respondents thought that Co-financing Organisations and providers did not understand what they should do to mainstream sustainable development in practice. Respondents highlighted the need to share good practice. They also suggested training and guidance for partners on the requirements of the sustainable development theme, and how these should be translated into plans and delivery arrangements.

A number of respondents commented on the capacity of organisations to promote sustainable development, and suggested using technical assistance to support the sustainable development theme.

Several respondents wanted procurement and contracting arrangements to take account of sustainable development. A few said that provider selection should favour projects that have positive environmental impacts and that exceed the requirements of current planning laws.

A number of respondents commented on the on-going contract management and monitoring arrangements for sustainable development. For example, it was suggested that sustainable development should be a routine consideration in the development and management of all ESF projects in order to minimise any negative environmental impacts. However, it was emphasised that monitoring should be proportionate to the scale and impact of activities. A few suggested indicators for sustainable development, with equal weight being given to social, economic and environmental strands.

Respondents welcomed the proposal to establish a national sustainable development sub-committee of the Programme Monitoring Committee. Some respondents thought that it was important that the sub-committee inform regional plans and structures, as well as allowing regions to take account of local issues.

A number of organisations also commented on the importance of co-ordinating and promoting complementarity with sustainability actions in European Regional Development Fund (ERDF) programmes.

Government response

The Government welcomes the support from respondents for the proposals for implementing the sustainable development theme. In the light of respondents' comments, it has made a number of adjustments to strengthen section 4.10 of the Operational Programme on sustainable development.

The Government agrees that clear guidance and definitions should be developed on mainstreaming sustainable development. The national sustainable development sub-committee will advise the Managing Authority on developing this guidance. The Managing Authority may also use technical assistance to commission training to strengthen the capacity of partners to mainstream sustainable development. The web-based interactive sustainable development toolkit, which was developed in the 2000-2006 programme, will be updated.

The Government agrees that the procurement process should encourage proposals that will protect and enhance the environment. The Managing Authority will produce guidance on sustainable development issues. The national sub-committee on sustainable development will provide a source of advice and expertise on sustainable development issues.

Although the ESF programme does not contain sustainable development indicators, the contribution of the programme to promoting sustainable development will be examined as part of the ESF evaluation strategy.

The Government agrees that there should be complementarity with ERDF sustainable development activities. Regional ESF frameworks will identify how complementarity can be developed with regional ERDF programmes.

Question 8: Do you have any views on the proposed implementation arrangements?

About 80% of respondents commented on the proposed implementation arrangements for the England ESF programme. The main issues raised related to ESF Co-financing, alternative bidding systems, the future of Global Grants, and links with the European Regional Development Fund (ERDF).

Approximately a quarter of respondents raised the possibility of alternatives to Co-financing. Many acknowledged the benefits of Co-financing but questioned whether it could deliver the range of activities that voluntary and community sector organisations and Higher Education institutions wanted to provide. Several voluntary and community sector responses argued for the retention of 'direct bidding' and national projects, and had concerns that Co-financing would limit their participation in the programme. Higher Education responses

were concerned that Co-financing would not be able to deliver higher-level skills provision.

Almost one third of respondents expressed views on the operation of Co-financing. Many supported the principle of Co-financing but sought improvements to processes. These included more flexibility and consistency in tendering procedures. Some respondents had concerns about the use of output related payments. Some local authorities were concerned about the use of contract costs because their audit rules required them to pay on the basis of actual costs.

Several responses expressed views on who should be Co-financing Organisations. Although the consultation document did not specify which public bodies would be Co-financing Organisations, there was a perception that only the Learning and Skills Council and the Department for Work and Pensions/Jobcentre Plus would be Co-financing Organisations in the new ESF programme. These respondents called for a broader range of Co-financing Organisations, including local authorities.

About a quarter of respondents wanted some ESF funding to continue to be distributed in the form of small grants for community groups ('Global Grants'). These respondents were mainly from the voluntary and community sector, local authorities and sub-regional partnerships. They argued that small grants helped to meet the needs of hard to reach and socially excluded people in local communities. Some respondents wanted to increase the value of individual grants, but others were concerned that a significant rise would reduce the effectiveness of the grants by 'pricing out' smaller applicants and reducing the number of grants available from a limited pot. Several respondents pointed to the problems with match funding Global Grants in 2007-13 and asked for these to be resolved in the new programme.

A number of respondents, mainly from local authorities and sub-regional partnerships, wanted to strengthen the links with ERDF. Respondents also emphasised that ESF should have parity with ERDF in any joint committees.

Government response

The Government welcomes the support from many respondents for the principle of Co-financing. It has noted the views of those respondents who wanted to retain alternatives to Co-financing. However, as the consultation document indicated, the Government has decided that the vast majority of ESF funding will be delivered through Co-financing in 2007-2013. This was set out in the Government's response to the earlier consultation on the UK Structural Funds National Strategic Reference Framework, which was published by the Department of Trade and Industry on 23 October 2006.

The Government believes that the introduction of Co-financing has significantly improved the delivery of ESF by enabling public bodies to manage ESF and domestic match funding together. The benefits have included:

- **Greater strategic coherence with domestic employment and skills**

funding streams. Co-financing Organisations use ESF to procure additional activities and outcomes that complement their domestic provision, for example by helping more clients or by providing more intensive support to disadvantaged groups.

- **More added value to EU and national employment and skills strategies.** Co-financing has strengthened the links, which are required by EU regulations, between ESF, the European Employment Strategy and the UK Lisbon National Reform Programme.
- **A sharper focus on the disadvantaged groups at the heart of the Government's strategy to extend employment opportunities.** Since the 2000-2006 mid-term review of ESF in 2004, Co-financing Organisations have increasingly focused on tackling barriers to work among people who remain unemployed or inactive in the labour market. The 2005 ESF Beneficiary Survey demonstrated the relative success of Co-financed projects compared with direct bidding projects in targeting these groups.
- **Easier access to ESF by removing the requirement on providers to supply their own match funding.** Co-financing Organisations now provide and account for match funding, which has given many more providers, including voluntary and community organisations, the opportunity to access ESF.
- **More systematic management and monitoring of ESF funds, and a greater emphasis on quality.** Most Co-financing provision is now subject to formal inspection by the Adult Learning Inspectorate and the findings to date have been very encouraging.
- **A significant reduction in the amount of expenditure declared ineligible by auditors compared with the old direct bidding system.**

The Government has noted the concerns of some respondents that Co-financing may restrict participation by voluntary and community organisations. However, it notes that other respondents have welcomed the reduction in administrative burdens, particularly the match funding requirement.

The Government wants voluntary and community organisations to continue to be important providers of ESF activity in the new programme. They have a particularly important role in reaching people who are disadvantaged in, or excluded from, the labour market. There are many examples of voluntary and community organisations which are delivering innovative provision to hard-to-help groups through ESF Co-financing.

The Government will continue to fund third sector networks to support the participation of voluntary and community organisations. It believes these networks have a positive role to play, working with Co-financing Organisations, to promote ESF funding opportunities and to help smaller organisations participate in partnerships or consortia of ESF providers. The Operational Programme says the Managing Authority will provide Co-

financing Organisations with good practice, including on working with voluntary and community organisations.

The consultation document indicated that there may be exceptional circumstances where Co-financing Organisations might not be able to deliver the full range of ESF activities, and that the Managing Authority would provide a mechanism to procure activity in these circumstances. The Government confirms that in these cases the Managing Authority will commission activity from and contract directly with specific providers. This mechanism will be available in exceptional circumstances in the Convergence area of Cornwall and the Isles of Scilly throughout the life of the programme, and in the phasing-in areas of Merseyside and South Yorkshire until 2010.

Outside of the Convergence and phasing-in areas, Co-financing Organisations will fund ESF activities. This will include higher-level skills activity in Priority 2. In 2000-2006, the Learning and Skills Council has used ESF to add value to higher-level skills activity within its remit, such as Employer Training Pilots at level 3 and above, and management skills at level 4.

There will be no direct bidding to regional Government Offices. As a result of the Review of Government Offices, which was published by the Office of the Deputy Prime Minister and the Treasury in 2006, Government Offices no longer have the remit or resources to run direct bidding rounds. There will also be no direct bidding to DWP for national projects, as the Government has decided, in the National Strategic Reference Framework, that all funding (except Technical Assistance) should be allocated to the regions. This reflects the Government's commitment to regional delivery of ESF funds within a national programme.

The Government has noted the improvements to Co-financing processes that were suggested by respondents. The Managing Authority will consider these issues with Co-financing Organisations while respecting the requirement for procurement processes to comply EU and national guidelines.

Although some respondents thought that output-related funding presented undue burdens, a focus on outcomes is one of the key principles of the Compact on relations between Government and the voluntary and community sector, is. The Compact says that the achievement of outcomes should be used as a key indicator for the success of funding.

The Government has noted the concerns raised by local authorities about the requirement to use contract costs rather than actual costs within Co-financing. This requirement is based on recommendations arising from EU audits of ESF programmes. The Managing Authority will discuss this matter further with any potential local authority Co-financing Organisations.

The Government notes the views of respondents on which bodies should be Co-financing Organisations. The Operational Programme has been modified to clarify that existing Co-financing Organisations will have to re-apply for selection as Co-financing Organisations. This will include an assessment by the Managing Authority of their previous performance as a Co-financing

Organisation. If any other eligible public body wishes to apply for Co-financing Organisation status, it will have to meet the same eligibility, capability and quality criteria that were used to select Co-financing Organisations in the 2000-2006 programme.

In view of the reduction in ESF funding and the objective of simplifying and streamlining the delivery of Structural Funds, the Government believes that there must be fewer Co-financing Organisations in the new programme. It expects that the Department for Work and Pensions and the Learning and Skills Council will be Co-financing Organisations in each region of England because they are the main public funders of employment and skills provision. Some of the other existing Co-financing Organisations, which include some local authorities, may also want to apply to be Co-financing Organisations in the new programme where they continue to satisfy the selection criteria. New Co-financing Organisations will be selected only in exceptional circumstances where existing Co-financing Organisations cannot deliver programme activities. The Government is determined that there will be no proliferation of Co-financing Organisations.

The Government agrees with respondents who proposed that small grants for community groups should continue. It believes that these grants can play a valuable role in helping small voluntary and community organisations to build their capacity to help disadvantaged people move closer to the labour market. The Operational Programme has therefore been modified to include a specific commitment to small grants for voluntary and community organisations. These will be known as 'ESF Community Grants'. Across England as a whole, the Government wants to maintain ESF spending on small grants at a similar level as in 2000-2006 despite the reduction in overall ESF funding. The maximum value of a grant will be increased from £10,000 to £12,000. In response to concerns about match funding for small grants, the Operational Programme has been modified to indicate that they will be delivered through Co-financing.

The Government agrees with those respondents who argued that there should be strong links between ESF and ERDF. Regional ESF frameworks will identify links between ESF and ERDF, and the Managing Authority will encourage regions to establish joint ESF and ERDF committees. Where there are joint committees, there will be distinct ESF agenda items to enable the committee to discharge its ESF responsibilities effectively.

Question 9: Do you have any comments on the ESF strategy for Gibraltar under Priorities 1, 2 and 3?

There were no substantive responses to question 9.

**Department for Work and Pensions
Department for Education and Skills
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