

## Tendering process for the ESF 2007-2013 Programme

The LSC and DWP have announced the lists of the organisations selected for the tendering process across England. The organisations which have been granted a PQQ status will be eligible to bid for the ESF funding in the new round of the Programme.

### Selection and Tendering

Both the LSC and the DWP have used a Pre Qualification Questionnaire (PQQ) process to select organisations as eligible to submit tenders against the new ESF Programme 2007-2013. They have, however, adopted quite different approaches. Whereas the LSC has given the green light to more than 3000 organisations across England (approx. 46 from the VCS in the North East), the DWP have selected just a few dozen (8 organisations approved in the North East - see overleaf). This reflects the latter's commitment to a Private Sector led Primary Contracting model. It is expected that organisations wanting to lead on either DWP or LSC tender

opportunities will seek to make contact with the VCS to deliver parts of the target contract.

The LSC tender process is well underway and organisations eligible to bid after the PQQ stage were able to bid in three domains: Employer Responsive, Adult Responsive, and Youth Participation.

All specifications are large and most entail 'brokering' partnerships and subcontracted delivery (ESFVON's Brokerage Support Service - see page 5). The Deadline for submission of tenders was 14th December.



*Dear partners,  
We wish you all  
a very Merry Christmas  
and many achievements  
in the forthcoming  
year 2008*

*ESFVON Directors  
and the staff*

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The DWP tenders were announced on the 3rd December with the deadline for the submission being on the 4th February 2008. There will be 5 contracts awarded in the North East requiring successful bidders to provide a range of measures designed to engage beneficiaries, remove barriers, improve employability and support the retention of participants into employment, education and further learning.

The DWP contracts will be delivered in the three areas set in the region:

- **Northumbria** (including Newcastle upon Tyne, Gateshead and North Tyneside)
- **South Tyne & Wear** (including Sunderland, South Tyneside and County Durham)
- **Tees Valley**

Eight organisations have been shortlisted by the DWP to be invited to submit their tenders against contracts in one or more of the areas.

Table 1. Organisations invited to the DWP ESF tendering stage

Area	Number of Contracts	Organisations shortlisted to tender for the DWP co-financing contracts
<b>Northumbria</b> (Northumberland, Gateshead, Newcastle upon Tyne and North Tyneside)	1	A4e Ltd Sencia Ltd Shaw Trust Ltd TNG Ltd Work Directions Ltd Working Links (Employment)
<b>South Tyne &amp; Wear</b> (Sunderland, South Tyneside, County Durham)	2	A4e Ltd Carter and Carter Employability Skills Ltd Shaw Trust TNG Ltd Work Directions Ltd Working Links (Employment)
<b>Tees Valley</b> (Tees Valley North, Tees Valley South)	2	A4e Ltd Shaw Trust Ltd Talent Recruitment Ltd TNG Ltd Work Directions Ltd Working Links (Employment)

If you wish any further details or want to discuss future opportunities contact Alan Payne on 01912749886 or alan.payne@esfvon.org.uk

If you are interested in ESFVON's brokerage services that have been developed in order to link voluntary organisations to the primary providers and help the process please see the article on page 5.

## The future of ESF funding and DWP commissioning strategy - feedback on ESFVON's contribution to the Third Sector European Network (TSEN) Seminar, and on publication of critical DWP statement of intent

TSEN held a seminar on the new European Social Programme 2007-2013 on November 30th at Tavistock Place in London; sub-titled 'Delivering the Vision' speakers and audience included EFSD, the Office of the Third Sector, the DWP (Commercial and Estates), alongside the Voluntary Sector. ESFVON used the opportunity to present a paper, 'Finding Solutions', which addressed the problem of engaging the VCS in the new order of Primary Contracting that seems likely to dominate European, as well as mainstream DWP funding of employability actions in the future.

By coincidence, three days earlier, saw the publication of the latest DWP implementation policy statement on the same theme: 'the DWP Commissioning Strategy Interim Report'. We have prepared this article, for reasons that should become obvious, juxtaposing our review of these events.

Alan Payne's presentation on behalf of ESFVON steered towards describing an example solution, in hard contract terms, of how a large primary contractor could overcome 'forward investment' risk in order to engage with a number of voluntary organisations individually and simultaneously. He preceded this, however, with a set of forthright predictions of the conditions that would come about to exclude the sector.

He predicated this analysis on the basis that the David Freud Report of earlier in the year was the key policy agenda that the DWP would be seeking to implement. It was this latter working assumption that caused controversy.

The analysis was brutally simple: if Freud means, (1) large organisations are appointed to deliver large contracts into this billion pounds a year agenda and, (2) the primary focus is on payment for outputs, rather than payment for process there would have to be considerable 'money out' before 'money in' i.e. investment before the 'payment points' were triggered (the so-called 'back-loaded' contract). In this climate, he concluded, Primary Contractors would adopt a risk aversion strategy and deliver 'in house' wherever possible and would not be inclined to invest in uncertain outcomes at some remove from the outcomes payment.

The analysis itself was not disputed. What was challenged was the fundamental assumption that the Freud Report had been accepted by Government, and was going to be the fundamental driver of events and mechanisms. Ken Lambert, attending on behalf of ESFD, clearly stated that the Government had not accepted Freud as depicted and therefore these concerns were largely exaggerated. Rob Wormald (not in attendance earlier in the day to hear 'Finding Solutions'), who should be in a position to know since he is from Commercial Employment Provision of DWP Commercial and Estates Directorate, on the subject of Freud stated "never in my life time".

On the basis of these assurances it appears that the Freudian spectre of hardmarketing and wholesale privatisation may not be as serious as initially feared. ESFVON would hope so, since these are really important issues. The problem is that stated DWP policy and action remains very 'Freudian' in appearance; although we await the detailing of payment mechanics for the latest round of ESF, the PQQ scything of ITTs could hardly be more Freudian i.e. setting out to concentrate even eligibility to bid in the hands of a just few Primary Contractors. This is less than the whole the story, of course; the essence of the Freud model (what has made it work in other countries) is where and how money is paid to the Primary Contractor; it comes down to simple maths: amounts paid at 'employment' and 'sustained employment' could, in fact, be seen as a FI ('Freud Index'). If, in total, this is about 60% of total contract value

Then this is weak to modest FI; more than 80% is strong FI. The above reassurances would, ESFVON concludes, imply a very weak FI at below 50%. We will know when the payment regimes across ESF and mainstream funding are published.

The expectation that the appearance of the DWP Commissioning Strategy earlier in the week would throw clear light on all of this seems reasonable. In which case, ESFVON would draw readers' attention to the following extracts: In general, 'Our thinking builds on David Freud's proposals in his report, 'Reducing dependency, increasing opportunity' published earlier this year. It also goes wider, taking into account other developments such as the Leitch review of skills and the joint Communities and Local Government Department for Work and Pensions paper on area-based strategies to reduce worklessness.' (P3).

On market structure principles it states: 'We want a... base of top tier providers' (p3); 'The welfare to work market will be arranged into larger contractual packages delivered by top-tier providers leading and managing diverse supply chains'(p4); 'We will do most of our business (around 80%) with a stable core of reliable providers.' (P4). Is this emphasis on 'big' significant? Yes, we would suggest the main reason is to target payment on outputs. A laissez faire economic model devolves to

## Useful links:

### "In Work Better Off"

<http://www.dwp.gov.uk/welfarereform/in-work-better-off/in-work-better-off.pdf>

### Commissioning strategy

<http://www.dwp.gov.uk/publications/dwp/2007/com-strategy/cs-interim-report-07.pdf>

### David Freud Report "Reducing dependency, increasing opportunities"

<http://www.dwp.gov.uk/publications/dwp/2007/welfarereview.pdf>



European Union  
European Social Fund  
Investing in jobs and skills

expenditure ahead of payments received for outputs, and to the fact that only big organizations have this capital potential. There is no other (e.g. strategic need) convincing reason for this focus of having just a few primary contractors.

On 'market development and stewardship principles' the report asserts: 'We will support the development of the wider market to ensure that high quality, high performing, smaller and specialist providers are involved in our contracts. Our capabilities framework will be key to this. We are also committed to ensuring excellent sub contractual relationships with high performing third sector and other organisations.' (p5); 'We will take evidence of effective partnership working and supply-base development at the local level into account in awarding business to prime

If you wish to know more about the new **European Social Fund Programme 2007-2013** and the future mainstream funding arrangements contact:

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Contractors.' (p5); 'Our Capabilities framework will allow us to contract against a view of a healthy, high performing supply chain; we will also inspect and manage contracts against that framework and intervene to insist on changes in particular supply chains if they are inadequate in any regard.' (P5).

These principles are definitely at odds with Freud, since they emphasise prescription and intervention. Some Primary Contractors call this the 'cake and eat it' section; in so far as it compromises the principle of 'let the market decide' it will magnify costs and

therefore may be seen to conflict with aspects of the 'commercial strategy' (see below). On the other hand, these principles support the position of Ken Lambert et al in mitigating the worst of Freud's free market agenda. The big question is how can these controls be mandated without reversion to a process based system? Of course, the latter would be welcomed by the VCS, if it recognised and allowed for the significant investment the sector requires ahead of final outputs.

The Commercial Strategy principles take us back to Freud and reinstate sector concerns: 'We will build a competitive market with larger and longer contracts, rewarding providers for sustained outcomes and significantly reducing costs.' (p7) 'We will be basing our payment strategy more on sustainable job outcomes (six months will be the minimum and over time we expect this to increase moving quickly to around 12-18 months).' (p7).

Whilst there is a commitment to 'Trial different models of outcome payments, we will work with providers to develop more sophisticated, differentiated models to avoid situations where customers with minimal barriers to work are given preferential treatment over those who are harder to help.' (p7), there is no other commercial mandate to underwrite the 'stewardship principles'. ESFVON would maintain payments should be entailed by the stewardship principles, without this, the latter beg more questions than they answer.

Not all sections of the Commissioning Strategy are reviewed here; we simply do not have the space. We have focused on those that have most relevance to the key agenda affecting our sector. Other sections on customer experience and performance management can be broadly aligned with our comments on stewardship that's to say entail process and mitigate the unbarbed implementation of Freud. Moreover, we have only referred to the DWP's Commissioning Strategy and have not cited the Government's explicit notice of intent and policy in the Green Paper, 'In Work, Better Off'. ESFVON reviews the directional implications of that separately. Suffice to say here, that is avowedly more pro-Freudian than one would expect if it the Report is, as officials at the TSEN conference maintain, to be quietly disregarded.

# ESFVON's brokerage of sub-contracting in the ESF Programme 2007-2013 and the mainstream programmes

As the sector co-ordinator (funded under Technical Assistance) for the Voluntary and Community Sector, ESFVON continues to have a key role in facilitating the access of voluntary organisations into European funding. Under the former co-financing arrangements introduced in 2002, ESFVON undertook a 'brokerage' role, whereby organisations not wanting or having the capacity to bid themselves could be put in touch with consortia and lead agencies in order to deliver a part of a larger submission.

This function is even more pertinent and will continue with the current 'Primary Contracting' co-financing arrangements now operating across both the LSC and JCP and the future mainstream funding provided by DWP.

In order to retain the role and involvement of the sector in delivering European projects and contributing to the Government's worklessness agenda ESFVON provides a service to both prospective Primary Contractors and Voluntary Sector Sub-contractors.

**Prospective Voluntary Sector Sub-contractors:** Many organisations will be confused as to who they might contact with respect to any particular specification. ESFVON is in a position to determine the 'lie of the land' regarding who is doing what, and where and who are, 'prima facie', in a particularly strong position to bid - e.g. which Local Authority Learning Partnerships already meet most of the LSC stipulations and preferences in the NEET specification.

ESFVON is canvassing prospective primary contractors to see in which areas of provision they are most in need of 'bespoke' providers in the Voluntary and Community Sector. **Remember: you**

**Do not have to have a Pre-Qualification Questionnaire (PQQ) status in order to deliver under a sub-contracted or commissioning arrangement.**

**Prospective Bidding Agencies:** Many of you may not be fully informed of the range or 'market' of provision across the third sector that may be available to most ideally meet your 'sub-contracting'/delivery short-fall needs. ESFVON is able to help you optimise delivery and strengthen your bid in so doing. **Remember you do not necessarily have to sub-contract across the restricted range of PQQ status organisations.** You will though be responsible for ensuring that the full qualitative commitments you made in your PQQ are met in terms all delivery for which you are contracted, whether delivered by yourself or by a sub-contracted organisation.

**Note: ESFVON has an extensive database and working knowledge of voluntary sector organisations (both with PQQ and not) many of who may be commissioned to deliver relevant services.**

ESFVON also offers a commissioned research option to Primary Providers; whereby ESFVON would deliver dedicated and pre set sub-contracting profile outputs for a fee.

Both prospective voluntary sector sub-contractors and prospective bidding agencies are invited to contact ESFVON for further information.

## Future delivery

There are a limited number of organisations granted PQQ status that will be eligible to tender. Many organisations will be sub-contractors rather than primary contractors.

Those that are only interested in securing a sub contract to deliver bespoke provision will need to approach, or be approached by, a primary contractor.

Clearly, no one will know who will be automatically in a position to award sub-contracts until the end of the ITT stage next year. There are, though, a number of organisations which have won through the PQQ process to be one of those invited to submit final tenders. It is at this stage that the competitive process really gets going. Prospective primary contractors invited by the DWP and the LSC to tender will be seeking to 'factor in' sub-contracted delivery as part of the competitive process; it will be likely to strengthen their bid if they do so.

## The future

The Mainstream Programme of the Department for Work and Pension (£1bn a year across the UK) will also be allocated through the Primary Contracting model. This programme will focus on achieving employment outputs for those on inactive benefits and will invite tailored, bespoke provisions of the kind the VCS is most attuned to deliver.

It is envisaged that Primary Contractors will be largely from the private sector. Those agencies will be keenly interested to 'subcontract' quality and effective provision into their bids and delivery.

ESFVON's brokerage services will be fully engaged in this process. One of ESFVON's current projects 'Evaluation for Purpose (E4P)' is specifically entailed to research an optimum contracting model between the VCS and the private sector in this new commercial environment coupled with a pilot evaluations of a sample of voluntary organisations in respect of their 'fitness for purpose' to contract.

## Article 4 Monitoring training sessions for the Priority 4 voluntary sector projects

ESFVON will continue to work with and will be offering its services in relation to the Objective 2 Programme to all voluntary organisations, which delivered or are still running the Priority 4 projects until 31 March 2008.

We want to ensure that all the projects that require help are supported and the number of outstanding issues and problems can be minimized before the projects are finished.

We have been working closely with the European Team at the Government Office and the organisations in order to identify the outstanding

issues that we could address at the current stage.

### Article 4 training sessions

As there are still projects awaiting the Article 4 monitoring visit we would like to invite the project sponsors to the 2-3 hour Article 4 training sessions which will be held in January and February 2008. These will aim to prepare the projects for a visit by providing them with details on the aims, structure, and what information and records are required.

All the projects will be contacted directly in due course in order to discuss the details. Sessions are planned to be delivered in the areas where project sponsor organisations are based to ensure accessibility.

### Project visits

We will continue offering visits to the projects in order to ensure proper records have been kept and the requirements have been met. Contact us if you feel this might benefit your project. We will be more than happy to do a health check on the project and help address any outstanding issues.

### How to book a place

If you are interested in attending any of Article 4 sessions please contact Jakub on 0191 274 9886 or [jakub.fedorowicz@esfvon.org.uk](mailto:jakub.fedorowicz@esfvon.org.uk)

Further details including a proposed agenda and booking forms are available at our website:

[www.esfvon.org.uk](http://www.esfvon.org.uk)

## Excellence in Service Delivery

NECE working with the NAC Group have developed the Service Excellence programme of lean consultancy and training. This is a free programme specifically designed to improve efficiency through workforce development and a focus on which activities add value. It is part of addressing the public sector efficiency requirements outlined in many documents including the Comprehensive Spending Review.

To date the model has been applied to administration and clerical functions within local authorities and has been highly successful. It was piloted during 2006 and the programme showed average savings per participant per annum that were in excess of £6,000.

NAC and NECE are seeking to expand this free programme to address the wider workforce development requirements of the Third Sector to make demonstrable productivity improvements, thereby maximising the delivery of outcomes from public sector spending

### Proposal

NECE is committed to helping the Third Sector to become a more competitive provider in the mixed economy of public sector provision. The efficiency and process improvements promoted by this programme, as well as the qualifications that are delivered to participants, will assist in this objective. We are proposing to pilot this approach within the third sector by working with a group of agencies that share a common business process such as the completion of monitoring returns. A mapping approach is used to work with participants to identify the necessary and value adding parts of the process and the bits that are unnecessary and so do not add value. This allows the process to be redesigned to maximum effect. Because the process involves those that do the work directly this approach also provides an opportunity for significant workforce development. The programme leads to the achievement of an NVQ level 2 in Business Improvement Techniques for participants.



### Benefits of Participation

Agencies that deliver better value for money are better placed to win contracts from the public sector. Making the process of 'doing the business' as lean and efficient as possible is an effective approach to minimising waste and therefore delivering value for money.

The programme will provide work-based development underpinned by qualifications to the third sector and its employees and volunteers to deliver efficiency savings and support continuous improvement.

Participants' skills will be accredited through the achievement of an NVQ Level 2 in Business Improvement Techniques. There is no cost to the organisation, other than a small amount of staff time.

### Further Information

A workshop will be arranged in early 2008 to help interested organisations learn more about this opportunity.

**For further details or to register interest in attending the event, please contact Julie Brown at North East Centre of Excellence via [julietbrown@gateshead.gov.uk](mailto:julietbrown@gateshead.gov.uk) or 07917 813667**

### About NAC

NAC Group are a North-East based productivity and innovation consultancy. Further information about NAC Group, including an impressive video of client testimonials from recent BIT projects, can be found at [www.na-consulting.co.uk](http://www.na-consulting.co.uk)

## Changes to project certification and Annual Statements of Grant Expenditure (audit certificates)

The Government Office for the North East has announced changes to ERDF project certification of final and annual statements of grant expenditure (Audit Certificates). Changes will apply where certain criteria are met by project sponsors.

The current ERDF project offer requires grant recipients to provide, above de-minimis level, audit certificates at the final grant claim stage, and where grant exceeds £250k, also at the end of each year. Payment of the final or annual claim is then dependent on satisfactory audit certificates.

It has been proposed that audit certificates would only be required where ERDF funds are seen to be at risk because there is a lack of controls in place. GONE have adopted a set of criteria, which will be used to assess the projects. Where sponsors believe their organisations fit or almost fit the criteria (discretion can be exercised in some cases), they

should contact GONE in order to discuss the possibility of removing certificate requirements (the list of criteria can be obtained from ESFVON).

### Statement of grant expenditure still required (ERDF80).

This initiative does not remove the need to complete the statement of grant expenditure as required in the offer of grant/letter of approval. Projects must continue to complete this statement and have it endorsed by their senior finance officer or equivalent and provide this with their final or annual grant claim as currently.

For the list of criteria and further information contact Jakub at ESFVON on 0191 2749886 or at [jakub.fedorowicz@esfvon.org.uk](mailto:jakub.fedorowicz@esfvon.org.uk)

## Helping to meet this year's Objective 2 N+2 target for the region

We would like to encourage all the voluntary sector project sponsors to submit outstanding Objective 2 claims in order to help this year's N+2 target set for the region.

The N+2 rules requires a certain amount of European funding spent by the end of each year. This can only be achieved by outstanding claims being paid to the projects. The region is still a considerable way from meeting this year's N+2 target and GONE is looking for further claims that will help them to make progress in respect to the targets set for the region. What is needed are new claims, which will help to deliver spend of at least £50,000.

In order to help this GONE is willing to break away from the normal quarterly cycle, and can deal with claims for periods of less than 3 months. We believe that many organisations should be able to submit claims for October/November - if so, please send them in.

If you would like to get more details please contact European Team at the Government Office for the North East



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