



**Working together for business
and the community**

NWUA responses to the set consultation questions:

Question 1: Do respondents agree with the assessment in the draft National Reference Framework of the economic strengths and weaknesses of the UK's nations and regions.

NWUA generally agrees with the NSRF analysis as to the strengths and weaknesses of the UK's regions. The HE sector in the NW is working in conjunction with other regional partners in delivering the RES which is aimed at bridging the gaps in terms of productivity, competitiveness and skills by developing a knowledge economy and supporting innovation and creativity.

The concerns raised are that the NSRF currently lacks sufficient emphasis or recognition of sub-regional economic variations, for example Cumbria whose actual sub-regional economic performance is masked by regional statistical comparison, and the need for proposals to show greater utilisation to the regional and sub-regional partnerships developed in the North West and which are instrumental to delivery management, including sub-regional action plans, such as the Liverpool City Region Development Programme and Manchester: Knowledge Capital initiatives.

Question 2: Do respondents agree with the proposed priorities for future Convergence and Competitiveness Programmes in England, Scotland, Wales, Northern Ireland and Gibraltar.

NB. This response is relation to the proposed priorities and arrangements for the Competitiveness and Employment programme in England.

In respect of **ERDF**, the NW HEI sector agrees with the four broad priorities outlined in the NRSF in that the England ERDF programme should be focused on:

- promoting innovation and knowledge transfer,
- stimulating enterprise and supporting successful business,
- ensuring sustainable development, production and consumption,
- building sustainable communities.

As proven under the current NW Objective One and Two Programmes, the HE sector in the North West has had and wishes to continue to have a prominent role to play in developing and delivering relevant services and activities in support of realising the four priorities above and which is reflected in the North West's Regional Economic Strategy. As an illustration of the scale of delivery by HEIs in the NW under the current programmes, Merseyside HEIs have received Objective 1 funding totalling £50m for over 30 projects; HEIs based in the NW Objective 2 area have received £38.3m ERDF for over 61 projects, delivering assistance to 5,625 SMEs, creating 3,734 jobs and generating increased sales of over £300m.

There is concern however as to be ability to effectively deliver and realise the above four priorities in practice, given the current proposed structure as outlined in the draft NRSF.

In respect of **ESF** however, the HE sector strongly disagrees and has grave concerns over the proposed priorities. The current proposals indicate a distinct move away from activity that might be undertaken by higher education institutions. The HE sector in the North West believes this is a misinterpretation of the Commission's intentions and policies and is contrary to UK Government policy in regard to the importance of higher level skills to both the UK and NW economy and regional regeneration as well as the intention to widen participation from socially deprived groups in high-value employment requiring as a pre-cursor high level skills provision.

The concern at the potential loss of HE capacity from the withdrawal of ESF in the NW is shared by the NW Regional Development Agency, NW Regional Assembly and the current Structural Fund governance committees and is reflected in their responses to this consultation.

The current situation is that ESF funds are not currently delivered by a single national co-financed programme within Objective 3. The majority of funds are delivered in this way, but there is significant, and varied from region to region, element open to direct bidding in order to facilitate eligible activity outside of the remit of the co-financing organisation. Whilst some eligible activity undertaken by the higher education institutions falls within the remit of the LSC and is thus bid for through co-financing arrangements, the large majority of higher education eligible activity is outside the LSC remit. In the North West Objective 3 programme significant levels of activity with ESF funds totalling more than £18.7m has been delivered by higher education institutions through direct bidding for projects involving higher-level skills activity.

NWUA strongly recommends that the NSRF be amended to permit alternative direct bidding opportunities and for a ring-fence of at least **10-15%** of ESF for this purpose.

The overarching concerns as to the current proposals is that whilst coupling EU funds to mainstream funding and channels has some administrative advantages, the downside is the prospect of losing strategic flexibility and responsiveness to regional and sub-regional needs, which can be varied: it also raises the potential to isolate and exclude key regional partners, as is proposed under ESF.

The current NSRF proposals frequently mention the prospect for regional variation but fail to articulate precisely how this will be achieved in practice, especially with an England ESF programme, or what parameters, if any, there are on variation or particular focus. It is crucially important that regions maintain a synergy between ERDF and ESF programmes.

In the case of the North West this is a significant issue and considering the significant effort and success in building strong governance structures to-date at regional and sub-regional levels reflects the real and varying needs across the region. The matter is compounded in the North West in that Merseyside, under 'phasing in' status, and Cumbria, if successful for special national consideration under 'Competitiveness', would form two distinct sub-regional areas anyway within the same region with designated and ring-fenced funding. This supports the case for permitting greater devolved management structures into the regions for both ERDF and ESF.

Question 3: Do respondents agree that the proposed priorities include a sufficient focus on the Lisbon Agenda?

NWUA welcomes and supports the Commission's initiative to focus 75% of the Competitiveness and Employment Objective on Lisbon activities. There are concerns however as to the extent to which the proposed structure outlined in the draft NSRF

permits Lisbon activities to be fully achieved and delivered in practice, particularly with respect to ESF and the intention to focus on low to intermediate level skills, which we would argue actually contradicts the Lisbon agenda.

The sector would also recommend the inclusion of Integrated guideline 11 (Research & Development) and 12 (ICT) within the NSRF as these are inter-connected with the need to facilitate greater innovation and take-up and exploitation of ICT and which are crucial to the growth of sustainable knowledge economy.

Question 4: Do respondents agree with the proposals in the national Strategic Reference Framework for ensuring consistency between Structural Funds Programmes and other EU policies and funding streams, in particular spending under the European Agricultural Fund for Rural Development and the European Fisheries Fund?

There is acknowledgement of the principal that alignment of ERDF spending with domestic programmes should offer some clear administrative advantages; the case for exclusive alignment to domestic funding is however less clear and retention in part of some funds to permit alternative bidding is strongly recommended. Our experience of such a dual system with ESF in the current North West Objective Three programme has been successful and ensured balanced and targeted delivery utilising both co-financing and alternative direct bidding mechanisms.

There is also strong support for regional flexibility to be retained within the NSRF in respect to both ERDF and ESF programmes and for ESF in particular to be in alignment with the Regional Strategies for Skills, Regional Spatial Strategy and Regional Skills Partnerships in order to best target funding where it is most needed.

Question 5: Do respondents agree with the proposed architecture for future programmes?

The sector is supportive in respect that the Government Offices will act as the Managing, Certifying and Audit Authorities for the funds. It would be the sector view that ERDF (as opposed to ESF) should be an intervention around the DTi policy agenda of competitiveness, innovation etc., and that an objective reading of the community strategic guidelines supports this view. Within this context we would advocate either the status quo or ERDF national co-financing via the DTi/RDAs, this recognises the significant match funding in the current Objective 1 and 2 programmes in the North West has been from the Regional Development Agency.

It is worth noting however that there are many examples of other funds associated with higher education being used to provide match funding in current ERDF programmes. The net effect of this is to increase the overall resources being applied to innovation and competitiveness by leveraging in these non-RDA funding streams. This must be to the advantage of both the regions and England Programme therefore there is a strong case for a significant element of funds to be retained for direct bidding to enable the leveraging in of funds that do not flow through the RDAs.

Question 6: Do respondents agree that the UK's Competitiveness allocation should be divided equally between the ERDF and the ESF at the UK level?

The NSRF mentions that the overall current England ERDF and ESF programmes are in approximate financial parity and that this would form the basis of the proposed 50:50

ERDF v ESF split for the 2007-2013 Programme. The North West has historically seen an ERDF/ ESF split of approximately 66:33 and recommends that regions retain the ability to maintain local flexibility. The NWUA would support the view that more than 50% should go to the ERDF fund at national level and would suggest a level of about 60-70%.

It is important that the ratio of division between ERDF and ESF at National level should reflect the collective needs of the regions, not vice versa.

Question 7: What are respondents' views on how best to allocate ERDF Competitiveness funding across the UK's regions?

As mentioned above, NWUA supports the North West's collective recommendation presented by the NW Development Agency and NW Regional Assembly, that special national consideration and prioritisation should be given to Cumbria due to the particularly low levels of economic performance being experienced in that area.

NWUA would also support the view that the overwhelming majority of the ERDF funds must be directed to and based on actual need and particularly at those regions and nations with currently less than the UK GVA average, however we recognise that the provision of a safety net arrangement would be appropriate to ensure no one region unduly suffers.

Question 8: What are respondents' views on how best to allocate ESF Competitiveness funding across the UK's ESF programmes?

Before a decision is taken on the method of allocation, the principal of permitting ESF usage to include higher level skills provision needs to be resolved first.

The sector would support the criteria recommended by the North West RDA for ESF criteria to be based on: Population, Labour Market Indicators and Measures of qualifications, but that these are augmented to ensure a high-degree of correlation with ERDF criteria with;

- Lack of Prosperity (measured by GVA per Capita),
- Lack of Innovation (using recognised measures of the knowledge economy).

Question 9: Do respondents have views on how to improve coordination between Structural Funds and domestic spending within England, Scotland, Wales and Northern Ireland?

As previously mentioned the North West has already developed relevant and strong regional and sub-regional structures and networks which could be utilised as the basis for the 2007-2013 Programme within the North West for both ERDF and ESF programmes. Given that Merseyside is a 'phasing in' area there is a need for a regional or sub-regional programme and which could build-upon the existing governance framework.

Further to our concerns above about the adoption of an exclusive mono-funded culture for the 2007-2013 programme and our recommendation for a dual mechanism of co-financing and alternative direct bidding, NWUA would advise that effective coordination of delivery activities can only realistically be achieved at regional (or even sub-regional) level and not at national level. The current NSRF draft does not sufficiently articulate this point in order for the next stage and the development of regional operational programmes, to build upon this and outline the relevant delivery structure.

Question 10: Do respondents agree with the Government's proposals to align ERDF with Domestic programmes in England? What are the respondents' views on how best to achieve this?

In terms of the principal, the sector would agree that that ERDF and domestic programmes should be in strategic alignment, however achievement of this aim may be achieved in various forms, such as linkages to existing arrangements or branding, and it does not necessarily follow that this should result in exclusive financial alignment, such as in co-financing type arrangements, as proposed. We believe that the NSRF's emphasis on strategy alignment must also recognise the regional strategies such as the Regional Economic Strategy in order to ensure coordination.

There is the concern that by exclusive alignment to domestic funding streams, issues of ensuring continued additionality and transparency could easily be questioned and the practical ability to respond to regional, sub-regional or local needs would be more restricted.

Historically the arrangements around alignment to domestic strategic policy have enabled regions in the past to 'think out of the box' by permitting more innovative and responsive actions to be undertaken as well as specific additional targeting of provision. The proposed financial alignment/ integration of EC funds to domestic funding would therefore increase the relevance and need for critical review and scrutiny of the use of such domestic funding streams, in order to ensure no loss of provision or flexibility occurs. There is the danger that co-financing could drive activities down a "more of the same" pathway which is not in our collective best interest.

There is no doubt that there is significant advantage in planning at the appropriate level and that sub-regional plans or even local are appropriate for those activities where the impact is sub-regional or local respectively. However, the action plan process, as adopted in the current North West Objective Two area is cumbersome, has long chains of accountability and tends to involve significant duplication of audit and monitoring activity. Increasingly there is also reluctance by bodies to take on the role of action plan accountable body. In particular sub-regional partnerships may not have either the ability or desire to undertake this role. A better mechanism would be that of an implementation plan where the programme composition (on a thematic or geographic basis), project selection and oversight of the project delivery is undertaken at a local level but with government departments or agencies being accountable bodies for the regional programme. In the model proposed by ourselves the accountable body would be effectively Government Offices for the direct bidding element and the RDA for the co-financed element.

Question 11: Do respondents agree that ESF delivery arrangements should bring together ESF and domestic employment and skills funding in England to allow organisations to access a single funding stream?

The sector welcomes any opportunities for simplification of access to funding, however the proposals presented in the draft NRSF do not achieve this and represent greater restrictions in accessing funding for certain sectors. The proposal to target ESF on just low/Intermediate levels skills will result in the withdrawal of an invaluable funding stream, without a clear replacement, and the subsequent substantial loss of higher level provision.

This will ultimately result in a severe imbalance within the North West, and in other English regions, between the resultant low level provision proposed versus the

established regional needs which clearly demand additional higher level skills provision. This need for higher level skills is specifically outlined in the new NW RES which has been agreed by ODPM. There is therefore a distinct clash of policy between ODPM and DWP. It is the sectors view that the aspirations and objectives set out at Regional, National and European level for increasing productivity, innovation and GVA growth will not be achieved if such a narrow and limited policy approach is taken.

As mentioned above, it is the collective view of the North West partners and the sector that a significant proportion of ESF spend should be on higher level skills and the fact that Job Centre Plus and the LSC do not have a remit to provide or commission the full range of eligible higher-level skills activity currently undertaken. The sector supports the NWDA in its response that the "region requires reassurances that the delivery arrangements are sufficiently flexible to ensure higher level skills, entrepreneurship, sector-led skills etc can be funded, particularly as level 4 & 5 skills are required for growth in the knowledge economy".

Paragraph 57, page 16, of the draft NSRF states that "The RDAs, Learning and Skills Councils and Job Centre Plus have developed Regional Skills Partnerships (RSPs) in each of the English regions, in order to ensure that national employment and skills objectives are aligned with priorities identified in regional strategies". There is no recognition in this statement about the existing HMG policy objective to also include Higher Education representations in the RSP. In the North West, HE engagement in the RSP has been significant, as has active participation in the numerous Sector Skills and Productivity Alliances (SSPAs).

The sector recommends that the NSRF is amended to permit a dual system of co-financing and alternative direct bidding and to extend the current policy arrangement to include higher-level skills provision.

It is also worth noting that local experiences of the tendering processes required under current co-financing arrangements within the Objective Three programme would also indicate that the aim of simplified access arrangements has not been wholly achieved.

Question 12, 13, 14: Do respondents agree that greater use of single-stream funding mechanisms would be beneficial in Scotland, Wales and Northern Ireland?

No Comment