HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: European Social Fund, HC 848

Wednesday 28 February 2018

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Watch the meeting

Members present: Heidi Allen (in the Chair); Alex Burghart; Ruth George; Steve McCabe; Chris Stephens.

In the absence of the Chair, Heidi Allen was called to the Chair.

Questions 1-63

Witnesses

I: Richard Clifton, Integrated Services Director, Shaw Trust, Steve Hawkins, Chief Executive Officer, Pluss, Graham Parry, Director of Youth, Employment and Skills, Groundwork London, and Brian Bell, Managing Director, Working Links.

II: Sandra Rothwell, Chief Executive, Cornwall and Isles of Scilly Local Enterprise Partnership, Stella Manzie CBE, Chief Executive, Birmingham City Council, and Lloyd Broad, Head of European Affairs, Birmingham City Council.

III: Sam Windett, Head of Policy, Employment Related Services Association, Elizabeth Chamberlain, Head of Policy, National Council for Voluntary Organisations, and Kayleigh Wainwright, Head of Membership and Policy, UK Youth.

Examination of Witnesses

Witnesses: Richard Clifton, Steve Hawkins, Graham Parry and Brian Bell.

Q1 **Chair:** Good morning, everybody. Thank you for braving it through these arctic conditions and making it to us this morning. We do not get to talk enough about Brexit on this Select Committee so we thought we would try by doing a small, short inquiry into the European Social Fund, what happens when it goes, what opportunities there might be to replace it, what with, and what we might improve along the way.

Starting left to right with Graham, could you introduce yourselves and your positions, please?

Graham Parry: My name is Graham Parry. I am the Director of Youth Employment and Skills for Groundwork in London.

Richard Clifton: Richard Clifton, Integrated Services Director for Shaw Trust, a national charity that works with disabled people and does a lot with European social funding currently.

Steve Hawkins: Steve Hawkins, Chief Executive of Pluss. We are a specialist disability employment organisation.

Brian Bell: Hi, I am Brian Bell from Working Links. I travelled from Newcastle this morning.

Chair: That is hard, that is; without a coat, probably.

Brian Bell: Likewise, we have run a lot of European Social Fund programmes in our time and do work internationally as well.

Chair: Brilliant, thank you.

Q2 **Alex Burghart:** Please could you tell us what the ESF currently offers you over other funding sources? Brian, do you want to kick off?

Brian Bell: The major thing is flexibility. It gives us the ability to work with people—I know a lot of programmes do—who may have a long way to go before they move into work. A lot of programmes would be very work-focused. DWP buy programmes that necessarily have a job outcome target attached to them. So do ESF programmes sometimes, but I think we have to recognise that there are an awful lot of people who have quite a journey to go. They might be living chaotic lifestyles. They have job issues, housing issues.

I have an example of somebody who we work with on a families' programme, where she had a long way to go before she could start dealing with holding down a job. Her house was falling down. She had confidence issues, mental health issues, family issues and physical health issues, so to deal with a job was quite a long way off. Sometimes on some programmes it is just getting the time and the support system around people. Just to get her to start dealing with the Council, to deal with the housing problem, was such a confidence boost to her and over time we got her a job. There are not a lot of programmes where you can focus resource, time and energy and not have the pressure of a job outcome always right at the front of your mind.

Q3 **Alex Burghart:** It is a very good example. Thanks, Brian. Is there anything anyone would like to add to that? Steve.

Steve Hawkins: We run a range of nationally procured programmes that, as Brian said, are focused very clearly on job outcomes. What ESF allows us to do alongside those is to run more locally focused programmes. The main beauty of it for us is that they tend to be more localised, both in terms of the needs of the area that the contract or the funding is covering, and also the needs of the people, of course. It might be focused on a very specific demographic, for example. That, alongside the national programme, is great because it tends to allow us to deliver services to people who are generally further away from the labour market. Some of it is job outcomes, as Brian has talked about, but an awful lot of it is preparation to be ready to enter the world of work.

Q4 **Alex Burghart:** Yes. Steve, as Brian did, could you give us an example of the sorts of holistic problems that the ESF money helps you solve?

Steve Hawkins: It could be a whole range of issues. Because of the sort of organisation we are, we work with people with a whole range of barriers anyway, with disabilities, whether they are physical or mental health problems. There are an awful lot of issues particularly around some of the areas we cover. Rural isolation, for example, where people are further away and require additional support, whether it be with housing issues, transportation needs, training or confidence-building, a whole range of things that need to be addressed fundamentally before they are in a position to sit in front of an interview panel and secure a job.

Q5 **Alex Burghart:** Thank you. Richard?

Richard Clifton: Yes. From my point of view, ESF allows us to work with people who have barriers that are sometimes not picked up so well by mainstream programmes. I use an example of a programme with HMPPS where we work with ex-offenders.

A great example would be a young lady who we work with who did get into an abusive relationship. That escalated, she ended up on remand and she did end up with a suspended sentence, and it is the type of person who, sometimes as a society, we don’t always want to help and mainstream programmes are not there to help. With the help of ESF, we managed to help her rebuild her life in a lot of respects and she has ended up, with the support of the programme, going into and starting her own business. She now has mental support and she has really moved forward. That would not have been possible without the likes of the funding we get through ESF.

Likewise with our Aim for Work, working with mental health in London, George is a brilliant example. He ended up being homeless, he was unemployed, ended up being separated from his partner and not being able to see his children, which led to significant mental health issues that he was experiencing. We managed to work with a range of others, like the local authorities, to resolve his housing issues and move him so that he is now working and he is seeing his children, so that has addressed a lot of those mental health issues that he was experiencing. Mainstream programmes cannot always give that level of support—like the others have said—and funding like this is fundamentally important. We should do whatever we can to maintain some form of funding, at the same level or more, so we can make sure we do not neglect those types of individuals who may not be picked up by the mainstream programmes.

Q6 **Alex Burghart:** Thanks, Richard. Anything you would like to add, Graham?

Graham Parry: Yes, just one point. Traditionally, ESF has been distributed around grants with targets, as opposed to purely payment by results. That enables us to do two things. First, it does not incentivise you just to work with the people most likely to get an outcome. As all my colleagues have said, it incentivises you to work with everybody.

Q7 **Alex Burghart:** Ordinarily, you would try to cherry-pick but in these circumstances you don't?

Graham Parry: We don't.

Q8 **Chair:** The other system forced you to if this sort of thing did not exist?

Graham Parry: Yes. The other thing it allows us to do is to test and innovate. If we win a grant we are able to test new ideas on a smaller scale. The learning from all those new ideas is disseminated and used in the design of the mainstream and larger-scale programmes. Without that delivery, testing and dissemination you will not get the informed delivery that drives the larger programmes you commission.

Q9 **Chair:** Just before I move on to Steve, I have a couple of quick questions. Could you all just quickly tell me roughly what percentage of your overall funding comes from this at the moment? That is, what do you stand to lose if it is not replaced with something? Is there anything else that you receive funding from? What is the closest equivalent at the moment? Is there anything else like it at all? Could we start with Graham and move down, so your percentage and if there is anything else similar?

Graham Parry: Discounting all the wider work that Groundwork does, if you look at our employment, skills and youth work, I would say at the moment 85%.

Q10 **Chair:** Is there anything else comparable? It seems to me that these have very few hoops that you have to jump through to use the money. Is there anything equivalent?

Graham Parry: There are quite a few hoops but I think we will come on to that later.

Q11 **Chair:** Right, okay. There is no such thing as free money, is there?

Graham Parry: I would say previously mainstream Lottery funding programmes are similar, and the point I made earlier that grants enable you to test, innovate and do new ideas at the same time as delivering lots of outcomes for lots of people.

Q12 **Chair:** All right. Richard?

Richard Clifton: Percentage-wise it is difficult to work out because we run some of the national programmes, like Work Choice work programme and the Work and Health programme, which are co-financed and it is not totally defined how much is in there. It would have a significant impact on some of the mainstream programmes as well that we deliver. We are probably looking at around 20% to 25% that would be impacted in the work that we do as an organisation.

Q13 **Chair:** Is there anything else, National Lottery or anything else that you consider reasonably equivalent?

Richard Clifton: Not for the work that I was explaining, with the types of individuals. It is really difficult. As a charity, we will go out and raise funds, and do that on a charitable basis, but not on the size and scale that we can potentially do with the ESF funding currently.

Q14 **Chair:** Thank you. Steve?

Steve Hawkins: We run five Big Lottery/ESF financed programmes at the moment and two DWP co-financed ESF programmes, alongside our Work and Health programme and Work Choice. Of that mix and that side of our business, around 60% of it is ESF funded, notwithstanding the point that Richard made that Work Choice, for example, is part-financed by ESF. That complicates the matter a little bit.

Q15 **Chair:** If they are figures you do not have off the top of your head, perhaps you could go away, work those out and come back to us. That would be great.

Steve Hawkins: Yes. The bigger proportion of our employment work is ESF related.

Q16 **Chair:** Thank you. Brian?

Brian Bell: About 25%, the same as has been commented. Some of it is DWP funded and some of it is skills funding, for instance, where we run training programmes with people. We do not access some of the Big Lottery funding and stuff because we are not a charity. The closest thing we have delivered in the past, which was like an ESF programme, was a Working Neighbourhoods pilot programme that we ran a few years ago. That was DWP funded, up in Parkhead in Glasgow. That was very flexible and you worked with families and communities, but nothing else, no.

If I could at some point I would love to comment on the "cherry-picking" comment before. I hope you don't mind.

Q17 **Alex Burghart:** No, no. I was just joking, Brian. I know—

Brian Bell: But it is a comment that is made a lot, isn't it? I spent yesterday with a customer who had a severe drug addiction problem and is absolutely on the road to recovery. I will guarantee he will be in a job within about three or four months because we have taken the time to work with him, his GP and addiction agencies, which you don't always get from other programmes. We have taken the time to work with him and get him on a treatment programme. I think he will be off his prescribed drug addiction probably by July/August time. As I say, he has an action plan. He is very proud of his action plan. He handed it to us.

I can equally go to a large number of people who I know are not in that place yet, who have absolutely chaotic lifestyles. Now, if he is cherry-picking, if that is classed as cherry-picking, then there is something wrong. We have to get further in to the people who need more help, otherwise employers are going to run out of people to start hiring if we don't start doing something. Sorry, that was a bee in my bonnet.

Chair: No, no, quite right too. Thank you.

Q18 **Steve McCabe:** There seems to be a kind of emerging consensus that the most successful, innovative employment programmes are those that are able to create genuine integrated partnership working across agencies. That is obviously influencing Government thinking if you look at the DWP and the joint health unit. I think the ERSA put out a report last year saying that should be a central feature of any replacement programme for ESF. Presumably, they had the Shared Prosperity Fund in mind.

Could you tell us what your experience is of ESF in terms of partnership working? Are there any obstacles? Are there any lessons to learn? If there were changes to any replacement programme what should it be, so that we guarantee that we emphasise this notion of close, integrated partnership?

Richard Clifton: From my point of view, we have had really good examples of integrated working on our Aim to Work working with local mental health teams within local authorities and at a primary care level. We have shown that this funding can be used very much to work very closely with people. You are absolutely right; we see evidence—as we have said this can be a test bed—that this has definitely come across into the Work and Health programme, which we have been successfully awarded a contract for that we are now delivering. We can see that now coming through as being something really important.

Some of the problems we face with getting that integration can be the bureaucracy—which I am sure we will talk about in a minute—particularly around co-financing, shared outcomes and things like that within financial models, making sure that you can dovetail some funding streams together. That can be a good way because we concentrate on the participant and what they need. That drives you to an integrated service. We focus more around the individual and what they need to be able to be successful, and, as providers, we go out and work with those organisations.

With the changes you are seeing within local authorities looking at different ways of working, because they are under pressure financially and from a resource point of view, they are very welcoming on most occasions. I know you are going to hear from them as well. I think they see this as a very useful fund to help them do a lot of the integrated services.

Brian Bell: On that, what you find with the European Social Fund is that it helps organisations, like the four represented here. It helps people navigate what is a very complex world for them sometimes. If there are gaps people can fall through in provision, most of our people will fall through them. It is helping them navigate those services. It is time spent sitting with people, understanding what they need and understanding the services, like the Health Service, like what GPs can do, building relationships with GPs and building relationships with housing organisations. It is just that time to help them.

The services are all out there. A lot of them are out there. I spent a day in Edinburgh last week and some fantastic services are around people, but it is complicated for people who easily, because of lack of confidence, will get lost in it and knocked back. It is that kind of time and the ability to coach people through all of that.

I could talk about the bureaucracy of ESF. It is problematic and, because of that, what often happens is the funding still goes through silos. It might go through a skills funding agency, it might go through DWP or it might go through a local authority, and of course one person cannot then be on each of those programmes. If it could be commissioned and the fund brought together, at a higher level where the commissioning happens, then it would be a lot easier in terms of focusing on a person and not necessarily the organisation that is running the funding. For me, it is about lifting the commissioning up to a level where they can join the funding together.

Steve Hawkins: I would agree with that.

Graham Parry: I agree with that point. The majority of the European Social Fund is now spent through Departments, like the DWP and the SFA, who design the programmes and then commission us to deliver. More money was spent in the past through multidisciplinary agencies, like regional agencies or local agencies, which wanted to deliver across the whole spectrum of need. They would want to commission programmes that would deliver employment, crime reduction, health outcomes, wellbeing and housing outcomes, and that enables us to use ESF to be a glue to join all those other services together.

You asked: how does it make a specific difference? If we have European Social Funding that is used to help remove somebody's barrier to work, we can commission a service then and there. Rather than waiting for somebody to get the treatment they might require, we can use the European Social Fund to help with the treatment programme for the mental health issue, or for a drug addiction issue, where there might be a gap in local service. When we are working with somebody and the main aim is to get them into the job they need those support services at the time they need them, not at the time they become available elsewhere. Small amounts of European Social Fund act as a glue. They enable us to join a load of services together and plug a gap, where necessary, to get a service to an individual when they need it.

Q19 **Steve McCabe:** I am trying to work out how this would work in practice, if I follow on from what Brian is saying. Are you suggesting that we need something like a group of agencies to bid for money from the Shared Prosperity Fund, and that that would cover a range of needs and you could draw down according to the individual circumstances? Is that the kind of model you are describing?

Richard Clifton: You need a bit of a mixed economy, if I am honest, because you need some that is commissioned at that local level to be able to meet local need, but you do need some umbrella funding as well that can look at other areas. If you take what is happening on the funding that goes through for ex-offenders from HMPPS, if that was to move away and move down to just a regional level there is a chance we would not get the umbrella support that is needed for ex-offenders going out because it might not be seen as a priority at a local level. It is that mixed economy, so we make sure we have a more global or UK approach and enough funding going in to support all of those areas. For me, I always come back to the fact that there are people who will lose out if we are not careful, if this funding was to disappear and particular support needs were not being addressed.

Steve Hawkins: The point I would like to make is that—from everything that people have said—we all know that linking up services in a logical and cohesive way for people makes absolute sense. In the example that Brian was talking about, working with somebody with a drug addiction problem, having a clear linkage and partnership with the Health Service that is providing support for that individual is critical because, frankly, an employment service provider cannot do much to address that in isolation. That is fundamental.

I suppose the issue that we all find with ESF at the moment is—and I am going to come back to it again, it has been mentioned a couple of times before—the bureaucratic requirements of the programmes, the issues that can arise in terms of people being on more than one programme that is financed by it. They are not allowed to be.

The way that things are procured or funded today sometimes creates barriers. That is what we all want to address, effectively. We want to try to break down those barriers so that, first, more of the money that comes through at the front end can go to helping the individuals, because frankly the bureaucratic requirements of ESF are very costly for organisations, and that obviously takes up a proportion of that funding, but, secondly, to avoid getting conflicting requirements through different funding. In Brian's example, because the person he is supporting is receiving a service through ESF in one way we cannot support him through another programme that, if we could pull those things together, would be very complementary.

Q20 **Steve McCabe:** If the preferred model for welfare delivery is Universal Credit, are you all saying that you want to see something that looks like Universal Support? Is that what you are describing?

Graham Parry: I would echo the point about making the commissioning process flexible enough to deal with that, if that is the right solution. If the right solution is a partnership of organisations coming together, putting together a compelling offer that is showing a joined-up service in a certain area that will create better outcomes for everybody, let's have a commissioning structure that can allow that.

Brian Bell: I am not sure about universal support. There is something about individual support, tailoring to individual needs, localising it, and how the commissioning of that looks. It probably needs something that would join things up and look local. I am not sure if that is universal or not.

Steve McCabe: Thank you.

Chair: We are starting to get into the territory now of: what would you do to fix it? Given that we are going to have to come up with a new system, how might it change? How might it be improved, hanging on to the benefits of how it works at the moment? Clearly, there are obstacles that you face.

Q21 **Ruth George:** Picking up on that point on bureaucracy, do you think that the amount of bureaucracy in the ESF weighs against smaller organisations being able to put the resources into putting those bids together?

Steve Hawkins: There are two stages. The level of bureaucracy that is attached to or associated with ESF programmes is the same, whether you are a two-man organisation or a 2,000-person organisation. What that means is that, for smaller organisations, the overhead burden can be really, really high and in some cases prohibitive. That is the fundamental issue.

On some of these programmes, for example, the DWP co-financed ESF programmes that we are running at the moment, because they are not grant funded and are in fact payment by results contracts, we are able—

as is anybody else delivering those contracts—to derive a margin when we are delivering those contracts, which will help to offset that. With the Big Lottery co-financed programmes, which we and others here are running at the moment, we are not able to make a margin. What that means is that the overhead challenge that we face on those programmes is even greater. Through the commissioning process we undertook to build our partnership or Big Lottery, we certainly saw organisations that were not able to engage because they were not able to manage that cost.

Q22 **Chair:** Can we talk about how we could improve it? I am a little bit conscious of time. If we are talking about the model that we want to see to replace this—from Ruth's questioning point of view—how can we improve it and what features would be better in a new system?

Brian Bell: There is something for me about bringing it into this century, in terms of holding evidence, digital evidence and so on. I cannot tell you the amount of money we have spent on Iron Mountain, keeping stuff in boxes for years on end and then having to go trawling through Iron Mountain boxes to find a receipt, and if we did not find that receipt there was a massive extrapolation problem right across, a big clawback and so on. We could bring it into this century in terms of evidence requirements.

Look at what the evidence requirements are. They are onerous in terms of eligibility criteria, so if we can simplify, if we can keep it simple. Look at the eligibility criteria. Look at the evidence for the outcomes that you want. Prescribe what those outcomes are but then be clear on the evidence. Often we have to find evidence and somebody already has that evidence, the tax office must already have that evidence. Can we just bring things into this century, keep it simple and keep it digital if we can?

Richard Clifton: I would absolutely echo that. One of the other problems you have is engagement of participants because of bureaucracy. It is not just for the organisations. For example, in some programmes you end up with a seven-page form, which a person when they are first starting with you has to go through with you and sign. It is bureaucracy like that that is time-consuming for the organisation and that can disengage some of the hardest-to-engage people. It is bureaucracy across the board. Definitely, as a charity, we want to open and transparent about everything we are doing. This is not about making it easier for providers and not having transparency.

There are a lot of bureaucratic systems within there. You only have to talk to any of us about ESF logos being placed. I would say, in rolling out the last programme, 70% of my conversations with performance managers about getting the programme live were around the size and positioning of an ESF logo. It was not about the participants they were there to help, how the system could work or what we were doing. It is things like that that drive us all crazy, to be honest, and it is a waste of time. If we can remove that type of bureaucracy and concentrate on what we need to put in place to ensure the programme helps the people it is there to help, that should be the important bit.

Graham Parry: Rather than going into detail about the barriers and the changes, we have worked with mainstream lottery funding for years and As an organisation, I think they have a good balance between the amount of information they require from people, to ensure that publicly gathered money is spent appropriately and performance is there, without overburdening organisations with the levels of bureaucracy that they now—

Q23 **Chair:** Who does it well? Which programmes that you are involved with have less stringent logo requirements?

Graham Parry: I would say the example I have just given, not the current Building Better Opportunities ESF programme that the lottery are administering—that is extremely bureaucratic—but prior to that. Mainstream Lottery money had a good balance between the level of information they required from, you to make sure it is spent appropriately, and not overburdening organisations.

Q24 **Chair:** Are there any other examples or do you all concur with that?

Steve Hawkins: I think that is right.

Richard Clifton: Yes.

Q25 **Chris Stephens:** Obviously, Richard, you mentioned what people's priorities can be and we can all get frustrated with that. Could I ask each of you, what would you say is the single highest priority in designing the successor to the European Social Fund?

Graham Parry: My priority would be to have it up and going and ready in time for the current programmes to finish. Some of the current programmes will finish in mid-2019, most of them at the end of 2019. Some will go on into 2020. The most important priority for me is that we have a successor programme in place that enables organisations that are delivering, and delivering well, not to lose continuity in service.

Richard Clifton: That would be very much on the priority list. Secondary to that would be making sure that we have a ringfenced fund that actually does support those the current programme supports, those that are not going to be adequately supported by mainstream programmes, those that have more complex support needs and particularly those with disability and mental health problems. For us, they fall into that category. It is making sure that the ringfenced fund is really there for that. That would be a recommendation I would love to see come from this Committee, that that is there.

Steve Hawkins: Frankly, my top two priorities would be the top two priorities in the order that they have just been given. The third one would be around ensuring that we maximise the amount of money available to spend on participants. In other words, reduce the overhead burden through simplification.

Brian Bell: Mine would be around flexibility and making sure there is sufficient flex in the programme, both in terms of the outcomes you are looking for and the support you want to offer people. We have run things under ESF funding in the past that we could never do under other programmes. For example, we ran the Bad Boys' Bakery in Brixton Prison until about two or three years ago, when we handed it over to a college to run. It was a thing you might have seen on the tele programme. Gordon Ramsay set it up in 2012. We took European Social Fund money to build that and we had great successes with people, working with them, who had probably never received services like that before.

I remember talking to one lad who worked in the bakery—they made lovely cakes as well, by the way, which they sold out in the markets and so on around London—and he was a drug dealer from the East End of London saying to us, "Please don't send me back to where I am from. If I go back there I am a drug dealer. In here, I can tell you now, I understand how my profit and loss account works. I know how to market my product. I know what my customer wants. I know how to distribute my product and so on". He was doing all that in the Bad Boys' Bakery. We would never have been able to do that without that flexibility of funding.

Chris Stephens: Thank you.

Q26 **Chair:** Can I just wrap up with a couple of questions? We have not talked about payment mechanisms very much. Is there any feature that you would absolutely need in the new system? I am conscious particularly of smaller organisations and that whole "payment by results", as opposed to a wraparound amount of cash that you can work with. That is the first question.

Secondly, what is your nightmare scenario? What do you fear most about what might happen to this fund? Is there anything that you would recommend that the Government safeguard against? We will start with Graham.

Graham Parry: I answered your first question. To re-emphasise, it is the need to retain a grant-based element to it. Whether it is 100% grant or just partial grant, there needs to be a grant element to differentiate it from the mainstream programmes so we can innovate, so we can test and disseminate.

My nightmare scenario is twofold: first, a gap in decision-making. You will lose infrastructure, you will lose knowledge, you will lose delivery, you will lose support for clients and you will lose organisations with a gap in delivery. That is my biggest nightmare scenario. The second one is that it all gets subsumed into nationally commissioned, nationally run programmes, where a small number of people are deciding what is needed out there in very disparate communities for people with very disparate lives.

Q27 **Chair:** Okay. Thank you. Richard?

Richard Clifton: Very similar. There needs to be an absolute balance, making sure there is enough funding in there that is not payment by results—it is either grant, a management fee or however it wants to be—to make sure that we can deliver the core service without risk, particularly smaller organisations. At Shaw Trust we have people within our supply chain that deliver parts of that programme, and we would want to fund them for the service delivery and not get them involved in payment by results.

From a nightmare scenario, yes, we have the gap, because that does very much give us a problem where we could lose a lot of expertise and provision. From my point of view, the participants are the ones that really suffer within all of that.

Actually, I would like to see that mixed economy. National programmes are great and they have their place. We do absolutely need them, perhaps focused from a particular department or sector, in terms of working with ex-offenders and so on, and also that very local provision to make sure we are meeting local need. It cannot be a one-size-fits-all type of fund.

Q28 **Chair:** Anything different from Steve or Brian?

Steve Hawkins: I have no problem with payment by results. I agree with the stuff around grants. I guess it depends what the results are that we are paying people for. The results need to be broader than just getting jobs, because that is what mainstream programmes are. If there is a sensible method of measuring distance travelled for people, I am fine with being paid on results against that.

The ultimate nightmare scenario is there is no replacement for this money. We have talked about how much it is, and it varies for each individual organisation in terms of the overall amount of their business. What we do know is that all the organisations represented here, plus a whole lot of others, deliver really great services for people funded by ESF. If that goes away, that provision goes away.

Q29 **Chair:** Brian?

Brian Bell: Nothing particularly, Chair. I would just say—as I mentioned at the start—that I happen to work with other Governments in other countries, and we have an absolutely world-class industry here doing this stuff that has taken a long, long time to develop, building up that expertise. It will go quickly if we are not careful.

Chair: Fair enough. Brilliant. Thank you very much, all of you.

Examination of Witnesses

Witnesses: Sandra Rothwell, Stella Manzie CBE, and Lloyd Broad.

Q30 **Chair:** Again, if we start with Sandra and perhaps work down, who you are and where you are from.

Sandra Rothwell: Okay. I am Sandra Rothwell and I am the Chief Executive of the Cornwall and Isles of Scilly Local Enterprise Partnership, from the tropical west.

Stella Manzie: I am Stella Manzie. I am the Interim Chief Executive of Birmingham City Council.

Lloyd Broad: I am Lloyd Broad. I am Head of European and International Affairs and Interim Head of Employment at Birmingham City Council.

Chair: Brilliant. Thank you very much, all, for braving the weather.

Q31 **Ruth George:** Just a very easy starter. Sandra, what would be the impact on your region if ESF funding went?

Sandra Rothwell: As in European terminology we are a "less developed region", we are among the furthest to travel in growing our economy. We have a significant European programme across the European Regional Development Fund, the European Social Fund and some of the rural funds as well. Our programme is some £500 million over seven years. That is a significant investment programme for our economy. ESF forms a significant part of that.

There are two aspects. Obviously, in terms of the previous panel, there was a lot of focus around what I will call the inclusive growth agenda but also, for us, balanced with a lot of our skills investment to support our business growth as well, particularly where skills drives a big part in driving our productivity levels. It is a significant part of our overall economic programme.

Stella Manzie: I will briefly comment and then pass on to Lloyd, who will be able to give you a bit more detail. Essentially, it is not a secret that local authority funding generally is under pressure. Birmingham City Council does still do a certain amount with its own money—it has a Birmingham Jobs Fund and so on—but the predominant amount of activity is, in effect, funded by ESF and other European strands. It would be pretty catastrophic, quite frankly, if that funding source disappeared.

Lloyd Broad: Yes. In numeric terms, the geography changes dependent on the programme and the period but if I talk of Birmingham and the West Midlands as a broader geographical space. We had a £300 million programme between 2007 and 2013 for ESF and another £300 million or so in the current period, 2014 to 2020. As Stella said, it is quite a significant resource.

You asked a question in the earlier session about what sort of percentage. We are talking 80%, 85%-plus that is dependent on ESF-type provision. We can give you background data after this Committee hearing, if you are looking for figures and statistics but, just as a sense, in the 2007 to 2013 programme—the current one is still live, so I cannot give you statistics for it—over 60,000 people were in work after leaving ESF support. Nearly 50,000 went into education, training or employment and nearly 24,000 gained basic skills. We are talking quite significant numbers of individuals who have received the sort of intensive training and support that the colleagues in the earlier panel talked about.

Sandra Rothwell: If I can add to that in terms of numbers it is similar, around 80% to 85%, and in that same period—again we have the numbers for particularly the 2007 to 2013 programme—out of a total workforce of 250,000, in Cornwall and the Isles of Scilly, 114,000 received some form of skills training between 2007 and 2013.

Stella Manzie: It may be worth adding as a footnote that one of the things the Fund provides us with—and clearly we might get into this a bit more—is the flexibility to respond to crises. If there are particular closures of large firms, which I am sure there are examples of in Cornwall and the Scillies, and obviously in Birmingham and the West Midlands, it gives us that kind of resource to be able to pull things together with other partners, be it LEPs, the DWP or whoever, in order to try to support those specific initiatives.

Q32 **Ruth George:** Do you have any sense of what the impact would be without those sorts of throughputs and support?

Lloyd Broad: I can give you a real example. It is a few years ago now, but in the context of the recent Carillion crisis, the older example gives an insight into what ESF could do. Back in 2005, MG Rover collapsed in Birmingham with 6,000 people losing their jobs. At that time we created a Rover taskforce, mainly supported through ESF resources, to enable us to retrain and place those 6,000 people into other forms of employment. At that time we went through an economic restructuring of declining automotive manufacturing in Birmingham into other service-type industries, and ESF was a critical factor and catalyst in being able to retrain people to move into other forms and other sectors of employment.

Q33 **Chair:** What would you have done if that Fund had not been there? That is huge. It is a huge challenge for any local area to deal with.

Lloyd Broad: As a result of the support, 90% of those 6,000 people ended up somewhere else.

Stella Manzie: At the end of the day, there would have been various choices, wouldn’t there? Either those people would have found their own way—a lot of them would not have done, quite frankly—or the local authority would have had to find money from its own funds to do that, or alternatively central Government would have had to provide resource, which obviously has happened from time to time. That would have been the other source. Clearly other private sector businesses and so on try to do their best to retrain, depending on the nature of the business. Nowadays, of course, we have Local Enterprise Partnerships and they have some funds but they are limited. Those are essentially your choices. Of course—a statement of the obvious—the position of local authority funding now from what it was in 2005 is quite significantly different.

Sandra Rothwell: To add to that from a rural picture—probably in terms of this panel it is quite a good contrast—for our business base, to give a sense of that, over 98% of all the businesses in Cornwall and the Isles of Scilly are either micro or small businesses. Not even medium, micro or small. To ask those businesses to continue to invest in skills, when we want them to grow, we want them to scale up, is more than a huge ask. Many of them are on the margins anyway. They want to grow, they want to employ more people and they want to support skills growth and so on. Without funding like this, there are no other alternatives at the moment.

For example, the recently published White Paper on industrial strategy references skills in there. We are seeing some things coming through from Government, investment in innovation and so on. We are not seeing the same level of new Government programmes to invest in skills to support things like the industrial strategy, for example. As Stella has said, without ESF local authorities can do some of those things but, clearly, local authorities will probably focus on those furthest from the labour market.

A final thing from Cornwall: in terms of unemployment, those on Jobseeker’s Allowance are less than 1% of the workforce right now. We have many more on long-term unemployment benefits but our biggest single issue are those people underemployed, so people within the workforce who are on or around the national minimum wage. We need to drive our economy further ahead. Some, particularly in seasonal employment and so on, are not even there.

Ruth George: Thank you.

Q34 **Chair:** As a descriptor, is it fair to say that one of the most positive attributes of this fund is that it seems to be useful in lots of areas? You are growing an economy and trying to lift it. You are saving and changing an economy. They are big-scale, strategic projects, while in the previous panel it was much more about helping the individual. Would you agree that is a reasonable description of the flexibility of the fund that is useful and that you would want to retain in whatever the replacement is?

Sandra Rothwell: Yes, in terms of flexibility. Just to reference some of the things we heard earlier, this mixed economy that was described, from a local, place-based approach there is absolute value in some of the wider programmes but, in terms of a deep dive into some of our local communities, particularly our local voluntary and community sector, really understanding the nuance of particular communities is hugely, hugely valuable.

In a place like Cornwall and the Isles of Scilly, which is a very big geography with very small settlements dispersed across it, it is quite expensive to deliver services and those communities in those areas can be very different in terms of their needs. This mixed economy, this ability to have bigger programmes but also being able to deep dive in a way that is bespoke to the places and the communities, is hugely important.

Stella Manzie: There are a number of things about the current fund that are extremely helpful. For example, one of the things that Lloyd has alluded to is that there is that there is a longer term focus on it. It is not something that is a fly-by-night thing. You have a longer term to develop a strategy in some cases. In other cases there are pressures where you have to produce something to a very short timescale.

We also have some ideas about how some of the good things in the current fund could be built on in the future, if we were going to do it differently. We are hoping that there would be some kind of replacement fund because without it—as the previous session and questions indicated—we would be in some considerable trouble. I will just ask Lloyd to say a bit about some of the things that we think would be helpful.

Lloyd Broad: You always run the risk of potentially saying the same things as the previous panel or, even worse, contradicting what the previous panel said. There are three points I would like to raise that answer your question about: is the ESF right, and is it flexible enough and so on? I would say no. While it has many good features and the individualised, tailored support for individuals, which has been explained earlier as one of the better features, from my perspective it has three fundamental flaws. One is that it is spatially blind. Because ESF is effectively run through national quangos, DWP, the SFA, ESFA and Big Lottery, is it effectively aligning itself to national employment policy, national skills policy, and national policies around inclusion and communities?

While it is attached to that construct, it suffers by being able to be sufficiently localised and flexible and tailored to local conditions. There is a limited amount of flexibility. The way that these funds are designated is something called thematic concentration. Even within ESF, you have the skills money going through the SFA, the employment money going through DWP, and the inclusion money going through Big Lottery. Again, the funding is attached in these silos; it is too fragmented. What you have is an insufficient amount of flexibility to do the truly wrap-around type of support an individual would need. It is not as flexible as we would like. It is not as integrated as we would like because it is a people-focused fund, and it needs to be a people-focused fund in a place-based scenario.

Stella Manzie: We would like to see a bit more ability to put in local geography. Clearly, Birmingham is a big place. There are lots of different districts in it. What works for Ladywood may not work for Sparkhill and so on. All of that is very important.

In the previous session, this is what they were alluding to when they were talking about people not being able to access different bits of ESF funding. We have some local examples, not so job-related, internally in the council, where, for example, we have almost put together a mini-taskforce within the council of people dealing with people who are at risk of eviction, and we have been able to bring in: can we get them a job? Can we get them access to benefits? Can we negotiate something about their arrears? We have done that.

We need to be able to do something like that within an ESF construct. There is some ability to do that at the moment, but there are some barriers within that because the funds are coming down via different strands.

Sandra Rothwell: I would concur with that as well, and the ability to be more bespoke. Perhaps two other examples: in Cornwall and the Isles of Scilly, through our devolution deal, we have what is called an integrated territorial investment area. What that means in real terms is that we are supposed to have an ability—the European programmes work through a call process—to align calls for ESF and ERDF, so that they complement each other. The reality is we have only been able to do that once because with the way that the programmes work, as Lloyd has already described, just an inability to make that happen on the ground has been very frustrating.

To give you two examples, we have put European Regional Development Fund into a place to develop an innovation centre with opportunity for grow-on and so on. It is adjacent to one of the most deprived communities in Cornwall. We cannot use the funding that we have put into that project to do anything with the community right next door. If we want to do anything there, we have to invent a whole new programme and keep our fingers crossed that DWP and everybody else will play ball and make that work. That is one example. It is daft.

Another example: for some of our businesses, who are agricultural businesses, they might want to knock on the door—again, same people, same communities—but because they are agricultural businesses, they cannot touch European Social Fund. People who might want skills and support into agricultural industries cannot use ESF.

Lloyd Broad: We have talked about the spatial aspect. We have talked about the local flexibility. That last point about the integration is critical. I have had sessions similar to this—not a Select Committee, but meetings with DCLG—about the use of ERDF funding, and I would be saying exactly the same things to them as I would be saying to you about the ability to more holistically align funding. We often use the words as local authority, "We want single pots. We want greater flexibility. Just give us the money. We know what to do best". It is not quite like that, but we do need more locally driven, responsive funding that can be integrated and knitted together.

Q35 **Chair:** This is devolution, isn't it?

Lloyd Broad: Absolutely.

Stella Manzie: The business community will say the same thing.

Lloyd Broad: In terms of Government policy, where we have failed is, since 2010, we have not had any neighbourhood renewal policy. Deprived neighbourhoods, per se, have fallen short of having a distinct, Government-led drive towards neighbourhood renewal and tackling deprived communities. That has been difficult for us because Government policy has not encouraged us to—

Stella Manzie: Although we have done that. Most local authorities are trying to do that, to some degree or another, with a combination of these funds and resources of their own. Lloyd is right; there is not necessarily that emphasis on those either micro or larger neighbourhoods, coming at it from a national level.

The only thing I would say is obviously some of the move towards greater devolution—for example, to the Westminster Combined Authority Area—is a positive step in terms of trying to move some of that funding down, but there are still big steps to move forward in order to move that devolution down a bit further. That would link very well with the sort of thing that Sandra and Lloyd are talking about, in terms of some of the restrictive aspects of it.

If nationally, post-Brexit, we were going to be looking at a new fund, this aspect of integration and trying to avoid artificial barriers, while still obviously retaining public funding accountability—we understand where people are coming from. They want to make things accountable and they want to have a framework whereby they can account for public money, which is an entirely understandable objective. Somehow or another, we have to get a balance between what some people describe as "bureaucratic". We all understand there have to be audit functions within it, but it is about trying to get a balance between those two in order to get that kind of neighbourhood focus and avoid the kind of contradiction that Sandra was just talking about.

Q36 **Alex Burghart:** Brilliantly, but slightly annoyingly, you have just answered the question I was going to ask. Let us develop it, because you are talking about how you would like a future fund to behave, and that is obviously one of the things that we are interested in. Can I ask you about what sort of body might be able to administer the behaviour that you are describing? The good news is that it is very likely that there will be a successor to ESF. I think in the Conservative Party manifesto there is a commitment to a UK transformation fund, which is a phrase to make it sound as though it is the heir to ESF. Let us assume that it is going to happen. How would you advise Government to constitute such a body?

Lloyd Broad: Stella has touched on it in terms of devolution. From a city perspective, the nature within which EU funds operate right now, it is run through national programmes. They notionally allocate funding to regions, but it is still delivered through national programmes. First, any new programme would need to be devolved.

Secondly, we need to develop—

Q37 **Chair:** To what level of devolution?

Stella Manzie: Could I just add a footnote to that, just to follow this through? I think all three of us have identified the fact that currently different funds are delivered through different Government Departments. Whatever body and however you put it together, in terms of where it is being looked at from a national level, you need to have all the people from the various Departments and ministerial representation around one table.

At that level, you are going to have to have something—I don't know whether it is a non-departmental public body or whatever constitutional construct it is—where there is some ministerial/civil servant crossover at that point. Then, that body, if it is looking at those funds overall, needs to think about nations and regions, obviously, within all of this. You have to consider that level of devolution. Then you have to consider, within an English context, regional activity there and then it could come into that devolved bit within the regions.

Of course, not all regions have the same structures. In some cases, you might have to think about LEPs or different angles. Because we have quite a fragmented constitutional model now, you might have to think at that level about what is the best unit for those particular levels.

Sandra Rothwell: There is also something about not necessarily needing to reinvent a wheel that does not need to be invented. There are some aspects of the way things work now that could be built on. To give some examples of what is happening in Cornwall right now—again partly because of our devolution deal—we have something called an intermediate body. Locally, we manage a lot of the process that happens as a result of calls and then projects coming back, and a lot of that is done locally. There is a local board already in existence that basically aligns a local strategy to what comes back in terms of investment.

That is made easier by the fact that—it is something I particularly want to stress—we have the ability to plan for much longer periods. A multi-annual approach to the programmes is really critical. If we are designing something that every one or two or three years we have to keep reinventing partly, that is expensive if nothing else. A longer term approach is helpful.

Intermediate bodies are doing a lot more locally. Obviously we are supported in that with Government bodies. We have a representation in Cornwall there as well. We then also sit on what is called a national programme board so that you can see how the programmes are working. That is at an England level. Again, as Stella said, I appreciate it is complicated with the devolved administrations, but I know the DAs also have their own equivalent national programme boards.

Without going into too much detail this morning, there are some elements of how things are working in some places, and there is a mixed geometry out there in terms of who has what and how things are working. Certainly, from a Cornwall and Isles of Scilly perspective, more emphasis on this intermediate body approach, working closely with Government Departments. Cornwall and the Isles of Scilly has its own seat at the national programme board as an intermediate body, and that is working. There are improvements to be made, but as a structure there is something in that.

Stella Manzie: A very quick footnote to that. Of course, there are at local/regional levels different cross-area programmes. For example, we have a Birmingham-Solihull Youth Promise programme that is run through the Greater Birmingham and Solihull LEP, which Lloyd may want to say a bit on.

Lloyd Broad: Yes. The comment was made earlier about the ability to use local strategic partnerships as a driver to tackle issues locally. We talked about how this construct of ESF is through this model called opt-in, these co-financing organisations, so effectively DWP, SFA and Big Lottery do the stuff for you. In Greater Birmingham and Solihull, we did not opt in to that model of funding, which ruled us out of accessing national Government match-funding. What it meant was we had to mobilise local partnerships, local partners and local resource in a strategic way to tackle the issues in our LEP area.

The Birmingham Youth Promise Plus project was a £50 million project targeting 16,000 young people not in education, employment or training. It pulled together a strategic partnership of 11 partners, including the West Midlands Police and Crime Commissioner, Prince's Trust, another local authority, and other local providers in the area, tackling a whole range of issues, from mental health to skills to employment, in this wrap-around type of way. It is the strategic partnership that was the key. We avoid duplication on the patch.

Partners are working together against a coherent set of aims and objectives. We are not trying to target the same people with different money from different programmes. There is a whole raft of benefits from the strategic partnership approach, and we, as the local authority, the accountable body, like an intermediate body—

Stella Manzie: Two local authorities, Birmingham and Solihull.

Lloyd Broad: Two local authorities, but we are the one taking the accountable body role. Effectively, we see that role as being the enabler and broker of bringing the partnership together, taking some accountability, because we are quite a large organisation—I would not say we have all the capacity, Stella, we still need more capacity—and taking some of the burden, the bureaucracy, away from some of those local providers not having to bid for resources themselves.

Q38 **Steve McCabe:** This ERSA NCVO report I referred to earlier talks about six key principles for successive funding. One of them it stresses is that it has to be a mix of long-term and short-term funding. I wondered two things: first, if you agreed with that, and secondly how you design a system like that that ensures that the short-term funding is genuinely for innovative pilots, and does not just become stop-gap funding that gets used here and there and never gets really properly accounted for at all?

Stella Manzie: First of all, the whole question of what is short-term funding is quite interesting. We will all have had experiences of being given something that is quite short-term funding, maybe two years, or sometimes three years, and of course the set up time of that makes it very, very difficult to deliver something in that level of short-term funding. At the same time, the example we gave earlier of MG Rover is an example where you are trying to do something to a relatively shorter term perspective, as well as a longer term restructuring of the economy.

One of the ways in which you can do it, the critical thing is to make sure—whether it is across local authority areas or it is a region, or whatever it is—that the area has a strategy. If you have a well thought through strategy and clarity about who it is you are targeting. The sort of matrix that we have described where sometimes it might be types of individuals with particular types of problems; in other cases it might be particular neighbourhoods or particular estates, or bigger areas than that, or it could be half a local authority for all we know.

Where you have that matrix of neighbourhood, individual and then, within that, you are trying to think about: what are the longer term restructuring-type elements? What are the things where you might know that you have a short-term crisis in a particular area because of the collapse of a firm, or whatever it happens to be?

I think the key is to have that overarching strategy right and then to be able to demonstrate, either to the audit bodies, national Government, whoever it is, or local politicians who wish to be accountable for it: this is why we are doing this. As with all public services, be clear about the outcome that you are trying to get and how you are going to measure it. As we all know, we have all fallen into terrible measurement traps—national and local Government both have—and it is how you get the right level of measurement within the overall framework.

Sandra Rothwell: I would agree with that. A couple of things to add, in terms of your concept there and the pilot and innovation piece: first, I am thinking longer term and about what this money is for. We talked about grants and so on earlier. As a local enterprise partnership, obviously we are working very closely with the business community. Businesses will pay into something like that if they feel they are getting those right outcomes that Stella described. There is something about how we make the funding go further with things like co-investment, as an example, with the businesses community.

One of the things that have not come up yet this morning is the use of what is called technical assistance; a small amount of the programme that is dedicated to helping to run it. If you are going to drive innovation and understand where the gaps are, undertaking evaluation is important. It does not need a lot of funding to do it, but it is about understanding that added value that those investments can bring.

Q39 **Chair:** It is a balance though, isn't it? We heard from the small frontline providers earlier; the last thing they want is more money being wasted on bureaucracy, and form filling, and admin. They want it going straight to the people who need it.

Sandra Rothwell: Absolutely. You go back to having a very clear strategy, being very clear where the outcomes are and, as a partnership, being able to drive where those innovations might take place. Again back to the question around the longer term and shorter term funding.

Lloyd Broad: The word often used is "additionality". The word "additionality" is often used, and I think having this place-based approach too where you can develop strategic partnerships. We are using language at the moment about how we can unlock talent to unlock potential in communities. It is about how we unlock the micro-assets in our communities through people, local community and organisations and link those to macro-assets in those neighbourhoods, whether they are big, super hospitals or big constructions sites and so on. How you unlock the potential in the micro-assets to take up opportunities in the macro-assets can only be driven through a place-based approach with all the stakeholders in that patch playing a part in that process.

Stella Manzie: The other thing I would say about the bureaucratic point is: maybe the issue that needs to be looked at more, even though a lot of this has been done in the past, is which organisation is the accountable body for these things? The city council has done this obviously quite a lot; if you can have a particular organisation that clearly has more capacity to be the accountable body and you can in some way find a way of linking what the smaller organisations are doing so that you free them up from some of the bureaucracy, that can be a route forward. I am not saying it is the total answer, but it can be a route.

Chair: Sorry, Ruth, was there something you wanted to add?

Q40 **Ruth George:** No, but it would be quite helpful to ask: do you find, by using that sort of locality-based approach, that if you target a particular community they end up helping themselves as well, in that it is not a case of cherry-picking individuals within a locality but it is about lifting a whole locality? I have a very rural constituency and if a village's young people start to feel there is no hope then that is very pervasive, whereas you have to work with them all together. A quick response if you feel that gives added value.

Lloyd Broad: Building sustainability is critical. It is not two or three-year projects that parachute in, help a few people and then move on to something else. That is the beauty of longer term programmes. We talk about any future successive funding, the new UK share Prosperity Fund; personally, I think we need seven to 10-year devolved funding that enables us to build in longer term solutions in neighbourhoods where you can build strategic partnerships. We know strategic partnerships take time too. It can take a couple of years to get one fully operational and then the funding runs out. We need to build sustainable programmes to develop sustainable solutions.

Chair: Brilliant. Thank you very much all three of you. Thank you.

Examination of witnesses

Witnesses: Sam Windett, Elizabeth Chamberlain, and Kayleigh Wainwright.

Q41 **Chair:** For the benefit of the camera, as they say, could you introduce yourself and your organisation?

Sam Windett: Yes. I am Sam Windett; I am the Head of Policy and Communications for ERSA, which is the membership body for the employment support sector.

Elizabeth Chamberlain: I am Elizabeth Chamberlain. I am Head of Policy for the National Council for Voluntary Organisations. We are the membership body for charities and voluntary organisations in England.

Chair: Lovely. Thank you both very much for coming today. We will start with Ruth.

Q42 **Ruth George:** From the perspective of both of your organisations on the national level, the same questions I asked the last panel really. Sam, what do you feel would be the impact of ESF not being available?

Sam Windett: We have clearly heard the impact of ESF on communities, and disadvantaged individuals, and those who need to be targeted on their need. Let us segregate that and look at the big, national picture, because I guess that is what we are here for on this panel. That is an enormous amount of funding. We have not talked about the billions, but we are talking billions here. From 2007 to 2013 there was €4.47 billion given to the UK from the EU funds, which was matched by organisations in the UK to make €8.6 billion over that period of time. We are talking very, very big numbers here.

When you look at the DWP stats on what that really means, what that turns into, May 2015 it is 521,000 unemployed or inactive people into work and 533,000 disadvantaged young people into education, training or work. These are big figures right across the piece. It is important to note, as you may well be aware, the impact will be felt differently in different areas, because different areas receive different amounts of funding. Some areas will be hit very hard.

For example, in West Wales in the Valleys, the local authorities there, one of our members' policy and practice did a piece of research that looked at what the per person spend of EU funding would be. It was April 2016, so a little while ago. They worked out that 21% of EU funding would be £101 per person there. You can see it is going to be different in different places, which is something we are going to have to bear in mind for any future initiative.

Elizabeth Chamberlain: I cannot add to the figures that we have already quoted. I would say that there has been a further £3.5 billion allocated now for the period from 2014 to 2020. As Sam says when we are talking about billions of pounds and hundreds of thousands of individuals, the figures speak for themselves, especially when, as previous panel members have highlighted, these are individuals with complex needs that are often left out of mainstream state provision. The figures are really significant ones, and the stories we have heard back those up even further.

Sam Windett: I would say it is sort of manifold. You have the communities where people are then engaging through these programmes, but I also have to say that the organisations that are delivering are obviously increasingly stitching funding together from various different places to make it work for the people that they are helping. ESF is a significant part of that. It makes other funds work. It underpins other money, so organisations like you heard can use ESF to then say, "Okay, we have this here, we can build on it", and they can talk to employers. The figures are huge, but it is actually even bigger than that if you think about the other funding that it underpins.

Q43 **Ruth George:** Thank you so much for talking about the funding, but we are thinking about people and what the impact on people and communities will be, particularly young people and those who are in hard-to-reach groups. There are really high figures for the numbers of people that have been helped and supported, and we are looking at what the impact would be if that support, which is glue for all the other funding streams, was not there. What would be the impact on society?

Elizabeth Chamberlain: If I could just step in, because we have spoken a lot about big numbers and finance, but, you are right, it is not about financial impact. It is about the people that this funding goes to support, and the fact that it means crucial investment for education, training and employment support. It is going to young people, people who are often not in employment, not in education, long-term unemployed, people with disabilities, and people with health conditions. As you say, that is what we are talking about and that is who we need to think about when we consider ensuring continuity of funding, so that these people don't lose out on the support that they need.

Q44 **Ruth George:** Is there anything else there for them?

Sam Windett: This is exactly it. These types of funds are for individuals that the state system, for whatever reason, is not working for. If you think of the ladder analogy, they need to get on the ladder to then access all these other services, and they are sitting outside. We don't necessarily design state services around people and their needs, do we? These funded programmes do, and it enables somebody to then access other support. It is moving people on a journey who are otherwise neglected, often neglected by state services.

I have to say that often they are figures that don't appear on some Government spreadsheet, because it may be inactive rather than unemployed. It may be people that are not counted in Government figures all the time that we think would be a real asset to their communities, and should be more engaged, and want to get more engaged. That is who these programmes really help.

Chair: We are starting to think about what we can do to improve what is a good but clearly not perfect system. Alex, do you want to start it off?

Q45 **Alex Burghart:** Thanks, Heidi. Thinking about what does not work well in the current scheme and what we might seek to make better in a successive scheme. Sam, in your report you talked about the need for quicker allocation of funds. Can you tell us a bit about why funds are not allocated fast enough at the moment?

Sam Windett: Yes, I am happy to. You are absolutely right that we have an opportunity now to design something that is better. I remember a couple of years ago talking about the ESF and bemoaning some of its features, but we do need to keep some of those features. Disadvantaged communities and partnership working, some of those things need to stay in any future fund.

It is those levels of bureaucracy that are being talked about, both as the funding is coming down and being allocated, but also in the way that providers are receiving the funding. Some of those have been gold plated on the way down. We can do it much quicker. We know programmes that are being delivered now that can allocate funds a lot more quickly. What we want to do is build on those and not try to replicate ESF. We don't need to replicate ESF, because the EU will not be involved anymore, so we can do things a lot better.

I would say one thing is the issue about staff time on the frontline. I sat with an adviser after they have been to meet somebody that they were supporting in a coffee shop down the road. They came back, and the stack of paper that that staff member had to then go through was absolutely enormous. Their time would have been so much better spent a little bit longer in that coffee shop or with the next person. Those are the sorts of things where we can get money a lot quicker and used a lot better in another system.

Q46 **Chair:** We probed the earlier panels around: who does it better? Which fund does it better? Are there examples you can give us that we could learn from, in terms of really fast delivery around funds and provisions?

Sam Windett: I would say the one that always comes up, and it is unfortunately a replication, is the Lottery Fund. It seems to be the one quoted more often than not by our members. There are some really good features there that we can learn from.

Q47 **Andrew Bowie:** Tell us what those good features are.

Sam Windett: I will write to you with those good features and tell you what the new initiative needs to take on.

Q48 **Andrew Bowie:** Elizabeth, from your perspective, what is not working so well in the existing system and what could we improve on?

Elizabeth Chamberlain: From what we have heard from previous panel members who have the direct experience, it is a lot around bureaucracy. That amount of bureaucracy is hindering them from being as efficient and as effective as they want to and could be. We need to look at how we can simplify the process and reduce that bureaucracy so they can operate at 100%.

Another key issue that we have heard—and I would definitely agree with what previous speakers have said—is about the need to integrate the service more, and build mechanisms so service users are a lot more involved. This is not something that comes across only with regards to ESF. It is across the board as to how all organisations are looking at ways they can build user involvement much more, from design to delivery of the service. Obviously, somebody who has had direct experience of the service has the expertise and the insight to improve that service and make it more effective. They are the two things that I would definitely echo from previous panels. I know evaluation has also come up a lot.

Sam Windett: Yes, this is the counter intuitive nature of ESF. There are inordinate amounts of paperwork that you have to fill in and send off, but very little evaluation and comparison of the diversity of projects—which is fantastic—and what is working best and where. That is one of the interesting things.

You said earlier you have to balance it out. You just have to take away the unnecessary auditing and then put in a system. That may be at central Government level where they have more of a market-stewardship approach to all of these programmes saying, "We can see from the outcomes that these initiatives are working really well". That may not just be jobs. That could be health or it could be other outcomes, so start comparing.

The ESF does not do that at all. You have a multiplicity of programmes, some of which can duplicate, and we want to remove that in any future programme. It does not enable you to compare like for like either.

Q49 **Andrew Bowie:** Is there good evidence that ESF is working in all of the instances in which money is being applied for at the moment?

Sam Windett: That is the issue. There is an audit trail, but there are not necessarily the outcomes and value-for-money argument that we would build into any future system.

Q50 **Andrew Bowie:** That is very interesting. Kayleigh, hello. Would you like to introduce yourself for the record?

Kayleigh Wainwright: Yes. Hello, everyone, I am Kayleigh Wainwright, Head of Membership and Policy at UK Youth.

Q51 **Andrew Bowie:** Thank you very much. What we are talking about at the moment, Kayleigh, is what does not work so well in ESF that we would like to improve on in the successive system. Is there anything you would like to chip in on?

Kayleigh Wainwright: As a bit of background, UK Youth is a national charity that supports youth organisations across the UK, including in the nations. We have around 230 members that in turn support around 4 million young people. They range from small, voluntary youth clubs to regional and national youth charities, so it is quite broad and quite varied.

Our members have reported that one of the problematic features of the ESF is the paperwork. That it is quite lengthy and can be quite time consuming, especially for small organisations. The time spent creating new systems, in terms of measuring impact, are quite costly, especially for smaller charities when they already have a system in place to measure other outcomes.

The payment up to six months in arrears: some of our members have commented that that can be problematic, in terms of trying to have the cash flow to spend on projects upfront; the overemphasis on the form rather than the function, so the need to balance accountability with cost effectiveness.

The need to be able to measure a wide range of outcomes: while members have said it is good that it does that, without some kind of really specific things it is then quite hard to measure with young people what the outcomes might be. Some of our members have reported that the seven-year blocks near the end of the programme can be inflexible, and that programmes need to be able to respond to changes in a local landscape.

The last thing they mentioned, specifically around the problematic features, was around the exchange rate. It is sometimes unclear on specific amounts available nationally, so that can be quite tricky.

Q52 **Steve McCabe:** I want to ask Sam and Elizabeth, in particular: the joint report that your respective organisations produced puts great stress on ensuring that there is access for smaller, specialised organisations in terms of any successive fund. Could you say a little bit about why that is crucial, and exactly how you do that without ending up with a situation where it is sprinkled all over the place but does not have the impact that you are talking about?

Sam Windett: No, it is a balancing act. You are right to ask why it is important. It is because with the types of groups that we are specifically targeting and we are talking about here, you need a plethora of specialisms and often from smaller, specialist organisations. We say a successor fund should include even more specialists and look for even more community groups that are not currently reached by any funding.

I suppose you can think of it as a journey. From the beginning smaller, specialist organisations need to be involved in the shaping of those initiatives because they often understand the needs of those communities. If you are shaping something without that knowledge then we are on a road to nowhere, anyway. You have to involve smaller specialists in the beginning.

Then, as you move further down the road—so talking about commissioning processes—we have learned an awful lot over the years. What you need to do is make the commissioning processes appropriate; the size of contracts. You have to have an economy of scale but you need to balance it off against the target groups that you are trying to focus on. That is possible. You need tender processes that are not onerous. Some of the big Government processes are very lengthy, very costly, and completely cut out any smaller organisations from being able to participate. We do need good tender processes. Make them as long as possible, because smaller organisations may not have a big team that can suddenly jump to it and start writing a bid in a week. You need a bit longer.

As part of that, what is important is having market-warming exercises. That sounds a little bit professional but that just allows people to talk to each other, basically. It allows providers in an area—who may not even consider themselves employment-support providers but they are a part of the jigsaw—to come along and talk to other ERSA members, or non-members, and other organisations, to start to put together a plan and a proposal and try to build something. That is how you get local. That is how you get small and specialist.

If you were going down any prime-provider route with this, I would say you would have to ensure that there was a Merlin Standard applied, which ensures fair treatment of subcontractors. If you remove some of the bureaucracy, you enable some of the smaller specialists to deliver some of this as well. I know we keep talking about the bureaucracy, but it is important.

Q53 **Steve McCabe:** Thank you. I notice you were nodding as Sam was saying that, Kayleigh. Do you want to add anything to it?

Kayleigh Wainwright: Just to back up everything Sam said. I think it is around creating opportunities for small-scale specialists to be commissioned as part of the pathway, rather than as ad hoc providers as well. Our members have basically said everything that Sam said.

Chair: Accessibility for small providers. I suppose one of the things on their minds is payment and how they manage. Do you want to probe on that, Chris?

Q54 **Chris Stephens:** Yes, thanks. There is always a debate about funding mechanisms and what is the best way to do that. Some will argue that payment by results is better than grants, so I will just ask what the views of your organisations are. I will start with Kayleigh.

Kayleigh Wainwright: Our members have said payment by contract or grant, if it was based on a regular review of the results. I think payment upfront, so, for example, 30% upfront followed by payments of arrears; they are examples of things that members currently do that they say have worked well. The contracts or grants to delivery of the outcomes works better, so not just around the jobs but including wellbeing and SROI outcomes.

When we went out and asked members about this we did not get an overwhelming response of, "This way would work better than this way". It really depends on what the funding is trying to achieve and what works best for that organisation, which I guess is not a really straightforward answer. For a large charity, for example, that might have much more cash flow coming in and out from other projects that they are running, a payment by results would work better. For a small organisation payment at the end would not work at all. It is just bearing that in mind when thinking about who we are trying to target with the funding.

Elizabeth Chamberlain: I have a more straightforward answer in that, from NCVO's perspective and our members, grants are the preferred method of funding because—again, building on what was said by some previous panel members—what we are talking about here is personalised services dealing with people with complex needs and thinking about local solutions to local problems. We need a much more tailored commissioning process. Therefore, it is inevitable that the funding requirements of such a diverse range of activities and organisations will in itself be different, which means we need a better understanding of the needs of the people that the service is directed at. Essentially, what we are talking about here is grant funding.

I would also say that the benefits of grant funding are widely recognised, particularly in circumstances such as these, because it allows funders to be selective and, therefore, choose the organisations that are best placed to deliver the service. It also allows flexibility and, therefore, to respond to needs as they are identified. As we heard before, it allows providers to be a lot more innovative in how they deliver the service. They can shape the service around individuals and the needs of their local community.

Payment by results may have a place somewhere but, interestingly, there is a National Audit Office report with an analytical framework that sets out the circumstances in which payment by results may be appropriate. It is talking about having clearly defined set targets, clearly defined set —

Q55 **Chair:** Is that report for their sector?

Elizabeth Chamberlain: Across the board. They are all circumstances that are very rarely going to be present in this type of service and context.

Sam Windett: You have to look at what the results are. If it is payment by results, what results are you hoping to get from this? Lots of our members work under PbR with their own outcome frameworks. They are not just working on employment; they are working across the piece. If PbR were appropriate for what comes next, you would need a significant amount of upfront funding because the specialists involved would need their overheads catered for. But you cannot backend everything. We have programmes now that have different weightings. PbR has evolved over time, but you would need to know first what the results are and whether that is appropriate.

Q56 **Chair:** A final question from me. So much of the success of the use of these funds is around how organisations build relationships with each other and no one, single provider has the perfect solution. In the new world, how do you envisage the new replacement for ESF is going to work? Who is going to own it? Is this going to be a glorified extension to the DWP's work and health programme? Is it separate? How would it integrate with health education? Talk us through how you think the model will best work. Perhaps if we start with Elizabeth.

Q57 ***Elizabeth Chamberlain:*** One of the key principles, which we have set out in our report, is very much about encouraging joint working between all the different stakeholders, not only between voluntary organisations and providers and their local authorities but also between different Government Departments. This is because, essentially, we want the fund to take a holistic approach. What we talk about is very much a multi-agency and multi-sectoral partnership approach.

How that would look in practice might be the next stage of our thinking, where we start to drill down a little bit more into how these principles would flesh out. Regardless of which Department eventually owns the part, what we would want is to ensure that the expertise of other Departments is sufficiently taken into account and fed in. For example, the Department for Work and Pensions: we would want their expertise when it comes to skills and employment.

Q58 **Chair:** Not their owning of this?

Sam Windett: This is a very interesting issue and I think we have got the most difficult question at the end of the session, which is fine. There are three levels. There is integration of funding, there is integration of design of solutions, and there is integration of delivery. There are three different levels.

At the moment, I feel like a lot of people are focusing on the funding. Does it sit with LEPs? Does it sit with this Department? Does it sit in one Department or multiple Departments? If you disaggregate ESF, it is extremely complicated. The Bad Boys' Bakery example was funded through HMPPS, or formerly NOMS. That cannot be funded on a devolved level because it is within the justice system, which operates quite differently.

If you want to replicate what ESF does and the groups it helps, then it is going to have to be quite a mix. That could sit in one Department but, if it were brought together with other funds, for example, you have to set a minimum level of what ESF-orientated programmes are going to be, what the money is going to be spent on. If you bring together industrial strategies, at a regional level, which look at building shiny business parks and getting people into work, that should tie together. If it is only spent on the shiny business parks and the bus routes in between, and not spent on this stuff, then you are going to be in trouble. That is where I think our red lines are.

What we need is the Government to come out with some thoughts or some areas that they want our input into, so that we can then formulate a little bit more of, "How does that work in practice?" It is not easy. What we are saying is—I know I do stress it—this is a world-leading initiative. We can design this. We can do this.

What we don't want to do—you mentioned the Work and Health Programme—is plug into any existing state provision. This sits outside state provision. This is not short-termist. It has to really look at those groups that are neglected by state provision.

The issue we have in designing a world-class system is time. That is the biggest pressing issue now, and the Government have to get on with it if we are going to have something to set up after.

Q59 **Chair:** What dialogue have you had so far?

Sam Windett: We have had dialogue across Government Departments with officials. We set up a working group, NCVO and ERSA. We started looking at this over a year ago. We have talked to different officials in different Departments, which is why we know it is not an easy solution. You cannot just say, "Right, we will devolve everything", because some things sit outside it. I know why this is taking a while, but we have to come out with some firm ideas.

Q60 **Chair:** What is your instinct? Where should it sit? Civil society?

Sam Windett: Where should the funding sit?

Chair: Yes.

Sam Windett: Where it should sit, you need to involve things like city mayors. At the moment, the GLA is an opt-in for ESF, and they have managed to shape the policies to suit themselves. They can co-ordinate businesses. That has worked well for the GLA and you can see some good programmes.

Q61 **Chair:** Nationally, though, because it has to apply nationally somewhere.

Sam Windett: Yes. The issue that you have is that some of those programmes overlap, so you have the different actors. Ideally, you could bring this together at a LEP level. You could bring together the plans. Where the funding sits for our providers: as long as there is a good dialogue between providers, commissioners and local partners that is the main thing.

Elizabeth Chamberlain: Even if you brought it at the LEP level, you would then need to address some issues that we have around LEPs in terms of transparency, accountability and involvement, again, of all the different partners involved.

Q62 **Chair:** Kayleigh, is there anything you want to add?

Kayleigh Wainwright: Just to follow up on that, that members feel that it should be devolved as much as possible, but centrally co-ordinated to ensure a high level of integration. It is just to say the same thing as well.

To make the point as well that local providers are the best people with the knowledge of that area, so as much integration and co-production with those providers as possible, and to be holistic. It is around ensuring that basic needs are met first before people are able sometimes to even think about entering the employment market, for example. For our members, it is definitely around working collaboratively but not letting that dilute the vision and the co-ordination. In terms of where it should sit, I don’t have a 100% total gut feeling on that. The GLA model does work well. It is having that somehow at a national level.

Q63 **Chair:** Would you, Kayleigh, and you, Elizabeth, both agree with Sam that it should not just be plonked into somewhere like the DWP, that it should somehow sit outside the system?

Elizabeth Chamberlain: What we definitely agree with is that it should be standalone, separate funding and it should not be plugged into existing. It is aimed at very particular needs and supporting people that are out and you don’t want to lose that.

In terms of where it sits, we are fairly agnostic on that, provided that, once it is decided where it sits, there is that partnership working, bringing in all the actors and stakeholders involved, so everybody's expertise can feed in. At the end of the day, if the relationships and the structures are there, where it sits is almost not the most important issue.

Chair: Brilliant. Is there anything else from anybody? No. Brilliant. Thank you very much, ladies.