

AGENDA

Meeting Economy Committee

Date Tuesday 14 July 2015

Time 10.00 am

Place Committee Room 5, City Hall, The Queen's Walk, London, SE1 2AA

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Members of the Committee

Fiona Twycross AM (Chair)
Stephen Knight AM (Deputy Chair)
Tony Arbour AM
Jenny Jones AM

Kit Malthouse AM MP
Murad Qureshi AM
Dr Onkar Sahota AM

A meeting of the Committee has been called by the Chair of the Committee to deal with the business listed below.

Mark Roberts, Executive Director of Secretariat
Monday 6 July 2015

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: David Pealing, Committee Officer; Telephone: 020 7983 5525; Email: david.pealing@london.gov.uk.

For media enquiries please contact: Lisa Lam; Telephone: 020 7983 4067; Email: lisa.lam@london.gov.uk. If you have any questions about individual items please contact the author whose details are at the end of the report.

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Certificate Number: FS 80233

**Agenda
Economy Committee
Tuesday 14 July 2015**

1 Apologies for Absence and Chair's Announcements

To receive any apologies for absence and any announcements from the Chair.

2 Declarations of Interests (Pages 1 - 4)

Report of the Executive Director of Secretariat

Contact: John Johnson, john.johnson@london.gov.uk, 020 7983 4926

The Committee is recommended to:

- (a) Note the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, as disclosable pecuniary interests;**
- (b) Note the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s); and**
- (c) Note the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at Agenda Item 2) and to note any necessary action taken by the Member(s) following such declaration(s).**

3 Minutes (Pages 5 - 40)

The Committee is recommended to confirm the minutes of the meeting of the Committee held on 18 June 2015 to be signed by the Chair as a correct record.

The appendices to the minutes set out on pages 11-24 and 25-40 are attached for Members and officers only but are available from the following area of the GLA's website:

www.london.gov.uk/mayor-assembly/london-assembly/economy

4 Summary List of Actions (Pages 41 - 46)

Report of the Executive Director of Secretariat

Contact: John Johnson; john.johnson@london.gov.uk; 020 7983 4926

The Committee is recommended to note the outstanding actions arising from its previous meetings and correspondence received since the last meeting.

5 The Role of the Third Sector in Employment and Skills Programmes (Pages 47 - 48)

Report of the Executive Director of Secretariat

Contact: Simon Shaw, simon.shaw@london.gov.uk; 020 7983 6542 or Charlotte Maddrell, charlotte.maddrell@london.gov.uk ; 020 7983 5618

The Committee will put questions on the role of the third sector in employment and skills programmes to invited guests and are recommended to note the subsequent discussion.

6 Economy Committee Work Programme (Pages 49 - 52)

Report of the Executive Director of Secretariat

Contact: Simon Shaw, simon.shaw@london.gov.uk; 020 7983 6542 or Charlotte Maddrell, charlotte.maddrell@london.gov.uk ; 020 7983 5618

The Committee is recommended to:

- (a) Note the amendments to the scope of its site visit in September;**
- (b) Delegate authority to the Chair, in consultation with party Group Lead Members, to agree the Committee's submission to the London Fairness Commission; and**
- (c) Agree the scope for the October meeting on London's flexible labour market.**

7 Date of Next Meeting

The next meeting of the Committee is scheduled for 10 September 2015 at 2pm in Committee Room 5, City Hall.

8 Any Other Business the Chair Considers Urgent

Subject: Declarations of Interests

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 14 July 2015

This report will be considered in public

1. Summary

- 1.1 This report sets out details of offices held by Assembly Members for noting as disclosable pecuniary interests and requires additional relevant declarations relating to disclosable pecuniary interests, and gifts and hospitality to be made.

2. Recommendations

- 2.1 **That the list of offices held by Assembly Members, as set out in the table below, be noted as disclosable pecuniary interests¹;**
- 2.2 **That the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s) be noted; and**
- 2.3 **That the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at below) and any necessary action taken by the Member(s) following such declaration(s) be noted.**

3. Issues for Consideration

- 3.1 Relevant offices held by Assembly Members are listed in the table overleaf:

¹ The Monitoring Officer advises that: Paragraph 10 of the Code of Conduct will only preclude a Member from participating in any matter to be considered or being considered at, for example, a meeting of the Assembly, where the Member has a direct Disclosable Pecuniary Interest in that particular matter. The effect of this is that the 'matter to be considered, or being considered' must be about the Member's interest. So, by way of example, if an Assembly Member is also a councillor of London Borough X, that Assembly Member will be precluded from participating in an Assembly meeting where the Assembly is to consider a matter about the Member's role / employment as a councillor of London Borough X; the Member will not be precluded from participating in a meeting where the Assembly is to consider a matter about an activity or decision of London Borough X.

Member	Interest
Tony Arbour AM	Member, LFEPA; Member, LB Richmond
Jennette Arnold OBE AM	Committee of the Regions
Gareth Bacon AM	Chairman of LFEPA; Chairman of the London Local Resilience Forum; Member, LB Bexley
John Biggs AM	Mayor of Tower Hamlets (LB)
Andrew Boff AM	Member, LFEPA; Congress of Local and Regional Authorities (Council of Europe)
Victoria Borwick AM MP	Member of Parliament; Member, Royal Borough of Kensington & Chelsea
James Cleverly AM MP	Member of Parliament
Tom Copley AM	Member, LFEPA
Andrew Dismore AM	Member, LFEPA
Len Duvall AM	
Roger Evans AM	Deputy Mayor; Committee of the Regions; Trust for London (Trustee)
Nicky Gavron AM	
Darren Johnson AM	Member, LFEPA
Jenny Jones AM	Member, House of Lords
Stephen Knight AM	Member, LFEPA; Member, LB Richmond
Kit Malthouse AM MP	Member of Parliament
Joanne McCartney AM	
Steve O'Connell AM	Member, LB Croydon; MOPAC Non-Executive Adviser for Neighbourhoods
Caroline Pidgeon MBE AM	
Murad Qureshi AM	Congress of Local and Regional Authorities (Council of Europe)
Dr Onkar Sahota AM	
Navin Shah AM	
Valerie Shawcross CBE AM	
Richard Tracey AM	Chairman of the London Waste and Recycling Board; Mayor's Ambassador for River Transport
Fiona Twycross AM	Member, LFEPA

[Note: LB - London Borough; LFEPA - London Fire and Emergency Planning Authority; MOPAC – Mayor's Office for Policing and Crime]

3.2 Paragraph 10 of the GLA's Code of Conduct, which reflects the relevant provisions of the Localism Act 2011, provides that:

- where an Assembly Member has a Disclosable Pecuniary Interest in any matter to be considered or being considered or at
 - (i) a meeting of the Assembly and any of its committees or sub-committees; or
 - (ii) any formal meeting held by the Mayor in connection with the exercise of the Authority's functions
- they must disclose that interest to the meeting (or, if it is a sensitive interest, disclose the fact that they have a sensitive interest to the meeting); and
- must not (i) participate, or participate any further, in any discussion of the matter at the meeting; or (ii) participate in any vote, or further vote, taken on the matter at the meeting

UNLESS

- they have obtained a dispensation from the GLA's Monitoring Officer (in accordance with section 2 of the Procedure for registration and declarations of interests, gifts and hospitality – Appendix 5 to the Code).

- 3.3 Failure to comply with the above requirements, without reasonable excuse, is a criminal offence; as is knowingly or recklessly providing information about your interests that is false or misleading.
- 3.4 In addition, the Monitoring Officer has advised Assembly Members to continue to apply the test that was previously applied to help determine whether a pecuniary / prejudicial interest was arising - namely, that Members rely on a reasonable estimation of whether a member of the public, with knowledge of the relevant facts, could, with justification, regard the matter as so significant that it would be likely to prejudice the Member's judgement of the public interest.
- 3.5 Members should then exercise their judgement as to whether or not, in view of their interests and the interests of others close to them, they should participate in any given discussions and/or decisions business of within and by the GLA. It remains the responsibility of individual Members to make further declarations about their actual or apparent interests at formal meetings noting also that a Member's failure to disclose relevant interest(s) has become a potential criminal offence.
- 3.6 Members are also required, where considering a matter which relates to or is likely to affect a person from whom they have received a gift or hospitality with an estimated value of at least £25 within the previous three years or from the date of election to the London Assembly, whichever is the later, to disclose the existence and nature of that interest at any meeting of the Authority which they attend at which that business is considered.
- 3.7 The obligation to declare any gift or hospitality at a meeting is discharged, subject to the proviso set out below, by registering gifts and hospitality received on the Authority's on-line database. The on-line database may be viewed here:
<http://www.london.gov.uk/mayor-assembly/gifts-and-hospitality>.
- 3.8 If any gift or hospitality received by a Member is not set out on the on-line database at the time of the meeting, and under consideration is a matter which relates to or is likely to affect a person from whom a Member has received a gift or hospitality with an estimated value of at least £25, Members are asked to disclose these at the meeting, either at the declarations of interest agenda item or when the interest becomes apparent.
- 3.9 It is for Members to decide, in light of the particular circumstances, whether their receipt of a gift or hospitality, could, on a reasonable estimation of a member of the public with knowledge of the relevant facts, with justification, be regarded as so significant that it would be likely to prejudice the Member's judgement of the public interest. Where receipt of a gift or hospitality could be so regarded, the Member must exercise their judgement as to whether or not, they should participate in any given discussions and/or decisions business of within and by the GLA.

4. Legal Implications

- 4.1 The legal implications are as set out in the body of this report.

5. Financial Implications

- 5.1 There are no financial implications arising directly from this report.

Local Government (Access to Information) Act 1985
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List of Background Papers: None

Contact Officer: John Johnson

Telephone: 020 7983 4926

E-mail: john.johnson@london.gov.uk

MINUTES

Meeting: Economy Committee
Date: Thursday 18 June 2015
Time: 10.00 am
Place: Committee Room 5, City Hall, The Queen's Walk, London, SE1 2AA

Copies of the minutes may be found at:

www.london.gov.uk/mayor-assembly/london-assembly/economy

Present:

Fiona Twycross AM (Chair)
Stephen Knight AM (Deputy Chair)
Tony Arbour AM
Jenny Jones AM
Dr Onkar Sahota AM

1 Apologies for Absence and Chair's Announcements (Item 1)

1.1 Apologies for absence were received from Kit Malthouse AM MP and Murad Qureshi AM.

2 Declarations of Interests (Item 2)

2.1 The Committee received the report of the Executive Director of Secretariat.

2.2 Resolved:

That the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, be noted as disclosable pecuniary interests.

3 Membership of the Committee (Item 3)

3.1 Resolved:

That the membership and chairing arrangements for the Committee, as agreed by the London Assembly at its Annual Meeting on 13 May 2015 be agreed as follows:

**Fiona Twycross AM (Chair)
Stephen Knight AM (Deputy Chair)
Tony Arbour AM
Jenny Jones AM
Kit Malthouse AM MP
Murad Qureshi AM
Dr Onkar Sahota AM**

4 Terms of Reference (Item 4)

4.1 Resolved:

That the Committee's terms of reference, as agreed by the London Assembly at its Annual Meeting on 13 May 2015, be noted as follows:

- 1. To examine and report from time to time on –
 - matters of importance to Greater London; and
 - the strategies, policies and actions of the Mayor and Functional Bodies as they relate to economic development, wealth creation, social development, culture, sport and tourism in London.**
- 2. To provide lead oversight for the London Assembly of the policies, decisions and actions of the London Enterprise Panel.**
- 3. To respond on behalf of the Assembly to consultations and similar processes when within its terms of reference.**
- 4. To take into account in its deliberations the cross cutting themes of: the health of persons in Greater London; the achievement of sustainable development in the United Kingdom; climate change; and the promotion of opportunity.**

5 Standing Delegation (Item 5)

5.1 Resolved:

That the following standing delegation be noted:

At its Annual Meeting on 1 May 2013, the Assembly agreed to delegate a general authority to Chairs of all ordinary committees and sub-committees to respond on the relevant committee or sub-committee's behalf, following consultation with the lead Members of the party Groups on the committee or sub-committee, where it is consulted on issues by organisations and there is insufficient time to consider the consultation at a committee meeting.

6 Minutes (Item 6)

6.1 Resolved:

That the minutes of the meeting held on 5 March 2015 be signed by the Chair as a correct record.

7 Summary List of Actions (Item 7)

7.1 The Committee received the report of the Executive Director of Secretariat.

7.2 Resolved:

That the completed and outstanding actions arising from previous meetings of the Committee be noted.

8 Action Taken Under Delegated Authority (Item 8)

8.1 The Committee received the report of the Executive Director of Secretariat.

8.2 Resolved:

That the recent action taken by the Chair of the Economy Committee under the authority delegated to them as follows:

- (a) That the Chair agreed the Committee's report *Final demand: Personal problem debt in London*; and**
- (b) That the Chair agreed the content of the podcast produced as a record of the Committee's financial services event held on 27 February 2015.**

9 The Role of the Third Sector in Employment and Skills Programmes (Item 9)

9.1 The Committee received the report of the Executive Director of Secretariat as background to putting questions on the role of third sector organisations in employment and skills programmes to invited guests in two sessions. The first panel comprised:

- James Butler, Public Affairs Manager, Social Enterprise UK;
- Nehal Depani, Policy and Project Manager for Employment and Skills, London Voluntary Service Council; and
- Duncan Melville, Chief Economist, Centre for Economic and Social Inclusion.

9.2 A transcript of the discussion with the first panel is attached at **Appendix 1**.

9.3 The following guests were questioned in the second session:

- Kirsty McHugh, Chief Executive, Employment Related Services Association;
- Roy O'Shaughnessy, Chief Executive Officer, Shaw Trust; and
- Dr Ian Thurlby-Campbell, Business Development Manager, Ingeus.

9.4 A transcript of the second session is attached at **Appendix 2**.

9.5 **Resolved:**

- (a) That the scope and terms of reference of the investigation into the role of the third sector in employment and skills programmes be agreed; and**
- (b) That the report and discussion be noted.**

10 Personal Problem Debt (Item 10)

10.1 The Committee received the report of the Executive Director of Secretariat.

10.2 **Resolved:**

- (a) That the Committee's report *Final demand: Personal problem debt in London*, as attached at Appendix 1 to the report, be noted; and**
- (b) That the responses received to the Committee's report on personal problem debt, as set out at Appendices 2 to 5 to the report, be noted.**

11 Economy Committee Work Programme (Item 11)

11.1 The Committee received the report of the Executive Director of Secretariat.

11.2 **Resolved:**

- (a) That the Committee's work programme and priorities for 2015/16 be agreed;**
- (b) That the recent action taken by the Chair under delegated authority, namely to agree the topic of the Committee's June and July 2015 meetings, be noted; and**
- (c) That the proposal to hold a site visit on 10 September 2015 to explore connectivity issues be agreed.**

12 Date of Next Meeting (Item 12)

12.1 The date of the next meeting of the Committee was confirmed as Tuesday 14 July 2015 at 10.00am in Committee Room 5, City Hall.

13 Any Other Business the Chair Considers Urgent (Item 13)

13.1 There were no items of business that the Chair considered to be urgent.

14 Close of Meeting

14.1 The meeting ended at 11.57 am.

Chair

Date

Contact Officer: David Pealing, Committee Officer
Telephone: 020 7983 5525; Email: david.pealing@london.gov.uk.

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Economy Committee – 18 June 2015: Transcript of Item 9
The Role of the Third Sector in Employment and Skills Programmes
Session One

Fiona Twycross AM (Chair): That brings us to today's main item, which is on the role of the third sector in employment and skills programmes. Can I welcome our guests for our first session today, Nehal Depani, James Butler and Duncan Melville? Nehal, you are Policy and Project Manager for Employment and Skills at the London Voluntary Service Council. James, you are Public Affairs Manager for Social Enterprise UK. Duncan is Chief Economist for the Centre for Economic and Social Inclusion.

We have a second session, which we will aim to be starting at around 11.00am, and so I will ask Members to keep their questions and comments concise. The first question, which is a broad question to all guests, is around what in particular third-sector organisations bring to the delivery of employment services.

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): Sure. There are a few points that we wanted to bring out. First of all, the third sector has a social mission and this is important because it encourages organisations to look at the individual in a more holistic way. For the third sector, they are not trying to meet targets and they are not trying to fill a certain tick-box. They are trying to solve the problem.

There are also knock-on benefits from this kind of social mission. For example, the voluntary sector can harness the power of volunteers, which is really significant. In lots of refugee and asylum-seeker charities, it is not unusual for former students who are benefiting from the service of a charity to go on to be volunteers and that helps them progress towards work.

Thirdly, the voluntary sector does very well in reaching hard-to-reach communities. These are the people with whom the statutory sector and the private sector often do not come into contact. In terms of helping those kinds of people into employment, the third sector has a big role to play.

James Butler (Public Affairs Manager, Social Enterprise UK): I would echo all of the points that my colleague, Nehal, has made. Just a word about social enterprises. They are organisations - businesses - that reinvest their surpluses into their social or economic mission. That makes them slightly different from the rest of the third sector to some extent. A semi-philosophical point: a lot of social enterprises have been set up because of the frustrations with traditional employment-readiness schemes and they see that the power of business can be harnessed to drive social and environmental good. That said, they share many of the other great facets that the charitable sector has in terms of adaptability, local knowledge, cultural awareness, down-to-earth approaches, a preparedness to do what works, which is not necessarily fitting in with the ideology that the state would bring, a preparedness to go the extra mile, and an expertise within the sector that they operate in.

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): I would agree with what my two colleagues have said. The thing that the third sector can really bring is that they are very good at getting to disadvantaged, difficult-to-reach groups, better than - for want of a better word - conventional providers. They are smaller and they can be more flexible. That is also true of smaller non-third-sector organisations, true. To me, they are a vital part of what we might call the 'mixed economy of provision', which can be the state, the private sector or the third sector.

The bottom line of all of this is not necessarily the role of the third sector or any particular provider, but what is important is maximising the performance of these programmes and projects so that the most people that we can help are helped.

Fiona Twycross AM (Chair): In general, do you think that the majority of third-sector organisations maintain a specific focus within employment programmes, for example, helping those with more complex needs or working in local areas? Nehal, you mentioned the hard-to-reach groups. You can comment on that, maybe.

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): Do you mean that they are focused on hard-to-reach groups rather than --

Fiona Twycross AM (Chair): Yes, how third-sector organisations are better placed and how they are better placed to reach those with complex needs or those who are traditionally hard to reach?

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): A lot of third-sector organisations are formed within communities, they are grassroots organisations that really come up because people see a need around them or in fact have had those particular issues themselves and are motivated to do something about it. Quite often, you see in third-sector organisations a real understanding of those issues and how they are actually experienced in communities, as opposed to how they look when you pan out and see it from quite a distance. That is a real advantage of some of these organisations.

Fiona Twycross AM (Chair): Duncan and James, do either of you think that?

James Butler (Public Affairs Manager, Social Enterprise UK): Certainly for social enterprises, the majority of them are based in deprived neighbourhoods, as traditionally defined. In terms of their specialisation - which I thought was perhaps quite a big question, if I understood it - to some extent it is a little bit like nailing jelly to the wall to work out what social enterprises do. The key thing about them is that they are entrepreneurial. If something does not work, next thing they will be doing something different within the same general area of expertise.

Fiona Twycross AM (Chair): Duncan, what do you think the main challenges are for employment services going forward and what do you think the role of the third sector should be in meeting these challenges?

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): The major challenges? Firstly, I would say that the good news is, if we look at the labour market both in the UK and in London, what we have seen since around 2012 is rising employment, falling unemployment and, frankly, far better labour market performance than any economist would have anticipated given that output growth has not been very impressive. We have had the slowest economic recovery ever, including the 1930s. The performance of the labour market given the relatively poor performance of the economy is actually quite extraordinary. For many people, that is good news because they have work. Of course, for many people, that is not so good news because wages have fallen.

However, even though we might have that background that we might see as relatively positive, we are going back to a situation where alongside that we have a group of people who are very disadvantaged and who have been on benefits for a very long time. Sorry, I have to refer to my crib sheet here because I anticipated this question. For example, in London, there are over 300,000 people who have been on some form of out-of-work benefit for two years or more. While people who are close to the labour market are now back working

and that is good news, it is those very difficult, hard-to-reach groups, the sorts of people who go through the Work Programme and come out the other side without a job and without a positive outcome. They have always been the difficult group. When I worked on welfare-to-work programmes in Treasury in the early 1990s, this, again, was a group we were not touching. We need to address this. We cannot just leave these people sitting there on welfare forever.

There are some great things that are happening in London. Subject to funding, of course, we will get the central London Working Capital project, which is dealing with exactly this highly disadvantaged group. That is exactly the sort of group that we should be focusing on. Outside London, there is a similar sort of programme in Manchester called Manchester Working Well, which, again, is trying to deal with that group.

Therefore, the focus for the future is on those very long-term workless people, who have been a problem for a long time and, frankly, we need to do something to address that.

Fiona Twycross AM (Chair): Do you have any other specific examples - or maybe other members of the panel have other specific examples - of how third-sector organisations have been successful in ways that public or private organisations have not? Obviously, this is one of the key questions for our investigation.

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): I do not think that there is particularly strong evidence on that either way. That is why I talked about a mixed economy. With these more disadvantaged groups, there is probably a greater role for the third sector there. They may have more specialist needs and more difficult and engrained needs, and so the third sector will be there. Sometimes, of course, that may well be the third sector working alongside mainstream or private-sector - however you want to describe them - providers in a subcontracting role. You might have a prime provider running a general programme and then, for groups that they do not have particular expertise in and specialist skills, they can go to a specialist provider, which can often be a third-sector provider, and it can be a very important role. That is where I would see them playing a role, particularly in that smaller subcontracting role. That is where we - I am possibly anticipating a question - really need to make sure that we are getting that subcontractor market correct for the third sector and for other subcontractors, indeed.

Jenny Jones AM: I wanted to go on to the barriers for the third sector and what actually prevents them getting involved in these programmes. To all of you, what do you think are the principal barriers?

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): If I can start, the majority of third-sector organisations are quite small and that has quite a big impact on how commissioning and procurement practices can exclude them, for example, in size of contracts because they have a very large geographic spread. For example, with the Big Lottery projects that have just come out, Big Lottery has put a lot of effort into making sure they are accessible to the third sector, but there have been lots of concerns within the sector. Because some of the grants are covering 17 boroughs, it effectively excludes a lot of organisations from participating. There are payment models, but perhaps we will come on to a bit later.

Procurement timescales is a big issue for smaller organisations. With the Work Programme, because it was introduced at such haste, it meant that there was not very much procurement dialogue and the barriers that the voluntary sector might face were not taken into account. Also, the actual process itself was quite quick. That meant that for a lot of organisations that do not have a lot of capacity - and we are talking about organisations with maybe ten or fewer members of staff - to take on enormous projects like this is really quite difficult.

One thing that is worth mentioning is the power imbalance within supply chains. If you are talking about small organisations that are contracting with very large primes, this is a big issue in terms of negotiating the kinds of contracts that they actually can deliver. I remember when some voluntary organisations dropped out of the Work Programme. The Minister said it was because they had not negotiated proper contracts, but you have to see the reality from the very small organisations' point of view. It is very difficult for them to negotiate because sometimes they do not even understand what is in them because they do not have access to specialist legal advice.

That brings me on to the last point. Capacity building for the voluntary sector is really important and the kinds of specialist support that they can go to for help with things like negotiating proper contracts, being able to engage in procurement dialogue and that kind of thing. Those are the kinds of commissioning and procurement things.

There is also a wider point about the sector in general and that is about the values of the third sector and how they can adhere to their charitable objectives while delivering public services.

Jenny Jones AM: There might actually be a clash of - I was thinking about it as 'morality' - values, yes. There could be a clash.

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): Yes. The clearest example of that are the gagging clauses that were in some Work Programme contracts and the fact that the third-sector provider could not say what was in the contract. If their charitable objective is to help a particular section and they think that contract is hurting that group of people, then there is a clash.

However, there are more subtle forms of it than that. They are worried about their reputation. They are worried about their relationships. It means that it can be more difficult for them to stand up for the beneficiaries and campaign or anything like that.

Jenny Jones AM: Any further issues?

James Butler (Public Affairs Manager, Social Enterprise UK): I concur entirely with both my colleagues. I suppose I would draw out a few things.

Bid-readiness for organisations Nehal hinted at. The other thing for smaller social enterprises is that they are almost always based on the enthusiasm of one or two individuals. That can present a challenge in terms of difficulty of scale in what they are doing. A recurring theme for all organisations will be cash flow as well.

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): I would very much agree with what has been said. I will just add a few points of detail.

For example, size of contracts, definitely, for sure, but there is a potential trade-off there. The research we did for the Greater London Authority (GLA) for the European Social Fund (ESF) programme suggested that contracts below a certain size had lower performance levels than larger contracts. There may be a trade-off there. As I said, my bottom line is always maximising the good we can do for the disadvantaged.

Payment models are a big issue and maybe we will come on to that. Payment-by-results models are a better mechanism that we have had before, but they are in need of a lot of reform to make them even more effective.

Fiona Twycross AM (Chair): We will come on to those in more detail in a moment.

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): The key one that was just said is cash flow. In Inclusion, although we are not-for-profit, we are effectively a small business, as a lot of people doing provision in the third sector are. When you are a small organisation, cash is absolutely king. Models that can take that into account are really important.

Jenny Jones AM: There must also be an issue about price over value. For example, I have seen a lot of charities that can offer very good training, for example, for the Metropolitan Police Service but, because they are a bit pricier for all sorts of reasons, they do not get contracts. Is that something you would agree with?

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): Yes, I would agree with that. That comes on to some of the things about the payment models and differential pricing. The reward for helping the most difficult is not always as high as it should be, ie the relative prices are not right.

Jenny Jones AM: Do you think there are any disadvantages in using the third sector?

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): Yes, absolutely. Potentially, there could be. I see them as part of a mixed economy and so they are great, but we also should not rule out private-sector providers or other sorts of providers.

I mentioned the particular trade-off. It is that small contracts can be a bit of a barrier to the third sector but then small contracts may lead to lower performance. My two colleagues might take a different view but, in my view, the bottom line has to be maximising the number of people we get into work and maximising the number of people we help. Sometimes, with this very specialist advice, they will inevitably have to be small contracts. However, one thing we should not do is to break up contracts and make them smaller than they necessarily need to be because we want to encourage the third sector. There, the cost could well be that we have a less effective programme than we could have. To me, that is more important because it is the workless and the poor whom we are about helping. Yes, that would be a risk that I see.

Tony Arbour AM: Could I ask something arising out of that? I was very struck by what James said. One of the particular risks is dependence on an individual who has considerable drive and, when he leaves the organisation, it collapses. I have substantial experience of social enterprises being given contracts to take over functions because, when the contract was given, the person who came along and made the pitch was really top and sold his organisation and we thought that the thing would go well. Then he went and the contracts fell.

I want to link that with a comment that Duncan has just made. He says that the truth of the matter is that you are all small and medium enterprises (SMEs). In a not-for-profit organisation, is it less likely that the top man will stay than in an SME, which is for profit?

James Butler (Public Affairs Manager, Social Enterprise UK): I do not know. What I do know is that social enterprises have slightly outperformed SMEs during the recession. It is a danger for small organisations and I know that you are drawing out my comment about an individual leaving. That is true also for large organisations. We are all aware of chief executives who have changed and the organisation has gone downhill or the reverse.

Tony Arbour AM: That is true, but usually large organisations would have thought about succession planning. What are the chances of a small organisation thinking about that? You know what it is like. We all think we are immortal and so we have no succession. It does seem to me that is the principal risk of dealing

with not-for-profit organisations. Quite often, they are more charismatic, I suggest, than ordinary capitalists and they therefore inspire the people who are doing the work because people who work for organisations like yours are driven by other things.

I do wonder, therefore, whether there is a greater risk in actually transferring stuff to not-for-profit organisations and third-sector organisations than to people who are in it for profit, where there is a contract and where there are service-level agreements and things like that, which perhaps they would find easier to adjust to.

James Butler (Public Affairs Manager, Social Enterprise UK): Social enterprises are in it for profit as well. They are in it for profit so that they can reinvest into their social and environmental mission. It probably comes back to Duncan's [Melville] point. What you need is a mix of public, private and third-sector organisations delivering any substantial work programme and additionally, within that mix, you need diversity of suppliers. If one breaks down, others can step in.

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): It is about mix because your question really depends on what that person at the top is driven by. I know of some third-sector and not-for-profit organisations where the chief executive is really driven by the mission of his organisation. We are third sector, but we are pretty commercially orientated and minded and we have to be. Otherwise, we would go out of business.

Then there are people who are driven by profit and there is nothing wrong with that if they are driven by that profit and the incentives are right and they are driven to do the right things and what the public programme is asking them to do. You are right. It is a mix and people can be driven by either.

Fiona Twycross AM (Chair): Can we just touch on - going back to Jenny's [Jones AM] initial question - whether there are any barriers that are particularly pronounced in London?

James Butler (Public Affairs Manager, Social Enterprise UK): Going back to the challenges for employment services, perhaps some of the benefit changes are more acutely felt in London, particularly around the benefit cap. That may mean a more mobile population. It may mean that the employment services are needed in different areas than have hitherto been required and, therefore, the organisations are not necessarily based in outer London.

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): There are some more general things about the third sector operating in London. They are not typically organisations that are flush with cash and finding rents, rates and property is a bigger burden. Against that, the fact that London is such an attractor for talent means that you will probably get better staff if you are based in London. Therefore, there is probably, as for any organisation, a balance of those. I would say that the cost basis - and we all run on tight margins - is probably a particular issue.

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): There is the fact also that lots of voluntary organisations in other parts of the country have to deal with different primary care trusts, different Clinical Commissioning Groups and different local authorities. They do not have what we have, which is actually quite a neat way of organising, and it is easier for them to build relationships with the different statutory stakeholders.

Stephen Knight AM (Deputy Chair): Just before I go on to the beef of my question, is this issue about the resilience of third-sector organisations - or any provider, for that matter - more about the size of the provider

and whether they are a four-person operation or a 400-person operation than about whether they are private, voluntary or public sector? It strikes me that the resilience issue about relying on one individual is much more about size and scale of operation than about the sector. Obviously, I guess more third-sector organisations are smaller but not exclusively. There are some big ones. Does anyone want to comment on that?

James Butler (Public Affairs Manager, Social Enterprise UK): I do not disagree but I would also say that the business model is terribly important and how adaptable that is to the changing needs of the economy.

Stephen Knight AM (Deputy Chair): My question is really about the degree to which we have helped the third sector and other small providers into the market. There have been a number of Government programmes and initiatives over the last five years that have aimed to promote this. We have had the national Compact, the Transition Fund, the Merlin Standard and the Social Value Act review.

If I could start with Nehal, I wonder if you could comment on what has helped in ensuring the diversity of the supply chain, if you like, in the whole employment and skills programme, including the third-sector organisations. How have these programmes that I have mentioned and any others helped or not helped?

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): I will start with the Social Value Act. Absolutely, the Social Value Act is really important and it has encouraged commissioners to think differently about how they are using their spending power. It really has encouraged them to focus on sustainability. In 2014 London Councils said that 86% of London boroughs have changed their procurement processes and had some good examples. For example, Harrow is creating 14 apprenticeships in its supply chains because of the Social Value Act.

However, we still continue to receive anecdotal reports that commissioners are still focusing on price over value. This is definitely a promising start but something that we need to continue to work on. More training of commissioners and a bit more reporting on how the implementation is going would be really useful.

In terms of the Compact, I used to work at Compact Voice and so this is an area that I am familiar with. There used to be a London-wide Compact and that fizzled out. Some of the local Compacts, of which there are many, are doing really well. I was speaking to the Chief Executive of Redbridge Council for Voluntary Services (CVS) yesterday and he said the Compact there has been really important for increasing mutual understanding between the sectors and really emphasising the importance of partnership working between the statutory sector and the third sector. If there was a will to reinvigorate the London-wide Compact, it would be a useful thing in order to focus minds on why working with the third sector is a good idea.

Stephen Knight AM (Deputy Chair): You have mentioned there are some boroughs with good Compact relationships. By converse, are there some boroughs that do not have a working Compact, effectively?

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): Yes, there are quite a few.

Stephen Knight AM (Deputy Chair): We have a variable pattern across London?

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): Very variable.

Stephen Knight AM (Deputy Chair): Good. James?

James Butler (Public Affairs Manager, Social Enterprise UK): If I may, I will slightly answer the question I want to answer rather than the question you asked, Mr Knight. If I can broaden the answer --

Stephen Knight AM (Deputy Chair): If it could be vaguely on the same topic, it would be helpful.

James Butler (Public Affairs Manager, Social Enterprise UK): The Social Value Act has been hugely beneficial. It would be wrong to focus solely on the employment and skills programme. What the Social Value Act allows commissioners to do is to consider additional social and environmental value when procuring services. There is a really intriguing Freedom of Information Act [request] logged on the GLA's website. It is 1955¹ and was asked for in March. It is:

"What percentage of suppliers accounts for 80% of your spend (period covering 1 April 2013 to 31 March 2014)?"

The answer was just 43 for what I take to be the GLA family. I may be wrong in terms of its coverage and I appreciate that Freedom of Information Act [requests] are a starting point for investigation rather than the answer, but there is an area there to look at in terms of diversity of supply chains and some further points worth looking at. It looks like there are around 1,200 to 1,300 suppliers that are paid through the business intelligence software and that suggests that there is a way to go in terms of overall GLA family spend and that is an area to look at.

Additional value can, doubtless, be had from that commissioning and that can include apprenticeships. It can include employment and training. It is just depending on how the contract is put together.

Stephen Knight AM (Deputy Chair): OK. Neither of you has mentioned the Merlin Standard. A review last year did call for a review of the Merlin Standard. Is it having an impact? Duncan, do you want comment?

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): I can say a little bit on that. We are actually doing a review of the Merlin Standard for the Department for Work and Pensions (DWP) but it is not published yet and so I can say something but I cannot give you the results before the DWP publishes them. I will say these. These are general enough that the DWP would not kick up a fuss.

The Merlin Standard is not perfect, for sure, but most subcontractors were pretty positive about what the Merlin Standard had enabled them to do. The sorts of things that they said were that, before the Merlin Standard came about, the management of subcontractors by the prime organisations was very variable. Some were very good and some were very bad. What the Merlin Standard had done was to reduce the variation of that. Because people had to meet the Merlin Standard, the very bad had been removed and in general it had moved things up.

More subcontractors had a favourable view of Merlin than did not, although it is fair to say that the voluntary third-sector providers were a bit less positive about the benefits of Merlin than some of the others. Merlin seems to have had some positive effects for subcontractors and has helped them. I am sure there are more things that could be tweaked and adjusted.

Actually, again, it was in the report that I mentioned that we did about the ESF in London. We recommended that London should have something along the lines of the Merlin Standard when there were subcontracting arrangements and subcontractors were appropriately and fairly treated.

¹ www.london.gov.uk/sites/default/files/1955_Redacted.pdf

Stephen Knight AM (Deputy Chair): The final point was around Big Lottery's Transition Fund of £100 million, which was supposed to be assisting charities to bid for public-sector work. Has that been effective? Has it helped? Was it enough? Has it run out and do we need more of it? Nehal, do you have a view on this from the third sector?

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): It is a work in progress in terms of helping. I do not know so much about the Transition Fund. What I know more about is Big Lottery helping on the ESF and the programme development work that has been done there. It is very welcome to the sector to be able to access some of that funding to help them because there are a lot of organisations that deliver excellent services, but it comes down to contract size and various procurement barriers. The fact that Big Lottery is able to support the capacity-building of the third sector is very welcome, but it is a work in progress. There is still a lot more to be done.

Stephen Knight AM (Deputy Chair): Is that because it is not being spent effectively in terms of capacity-building? Is there the infrastructure there to ensure that whatever capacity-building is needed is actually happening and that the money is being spent effectively?

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): There are infrastructure organisations like ours and borough-level ones and this is the same across the country. There are variable standards and many of them have closed down recently because of the general funding environment. There is a bit of a gap there.

However, I suppose the point is that there are two sides. There is one side that is helping charities access funding by making sure they are ready for it, but there are some hurdles that they are never going to be able to overcome unless commissioning and procurement is done better. It is about approaching the problem from both sides.

My colleagues have spoken about the mixed economy and I just wanted to say that we absolutely agree with that. We do not think that the third sector should be getting special favours. What we are asking for is for us to be counted in rather than ruled out from the beginning. Once it is an open, competitive field, it is absolutely fine and we believe that our members exist to help these people get into work or tackle whatever social problem there is. We absolutely believe that public services should be focused on helping those people. However, what we are asking for is to be counted in that equation.

Fiona Twycross AM (Chair): Is it a broad assumption and is it always correct that third-sector organisations are better at delivering social value?

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): Often they deliver social value because of having a social mission. I am not saying that all private-sector organisations cannot deliver social value. Lots of them do, but there is not that extra level that they have to go through. They already exist to deliver social value and so they are more inclined to, but there are bad charities as well as good.

Dr Onkar Sahota AM: How have the new commissioning models, particularly payment-by-results, had an impact on the third sector's participation in employment programmes? Have the new commissioning arrangements had an impact?

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): Duncan [Melville] and James [Butler] have already spoken about payment-by-results. The big issue for voluntary-sector organisations has been cash flow and having sufficient capital. At the beginning of the Work Programme, prime contractors needed £1 million to £20 million to use upfront for service delivery. There are very few voluntary-sector organisations that have that kind of cash.

Another issue with payment-by-results is that the way the Work Programme worked out is that lots of third-sector organisations ended up subsidising the Work Programme because they were not being paid enough. Lots of the organisations that withdrew from the Work Programme publicly said that that was it and a few of them then collapsed. They were using their other funding to support payment-by-results and that is really not an acceptable state of affairs.

Then the last point, which was already alluded to by my colleagues, is that there were not, within that payment-by-results model, sufficient incentives to help the hardest to reach. It is really important to realise who the hardest to reach are. You are talking about somebody who is homeless. There are many milestones that they have to go through before they are going to be able to get a job and it is our position that those are milestones that should be recognised within the payment model.

James Butler (Public Affairs Manager, Social Enterprise UK): I agree with all of those. Possibly a London-specific issue might be staff retention with payment-by-results and the uncertainty that that potentially brings to an organisation and, when you have skilled staff, the opportunities that are available in London to get another job that is perhaps more secure.

The start-up costs are a big issue and the Government has looked at social investment as a way to get the third sector ready for delivery. That has had a slow start. It is promising. I know that your colleague James Cleverly [AM MP] has written quite extensively on what needs to be done within London to get social investment really moving. That is something that we could explore if you want, but I do not have anything more to add at this point.

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): I agree with that. I just have points to add to those. Obviously, cash flow is a really big problem. With the Work Programme, the primes were quite happy with the financial model, which was basically lots of investment upfront and returns later because they had the cash to do that. That is always going to be a problem for smaller organisations whether they are in the third sector or, indeed, in the private sector.

That has been made worse by the Work Programme. The Work Programme model initially had an attachment fee. As soon as a provider had something, they received an attachment fee and then a subsequent payment-by-results. Over time the attachment fee was abolished and so you only get money by results. You can see the logic behind that, but the problem is that it is disastrous for cash flow. It is pretty bad for cash flow for even the larger organisations. That needs to be looked at.

Although I support payment-by-results models and they have improved performance, we need reform. There needs to be some form of attachment fee and then there needs to be payment, probably payment by results, by job entry and then by sustainment.

My colleagues have mentioned that the incentives are not always right. That is absolutely true. Look at the Work Programme. The latest employment stats actually came out about an hour and a quarter ago. If you look at those who are close to the labour market, the group that has come from the Jobseeker's Allowance, the Work Programme is getting 20% to 30% of that group into work, which is not bad. However, if you look at

the people who are more distant and who are on the Employment and Support Allowance (ESA), you are talking about 6% to 10%. It was clear from the work we did that the incentives for that harder-to-help group were not sufficient. There needs to be some adjustment in the relative rewards for different groups.

There is also a problem with exactly how you group people because the payment groups on the Work Programme are a pretty blunt instrument and there is a great degree of heterogeneity within the payment group and differing needs. You need to find better ways of identifying people. It probably needs some form of early-identification tool, which the DWP has always been very reluctant about and they have been pushed around. Australia has them and it seems to work pretty well. If the Australians can do it, I cannot see why we cannot introduce something similar. That needs to be sorted out.

There is a bunch of things around that where we need to make payment-by-results work better. We need to have a cash flow attachment fee for all organisations, particularly small.

Finally, James raised social investment. I am a bit sceptical about social investment as a means. I went to a conference where Iain Duncan Smith [Secretary of State for Work and Pensions] seemed to suggest that all provision would be funded via social investment. The problem with social investment is when you look at it from an investor's perspective. You have something that is unknown. It is very difficult what rewards you are going to get at the end. It is a very risky investment for someone who is just looking at it purely from an investment point of view. If you are going to want to enter that market and provide it, it is going to be a high-risk/high-return part of your investment. That may actually mean it becomes much more expensive than, you might think, traditional state-funded approaches.

I have some doubts. Let us expand it and see how we go, but let us not rush into trying to do too much of it. That could be quite expensive.

Dr Onkar Sahota AM: That is very interesting. I see a lot of parallels here between payment-by-results and the National Health Service, which also has problems.

One of the arguments for payment-by-results is that it encourages innovation. Do you think this is encouraging innovation or is it stifling innovation?

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): It can go either way. There is some evidence that it is actually stifling innovation. Because of the cash flow issues, people focus on the short term. Because the incentive structure is not right or it is the hardest to help, they then do things that they know work with people who are closer to the labour market and that works well. However, then, as I say, if you see the performance numbers for the people who have come from ESA and who are more difficult, they are not getting into work. Therefore, I am sure there are some people who are doing innovation, but there is also evidence against it.

One problem there is with it - and it may not be pertinent to us here, but pertinent to the Work Programme - as opposed to previous types of models is, because it is a black-box model, you do not know. It is fair enough that it is done like that. They said, "We do not care how you get them into work. Just do what works". The trouble is that we are now losing that evidence base as researchers about knowing what sorts of interventions work and what sorts of interventions do not. Some way of addressing that if we are going to keep the black-box commissioning approach needs to be sorted out.

Of course, the final thing to say is that innovation is not always a good thing. I know some --

Dr Onkar Sahota AM: You can say that only with hindsight!

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): I recognise it as a researcher when we get asked for innovative methods and I think, “I do not need an innovative method. I have a method. It is long tried and trusted. I know it works and I know it has delivered”. I get the same thing sometimes from providers when I talk to them and they are told that for some of their services they will get more benefit if they do something that innovative. They will say the same thing, “Look, we have a good evidence base. We have done this. It has worked. We can see it is working. We have had it properly evaluated. You guys, who are independent researchers, agree that this is the sort of thing we should do”, but it is not innovative enough. What they usually end up doing is some mix of a little bit of real innovation in those circumstances and dressing stuff up as being innovative when it really is not because it is actually what works. At the end of the day, as I said, that is what we should be worried about. It is what works, not whether something is delivered by the third sector or not and not whether something is innovative or not.

When things do not work - particularly with this group I have talked about earlier, the ESA group, where nothing has worked for a long time - yes, innovation is fine there because we know what does not work but we do not really know what does work. Fine, let us try lots of different things until we find something that works. However, where some tried and tested methods work, we should not be pushing people to be innovative. That is my view, anyway.

Dr Onkar Sahota AM: If it works and if it does not need fixing --

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): Exactly. If it works, do not fix it.

Dr Onkar Sahota AM: We have covered the changes that you have talked about and how some changes need to be done to payment-by-results. What will be the impact of this continuing on the third sector if we keep on pursuing the model of payment-by-results?

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): If we get some version of the *status quo*, what will happen generally is that those closest to the labour market will get into work because the Work Programme works. Lots of people find jobs anyway and those who do not then go on the Work Programme. The Work Programme works as well as the New Deal, which was pretty effective. Those people will be OK and they will get into work. However, what will happen is that this group that is much more disadvantaged will just sit there. Then, in terms of the third sector, if any programme includes more movement away from any form of attachment fee and everything by payment, they really will not be able to get involved. That will probably have a knock-on effect because they sometimes have the specialist skills to help with particular groups and it will also make performance worse.

The key thing is that, although there are lots of problems with payment-by-results types of systems, let us not throw the baby out with the bathwater. They have been better than what we had before and so let us fix the problems that we have going forward. For example, the National Audit Office said about the Work Programme that it had been as effective as the previous provision but it had cost less. It had been more cost-effective. That is fine, but our view is that actually you should spend as much as you were going to and then you could have more results, less worklessness and less poverty.

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): If we carry on with the *status quo*, the result will definitely be that a lot of third-sector organisations will disappear. In general, we have seen over the last five years a shift from grant funding to contracts and just

less funding for the sector in general. It has been a period of organisations getting substantially smaller and some going.

If payment-by-results exists, it rules out a lot of the organisations that might be able to deliver quality services and that means that they will be gone and, with that, the expertise that they have. There is a real danger in losing people who are really knowledgeable. This is not just payment-by-results. It is all kinds of funding things. For example, the gap between the last ESF funding round and this one has meant that quite a few organisations had to lay off staff with expertise. They might not be able to recruit them again. In terms of the sector, it would be a scary prospect if we carry on with the *status quo*.

Tony Arbour AM: What can the Mayor do for you?

James Butler (Public Affairs Manager, Social Enterprise UK): What should the Mayor do?

Tony Arbour AM: No, not what should he do. What could he do? You may think it is a complete irrelevance and that the Mayor and the GLA can do nothing.

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): Going back to what we just talked about and the payment-by-results system, have contracting that has an attachment fee. We suggested a benchmark, which you could vary away from in circumstances, but our advice would be 20% as an attachment fee, about 30% on job entry and about 30% on job sustainment. That would be one thing that at least gives some cash flow upfront for smaller providers including third sector.

As I said, have some sort of Merlin Standard. When inevitably the prime contractor that you are dealing with is a larger company and is subcontracting, sometimes to the third sector, have appropriate, properly managed - it might even be the Merlin Standard in the Work Programme example - promotion to some degree of capacity-building by the primes of their subcontractors: offering them training, making them better, improving their supply chain. That is actually quite a common thing you will find in any sort of supply chain in industry. There are things like that that the Mayor could do in his commissioning model.

James Butler (Public Affairs Manager, Social Enterprise UK): Apply the Social Value Act properly to commissioning because that is where the real prize is.

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): I have a different thing, something we have not really mentioned but a huge issue in the employment world at the moment. It is the fact that lots of people are in fact in employment but there is a lot of in-work poverty. More people in poverty in London are in working families rather than non-working families. What the Mayor could do really quite usefully is act as a bridge with employers in terms of making sure that more good quality, flexible employment is available and working with the voluntary sector in terms of connecting those people to employment.

Another thing that the Mayor could do is to support the capacity-building of the sector. The sector realises that there are lots of things that it needs to change in order to access public funding, but also it could do with some help in that.

I mentioned the Compact earlier. I realise that there are lots of people who do not think the Compact is particularly useful, but an idea worth exploring is whether a London-wide compact would be a good thing that the Mayor could champion.

Tony Arbour AM: What about dealing with the DWP as opposed to dealing with this building? Of course, it is the aspiration of every Mayor and all of us here that more things should be devolved from the centre to us and then eventually possibly devolved down even further. Is it easier to deal with here than with the DWP and, if so, would that not be a prize that the Mayor should be going for?

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): I would not comment on whether it is easier to deal with it. What I would say is that the advantage of having more things at a local level is better integration between employment services and other public services. When we are talking about the hardest to reach, that is absolutely crucial. You cannot, as I said, get somebody who has really complex needs straight into a job. You need to deal with housing, health and all of the other issues. If the result of having more power here rather than in the DWP would be better integration with other services, then that would be a good thing overall for the hardest to reach.

James Butler (Public Affairs Manager, Social Enterprise UK): I concur entirely with the last point.

Duncan Melville (Chief Economist, Centre for Economic and Social Inclusion): I agree. Integration is what you get if you can do that at a local level. I have one issue that would help the third sector and can I mention it now this morning? That is duration of contracts. That also drives performance. Contracts of three years or more help with cash flow for all organisations and they seem to also drive better performance than having very short programmes.

Fiona Twycross AM (Chair): Finally, a couple of questions for Nehal and James. Could you just say a couple of words about your hopes for third-sector involvement in the more locally commissioned employment programmes such as those coming out of London's Growth Deal and those being commissioned by boroughs? You mentioned, Nehal, that you thought more local involvement could be beneficial. Do you have anything further to add on that?

Nehal Depani (Policy and Project Manager – Employment and Skills, London Voluntary Service Council): That is a really crucial point. It is about the fact that, as I said before, third-sector organisations tend to take a more holistic, person-centred approach and so it is difficult for them if they are in a contest for delivering public services that are very skewed to one aspect of a person. More integration would, for many organisations, be a better fit and they may even have more to offer.

James Butler (Public Affairs Manager, Social Enterprise UK): Greater devolution would allow more culturally appropriate services. The needs of someone living in Woodberry Down are very different from the needs of someone living in Poplar, for example. The third sector and social enterprises are better place to address those.

Fiona Twycross AM (Chair): We have come neatly to the end of the questions. If nobody has any further supplementary questions, I would just like to say a huge thank you to all three of you for coming along to this first part of the session as part of this investigation. Thank you very much.

**Economy Committee – 18 June 2015: Transcript of Item 9
The Role of the Third Sector in Employment and Skills Programmes
Session Two**

I would like to welcome our guests for the second session, who are Roy O'Shaughnessy, Chief Executive Officer for Shaw Trust - welcome and thank you - and Kirsty McHugh, who is Chief Executive of the Employment Related Services Association. Thank you very much for coming along to help us with our investigation.

Could you just comment on what the value is of having both large and small private and third-sector organisations involved in delivering employment programmes? Roy, could you start the comments? Thank you.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): I will just say it is a privilege to be here and to participate in this process.

There is incredible value to having a mix of services. Shaw Trust is a prime [contractor] in the Work Programme and has 13 primes on Work Choice. We are also subcontractors in other primes across the country and we participate at various levels. My view is that with the complexity of the job market and some of the issues that have just been discussed in the previous session, you have to have a breadth of experience.

What I would challenge, though, is that I believe there could be far more organisations like ours on contracts that are intended for people with social disadvantage and paid for by the taxpayer because every penny of what comes to us goes back to the community. We have five volunteers for every staff member as an aspiration, but a volunteer cannot take away a staff member's job. If we get funding from the local community, 100% of that goes directly to the cause. There is no cost for raising it. Therefore, we do need this cross-section of organisations, but I would just strongly put forward that the day has come for more organisations like Shaw Trust and working with the third sector to build that capacity and to get that scale on both ends from the small to the large.

Kirsty McHugh (Chief Executive, Employment Related Services Association): We have a very diverse sector at the moment. If I look at my organisation's membership of about 200 organisations, about two-thirds are not-for-profit. We have housing associations, local authorities, large charities, small charities, private-sector entities, multinationals through to small training organisations. It is actually very diverse.

What I see across that is that obviously they are all marvellous deliverers, but no one sector or type of organisation is always better than other. There is a real diversity of performance. We have some large organisations in the membership who will say, "In terms of our supply chains, we have a local authority at the top of the supply chain and another local authority at the bottom". With charities, similarly, you get some that are extremely good and others that may be less good. There is a lot of diversity out there, both in terms of type of organisation and also performance.

For me, I am very glad, Chair, that you mentioned size because size is more of an issue than sector, often. When you see the issues that might make it more difficult for a voluntary community organisation to get involved, some of those are because they are third sector but often it is because they are smaller. You see the same issues coming through and affecting SMEs as well who are in this space.

Fiona Twycross AM (Chair): Welcome as well to Dr Thurlby-Campbell. We are just starting off with a broad question on what the value is of having both large and small and private and third-sector organisations involved in delivering employment programmes. I wonder if you could also add your comments on that.

Dr Ian Thurlby-Campbell (Business Development Manager, Ingeus): Certainly. There is tremendous value in it. Instinctively, Ingeus as an organisation values a competitive and diverse market. The benefits of that are keeping thinking fresh and keeping thinking innovative. London now is a very dynamic place. It continuously moves. The more diverse your marketplace, the more likely you are to see the kind of new thinking that you need to keep responding to changing conditions and also to keep driving innovation and performance where that is needed. The colleagues who went before us in the first session spoke a little bit about where things work well. Where they do not, we need to see development. A really diverse market supports that.

Fiona Twycross AM (Chair): Within this, how well is the social enterprise sector represented in the supply chain and is there room for the sector as well to grow?

Dr Ian Thurlby-Campbell (Business Development Manager, Ingeus): Defining 'social enterprise' is slightly touchy. I worked on a few contracts for services for the National Offender Management Service (NOMS) prior to being with Ingeus. I worked on the National Consortium of Social Enterprises, which is a NOMS-funded initiative to build up the number of social enterprises represented in public services supply chains, particularly in the justice sector. There is no hard-and-fast definition for what social enterprise is. I do not know if my colleagues at Social Enterprise UK would entirely agree with me.

What I could talk about more is where the third sector specifically is represented in our supply chain. For Ingeus, 50% of our subcontractors on the Work Programme are from the third sector, two-thirds of our subcontracted London Work Programme provision is in the third sector and 100% of our Work Choice delivery subcontracts are in the third sector. We have seen really positive engagement with the third sector.

Fiona Twycross AM (Chair): Kirsty, did you want to come in on social enterprise?

Kirsty McHugh (Chief Executive, Employment Related Services Association): There is certainly scope for far more social enterprise to be involved. There are two things. Social enterprise can often play a very good, important role in relation to supported employment. In your intermediate labour market model, there are some people who are going to struggle to get into work and they need work placements, support, etc. Social enterprise has a long and proud history in investing in that sort of model.

There is a particular issue around how many social enterprises get to scale. I have some in the membership that are pretty large. Organisations such as the Wise Group, which operates in Scotland and the northeast of England and which is a pretty good example of an organisation that has operated as a prime contractor and to scale. However, the majority are smaller and therefore there are issues with cash flow, etc, in the same way that I know you have been exploring over the last hour.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): The only thing I would add to that is that, in essence, Shaw Trust could be defined as a social enterprise. We are a self-sustaining charity and we also invest about £10 million from our more commercial ventures into social enterprises. We grew out of the Borough of Wandsworth. It actually started in the Borough of Wandsworth Careers Development Group (CDG). There are very good models. There just are not enough of them and we have not joined them up in the right way. However, there are more than enough real case studies out there for a joined-up approach in the third sector to build on this going forward.

Dr Onkar Sahota AM: This is a question to Roy and to Ian. How many active third-sector subcontractors are there delivering the Work Programme in London at the moment?

Dr Ian Thurlby-Campbell (Business Development Manager, Ingeus): I do not know in total. Ingeus uses two subcontractors in London, one of which is third sector, I believe, and it makes up two-thirds of the total subcontracted volume. In terms of nationally, 50% of our subcontractors are third sector and that comes to over 20.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): It is a really important question because, as we talk about more third-sector organisations getting involved in the Work Programme or whatever replaces the Work Programme, there are actually a very limited number of opportunities. Shaw Trust has east London and we have 12 organisations that are our subcontractors and 50% of those are third-sector organisations. You could not actually add more because of the economies of scale for the third-sector organisation participating. As you heard this morning about many of the organisations with ten or fewer staff, they might only be able to help 30 people during the five-year contract at that kind of size. It is getting this breadth and getting it right. Even if the Work Programme was divvied up in London, you are probably going to end up with only 50 additional charities working at a scale that would make a difference to them and sustain them in the long term.

Kirsty McHugh (Chief Executive, Employment Related Services Association): You mentioned the Work Programme in particular. The number of referrals for the Work Programme has dropped dramatically and therefore the amount of business available for any organisation, prime or sub, is becoming smaller and smaller. Actually, we are going to have a shrinking in the number of subcontractors, regardless of sector, in the Work Programme between now and the end.

The other thing to bear in mind is that relying on any one sort of contract as a third-sector organisation is probably unwise. You need a diversity of contracts. Therefore, the ESF commissioning, which we have just started to kick off in London and elsewhere, is going to be really important in terms of getting new business into those organisations to sustain them over that next period.

Dr Onkar Sahota AM: You have answered my next question, which was: how has this changed during the lifetime of the Work Programme. Is there a continuous programme going on where you are recruiting more subcontractors, some are leaving, some are coming on and new ideas are developing? Is there a constant process of recruiting these subcontractors going on?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): It has been surprisingly resilient for us, but of course we participated two years before the Work Programme with the Association of Chief Executives of Voluntary Organisations with like-minded charities that wanted to become involved. We have lost only two third-sector organisations since we started the process and we have worked very closely with their boards and their senior staff. We have not seen a lot of churn at all in that and that is one of the advantages of very good initial selection and the third-sector groups that you are participating with really helping them. There were two organisations and we actually had to go to them and say their budgets were unrealistic for this and help rework that. We even provided advance funding for two of the organisations to even participate in the beginning.

Dr Onkar Sahota AM: You grew the market?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): We grew the market.

Dr Onkar Sahota AM: The other thing is that the more providers you have, the more difficult it may be to give seamless care to your clients. Is that what you are experiencing? Do you find that the more providers you have or the fewer providers you have has an impact on the service you can give to your clients?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Without a doubt, you have to have stability in the market and you have your subcontractor focused on what we are all here to do, which is to transform the lives of individuals who may not have had a similar opportunity that we have to overcome their barriers. You cannot do that if you are worrying that you have your contract wrong, you are worrying that you do not have enough staff to do it properly and you are afraid that you are contravening your mission against the practical demands of the DWP contract. Getting that right in the first place and getting absolute clarity between the organisations that you are participating with and, more importantly, with the individuals who will be face-to-face with the customers who are coming into the centres is absolutely critical. The less churn the better, really, providing you have it right.

However, what most of us have done - and we have learned incredibly over the last three years - is that in the tier beyond that, the speciality providers that you might use only once or twice a year for specific challenges, you must have a depth and breadth. That is where you might be using 300 or 400 on your list and just calling them as required.

Dr Onkar Sahota AM: How can the third sector effectively compete among the small number of large providers dominating the system? Is there any capacity for third-sector organisations to join forces and to compete with the larger providers?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Yes. I can probably speak to that as we are the only charity in the UK that is competing with the large providers at the moment and we have generally been able to win as much as we have the financial resource to win. If you are looking at it from a large-scale point of view, there is absolutely no bias against a charity winning prime contracts. If anything, we have an added advantage because our work only begins when you have delivered the basic value of the commercial contract: the reinvestment of the funds back into the community.

For example, on the Work Programme we have two community hubs that are self-funding in Hackney and Lewisham. We have put £500,000 into those. Those ones are absolutely designed for the hardest-to-reach individuals who are not getting into the work market and all the statistics are showing that. If we can turn that on its head, can we do it a different way? If you go in there, there are psychologists, there are doctors, there are nurses, there is yoga and there are no set places for staff or clients. The client going in there for the first time in this environment feels as valued as the staff member and they do not see it as a forced programme.

To be absolutely clear, there is no restriction whatsoever on a charity competing if it has the scale. Building a market that allows other charities to work together to compete in this market is the challenge.

Since 2008, we have made massive progress on this. When I was chairing the Association of Chief Executives of Voluntary Organisations on this working group in 2008, 2009 and 2010, it was almost impossible to get charities to come together to create effective consortia, to win these contracts and to understand the scale that was required. My view is that now we have probably moved beyond that and we are much closer to that, but the market is now shifting and may move to smaller contracts. That will then take a re-engagement to figure out the most appropriate way forward based upon that.

Dr Ian Thurlby-Campbell (Business Development Manager, Ingeus): Prior to being with Ingeus, I was the Head of Business Development for Third Sector Consortium (3SC), which is a social enterprise set up by ten

charities and social enterprises and entirely owned by them with the purpose of allowing charities and social enterprises to get a greater market share in the public services space. The model was effectively to provide a framework for management of charities working together as consortia and partnerships. The approach was to facilitate opportunities for them to each bring their best to the table, the different skills, different specialisms and different geographies that they each cover and bring those together as a coherent offering. That was a very interesting piece of work. There is - and I agree with Roy - no bias particularly against charities and social enterprises bidding at all and, in some cases, there is an advantage. 3SC worked with Interserve during the Transforming Rehabilitation procurement and is doing the managing agent work for its supply chain. There is lots of scope, potentially.

Kirsty McHugh (Chief Executive, Employment Related Services Association): Could I comment as well in terms of charities? Actually at a bigger scale, at the prime contractor's scale, it absolutely depends on a number of variables: the size of the contract, the payment mechanisms, the risk-reward ratio, etc. All those things are about risk.

You were specifically asking about consortia, special purpose vehicles, joint ventures (JVs), etc. We are in an interesting space at the moment. I have quite a significant number of my midsize charities who are talking to each other now about getting into bed together to able to play at a different scale.

If you think back to the DWP programmes, the Flexible New Deal commissioned by Labour, then you are strapped. The Work Programme commissioning was very rapid, which meant it was very difficult with the timescales given for proper consortia or JVs really to come together. 3SC was pretty much the only example. It did not get to that scale but has actually been growing over this last period.

It is interesting now - particularly in relation to the disability employment space - that there are quite a few charities talking to each other to get themselves ready to bid as entities. That said, there are some issues in terms of the procurement side and how consortia are judged in terms of getting through the procurement loops. There could be issues around parent-company guarantees and things along those lines which make it more difficult. However, we are in a better space now than we were a few years ago.

Jenny Jones AM: Thinking about the different types of jobseekers, I know there are instances where people are nominated as jobseekers who will never be able to hold down a job however hard the programmes encourage them. Do you think there is a danger in the way people are judged to be fit and the whole one-size-fits-all philosophy about this?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): There is definitely a danger of that, without a doubt. Some of our own analysis has shown that about 30% of the people who are assigned to our centres do not understand why they have been put in the category that they are in. Whether or not that is a correct perception or not, it is the individual's perception.

Firstly, we have to recognise there is a very significant percentage of those individuals who will never hold down permanent long-term work *per se*. We created an Expert Volunteer Initiative where our volunteers will work with those individuals for as long as they like to see if there are other areas where they would find meaning in their lives if they are not going into employment. Our view is that every person who comes in is a distinct human being, irrespective of what the paperwork says. The first requirement is to see whether or not they are able to get a job and, if so, how quickly that individual can be placed in a job that they will feel is meaningful to them as much as a requirement, and then work with them while they are in that job to move on. For those individuals who are not successful in finding employment or are further from the job market, it is probably where the added value of charities like ours being involved becomes much greater.

Consider that most of our private competitors are planning on at least a 5% net return and all of that money every year is going directly back into community projects and causes to try to tackle these very issues that you are talking about. For example, yesterday I was with the Managing Director of Whizz-Kidz and 90% of young people aged 16 to 24 in wheelchairs never get into employment. We will be launching an initiative with them that works on that. It is not just those who are hardest to place because of language or education challenges. There is this whole disability challenge.

Jenny Jones AM: Preconceptions about what people are capable of?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Exactly.

Stephen Knight AM (Deputy Chair): My question really is directed at Roy because it is about Shaw Trust's experiences of being the only prime supplier from the third sector. Some of this has already been covered and so add what you would like. You had a merger in 2012 with CDG, another large organisation. Was it that merger that really enabled you to be of the scale to take on being a prime provider?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): It is twofold. I was the Chief Executive of CDG. At that time we were about £26 million a year. We had the majority of the New Deal contracts, which were just before the Flexible New Deal ones. The reason I say that is that even back then charities were given the advantage if they could deliver and they could get the scale to submit the tenders.

What we concluded was that when the Flexible New Deal was cancelled and the Work Programme was introduced, many of the risks and issues that our colleagues were talking about earlier could only be solved by scale. CDG's whole purpose of existence was to reduce long-term unemployment. Shaw Trust's mandate was disability employment and other things. We made a commitment to ourselves as CDG that if we won the Work Programme we would immediately seek a like-minded organisation to get greater scale. When we won, we immediately started talks with Shaw Trust. That gave us the scale to keep at a reasonable size with the Welfare to Work divisions of Serco, G4S and others. There is a commercial reality to all of this in the sense of what it will take to do that.

I also want to be clear that our trustees had agreed that if we did not win as a prime we were going to close the charity because its purpose had come to an end. That is a crucial part of this ongoing debate: making absolutely certain that you are keeping to your mission and your values. If there is a logical ending of that, then let us be grownup enough to recognise it and move on.

Stephen Knight AM (Deputy Chair): It really was make-or-break for continuing your work?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Yes, it was.

Stephen Knight AM (Deputy Chair): Good. Presumably you think, if other third sector organisations are going to take on a similar role, then they need that scale as well to be able to do it?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Yes. This is my 35th year in charities. I have worked from the smallest to the largest. I have an absolutely fundamental belief that with austerity in the UK and Europe and the continuing pressure on services, there has never been a greater opportunity for charities. We will need the breadth. The market will favour large charities and small speciality charities. The ones in the middle are really going to get squeezed.

Stephen Knight AM (Deputy Chair): In terms of your supply chain, as a third-sector prime provider, do you have a different sort of supply chain than you would see amongst the big private-sector prime providers?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): There has been a massive positive shift since 2008. In fact, the former Managing Director of Ingeus has now joined us on our staff. The fact that we are attracting socially-minded for-profit organisations, staff and all, to join us on this adventure is there. Most of the primes have been adjusting, not only for altruistic reasons but for survival reasons, to incorporate more added value for our supply chain.

The thing that is absolutely unique that an organisation like ours can provide that no other organisation would was that we went to all the primes and said, "Let us create these two community hubs. The Work Programme is getting all this criticism. They are saying we are leaving out certain people from the programme and all of that. Join us". They all said, "Great idea", but when it came down to actually funding it, no one put up the money. Shaw Trust put it in entirely and underwrote those hubs. It was the same with the volunteers. We challenged the sector to raise 50,000 volunteers to work on specific tasks. To date, Shaw Trust is the only one that has funded that initiative and taken it forward. The results are showing that.

In the same way with our subcontractors - and we would not publicise this - there is not one of our supply chain that is a charity that has not been able to come to us when it has been in trouble and we have immediately worked out a plan. The two that I mentioned came to the point where they said, "Actually, this is not for us", for different reasons. We did not hold them to the one-year contract rules. We did not hold them to any penalties. I personally met with their boards and chief executives and we figured out a way from it.

This is not about the term of this five-year contract. This is the next 20 years of social value in our communities as to how we do this. There are no easy answers. We work in Hackney, which is the most deprived borough in the UK, and we work in Hampshire, the most positive fully-funded borough in the country. There are no easy answers to this. Yes, we believe that every penny of taxpayer money should go back into this. There is an incredible advantage to those who work with us because that is our sole motivation.

Stephen Knight AM (Deputy Chair): It sounds like it has much more in relation to a partnership than a commercial one.

Kirsty McHugh (Chief Executive, Employment Related Services Association): Let me come in there. Obviously, Roy is a very good member, as is Ingeus. You look at the prime contractors. You are specifically talking about the Work Programme here, are you not?

Stephen Knight AM (Deputy Chair): Yes.

Kirsty McHugh (Chief Executive, Employment Related Services Association): It is very diverse, as are the supply chain mechanics. Some, like G4S and Serco, contract out the whole lot and so they are managing agents. The feedback from a lot of the subcontractors there was very positive. They like the way G4S and Serco do it. They get a lot of support from those organisations. They do not feel they are in competition with those organisations because they are not delivering themselves. That has quite a lot to recommend it.

There are other organisations that have a long, proud history of delivering themselves and are very good at it and then have a supply chain alongside. That model can also be very good.

I do not think you are going to get uniformity of 'charity, good' - and we love charity - or 'private sector, bad' in terms of the feedback from the subcontractors. It is their experience that counts most in relation to this.

Stephen Knight AM (Deputy Chair): That is interesting and helpful. Roy, you talked with great passion about work with the further from the employment market groups and how Shaw Trust has a history of working with people with disabilities, etc. Does the current payment model help or hinder that kind of work?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): We are within two payment systems at the moment. Work Choice is actually very well-funded and upfront. The Work Programme is on the other extreme of that. I am absolutely certain the two will diverge in whatever follows.

I will speak to the payment-by-results funding model. We are actually quite comfortable with payment by results providing the resourcing upfront stays consistent. If anyone had based their tenders on the actual referral numbers that were predicted and not what has actually turned out, they would be in a whole lot of trouble. Payment by results then makes that more challenging.

If I am speaking for charities that are not necessarily as well-resourced as we are, payment by results needs an improvement. It should not be thrown out. The direction of travel is fantastic because it demands performance and results for the end user. We need to fine tune that.

I will use a personal example from Shaw Trust/CDG. In 2010 we could not get any major bank to underwrite what we needed once we had won the contract. We were very fortunate that Future Builders gave us £5 million as security. I am very proud to say we never used it and we are one of the few organisations that paid it back with interest. Having the resource to compete in payment by results is important if you win the contract.

I was at a dinner with people from Royal Bank of Scotland the other night. It has now accepted that organisations like ours will be the future and it is actually now trying to move beyond social finance to actually say, "How can we come back into this?" Actually, its interest rates will be lower than a lot of the social financing.

Jenny Jones AM: I wanted to ask about mandatory work placements. I was wondering how you manage the contractual obligations against the needs of the individuals.

Kirsty McHugh (Chief Executive, Employment Related Services Association): Some of my members deliver mandatory programmes, including Mandatory Work Activity and the Community Work Placement elements. Some of them choose not to. There is a diversity of opinion across the sector about whether this is a good or bad thing.

It seems to work well if somebody is mandated to your programme when they are given a choice of placements. That gets better results. It seems to be with a jobseeker when you give them the ability to take control of their own journey - horrible, hackneyed language - you get the elements of self-control and voluntariness, even when it is a mandatory programme overall.

I have quite a lot of charities and housing associations in our membership that are delivering mandatory programmes and are out and proud about it. I have met people on those programmes who say, "Actually, our lives have been changed. We did a fantastic work placement at XYZ". We had a few case studies recently of orchestras and theatres.

However, some of my charities in membership do not want to be in that space. It is a divisive issue across the sector.

Jenny Jones AM: I am sure you know all the facts and figures that are coming out at the moment. The DWP did an evaluation of the Mayor's Day One Support for Young People Trailblazer. What they found was that the young people said that they did not have time to look for work. After 30 hours compulsory work, they did not have time. I would imagine that is a fairly general finding. I am guessing but I bet it is. In London, for example, 9,000 disabled jobseekers were sanctioned last year. It strikes me that there is a big problem out there and it is perhaps time mandatory work placements were stopped. Would you agree?

Kirsty McHugh (Chief Executive, Employment Related Services Association): It is a very political issue and it depends on what side of the fence you are.

Jenny Jones AM: Yes.

Kirsty McHugh (Chief Executive, Employment Related Services Association): We have a real problem in our communication system that leads to sanctioning. At the moment if somebody has been for a Work Capability Assessment (WCA), the findings of that WCA are not routinely shared with providers, the Work Programme or whoever they may be. If somebody has a mental health difficulty in particular and say, for instance, they have been referred to the Work Programme and they just do not turn up, there is no engagement and no ability for the provider to work out what is going on and they have not had the WCA. The chances are they feel they have to refer that back to Jobcentre Plus. On too many occasions that then leads to a sanction. There is also an issue around fluctuating conditions around this as well.

We have looked long and hard at this as part of the Work and Pensions Select Committee inquiry. There is something going wrong in the system regarding communication. Also, there is the definition of 'vulnerability'. If somebody is vulnerable, they should not be eligible for a sanction. That is sometimes going wrong as well.

Jenny Jones AM: Let us go back to the DWP evaluation of the Mayor's scheme. It found that young people who completed the scheme were half as likely to be in paid employment compared to those who did not complete it. We are saying it is not even working. You say it is political. I am talking about practical facts and figures here that show it does not work.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): I will focus on the human aspect of it. Shaw Trust was one of the Trailblazer organisations that worked on this. We feel it is very important for us to get involved in some of these controversial programmes because it is the only way we can learn to improve for the next step. We have no motivation - it is not financial for us or anything like that - other than what is best for the people in our communities and how we can best assist them. We felt it was very important to be involved in this. We learned several things.

Just to be absolutely clear, 2,169 people were referred to the programme. All of them started and 539 of these went on with a placement with 344 completing, which was 63.8%, and 231 achieved a job outcome, which was 42.8%. Having said that, we found several major issues with this that we think need to be improved on first. Obviously, you have to have an ethical basis for this. It has to be a real community placement. Part of the challenge was that most of the individuals had to be placed within 24 hours, which is unrealistic. Secondly, as you mentioned earlier, if you are working 30 hours a week and you are meant to then find a job with the other time, there is a major, major clash with that.

We absolutely believe that we learned great things out of this programme that will improve what will be there next. There has also been, for those that did find employment, massive changes in their lives. We have one

individual who actually worked for us until about two weeks ago. He has just started as a probation officer. That came directly out of this.

What we would plead for - as I know is your focus - is an absolute focus on the individual in finding the right placement that has value and will genuinely assist that individual to transform. It all comes down to the interaction with the staff person. It is the very first thing, when the individual actually believes that they are there not because they are forced to be there but because they want to be there because there is a positive chance of change. Most of the individuals come in worried that the person really does not believe in them and are just paid to force them into employment. That has to change around. I have to say that in our hubs in Hackney and Lewisham - and this is being monitored by the Work Foundation independently - we are seeing results there that we think will start shaping this debate once the hubs have been open for 12 years and we can have good results on this.

Jenny Jones AM: It is good to hear your individual story but, unfortunately, that is not carried through in the statistics. Let us be clear. It was very lucky for that young person but unfortunately all the others are not so lucky.

Kirsty, you say it is political. Actually, this is just practical. Either it works or it does not work. I take your point, Roy, about improving it. That is great because obviously we do not want the scheme to carry on without improvement. At the same time, if it is not working, are you feeding that back?

Kirsty McHugh (Chief Executive, Employment Related Services Association): The evidence base around compulsion is weak. I will be completely open about it. Not enough is understood nationally about when it does work, when it does not work and the types of jobseekers it works for.

Generally the feedback from my members is they do not want all compulsion to be thrown out the window. They think sometimes there is a case for a bit of tough love. However, we know that employment support works best when there is a positive relationship between the individual and the organisation supporting them. If you are starting from a mandated compulsion point of view, you have to automatically get over that to actually get somebody in a positive place to take them forward. I will be very open about that.

Jenny Jones AM: If you feel the case is weak, have you fed that back?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Yes.

Kirsty McHugh (Chief Executive, Employment Related Services Association): Yes. I have also given evidence to the Work and Pensions Select Committee inquiry. I have been very open about it and have had a lot of national publicity as well.

Jenny Jones AM: Do you feel that there is a receptive atmosphere and that changes are going to be made?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): There is a listening ear. We actually do some placements in our retail shops because we found that is one of the most successful areas to help individuals move beyond. In our retail shops everybody gets paid a Living Wage. We are encouraging people coming into the placements to see it as a stepping stone to the next step in their journey. These have to be very time-limited. They have to be very specific on what the outcome is meant to be. You have to be able to show what is going to happen beyond that for the individual. Otherwise, they lose help.

There is a lot of listening going on at the moment. As to how that translates under the pressures of the financial realities, generally that is when the good innovations get dropped. When we have these real-life case studies, it is very hard to argue against them. We are trying to work in partnership with DWP and all other stakeholders that are interested to create something that really is going to change it for the person.

Jenny Jones AM: I am glad you mentioned the Living Wage because, of course, this is not a stipulation. That is not a mandatory level of payment.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): No.

Kirsty McHugh (Chief Executive, Employment Related Services Association): Indeed.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): We just do it as a charity because we think it is the right thing to do.

Jenny Jones AM: Great. Personally, I am appalled at mandatory work programmes and I have stopped giving money to the charities that do it like the Salvation Army. I refuse to give them a penny if they employ slave labour. You do not have to put that in the minutes!

Kirsty McHugh (Chief Executive, Employment Related Services Association): Indeed. I do have very well-known charities that say that if these people are going to go on placements, they would much rather be the organisation delivering those placements and making sure they are quality placements and that they get a good experience out of it. That is quite a powerful argument as well.

Jenny Jones AM: Yes. I would say the facts and figures do not support that. Thank you.

Fiona Twycross AM (Chair): Given that the programme is likely to continue, what changes would you suggest that this Committee could recommend? There is likely to continue to be mandatory work placements for the foreseeable future. Given that is potentially going to continue, what do you think we should be recommending? You mentioned, for example, giving people a bit of choice and you mentioned some positive examples as well. Are they the sorts of positive things we could recommend?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): What we have fed in is - and literally this is the language - that such placement schemes should help address barriers to work, be time-limited, be well managed and ensure they do not replace a paid-for job. Obviously, there is a lot of detail behind that which we will be submitting as our evidence. If that was followed under an ethical framework, you would find a lot more people embracing these rather than withdrawing from them.

Tony Arbour AM: I am interested in the devolving of the mandatory contract. I am right in thinking, am I not, that these are contracts that come from the DWP?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Yes.

Tony Arbour AM: Supposing they were to be devolved, for example, to here or to boroughs. Do you think that would be an improvement?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): That enhances democracy. The more that citizens are involved in decision-making, the better. The more joined-up it is, the better. How that actually occurs is important in the sense of the process.

The only thing I would also mention is that in addition to the Work Programme in London there are at least 24 or 30 other funding streams. We call it a 'spaghetti junction' where there is no significant joining-up of those other funding streams. The Work Programme is the one that gets the attention, but actually the combined value of those 24 or 30 other funding streams in the spaghetti junction needs to be untangled. If one of the results of it coming to the London Assembly is that learning, skills, apprenticeships and all of that funding base was linked in a different way, it would be a fantastic outcome.

Kirsty McHugh (Chief Executive, Employment Related Services Association): It is important to think about a space, not about programmes. I am having this conversation with the Scottish Government as well in terms of the devolution arguments up there.

You should not think about the Work Programme or Work Choice or Mandatory Work Activity and whether you want those devolved. What is the space that needs filling in terms of support for school-to-work transition, young people not in education, employment or training, long-term unemployment, etc? The majority of the current round of DWP contracts come to an end in April 2017, if not before in some cases. We are actively thinking, "What is our space? Who are the commissioners? What gets commissioned? What is the policy framework around that?" Be careful about thinking about individual programmes.

Devolution is not a magic bullet. We are talking to Greater Manchester around this. Do not think that if it were to come to London it would automatically be better or easier. London is a coherent economic unit of a scale where you could argue probably very effectively that it could be devolved. I have to say that is not the case elsewhere in the country. Then I look at the capacity that exists at DWP. I have not always been polite about officials at the DWP, but actually there is a huge amount of expertise. The effort that goes into setting up and running these contracts, again, should not be underestimated. It would have major implications in terms of the GLA or local authorities and that needs to be taken into account.

There are two other things which at the moment are missing. One is the entrenched worklessness issue and the people who move on and off benefits and who, because they do not have that consecutive amount of time unemployed, never get referred to specialist employment support. That must be wrong. That is an area where the London Assembly could do something.

There are also a huge number of people who are hidden workers. They are not on benefits and under those circumstances, again, they are not referred to any employment support. The worry is too many of those hidden workers are from minority communities and they are young. If we do not get to them earlier in terms of their skills development and get them into paid employment, in some of those cultures that could go on for generations. Again, there is space there that at the moment nobody is occupying.

Tony Arbour AM: Do you have a view?

Dr Ian Thurlby-Campbell (Business Development Manager, Ingeus): Yes. For us, irrespective of whether an individual programme is devolved, the local area has a tremendous role to play. There are big opportunities around integration of local services. As Kirsty has pointed to, the more we can have local services integrated so that you have really strong interactions between the different opportunities and resources within the space, the better. Whether something is commissioned centrally or whether it is commissioned locally, it is the key to look at how local integration can be done better. It is about bringing the stakeholders together and working out what programmes look like when resources come together, when people communicate and when opportunities are aligned.

It is not just what any individual programme does. As Kirsty has alluded to, it is what the endpoint is and whether there is then a transition onwards to something else and then to something else again. It is the coherence of the entire place that is really the key here.

Tony Arbour AM: One of the problems with the DWP dishing out these contracts is that it only dealt with big suppliers. I take your point about the magic bullet but if the thing were to be devolved to smaller units of government, the contracts probably would be smaller, which would mean that there would be an opportunity for a greater diversity of supplier.

Kirsty McHugh (Chief Executive, Employment Related Services Association): I have had this argument with the Scottish Government as well. Obviously I love the Scottish National Party; we all do! However, they start from the wrong place. The wrong place is who the supplier is. The right place to start is what the services our jobseeker needs are, what is going to get them into work and therefore who is best placed to provide that. For us, if we forget the jobseeker at any point, we are lost. None of us should be in this particular game.

If there were smaller contracts, there would be pros and cons. There would be some things that work better and there would be other things that would not work so well. Let us go back to who the cohorts of jobseekers are and what are they going to need around them. One of the things - picking up on Ian's point - that we need to be cognisant of is if we have a payment-by-results regime that sits alongside a grant funded regime and, if somebody is getting paid for outcomes which somebody else has contributed to but maybe they are not getting paid for, then we have a whole host of tensions in the system. It does not matter whether it is the London government commissioning or the DWP. Those tensions would still be there.

Tony Arbour AM: Do you think that is right, Roy?

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Essentially, yes. We need to understand the complexity of these issues and how best to do it. I do not think enough work is being done currently on what the optimal size of these contracts is to get the best result for the jobseeker. If you take, for example, that we have 12 organisations in east London plus ourselves and if you wanted to just extrapolate on this, it would mean you could have 13 contracts of a value of £2 million each. To actually deliver the kind of quality of services that are required and get results for the individual, plus provide the capacity-building and all that is required, my personal view is that there is an optimal size for these contracts. Once you get below £12 million or £15 million, it is very hard to put the construct around to provide the variety of services that are required. Something that the third sector needs to really take the lead on is putting much more research behind this.

I do not think the magic answer is just smaller contracts, although I would be entirely in favour of that if it had better results. It is getting the very best specialist providers in the country working together. One thing that is a disappointment to me is that we are only just linking up with Whizz-Kidz now, an organisation that specialises in every young person in the country in a wheelchair who wants to work. That cannot be right. It is a challenge to organisations like my own to not get sloppy on making absolutely certain we are working with the very best in the community who can get the results that are required.

Tony Arbour AM: It is to do with critical mass, then? In effect, you are saying unless you are of a given size you cannot actually handle a contract to provide the best service to the jobseekers. In effect, you are saying it needs to be something the size of your organisation.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): I hope I did not say that but I can understand --

Jenny Jones AM: You did not mean to.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): -- why you would draw that conclusion and so I apologise. My first priority is to the end user. I completely accept the combined wisdom of my colleagues earlier that there are small charities that feel they could do a better job at this. We have 50 years of history now. We have gone in different cycles with small organisations doing it, large organisations and all of that. My view is that now we have to blend this in a different way. We are probably 70% of the way there. It is much more about joint working and linking up services.

Just as an example, there are 400 charities just dealing with people who are deaf. Is the optimal size 25 charities? Who knows? As long as you have this incredibly complex group of organisations in our civic society competing for every pound that is available to deliver the social services, you are constantly going to have these debates. My view is that we are well along the way to solving this. It will come out of strategic alliances - as we have with Ingeus and as we have with many organisations around the country - to sort this.

I do not think the picture is bleak. It is far more about whether we can get the 40% mark of long-term unemployed people into jobs to 43% and what would it take to do that. The answer is community hubs, Whizz-Kidz and the other organisations that my colleagues represent here this morning.

Dr Ian Thurlby-Campbell (Business Development Manager, Ingeus): Yes. There are a few things to take into account here. I do not think we should hold too fast to the assumption that making contracts smaller is the best way to make the market diverse. It is one potential way.

For example, again in previous work, what you would find with a lot of the charities that we worked with is that they do not necessarily want to be prime providers. To be a prime provider, you have to have particular types of capability around quality assurance, contract management, legal compliance and all of these kinds of things. Some of these charities just want to focus on people. They do not want to develop the type of capabilities they need to be prime contractors. They want to work with prime contractors who will cover those bases and allow them to do what they do best. Those smaller contracts will mean that you have more small organisations becoming primes with those capabilities. It does not mean that some of the best charities that have the best specialist provision will necessarily enter that space. What those charities may look for are people who can be primes. Primes do what primes do well. Charities do what charities do well.

There are different models of partnership that can be looked at and different ways of integrating services together. There is the consortia approach, conventional prime-subcontractor models and JVs. There are lots of different ways of doing it. There needs to be that breadth of thinking about how that is enabled.

Fiona Twycross AM (Chair): There is one form of commissioning we have not really touched on, which is co-commissioning. How would co-commissioning work between central and local government?

Kirsty McHugh (Chief Executive, Employment Related Services Association): That is a big question, is it not? I do not think anybody knows. The Government has seven different options that it has looked at in the past in terms of how national and local can live together. The recent experience of the ESF rounds in terms of the local enterprise panels (LEPs) has not been wholly happy. We have lessons to learn from that and how those strategic priorities of a LEP can then translate in good time to something that is essentially national commissioning.

Greater Manchester is probably going to get there first. That does not mean that others will not get there on a similar timescale. I would say to just look at the money. What you do not want to do is take on a lot of

responsibility for something that is not maybe funded in the way that you want it to be. Of course, that is around combining income streams, etc.

Roy O'Shaughnessy (Chief Executive Officer, Shaw Trust): Could I just throw in on that? Probably the best example where there is a model in place currently is between the Department for Education and the local authorities on academies. We have the Shaw Education Trust, which does special-needs education. Part of the dilemma is, when you have that commissioning relationship, the Department for Education thinks that it has funded X amount for special-needs education. However, when you look at it local authority by local authority around the country, the money that is actually going to the special-needs student varies greatly from about £4,000 up to £13,000 per student. If there is a consistency to how this is done and it is joined up and there is a way to get through that, then that is the challenge. As Kirsty has just said, we have to follow the money on this. What is going to get the best end result?

Fiona Twycross AM (Chair): Thank you. Do you have anything to add?

Dr Ian Thurlby-Campbell (Business Development Manager, Ingeus): When you talk about co-commissioning, what you are really talking about is stakeholders coming together. When stakeholders come together, they are going to share knowledge, they are going to share understanding and you are going to get, of course, slightly different outcomes from each set of stakeholders.

We are very positive about people coming together to talk through what needs to be done. Stakeholders should come together. Providers should be talking to commissioners, should be talking to LEPs, should be talking to the national Government, should be talking to social financiers and should be talking to customers. The more communication and the more stakeholders come together and really engage in joint thinking, really looking through things properly and talking through things properly, the more opportunities you will have to deliver good services.

Fiona Twycross AM (Chair): Thank you very much. Thank you to the three of you and to our three guests from the previous session as well. Thank you.

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Subject: Summary List of Actions

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 14 July 2015

This report will be considered in public

1. Summary

- 1.1 This report sets out actions arising from previous meetings of the Economy Committee and correspondence received which relates to the work of the Committee.

2. Recommendation

- 2.1 **That the Committee notes the outstanding actions arising from previous meetings of the Committee, and the correspondence received relating to the work of the Committee.**

Actions arising from the Committee meeting on 15 January 2015

Item	Topic	Status	For Action
7.	Climate Change Risks to the London Economy Authority was delegated to the Chair, in consultation with party Group Lead Members, to agree the final output from the Committee's investigation into climate change risk, and to lead follow-up on this output.	In progress. Report has been drafted and is undergoing final review prior to publication.	Chair

Actions arising from the Committee meeting on 9 December 2014

Item	Topic	Status	For Action
7.	The Chair agreed to write to the Department for Business, Innovation and Skills (BIS) to find out if they intend to commission a further assessment of the illegal money lending national project, as they had previously done in 2010.	In progress. A letter was sent by the Chair to BIS. No response has yet been received.	BIS

- 2.2. The following correspondence, related to the work of the Committee, is appended for Members to note:

Correspondence received

	Topic	Status
	Letter, dated 29 May 2015, from the Federation of Small Businesses in response to the Committee's interim report on The Impact of Climate Change on London's Economy , which was issued in December 2014 (See Appendix 1).	To note.

3. Legal Implications

- 3.1 The Committee has the power to do what is recommended in this report.

4. Financial Implications

- 4.1 There are no financial implications to the GLA arising from this report.

List of appendices to this report:

Appendix 1 - Letter, dated 29 May 2015, from the Federation of Small Businesses

Local Government (Access to Information) Act 1985

List of Background Papers: None.

Contact Officer: John Johnson, Committee Officer
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Federation of Small Businesses

The UK's Leading Business Organisation

Press & Parliamentary Office

2 Catherine Place, Westminster, London, SW1E 6HF

Tel: 020 7592 8100 Fax: 020 7233 7899 Web: www.fsb.org.uk

Jenny Jones AM
GLA
City Hall
The Queen's Walk
London
SE1 2AA

29 May 2015

Dear Ms Jones,

The FSB is the UK's leading business organisation. We exist to protect and promote the interests of the self-employed and those who run their own business. The FSB is non-party political and, with around 200,000 members, we are the largest organisation representing small and medium sized businesses in the UK.

Small firms make up over 99 per cent of all businesses in the UK, and they make a huge contribution to our economy. They account for a third of all private sector turnover and employ almost half of the private sector workforce. A large proportion of these small firms are micro businesses (fewer than 10 employees) and sole-traders.

Small businesses are driving the UK's economic recovery and it is in the national interest to ensure they are not placed at a competitive disadvantage by severe weather events. They require a holistic package of support and guidance to help combat the potential damaging impacts, both direct and indirect.

The needs of small businesses can sometimes be overlooked when it comes to long-term policy planning. They are often lumped in either with a domestic audience or with larger industry. Like household customers, they have a low level of expertise outside of their core business, they have limited available capital and purchasing power, and they often have similar levels of usage and expenditure on utilities like energy, water and telecommunications. However, small businesses are not covered by the same legal consumer protections afforded to household customers. This leaves them vulnerable across a range of consumer areas.

Small businesses, by their very nature, are well placed to avoid the risks associated with severe weather. They are flexible and have a small footprint, compared to bigger industry. However, they are also less able to absorb the costs of disruption when it is unavoidable. So severe weather resilience plans are a critical tool for reducing the impact and likelihood of this kind of disruption.

To what extent have small businesses in London taken the necessary steps to identify such risks and develop adaptation plans? Are you aware of any examples of good practice in this area?

Two thirds of UK small businesses say they have been negatively affected by severe weather in the last three years. The average financial cost of these severe weather events over this period runs to many thousands of pounds.

It is important to note that indirect impact of severe weather on business operations are as problematic, if not more so, than the direct damage caused to business premises. Disruption to people (customers and staff) and logistics (supply chain, utilities and transport) are the most frequently occurring problems for small businesses during severe weather events.

Only a quarter of micro businesses have a resilience plan in place that specifically includes severe weather, although there is some evidence to suggest that those with previous experience of severe weather are more motivated to prepare resilience plans. The FSB has some limited evidence to suggest that businesses in London are slightly better prepared than the national average, with a third saying they have a severe weather resilience plan in place.

Despite most not having a formal plan in place, two thirds of small businesses say they have begun to take some action to manage the risk of severe weather to some part of their business. One of the major themes that emerged from around a third of FSB members was of simply taking a reactive approach, to “struggle on” whatever the weather. These businesses described the need to “be flexible” and to “just do whatever it takes to keep the business going”. Many highlighted the importance of communicating with their customers and managing their expectations. Some businesses have sought protection against disruption through customer contract terms and conditions. Some simply rely on insurance to cover any losses.

Other businesses offered more pro-active solutions. Another theme that came out strongly amongst FSB members was the ability to work flexibly, either from alternative locations (including home) or in a way that isn’t restricted to normal office hours (e.g. weekends, late nights, avoiding rush hour etc.). Many highlighted new technology and software that allowed staff and personnel to work wherever and whenever they needed.

Other themes that emerged often reflected the various priorities, pressures and ways of working of different businesses and sectors. Many highlighted a combination of stockpiling, resilient storage locations, and spreading delivery and supply risks thorough multiple suppliers. For others, it was about having the right equipment on site for clearing snow, preventing water from entering premises, or generating emergency power. Some had invested in resilient vehicles (4x4s and snow tyres). Many highlighted the importance of good maintenance of their premises. And a small number had gone further, investing in flood defence measures.

Only 19 per cent of small businesses surveyed said they had taken action to manage the impact of severe weather on their supply chain.

How could small businesses be better supported to identify the risks, and take necessary steps to address them, and is there a role for the Mayor/GLA to galvanise action?

There is plenty of advice available for small businesses if they know where to look and who to trust. For instance, the Environment Agency has provided some excellent guidance materials in this area and FSB plan to work with them to improve the understanding and preparedness of our own membership. However, it is sometimes difficult for small businesses to navigate the diverse advice, products and services available and understand what choices are most suitable for them.

The emphasis should be on organisations like the GLA working in a bipartisan way with central government and agencies, local authorities, utility and insurance companies and others to provide a consistent, reliable and trusted service so that small businesses are empowered to do the following:

- Produce a resilience plan that includes the potential impact of severe weather on different parts of their business, including their supply chain (imports and exports).
- Explore the potential benefits of flexible working for their staff, especially when advertising for new roles.
- Clarify and understand their flood risk and, where available, sign up to the Flood Warnings Direct service.
- Explore the benefits of business continuity insurance as well as property flood insurance.

What would you like to see the LEP do to help address an apparent shortage among the workforce of skills needed for climate adaptation?

Many small businesses see themselves as part of the solution when it comes to UK resilience to severe weather. Almost 15 per cent of small businesses believe they can provide a positive contribution to specifically addressing the impacts of severe weather, through their products, services and innovation. FSB members highlighted a number of areas of expertise, particularly around planning advice, flexible working, technology and engineering solutions, and communications. LEPs should explore the untapped potential for small business services and expertise in this area, and look for ways to promote them through supply chains.

It is important that London is able to monitor the take-up of adaptation measures among businesses, to inform future city-wide plans for interventions to support adaptation. Without creating more form filling, what steps do you think could be taken to enable this monitoring to take place?

Small business owners are a notoriously difficult audience to engage with. Any time spent answering survey questions is time spent away from running their business. Ideally, monitoring should be done in a way that does not require additional, burdensome reporting duties placed on businesses. FSB research has already provided evidence that there is a low level of preparedness across all small business sectors and so the GLA should prepare their strategy based on this assumption. The full FSB report will be published in July 2015.

London firms could benefit from the growing adaptation sector which brings opportunities to sell goods, services and expertise to support climate change adaptation, including overseas. What are the main opportunities for London small businesses in this market? Should London and Partners specifically target this sector?

One of the themes that emerged out of the 2014 winter storms was the importance of the support network within local communities. This is true for both domestic residents and small businesses alike. During a severe weather emergency, such as a major flood, it is critical that the right supplies and equipment are in place to help manage the risk and to keep the local economy moving. Small businesses, often at the heart of their communities, are well placed to offer this service. This could include providing flexible space for evacuated people and businesses; providing storage for grit, sand, sandbags or snow shovels; providing pumps to combat flood water; or providing power generators and satellite phones if wind and rain have damaged utility networks. FSB research shows that there is a considerable willingness from local small businesses to offer this kind of 'resilience hub' service.

Over 40 per cent of small businesses would be happy to act as a community resilience hub for their local community (storing vital equipment in case of emergency).

LEPs should work with small businesses to identify strategic resilience issues and plan investment accordingly. Small businesses must also be given a greater voice in the strategic planning process, especially around sustainable development on or around the flood plain.

With best wishes,

A handwritten signature in black ink, appearing to read 'Mike Cherry', with a long horizontal flourish extending to the right.

Mike Cherry AIMMM FRSA
Policy Director

Subject: The Role of the Third Sector in Employment and Skills Programmes

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 14 July 2015

This report will be considered in public

1. Summary

- 1.1 This paper provides information on the Committee's investigation into the role of the third sector in employment and skills programmes.

2. Recommendation

- 2.1 **That the Committee puts questions on the role of the third sector in employment and skills programmes to invited guests and notes the subsequent discussion.**

3. Background

- 3.1 In May 2015, the Committee published a call for evidence to a range of stakeholders working in the employment and skills sector. At its meeting on 18 June 2015, the Committee agreed the terms of reference for its investigation into the role of the third sector in employment and skills programmes. This included the voluntary and community and social enterprise sector. The terms of reference for the investigation are:
- To explore the specific initiatives, or barriers, in London which help or hinder the third sector's role in employment and skills programmes;
 - To identify how the Mayor, central and local government can ensure the third sector has a role in delivering employment and support programmes in the capital; and
 - To examine how future developments, including possible devolution, can be exploited to develop a more diverse supply chain, including the third sector, in employment and skills programmes in London.
- 3.2 The Committee held its first meeting in the issue on 18 June 2015. Guests included representatives of private, voluntary, community and social enterprise organisations active in the employment services field. The meeting explored a number of challenges for third sector organisations delivering employment and skills programmes, including:
- Cash flow and incentives under current payment by results models;
 - Increasing costs (such as rents, rates, property);

- An ongoing focus on price over wider social value; and
- Tensions with organisations' social mission (for example, when hosting or facilitating mandatory work placements or fulfilling their role to speak up for their beneficiaries).

3.3 Guests also identified a number of opportunities for action to foster a mixed economy of employment and skills providers, including:

- Early involvement of third sector organisations in programme design;
- Increased consideration of social value within commissioning ;
- Reform of payment by results mechanisms;
- Capacity-building, particularly to develop third sector consortia or other joint mechanisms; and
- Maintaining a regular pipeline of opportunities for tender.

4. Issues for Consideration

4.3 At this meeting the Committee will put questions to a panel of expert guests including:

From 10.00 am:

- Laura Furness, Local Deals Manager, Big Lottery;
- Adrian Smith, Director of Commissioning, London Borough of Lambeth; and
- Dan Gasgoyne, Director, West London Alliance.

From 11.00 am (approximately):

- Alex Conway, European Programmes Director, Greater London Authority; and
- Julie Sexton, Senior Programme Manager, Skills and Employment, Greater London Authority.

5. Legal Implications

5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

6.1 There are no direct financial implications arising from this report.

List of appendices to this report:

None

<h4>Local Government (Access to Information) Act 1985</h4> <p>List of Background Papers: None.</p>
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Subject: Economy Committee Work Programme

Report to: Economy Committee

Report of: Executive Director of Secretariat

Date: 14 July 2015

This report will be considered in public

1. Summary

1.1 The Committee receives a report monitoring the progress of its work programme at each meeting.

2. Recommendations

- 2.1 **That the Committee notes the amendments to the scope of its site visit in September.**
- 2.2 **That the Committee delegates authority to the Chair, in consultation with party Group Lead Members, to agree the Committee's submission to the London Fairness Commission.**
- 2.3 **That the Committee agrees the scope for the October meeting on London's flexible labour market.**

3. Background

- 3.1 The topics listed below have been agreed as priorities for the Committee's work programme during 2015/16:
- **Mayoral programmes and commitments on economic issues.** The Committee will continue to scrutinise the Mayor's economic programmes and commitments, including those related to apprenticeships, the London Living Wage and job creation.
 - **The role of the third sector in employment and skills programmes.** A separate paper sets out the remit for this work.
 - **London's flexible labour market.** The Committee will explore the changing nature of London's economy and labour market and the impact of the changes for London's people and businesses.
 - **Food poverty.** The Committee will continue to follow up on the Assembly's previous work on food poverty in the capital.
 - **Connectivity.** The Committee will revisit the barriers to digital growth in London, building on previous work relating to digital connectivity.

- 3.2 Other issues that may be included in the work programme include childcare, parental employment and availability of office space. The Committee will also publish its final report on the risks to the London economy from climate change.

4. Issues for Consideration

4.1 The development of London's digital economy is being inhibited not only by poor connectivity, a priority concern for business and the London Enterprise Panel, but also by a significant shortage of skilled workers. Meanwhile, young Londoners are struggling to find opportunities in the tech sector as they are not equipped with appropriate skills, education or access¹. The scope of the Committee's informal site visit, on 10 September, has therefore been broadened to explore the reciprocity of the relationship between Londoners and London's digital economy. The objectives of the visit will be:

- To investigate how the tech sector is rising to the challenge to develop skills, particularly among young Londoners and long-term unemployed people, to ensure that Londoners benefit from the capital's digital growth.
- To uncover the barriers which businesses in the tech sector face in trying to tackle this issue.
- To explore the impact of the Mayor, LEP and others' interventions to support technology skills training for Londoners, and to identify what actions they might take to ensure Londoners benefit from the growth of London's tech sector.

4.2 The London Fairness Commission has been established to explore Londoners' understanding of fairness and what should and/or could be done to promote fairness and address inequalities in the capital.² The Committee has previously produced a number of reports relevant to the inquiry. Therefore an Economy Committee submission would identify relevant reports, recommendations and the responses to date. This could include relevant elements from recent Economy Committee work on:

- Adult careers services
- Parental employment
- Low pay and the London Living Wage
- Food poverty
- Internships
- Personal problem debt

The submission could also reference relevant reports from other Assembly Committees, subject to their agreement.

4.3 While London's economy has struggled to recover from the 2008 recession, we have seen an unexpected strengthening of London's labour market. Much of this increase has been attributed to an increase in flexibility, enabling the city to absorb a larger workforce. However the majority of flexible jobs are towards the lower end of the pay distribution³ and lack the stability of a permanent contract. And there are concerns about in-work poverty levels and poor working conditions for those employed on a flexible basis. Finally, productivity in the city has not increased as might be expected, and it has been suggested that this may be linked to the changing employment trends.

¹ Centre For London, *This is for Everyone*, 2015

² <http://londonfairnesscommission.co.uk/about-us>

³ EY ITEM Club *Special Report on the labour market*, 2015

An Economy Committee meeting in October would explore this complex issue: looking at the wider economic context and seeking to identify the advantages and disadvantages of a flexible labour market for London’s people, businesses and the wider economy.

4.4 Topics for discussion at later meetings will be proposed for agreement by the Committee during the course of the year. This table will be updated in subsequent reports to the Committee.

Meeting Date	Main discussion
18 June 2015	Role of the third sector in employment and skills programmes
14 July 2015	Role of the third sector in employment and skills programmes
10 September 2015	Informal site visit to explore London’s digital economy
15 October 2015	London’s flexible labour market
24 November 2015	To be decided
08 December 2015	To be decided
21 January 2016	To be decided
24 February 2016	To be decided
15 March 2016	To be decided

5. Legal Implications

5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

6.1 There are no direct financial implications arising from this report.

List of appendices to this report:

None

Local Government (Access to Information) Act 1985

List of Background Papers: previous minutes of Economy Committee

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