The impact of European funding on mainstream Learning and Skills Council provision

Gordon Kirk and Mick Fletcher

research report

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Acknowledgements

The researchers are grateful to many people for their contributions to this project. In particular we wish to thank the following:

- staff from local Learning and Skills Council (LSC) offices, who completed questionnaires, provided data and participated in regional workshops and interviews

- staff from learning providers, who participated in regional workshops and interviews

- the Regional Development Officers from NIACE, who facilitated and reported on the workshops so ably

- staff at the LSC National Office, who provided information and support throughout the project.

1   Executive summary

This report summarises the findings and conclusions from a study designed to identify how European funding supports Learning and Skills Council (LSC) priorities and contributes to LSC targets. The study was carried out between November 2005 and May 2006, and had the three following main components.

- Consultants examined questionnaires representing the views of 37 local LSCs, which described their approach to the use of European funds. They also analysed 561 tender specifications to help them understand the objectives of LSC staff.

- Regional workshops were organised for LSC and provider representatives. One workshop in each region covered strategic issues and the broad aims of European funding; others focused on one or more of four specialist areas agreed with the LSC as being particularly important.

- Finally, an analysis of individual learner record (ILR) data was undertaken to identify the characteristics of learners enrolled on European Social Fund (ESF) programmes and the organisations offering such provision.

All findings in this study relate to ESF programmes. Although there are substantial programmes drawing on other European Union (EU) funds, they were not mentioned by respondents.

The detailed design of the questionnaire and the structure for the analysis of data were agreed with colleagues from the LSC National Office at the outset, so that EU-funded programmes could be aligned with LSC priorities and targets as far as possible. Local LSCs were asked to summarise provision and identify its contribution to Entry to Employment (E2E), Employer Training Pilots (ETPs), *Skills for Life* (SfL), workforce development, and information, advice and guidance (IAG) programmes.

Key findings

Stakeholders reported that the introduction of co-financing had led to a closer alignment between ESF and LSC priorities. Nevertheless, respondents found it easier to describe how ESF funding contributed to general priorities than how it contributed to detailed targets.

In terms of both expenditure and planned outcomes, ESF funding contributed most to workforce development and employer engagement; just over a third of expenditure and outcomes pertained to these closely related areas.

Reducing the proportion of young people not in education, employment or training (the NEET group) was the next most important (17%) in terms of expenditure, although it constituted a smaller proportion of planned outcomes. This is because the costs of interventions to support the NEET group (including programmes often described as 'pre-E2E') were proportionately higher than, for example, adult basic skills, the third most important area in terms of expenditure, and the second in terms of planned outcomes.

There was relatively little evidence of ESF funding being used to support better completion of apprenticeships or increasing participation in higher education.

In terms of perceptions, stakeholders described their interventions with the NEET group as the most important, apparently because they felt there were fewer alternative ways to fund such provision.

When asked about their reasons for using ESF funds, stakeholders frequently reported that 'it wouldn't otherwise be funded'. Sometimes this meant that they used ESF to increase the volume of provision in an area, for example to allow an adult guidance service to see more clients. Sometimes it meant that they used it to fund activities that were difficult to resource through main programmes. Around 25% of funding related in one way or another to 'infrastructure' projects, such as developing partnerships, brokers or champions. Sometimes it referred to activities that were eligible for LSC mainstream funding, but lower priority than those that directly met targets and therefore at risk.

An important feature of ESF funding seems to be that it allows the LSC to provide specific assistance for those with disadvantages or barriers to participation, for example by funding reduced class sizes in rural areas or one-to-one work with small and medium-sized enterprises (SMEs), even though this results in a higher-than-average unit cost to providers. There was frequent mention of the high costs of outreach with the most disadvantaged groups, and for the delivery of adult basic skills.

Analysis by priority area revealed that, for workforce development, the largest proportion of expenditure was related to the delivery of qualifications. Around a quarter of costs, however, related to activities best described as 'infrastructure'.

For *Skills for Life* (SfL), the delivery of qualifications accounted for around two thirds of expenditure, and roughly a quarter was for development of infrastructure, particularly in relation to the voluntary sector.

Around a third of the expenditure for the NEET group related in some way to building partnerships, a quarter related to projects described as 'pre-E2E', and a fifth to work with 14–16 year olds.

Much of the activity in support of E2E seems to be a consequence of a perception that E2E cannot accommodate learners beyond the 22-week planning assumption. In reality, E2E permits a longer length of stay where this has been identified as necessary by an individual assessment. Nevertheless, there were striking examples of good multi-agency working to support young people who were not ready or able to access E2E programmes.

Conclusions

ESF programmes make a significant contribution to qualification outcomes, many of which relate directly to LSC targets. The clearest links are with *Skills for Life* targets and adult workforce development. It is also possible to make a strong case for an indirect contribution to targets through improving capacity and helping to improve learner readiness. Any reduction in ESF, therefore, would have serious implications for the capacity of the Learning and Skills Council to meet its targets.

While almost all ESF activity supports LSC priorities, it is often harder to link specific programmes directly to LSC targets. This is partly because ESF priorities are not identical to those of the LSC, often being framed more broadly. There is also a particularly strong concern with widening participation on the part of both providers and local staff working with ESF, whereas the Learning and Skills Council increasingly emphasises the importance of giving people the skills needed for progression.

Stakeholders frequently refer to ESF as being 'more flexible' than mainstream provision. While this sometimes means the ability to pay more than standard rates to meet individual learner needs, and sometimes refers to the ability to fund activity that is not eligible for LSC funding (eg ETP in a non-pilot area), it most frequently seems to mean that local staff can set their own priorities and direct providers to address specific local concerns, filling identified gaps and creating alternative solutions to access learning and skills development.

A significant part of ESF funding appears to have been used to develop collaborative arrangements and fund partnerships, and a substantial proportion of ESF-funded provision is delivered by providers dedicated to ESF delivery. The LSC will need to consider the impact of any changes in ESF funding, not only in terms of targets but in terms of the provider delivery structure.

The researchers found that those working with ESF locally often saw ESF and mainstream funding streams as very distinct. The sustainability of ESF approaches, for example, was often described in terms of accessing funding to allow a project to carry on in the same way, rather than adopting lessons that had been learned within mainstream practice.

In the particular context of E2E, there did appear to be some important messages for mainstream provision around accessing the most challenging clients. The work suggests, for example, that there is a group of clients who are not ready for E2E, but who can be assisted through carefully tailored individual programmes.

Implications

It appears from the research that ESF-supported activity and mainstream activity often operate quite separately. While this is in part inevitable, because ESF has the ability to use alternative approaches to fill identified gaps, the LSC needs regularly to consider what might be done to ensure transfer of good practice wherever this is practicable.

There is a difference of emphasis between the increasingly specific targets which drive mainstream LSC provision and the more broadly drawn priorities which shape the ESF. Activity that meets ESF priorities does not necessarily link to LSC targets. There is therefore a continuing need for LSC staff at all levels to work to integrate the two, including focusing tendering on activity that best contributes to LSC priorities and targets.

Some ESF-supported activity provides greater levels of individual support than can be supported by mainstream funding arrangements, and is therefore expensive. The LSC should consider the implications were ESF to be withdrawn or reduced. Specifically, it should consider what to do about activities that it is not practicable to mainstream.

Co-financing has enabled the LSC to engage with providers it has not engaged with in the past. They are perceived as essential in meeting the needs of some groups of learners. Consideration is needed as to whether enough is being done to enable these providers to access mainstream funding.

Much ESF activity, from planning and tendering for provision to awarding contracts and monitoring it, involves LSC staff taking an active and detailed role in determining the shape of ESF-funded provision – a role that they clearly feel to be important. The LSC needs to consider carefully where ESF fits within the LSC role of strategic commissioning within its new structure.

2   Introduction and methods

This report sets out the findings and implications of a study that explores the links between European-funded provision and LSC mainstream programmes. Its purpose was to inform LSC National Office staff and other stakeholders about how European funding is currently used, and why it is used in this way, to assist their forward planning. The work formed part of the core programme of research agreed between the LSC and the Learning and Skills Development Agency (LSDA) for the funding year 2005/06

There are two important elements of context for the research. The first is that LSC funding is increasingly focused on targets, particularly those concerned with *Skills for Life* provision and providing unqualified adults with a first full Level 2 qualification. There is a need to see how far European funding supports progress towards these targets, and whether more could be done to align it with them. The second is that European funding is being reorganised following the enlargement of the European Union (EU). Although details were not known at the time of the research, the LSC will need to consider the possible implications of a significant reduction in funding from this source.

Three main methods were adopted by the researchers:

- a questionnaire to local LSCs and analysis of their ESF tender specifications
- a series of regional strategic and specialist workshops
- analysis of individual learner record (ILR) data.

Overall, only four local LSCs did not contribute data, and two of those were active participants in workshops.

The questionnaire was devised with the assistance of LSC staff, and sent to all 47 local LSC offices by the LSC National Office, with a request to return it to LSDA. 27 local LSCs returned questionnaires. Two of these provided regional responses, so that the total number of local offices covered was 37, ie a 79% response.

The local LSCs were asked to provide information relating to their current ESF co-financing plans, which typically cover about three years. The information provided involved around £588 million of co-financed ESF expenditure and some 572,000 outcomes. Since not all local LSCs returned information, it is not possible to know the total expenditure and outcomes planned nationally, but it would be reasonable to assume that the data received represented between half and three quarters of the national total.

The questionnaire asked local LSCs to analyse ESF expenditure by LSC priority area, and by LSC programmes – E2E, Employer Training Pilot (ETP), information, advice and guidance (IAG), and *Skills for Life* (SfL). It also asked respondents to indicate how and where ESF was most important. The headings used in this report reflect these categories.

Local offices were also asked to provide details of their tender specifications for European-funded work. The researchers analysed 561 tender specifications returned by 14 local and two regional offices, together covering 26 local offices. These tender specifications involved co-financed ESF expenditure of around £284 million, and envisaged around 132,000 qualifications. The tender specifications were analysed in terms of nine LSC priorities agreed with the ESF team at National Office.

In addition, eight strategic workshops were held in nine regions (London and the South East were combined), and attended by almost every local LSC in those regions. 13 specialist workshops, held in nine regions, were attended by most local LSCs and selected providers. The strategic workshops considered the overall use and impact of ESF, and included LSC staff with strategic responsibilities as well as LSC ESF managers. The specialist workshops each considered one of the four programme areas listed above (E2E, ETP, IAG and SfL), and

included LSC staff with responsibility for those programme areas and relevant providers as well as ESF managers.

Finally, the evidence from the survey, tenders and the workshops was supplemented by an analysis of ILR data for the academic year 2004/05, provided by LSC National Office. This enabled researchers to describe characteristics of participants and providers involved in European-funded programmes.

Almost all the data described and analysed concerned co-financed ESF Objective 3 activity, the ESF programme that applies in most parts of England. No data were returned on non-ESF EU-funded activity, and at only one workshop were participants able to discuss non-ESF activity briefly. A few local LSC respondents have indicated that the LSC has no role in relation to these funds. The rest of this report therefore refers solely to ESF provision.

Care is needed when interpreting figures in this report. The final response rate for the survey was 79%, although not all questionnaires were completed to the same degree of detail. The response rate for tender specifications was also good (57%), but the data do not present a complete national picture, and must be seen as a sample, albeit a large one.

The various sets of data are not necessarily consistent with one another, because some items have been recorded differently. For example, some refer to outcomes while others refer just to qualifications, and not all LSCs provided all the information. It would be inappropriate, therefore, to form any conclusions about cost per outcome or cost per qualification, for example. However, most of the conclusions here deal with *proportions and percentages*, and are about the *relative* importance of various aspects of ESF funding, and we are confident that these are robust.

It is clear from the workshops, and to an extent from the tender specifications, that ESF is used quite differently by different local LSCs. For example, some local LSCs are using ESF to increase the number of first Level 2 qualifications, while others use it to target people who already have a Level 2 but wish to retrain in a different industry, and therefore need a second Level 2 qualification. In some areas, ESF is used to enhance existing E2E programmes for young people, but in others it funds separate provision for young people who are not ready to benefit from existing E2E programmes.

Local flexibility to determine how the funding is applied is a central feature of ESF, and highly valued by local LSC staff and many providers. However, this means it is not possible to draw conclusions about local usage from the aggregated data. Variations are local rather than regional, and the variations in local usage are not small. So even if the report states that ESF support is most important in priority areas A and B, in some local LSC areas it may be absolutely vital for priority area C.

ESF priorities and LSC priorities do not align perfectly. Workshop discussions suggest strongly that co-financing has resulted in a shift in emphasis from ESF priorities towards LSC priorities in most local LSC areas, although of course projects still have to fit ESF measures and objectives, and must be described in those terms. Most respondents and participants were able to describe ESF activity in terms of LSC priorities.

Many found it much more difficult to align ESF-funded programmes with LSC mainstream activities or programmes. ESF projects are described as supporting the NEET group or workforce development, for example, but often do not fit specifically into existing funding arrangements. It appears that many people managing ESF funds in local LSCs see themselves as supporting LSC priorities, but not necessarily LSC mainstream *programmes*.

ESF outcomes and LSC targets align less directly, and some ESF projects might have perfectly legitimate ESF outcomes that do not contribute directly to the LSC's targets. Such projects are often described as making an important *indirect* contribution, and much of this research has aimed to determine the extent to which this description is valid.

In some areas, ESF is described as being used to 'plug the (perceived) gaps' in mainstream arrangements. This varies somewhat between priorities, but may mean, for example, supporting provision in particular geographic areas, for particular groups, offered by particular providers, or offering progression routes to existing mainstream programmes.

In this context, this report largely describes the practical arrangements that exist on the ground and that necessarily reflect the perception of the people making them. It is not a theoretical report about what mainstream programmes *could* fund, or what mainstream funding rules *can* provide. Hence, mention of 'gaps in mainstream provision' is likely to reflect a perception that certain provision is not currently available in a suitable locality; it does not imply a fundamental weakness in LSC mainstream funding arrangements or programmes.

3   Findings

How ESF funds are used

To help them understand how ESF funds are used, the researchers examined data provided by local LSCs in the questionnaire and the ESF tender specifications submitted. The questionnaires provided data in a standardised format, and a systematic approach was taken to analysing the tender specifications.

Tender specifications are written in terms of ESF measures and priority groups. The researchers used data from the tenders to develop the following categorisation: higher education, excluded groups miscellaneous, unemployed miscellaneous, ETP, *Skills for Life*, NEETs, workforce development, IAG and E2E. Using these categories, it was possible to classify tenders with some confidence. Some of these categories reflect LSC priorities directly. Others do not map across (see Table 1).

Table 1. LSC priorities and ESF tenders

LSC priority	Tender classification
Reducing the proportion of young people in the NEET category	NEETs
Increasing the proportion of 19 year olds achieving at least Level 2	
Increasing the proportion of young people and adults achieving a Level 3 qualification	
Increasing the numbers completing apprenticeships	
Improving the basic skills levels of adults	*Skills for Life*
Reducing the numbers of adults in the workforce without Level 2 qualifications	ETP
Increasing employer engagement/meeting employers' needs	Workforce development
Raising standards	
Increasing participation in higher education	HE

In analysing the tender specifications, it was possible to consider *qualifications* rather than all ESF outcomes. Because of the way the analysis was carried out, we can be confident that most of these contribute to LSC targets.

In interpreting the data, it is important to bear in mind the difficulty of reconciling the way ESF provision is described with the way LSC provision and priorities are described. The following section provides an overview of how the two relate.

- Figure 1 summarises ESF expenditure by LSC priority area
- Figure 2 summarises ESF expenditure by ESF category
- Figure 3 summarises ESF outcomes by LSC priority area
- Figure 4 summarises ESF outcomes by ESF category
- Table 2 details qualification and other outcomes by ESF category
- Figure 5 summarises ESF expenditure by key LSC programmes
- Figure 6 relates expenditure by ESF category to type of activity.

Expenditure

Figure 1 shows ESF expenditure (actual and planned) for four calendar years according to the questionnaires returned, covering 37 local LSC areas. The expenditure is categorised by LSC priority areas. Note that respondents included very little expenditure for 2008. (See Table A1 in the Annex.)

The graph shows that there is no single dominant priority area, although 'workforce Level 2' and the 'employer' areas together account for 37% of the total expenditure. Taken as a single area of activity, this is the single biggest area of expenditure by a significant margin. Spending on NEETs and on adult basic skills are about equal second in the ranking, with 17% each of the total expenditure. NEETs is clearly a very important spending priority, given the relatively small size of that target group overall. Very little expenditure was categorised under the HE or apprenticeship headings.

Figure 1. ESF expenditure by LSC priority (source: questionnaire)
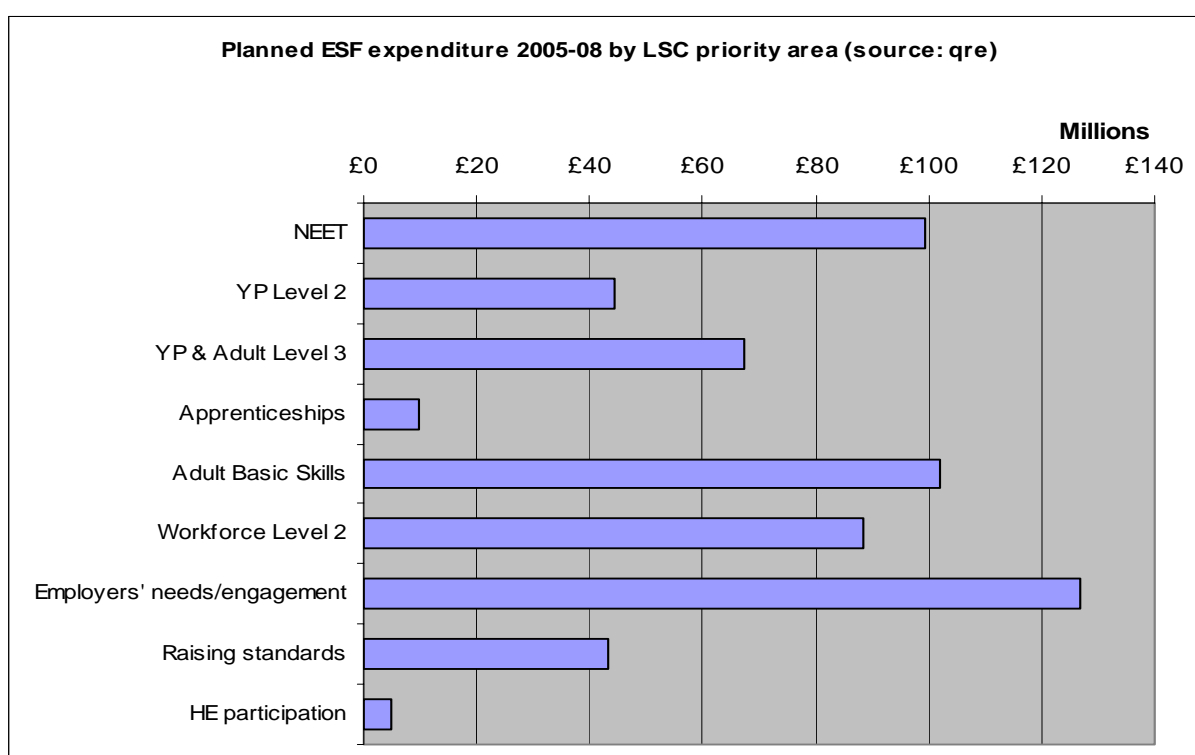
Estimated total annual expenditure, as shown in the tender documents, is shown in Figure 2. Clearly, workforce development is again the largest single category, with 31% of the total. Projects for young people in the NEET group are again very significant. Much of the provision categorised as 'excluded groups miscellaneous' seems to be designed as first-steps provision and leads towards SfL qualifications; if this is taken into account, then the SfL/basic skills area is again significant. Relatively little ESF-funded provision can be categorised as falling into the mainstream programmes, such as E2E or ETP.

Figure 2. ESF expenditure by ESF category

Annual ESF expenditure, by category of tender (Source: tender specs)

Category	Expenditure (£ Millions)
E2E	~5
IAG	~3
Workforce dev	~41
NEET	~29
Skills for life	~16
ETP	~9
Unemployed misc	~7
Excluded groups misc	~19
Higher education	~3
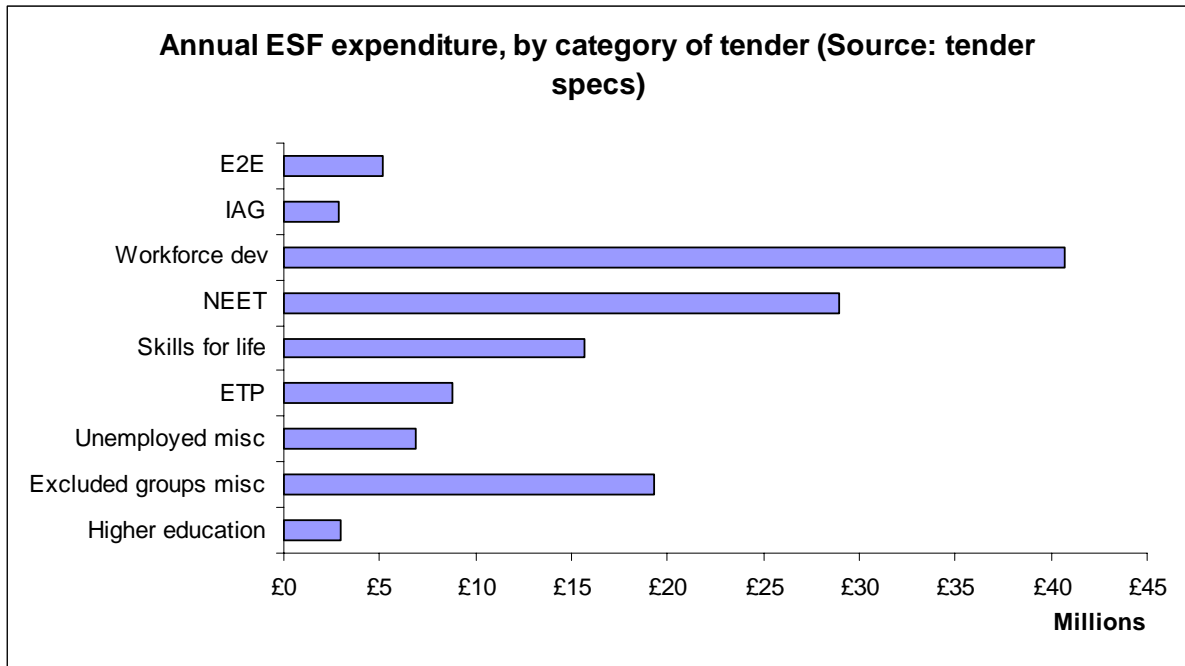
Outcomes

If the planned outcomes are analysed in terms of LSC priority the position is rather similar (Figure 3).

Figure 3. Planned ESF outcomes by LSC priority (source: questionnaire)

Planned ESF outcomes 2005-08 by LSC priority area (source: qre)

Priority area	Outcomes
NEET	~90,000
YP Level 2	~33,000
YP & Adult Level 3	~51,000
Apprenticeships	~13,000
Adult Basic Skills	~142,000
Workforce Level 2	~86,000
Employers' needs/engagement	~122,000
Raising standards	~55,000
HE participation	~7,000
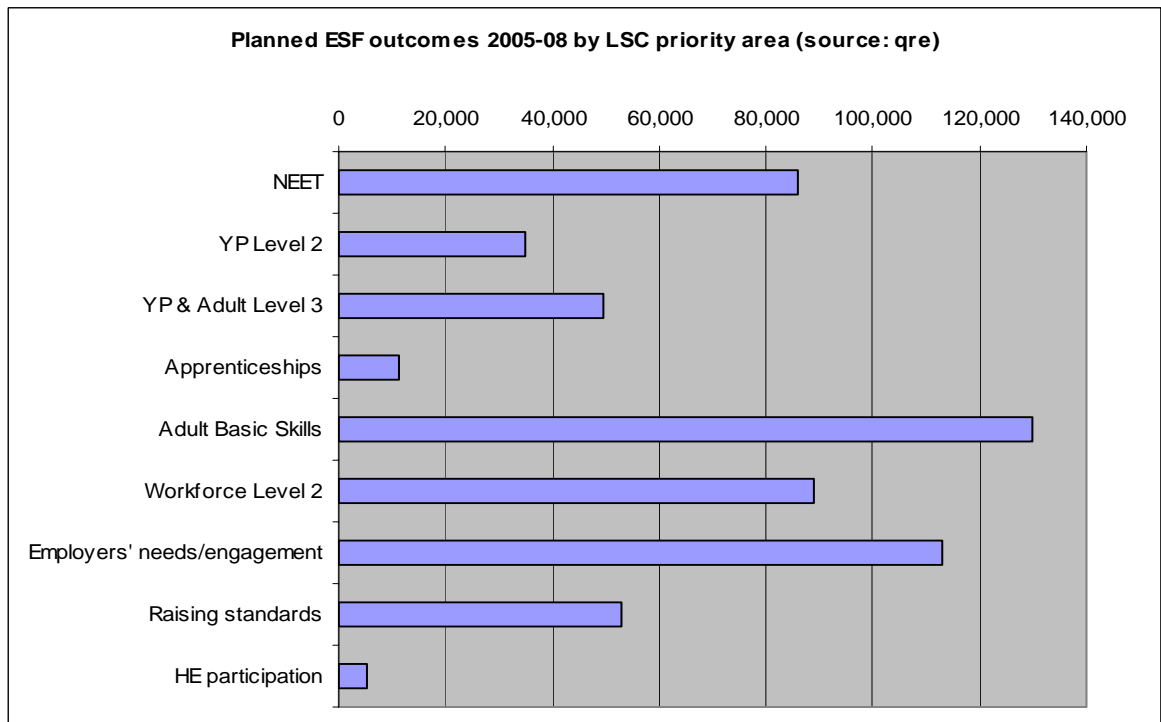
Once again, the two 'workforce' priorities taken together comprise the most important area, with 36% of the outcomes. The basic skills priority area is a bigger proportion of the total than in the expenditure chart (23% of the total number of outcomes, as opposed to 17% of the overall expenditure). This reflects the fact that, generally speaking, outcomes in this area are cheaper than in most other areas and cheaper than the overall average. Similarly, NEET outcomes are relatively more expensive, so make up a somewhat smaller proportion of the total. 'Outcomes' here refers to ESF-eligible outcomes and is therefore broader than just qualifications. Depending on the ESF measure, it may also include progression to employment and training, guidance sessions or specific project targets, such as the number of employers supported. More details are given about qualifications in the subsequent sections.

From the tender specifications, we are able to look at information about qualifications, rather than the broader 'outcomes' (Figure 4). Clearly, the dominant areas are once again workforce development and *Skills for Life*.

Figure 4. ESF outcomes by ESF category
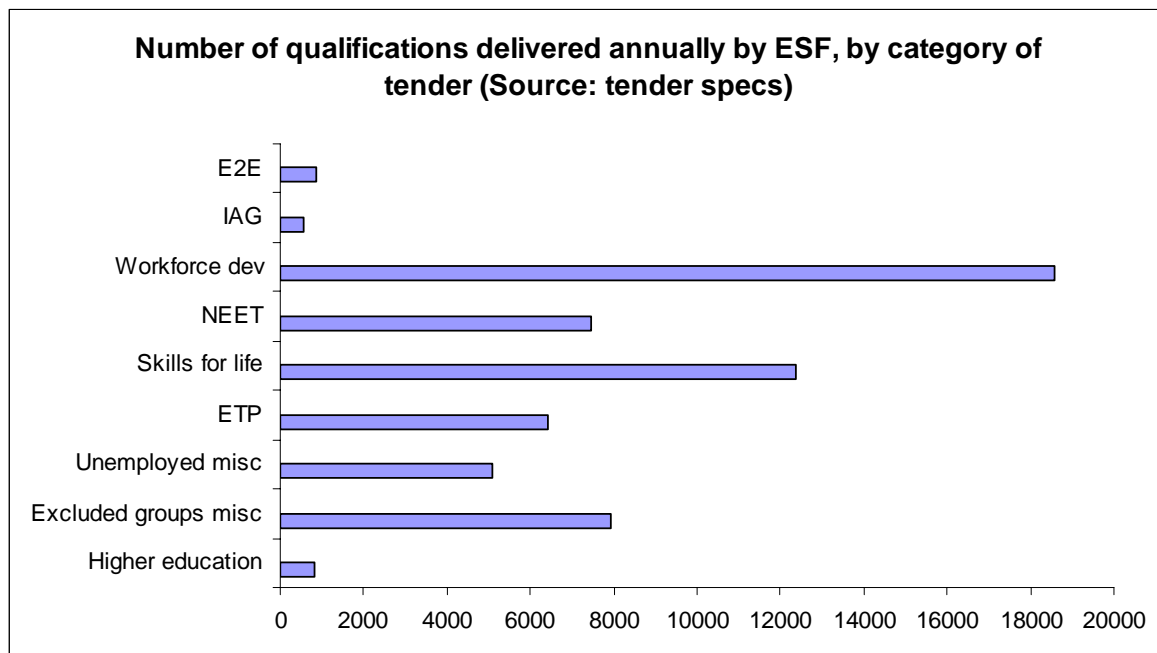
Taking all these sources of evidence together, in terms of expenditure and outcomes or qualifications, the research shows that ESF's greatest impact is in the closely linked LSC priority areas of reducing the numbers in the workforce without Level 2 qualifications and increasing employer engagement/meeting employers' needs.

The next most significant impact (again in terms of expenditure and outcomes or qualifications) is in the priority areas of adult basic skills and reducing the number of young people in the NEET group.

ESF also contributes to activities designed to support all the other priority areas; but nationally the level of involvement in activities to increase the numbers completing apprenticeships or to increase participation in higher education is not high.

Table 2 shows the outcomes anticipated in 411 tender documents, categorised according to the main aim of the ESF project. Outcomes are not mutually exclusive – some beneficiaries will be expected both to achieve a qualification and to progress.

Table 2. Qualification and other outcomes by ESF category

|	E2E	HE	IAG	NEETs	SfL	Unem-ployed	Workforce devel	Excluded groups	Totals
Qualifications									
Number of tenders	13	7	15	60	87	12	149	68	411
Skills for Life	285	0	370	770	13,976	4,648	2,398	2,112	24,560
Level 1	711	32	20	3,906	1,337	3,320	1,687	2,517	13,440
Level 2	64	32	0	2,472	3,455	2.322	29,788	3,090	41,224
Level 3	0	10	100	15	1,732	606	13,255	1,946	17,664
Level 4/5	78	1,939	0	5	751	0	1,098	747	4,618
Trainers trained	56	4	105	116	993	10	1,085	1,532	3,901
Other accredited qualifications	470	0	400	4,377	690	1,740	3,345	5,351	16,372
Part qualifications	0	0	180	6,123	1,275	50	2,315	238	10,181
Total qualifications	1,664	2,017	1,175	17,784	24,209	12,606	54,972	17,534	131,960
Other outcomes									
Progression to learning or training	1,321	65	10,570	14,282	13,954	356	4,744	13,001	58,293
Other progression (eg employment)	1,239	130	823	5,828	5,345	712	6,314	4,893	32,874
ESF expenditure (£k)	7,023	7,346	3,080	49,936	29,370	14,429	89,136	32,874	233,194

In summary, expenditure of just over £233 million was intended to produce almost 132,000 qualifications plus over 80,000 other outcomes. This is certainly an underestimate. Not all tenders included all types of outcomes: 365 mentioned qualifications, 197 mentioned progression to learning or training, 142 mentioned other types of progression (usually employment), and 150 tenders were excluded because they did not include relevant outcomes. Hence the total progression figures here may be significantly understated. Most qualifications were anticipated to result from programmes we have categorised as workforce development, though *Skills for Life* and work with excluded groups, taken together, produce a larger total.

ESF expenditure categorised by LSC programme

The questionnaire asked respondents to indicate the nature of the mainstream activity being supported in each priority area in their current financing plan. The categories were IAG, SfL, E2E, ETP or NETP and 'other' – chosen because they are the LSC's 'mainstream' delivery programmes (although much mainstream provision does not fall into any particular programme). Many respondents observed that it was very difficult to categorise ESF provision in this way, and this section was not always completed. For this reason, no absolute figures for expenditure or outcomes are given in this category, as they could be misleading.

The overall results are as indicated in Figure 5.

Figure 5. ESF expenditure by LSC programme
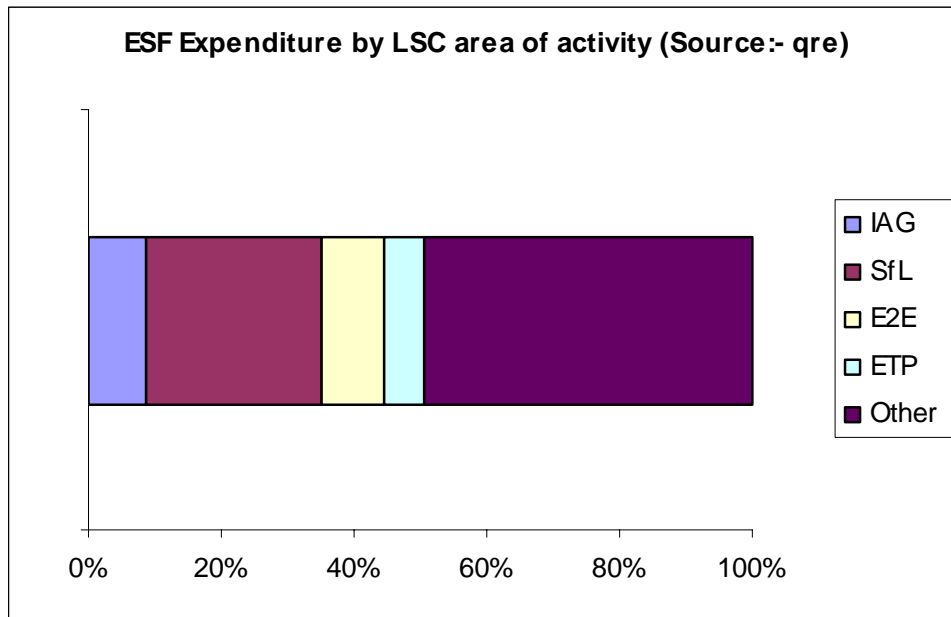
Much mainstream LSC-funded activity does not fall into these very specific programmes, however. For example, there is activity described as workforce development supported by ESF, but it is not ETP. Similarly, much of the support for young people is outside the E2E programme. The biggest category is 'other', so it is difficult to draw conclusions here.

ESF expenditure categorised by ESF category and type of activity

The questionnaire also invited respondents to categorise their ESF expenditure according to the following headings (recognised ESF categories), which describe how ESF is supporting mainstream arrangements:

- stand-alone ESF provision
- adding volume to mainstream provision
- enhancing mainstream provision
- providing pre-access support to enable mainstream provision to be more effective
- providing post-access support or direct progression activity
- other.

Figure 6 gives the overall results, and those for the most significant LSC priority areas.

Figure 6. ESF type of additionality (source: questionnaire)
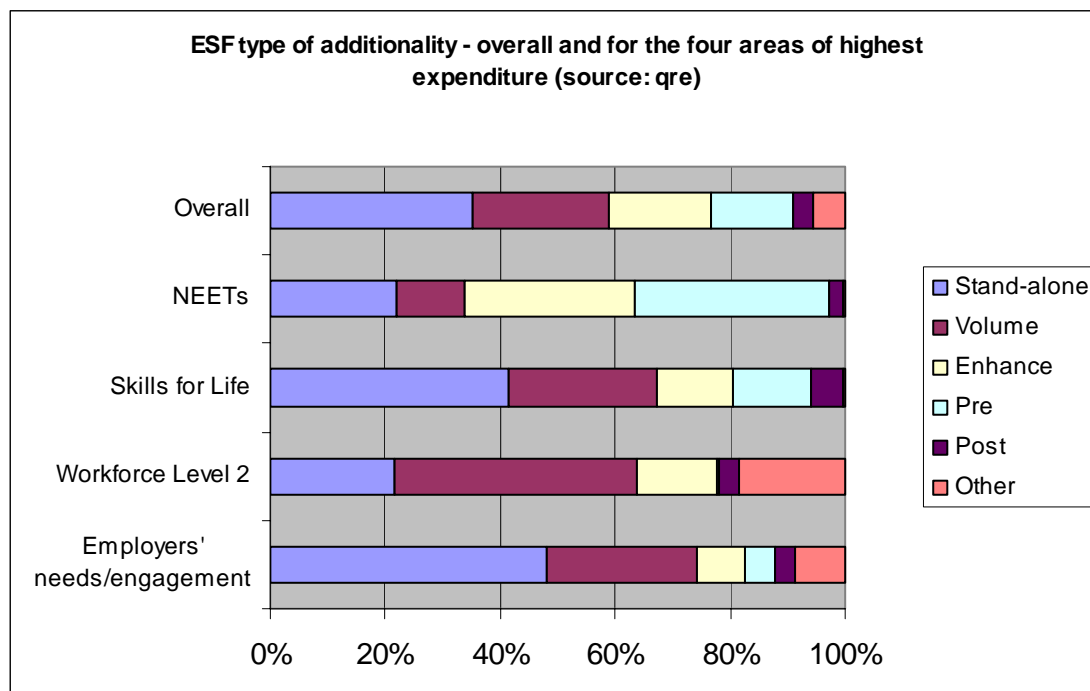
There are clear differences here, and these are explored in later sections.

The projects for young people not engaged in education, employment or training stand out as far more likely to be regarded as enhancing mainstream provision or providing pre-access support than projects supporting the other priorities. This reflects activity that is generally described as 'individual support' or 'pre-E2E', respectively, for this priority group.

How stakeholders see the use of ESF

The questionnaire and the regional workshops have addressed the questions of precisely what ESF is funding, why it is perceived to be important or necessary, and how it links with or affects mainstream activity. Here we present the main findings in this area and discuss the main issues arising when exploring these central questions. Two opinions stand out about ESF. One is that 'ESF is more flexible', and the other is that 'ESF reaches learners that mainstream does not', and in many ways much of this report is about trying to understand all the different things covered by those two statements.

One section of the questionnaire asked respondents (invariably ESF managers in local LSCs) to assess the impact of ESF funding in each of the LSC's nine priority areas, using the following agreed headings:

- ESF supports provision that would not be funded otherwise.

- ESF enables provision to run that would otherwise be unviable.

- ESF supports elements of provision not otherwise funded that enable mainstream provision to be more successful.

- ESF provides support to individual learners that mainstream cannot.

These headings were also used in the regional workshops to stimulate discussion, and we use them in this section.

Table 3 presents the questionnaire findings in relation to the question: *How would you categorise the main impact of ESF funding in each area of activity, both to date and planned? Use a scale of 1–5, where 1 = not at all important and 5 = extremely important.*
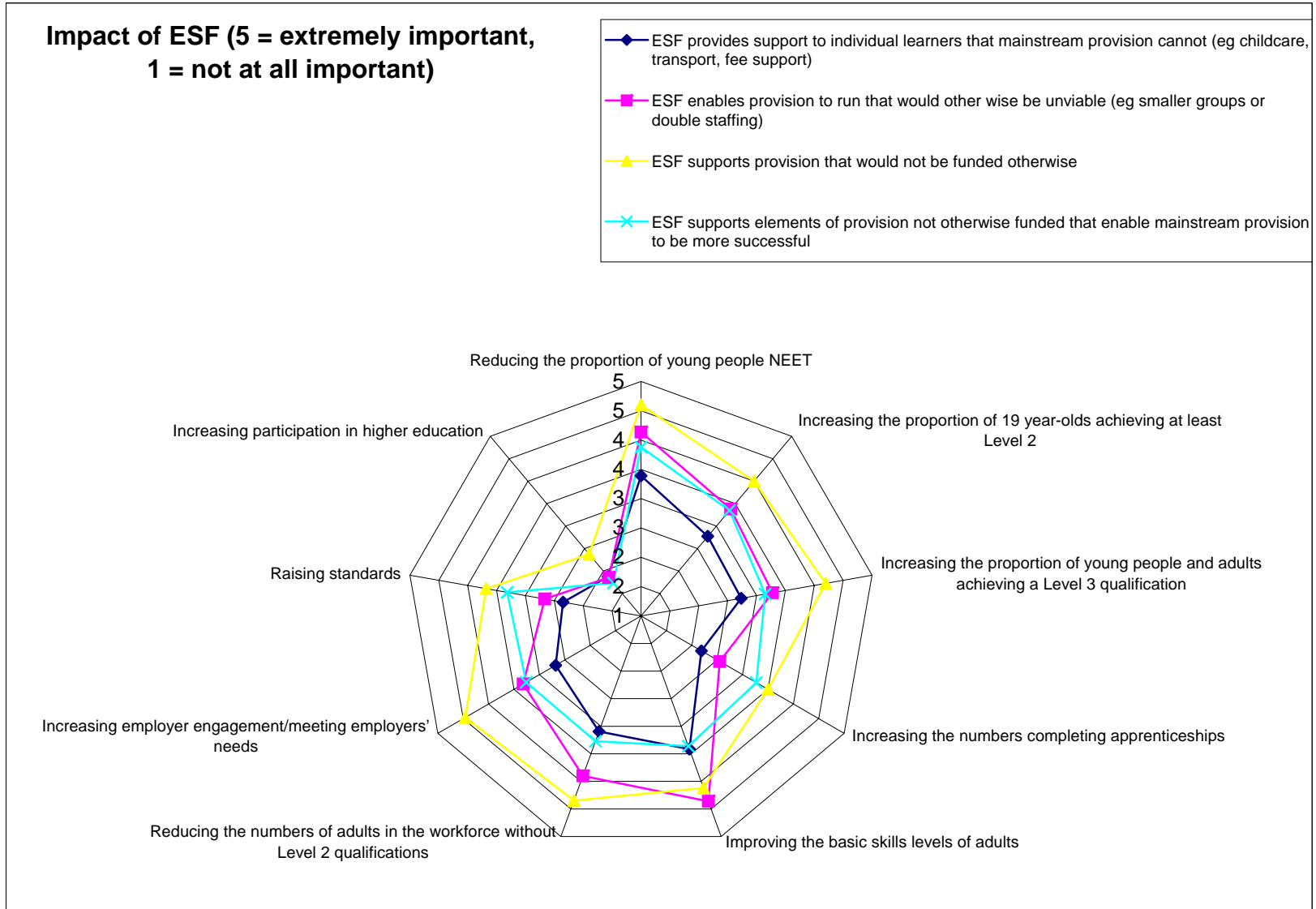
Table 3. Perceptions of the role of ESF provision by ESF category

How would you categorise the main impact of ESF funding in each area of activity (1 = not all important, 5 = extremely important	ESF provides support to individual learners that mainstream provision cannot (eg childcare, transport, fee support)	ESF enables provision to run that would otherwise be unviable (eg smaller groups or double staffing)	ESF supports provision that would not be funded otherwise	ESF supports elements of provision not otherwise supported that enable mainstream provision to be more successful	Overall
Reducing the proportion of young people NEET	3.39	4.14	4.60	3.88	4.01
Increasing the proportion of 19 year olds achieving at least Level 2	2.77	3.38	4.00	3.35	3.38
Increasing the proportion of young people and adults achieving a Level 3 qualification	2.74	3.28	4.20	3.15	3.35
Increasing the numbers completing apprenticeships	2.19	2.55	3.50	3.27	2.89
Improving the basic skills levels of adults	3.42	4.36	4.12	3.36	3.80
Reducing the numbers of adults in the workforce without Level 2 qualifications	3.10	3.90	4.35	3.27	3.66
Increasing employer engagement/meeting employers' needs	2.68	3.32	4.46	3.26	3.45
Raising standards	2.35	2.67	3.68	3.32	3.04
Increasing participation in higher education	1.88	1.86	2.38	1.73	1.97
Overall	2.77	3.35	3.99	3.24	

Stakeholders saw ESF provision as critical in supporting provision for *Skills for Life* learners and young people in the NEET group that would otherwise not be viable. It was also seen as key in funding activity related to employer engagement that stakeholders thought would not otherwise be funded.

This is represented graphically in Figure 7.

Figure 7. Impact of ESF

Impact of ESF (5 = extremely important, 1 = not at all important)

- ESF provides support to individual learners that mainstream provision cannot (eg childcare, transport, fee support)
- ESF enables provision to run that would other wise be unviable (eg smaller groups or double staffing)
- ESF supports provision that would not be funded otherwise
- ESF supports elements of provision not otherwise funded that enable mainstream provision to be more successful

Reducing the proportion of young people NEET

Increasing the proportion of 19 year-olds achieving at least Level 2

Increasing participation in higher education

Raising standards

Increasing the proportion of young people and adults achieving a Level 3 qualification

Increasing employer engagement/meeting employers' needs

Increasing the numbers completing apprenticeships

Reducing the numbers of adults in the workforce without Level 2 qualifications

Improving the basic skills levels of adults

Where is ESF regarded as having the most impact?

The three LSC priority target areas where the impact of ESF is seen as most important are (in order of perceived importance):

- reducing the proportion of young people not in education, employment or training

- improving the basic skills levels of adults

- reducing the numbers of adults in the workforce without Level 2 qualifications.

Participants at most of the workshops were strongly of the view that the most important impact was in provision for disaffected young people. At the planning stage every region wanted to discuss this group. ESF support was often seen as crucial for them, and there is a strong view that the number of young people not in education, employment or training would be considerably higher without ESF.

As demonstrated above in Table 3, however, four other priority areas are also seen as significant: increasing the proportion of those with a Level 2, and those with a Level 3, employer engagement and raising standards. The exceptions were increasing participation in HE, and to a lesser extent increasing the numbers completing apprenticeships.

'ESF supports provision that would not be funded otherwise'
Table 3 shows that, overall, the most important aspect of ESF is perceived to be that it funds provision that *would not be funded otherwise.* This was borne out very strongly in the workshops, with many participants stating that the provision they support or deliver simply would not occur without ESF. There are several aspects to this as described below.

- ESF does sometimes fund additional volume (this is easiest to describe, but is not usually what people mean when they say that their provision would not be funded).

- ESF can be used to fund specific types of activity that are not part of the learner's direct experience. These tend to be organisational costs of many different sorts, for example, developing or running a partnership or consortium, brokerage, or staff development/tutor training and other capacity-building activities.

- ESF can fund aspects of provision that have not been identified as priorities for funding by the Secretary of State. Examples quoted to researchers included part qualifications, pre-E2E programmes, various types of community-based provision, and other provision with soft outcomes and guidance.

- ESF can be used to target activity quite specifically in a way that mainstream funding generally does not. This was a strong theme in some workshops – ESF gives local LSCs more control and more discretion. Examples included geographically-targeted provision, provision at a single school, provision for black and minority ethnic (BME) groups, for offenders and for many other specific 'hard-to-reach' client groups. ('Hard-to-reach' is a characteristic that unifies many of these initiatives.)

- ESF is used to fund providers who work with particular client groups or in particular settings. This is frequently cited as a very important aspect of ESF funding.

In both the questionnaire and in the workshops, the following question was asked: 'Could this provision be funded from mainstream?' Often the response was along the following lines:

> *Technically the provision **could** be funded from mainstream, but it is not. If you ask us '**Would** it be funded from mainstream?' the answer is a definite 'No'.*

'ESF enables provision to run that would otherwise be unviable'
ESF is also seen as having significant impact in enabling provision to run *that would otherwise be unviable.* This is especially true in the *Skills for Life* area, where it was seen as the most important factor in provision for young people not in education, employment or training; and in provision for Level 2 qualifications in the workforce. The issues here are more straightforward – ESF can support smaller class sizes, greater levels of one-to-one support, the additional costs incurred in delivering in remote locations, and so forth, incurring higher unit costs than mainstream. This aspect is cited more frequently in rural areas. In one workshop there was agreement that without ESF there would be virtually no adult community-based provision in a particular county.

ESF can operate with different expectations in outcomes per pound than mainstream provision. It can fund provision that might otherwise be considered too expensive, or not providing sufficient value for money.

'ESF supports elements of provision not otherwise funded that enable mainstream provision to be more successful'
For young people not in education, employment or training, especially, ESF is seen as important in supporting *elements of provision not otherwise funded that enable mainstream provision to be more successful*. Often this is another area where a local LSC would say that it can influence provision directly in ways it cannot in the mainstream, by deciding to fund specific activities. Activities that fit into this category generally affect the learner directly. Examples include mentors and other one-to-one activity, the provision of additional hours on a course, or the purchase of materials, equipment or premises.

ESF funding enables funders to be specific about aspects of provision and to put in place arrangements in ways that would not be possible under mainstream funding. There is some evidence from this research that such arrangements are often more effective than those in the mainstream (see Figs 16 & 17), and clearly there is a strong belief that this 'enhanced' provision is beneficial to learners

'ESF provides support to individual learners that mainstream cannot'
ESF is seen as having the least impact in *providing support to learners that mainstream cannot*, such as childcare, transport and fee support – although this aspect is still seen as reasonably important in *Skills for Life* provision. Several respondents noted that where ESF is used in this way, it is not strictly true that mainstream 'cannot', but rather that it 'does not'.

In almost all discussions with local LSC staff involved with ESF, and with many providers, there was an assumption (sometimes implicit, often explicit), that the LSC has an over-riding responsibility to work with the most socially disadvantaged groups, and it is clear that those who hold that view find ESF an invaluable resource. Some providers exist solely to work with such groups. However, although LSC has a general duty to promote equal opportunities for all, it has specific priorities and targets that relate, in the main, to giving people the skills needed for progression. In a sense, this is the most fundamental difference between the ESF and LSC approaches, and where the differences between ESF and LSC targets are most visible.

How ESF tenders relate to LSC priority areas

This section looks in more detail at the use of ESF in the key LSC priority areas. The expenditure figures are taken from the tender specifications, and therefore do not give a representative picture of total expenditure nationally. However, given the number of tenders analysed, the data is robust in terms of the relative importance of the different areas of expenditure.

For each priority area, the tenders have been analysed according to the main type of activity to be funded under that tender. For example, was the activity designed essentially

to produce qualifications, to train tutors, or to set up a support network? In this way, we have built a picture of the ESF-supported activity under each main LSC priority area.

Workforce development

The LSC priorities of *reducing the numbers of adults in the workforce without Level 2 qualifications* and *increasing employer engagement/meeting employers' needs* have been combined for the purposes of this report, because they are closely linked in ESF terms. This is the most significant area in terms of expenditure and outcomes, and is among the top three in terms of perceived importance.

The estimated annual expenditure in this area shown in the available tender specifications breaks down as shown in Figure 8.

Figure 8. ESF expenditure – workforce development
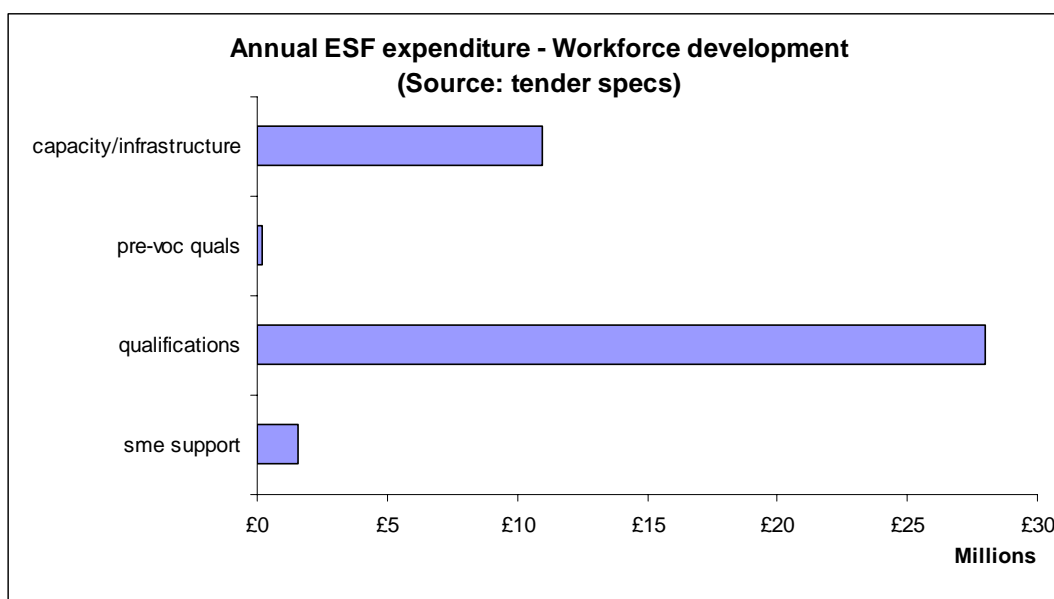
Many of the projects in this area are designed specifically to deliver Level 2 and 3 NVQs in volume, and the expenditure profile reflects that. However, about a quarter of funding is spent on projects that can best be described as 'capacity and infrastructure'. Activities supported include brokerage, support for specific industry sectors, the appointment of advisers or workplace learning champions and assessment.

This category has the highest proportion of 'stand-alone' provision, and it is clear that many projects concentrate on the delivery of qualifications. In some areas, projects set out specifically to mimic the National Employer Training Pilots (in non-pilot areas), and there are large regional projects supporting ETP activity.

Improving the basic skills levels of adults

Adult basic skills is perceived as the second most important of the three key areas, in terms of both expenditure and qualifications. Unlike any other priority area, the greatest impact is seen as 'funding provision that would otherwise be unviable'. ESF funds a wide range of activities, but most significantly allows small groups to operate, often in non-traditional venues. As well as funding considerable amounts of additional provision, which delivers large numbers of qualifications, tender documents also show that a significant proportion of funding supports capacity building and infrastructure, especially in the voluntary and community sector (Figure 9).

Figure 9. ESF expenditure – *Skills for Life*

Annual ESF expenditure - Skills for Life
(Source: tender specs)
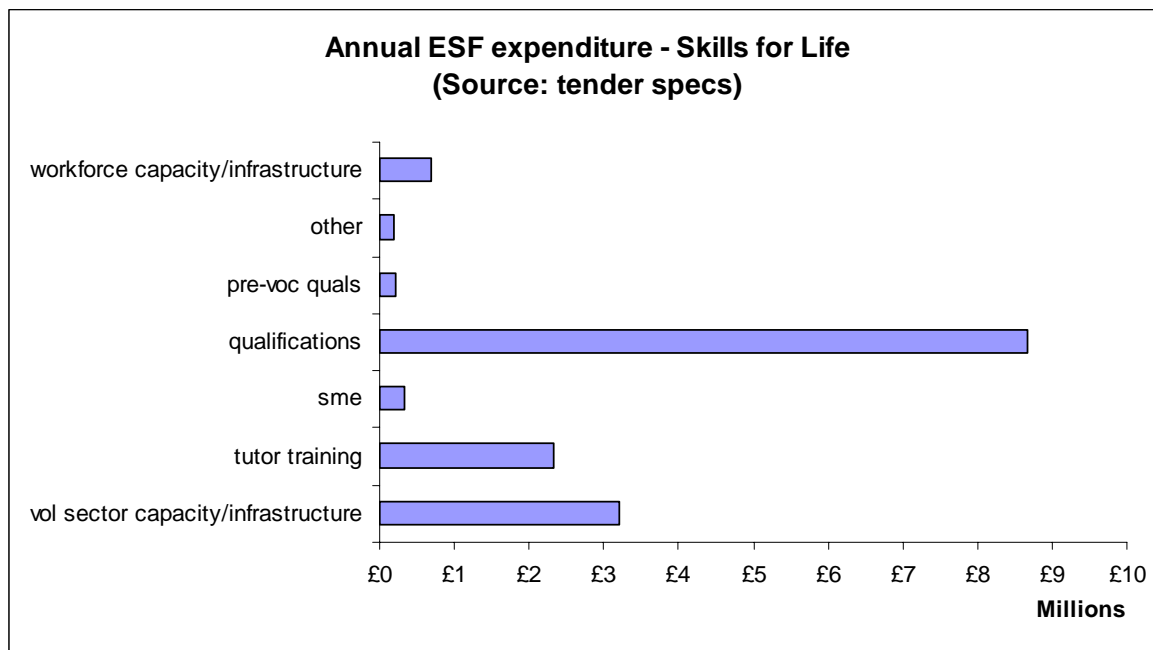
Capacity and infrastructure in this context can include:

- support and training for managers or coordinators in voluntary or community organisations

- support and training for volunteers

- developing and maintaining networks

- developing 'learning champions' or similar individuals within organisations or communities

- direct financial support for premises, equipment and so forth.

Tutor training is a significant item of expenditure, which could also be seen as capacity building. This was often skewed somewhat towards the earlier years of projects.

We estimate that almost two-thirds of the ESF funds in adult basic skills are allocated to projects whose direct aim is delivering SfL qualifications.

The adult basic skills heading also includes one of the 'miscellaneous' groupings: projects designed specifically to target socially-excluded or disadvantaged communities and/or individuals. This was used as a catch-all category for various kinds of project that did not fit elsewhere. These projects typically include a range of type of provision, and most are targeted at BME communities, particular wards or other small geographical areas, or women.

Such projects are included alongside projects specifically designed to deliver *Skills for Life* qualifications, because adult basic skills provision often features in broader projects such as those designed to engage particular communities, to target certain sectors of the workforce, or to support unemployed people.

Because of the way in which outcomes are described in ESF tender specifications, it is not always possible to be precise about the exact nature of the qualifications outcomes from these projects, but there will be *Skills for Life* qualifications as well as vocational qualifications. We estimate that as many as a third of SfL qualifications delivered with ESF

support come via projects whose prime purpose is not described in terms of SfL qualifications.

The expenditure profile in Figure 10 is similar to that for the SfL projects: the largest proportion is spent on projects leading directly to qualifications, but a significant proportion is committed to capacity building and infrastructure development. In addition to the examples cited above, activities might include support for particular community projects.

Figure 10. ESF expenditure – excluded/disadvantaged groups
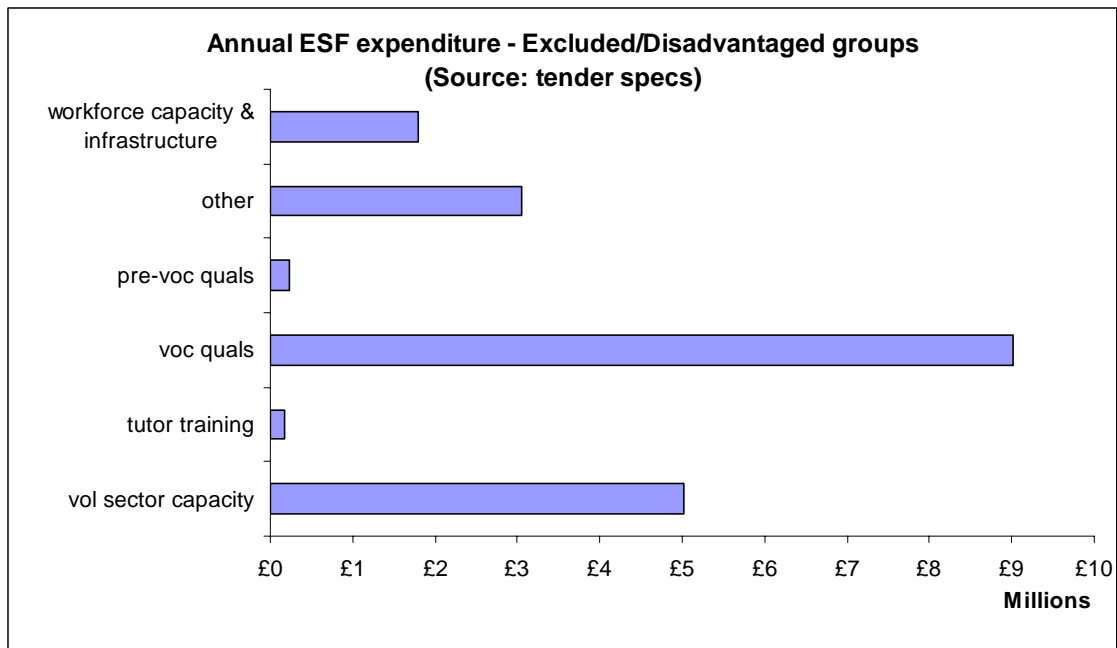
Reducing the proportion of young people not in education, employment or training

This area was ranked highest in perceived importance of the impact of ESF. In the questionnaires, 85% of respondents rated ESF as 'extremely important' in supporting NEET provision that would not otherwise be funded. It is the area that most regions wanted to talk about, and the workshops that looked at the NEET group specifically saw the impact of ESF as most important. Participants typically described ESF support as 'crucial'. Further analysis of ESF-funded E2E provision for the NEET group has been reported to the LSC separately.

Although the total ESF expenditure for this priority area is not the highest, it is among the top three. Considering that this group is much smaller than, say, the potential number of adults in the workforce without Level 2 qualifications, or adults with basic skills needs, the amounts involved are certainly significant.

There is no question that ESF is making a significant contribution to provision for this group of young people. A breakdown of expenditure is provided in Figure 11.

Figure 11. ESF expenditure – NEET group
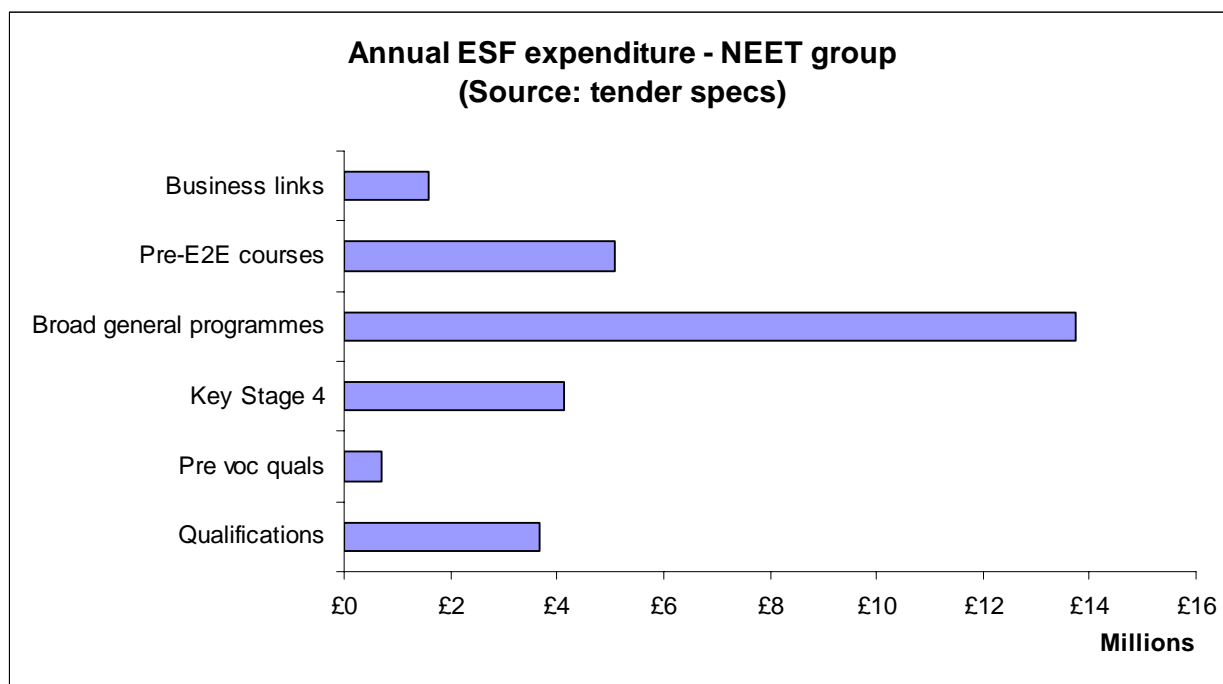
This priority area is supported in a number of very different ways as described below.

- More than a third of the funding is being used on broad partnership/consortium arrangements catering for the needs of the NEET group as a whole. Typically, these partnerships work with young people not in mainstream, and the agencies involved are diverse – Youth Offending Teams, Connexions and the Youth Service, as well as charities, community organisations and arts/sports organisations. Emphasis is often on individual support, involving a wide range of interventions. Much of this activity could be regarded as pre-learning.

- A significant amount (over one sixth) is being spent on provision universally described as 'pre-E2E courses'. These typically have much softer outcomes than E2E itself, involve support tailored for individuals, and are designed to enable learners to progress to 'E2E-ready', so that they can benefit from E2E itself. Where these programmes operate there is a perception that existing E2E programmes would not benefit some learners because they would not achieve in the available time or would not receive the individual support needed to enable them to stay on the programme.

- About 20% of the funding supports 14–16/Key Stage 4 activities, often described as providing a flexible, enhanced or vocational curriculum, and often delivered via links to further education. Significant proportions of the funding are described as supporting infrastructure costs in this area – paying for coordinators in schools, encouraging school–college links and so on – as well as paying for the courses themselves.

Not surprisingly, given the nature of the activities described, this is an area where the number of qualifications delivered is not large (especially whole qualifications).

Other LSC priority areas

- **Increasing the proportion of 19 year olds achieving at least Level 2.** This area does not appear to receive large ESF support. Projects appear to concentrate on learner retention and achievement in mainstream provision. Some support particular providers

(schools or colleges) and may involve help with systems or staff development, while others provide individual or group support for the learners themselves.

- **Increasing the proportion of young people and adults achieving a Level 3 qualification.** Projects for young people in this area do not appear to receive large ESF support (although see above regarding retention and achievement). Most initiatives involving Level 3 for adults are linked to the workplace and dealt with under that heading. Some projects that are classified as targeted at unemployed people or disadvantaged groups deliver Level 3 qualifications, but the emphasis in those projects is on SfL and Level 2.

- **Raising standards.** This is not a highly significant area in national terms. Some local LSCs commented that although none of their projects could be classified under this heading, most of their projects contributed to it. One or two local LSCs included projects here that involve significant amounts of tutor training or awareness raising – generally capacity-building activities. ESF also occasionally supports research projects that could be regarded as contributing in this area.

- **Increasing the numbers completing apprenticeships.** This area appears to receive little ESF support. There are one or two interesting projects targeted specifically at supporting learners who have failed to complete an apprenticeship, but these are the exception.

- **Increasing participation in higher education.** This is not a highly significant area in terms of ESF support, although some projects are aimed specifically at this priority.

What the ILR can tell us about ESF learners and providers

ILR data for 2004/05 have been analysed by LSC National Office and are further summarised here. The datasets for further education, work-based learning and the Short Record have all been used.

Analysis of ILR in relation to ESF is not straightforward, for several reasons: an individual might be an ESF beneficiary for some qualifications but not for others. ESF is seen as a funding source, rather than necessarily being attached to an individual, and great care must be taken to distinguish between individuals identified with ESF for match funding purposes rather than as beneficiaries.

The ILR is not organised in relation to the LSC's priority areas. The approach here has been to interrogate the ILR in detail and to present findings that appear to be generally relevant. In practice, this has involved two main approaches. First, to compare the characteristics of ESF beneficiaries with learners as a whole, the following groups have been used:

- learners whose learning aims received only ESF funding (plus, of course, the LSC co-financed match), but received no direct LSC funding for any part of their programme

- learners who received only LSC funding.

This excludes people who received ESF support for some of their learning aims, but it does provide a 'pure' comparison of the two groups.

Second, when looking at specific mainstream programmes, we have extracted information on ETP, *Skills for Life* and E2E enrolments. The number of people identified as E2E by this means is small (fewer than 1000 records), which raises questions about the completeness of the data. E2E is therefore marked with an asterisk in the charts in this section.

Characteristics of learners

Figures 12, 13 and 14 analyse learners in terms of their gender, ethnic origin and learning difficulties, in each case comparing the proportions in ESF-funded and LSC-funded provision.

Figure 12. Percentage of female learners
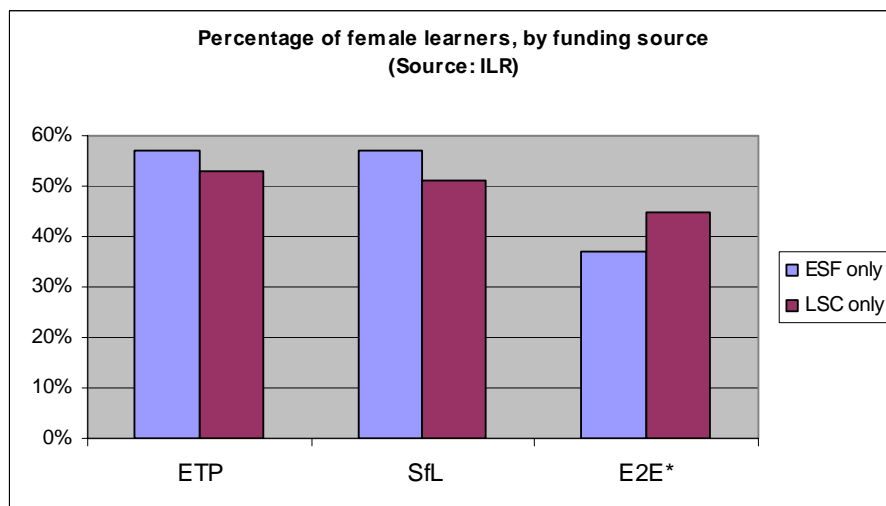
ESF provision for ETP and SfL enrols a slightly higher proportion of females than the equivalent mainstream programmes. This is perhaps to be expected, given that some ESF measures deal specifically with women. The reverse is true of E2E, where ESF-funded provision recruits more males than provision without ESF support.

Figure 13. Percentage of black and minority ethnic learners
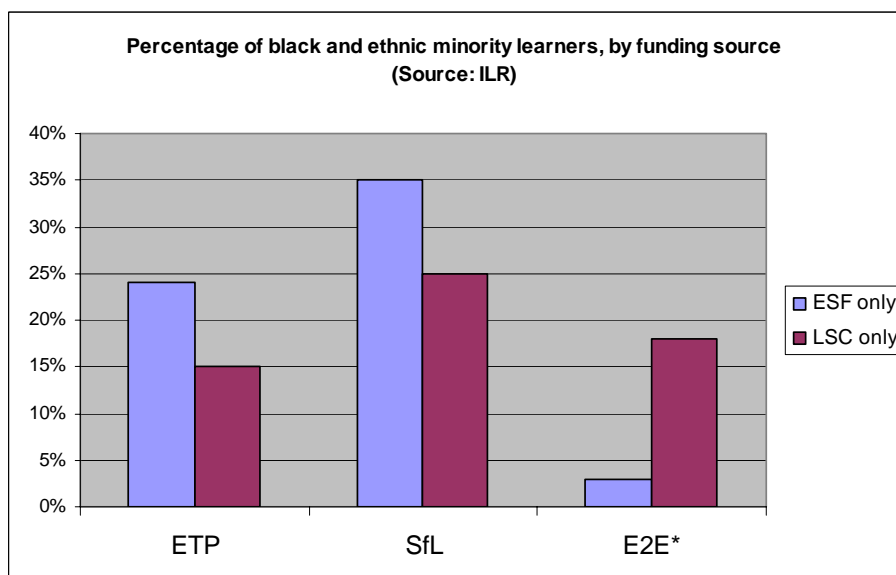
ESF provision for ETP and SfL enrols a significantly higher proportion of learners from black and minority ethnic groups than the equivalent provision without ESF support. The proportion of learners from black and minority ethnic groups in the ESF-funded E2E cohort is very low – much lower than the non-ESF E2E programmes. This may be an anomaly arising from the relatively small sample number of E2E learners identified, but clearly it warrants further investigation.

Figure 14. Percentage of learners with learning difficulties

Percentage of learners who consider themselves to have a learning difficulty, by funding source (Source: ILR)
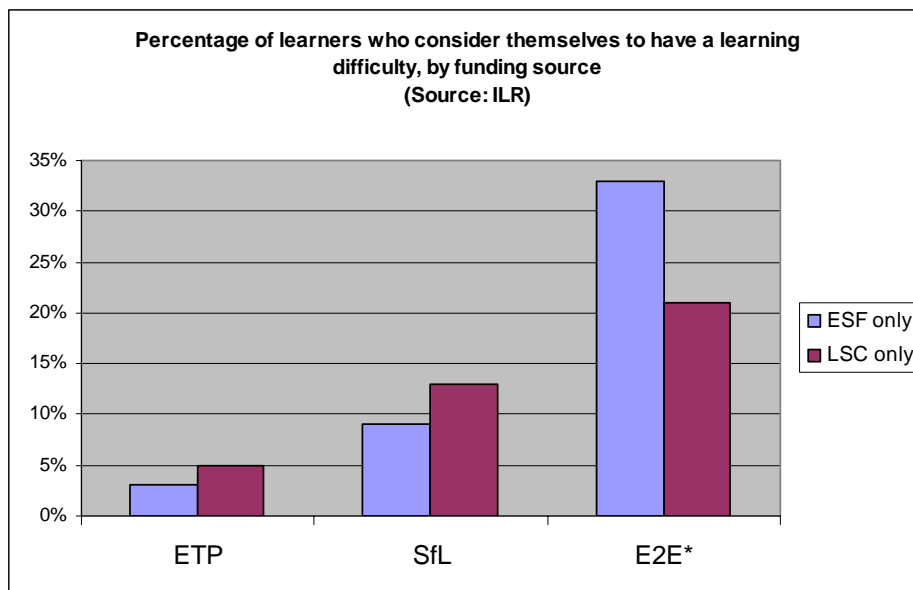
ESF-funded provision for ETP and SfL enrols a slightly lower proportion of learners who consider themselves to have a learning difficulty than the equivalent provision without ESF support. However, the proportion of such learners in the ESF-funded E2E cohort is higher than in the equivalent non-ESF provision, and the figure of 33% is indeed high.

Figures 15, 16 and 17 look at enrolments, retention and achievement in the ETP, SfL and E2E programmes, again comparing the proportions in ESF-funded and LSC-funded provision.

Figure 15. Enrolments by provider and funder

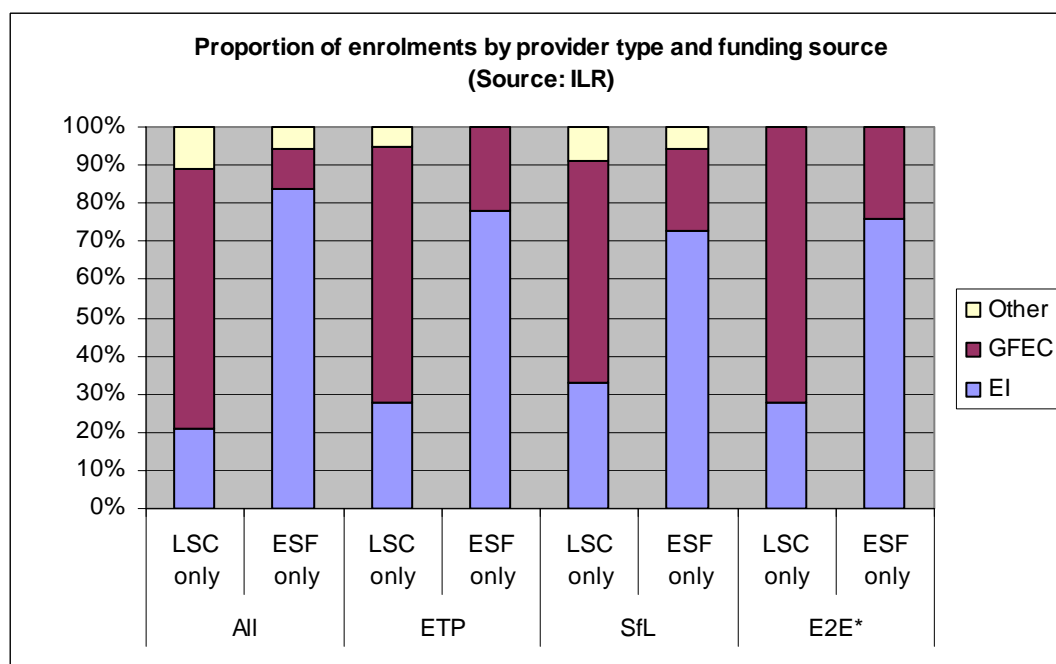**Proportion of enrolments by provider type and funding source (Source: ILR)**

Figure 15 shows that, across all provision, over 80% of learners who received only ESF support were enrolled at an external institution – a provider other than a college funded

through the FE funding stream. Conversely, about 80% of learners who received LSC funding only were enrolled at a general FE college (GFEC). This is a very marked difference indeed. The position is similar across ETP, SfL and E2E.

Figure 16. Withdrawal rates
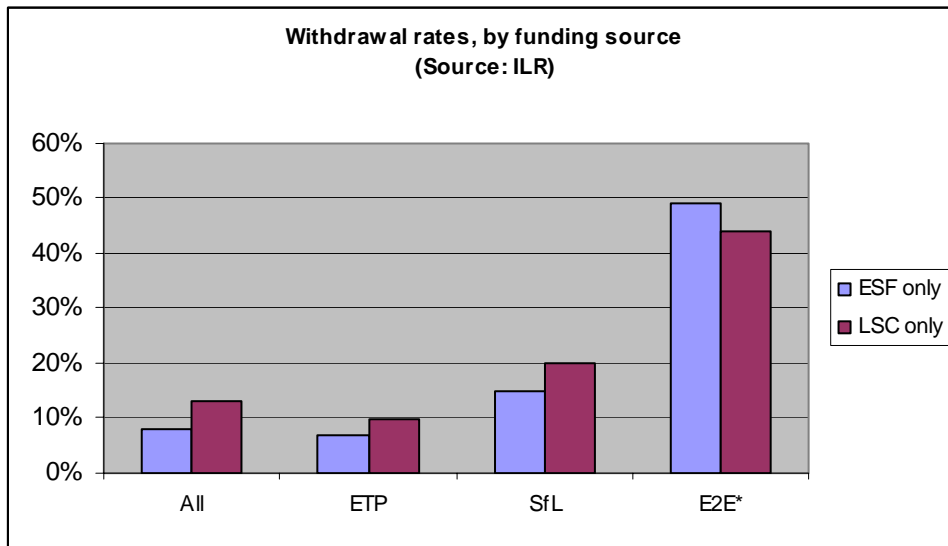
Across all provision, ESF-only learners have a lower withdrawal rate than LSC-only learners. This holds true for ETP and SfL learners, but not E2E learners (who have a much higher withdrawal rate overall). This may be explained by the fact that ESF E2E learners are from much harder to reach groups and so more likely to drop out.

Figure 17. Achievement rates
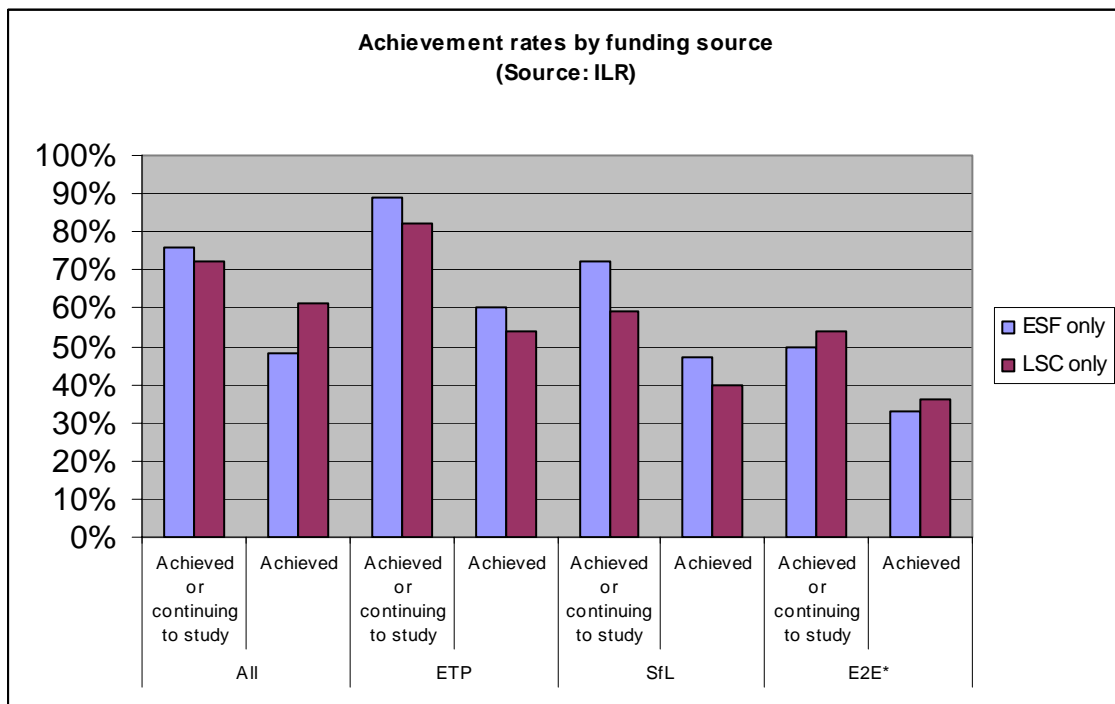
It is difficult to draw conclusions here because of the complexities of recording achievements, but by most measures and in most categories, ESF-only learners appear to have slightly higher achievement rates than LSC-only learners. The opposite appears to be the case in E2E.

4   Conclusions and implications

ESF programmes make a significant contribution to qualification outcomes, many of which relate directly to LSC targets. The clearest links are with *Skills for Life* targets and adult workforce development. It is also possible to make a strong case for an indirect contribution to targets through improving capacity, and helping to improve learner readiness. Any reduction in ESF, therefore, would have serious implications for the capacity of LSC to meet its targets.

While almost all ESF activity supports LSC priorities, it is often harder to link specific programmes directly to LSC targets. This is partly because ESF priorities are not identical to those of the LSC, and partly perhaps from a particularly strong concern with widening participation on the part of both providers and local staff, which differs from the LSC's increasing focus on skills.

Stakeholders frequently refer to ESF as being 'more flexible' than mainstream provision. This sometimes means the ability to deliver more intensive provision that incurs higher costs, and sometimes refers to the ability to fund activity that is not eligible for LSC funding. However, most frequently it seems to mean that local staff can set their own priorities and direct providers to address specific local concerns.

A significant part of ESF funding appears to have been used to develop collaborative arrangements and fund partnerships; and a substantial proportion of ESF-funded provision is delivered by providers dedicated to ESF delivery. The LSC will need to consider the impact of any changes in ESF funding, not only on targets but on the provider delivery structure.

The researchers found little systematic attention paid to the transfer of good practice from ESF-funded settings to mainstream provision. It often seemed that those interviewed saw ESF as separate and distinct from mainstream. The sustainability of ESF approaches, for example, was often described in terms of accessing funding to allow a project to carry on in the same way, rather than adopting lessons that had been learned.

In the particular context of E2E, there did appear to be some important messages for mainstream provision around accessing the most challenging clients. The work suggests, for example, that there is a group of clients who are not ready for E2E, but who can be assisted through careful individually-tailored programmes.

Implications

It appears from the research that ESF-supported activity and mainstream activity often operate quite separately. The LSC needs to consider what it could do to ensure better links and transfer of good practice.
There are differences between the ESF project-based approach to meeting perceived individual needs and the LSC's need to respond to specific targets. This difference was perhaps less apparent when 'widening participation' was a more central element of the LSC agenda than today, when it is one priority among several. The LSC should ensure that all stakeholders see ESF as a way of supporting its targets rather than as an alternative to them.

Some ESF-supported activity is resource-intensive, and clearly operates at higher unit costs than would be supported by mainstream funding arrangements. The LSC needs to consider the implications for mainstream funding of such provision, and what changes might be needed were ESF resources to be reduced.

Co-financing has enabled the LSC to engage with providers it has not engaged with in the past. They are perceived as essential in meeting the needs of some groups of learners.

Consideration needs to be given to whether enough is being done to enable these providers to access mainstream funding.

Much ESF activity, from planning and tendering for provision to awarding contracts and monitoring them, involves local LSC staff taking an active and detailed role in determining the shape of ESF-funded provision – a role that they clearly feel to be important. LSC needs to consider how ESF best sits within the LSC strategic commissioning role.

Appendix – summary data

Table A1. Planned ESF expenditure and outcomes 2005/2008 by LSC priority area (source: questionnaire)

		2005	2006	2007	2008	Total	%
Reducing the proportion of young people NEET	Planned expenditure (£k)	25,851	36,445	32,645	4,526	99,467	17
	Planned outcomes (n)	21,370	32,562	27,707	4,251	85,890	15
Increasing the proportion of 19 year olds achieving at least Level 2	Planned expenditure (£k)	7,814	18,478	16,335	1,726	44,353	8
	Planned outcomes (n)	5,302	14,351	13,681	1,446	34,780	6
Increasing the proportion of young people and adults achieving a Level 3 qualification	Planned expenditure (£k)	12,752	25,176	26,408	2,936	67,272	11
	Planned outcomes (n)	9,241	19,513	18,574	2,291	49,619	9
Increasing the numbers completing apprenticeships	Planned expenditure (£k)	2,930	3,852	2,677	488	9,947	2
	Planned outcomes (n)	2,901	4,243	3,348	636	11,128	2
Improving the basic skills levels of adults	Planned expenditure (£k)	28,502	37,042	33,163	3,337	102,044	17
	Planned outcomes (n)	41,421	47,354	38,180	3,090	130,045	23
Reducing the numbers of adults in the workforce without Level 2 qualifications	Planned expenditure (£k)	16,738	35,910	32,053	3,758	88,459	15
	Planned outcomes (n)	15,198	38,529	31,494	3,626	88,847	16
Increasing employer engagement/meeting employers' needs	Planned expenditure (£k)	34,466	49,279	36,466	6,528	126,739	22
	Planned outcomes (n)	32,493	48,978	26,138	5,416	113,025	20
Raising standards	Planned expenditure (£k)	11,256	15,842	15,068	1,010	43,176	7
	Planned outcomes (n)	18,296	18,605	14,960	1,098	52,959	9
Increasing participation in higher education	Planned expenditure (£k)	839	1,608	1,676	592	4,715	1
	Planned outcomes (n)	923	1,863	2,031	605	5,422	1
Totals	Planned expenditure (£k)	141,148	223,632	196,491	24,901	586,172	100
	Planned outcomes (n)	147,145	225,998	176,113	22,459	571,715	100

Table A2. Expenditure and outcomes by LSC activity area (from questionnaire).

	Expenditure £k	Outcomes
IAG	29,673	49,663
SfL	91,037	104,252
E2E	32,802	27,252
ETP	19,962	19,258
Other	170,849	139,000
Total	344,323	339,425

Table A3. Expenditure and outcomes by ESF category (from questionnaire)

	Expenditure £k	Outcomes
Stand-alone	117,644	106,689
Volume	79,069	63,387
Enhance	60,291	68,360
Pre	47,544	54,745
Post	12,104	10,411
Other	18,293	10,997
Total	329,020	310,864

Table A4. Expenditure and qualifications by LSC area of mainstream activity (from tender specs)

	£k	Qualifications
Higher education	7,346	2,017
Excluded groups misc	39,914	17,534
Unemployed misc	16,994	12,606
ETP	20,000	14,430
Skills for Life	30,497	24,209
NEET	64,885	17,654
Workforce development	88,698	40,542
IAG	5,198	1,175
E2E	10,241	1,664
	283,773	131,830