

Learning and Skills Council North East

**European Social Fund
LSC Co-financing Plan
January 2008 to December 2010**

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European Union
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Investing in jobs and skills



Leading learning and skills

CONTENTS

1. INTRODUCTION

1.1 North East Context	4
1.2 Policy Framework	4
1.3 Our Approach	5
1.4 Geographic Coverage	6

2. LSC PROPOSED ACTIVITY

2.1 Priority 1: Targeting of Resources	7
2.2 Work with those 'not in education, employment or training' (NEET)	7
2.3 Improving the employability and skills of unemployed/inactive people	11
2.4 Community Grants	16
2.5 Priority 2: Targeting of Resources	17
2.6 Workforce Development	18

3. FUNDING AND ADDED VALUE

3.1 Match funding	23
3.2 Added value and Complementing Mainstream activities	23
3.3 Administration and Management Costs	26

4. PROJECT SELECTION AND TENDERING ARRANGEMENTS

4.1 Procurement	28
4.2 Stage 1 Pre Qualification Questionnaire	28
4.3 Stage 2 Submissions of Tenders	28
4.4 Publicising Invitations to Submit Tenders	28
4.5 Support and Advice	29
4.6 Timetable	29
4.7 Feedback Arrangements	30
4.8 Arrangements for Dealing with provider Complaints	30

5. PROVIDER FUNDING AND MONITORING

5.1 Contract Costs	30
5.2 Payment Arrangements for Providers	31
5.3 Actual Costs	31
5.4 Arrangements for Monitoring ESF Providers	31
5.5 Project Delivery and Outcomes	32
5.6 Quality Standards	32
5.7 Financial Assurance	33
5.8 Management Information	33
5.9 Reporting Performance to Regional ESF Committee	33
5.10 Audit	34

6. CROSS CUTTING THEMES

6.1 Equality and diversity	35
6.2 Sustainable development	35

7. IMPLEMENTATION

7.1 Key Milestones 2007-2008	37
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APPENDIX 1 – Finance Targets

APPENDIX 2 – Output and Results Targets

APPENDIX 3 – List Of Acronyms

1. INTRODUCTION

1.1 North East Context

This document sets out the LSC's approach to the implementation of ESF Co-Financing in the North East. Our objective is to make a significant contribution to sustainable economic growth and social inclusion by increasing employment, reducing economic inactivity and developing a skilled and adaptable workforce.

The Regional Skills Priorities for the North East, the ESF Regional Framework for the North East, and the LSC's own plans and strategies share a set of priorities underpinned by research and wide ranging consultation with partners. This Co Financing Plan addresses those same priorities.

In line with the Regional Framework we have established three clear priorities, they are to:

- support individuals to secure sustained employment through implementation of actions to support the delivery of the Regional Employability Framework (REF)
- reduce the number of young people who are not in education, employment or training
- work with employers and individuals to meet skills gaps and shortages thereby improving competitiveness.

These priorities are consistent with the core remit of the LSC which is to make England better skilled and more competitive. We are responsible for ensuring the availability of high quality education and training for everyone. We have a single goal: to improve the skills of England's young people and adults to world class standards.

We recognise the importance of working closely with local partners through Local Strategic Partnerships, Local Area Agreements and with City Region Strategies to address local needs. We will strive to align ESF through this plan with other investment in the North East Region, be that mainstream or other e.g. Single Programme, Disadvantaged Area Funding (DAF). We are committed to ensuring that resources are targeted where they can most effectively add value to the impact of national, regional and local strategies and to the LSC's mainstream budgets. We intend to work especially closely with Jobcentre Plus, Regional Development Agency and alongside City Region Partnerships.

The recent reorganisation of the LSC has placed an increased emphasis on working locally, having established twelve Partnership Teams to work with each of our Local Authorities. Support to all twelve teams is provided by a single Regional Office.

This Plan sets out our intentions for co-financing ESF with our own match funding for Priority 1 and Priority 2 of the North East ESF Programme for the period January 2007 to December 2010. Project activity will commence early 2008. It sets out our overall approach, broad themes, expected targets/outputs and ESF requirements. Over the next few months we will work closely with our partners to determine the exact scope and content of the activities which we will procure in November 2007.

1.2 Policy Framework

The development of this Co-financing Plan has been framed by reference to a number of key strategic documents including:

- UK National Reform Programme 2005-8 - October 2005 (Her Majesty's Treasury)
- DWP European Social Fund in England and Gibraltar
- The North East Regional Economic Strategy
- ESF Regional Framework for the North East 2007-13
- The North East Regional Employability Framework
- The North East Competitiveness Programme (European Regional Development Fund)

Our intentions are to use both ESF and LSC funds to undertake activities as described in the ESF Operational Programme for England and Gibraltar 2007-2013. Activities funded by ESF or by LSC funding used for match will directly contribute to the priorities and outputs as set out in the ESF Regional Framework for the North East 2007-13. As we set out in our status application we believe that these priorities are co terminus with and aligned to both UK Government and LSC national priorities.

1.3 Our Approach

The ESF Regional Framework sets out how ESF spending can support regional employment and skills priorities in the context of a single national ESF Programme for England. Planning employment and skills activity in an integrated way is central to recommendations in the Leitch review. Now that the amount of ESF available in England is reducing by 50% it is essential that ESF is effectively targeted to add value to regional priorities. Our priorities are therefore to:

- Improve the qualifications and skills of the low qualified and low skilled;
- Reduce the rates of economic inactivity;
- Raise levels of participation by young people by reducing NEET levels
- Raise the skills levels of the workforce and in so doing raise the competitiveness of organisations.

In implementing this Co-Financing Plan we will reflect the recommendations of the Leitch Review which reported in December 2006 on the UK's longer-term skill needs, and on how skills and employment services should complement each other. To reach the goal of the UK becoming a world leader in skills by 2020 the Review recommended a number of radical changes which included:

- Routing public funding of vocational skills through demand-led routes;
- Integrating public employment and skills services to deliver sustainable employment to more disadvantaged people can gain skills and jobs;
- Increasing employer investment in skills.

As a consequence we will:

- Work closely with DWP (Jobcentre Plus) in designing and developing our plans, determining what we need to procure and in aligning our commissioning plans;
- Work closely with Sector Skills Councils, Employers, the TUC and Employer networks to identify and meet skills needs;
- Work closely with DWP (Jobcentre Plus), City Region Partnerships and consortia to ensure that we address the local and sub-regional issues identified in local Area Agreements; and City Strategies
- Subject both ESF and match funding elements to Open and Competitive Tendering (OCT);

- Focus ESF and match funding where it addresses the most significant needs and where it will add greatest value;
- Anticipate increased contributions from employers and individuals in respect of provision at Level 3 and above.

In addition we will:

- Procure high quality provision which meets minimum standards and intervene appropriately where provision is deemed to be unsatisfactory.

1.4 Geographic Coverage

This single plan covers activities for the whole of the North East Region. We will ensure that co-financing activities are targeted at appropriate levels, and we will procure activity at local, sub regional and regional levels as identified to meet specific needs.

As this is the North East element of a National programme we expect that participants will be resident or working in the North East. We do however recognise that on occasions participation from neighbouring regions will occur because of travel to work patterns etc, we will make every effort to minimise the effect, by giving priority to North East participants.

2. LSC PROPOSED ACTIVITY

2.1 Priority 1: Targeting of Resources

The objective of Priority 1 is to increase employment and to reduce unemployment and inactivity. It will help to improve social inclusion and social mobility, in particular by helping unemployed and inactive individuals to enter sustainable employment and make progress at work.

The LSC is an active partner in the Regional Skills Partnership. We have been instrumental in the development of the Regional Employability Framework, and a key contributor to the Regional Economic Strategy. So we are in a good position to ensure that the many priorities under the new Structural Funds ESF Programme are met within this Co-Financing Plan.

This section of the plan shows the contribution LSC delivery will make to the achievement of the Regional ESF Framework and ultimately the English Operational Programme. It will further demonstrate how, through partnership working, the activities supported will target those most at need. So the LSC's contribution to wider national, regional and local strategic objectives will also be illustrated.

The table below illustrates the ESF Resources for Priority 1 activities between 2007-2010 that the LSC seeks to deliver. This represents 100% of the funding that has been identified for Community Grants, 100% of funding identified for work with NEET Groups and 44% of funding to improve the employability and skills of economically inactive and unemployed people (The latter split of funds was agreed with Jobcentre Plus on 10 August 2007).

	2007	2008	2009	2010	Total
Employability	4,340,269	4,427,074	4,515,616	4,605,928	17,888,887
NEET	3,112,025	3,174,266	3,237,751	3,302,506	12,826,548
Community Grants	338,264	345,029	351,929	358,968	1,394,190
Total	7,790,558	7,946,369	8,105,296	8,267,402	32,109,625

2.2 Work with those 'not in education, employment or training' (NEET) aged 14-19.

National Context:

Engagement in learning and educational attainment are major factors which support children and young people in achieving good life outcomes and fulfilling their potential. Conversely non-participation in education, employment or training after compulsory education – in other words, being NEET – is a major predictor of later unemployment, low income, teenage parenthood, depression and poor physical health. Education is also key to breaking long-term cycles of deprivation. Nationally the proportion of young people NEET has remained at around 9% to 10% over the last decade.

The Government's aim is that all young people progress through adolescence fully equipped to play an active role in society and gain the skills they need to enter the labour-market. This is reflected in two Public Service Agreement (PSA) targets, for which raising the participation of 16-18 year olds in learning is crucial. They are:

- Increasing the proportion of 19 year olds achieving at least level 2 by 3 percentage points between 2004 and 2006, a further 2 percentage points between 2006 and 2008 and increasing the percentage of young people achieving level 3;
- Reducing the proportion of young people not in education, employment or training by 2 percentage points by 2010.

In 2005, one year into the PSA target, the proportion of young people NEET rose to 11%, despite a rise in the proportion of young people participating in education and training. In the same year, there was also a fall in the number of 16-18 year olds in employment.

Regional Context

If the National picture is challenging, patterns of participation in the North East are more so. Participation in education after age 16 falls below national levels, and the gap at age 17 in participation in fulltime education between the North East and the national figure widened from 5 to 7 percentage points between 2002 and 2004¹. Latest data indicate that the proportion of 16-18 year olds in the North East who are **NEET** stands at 11.3%, compared to 7.7% for England².

The skills and qualifications of young people leaving school are a key determinant of the long term skills profile of the economy. In the North East it is important to reduce the number of school leavers with no or low qualifications, and who as a consequence may become NEET. We need to raise the aspirations and attainment of young people if we are to meet the RES objectives.

Partnerships

This co-financing plan seeks to support young people aged 14-19 who are NEET or at risk of becoming **NEET**. The LSC is leading a drive for targeted interventions with this group, recognising that a differentiated approach and close partnership working between agencies is required. The range of activities this priority will embrace have been developed in consultation with a regional multi-agency NEET steering group chaired by the LSC.

We recognise that extensive and diverse multi agency interventions are currently in place. This plan seeks to enhance, complement and sustain effective provision in the delivery of local NEET reduction plans steered and monitored by local 14 -19 partnerships.

Targeting

NEET is a state of being, rather than a single and homogenous group of young people. So this Co-Financing Plan will seek to support those young people who are over-represented in the NEET cohort, including those who: are in care or are care leavers; have prolonged or chronic illness; have mental health problems; are Learners with Learning Difficulties and/or Disabilities (LLDD); have offended; are carers; or are parents. Local intelligence on patterns of young people NEET and on existing services will inform the targeting of provision.

Interventions, whether preventative or remedial, will be defined and delivered at a local level, with activity steered by the local 14 – 19 partnerships.

¹ "Employment and skills issues in the North East", TWRI, March 2007

² DfES, May 2007

Activities

To ensure young people who are, or who are at risk of being NEET are supported all activities supported in this plan will comply with National Quality Standards for Young People's Information, Advice and Guidance (IAG). The focus of activities will fall within the following 5 areas:

1. Specific provision – provision should be based on that which has had a positive impact on engaging young people.

Activities will include:

- The development and delivery of 'pre E2E' type provision for young people not ready to join mainstream learning or are learning below level 1
- Removal of barriers to engagement
- Informing the national development of the Foundation Learning Tier

2. Prevention – activity to prevent young people becoming disengaged from learning

Activities may include:

- Measures to build the capacity of practitioners to ensure early identification of those at risk of disengaging
- Measures to ensure positive, sustained and monitored referral systems
- Measures to improve parents/carers understanding of learner support, financial help, progression routes and career opportunities
- Measures to improving practitioners (e.g. teachers, trainers, youth workers, mentors) awareness of learner support
- Vocational training and preventative work, for young people at risk of becoming NEET to provide pathways to employment
- Measures to engage employers and individuals in pre-employability routeways.

3. Transition – activity to support young people moving between stages or types of learning

Activities may include:

- Measures to increase early identification of young people likely to find transition difficult and those showing signs of difficulty following a transition
- Support to ensure positive referral and comprehensive transition planning for those young people identified
- Measures to ensure agreed transition plan for all young people in Y12 following a one year course or a re-sit programme
- Awareness raising for parents and practitioners of the transition support available to young people
- Use of transition mentors (learner and learning support)

4. Re-engagement – activity to support young people back into learning

Activities may include:

- Measures to improve the rate of providers making quick positive referrals when a learner fails to start a course they have enrolled on or leaves before the end of the course
- Measures to increase regular contact (using a variety of methods) with young people NEET ensuring they are aware of opportunities available.
- Processes and Systems to ensure that other agencies involved with young peoples holistic wellbeing are aware of their NEET status, thereby providing a coherent multi agency plan to reengage the young person at an appropriate time.

- Greater collaboration with Job Centre Plus to identify those young people actively seeking employment
- Work with employers to provide support for them and young people in the workplace
- Re-engagement initiatives to help raise awareness of the world of work, enterprise and entrepreneurship among young people (from age 14), including work experience placements
- Measures to reduce youth unemployment by developing the employability and skills of young people

5. Work with key specialist and vulnerable groups

Activities may include:

- Development of specialists to lead work with key vulnerable groups acting as advisors to practitioners, managers and policy makers
- Identification of key groups and individuals and the specific barriers they face due to particular circumstances (e.g. young parents, LLDD, young carers, learners leaving care, learners with mental health problems)
- Measures to ensure that preventative, transition and reengagement strategies account for specific barriers

Targets/Outputs

We intend to achieve the following outputs through these actions. They represent 100% of the programme outputs for 2007-2010

Description	
No of Participants who are NEET or at risk of becoming NEET	8094
No of Participants in work on leaving	1780
No of Participants in work six months after leaving	2104
No of NEETS in Education, Employment or Training on Leaving	3642

Strategic Contribution

The NEET PSA strategy is made up of interrelated policies and strategies to be delivered by the full range of 14-19 stakeholders. So this Co-Financing Plan will support activities which will also directly impact upon, and contribute to, wider strategic objectives including:

- Every Child Matters: Implementation of Key Stage 4 alternative curriculum KS4 school engagement programme; Effective retention: attendance and behaviour policies, effective teaching and learning; Referral to Targeted Youth Support Services from schools.
- Youth Matters: Implementation of Common Assessment Framework (CAF); 14 – 19 local prospectus; Youth Workforce development and Aimhigher.
- 14 – 19 reform: Foundation Learning Tier; Apprenticeships; Functional English and Maths; Diplomas; Effective commissioning planning and quality control of provision.
- Contact Point Project: Information sharing index; Information sharing policy; Implementation of CAF; Implementation of LA duty to identify children missing education.

- 16 – 19 Financial Review: Implementation of Education Maintenance Allowance; Changes to welfare benefits, family benefits and wages for young people; Care to Learn; Learner Support Funds
- The Aligning Provision Toolkit – ‘*Developing provision to meet PSA targets for attainment of level 2 at 19 and reducing the proportion of young people who are NEET*’ demonstrates collaborative action between LSC and Local Authorities. This ensures objectives and targets within Local Area Agreements and Children and Young People’s Plans are complimentary and steered by the Local 14-19 Strategy groups.

2. 3 Improving the employability and skills of unemployed/inactive people

National Context

Lord Leitch’s review of the optimal skills mix required to meet the global challenges of 2020: “Prosperity for all in the global economy - world class skills (2006)”, recommended the development of a more effective integration of skills and employment. This was to address sustainable employment and progression opportunities, and to avoid people receiving disjointed services. The review highlighted that: skills improvements were not effectively used to help people who need them to find work to progress: skills policy was not sufficiently focused on improving employability; and support was not joined up across the transition to work.

Furthermore, the report highlighted the need to take seriously and measure: the sustainability of employment; the progression of benefit claimants; the fact that improving skills is often a first step to employability; and contribution of each agency and provider to sustainability and progression.

Skills for Jobs is a direct response to the Leitch review. It is an umbrella term for a range of demand led activities that directly link skills and employment to create a better integration of provision for disadvantaged adults. This includes people who are economically inactive and/or on benefits, (including those in receipt of in-work benefits once employment has been achieved via skills for jobs). It also includes people who need additional training support to prepare them for employment, and who may need ongoing in-work training and support to enable them to sustain and progress in employment.

Regional Context

The LSC’s commitment to developing this work further has been demonstrated through the lead we have taken within the regional partnership to develop the Regional Employability Framework (REF). The REF brings together a variety of agencies including the LSC, Job Centre Plus, One North East, Local Authorities and Voluntary Organisations in a seamless operation which better serves the needs both of workless people and of employers. More specifically, the REF delivers significant benefits for all stakeholders, including:

- For the partners: the REF allows for public funds and resources to be planned and deployed more effectively. The REF ensures that there is less duplication of provision and enables partners to deliver in areas that are most relevant to them.
- For individuals: the REF provides a structured employability pathway enabling individuals to access provision that is most suited to them. It ensures that the

individuals do not get trapped in the 'learning cycle' or fall out of learning, but are supported in progressing to the next step towards employment.

- For providers: the REF sets the framework for all providers to work better together. The REF requires providers to work in partnerships so that the offer to learners and employers is 'joined up'.
- For employers: the REF ensures that people are given the appropriate training before entering into employment and, crucially, allows for support to be given to vulnerable individuals to help them stay in employment.

A key development from the REF is the five stage 'employability continuum' which sets out the beneficiary journey, taking an individual from initial engagement into employment. The five stages are: engagement, action planning, employability services menu, job placement and aftercare and retention. The model provides a continuing structured offer helping people develop skills to achieve employment. The distinctive characteristic is that the support continues whilst the individuals are in work. This approach ensures that individuals and employers are supported so that rather than just getting jobs, people achieve sustainable employment.

Partnership working

We recognise that national and regional objectives cannot be achieved in isolation. As a result we have consulted a wide range of partners throughout the development of our Regional Commissioning Plan, drawing on the LSC's national statement of priorities. This involvement has enabled us to identify need, and, more importantly, identify gaps in current provision, which ESF funds will address.

Not only will partnership working continue to underpin the delivery of this Co-Financing plan's objectives, but it will also ensure that the principles of the REF are embedded to ensure a seamless service for beneficiaries. For example, this will be achieved through:

- Encouraging projects to demonstrate inter agency working
- The development of information sharing protocols
- The implementation of robust referral systems.

Target groups

Just over 2.5 million North East residents of working age were classified as economically inactive in 2006, and within that the Incapacity Benefit claimant counted for 10.6% of the working age population, compared with a national figure of 7.4%. This is compounded by the economic inactivity rate for people aged 50 to retirement, which is also being 10% higher than the England average. Moreover the population aged 60 years or above is projected to increase from 22% to 29% by 2021.

So the age profile of the working age population will continue to rise, placing a premium on securing higher levels of labour market participation amongst those aged 50 and over. Note that within the economically inactive population, nearly 24% of people of working age in the North East are disabled, compared to 18.4% for England.

In 2003-04, around 3,500 prisoners in North East institutions were discharged into the North East area, and the National Probation Service supervises a larger group of offenders through Community or supervision orders. In the North East the three probation areas are supervising around 13,100 offenders at any one time. Around 50% of these individuals have poor reading skills and 65% have poor numeracy skills. The

three most common criminogenic factors for repeat offending are cognitive skills deficits, substance misuse and lack of employment.

Offenders are also more likely to experience multiple disadvantage: these may include having basic skills needs, being unemployed, having health or drug and alcohol misuse problems and being poorly housed.

Economic inactivity and worklessness is made more difficult for a significant proportion of the adult population in the region because they have low levels of basic literacy, numeracy and ICT skills. For example, many older people who have become economically inactive have out of date skills and difficulties re-entering the labour market: this inevitably reduces their ability to fully engage in either learning or employment; Black and Minority Ethnic learners are far less likely to be learning at full Level 2 or above than white learners (even when ESOL provision is not counted), and male learners are much less likely to succeed in full Level 2 and 3 qualifications than female learners.

Furthermore, whilst the qualifications profile of the North East workforce has been improving, skill levels remain low in comparison to England averages. The North East economy is still characterised by a higher than average proportion of low value adding jobs, which require low level skills.

These two facts tend to reinforce each other: the relatively low skill levels in the population will potentially constrain the development of high value adding sectors in the North East, because they require highly skilled workers. At the same time, underemployment of highly skilled individuals (e.g. graduates employed in low skilled jobs) is common in the North East, because of a lack of higher level opportunities. The region has the lowest levels of economically active adults qualified to at least Level 4 in the country (26% in the region compared to over 31% for the UK). So we need a coordinated, seamless service if we are to increase participation and skill levels, and if we are to maximise the human capital in the region.

Within these broad categories, we will prioritise groups facing specific barriers and experiencing significant disadvantages: this will include unemployed and economically inactive adults, and those who experience multiple disadvantage e.g.:

- Older workers
- People with disabilities and health conditions
- Offenders and Ex-Offenders
- Lone Parents and other disadvantaged parents
- Ethnic minorities

We will take the approach of targeting ESF geographically where there is recognised or emerging geographical need. For example the activities this plan will support will acknowledge the particular issues faced by rural areas. These include the sparsity of the population making access difficult, and the reduction in outreach activities.

In addition, the development of specific partnership arrangements across the Tyne and Wear City Region (Employment Consortium) and the Tees Valley City Region (TV Unlimited) this plan will embrace the opportunity to complement regeneration activities and major projects such as the new Tyne Tunnel Link, Middlesbrough Middlehaven, Netpark Durham, Northumberland Renewable Energy, the Sunderland ARC and Newcastle Science City.

Activities

We recognise the need to ensure that the range of activities included in this Co-Financing Plan make a significant impact on individuals' chances both of gaining sustained employment and of raising their skills levels. Implicit in the delivery of the following activities is the inclusion of appropriate provision to address basic skills delivered in contexts relevant to the needs of the individual participant, and of enhanced careers and job brokerage (IAG) to support individuals in their journey from unemployment to sustainable employment. These activities can include:

- Active and preventative measures which ensure early identification of needs, including a customer led mentoring service, information, advice and guidance, individual action plans and personalised support
- Improving job brokerage to ensure better match between supply and demand
- Vocational training and qualifications for employability, including second Level 2 and Level 3, Skills for life, ICT, ESOL, other Foundation Learning Tier opportunities and jobsearch provision including CV preparation and interview skills.
- Pathways to employment including pre-vocational training, confidence and motivation activities, volunteering, practical soft skills, workplace skills, community based activities and demand led sector routeways.
- Activities to address childcare and care for dependent persons where these are a barrier to labour market participation
- Measures to ensure retention in employment among vulnerable people who have made the transition to work, or among older workers or people who develop health conditions whilst in employment e. g
Job coaches/mentors for participants at risk of ceasing employment in the first 6 months of work
- Early interventions to help people at risk of redundancy

Specialist provision will be delivered to support the multiple barriers faced by offenders in the community, this will provide access to enhanced IAG services, identification of learning and skills needs and personalised support. Provision may also include accreditation of unpaid work, basic skills, vocational training and qualifications for employability including foundation learning tier opportunities.

We will make provision for those offenders serving a custodial sentence who are within two years of release and for whom a lack of appropriate skills are the main barrier to employment. This will be developed to enhance and add value to the existing OLASS provision, and could include specialist employer led vocational provision.

Targets/Outputs

We intend to achieve the following outputs through these actions. This represents 44% of the programme outputs related to employability for 2007-2010

Description	
No of Participants	15,272
No of Participants who are unemployed	7,305
No of Participants who are economically Inactive	5,968
No of Participants in work on leaving	3,361
No of Participants in work six months after leaving	3,971
No of Economically Inactive Participants engaged in jobsearch or further learning	2686

Strategic Contribution

The range of activities reflect Lord Leitch’s review by placing skills at the centre of economic development. But they also add value to:

- The Government’s welfare reforms aimed at raising the national employment rate and encouraging inactive benefit claimants to consider returning to work, including the city strategy pathfinders in which the LSC is a key partner.
- The Local Government and Public Involvement in Health Bill, currently before Parliament, which strengthens the LSC’s role with partners in local area agreements (including economic development).
- The National Audit Office’s current review of the support available to workless households.
- This agenda is also part of a long term trend to link adult skills with employment more effectively, signalled in 2003 by the Skills Strategy, the 2004 Budget and the National Employment Panel’s *From Welfare to Workforce Development* report (2004).
- *Skills for Life: The national strategy for improving adult literacy and numeracy skills*, published April 2001 – which introduced the challenge of raising the standard of adult literacy and numeracy education and launched the national target of raising the skill levels of 2.25m individuals by at least one level by 2010; and
- *World Class Skills: Implementing the Leitch Review of Skills in England*, published July 2007 –introduced a new ambition to have 95 per cent of adults with the basic skills of functional literacy and numeracy by 2020;
- Green Paper entitled Reducing Re-Offending through Skills and Employment in December 2005, followed by the “Next steps” Document sets out the strategy and actions needed to help reduce re-offending by improving skills and employment opportunities for offenders.
- North East Resettlement Strategy, and the Youth Justice Board’s publication “Out of Crime – reducing re-offending among young people” which set the context and challenges for the North East in terms of reducing re-offending.
- Local Area Agreements (LAA): this Co-Financing plan will make a strategic contribution to the achievement of local objectives, most specifically in relation to two of the four policy fields. These are children & young people and economic development & enterprise. LAA targets which ESF will contribute towards relate to increasing employment and reducing unemployment and inactivity.
- Parts of the region are investigating the benefits of Multi Area Agreements (MAAs). The regional dimension offered by this co-financing plan will provide significant opportunities for supporting and contributing to the development of MAA targets and objectives

2.4 Community Grants

The LSC in the North East intends to implement the Community Grants element of the ESF 2007-2013 programme as part of its Co Financing plan. The amount of funding we are seeking though this plan relates to 100% of the funds identified for this area of activity within the Regional ESF Framework for the programme period 2007-2010, as shown below, although we expect to expend this over the period 2008-2010

	2007	2008	2009	2010	Total
Community Grants	£338,264	£345,029	£351,929	£358,968	£1,394,190

Community Grants will make some ESF available in the form of small grants to voluntary and community organisations to support their capacity to mobilise unemployed and inactive people who are disadvantaged or excluded, and to facilitate their introduction into the labour market.

We intend to build on good practice developed in the previous Global Grants programme and ensure that through Co-financed delivery a number of key issues identified through research in to Global Grants are addressed. Particular issues include:

- *Match funding problems:* Intermediate Bodies have struggled to find adequate match funding which itself limits the amount of ESF that can be granted;
- *Administrative costs* are very high (up to 20% of an Intermediate Body Global Grant project). If administrative arrangements can be streamlined and costs reduced this will release a higher proportion of ESF to be dispersed through grants;
- *Relevance:* Anecdotal evidence suggests that some supported activities are either not relevant to the labour market or not focussed on the most disadvantaged, and would be better supported through other funding streams;
- *Government Office role:* as a result of the GO review, they will no longer have the remit or resources to contract directly with grants bodies and monitor activity;
- *Co-financing:* We are committed to ESF delivery through Co-financing arrangements. Delivering Community Grants through a CFO will promote simplification and avoid duplication of activity supported through grants with mainstream ESF.

The LSC will deliver Community Grants as part of a wider priority level agreement with the Managing Authority. So, as with other ESF providers, the grant co-ordinating body will receive 100% ESF grant. This will address one of the key difficulties in current arrangements - securing match funding. Co-ordinating bodies can therefore focus on delivering grants

The LSC will hold an open competition (according to Co-financing OCT rules) to select one or more organisations to run community grants –the ESF Grant Co-ordinating Body.

The LSC will contract with the selected grant co-ordinating body(ies) to implement ESF community grants in the region: they will then allocate grants to community groups through streamlined open and competitive processes (in the same way as grants are currently awarded by Intermediate Bodies). But the allocation of grants will not be made on the basis of full open and competitive tendering. The Grant Co-ordinating Body will be responsible for

- Making calls for applications for grants in line with agreed regional priorities;
- Selecting successful applicants, agreeing level of approved grant and planned outcomes (for many grant awards outcomes are likely to focus on progress towards mainstream ESF and other provision);
- Providing support, where necessary, to grant recipients to help them manage ESF effectively;
- Monitoring performance and delivery of grant recipients and reporting back to the CFO.

Community Grants will support a range of activities aimed at assisting disadvantaged or excluded people to move closer to the labour market by improving their access to mainstream ESF and domestic employment and skills provision. Activities will support

participants from the target groups in the Operational Programme but because the focus will be on individuals who have difficulty in accessing ESF or mainstream provision outcomes are more likely to be based on progression rather than achievement of jobs and qualifications.

Grants will be made to VCS organisations. They will not duplicate provision that is available through mainstream ESF –they will provide support that enables participants to access mainstream provision. VCS organisations accessing grants are likely to be well placed to reach excluded individuals who have barriers which hinder access to mainstream support. The grants are likely to cover a range of activities including:

- Help with basic skills
- Work experience including voluntary work
- Training advice and counselling
- Jobsearch assistance including the provision of equipment and other assistance necessary to secure employment
- Confidence building

In addition there will be some limited scope (up to 10% of ESF available to support Community Grants) for grants to provide support to small VCS organisations themselves. Such support might include:

- Training for staff and volunteers in VCS organisations on mainstream routes to employment and training;
- Actions to support the development of delivery and accreditation arrangements in-house. If there were situations where VCS organisations had common needs, for example accreditation of staff for a particular qualification, it might be more cost effective for the co-ordinating body to provide this through the provision of a service rather than a grant.

The maximum amount of ESF grant awarded will be £12,000 per community organisation.

2.5 Priority 2: Targeting of Resources

The objective of Priority 2 is to develop a skilled and adaptable workforce by:

- Reducing the number of workers without basic skills;
- Increasing the number of workers qualified to level 2, and where justified to level 3;
- Reducing gender imbalances in the workforce; and
- Developing managers and workers in small enterprises.

This priority will help to improve productivity, innovation, enterprise and competitiveness, as well as promoting sustainable employment and social inclusion.

The LSC seeks to co-finance all of Priority 2. The priorities set out in the regional framework are co-terminus with the LSC remit, and activities around basic skills, level 2 and level 3 reflect priorities set out in the LSC Grant Letter. The LSC has responsibility for planning and funding all post 16 learning outside of HE funded provision. We would wish to deliver Professional/Level 4 support alongside the other identified priorities to ensure that any offer to individuals in employment and their employers is consistent and fits with the demand led model.

In the delivery of its mainstream budgets and the ESF funding the LSC will deliver all of the outputs relating to this policy field.

The tables illustrate the ESF Resources in relation to Priority 2 activities between 2007-2010 that we seek to deliver and the associated outputs that will be delivered between the ESF and Match Funding. This represents 100% of the funding that has been identified within the Regional ESF Framework.

	2007	2008	2009	2010	Total
Basic Skills	2,671,191	2,724,615	2,779,108	2,834,690	11,009,604
Level 2	2,671,191	2,724,615	2,779,108	2,834,690	11,009,604
Level 3	1,706,594	1,740,726	1,775,541	1,811,052	7,033,913
Level 4	370,999	378,419	385,987	393,707	1,529,112
Total	7,419,975	7,568,375	7,719,744	7,874,139	30,582,233

Outputs	
Total number of participants	37700
Number of participants with basic skills needs	15457
Number of participants without level 2 qualifications	15457
Number of participants without level 3 qualifications	4524
Number of participants gaining basic skills	6930
Number of participants gaining level 2 qualifications	6154
Number Participants gaining level 3 qualifications	1386

2.6 Workforce Development

National Context

The Leitch Review of Skills highlights a direct correlation between skills, productivity and employment. We know that the global economy is changing rapidly, with emerging economies such as China and India growing dramatically and altering UK competitiveness. This is compounded by the ageing UK population, technological changes and an increase in global migration.

As a result of low skills, the UK risks increased levels of inequality, deprivation and child poverty, and risks a generation cut off permanently from labour market opportunity. Skills are recognised as the key lever for prosperity and social inclusion. Stretching objectives for 2020 include:

- 95 per cent of adults achieving the basic skills of functional literacy and numeracy.
- Exceeding 90 percent of adults qualified to at least level 2 and a commitment to go further and achieve 95 per cent as soon as possible.
- Shifting the balance of intermediate skills from level 2 to level 3.
- Improving the esteem, quantity and quality of intermediate skills meaning 1.9 million additional level 3 attainments over the period and boosting the number of apprentices to 500,000 a year;
- Exceeding 40 per cent of adults qualified to level 4 and above.

Central to both the aspirations and ambitions contained in the Leitch Review of Skills and the proposals concerning reform set out in the joint DfES/LSC consultation (Delivering World-class Skills in a Demand-led System) is the UK Vocational Qualification (VQ) Reform Programme. To actively support and drive forward the outcomes of the VQ reform programme it is critical that the LSC work with partners to implement appropriate planning, funding and delivery systems within which ESF is a critical factor. Principles that must underpin delivery are:

- *Shared responsibility* - between employers, individuals and government
- *Focus on economically valuable skills* - portable skills that deliver mobility for individuals and employers in the labour market
- *Demand led skills* - a system meeting the needs of individuals and employers.
- *Adapting and responding* - it's impossible to accurately predict future demand for particular skills types so provision must be flexible enough to meet future market needs
- *Building on existing structures* - to ensure we benefit from lessons learnt and good practice.

Regional Context

The Regional Economic Strategy highlights the need to drive supply and demand to achieve economic growth. A critical issue facing the region is its relative low level of basic skills in literacy and, in particular, numeracy. There is a growing body of evidence that improvements in an individual's numeracy, rather than literacy, skills has a more significant impact on their employability-related prospects and in-employment performance. In the North East 75% of the workforce of 2020 are already working today. These are the people who must at the very least, have good basic skills in literacy and numeracy, and opportunities to progress to Level 2 and beyond. Through providing an entitlement for all adults to a free 'first' Level 2 qualification in initiatives such as Train to Gain, progression to Level 2 has been recognised. However, the changing structure of the North East economy is such that many people already have qualifications at Level 2 which either need updating, or are no longer relevant to a more knowledge based economy.

Similarly, we must stimulate the demand for high level skills among employers in the North East. The private sector's low demand for high level skills in our region appears to be a major constraint on the retention of highly qualified people in the North East. Without faster growth of demand for high level skills, it is predictable that highly qualified people will leave the region.

Consequently, the activities included within Priority 2 seek to drive the skills agenda forward by:

- Providing people with incentives, information and access to clear progression routes to improve skills levels;
- Increasing investment by individuals and employers in developing workforce skills;
- Improving the skills of priority groups within the workforce to improve retention and diversity in the workplace;
- Attracting highly skilled people of working age to the region;
- Matching skills development with sectors we want to grow to be globally competitive;
- Increasing demand for, and investment in, skills.

Partnerships

As detailed in previous sections, the LSC is an integral member of a number of local, sub-regional, regional and national forums including: partnership working at a local level with Local Authorities; sub-regionally with City Region colleagues; regionally, with Sector Skills Councils and Employer Networks such as the North Employer Coalition. This means we are best placed to ensure that gaps in current provision are filled and that the

ambitions of regional and national skills and economic development strategies are achieved.

Targeting

The RES identifies the productivity of the existing workforce as a crucial factor in helping the North East to close the economic gap with the rest of the UK. For example the RES estimates that 60% of this gap is due to low productivity. As a result this Co-Financing Plan recognises the importance of stimulating the demand for higher level skills among employers in the North East in order to raise the skills profile of the resident workforce. Consequently, the LSC will ensure that the Private, Public and Third Sector employees benefit from the range of activities offered, with a particular focus upon the following groups:

- Workers without basic skills
- Workers who do not have level 2 qualifications relevant to their current occupation
- Men and women who want to enter non-traditional occupations
- People who are least likely to receive training e.g. volunteers, workers in sectors with weak training records and part-time workers
- People at a disadvantage in the workplace e.g. people with disabilities or health conditions, people aged over 50 and people from ethnic minorities
- Training will be supported at Level 3 where there is market failure e.g. skill shortages in SMEs, and among women and ethnic minorities where they are underrepresented
- Managers and workers in small enterprises (up to 50 employees) will be eligible for support at any level, including Level 4 and above, regardless of the qualification they currently hold.
- Individuals facing redundancy.

We will also use ESF to target sectors and specific employers where there is a recognised or emerging need.

Activities

The LSC seeks to support activities which will create wealth by building a diversified knowledge driven economy. The range of activities included in this Co-Financing Plan aim to encourage new approaches to inspire both employees and employers through creating a workforce which has the appropriate skills and qualifications to meet economic need. Activities may include:

Basic Skills and Level 1

- Support for Level 1 NVQs or units from the Foundation Learning Tier as part of progression routes and/or to meet a geographic or sector need;
- Embedding support for literacy, numeracy, functional ESOL and ICT
- Support for personal and social skills e.g. confidence, motivation
- Support for generic skills e.g. teamwork, customer care

Level 2

- Second Level 2s appropriate to employer need
- Support for qualifications at Level 2 in new and priority growth sectors

Level 3

- Support to address regional skills shortages and gaps at technical levels e.g. engineers, food scientists;
- Management and Leadership for potential, new and existing managers at Level 3 and above;

- Support progression routes from Level 3 to 4 e.g. Foundation Degree Development;

Professional Qualifications/Level 4

- Support for the development and delivery of qualifications and frameworks in new emerging sectors and those with new legislative requirements e.g. Trainer tutors,

Activities cutting across all levels may also include:

- Support for Adult Apprenticeships in priority sector areas and across Level 2, 3 and 4;
- Support for sector routeways to encourage learners into sectors with skills shortages;
- Initiatives by social partners to promote lifelong learning and skills in workplace;
- Championing workforce development within the workplace;
- Pro-active promotion of high quality information, advice and guidance to ensure progression;
- Stimulating the take up of NVQs in priority sectors e.g. Youth Work and Community Development;
- High quality brokerage activities;
- Promotion of business improvement tools and quality standards e.g. Matrix, IIP, Skills Broker Standard;
- Support for the development and delivery of qualification priorities emerging from sectors during the transition from the NQF (National Qualifications Framework) to the QCF (Qualifications & Credit Framework).

Strategic Contribution

The range of activities included within this plan not only place skills at the centre of economic development but also make specific contributions to the following policies and priorities:

- *World Class Skills: Implementing the Leitch Review of Skills in England*, published July 2007 –introduced a series of new ambitions relating to the achievement of Level 2, Level 3 Level 4 and above, as well as raising the number of Apprenticeships;
- The Leitch review also referred to the Government's desire to give employers greater leadership of the skills agenda to ensure it is responsive to needs and to support increased investment in skills from employers. This includes the Skills Pledge, which gives employers an opportunity to demonstrate their commitment to invest in the skills of their employees;
- The primary aim of the revised *Regional Economic Strategy*, launched in September 2006, is to move from 80% to 90% of national average GVA per head by 2016, through increased participation and improving productivity;
- The *Regional Economic Strategy Action Plan 2006-2011* sets out how these ambitions will be achieved through a series of transformational interventions which include supporting world class skills and increased economic activity, as well as collective regional leadership;
- By 2016, the Regional Economic Strategy also envisages an 'economic powerhouse' located in Tyne & Wear and the Tees Valley. Progress towards this is being focussed by the development of two City Regions, complemented by economic strategies for both Durham and Northumberland, all of which highlight appropriate strategies and actions to achieve regional ambitions;
- Local Area Agreements (LAA) - this Co-Financing Plan will make a strategic contribution to the achievement of local objectives most specifically in relation to

two of the four policy fields - children & young people and economic development & enterprise.

- With parts of the region investigating the benefits of Multi Area Agreements (MAAs), the regional dimension offered by this co-financing plan will provide significant opportunities for supporting and contributing to the development of MAA targets and objectives.

3. FUNDING AND ADDED VALUE

3.1 Match Funding by Priority and year

Priority 1:

Entry to employment (E2E) – E2E will provide a substantial element of matched funding for priority one and four. The national budgets for E2E are in excess of £230m per year. In the North East this budget is in excess of £22.8million per year and expected to remain static for the duration of this application

OLASS – OLASS has national budgets in excess of £9m per year available for training offenders in the community. A further £120m is available for offenders in detention. Whilst the North East Proportion of this budget would remain eligible for Match Funding purposes it is not envisaged that this will be utilised.

Skills for Jobs (SfJ) – Currently Skills for Jobs is an umbrella term used to describe several stages of funded activity. Many of these may be ESF eligible and would therefore be a potential match source. One such fund under the SfJ umbrella is the skills delivery for JC+ clients, a potential matched funding source, representing an additional £23m of eligible activity. The North East allocation eligible for matching purposes is around £1million during 2007/2008 although as with OLASS we do not envisage that this will be required to provide the necessary levels of match funding.

The match funding required under this plan for priority 1 is between £10.54million and £10.86 million per year. The E2E budget alone will provide sufficient eligible match to meet this requirement.

Priority 2:

Train to Gain: this programme has currently a national delivery of £400m, though expected to rise to circa £1bn with the introduction of our Employer Responsive funding arrangements. This programme is aimed at employed individuals and will therefore provide the bulk of priority two match. In the North East Region this budget is currently £16,602,473 per annum, though as outlined above, will more than double within the next two years: as with priority 1 this exceeds the level of match that will be required which is between £10 million and £10.3million per annum.

Apprenticeships: these could also be used as match where required. The budgets are in excess of £200m nationally.

The above funds are annual budgets, subject to review and we reserve the right to identify appropriate match programmes and use them as required.

3.2 Added Value and Complementing Mainstream Activities

The LSC will operate ESF via a new approach to the new programme. The LSC has endorsed a commissioning strategy, which has been cleared by ESFD. This strategy details how ESF should be targeted by the LSC to ensure complementarity and enhance the added value of ESF. An extract from the document is as below.

The purpose of the proposed commissioning strategy is to ensure that ESF truly adds value and enhances national strategies.

The key issues for the strategic direction of ESF in the new programme is that we must ensure that ESF supports the main policy directions for the LSC. This will include:

- Fee assumptions and priority groups (which can/will change annually);
- Funding Policy decisions such as changes to ESOL provision regulations;
- the support of Sector Skills Council approved qualifications;
- The procurement only of high quality provision;
- Alignment with the demand led approach; and
- Full integration with the Business Cycle including commissioning.

The Commissioning Strategy needs to ensure that:

- Sufficient regional flexibility is retained to meet regional skills needs;
- Appropriate contract lengths are sought for ESF provision (including use of short contract periods where policy change is expected);
- ESF can still achieve its full programme targets; and
- ESF is actively used to inform mainstream development/approaches.

Priority 1 :

Foundation Learning Tier (including Entry to Employment)

The Foundation Learning Tier is a programme of work to develop a more focussed and strategic approach to Entry Level and Level 1 in order to raise participation, achievement and progression at these levels.

The Foundation Learning Tier will incorporate a range of programmes that will consist of a coherent offer of units and qualifications drawn, in time, from the Qualifications and Credit Framework (QCF).

The units and qualifications will be combined into validated progression pathways that will propel learners towards Level 2 or other positive outcomes; they will be delivered through learning programmes which emphasise personalisation alongside access to accreditation.

By 2010, the QCF will be populated and a full set of programmes with robust progression opportunities will be in place across Entry Level and Level 1 in the new framework; phased implementation of the Foundation Learning Tier will begin from September 2007. ESF should focus on supporting progression pathways in the following ways:

- **Access** – working with young people to encourage them to start on E2E, or appropriate pathway.
- **Support activities** – improve retention and success rate through extra support activities, for example, extra parenting support and long term mentoring
- **Post activities** – focusing on re-establishing contact with non successful candidates, extra support for positive destination beneficiaries i.e. employed / in education / employed with training ex-pathway candidates.

Schools engagement programme (Key Stage 4)

This programme works by identifying 14-16 year olds who are at risk of becoming NEET. The programme has a limited budget; ESF may be focussed on this to enhance the provision.

Skills for Jobs

Skills for Jobs (SfJ) is an emerging response to Leitch, to support the integration of skills and employment, targeting a range of workless and low skilled individuals, who are not New Deal for Skills eligible. Emerging strategic direction for this approach is that SfJ will focus on improved engagement of the client base and employers (via brokers and partners) and that delivery would rest with the foundation learning tiers (FLT) appropriate

pathways. There are still funding issues for SfJ activities; however as the provision will rest with the foundation learning tier, ESF will focus on supporting FLT delivery. SfJ is relying on a substantial amount of support from ESF in order to deliver its aims. Regional approaches to SfJ are being developed now and if ESF is to be the majority of the new money included in these approaches then the activities supported by these proposals must be ESF eligible and help meet the ESF targets.

OLASS

The offender learning and skills service (OLASS) is responsible for the learning and skills for offenders in custody and serving their sentences in the community in England. It currently offers skills for life at Entry Level 1 all the way to higher education access level qualifications. Half of the clients have skills for life needs and recent research shows that a third have learning difficulties or disabilities (LLDD). This suggests a natural focus on these candidates in particular both in the community and in their last 2 years of custody.

The OLASS budget is particularly under pressure for activities to support learners in the community. It is proposed that ESF is used to enhance activities with selected clients starting with initial assessment, careers advice; mentoring and job guarantee activities which align with skills for jobs will also be supported. There may be a focus on adapting appropriate provision to suit LLDD learners with specific needs. As with SfJ these activities should align with the foundation learning tier provision available and not replace mainstream funding where available.

At present significant ESF funding, from a variety of sources, is supporting a substantial range of activity with this target group involving a number of organisation. Determining an appropriate scale of activity and ESF budget for this group will be a key issue for consultation across the region.

Priority 2:

Train to Gain is the brand name of a “Skills Brokerage” service which provides impartial and independent advice - identifying workforce development needs and assisting employers in the process of sourcing appropriate training providers and the “skills solutions” which they deliver. The service acts entirely on behalf of the employer – using an Organisational Needs Analysis to diagnose skills needs and subsequently to identify appropriate skills solutions – which may range from Skills for Life to Higher Level Skills, accredited or non-accredited provision.

Training needs which support the LSC and Government’s highest priorities, qualify for public subsidy, made available by employers accessing an appropriate Train to Gain approved supplier (ie LSC contract holder). Currently first full level 2 qualifications and skills for life qualify for support. ESF will be available to extend this offer by funding gaps in the existing provision, ie funding additional basic and entry level qualifications, second level 2 qualifications where needed and level 3 and above where appropriate.

Apprenticeships

The apprenticeship family delivers a range of programmes to both adults and young people. Focussing on NVQ delivery with supporting key skills and technical certificates, these programmes target Level 2 and Level 3. There are limited pilots for adults at level 4 called professional apprenticeships. The majority of provision has sufficient funding available, so ESF should focus on the following priorities:

- **Additionality** – We will procure more adult provision where this better meets the needs of employers. At Level 4 (only to SMEs) ensuring that the offer aligns with current pilots.
- **Enhancements** – Activities that support a higher success rate in delivery of mainstream programmes, or activities that promote progression, or enhancements that generate and support additional entry onto these programmes
- **Gaps** – For example, Level 1 as a transition between E2E and Apprenticeship and with individuals needing a second Level 2 to secure/sustain employment or who need additional support to progress effectively

3.3 Administration and Management Costs

The application for and subsequent implementation of ESF Co-financed activities brings with it the need to adhere to systems that meet organisational needs and structural funds regulations. Through the delivery of Co-financing during the 2000-2006 programme we fully recognise that this increased administrative requirement necessitates an increase in staffing of the CFO. Indeed it is accepted that up to 5% of the Total Eligible Expenditure can be used to meet this financial burden

Through the delivery of the 2000 -2006 programme the LSC has identified the staffing level and associated costs required to deliver a programme of this size and nature. Recent structural changes within the LSC will contribute to a more integrated delivery model embedding ESF activities at the heart of LSC delivery. Projected staffing costs for this programme are in the order of £1.9 million per annum across the North East taking into account staffing and associated admin costs increasing with inflation (5% per annum). So for planning purposes we expect that 5% of the total eligible expenditure will be utilised in each Priority area as follows

Priority 1	2007	2008	2009	2010	Total
ESF	7790558	7946369	8105296	8267402	32109627
Match	7790558	7946369	8105296	8267402	32109627
Total	15581117	15892739	16210592	16534805	64219254
Admin	779055	794636	810529	826740	3210962
%	5%	5%	5%	5%	5%

Priority 2	2007	2008	2009	2010	Total
ESF	7419975	7568375	7719744	7874139	30582233
Match	7419975	7568375	7719744	7874139	30582233
Total	14839950	15136750	15439488	15748278	61164466
Admin	741997	756837	771974	787413	3058223
%	5%	5%	5%	5%	5%

Admin expenditure	2007	2008	2009	2010	Total
	192,750	1,927,498	2,023,872	2,125,066	6,269,186

The administration of the LSC has been developed to ensure that the maximum level of funds is passed to providers to meet government targets.

The proposed administration costs across all priorities and areas will be kept within 5% at £6,269,186. The budgets set out elsewhere within the Plan include a proportion for administration and management.

To maximise the added value of ESF the LSC is committed to an integrated model linking ESF activity much more closely to mainstream activity. A team at regional level will co-ordinate overall development and implementation of the plan and provide a single point of contact for GONE. The planned time committed to management of the plan equates to 35 Full time equivalents.

The LSC organisation structure changed in 2006. The LSC is a unitary body with nine regional centres and a network of local partnership teams covering the whole of the country (through sub-regional offices). Teams within the nine regions manage the contracting process for ESF using a national contract management system, and manage the relationships with regional strategic partners (including Government Offices). Relationships with providers are managed by Partnership teams.

The system will provide detailed contract monitoring information and enable aggregated reporting of performance and risk management of the ESF programme at national, regional and project level.

Audit of provider ESF activity will be carried out by the LSCs Provider Financial Assurance (PFA) teams who will review and report on provider processes, systems and delivery and make recommendations to contract and partnership teams as well as the providers on improvements in these areas or where remedial action is necessary.

A total of 20 business processes have been identified. Details of these are listed below.

Local Functions

The primary interface with local and sub-region partners, responding to local needs and determining local activities:

- Developing activities and identifying what needs to be procured
- Contract Negotiation
- Contract Management
- Provider Interface

Regional Function

- Co-finance Plan Development
- Co-finance Plan Management and Re-profiling
- Match Funding
- Interim Claims Production
- Project Closure Report Production
- Data and Eligibility Checking (ESF Projects)
- Procurement
- Contract Preparation and Administration
- Contract Re-profiling and payment management
- Contract Close Down
- Provider Financial Assurance
- ALI & Quality
- New Provider Process
- LSC Data Systems and Training
- Publicity
- State Aid
- Audit – Internal and GO

4. PROJECT SELECTION AND TENDERING ARRANGEMENTS

4.1 Procurement

The LSC is introducing competitive tendering to open up the learning and skills market by enabling the best providers to extend their range of provision and by attracting new providers into the system to increase diversity, improve quality and to stimulate innovation in the market.

The vast majority of LSC ESF provision, and that which will be used as match funding, will be procured through an open and competitive tendering process. ESF provision for the 2007/13 programme will align with the procurement timetable for LSC mainstream provision and regional commissioning plans. The LSC has moved to an E-procurement (OCT) process which will simplify the processes for applicants to one single standard approach for the whole LSC. This should also encourage ESF providers to access the additional delivery opportunities that procured mainstream funding can offer. The LSC intend to procure activity to start delivery early in 2008 to ensure that “N+2” can be met. In order to attain this, the procurement activity will need to be started as soon as possible in 2007

The LSC has moved to an E-procurement (OCT) process which will simplify the processes for applicants to one single standard approach for the whole LSC. This should also encourage ESF providers to access the additional delivery opportunities that procured mainstream funding can offer. In line with the LSC new procurement processes our intention is to use an electronic portal ‘Bravo Solutions’ which is approved by the Office of Government Commerce (OGC).

Organisations seeking to undertake activities funded by ESF (or match) will be required to successfully complete a two phase process. The Pre Qualification stage (PQQ) and the Invitation to Tender stage (ITT).

The use of the E-tendering system and the two stage process will ensure that both Governmental and European law is adhered to. The National Audit Office (NAO) also approves this product for the tendering of Government business.

4.2 Stage 1: Pre Qualification Questionnaire

Organisations seeking to deliver ESF (or match funded programmes) will be required to complete an on line Pre Qualification Questionnaire and successfully complete an assessment of their capacity and capability to deliver ESF and LSC funded programmes.

This first phase is an assessment of the providers Quality procedures, Health and Safety measures and Financial Health as well as the Providers capacity to deliver the proposed training needs.

4.3 Stage 2: Submission of Tenders

All successful organisations are then invited to tender for the provision they initially applied for. This bid (tender), once submitted electronically to the managed web host will be appraised using agreed criteria, once again using trained evaluators. Following assessment a moderation process will take place.

4.4 Publicising Invitations to Submit Tenders

To ensure that the LSC conducts an open, transparent and competitive tendering process, an extensive range of media will be utilised to advertise invitations to submit tenders. The range of media to be used is outlined below.

The Learning and Skills Council website (www.lsc.gov.uk);

- Government Office website
- Press adverts
- Press releases to local and regional newspapers, trade publications, local BBC radio and local commercial radio stations;
- Direct mail.
- E-mail alerts to the regional LSC database
- E-mail alerts to network organisations for onward cascade

All of the proposed methods will be employed concurrently to ensure that as many organisations as possible are made aware simultaneously of the two stage process.

The LSC will make a special effort to contact voluntary and community sector organisations in particular we will be contacting organisations and groups that have previously bid to ESF.

4.5 Support and Advice

The LSC will run briefing events open to all potential applicants. The LSC will be able to respond to questions via an E-portal and this may include compiling a frequently asked questions section. All support and advice offered will align with OCT guidelines.

Co-financing will continue to provide a much more level playing field for current and potential providers from all sectors as:

- Applicants will have a clear statement of intent from the local LSC as to the type of interventions sought;
- Co-financing will remove the problems encountered by many potential providers of sourcing match funding;
- Co-financing will reduce the need to become expert in European bid writing; and
- The LSC will use a common application process.

In taking this approach the LSC will seek to ensure that new providers, from all sectors, can compete openly and effectively.

4.6 Timetable

The LSC plans to operate a single annual procurement process with two smaller mini competitions which will operate between March and August each year.

Stage 1

PQQ Road shows	31 August
Publish Invitation for Stage 1 PQQ	31 August
Deadline for submission of PQQ	28 September
Applicant organisations informed	9 November

Stage 2 continued

Invitation to tender issued	12 November 2007
Deadline for submission of tenders	7 December 2007
Appraisal and review process completed	28 January 2008
Applicants notified of outcome	30 January 2008
Standstill period ends	9 February 2008
Projects start	Mid February 2008 onwards

4.7 Feedback Arrangements

The LSC will employ a fully transparent appraisal process with all applicants receiving an overview of the appraisal process.

All organisations applying for ESF from the LSC will be notified of successful applications and the LSC will ensure that all proposals receive feedback on their proposal. Where a proposal is unsuccessful, the applicant will be informed as to the reason. All feedback will be provided via the LSC E-Tendering portal.

In the interests of openness and transparency we will publish summary details of successful project applications; these will be posted on our website and that of the GO.

4.8 Arrangements for Dealing with Provider Complaints

In the event of a proposal for funding being unsuccessful, should the organisation, after receiving feedback feel that they have cause for complaint the organisation may invoke the Learning and Skills Council's Complaints Policy. This policy will be posted on the LSC's national website: www.lsc.gov.uk

5. PROVIDER FUNDING AND MONITORING

5.1 Contract Costs

Contract costs will be established through a joint agreement between the provider and the regional LSC. The National LSC ESF Team have defined a set of standard deliverables for the new ESF programme, each one will be given an associated cost suggestion that will form a basis for the unit cost used in the contract and the subsequent profile payments. The regional LSC will review the delivery costs by month for the provider through a contract clarification process, which based on their application will manage the unit costs per deliverable to make as close a match as possible to the providers monthly delivery profile.

In some circumstances it may be necessary for the LSC to increase initial costs (for beneficiary starts) to assist in the start up costs for small providers or those in the voluntary and community sector and to assist in their cash flow in the early days of the project. Where delivery does not take place but payment has been made on profile, the LSC will reclaim this money from the provider. The sum of the unit cost and volumes of the deliverables will make up the full contract value.

5.2 Payment Arrangements for Providers

Providers will be paid by the LSC based on agreed monthly payment profile which will form part of the contract between the LSC and providers. Payments will be generated through a Contract Management Application (CMA) which will feed into the LSCs payments system. Payments will be made to the provider via BACS on an agreed date in the month (based on the number of working days elapsed).

Providers will be required to make monthly monitoring returns to the LSC to report on activity carried out in the previous month. The return will be based on both the Individual learner record (ILR) returns and returns for non ILR based delivery via a Statement of Delivery (SoD). These returns will feed into the LSCs CMA which will perform automatic reconciliation on a quarterly basis. This reconciliation will make adjustments to subsequent payments based on profile payments made against each activity that the provider has not carried out.

5.3 Actual Costs

The LSC does not intend to pay providers on an actual costs basis. All contracting will be open and competitive tendering and will be based on contract costs. (NB. The LSC reserves the right to pay providers by other eligible methods if required in exceptional circumstances)

5.4 Arrangements for Monitoring ESF providers

Contracts are assigned a contract management member of staff and a relationship management member of staff at inception stage. Contracts financial profiles are inextricably linked to delivery; therefore, monitoring of financial performance is centred on appropriate and suitably evidenced delivery.

Contractors will return learner data electronically to the LSC along with a monthly or quarterly report of all deliverables within the contracts combined with additional narrative reports. The required evidence to support these deliverables is identified within the contract and the evidence is held by the provider and will be retained in line with ESF requirements.

Performance monitoring of individual projects is undertaken in accordance with the frequency detailed in the contract. The monitoring process includes a pre-determined, and reviewed, schedule of provider visits and evidence checks by LSC staff.

Contracts are monitored against:

- the objectives of the contract;
- the timely and accurate return of records and reports to the LSC;
- delivery of the agreed outcomes, outputs and milestones (as documented in the contract);
- the evidence of delivery (utilising a predetermined sample size);
- beneficiary eligibility (as documented in the contract); and
- where possible, learner records will be automatically monitored electronically using the ILR Dbase and the ensuing financial variance addressed.

The agreed variance for under/over performance of contracts is: +/-15% or +/-£50,000 for ESF only providers or +/-25% or +/-£250,000 for LSC mainstream providers. Where variances are greater than this a business case is required to be authorised at Director level.

Where indicated, underperforming contracts will have payments halted and/or claw backs enacted, re-profiling will occur based on actual delivery to date and a newly agreed future delivery profile.

The Regional LSC will keep an overview on expenditure and outputs to ensure that Co-financed activity is performing within acceptable parameters and in line with the funding profiles submitted to GO.

5.5 Project Delivery and Outcomes

The establishment of nine regional contracts teams has provided the opportunity to bring some consistency in how the LSC monitors/manages contract performance, drawing on existing best practice previously identified.

The nationally driven procurement process, alongside the use of the new Contract Management Application system, will ensure the consistent use of a range of robust outcomes – the contract schedules will be completed using this information and an agreed profile against each outcome will be agreed.

The contract/provider will be risk assessed to determine the frequency of monitoring needed e.g. a new provider delivering new provision would be classed as higher risk to start with, whilst a known provider with a good track record of delivery would be classed as lower risk.

The contracting team will look at the performance data submitted by the provider on a regular basis (in line with risk rating) and will identify any under or over performance in the delivery of the expected outcomes. Obvious causes of performance variance such as data issues will be investigated and eliminated in the first instance.

A performance report detailing the under/over performance, highlighting the key areas for concern, any trends, and any impact on key dependencies will be sent to the “partnership advisor” who is responsible for the relationship with that provider (at a local office). That advisor will then discuss the project and performance variance with the provider and submit a report back to the regional contracts team – that report may include an agreed variation to the profile. Other LSC staff may also have important roles in reviewing performance and strategic direction of funded delivery.

The contracting team will note any follow-up actions and will re-issue a variation to contract if necessary. Frequency of monitoring will be adjusted if appropriate as part of the process. Payments will be reconciled/ adjusted as necessary and if warranted, payments will be placed on hold whilst the performance issues are addressed.

5.6 Quality Standards

All LSC providers are required to comply with rigorous quality standards, including minimum performance levels as set out in our Planning for Success framework which covers planning and quality. Providers are also subjected to inspection through OFSTED. This ensures that local communities have access to relevant and high quality learning opportunities; individuals of all ages and backgrounds acquire the knowledge and skills that will enable them to realise their potential, improve their life chances, and contribute to economic growth, and so that employers are able to recruit and develop the skilled and qualified workforce they need for business success. Inspection will be within the scope of the Common Inspection Framework – and eventually the Framework for

Success. We are intent on excellent provision for the benefit of employers and learners alike.

The LSC in the North East intends to ensure that the Key findings of the 2006 ALI inspection of ESF in the North East are considered and embedded within the provision procured through this plan. In particular consideration will be given through the tendering and contracting, to how the following identified areas of improvement will be achieved

- Development of learning plans to clearly identify learners' support needs, and record their previous relevant knowledge or experience
- Development of approaches to ensure initial diagnostic assessment of individuals learning and support needs are undertaken
- Improved use of data by providers to implement improvements in their own provision
- Providers to demonstrate how self assessment will be embedded to improve provision.

5.7 Financial Assurance

Regional Provider Financial Assurance (PFA) teams include ESF in their annual work plans. The teams endeavour to audit each contract at least once during the life of the contract. PFA will contact the relevant contract/relationship staff before the audit commences to obtain contract details, and will keep these staff members informed throughout the audit.

The audit approach places significance on the assessment of risk and the key controls providers can be expected to have in place for administering LSC contracts. Emphasis is given to advising providers on how their controls can be improved, and the sharing of good practice identified by PFA from previous ESF audits. Where control weaknesses are identified, recommendations for improvement will be based on diagnostic work that pin-points the reasons for errors occurring. This consultative approach should lead to a reduction in recurring errors and greater added value from the audit process.

The assurance approaches are tailored to reflect the differences in actual costs and beneficiary contracts.

Audit opinions are given on providers' use of funds and internal controls. The assurance report, including details of any funds at risk relating to the contract, will be discussed with the contracting and relationship staff involved.

5.8 Management Information

Management Information will be sourced from the LSC's ILR Management Information databases for learner information and from the ESF Contract management Application for financial reporting and some learner summary reporting.

Regional LSCs will have access to both a standard set of management information reports from the ESF MI as well as access to our regional planning and performance team who can produce a range of ad hoc reports.

5.9 Reporting performance to regional ESF Committee

Summary level reporting based on performance will be made available to the regional ESF committee in line with mutually agreed requirements. These will be produced and made available on a periodic basis and will represent regional subsets of the data that is submitted to ESFD. Data supplied will meet the requirements of the Data Protection Act.

5.10 Audit

All sub-contracted provision will be subject to local audit processes within a national framework. Our Provider Financial Assurance (PFA) team will audit each project as a minimum once during its lifetime. The purpose of these audits will be ensure that payments to providers have been used in ways that are materially consistent with the purposes for which the payments were made and that the provider has materially complied with the conditions of their contract,

The Regional Director will be responsible for the production of a statement of internal control about the effectiveness of local internal controls and this opinion will be based, to a large extent, on the level of assurance provided by PFA function.

In addition, the LSC's internal processes and controls are reviewed on a regular basis by a national team of internal auditors based in Coventry. National process and controls are similarly subject to review by the National Audit Office (NAO) and can include further reviews at local level.

6. CROSS CUTTING THEMES

6.1 Equality and diversity

Action to promote equality and diversity is an integral part of the LSC's business objectives. We can only realise our vision of creating a world-class workforce if we remove barriers, eliminate discrimination, address disadvantage, and raise the aspirations of both present and potential learners.

Our Single Equality Scheme shows how we will put this into practice. By incorporating our individual schemes for race, disability and gender equality into one overarching scheme, we are creating a coherent framework for promoting equality and diversity within the LSC and across the learning and skills sector. Its objectives are aligned with our national priorities, so that it will operate strategically, in the mainstream of our work.

Current LSC NE priorities for addressing inequality and promoting diversity are:

- Black and Minority Ethnic (BME) learners are far less likely to be learning at full Level 2 or above than white learners (even when ESOL provision is not counted)
- Adult learners with a learning difficulty or disability are less likely to succeed in a full Level 2 qualification (than those without a learning difficulty or disability)
- Male learners are much less likely to succeed in full Level 2 and 3 qualifications than female learners
- Apprentices with a learning difficulty or disability are much less likely to complete their framework (than those without a learning difficulty or disability)
- 16 to 18 year olds with children are much more likely not to be in education, employment or training than those without
- Unacceptable levels of gender segregation in learning and employment remain in the engineering, construction, health / social care, and hair and beauty sectors
- People aged 50 plus are much more likely to be Not in Education, Employment or Training than those of the same age in other regions
- Participation of BME individuals in Work Based Learning and Apprenticeships remain low
- Further support is required to meet the learning and skills needs of refugees and asylum seekers eligible for LSC funding in our region

6.2 Sustainable development

Sustainable development is focused on providing a better quality of life for everyone now and for generations to come. This is achieved through considering and balancing the long-term effects of social, economic and environmental issues and impacts. (Securing the Future – UK Sustainable Development Strategy, 2005)

The European Commission has expressed concern that projects in the last ESF programme addressed mainly the social aspects of sustainable development. There is therefore a renewed focus on the environmental aspects of sustainability for 2007-13.

The approach we are taking is to encourage specific environmentally focussed projects where these clearly link to regional skills priorities (e.g. renewable energy, energy

efficiency, waste management etc.) and at the same time begin mainstreaming the environmental aspects of sustainable development through working with providers.

DWP are building in sustainable development to tendering/ procurement processes but the LSC is not going down this route at present as we feel too many providers would be discouraged or discounted if we did this.

We have agreed that we will take a developmental approach with providers and are looking at how to spread good practice from previous ESF programmes. For example, GO London required providers to attend workshops on sustainable development where they were helped to develop environmental policies. We are currently evaluating this with GO London to see if it is an approach other regions would be able to use.

In addition an interactive toolkit for providers developed by DfES for the last programme is being re-visited. We hope to be able to link this with LSC funded resources for sustainable development being developed in the FE sector.

It is important to note that funding used as match should have the same approach to sustainable development as ESF projects and we need to do further work to ensure that all LSC funds are used in a way that meets the needs of today without compromising the ability of future generations to meet their own needs.

7. Implementation

7.1 Key Milestones 2007 -2008

The table below highlights key milestones over the first 12 months, in the implementation of the LSC ESF Co-financing plan.

Month	Activity
August 2007	PQQ Road Show for prospective applicants
	National Launch of LSC PQQ
September 2007	CFO plan Submitted
	Regional Committee Meeting – CFO Plan Approval
October 2007	Agree Profiles of expenditure and outputs with GONE
	CFO Contracts issued by GONE
November 2007	PQQ Responses Evaluated
	Launch Invitation to Tender (ITT)
December 2007	ITT deadline for return
January 2008	ITT responses evaluated
	2nd PQQ launched
February 2008	Contract negotiations commence
	Contracted Delivery Commences
March 2008	First Project Monitoring Returns received
	2 nd PQQ Responses Evaluated
	Launch 2 nd Invitation to Tender
April 2008	On going Contract Monitoring and Review
	Project monitoring returns received
	ITT Deadline for Return
May 2008	On Going Contract Monitoring and Review
	Project Monitoring Returns Received
	CFO Quarterly Claim submitted to GONE
	ITT responses evaluated
June 2008	On going Contract Monitoring and Review
	Project monitoring returns received
	Contract Negotiations commence for 2 nd ITT
	Contracted Delivery Commences
July 2008	On going Contract Monitoring and Review
	Project monitoring returns received

Note: The above milestones will be continually reviewed through delivery and may be subject to change.

APPENDIX 1

Finance and Targets

CFO and Plan Details (Separate annex for each CFO covered by the plan)

Learning and Skills Council 2008-2010

Financial Allocation:

Tables a) and b) below represent the funding allocated to the programme that the LSC intends to deliver through ESF Co-financing for the programme period to 31/12/2010. The tables c) and d) represent the expenditure profiles for those resources.

a)

Priority 1			
Year	ESF (£)	Public Match (£)	ESF + Match (£)
2007	7,790,558	7,790,558	15,581,117
2008	7,946,370	7,946,370	15,892,739
2009	8,105,296	8,105,296	16,210,592
2010	8,267,403	8,267,403	16,534,806
Total	32,109,627	32,109,627	64,219,254

b)

Priority 2			
Year	ESF (£)	Public Match (£)	ESF + Match (£)
2007	7,419,975	7,419,975	14,839,950
2008	7,568,375	7,568,375	15,136,750
2009	7,719,744	7,719,744	15,439,488
2010	7,874,139	7,874,139	15,748,278
Total	30,582,233	30,582,233	61,164,466

Expenditure Profiles:

c)

Priority 1			
Year	ESF (£)	Public Match (£)	ESF + Match (£)
2007			
2008	10,543,222	10,543,222	21,086,444
2009	10,702,149	10,702,149	21,404,298
2010	10,864,255	10,864,255	21,728,511
Total	32,109,627	32,109,627	64,219,254

d)

Priority 2			
Year	ESF (£)	Public Match (£)	ESF + Match (£)
2007			
2008	10,041,700	10,041,700	20,083,400
2009	10,193,069	10,193,069	20,386,138
2010	10,347,464	10,347,464	20,694,928
Total	30,582,233	30,582,233	61,164,466

APPENDIX 2: CFO and Plan Details (Separate annex for each CFO covered by the plan)

Learning and Skills Council 2008-2010

Output and results targets

Priority 1

Target	Quantification
Outputs	
Total number of participants	23,366
1.2 Number and % of participants who are unemployed	
(a) Number	7,305
(b) Percentage	31%
1.3 Number and % of participants who are inactive	
(a) Number	5968
(b) Percentage	26%
1.4 Number and % of participants age 14 to 19 who are NEET or at risk of becoming NEET	
(a) Number	8094
(b) Percentage	35%
1.5 % of participants with disabilities or health conditions	22%
1.6 % of participants who are lone parents	12%
1.7 % of participants aged 50 or over	18%
1.8 % of participants from ethnic minorities	8%
1.9 % of female participants	51%
Results	
1.10 Number and % of participants in work on leaving	
(a) Number	5141
(b) Percentage	22%
1.11 Number and % of participants in work six months after leaving	6075 26%
1.12 Number and % of economically inactive participants engaged in jobsearch activity or further learning	
(a) Number	2686
(b) Percentage	45%
1.13 Number and % of 14 to 19 year old NEETS or at risk in education, employment or training on leaving	
(a) Number	3642
(b) Percentage	45%

It should be noted that some of the % outputs appear at odds with those outlined in the regional framework this is due to the effects generated due to the split of funds and outputs between Jobcentre Plus and LSC relating to economically inactive individuals

Priority 2

Target	Quantification
Outputs	
2.1 Total number of participants	37700
2.2 Number and % of participants with basic skills needs	
(a)	15457
(b)	41%
2.3 Number and % of participants without level 2 qualifications	
(a) Number	15457
(b) Percentage	41%
2.4 Number and % of participants without level 3 qualifications	
(a) Number	4524
(b) Percentage	12%
2.5 % of participants with disabilities or health conditions	15%
2.6 % of participants aged 50 or over	20%
2.7 % of participants from ethnic minorities	4%
2.8 % of female participants	50%
Results	
2.9 Number and percentage of participants gaining basic skills	
(a) Number	6930
(b) Percentage	45%
2.10 Number and % of participants gaining level 2 qualifications	
(a) Number	6154
(b) Percentage	40%
2.11 Number and % of participants gaining level 3 qualifications	
(a) Number	1386
(b) Percentage	30%

APPENDIX 3

LIST OF ACRONYMS

ALI	Adult Learning Inspectorate
BME	Black and Minority Ethnic
CFO	Co-Finance Organisations
CFP	Co Finance Plan
DWP	Department for Work and Pensions
ERDF	European Regional Development Fund
ESF	European Social Fund
ESOL	English for speakers of Other Languages
GONE	Government Office for the North East
GVA	Gross Value Added
IB	Incapacity Benefit
ICT	Information Communication Technology
iIP	Investors in People
ILR	Individualised Learner Record
ITT	Invitation to Tender
JSA	Job Seeker's Allowance
LAA	Local Area Agreement
LSC	Learning and Skills Council
LSP	Local Strategic Partnerships
NAO	National Audit Office
NEET	Not in education, employment or training
NiNo	National Insurance Number
NVQ	National Vocational Qualification
ONE NE	ONE North East Regional Development Agency
NERES	North East Regional Economic Strategy
OCT	Open and Competitive Tendering
OGC	Office of Government Commerce
OLASS	Offender Learning and Skills Service
PFA	Provider Financial Assurance
PQQ	Pre Qualification Questionnaire
PSA	Public Service Agreement
RES	Regional Economic Strategy
REF	Regional Employability Framework
RSP	Regional Statement of Priorities
SDA	Severe Disablement Allowance
SME	Small & Medium Sized Enterprises
SOC	Standard Occupational Classifications
SR	Short Record
SSC	Sector Skills Councils
SSPA	The Service & Support Professional Associations
SSV	Skills Shortage Vacancies
TTG	Train to Gain