

ESF SHADOW ROUND EVALUATION

1. EXECUTIVE SUMMARY

The Scottish Government introduced the Shadow Round to bridge the gap until funding under the 2007-13 Structural Funds programmes became available. £10.4 million were available to projects eligible under Priority 1 of the European Social Fund (ESF) who were working with the most vulnerable client groups to move them closer to the labour market. A total of 55 projects were approved – 49 in the Lowlands and Uplands Scotland (LUPS) region and six in the Highlands and Islands. The aim of the evaluation was to assess projects' contribution in addressing labour market challenges by helping the hardest-to-reach move closer to the labour market.

1.1.1 The rationale for Shadow Round intervention

The Shadow Round was introduced to ensure organisations would not lose employability services for vulnerable client groups. But some stakeholders doubted that the need was as great as project promoters had claimed. Although all applicants had identified a need for their services among target client groups, around one third of respondents to our e-survey indicated that they thought involvement would help with future funding rounds (30%) and a quarter identified keeping their staff as a reason for applying. Had it been clear that Objective 3 funding was still available for some projects when the Shadow Round was launched, fewer projects in the LUPS area would have applied under the Shadow Round.

1.1.2 Strategic fit and local coordination

The current Structural Funds programmes have a stronger emphasis on strategic fit than previously and – related to this – on effective local coordination. But in our interviews with stakeholders we found little evidence of this. In our research we found that most projects seem to have some strategic alignment mainly through being involved in and having links with relevant groupings. There is still some work to do to improve organisations' understanding of why strategic fit is important and how it can best be achieved. In some areas there may be overlap and duplication of services which would offer opportunities for working together.

1.1.3 Overreliance on ESF funding

Eligible organisations still rely too much on ESF funding. Most Shadow Round projects claimed to be “working on an exit strategy” but no convincing strategies were in place yet. Some expected local authorities to step in; others were hoping to run parts of their services as social enterprises. Addressing sustainability should be part of project planning but organisations appeared to need help and guidance to tackle this in a strategic way.

1.1.4 Programme delivery

Of the 55 projects that were originally selected, 11 were colleges, 6 were Local Authorities, 1 was a government sponsored body, and 37 other organisations with charitable status. More than half of survey respondents (56%) said their projects were existing projects. And many of those projects that were new came from applicants who had undertaken similar activity before. By the end of the evaluation period, 7 of these projects had been decommitted, 1 organisation had gone into voluntary liquidation, and 3 projects failed to complete because of compliance issues.

Projects under the Shadow Round – and those that continued under the following round - generally showed no significant novel elements in their approaches. The short timescale for developing projects and applications will have played a role in this. Some things projects saw as innovative were usually to do with extending an existing activity to a new client group or geographic area; or using new routes for recruiting participants.

1.1.5 New management system and processes

The new Structural Funds programmes have been using different structures and processes than previously. Among the most significant changes are the two Intermediate Administration Bodies (IABs) which replaced the Project Management Executives, and new funding rules. But at the time when organisations put in bids for Shadow Round funding the national rules were not finalised yet and IABs had little opportunity to communicate rules and criteria to applicants. Eligibility rules for project expenditure had also changed which partly explains the long delays in getting claims information from projects.

Individuals appraising applications in the LUPS area commented that they would prefer more feedback and discussion as part of the scoring process. Overall it appears the scoring process could be improved through better feedback and communication with appraisers to make it more transparent, inclusive and open from the appraisers' point of view.

1.1.6 Target groups for Shadow Round activity

Projects worked with 11,478 participants which was 9% higher than the target numbers from applications. The largest group by far was young people not in education, employment or training (NEET) – or young people at risk of becoming NEET – who made up more than a third of participants. Other groups with high number of participants were unemployed people and people with criminal records. However, there is a suggestion (based on the changes to target group definitions) that the biggest numbers of people supported by the programme were not among the most disadvantaged.

1.1.7 Project performance

Shadow Round projects collectively already made a significant contribution towards the seven-year programme targets for ESF Priority 1. An analysis of results at project level shows that generally target setting was poor:

- Around half of the projects achieved between 81% and 120% of target participant numbers, only three achieved less than 50% of participants, seven projects worked with more than 140% of their targeted number of participants;
- Five projects (11%) recorded no employment outcomes, 16 (35%) got less than 50% of their employment outcomes, and 35 (77%) achieved less than 100% of their employment targets although six (13%) projects achieved in excess of 140% of expected employment outcomes and five of these were run by charitable organisations;
- The failure of some projects to achieve the target employment outcomes in a benign employment market during 2007 -8 is surprising considering the fact that most were continuation projects.
- 20 (44%) projects achieved less than 50% of their targets on moving people into further or higher education as an alternative to employment. 31 (69%) achieved less than 100% of their education targets, while seven projects achieved education or training outcomes that were more than 150% of anticipated figures.
- The most notable outcomes were achieved by three projects focusing on the NEET group which far exceeded their education outcome targets. This suggests there is an unmet demand for learning among this client group.
- Projects targeting those with criminal records were highly successful in engaging with participants and in achieving their targets.
- The main reasons given for not achieving targets were the amount of time it took to get a project up and running and that the project had underestimated the time and effort involved in moving participants forward.
- Unless projects had underestimated targets at application stage, exceeding targets were mainly due to good project design and excellent partnership working.

- Partnership working tends to be a success factor where the right partners are involved.
- Generally projects achieved better results when working closely with a few employers who have a good understanding of clients' problems.

1.1.8 Value for money

Overall the costs for each participant engaged in the Shadow Round programme were an average of around £1,300, with a cost of around £3,500 for each employment or education outcome achieved.

Perhaps not surprisingly, projects targeting people with mental health issues were the most expensive for each participant engaged. But those focusing on ethnic minorities were also very expensive for each participant and this may be due to the limited success in targeting this group. The lowest cost per participant engaged was among the projects focusing on people with criminal records and this suggests that these two projects had effective processes established linking into the target group.

Projects targeting the NEET group and those at risk of becoming NEET were also below average in terms of cost per participant. This is to be expected given the size and relatively high profile of this group, and the number of agencies who already target it.

However to establish the real impact of the funding we would need to know:

- What distance the interventions helped participants to travel along the employability pathway;
- Where the client started on the pathway; and
- What outcomes would have happened anyway, without the intervention.

1.1.9 Co-financing rates and under-spends

The ESF funding covered around 43% of total project costs across the projects. But projects in the Highlands and Islands received a higher average rate of ESF funding. The rate was set higher to reflect the fact that co-financing is more difficult to secure in the Highlands and Islands.

Overall, projects with lower rates of ESF funding (and therefore higher rates of co-financing) achieved better value for money than those with higher rates. Projects receiving below 45% cost around £1,000 per participant and £2,900 per employment or education outcome. This may suggest that those projects which attracted higher proportions of match funding (co-financing) can be managed more efficiently, but it could also mean that projects dealing with the hardest to reach - and most expensive - clients are less likely to attract high levels of co-financing.

More than 70% of projects which had submitted a final claim underspent, many by very significant amounts, on the project costs estimated in their application. This provides a serious issue for the management of ESF funds, and the allocations apparently available to future rounds.

1.1.10 Measuring soft outcomes

Most projects seem to measure soft outcomes to some extent but approaches varied. Many projects mentioned the Rickter Scale or an amended version of it as the tool they use – often only for some of their clients. Others have developed their own approaches. In many cases the named approaches were client tracking systems rather than soft outcome measurement tools. Different approaches work better with different client groups. Of the existing approaches we explored, we would recommend three as they provide a well-rounded picture of the participants' starting point and progress, allow for discussion and can be aggregated using software provided:

- Rickter Scale – which many ESF projects already use;
- Outcomes Star; and
- SOUL Record.

Projects that have not been measuring soft outcomes would welcome being offered a simple tool if the Scottish Government would provide it. But it is unlikely that those who have developed their own – often tried and tested methods – would be willing to replace these or use something else on top of their own.

1.1.11 Lessons from the Shadow Round

We identified a number of learning points from the Shadow Round. Key lessons include:

- Projects should identify the hardest to reach groups more effectively if ESF is to have an impact on the programme's priority groups;
- Organisations need to set more realistic targets which take into account the specific barriers of the groups they are working with;
- Assessors of bids need to be briefed clearly – for example what to look for in terms of strategic fit and demand for a project - and be able to challenge and propose changes and improvements to bids and targets where necessary;
- Once Advisory Groups have selected bids, it is important to have a critical look at the bigger picture to assess if together those projects provide what is needed in the socio-economic context;
- Advisory Group members would also appreciate feedback on their scoring. This would improve the process as they were usually applicants themselves.
- More needs to be done to address issues around sustainability as organisations depend too much on ESF funding;
- Partnership working can be a success factor, particularly where partners have detailed knowledge and understanding of the needs of a particular client group. Close working with employers is another important factor in achieving outcomes.
- Clarity around the National Rules and Claims and Progress Report Process is essential to the effective running of European Funded projects.
- Projects awarded high levels of ESF co-finance, alongside significant underspends against forecast project costs, poor estimation of actual outcomes, and lengthy periods to finalise claims all require to be addressed in the remaining period for the Scottish ESF Programmes.

1.1. 12 Conclusion

Significant Programme targets were achieved by running the Shadow Round. Many individuals were assisted and participating organisations have shown good examples of partnership, working with clients and employers which others can learn from. The early evaluation of the relatively small number of ESF projects in the Shadow Round makes it difficult to propose specific changes, but it has indicated weaker areas where all the stakeholders can work together to ensure the best outcomes for Scotland from the ESF funds in the 2007 – 2013 programme period.