



# The London ESF Story **through third sector eyes**



**PROLOGUE** | **1** EU Structural Funds • London Voluntary Sector Training Consortium (LVSTC)  
**2** The Third sector working with support from ESF • ESF Objective 3 Programme 2000–2006  
**3** Global Grants • ESF Objective 2 Programme 2000–2006 **SEVEN YEARS' ESF** | **7** ESF Project  
Delivery **13** Partnership **14** Strategy **EPILOGUE** | **16** ESF Programme 2007–2013

# PROLOGUE

## EU Structural Funds

The London ESF Story serves a threefold purpose: it marks the end of the 2000–2006 European Structural Fund Programmes in London by celebrating, through 17 project profiles, the contribution of third sector organisations to Programme achievements in the capital; it looks forward to the new seven-year 2007–2013 Programmes, by providing a useful insight into how EU Funds can be used to improve the skills and potential of some of London’s most disadvantaged residents and economically deprived areas; and it highlights the key role that Technical Assistance funds<sup>1</sup> played in enabling the third sector to engage with EU Programmes.

The European Social Fund (ESF) is one of two European Structural Funds available to London<sup>2</sup> and, available throughout the European Union, the only Fund to target individuals. ESF seeks to ensure that all individuals have the skills and knowledge necessary to access available work, and can supply the skills which employers need if businesses are to thrive and be competitive in an increasingly global and technology-driven economy. The European Social Fund was available to London through the England Objective 3 Programme, London Objective 2 Programme and the national EQUAL<sup>3</sup> Programme.

The England Objective 3 Programme 2000–2006 has been managed by the ESF Division of the Department for Work and Pensions and a national programme committee. In London, the Programme has been managed and administered by the Government Office for London (GOL), with local policy and strategy overseen by the cross-sectoral London European Programmes Committee. The new 2007–2013 England ESF Programme is subject to the same national arrangements but a changed regional structure under the Mayor.

## London Voluntary Sector Training Consortium (LVSTC)

LVSTC, a registered Charity, was established in 1989. Community and voluntary sector organisations working with London’s most disadvantaged residents had identified the need for dedicated assistance in accessing the European Social Fund to support their provision of training for unemployed and vulnerable employed people.

As a voluntary organisation, LVSTC is part of the third sector:<sup>4</sup> community organisations, charities, voluntary groups, co-operatives, and social enterprises which work to achieve social, environmental or cultural aims and reinvest any profits they make to help achieve their aims<sup>5</sup>.

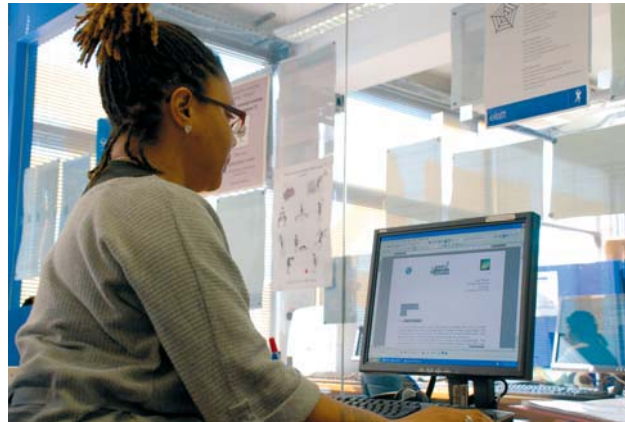
<sup>1</sup> Technical Assistance (TA) Funds are designed to support the implementation and management of European Structural Funds Programmes

<sup>2</sup> The other being the European Regional Development Fund (ERDF)

<sup>3</sup> EQUAL is an EU trans-national programme

<sup>4</sup> As defined by the Government’s Office of the Third Sector

<sup>5</sup> Voluntary and community sector (VCS) organisations are distinguished by having an elected management body the members of which have no financial interest in the organisation



The LVSTC Executive Board is elected annually by its member training organisations and is currently drawn from both established providers and smaller community based provision.

The Chair of the LVSTC Executive Board represented the third sector on the London European Programmes Committee and senior LVSTC staff actively supported the development of EU Programme policy, infrastructure and implementation.

LVSTC performed a key role in providing Technical Assistance to third sector organisations applying for EU Funds and in supporting Project Managers once funding was secured. Support was offered through workshops, seminars and conferences, one-to-one surgeries or project visits, a telephone and e-mail Helpline, policy briefings, its newsletter *London Euroscene*, *Euroscene Bytesize* e-bulletin and website.

The work of LVSTC is guided by three overarching objectives: Service Delivery, Partnership and Strategy.

LVSTC has been in continuous receipt of ESF Technical Assistance contracts since 1993 and ERDF Technical Assistance since 1995, and has consequently developed a unique expertise in working with EU Structural Funds.

### The third sector working with support from ESF

London has an extremely vibrant third sector, ranging from large, well established agencies working at borough, sub-regional or regional level, to embryonic community organisations serving local neighbourhoods or specific groups in the community. Many third sector organisations run projects part-funded by the European Social Fund, providing advice and guidance on training and employment opportunities, skills training offering vocational qualifications, job brokerage schemes, work experience placements and in-work support.

However, there are many people in the capital who lack basic skills, motivation or confidence, or for whom English is not their first language, and they need to be supported in addressing these issues before they can successfully engage with formal training opportunities or sustainable employment. ESF therefore also supports organisations – many of them small community organisations run both by and for their communities – which offer a range of activities designed to engage with those furthest from the labour market, boosting confidence and self-esteem, assisting with literacy and numeracy, or language needs, and involving people in activities which will move them closer towards the world of work.

### European Social Fund – London Objective 3 Programme

The England ESF Programme is a national programme, administered regionally. Over the period 2000–2006 London received £486m ESF to fund projects through five Policy Fields. With match funding providing a further 55% of project costs the total Programme was worth approximately £1,080m.

Objective 3 was a programme designed to reach a targeted audience – the population of London most disadvantaged in, or excluded from, the labour market.

As well as those who had been unemployed long-term, or who were vulnerable in the workplace due to lack of currently-needed skills, the Programme recognised that specific groups warranted particular attention: ex-offenders, homeless people, refugees, drug or alcohol misusers, 13–17 year olds, people returning to the labour market, lone parents and those aged over 50. Targets were also set throughout the Programme for black, Asian, minority ethnic and refugee (BAMER) beneficiaries, women, and disabled people.



“Regional partners have carefully considered the need for ESF within the Objective 2 programme and have concluded that Objective 3 funding in itself is unable to address fully the particular human resource issues in the Objective 2 area and its sub-areas where labour market conditions and trends differ greatly from the capital overall.”<sup>7</sup>



ESF funding was delivered through five Policy Fields:

1. Active Labour Market Policies
2. Promoting Equal Opportunities and Social Inclusion
3. Lifelong Learning
4. Adaptability and Entrepreneurship
5. Promoting the position of women in the labour market

#### Global Grants

ESF ‘global grants’ recognise the role of small community organisations in helping people move closer to the world of work, through their engagement with people who were not yet ready to undertake formal training. Grants of up to £10,000 were made available to organisations with a turnover of under £60,000p.a. or less than two staff (FTE). Badged in London as Fast Forward the grants scheme was managed by Greater London Enterprise, the business arm of London Councils.

#### European Social Fund – London Objective 2 Programme

Under the 2000–2006 London Objective 2 Programme 12% of Programme Funds – approximately £21.3m<sup>6</sup> – were from the European Social Fund.

ESF in Objective 2 was designed to complement ESF Objective 3 and support ERDF-funded activity. As a

targeted programme, only projects benefiting residents of one or more of 92 wards in 13 London boroughs were eligible for support.

The Programme had three clear ESF objectives, implemented through a single ESF measure in each Funding Priority and aimed at providing support for activities funded under an ERDF Measure.

The ESF Measures were:

- 1.3 Community Skills Development
- 2.7 Developing a Competitive Workforce
- 3.4 Ensuring Local Benefit

Although ESF in both Objectives 2 and 3 Programmes had to be committed by 31st December 2006, for projects approved during the latter stages of the Programmes spend may continue until 31st July 2008.

<sup>6</sup> LEPC/152 July 2007

<sup>7</sup> Objective 2 Programme – Single Programming Document for London 2000–2006, p.173

The Timeline which accompanies the text on the following pages aims to provide a glimpse at some of the key highlights which occurred over the period 2000–2006. *London Euroscene*<sup>1</sup> headlines act as the marker throughout each year, reflecting either recent or forthcoming ‘news’. Beneath the line a selection of LVSTC events, EU Programme developments and infrastructure and policy changes are identified.

<sup>1</sup> Published at roughly two-month intervals

## SEVEN YEARS OF ESF

### PROJECT DELIVERY

#### Objective 3

The year 2000 started with the LVSTC campaign ‘The Gap and The Float’ high on the agenda. It had been clear by late 1999 that a delay in agreeing the new ESF Objective 3 Programme would leave third sector organisations with ESF-funded projects due to end by June 2000, no opportunity to access new ESF until autumn 2000. Proposals for retrospective payment of ESF in the new Programme were also a major area of concern.

The ‘gap’ and the ‘float’ were issues common to third sector organisations throughout the UK and, encouraged by the decision of the Scottish Executive to instigate a ‘gap guarantee scheme’ for Scottish organisations, LVSTC, after consultation with the sector, and working alongside sister networks in the English regions, launched its own campaign to persuade government ministers of the need for such a scheme in England.

The net result was the announcement of an English Gap Guarantee Scheme. Unlike the Scottish model, however, which paid in advance, the English scheme was paid in arrears. LVSTC did, though, win agreement from the GOL that they would fast track Final Claims<sup>8</sup>



for organisations faced with making staff redundant as a result of cashflow problems caused by ‘the gap’.

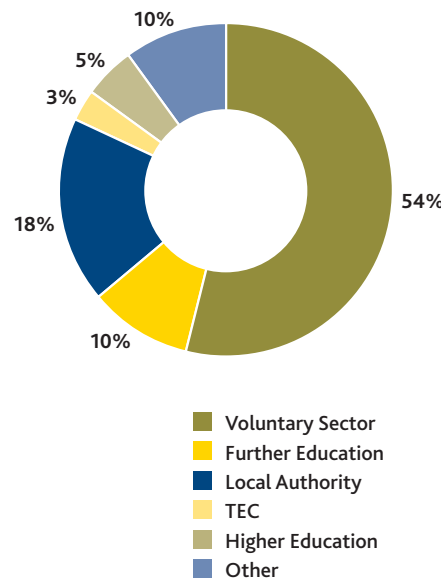
The decision of the DfEE to provide a 30% advance of ESF was warmly welcomed by LVSTC and the many third sector organisations who had expressed their concern at in-arrears payments.

<b>EUROSCENE LEAD STORIES</b>	<i>Consultation Special</i> Addressing the 'gap' and the 'float'	<i>A Tale of Two Cities</i> Launch of LDP Skills Strategy	<i>We Have Lift Off!</i> London Objective 3 Programme launched	<i>Here We Go Again</i> Update on first round of the new Objective 3 Programme	<i>Way Ahead</i> Consultation on ESF Co-Financing proposals
<b>2000</b>	<b>MAY</b>		<b>JUNE</b>		<b>NOVEMBER</b>
<b>LVSTC EVENTS</b>		LVSTC Conference on London Skills Strategy	LVSTC 'Gap Guarantee Scheme' Needs Analysis Survey		
<b>EU FUNDING EVENTS</b>			Launch of National Objective 3 Programme	LEPC agrees to commit 2% ESF Objective 3 to Global Grants	Objective 2 Area Partnerships established
<b>NEW INFRASTRUCTURE/POLICY</b>	Election of first Mayor of London	Government launches Neighbourhood Renewal Strategy	LDA established		

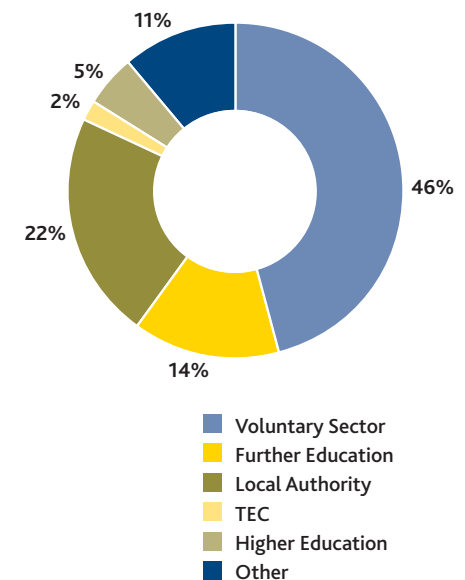
Following the national launch of the English Objective 3 Programme on 5th June, London launched its 2000–2006 Programme at Tottenham Football Ground on 29th June 2000, with both summer and autumn bidding deadlines<sup>9</sup>. An analysis of the bidding rounds showed a 17% increase in the third sector share of both projects and Funds over the 1999 outcomes, with the sector delivering 54% projects and securing 46% of the Funds. (See Figs 1 and 2.)

In autumn 2000 the DFEE<sup>10</sup> launched its Consultation on Co-Financing of the European Social Fund. Welcomed in some quarters as it would negate the need for ESF-applicants to find their own match funding and promised less monitoring and bureaucracy, LVSTC was aware that despite these two apparent advantages there were also potential risks for the sector from such a key change to the way in which ESF would be accessed.

**FIG 1: 2000 Direct bidding ESF Objective 3 Sector share by % project**



**FIG 2: 2000 Direct bidding ESF Objective 3 Sector share by % £**



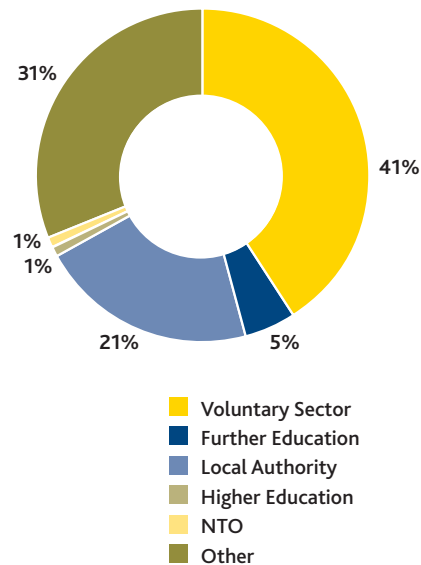
<sup>8</sup> The final 20% of ESF is retained until Project outputs and finances have been approved. Projects not uncommonly had to wait in excess of six months before receiving payment of their Final Claim.

<sup>9</sup> There were different deadlines for Policy Fields 1, 2 and 5, and for Policy Fields 3 and 4

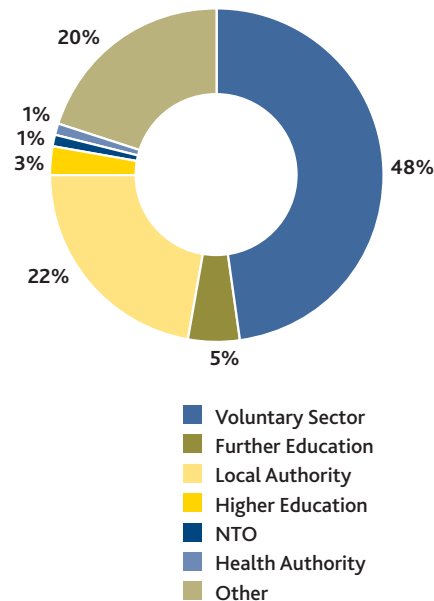
<sup>10</sup> Department for Education and Employment

<b>EUROSCENE LEAD STORIES</b>	<i>Direct Bidding Lives!</i> Consultations on ESF Co-Finance continue	<i>Stand and Deliver</i> Michael Frye challenge third sector to deliver	<i>Talking The Talk</i> TSEN meets central government ESF Division to discuss Co-Financing	<i>Up Front with the LSCs</i> TSEN meets National LSC re implications of ESF Co-Financing	<i>Think Global, Act Local</i> Global Grants get the green light
<b>2001</b>	<b>MARCH</b>	<b>APRIL</b>	<b>JULY</b>	<b>NOVEMBER</b>	
<b>LVSTC EVENTS</b>	LVSTC 'Gender' Study Visit to Brussels	LVSTC pilots 'small grants fund' (April–December)	LVSTC Conference: Street Level Europe Conference	LVSTC Director appointed to London Skills Commission	LVSTC 'CED' Study Visit to Brussels
<b>EU FUNDING EVENTS</b>	London Objective 2 Programme launched			ESF Co-Financing introduced ALG approved as first CFO	LVSTC Conference on Community Economic Development
<b>NEW INFRASTRUCTURE/POLICY</b>		Five LSCs established in London	First UK National Action Plan on Social Inclusion	London Skills Commission established	London House opens in Brussels

**FIG 3: London ESF Objective 3  
Sector share by Fund 2001**



**FIG 4: London ESF Objective 3  
Sector share by Project 2001**



Inevitably the introduction of ESF Co-Financing took longer than anticipated to implement in practice and there was a second round of bidding direct to GOL in 2001.

Direct bidding outcomes in 2001 again showed the third sector delivering almost 50% of ESF projects in London, although with a reduced share of the overall Fund, but in both analyses the sector continued to be largest stakeholder, responsible for delivering significantly more projects than any other sector. (See Figs 3 and 4.)

### ESF Co-Financing

The implementation of Co-Financing late in 2001 introduced 10 London Co-Financing Organisations (CFOs): the five London LSCs – Central, East, North, South and West; the Association of London Government, now London Councils; the London Development Agency<sup>11</sup>; South London ConneXions; Business Link for London; and Jobcentre Plus.

Once approved as a Co-Financing body, each CFO tendered to GOL to Co-Finance a percentage of selected ESF Measures where these matched their own organisational aims and objectives. CFOs then provided 'match' for ESF from their own resources so that applicants applied for 100% project costs from

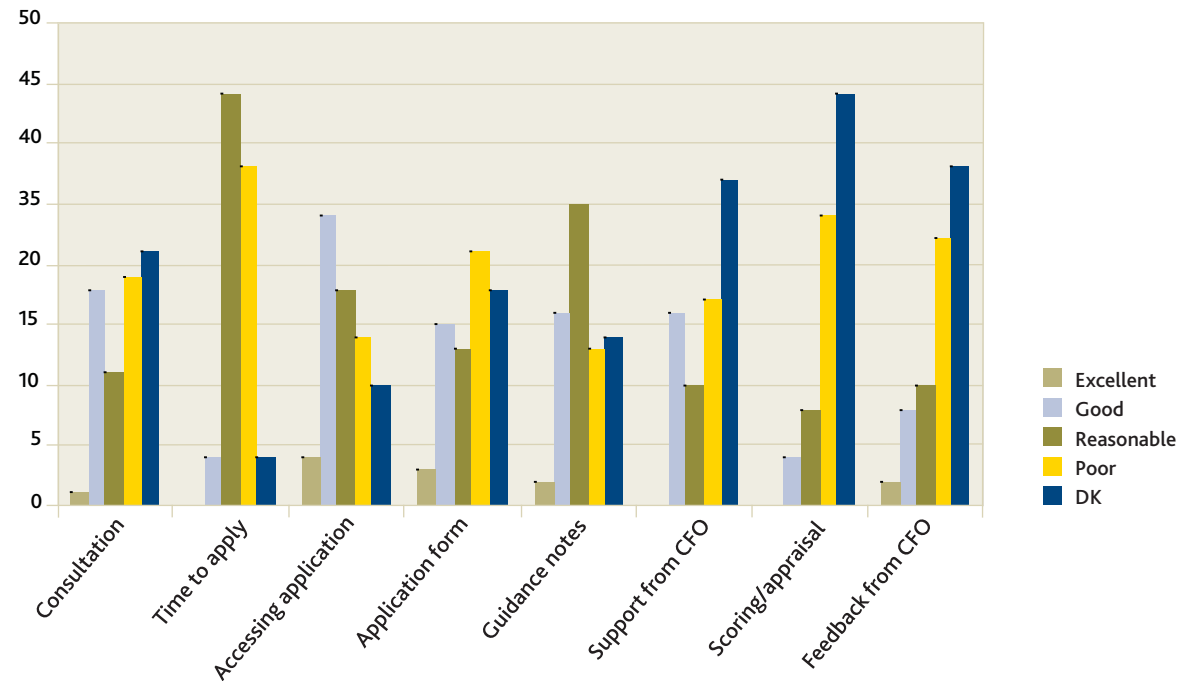
<b>EUROSCENE LEAD STORIES</b>	<i>We've Made it!</i> Launch of Global Grants 'Fast Forward' Programme	<i>ESF Plus</i> Jobcentre Plus becomes a CFO	<i>Take Off!</i> Second Round of Objective 2 opens	<i>Touch Down!</i> Third sector feedback on first round of Co-Financing	<i>FRESA goes public</i> London FRESA signed off
<b>2002</b>	<b>MARCH</b>	<b>MAY</b>		<b>SEPTEMBER</b>	<b>NOVEMBER</b>
<b>LVSTC EVENTS</b>		LVSTC Conference: The Future of the EU Structural Funds		TSEN Conference: Communities at the Crossroads	LVSTC AGM passes unanimous resolution in support of Asylum Seekers and the right to work
<b>EU FUNDING EVENTS</b>	Review of London Regional Development Plan	First bidding to LSCs as CFOs		Mid-Term Reviews start	First Jobcentre Plus bidding round
<b>NEW INFRASTRUCTURE/POLICY</b>		In April the Benefits Agency merges with the employment service to become Jobcentre Plus, part of the Department for Work and Pensions			Legislative changes affect the 'right to work' for refugees and asylum seekers

a single source. Welcome news for many but it came at a price: analysis of subsequent bidding rounds showed that the opportunity to bid for 100% funding clearly increased competition for funds bringing higher rates of failure. Also, rather than bidding direct to the Government Office for London under a single Operational Programme, applicants bid direct to one or more CFOs, each of which had their own prospectus, application form, timetable and deadline.

There was an initial round of Co-Financed bidding in autumn 2001, to the ALG – the only CFO to restrict applications to the Voluntary and Community Sector. This was followed by the first round involving all five LSCs and a second round to the ALG in spring/summer 2002.

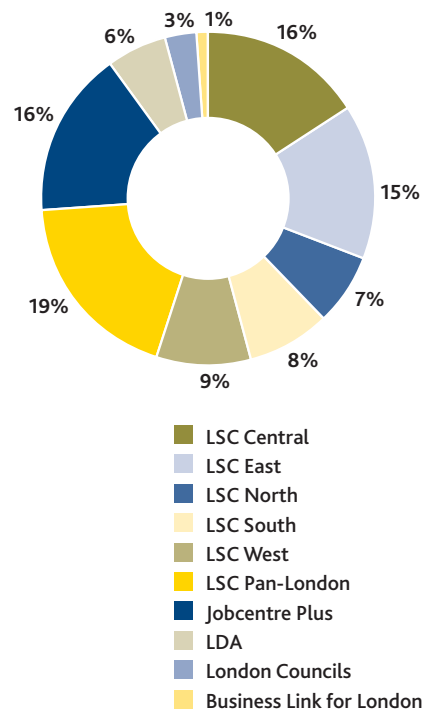
Over the summer 2002 LVSTC undertook a survey of the sector to assess the impact of these first rounds of ESF Co-Financing. Apart from ALG Co-Financed ESF, where only third sector organisations were eligible to bid, the sector's share of ESF was reduced to just 27.9%, down by over 13% from 2001. This made a considerable impact on third sector sustainability as the 5 LSCs between were responsible for allocating 77.79% ESF during that year.

FIG 5: Survey of third sector applicants under LSC and ALG CFO bidding, 2002



<b>EUROSCENE LEAD STORIES</b>	<i>The Funds Need You!</i> Structural Funds Mid Term Review	<i>Funds Under Fire!</i> Government claims Structural Funds plans 'not radical enough'	<i>Third Sector in Parliament</i> LVSTC one of four-member TSEN delegation to appear before Parliamentary Select Committee on ESF	<i>21st Century Challenge</i> National Skills Strategy launched	<i>Select Committee reports on ESF</i> Select Committee publishes report
<b>2003</b>	<b>FEBRUARY</b>	<b>MARCH</b>	<b>JULY</b>	<b>SEPTEMBER</b>	<b>OCTOBER</b>
<b>LVSTC EVENTS</b>		LVSTC paper 'Owning the Skills Agenda' makes a strong strategic case for the retention of ESF in Objective 2			LVSTC Conference: Positive Action on Social Inclusion
<b>EU FUNDING EVENTS</b>	Seven CFOs launch bidding including first LDA round	Proposals emerge to discontinue ESF in Objective 2	LEPC agreed to retain ESF in Objective 2		Impact Evaluation on ESF Objective 3 in London 2002 submitted to GOL
<b>NEW INFRASTRUCTURE/POLICY</b>	European Commission launches public debate on the future of the European Employment Strategy		Second UK Action Plan on Social Inclusion 2003–2005	LSC publishes 'Successful Participation for All: Widening Participation'	

FIG 6: Allocation of ESF to CFOs 2002–2006



Of those who responded to the survey, 60% had been unsuccessful in securing ESF in the 2002 round. Of those who were unsuccessful 70% had previously been successful under Direct Bidding, often more than once. Whilst 84% respondents preferred not having to find their own match, there were some who felt the opportunity to lever in other funds had been lost. It was generally smaller organisations who felt that they were at a real disadvantage under Co-Financing, as they believed CFOs favoured existing providers with proven systems and outputs. In terms of the process of Co-Financing there was a very mixed response, possibly reflecting the diverse nature of the third sector and a range of prior experiences of ESF bidding.

In October 2002 came the first round of bidding for Co-Financed ESF to Jobcentre Plus. The third sector was successful in securing 62 of the 94 approved projects, gaining 66% of the available Funds. Competition had been particularly strong with over 500 applications submitted. Jobcentre Plus specifications, under Policy Field 2, provided a natural fit with the profile of sector providers and it was a welcome if not unexpected outcome, and testament to the sector's ability to work successfully in the arena of equality and social inclusion.

### Programme Mid-Term Reviews

By early 2003, the Mid Term Reviews of the English Objective 3 Programme and London Objective 2 Programme were well underway.

LVSTC organised workshops to consult the third sector on their experience of the Programmes and carried out 89 one-to-one interviews with third sector organisations, mostly with extensive experience of using ESF. Responses formed the basis of the two reports submitted to GOL as part of the third sector's contribution to the Review.

In addition, LVSTC was commissioned by the Government Office for London to undertake a full impact evaluation of 2002 bidding rounds under Co-Financing arrangements. The full report contained 14 recommendations based on the views of a wide range of third sector ESF providers. These fed into the Mid Term Review and were duly considered by both GOL and the CFOs.

The year 2003 saw an early flurry of activity when seven CFOs launched bidding rounds during the first quarter. This included the first Co-Financing round to the LDA, where the third sector did well, securing 61% of available ESF. Third sector bidders secured a 5% increase

<b>EUROSCENE LEAD STORIES</b>	<i>Review Goes to Brussels</i> DWP responds to Select Committee	<i>Agenda 2007</i>	<i>Call for Capacity</i> Use of Capacity Building funds	<i>On Your Marks!</i> Looking forward to EU Structural Funds Programmes 2007–2013	<i>Mainstreaming the Funds</i> UK Employment Action Plan
<b>2004</b>	<b>MARCH</b>	<b>APRIL</b>		<b>SEPTEMBER</b>	
<b>LVSTC EVENTS</b>	LVSTC Conference: Skilling for Inclusion	Beginning of LSC-funded London East Action for Development capacity building project 1,222 applications received for Fast Forwards grants      Launch of first LSC Pan-London round		LVSTC Supports Sector with bidding round workshops and one-to-one support  Seven CFO bidding rounds	
<b>EU FUNDING EVENTS</b>		EU expands from 15 to 25 Member States with accession to EU of Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia		Third European Social Forum held in London	
<b>NEW INFRASTRUCTURE/POLICY</b>					

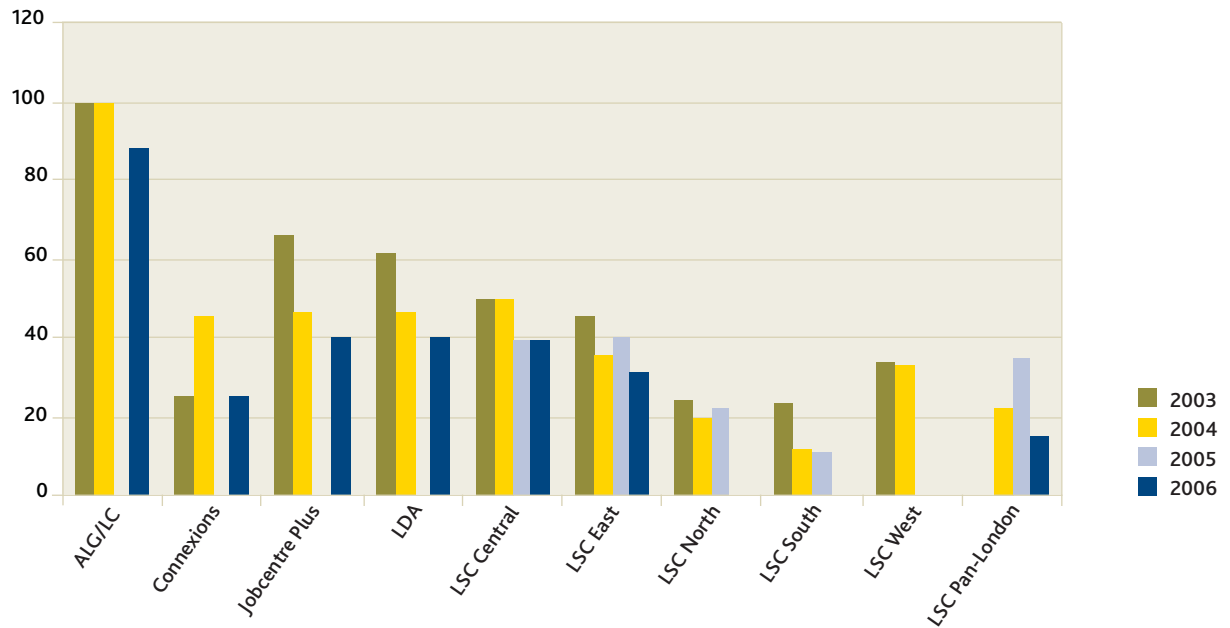
in their share of ESF through this second round of LSCs bidding, with share varying considerably between LSCs: 50% in London Central but only 23% in London South. Overall in 2003 the sector's share of ESF increased to just over 45%, regaining its 2000 position.

In 2004 third sector share again took a downward turn to just under 35% overall. Apart from the Connexions round where sector share increased from 25% in 2003 to 44.5% in 2004<sup>12</sup> there was a decrease in all CFO rounds. This again confirmed the competitive nature of ESF with high failure rates amongst third sector applicants and variable sector share according to CFO. 2004 also saw the first of two LSC Pan-London rounds.

Due to revaluation of the Programme, caused by the strength of the Euro, an extra £70m became available to CFOs in July 2005. Following bidding rounds to allocate this extra 'pot' of ESF by those CFOs able to provide the necessary match, bidding opportunities then dwindled as the final Programme commitment date of 31st December 2006 approached.

Fig 6 provides a summary of sector share of Funds for the period 2003–2006.

**FIGURE 7: Third sector access by Funds and CFO**



12 As high as 67% if Measure 2.1 is considered separately

<b>EUROSCENE LEAD STORIES</b>	<i>Approaching the UK: Presidency of the EU</i> UK takes over Presidency of the EU from 1st July for six months	<i>Financing the European Union</i> The EU Budget	<i>UK Presidency Lift Off</i> The EU Social Model and the Luxembourg Summit	<i>Fund Guidelines Out to Air</i>	<i>UK Presidency Highlights</i>
<b>2005</b>	<b>APRIL</b>	<b>MAY</b>	<b>JULY</b>	<b>SEPT</b>	
<b>LVSTC EVENTS</b>	LVSTC Conference: 'Funding Social Inclusion'	Start of ESF-funded SKEIN Project	Focus Groups on the new 2007–2013 Programme get underway		LVSTC launches publication 'I'm Simply Learning Much More'
<b>EU FUNDING EVENTS</b>			720 applications for Fast Forward grants received	Revaluation of Objective 3 injects extra £70m ESF	
<b>NEW INFRASTRUCTURE/POLICY</b>		Regional Skills Partnership established, replacing the London Skills Commission		2012 Olympic and Paralympic Games awarded to London	

By early 2007 a series of delays in preparing for the new 2007–2013 Programmes, brought about by failure of EU Heads of State to reach agreement on the EU budget until December 2005, were already beginning to alert LVSTC to the risk of another 'gap' in ESF funding emerging between the two Programmes.

The headline – “Gap” Survey reveals shaken sector’ – in *London Euroscene* March 2007 reflected the state of the sector revealed by survey in February 2007 of 'live' third sector ESF projects. Of the 80 respondent organisations, between them running 204 ESF projects, 86% would experience a gap in funding if 'new' ESF funding was not available until January 2008. For third sector providers, who do not normally have the opportunity to build up reserves, such a gap can have serious consequences: 74% of respondent organisations stated that making staff redundant would be an inevitable necessity if new funding could not be secured by the time their projects ended. Apart from the obvious impact on staff concerned, valuable expertise and experience built up over many years of ESF delivery would be lost to organisations.

### Global Grants

In 2000, the London Borough Grants Committee (LBGU), aware of the proposals to introduce Global Grants as a new element of the ESF Objective 3 Programme, asked LVSTC to pilot a 'small grants fund' in order to test out a model of delivery that could be used to inform the setting up of a London Global Grants scheme. LBGU provided a 'pot' of just over £47,000 and grants of up to £1000 were made available to community groups through the work of the ELLV<sup>13</sup> Pathways Partnership Project, for which LVSTC was the accountable body. One of the most successful elements of The Pathways Fund<sup>14</sup> was the decision-making role of local community representatives.

LVSTC was invited onto the cross-sectoral Partnership Group responsible for guiding development of Global Grants in London, and was the most regular and frequent attendee at Partnership meetings.

The Fast Forward scheme was launched early in spring 2002. Competition was extremely fierce, the number of applicants being far in excess of the 600 projects which were funded through the first two rounds.

The third round in 2004 elicited 1227 applications, of which 893 were assessed as eligible for funding. However, due to cutbacks in LSC discretionary funding

which had been used to match ESF, only around 150 projects could be funded. The remaining eligible applications were placed on a reserve list pending the availability of new funds. Subsequent years were similarly oversubscribed and many applicants disappointed. From 2004 onwards failed applicants were invited to enrol in the LVSTC-led SKEIN<sup>15</sup> Project which provided a range of capacity building initiatives to over 3000 small groups in London<sup>16</sup>.

### Capacity Building

Following the 1997–1999 ESF Programme which had funded the setting up of 32 cross-sectoral borough training networks<sup>17</sup> and 10 regional networks focusing on ESF target groups, the new Programme had a less clear strategy for supporting capacity building. Whilst some of the borough networks had managed to survive the 1999–2000 ESF 'funding gap' and secured funds for a further two years, the net result was a patchy spread of networks across London and no clear link into the new Programme strategy. Despite strenuous efforts by LVSTC, at both a regional and national level, to secure agreement on a strategic approach to use of the 5% ESF capacity building funds, CFOs tended to use them to support the technical capacity building needs of their contracted

Capital Inclusion Regional Skills Prospectus published			EUROSCENE LEAD STORIES	European Union Budget Breakthrough Agreement on the EU budget	Consultation Launch on EU Funding Consultation starts on National Strategic Reference Framework	Fund Regulations Agreed
<b>OCTOBER</b>	<b>DECEMBER</b>	<b>2006</b>	<b>FEBRUARY</b>	<b>MAY</b>	<b>JULY</b>	
LVSTC Conference: 'Ready, Steady, Cash'  Four CFOs hold bidding rounds	Consultation on ESF Operational Programme 2007–2013	Consultation on London ERDF Programme  EU Heads of State agree EU budget	LVSTC EVENTS	Snap survey to assess impact of 'funding gap'	LVSTC 'Seize the Time!' NSRF consultation	After 16 years at The Print House in Hackney LVSTC moves to Bromley Hall in Tower Hamlets
			EU FUNDING EVENTS	Consultations open on the NSRF		
			NEW INFRASTRUCTURE/POLICY	Launch of the consultation on the London powers of the Mayor		

providers rather than take a co-ordinated strategic approach to developing the strengths of the third sector as ESF providers. The impact evaluation of CFO 2002 bidding rounds showed a strong correlation between boroughs accessing highest levels of ESF and boroughs with strong and active Training Networks.

## Objective 2

Although the Objective 2 Programme was not formally launched until March 2001, the year 2000 saw the formation of four cross-sectoral Area Partnerships – Inner East, Outer Thames Gateway, Upper Lea Valley and West London – established to co-ordinate strategy and activity at a local level. ESF applications were made to Area Partnerships who selected projects based on eligibility and strategic fit before passing them to GOL where they faced a competitive Programme-wide scoring and assessment procedure.

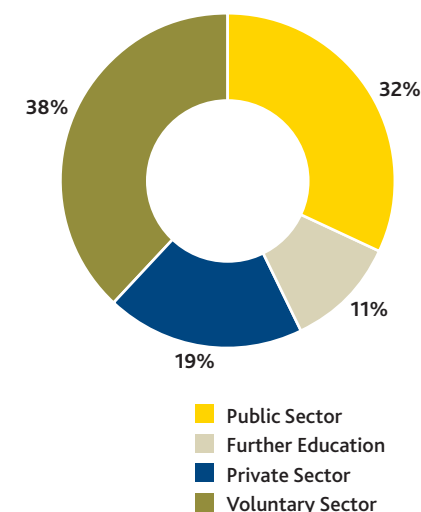
Unlike Co-Financing, applicants were required to find their own match funding at 55% total project costs.

In the same way that third sector organisations were eminently successful under Objective 3 Direct Bidding, so they had always been established providers under Objective 2 and continued to be the major beneficiary of available Funds.

In the 2002 ESF bidding round – limited to two of the three ESF Measures – the third sector accessed just over 36.6% Funds, and was contracted to deliver 40% of projects – again the largest stakeholder.

Therefore the proposals which emerged early in 2003 out of consultations on the Objective 2 Programme Mid Term Evaluation, that remaining ESF funds be vired into ERDF, caused considerable disquiet in the sector. The basis for these proposals was that ESF was not being spent, the level of interest from applicants was minimal, organisations found it hard to access the required match funding, and that the skills needs of Objective 2 residents could be met through the Objective 3 Programme.

FIG 7: London ESF Objective 2  
Sector share by % Funds 2001



13 East London and The Lee Valley

14 Full details of the Pathways Fund are available at [www.renewal.net](http://www.renewal.net) as a case study

15 Skills for Economic Inclusion Network

16 For full details of SKEIN see the LVSTC Report: SKEIN – Into the Bigger Picture, 2007

17 It was a requirement of ESF funding that in each network at least one third of membership must be voluntary or community sector

<i>New Skills and Employment Board for London</i>	<i>Consultations on Hold Delays to ESF and ERDF Operational Programme</i>	<i>Fresh EU Funds for Inclusion London gets €436m ESF and €161m ERDF 2007–2007</i>	<b>EUROSCENE LEAD STORIES</b>	<i>EU Funds for London's Regeneration Consultation on ERDF draft Operational Programme</i>	<i>'Gap' Survey reveals shaken sector Impact of ESF funding 'gap' on ESF project sponsors</i>	<i>ESF Focus Moves to Brussels Negotiations on the draft ESF Operational Programme</i>
<b>OCTOBER</b>			<b>2007</b>	<b>FEBRUARY</b>		
LVSTC consults third sector on England ESF Operational Programme (October – January 2007)			<b>LVSTC EVENTS</b>	TSEN Conference: The new Structural Funds Programme: an opportunity for disadvantaged communities	LVSTC advises European Anti-Poverty Network (Brussels) on Structural Funds (April – November)	
UK NSRF launched			<b>EU FUNDING EVENTS</b>	ESF celebrates 50th anniversary		
ALG becomes London Councils	London Skills and Employment Board established as Regional Skills Partnership		<b>NEW INFRASTRUCTURE/POLICY</b>			

LVSTC responded with a policy paper – ‘Owning the Skills Agenda’ (March 2003) – making a strong strategic case for retention of ESF in the Programme and identifying a number of actions which would enhance the ability of the Programme to both commit and spend ESF in line with European Commission (EC) targets during the second half of the Programme.

Following further consultations among partners the LEPC agreed on a strategy which retained ESF in the Objective 2 Programme and which enabled third sector organisations to access substantial amounts of ESF during the remainder of the Programme to support their work with residents of London’s most economically disadvantaged areas.

### Delivery of Technical Assistance to the third sector

Throughout the 2000–2006 London ESF Programmes LVSTC delivered support to third sector organisations seeking to apply for, or manage, EU funds. Towards the latter half of the Programmes advice, guidance and assistance were branded under the banner of “Getting On, Holding On, and Moving On”.

‘Getting On’ services were those directed at helping third sector organisation in London to access the Funds

“This is valuable in giving insight into what funders’ priorities are – beyond the small amount of information contained in the specifications.”<sup>18</sup>

‘Holding On’ was targeted at organisations which had secured ESF contracts: advice and support focused on project management

“Much needed role in trying to keep organisations informed of the growing complexities of funding.”<sup>19</sup>

‘Moving On’ recognised that EU-funding is ‘project based’ funding and was designed to encourage and support organisations in thinking beyond the end of their project and how they might best sustain both their project and the benefits that had accrued for its users.

“Excellent session, giving more insight into successful succession / exit strategies.”<sup>20</sup>

To accompany all LVSTC advice services a 150-page comprehensive ‘European Structural Funds Manual’ was collated and made available on the LVSTC website.

In Objective 3, among the challenges faced, and successfully met, by LVSTC in delivering Technical Assistance were having to offer information, advice and guidance simultaneously on up to ten CFO prospectuses, and work with ten CFOs with differing expectations, requirements, application forms and scoring systems. Workshops and surgeries were provided for every ESF bidding round.

In Objective 2, Area Partnerships worked in different ways but mostly relied on LVSTC to provide workshops and one-to-one support for third sector applicants, and on-going support to those successful in securing ESF.

In both Programmes partnerships were strongly encouraged and became a prerequisite in certain parts of the Programmes. LVSTC helped to broker partnerships and provided intensive support to a number of third sector-led ESF partnership projects, particularly where smaller community organisations were involved as delivery partners.

Over the seven-year period LVSTC delivered an annual average of 84 conferences and workshops and held 389 one-to-one advice surgeries for third sector ESF

<i>EU celebrates 50 years of ESF</i>	<i>European Commission Agrees UK Framework EC agreement on National Strategic Reference Framework</i>	<i>London's ESF Takes Shape New ESF Programme nears start date</i>	<i>Cash for Cohesion London ESF bidding gets underway</i>			<i>ESF to Reach Out Global Grants programme due soon</i>	
<b>SEPTEMBER</b>			<b>NOVEMBER</b>	<b>DECEMBER</b>	<b>2008</b>		<b>MARCH</b>
LVSTC facilitates ongoing consultations on the new EU Structural Funds Programme in London						LVSTC response to Mayor's LSEB consultation 'Towards an Inclusive Labour Market'	TSEN 'Reaching Out' Conference
LSC PQQ submission round			London Councils, LDA, LSC and DWP open bidding for Co-Financed ESF	Launch of London ERDF bidding round			
			Mayor launches consultation on 'Skills and Employment in London'				

applicants and project managers. An average of 6,672 Helpline calls were dealt with each year<sup>21</sup>. Evaluations of both workshops and surgeries revealed a consistently high level of satisfaction with LVSTC services.

**“LVSTC events are top quality as ever. Look forward to seeing their continued involvement in the process of helping the sector access European Funding.”<sup>22</sup>**

## PARTNERSHIP

LVSTC has always been, and continues to be, committed to working in partnership with other third sector organisations, with other sectors, and with local, regional and central government agencies.

Whereas Objective 2 Area Partnerships were unconstituted cross-sectoral partnerships which invited and prioritised ESF applications on the basis of strategic fit, GOL undertook scoring and assessment and was the contracting authority for ESF projects.

CFOs, however, were new ‘partners’ with which the third sector needed to engage as contractors and the new Co-Financing regimes which each introduced to allocate ESF created a number of issues for the sector.

## Access to ESF

By 2002, it was apparent that many within the sector felt their access to the European Social Fund had been diminished by Co-Financing, a view supported by the third sector share of ESF reducing to just 28% in the first LSC bidding rounds. Nevertheless, sector access to ESF through CFOs which tendered specifications under ‘equality of opportunity and social inclusion’ measures, such as Jobcentre Plus, was initially very positive.

CFO specifications demanded a smaller number of larger projects with an emphasis on partnership delivery. The reluctance of some CFOs to share information with LVSTC as to which organisations had successfully accessed ESF, and how far the third sector were involved as delivery partners, meant it was not possible to provide any comprehensive analysis of sector involvement in ESF. In the absence of firm data, however, there was plentiful anecdotal evidence which, together with sectoral responses to LVSTC surveys and consultations and the partial data that was made available, built up a picture of a sector securing a reduced overall share of ESF since the introduction of Co-Financing. The final picture will only be revealed once the evaluation of the Objective 3 Programme is completed following Programme closure.

## Working in Partnership

**“Need more LVSTC guidance on forming effective partnerships...”**

LVSTC surveys revealed that smaller groups felt they were at most disadvantage under Co-Financing. Unable to secure a track record without access to ESF, many organisations felt held back. The very organisations most able to engage with hard-to-reach groups due to strong community links and a holistic approach to the issues faced by their users, felt excluded from the Programme.

Whilst in theory a partnership approach to project delivery offered a solution, and agencies were required to work in partnership with smaller community based provision, “the experience of many providers has been that this is an unequal struggle, wherein powerful lead organisations gain most advantage and smaller sector providers the least.”<sup>23</sup>

18 CFO application workshop evaluation 2006)

19 Project Management workshop evaluation 2006

20 Succession Strategies workshop evaluation 2007

21 Based on 2002–2007 figures

22 Workshop evaluation 2007

23 London Euroscene, July 2004

Third sector providers also felt disadvantaged by the gradual disengagement of local authorities from ESF, as their lead role in partnerships had enabled many smaller providers to engage with ESF.

### Output related payment system

The introduction, by some CFOs, of output related payments<sup>24</sup> brought a new dimension to ESF work, raising new concerns for the sector. The emphasis on achieving outputs regardless of, or at the expense of, quality seemed to many third sector organisations yet a further erosion of the particular contribution of the sector to skills development. The pressure to deliver outputs in order to trigger payments was intense and as many third sector organisations were working with those with whom it was hardest to engage and keep engaged, there was a risk of being unable to achieve outputs which had a detrimental effect on their cashflow, and ultimately their sustainability. Projects also detected that there was less recognition of soft skills and ‘distance travelled’.

### Participation

After the inclusive nature of the Direct Bidding system which saw large numbers of people from all sectors involved in scoring applications at GOL – widely acknowledged as an excellent learning experience in bid writing – exclusion from most CFO scoring and assessment processes was a disappointment, although LVSTC were involved in the Appraisal and Moderation Panels which considered successful bids in a strategic context.

### Transparency

The lack of sector involvement in project scoring and assessment no doubt contributed to a sense that CFOs were making decisions not solely on the basis of the quality of applications but on track record or a previous relationship with a CFO. Whilst track record in project delivery was clearly a relevant consideration, it was smaller organisations with no previous ESF experience who were most often affected.

It was disappointing to the sector that the transparency and inclusiveness which had traditionally been a key feature of EU Programmes appeared to have been lost.

### Open and competitive tendering

A further concern for the sector was the introduction of a tendering process which used restrictive ‘top-down’ tenders devised by a CFO, with no opportunity for ‘bottom-up’ specifications based on the flexibility and creativity derived from detailed knowledge of potential beneficiaries.

Surveys revealed a view that over-prescriptive criteria limited the opportunity for innovation and forced organisations to drop parts of their provision and offer a less comprehensive service to beneficiaries.

### Contracting delays

Once projects were approved, contracting under Co-Financing proved to be a generally lengthy process. Because CFOs provided 100% funding, and projects were entirely dependent on CFO payments, when delays were

extreme they could have a devastating effect, especially on smaller organisations. One organisation, for example, had to make staff redundant due to delays to the start of a ‘successful’ project whilst another was still waiting to complete the contracting stage after seven months<sup>25</sup>.

## STRATEGY

### Representation and Policy Development

LVSTC was a proactive player in a number of policy making structures – in London, as well as nationally and in Europe. Engagement in policy was key to ensuring that not only did the sector perspective find its way into policy and strategy, but that the third sector was kept fully up-to-date with new thinking and strategies as they developed.

Through *London Euroscene* and, from mid-2007, *London Euroscene bytesize* – and through periodic policy conferences and workshops – third sector organisations received updates on strategies for skills, social and economic inclusion, and combating poverty.

Key bodies on which LVSTC represented the sector included:

- London European Programmes Committee
- The London Skills Commission
- *The Case for London* post-2007
- The Mayor’s London European Forum

LVSTC’s role in the London Skills Commission<sup>26</sup> was particularly important. The London Skills Commission, whose main function was to influence the planning and

distribution of resources by strategic funders within the capital, was required by government to develop a Framework for Regional Employment and Skills Action (FRESA). LVSTC argued successfully for the addition, unique among the English regions, of a dedicated strategic objective on inclusion: ‘enabling the excluded to access learning and sustainable employment’. The London FRESA, formally launched on 26th March 2003, provided a steer on the priorities for skills development in the capital and the future use of ESF.

### Third Sector European Network (TSEN)

Nationally, LVSTC was, and remains, an active member of the Third Sector European Network<sup>27</sup>. This frequently provided London third sector organisations with a direct voice not only to the National England Objective 3 Monitoring Committee but a number of key meetings with central government officials where third sector representation was invited or sought.

In 2003, LVSTC was one of a four-member TSEN delegation to appear before the Work and Pensions Parliamentary Select Committee on the European Social Fund. The House of Commons Select Committee Report on ESF, published on 5th November 2003 included many recommendations reflective of the concerns expressed by London’s voluntary sector. Disappointingly for the third sector, the subsequent DWP response chose to reject most of the Select Committee’s recommendations.

At a European level, LVSTC played a prominent role in EAPN<sup>28</sup>, chairing its EU Structural Funds Task Force.

### Policy Dissemination

Policy Conferences have been a central component of LVSTC’s TA role and the sector was able to hear about and discuss new and developing policies and strategies at events such as ‘Agenda 2000 Countdown – The Challenge for London’ Conference held in May, 2000 to inform the sector on ‘A Skills Strategy for All London’s People’ launched by the LDP<sup>29</sup> earlier in the month. One hundred and sixty third sector organisations heard Michael Frye CBE, of the London CBI and Chair of the LDP Skills Working Group introduce the new Skills Strategy for London.

Quoted in the subsequent issue of *London Euroscene*, he reiterated LVSTC’s theme of A Tale of Two Cities: “The greatest issue we face is that we are two nations living in the same space. This is particularly true in London, where two cities live next to each other, cheek by jowl. Without action, these two Londons will become more polarised, more disparate and more prone to conflict... It may be a dream to unite these two Londons but it is a dream to which we should aspire and which we must deliver”. The Strategy was expected to be a key influence on use of the European Social Funds throughout the 2000–2006 Programme.

### Sector Accountability/Consultation

LVSTC has always been keen to reinforce its accountability to the sector and ensure that the views it expresses are those of its constituency. A range of consultation exercises were undertaken during the

period 2000–2007. Online surveys, questionnaires, focus groups and consultation events were used to gauge opinion and responses collated into a sector response submitted to the relevant sponsoring authority.

One typical consultation exercise was the ‘Seize the Time!’ consultation on the draft National Strategic Reference Framework (NSRF). The NSRF set out the framework for the 2007–2013 EU Programmes in the UK. Third sector organisations from across the capital were urged to answer the series of consultation questions posed by central government, as well as additional questions developed by LVSTC.

To encourage maximum participation LVSTC offered a range of opportunities for third sector organisations to contribute: three Focus Groups; a ‘Seize the Time!’ regional Consultation Workshop on 4th May 2006, addressed by the GOL and the LDA<sup>30</sup>; a website questionnaire; and a *London Euroscene* questionnaire.

- 24 And the accompanying loss of the 30% advance payment
- 25 Impact Evaluation of Objective 3 ESF London Region 2002 – on Voluntary and Community Sector Providers, October 2003, p.49
- 26 Now replaced by the London Skills and Employment Board
- 27 A Network of regional support agencies similar to LVSTC drawn from across England
- 28 European Anti-Poverty Network
- 29 The London Development Partnership (precursor to the London Development Agency)
- 30 As current and future Managing Agents for EU Structural Funds programmes in London

## EPILOGUE

“The PQQ process is one of the least transparent I have come across in 14–15 years involvement in ESF...”

(PQQ workshop evaluation, September 2007)

“Thanks again LVSTC and glad you’re still here. You remain excellent value for money and a font of expertise.”

(PQQ workshop evaluation, September 2007)

### London ESF Programme ESF 2007–2013

The start of the London ESF Programme 2007–2013 in November 2007 brought further changes in ESF delivery. Following regionalisation of the Learning and Skills Council, and the move away from Co-Financing by Connexions South London and Business Link, the number of CFOs in London was reduced to four: the London LSC, London Councils, the LDA and the DWP.

All four CFOs launched bidding rounds in autumn 2007, with anticipated project start dates ranging from February to June 2008.

A further change, on the part of both the LSC and DWP, was the introduction of a two stage process, requiring submission of a Pre-Qualification Questionnaire (PQQ), followed by an Invitation To Tender (ITT) to those judged as having submitted a satisfactory PQQ.

Exactly how PQQs were assessed was unclear and there were serious concerns in the sector over the growing lack of transparency in how decisions were being made to approve or reject applications for ESF.

The new London ESF Programme has again stressed the importance of collaborative and partnership working, envisaging fewer and larger projects than in the previous Programme. It is known that DWP ‘prime contractors’

have been advised by the DWP of the importance of the third sector in ESF delivery, through their ability to reach and serve those who are not only both hard to reach, but often hard to help.

LVSTC, aware that access to well-organised and sustainable partnerships might well be the only route to ESF for many third sector organisations, launched a web-based Partnership Portal in November 2007 as a system whereby organisations from all sectors could register their interest in ESF delivery and lead agencies could locate prospective partners, promoting closer co-operation, greater reach and improved cross-sector involvement.

### Summary

‘Towards an inclusive labour market’, the LVSTC response in January 2008 to the London Skills and Employment Board strategy consultation, underlined the third sector perspective on the skills agenda and the Structural Funds, seeing each as integral to, and being driven by, the need for social justice.

It is clear that the third sector gains substantial benefits from their access to the European Social Fund, enabling them to engage London’s most disadvantaged residents in a wide range of skills development activities and ultimately help people into sustainable employment.

Notwithstanding the issues raised in this account, the third sector values its long-standing partnership with government in delivering the aims and objectives of the European Social Fund – a partnership which is the envy of NGOs across mainland Europe.

The third sector looks forward to a continuing partnership with local, regional and central government in working with the EU Structural Funds which it regards as a key element of the route to achieving the Millennium goal of halving child poverty by 2010 (European Year Against Poverty) and eradicating child poverty by 2020.

### And finally...

There are many ESF-related issues, events and activities which have affected the third sector over the past seven plus years which it has not been possible to either mention, or do justice to, in this Report. Readers are reminded that they can keep abreast of news and developing plans for, and changes affecting, ESF by regularly checking the LVSTC website at [www.lvstc.org.uk](http://www.lvstc.org.uk), signing-up for the *London Euroscene bytesize* e-bulletin, and the bi-monthly *London Euroscene* newsletter. Third sector organisations with a ‘disinterested’ management board are eligible for LVSTC membership; public and private agencies are invited to join as Associates.

**LVSTC WOULD LIKE  
TO ACKNOWLEDGE  
FINANCIAL SUPPORT  
FROM THE FOLLOWING:** European Social Fund • Government Office for London • London Councils (Association of London  
Government) (London Boroughs Grants Committee) • City Bridge Trust (Bridge House Estates Trust Fund)  
City Parochial Foundation • The Big Lottery (National Charities Lotteries Board) (The Community Fund)  
London Development Agency • European Regional Development Fund • The Baring Foundation



**London Voluntary Sector Training Consortium**  
Bromley Hall, 43 Gillender Street, London E14 6RN  
Telephone: 0845 262 2006 / 020 7538 4309  
Email: [inof@lvstc.org.uk](mailto:inof@lvstc.org.uk) Website: [www.lvstc.org.uk](http://www.lvstc.org.uk)

Company No: 2433659 Charity No: 803077

The information and views expressed in this publication do not represent those of the Department for Work & Pensions, the Government Office for London, The London Development Agency or the Mayor's Office. This account has been written by Barbara Deason, independent consultant, and seeks to be an authentic perspective on events as seen through the eyes of the third sector. It does not necessarily reflect the views of the London Voluntary Sector Training Consortium



**EUROPEAN UNION**  
European Social Fund



**European Union**  
European Social Fund  
Investing in jobs and skills



Photography by Mona Ali of Artomedes Photography and LVSTC  
Design and print by Calverts • [www.calverts.coop](http://www.calverts.coop)