

London Assembly Economy  
Committee

Investigation into the Role of the  
third sector in employment and  
skills programmes

Submissions to call for evidence

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## **Response from The Salvation Army to the London Assembly Role of the third sector in employment and skills programme call for views**

### **About The Salvation Army**

1. The Salvation Army is a Christian church and charity present in 700 communities in the UK. Our Employment Plus department provides a combination of government-funded welfare-to-work programmes and community-based activities. We are currently involved in the Work Programme as a tier 1 end-to-end subcontractor to three different primes in Bristol and Birmingham and provide Work Choice in Southend-on-Sea. We also run an electrical safety testing social enterprise and over 60 Employment Plus Locals (job clubs) right across the UK. In addition we offer Homelessness, Older People's, Community, and Family Tracing Services across the UK. The Salvation Army also delivers the Victim Care Contract to manage the support of victims of modern slavery in England and Wales.
2. Drawing on its Christian beliefs, The Salvation Army adopts a holistic approach to service provision. As appropriate it works with people to ensure:
  - A secure and adequate income
  - Affordable and decent housing
  - Good mental and physical health including addressing addictions
  - A sense of purpose deriving from meaningful activity whether paid work, volunteering or learning
  - A set of supportive relationships.

Where we cannot deliver these things ourselves we work with others.

### **How local and national policies affect our involvement in employment and skills**

3. Despite the encouraging labour market statistics, finding and sustaining a job remains challenging for many and this seems especially true for those facing multiple barriers to employment. While the government-contracted work we have been involved in offers jobseekers much needed support, the current payment-by-results system, coupled with the scarcity of resources in the health and skills sector, at times make it difficult to fully meet the needs of those furthest from the labour market.
4. Local programmes, like the Working Well pilot in Greater Manchester, could play an important role in addressing this weakness by bringing together key workers in health, skills, education and housing. Better coordination alone is however unlikely to address the shortages that exist in key public service areas such as mental health support, drug and alcohol addiction treatments, and basic skills training. In the absence of more direct funding in these areas, a hybrid payment-by-results model with more upfront funding and a stronger focus on distance travelled may help to partially mitigate these problems.
5. We would welcome more pre-procurement consultation to discuss what we could feasibly deliver under different programme and commissioning structures. Currently we deliver our government-contracted employment services as a subcontractor to various primes. This means that we are bound both by the programme structure and the approach taken by the Prime Provider we work with. If contracts are disaggregated into smaller units, this could allow us to act as a Prime Provider, as we do in some of our locally commissioned Homelessness work.

Having a large number of smaller contracts however can also put a financial strain on the organisation, both in terms of the resources required to bid for funds and the loss of economies of scale and scope during the delivery.

6. One specific issue that limits our ability to engage with local employment and skills initiatives is the reliance on The Big Lottery Fund for ESIF match funding. For religious reasons, The Salvation Army cannot accept funding that originates from gambling activities. As a result we will not be able to bid for programmes where the match-funding is provided by The Big Lottery. Similarly we cannot access the The Big Lottery funded support for third sector organisations interested in bidding for contracts.
7. In summary, local commissioning certainly has the potential to tap into the many unique skills and qualities of the third sector in this area. There are however a number of possible pitfalls that we would be keen to discuss. We would welcome more pre-procurement consultation to ensure that this potential is unlocked.

Dr Sylvia Tijnstra  
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## The Traveller Movement

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### **Traveller Movement submission to London Assembly Economy Committee consultation on the role of the third sector in employment and skills programmes**

**2<sup>nd</sup> July 2015**

#### **The Traveller Movement**

The Traveller Movement (TM) is a leading national charity, working in partnership with the Gypsy, Traveller and Roma communities, service providers and policy makers challenging discrimination and promoting inclusion.

#### **Key Questions**

##### **Are there particular characteristics in London which help or hinder third sector involvement in delivering employment and skills programmes?**

The small number of third sector organizations working with Gypsies, Travellers and Roma (GTR) in London are geographically dispersed and have limited capacity when it comes to delivering employment and skills programmes. However, the need for such programmes within the GTR communities is great, as evidenced by [ONS 2011 census data on Gypsies and Irish Travellers](#) which found that Gypsies and Irish Travellers had the highest proportion of any group with no qualifications and the highest rates of economic inactivity.

In most cases GTR third sector organisations in London do have the community outreach, contacts and skills to engage the communities, however they are not always in a position to avail of significant funding streams such as the ESF (often distributed via match-funding arrangements with national organizations) to make this a reality. Key reasons for this are similar to those outlined in the consultation document:

- time-consuming processes for third sector organisations to express interest in, and bid for, sub-contracts and burdensome procurement and monitoring requirements;
- a reported focus on price over value;
- large contract sizes, lack of access to capital, limited financial capability and capacity to manage risk;
- collaborating with larger organisations represents a challenge as agreements can disadvantage smaller GTR organisations; taking advantage of expertise and resources for little to no financial return

## **How do central and local government's policies affect the third sector's involvement in employment and skills programmes?**

The Traveller Movement worked with London Council's to ensure that Gypsies and Travellers were included in the London Enterprise Panel report on its [European Structural and Investment Funds Strategy](#). However, it's worth noting that the organizations input and work in this area was not funded. There is a need for government to ensure greater financial support for smaller GTR third sector organisations to input into policy development. This work is crucial as it ensures that some of the most marginalized groups in London are included in relevant strategies such as the ESIF.

We are concerned that whilst Gypsies and Travellers may be highlighted as groups requiring 'intensive support' in guiding documents such as the LEP ESIF strategy, in reality, targeted funding for these groups may never materialize in that it never reaches organisations working with them on the ground.

We are also concerned about programmes such as the *The Work Programme* which require payment by result. For many third sector organizations working with Gypsies, Travellers and Roma this may represent too great a risk for conducting work in this area. This is especially true when you consider that GTR experience particularly poor education, skills and employment outcomes, resulting in such programmes being more likely to have lower success rates, even when they are conducting hugely beneficial work for the communities in question. There is a significant danger that a payment by results approach could potentially act as a deterrent to organizations working with these communities.

## **How could the Mayor, central and London government ensure a diverse supply chain for employment and support programmes in the capital, which includes the third sector?**

The Mayor, central and London government need to ensure that GTR organizations (and other organisations working with groups experiencing similar poor outcomes and marginalization) are part of the consultation process and have the capacity to meaningfully contribute.

It may not always be the case that GTR third sector organizations can deliver employment and skills programmes on their own due to skills and resource issues. However, GTR third sector organisations can play an essential role as brokers between larger organizations and the GTR communities in delivering these programmes. In this sense the GTR third sector's expertise in community engagement, outreach and mentoring needs to be appropriately resourced. We recommend that the responsible bodies develop a brokerage model for small third sector organisation (including GTR) and larger providers that ensures larger organization delivering programmes budget for smaller third sector organisations time and resources.

## **Response to the London Assembly Economy Committee Investigation on the role of the third sector in employment and skills programmes**

**3 July 2015**

### **London Gypsy and Traveller Unit**

The London Gypsy and Traveller Unit is both a community development and a regional strategic organisation. We seek to support Travellers and Gypsies living in London: to have greater control over their lives; to influence decisions affecting their lives; to improve their quality of life and the opportunities available to them; and to challenge the discrimination they routinely experience. We work with Gypsies and Travellers to use this detailed local and regional experience to contribute to national policy.

Some of our project work is focused on employment and skills and we provide a range of programmes and resources tailored to the needs of the Gypsy and Traveller community such as adult literacy and IT training, youth training for young women and men, assistance and advice for getting into employment and self-employment and a short animated guide on how to become self employed.

As a training and support provider in the voluntary sector the main challenges we face are around resources and funding. We have to rely on our fundraising to be able to continue and expand our work. We believe there are huge gaps in the provision of employment and skills for minority groups such as Gypsies and Travellers in mainstream programmes. The main barriers to accessing these programmes are usually discrimination, lack of cultural awareness and ability to provide training and support which meet the needs of the community. We find it difficult to link up with employers, although we offer direct support to individuals to apply for jobs and set up their own businesses. However our capacity is quite limited at the moment due to lack of resources.

We also co-ordinate the London Gypsy and Traveller Forum, a network of Gypsy and Traveller activists, community groups, support workers and organisations who meets regularly to share knowledge and best practice and seeks policy changes at a strategic level. In May 2015 the Forum meeting focused on employment and training opportunities for Gypsy and Traveller communities in London, aiming to come up with a list of policy demands to present to the Mayoral election candidates. One of our guest speakers was Fiona Twycross, the chair of this committee, who gave a presentation on the investigation on the Mayor's Apprenticeship programme and heard testimonies from young Travellers on discrimination they faced in trying to complete an apprenticeship scheme in construction work in Hackney.

The main issues identified by the Forum regarding access to opportunities for employment and training at a London wide level are as follows:

- There is a lack of monitoring of groups and communities protected by Equalities legislation in assessing the success of the Mayor's employment objectives in his strategy Equal Life Chances for All. This leads to a lack of understanding of which groups have the worst employment, training and education outcomes and a consequent lack of adequate policy.
- Many apprenticeships schemes target the business, IT, law and management sectors, creating little opportunity for communities interested in practical skills and trades.

- There is a lack of targeted funding from the London Enterprise Panel to address the specific needs of equality groups such as Gypsies and Travellers.

Our recommendations for the Mayor would be:

- To set up adequate monitoring mechanisms to ensure evidence is collected on minority groups, including Gypsies and Travellers, in order to acknowledge the inequalities these communities face in accessing employment and training. This would ensure the Mayor's Equality strategy can be reviewed in detail and inform an approach to policy and implementation which is more effective in addressing these issues.
- To reach out to more diverse employers and apprenticeship providers who can meet a wider range of needs. To develop a networking mechanism between employers and third sector organisations which provide training and support to a variety of community groups. To target specifically those community and voluntary organisations which are under-resourced and support groups which suffer the highest disadvantages in terms of employment and training.
- To make European Structural Funding more directly accessible to small voluntary organisations who at the moment are struggling to be involved in large consortia or partnerships which are able to bid for this funding. To target parts of this European funding specifically to those groups who are the most disadvantaged, such as Gypsies and Travellers, and liaise with potential stakeholders such as third sector organisations providing training and skills to support them in submitting applications.
- To create a working group within the London Enterprise Panel specifically looking at equality and diversity issues in accessing employment and training and include third sector and community representatives on the board of members.



## London Assembly

### Role of the third sector in employment and skills programmes

#### Comments from Brent Council

Brent Council welcomes the opportunity to respond to the Economy Committee's request for information on the role of the third sector in employment and skills programmes in the capital.

The Council has recently adopted an Employment, Skills and Enterprise Strategy, following extensive consultation with a range of stakeholders and partners, including voluntary organisations. Our comments draw on this engagement and on our work with a range of third sector groups on employment and skills programmes in the borough.

Comments follow the order of the questions in the call for evidence document.

#### **Are there particular characteristics in London which help or hinder third sector involvement in delivering employment and skills programmes?**

- Is the third sector sufficiently linked in with the capital's employers?

There are significant variations, as might be expected given the diversity of the sector and the diversity of the London employment market. Some organisations have close and effective links, for example through participation in employment programmes run by local authorities and others, while others have limited engagement. This is connected in most cases to capacity and resources; larger organisations, particularly those with a national profile, are often able to engage more effectively, although this is not universally true and some smaller organisations will have effective links, particularly where employment and welfare are among their operational priorities.

- How well is the employment and skills potential of London's third sector assessed and understood?

Again, there is wide variation. At the local authority level, understanding and assessment of potential is largely based on practical experience of working with the sector on the development and delivery of particular programmes and projects, rather than on any specific review of the sector and what it might be able to offer. In general then, our impression is that the potential of the sector is not well understood and work to develop a better picture could be valuable.

- How can the third sector best offer work experience opportunities to jobseekers?

This is largely dependent on capacity, experience, the availability of support and resources. In broad terms, larger organisations should have the necessary capacity and skills to offer such experience. Smaller organisations may struggle to find the resources – human and financial – to engage in this activity and are unlikely to have the skills and experience to do so effectively without support, which could be financial but could also be offered through training and mentoring programmes.

There are a number of good practice examples of social enterprise in particular that are able to offer high quality work placements to particularly vulnerable groups, such as ex-offenders. These organisations offer practical work experience coupled with more nurturing, mentoring support that enables an individual to overcome their personal barriers while gaining valuable skills. Realise Futures based in Suffolk is one such example.

### **How do central and local government’s policies affect the third sector’s involvement in employment and skills programmes?**

- What has been the impact of new commissioning models such as ‘payment by results’?

From the local authority perspective, partnership with the sector can be time-consuming and resource intensive and this can particularly be the case for performance managing payment by results programmes. Organisations, especially smaller ones, often lack the systems and processes, or familiarity with such processes, necessary to meet commissioning requirements and local authorities themselves lack the resources and capacity to give the level of support required to commissioning and delivery where this is the case. There is therefore a tendency for local authorities to wish to commission organisations where there is confidence about delivery and understanding of the need for, for example, regular and robust monitoring and performance data.

From the sector’s perspective, payment by results is problematic. This is partly due to unfamiliarity with the concept but also reflects concerns about risk and lack of capacity to cope with delays or variations in payment and resulting costs, which might be absorbed more easily by larger organisations or private sector contractors. For example, local organisations funded in this way to deliver employment outcomes have struggled to capture evidence about continuing employment, having delivered the initial target of securing a job for the service user. It is often preferable to operate on the basis of a service fee to cover basic costs, with an additional element of payment by results as appropriate.

- Does current commissioning practice encourage the third sector to address skills shortages and foster job creation?

As noted above, issues such as payment by results and the need to conform with local authority or other commissioning and reporting requirements can be a barrier.

- Does the current commissioning frame work allow providers to support people to progress in work, particularly low-paid workers?

There is insufficient emphasis on this aspect compared to the focus on getting people into work initially.

### **How could the Mayor, central and London government ensure a diverse supply chain for employment and support programmes in the capital, which includes the third sector?**

- Could funding, commissioning, procurement and contracting practices be improved?

In addition to the points noted above, there are a number of ways in which practice could be improved.

First, it is important that organisations should be commissioned to undertake projects appropriate to their core strengths and specialisms and, in turn, that these strengths are understood and recognised by commissioners. Organisations may waste time and resources pursuing unsuitable work, or problems may surface during a contract, unless commissioners provide clarity about what is expected and any issues are identified and discussed in the early stages of the commissioning process.

There is a need for capacity building and better information around commissioning processes and systems for monitoring delivery to ensure truly competitive procurement and maximise opportunities for the sector. This could be supported by, for example, free or subsidised commissioning databases or other IT support and larger organisations in the sector should be encouraged to engage with, support and mentor smaller or emerging ones. More specifically, risk could be spread by larger grants/commissioned programmes to larger organisations on the understanding that all or part of these would then be offered to smaller organisations.

- How could devolution of employment programmes help to address barriers?

Devolution may offer new funding opportunities and the possibility of improved delivery infrastructure. As noted above, this should include encouragement for organisations in the sector to work in partnership with each other as well as with statutory and private sector bodies.

Where contracts are awarded to the private sector, Brent would welcome the ability to require that third sector organisations should be included in the supply chain.

With regard to target setting and expectations, commissioners should consider relevance to the client group and avoid setting unrealistic goals or placing unnecessary obligations on third sector partners, within the limits of good practice. The Mayor could play a valuable role in driving consistency of approach across London, removing complications and barriers resulting from significant differences in local practice.

The Mayor should also seek to drive consistency and quality in capacity building, coaching and support for the sector. While it is accepted that resources are limited, there will be costs, especially in the short term, in connection with this activity and the Mayor could play a role in securing efficiency and effective use of resources through a London-wide approach to standards.

## Introduction

London Youth supports a network of 400 youth clubs serving 75,000 young people in every London borough.

Our vision is that all young Londoners grow up healthy, able to navigate a fulfilling career and make a positive contribution in their communities. We help young people to develop the key social and emotional skills that enable this: focusing on confidence, resilience and relationship skills.

Our members offer young people opportunities to learn, have fun and experience new challenges. They support and challenge young people from some of the poorest wards within the capital – over half are located in the 20% most economically disadvantaged areas in the country.

We have significant experience of managing and delivering employability programmes aimed at supporting young people into work, which began with us leading delivery of the Future Jobs Fund within the voluntary youth sector in London, and now involves delivery of 2 major strategic programmes:

- **Talent Match London:** a youth-led, partnership approach to supporting unemployed young people into positive and productive futures. The programme will invest £10m in over 30 delivery partners over the next 5 years, to test and learn the best approaches for supporting young people into work. Since January 2014 we've been working with 18-24 year olds who have been out of employment or training for at least a year, and who face significant barriers to employment, with a particular emphasis on those who do not access formal support through the benefits system. We aim to work directly with at least 2,500 young people in London over the next 5 years, helping them to progress to positive opportunities; and
- **Build-it:** a construction skills and personal development programme aimed at supporting young people in Lambeth and surrounding boroughs into careers in construction and regeneration within their neighbourhoods and beyond. Build-it was funded through the Big Lottery Fund for its first two years and worked with over 1100 young people; one third of those who completed the full programme went on to employment (having previously been long term unemployed) and another third back into education. Now in its third year of delivery, we are refining the model and working with Social Finance to evolve a sustainable business model to maintain the programme into the future beyond the next 18 months.

Our submission of evidence is based on learning from these programmes.

### **Question 1: are there particular characteristics in London which help or hinder third sector involvement in delivering employment and skills programmes?**

In our experience there are some factors which make third sector involvement more of a challenge. Some of these are about the employment market; some about the way programmes are designed, commissioned and funded; and some about the capacity of the sector.

#### The London employment market

- The large number of SMEs, who themselves have limited capacity to either manage or offer developmental opportunities to young people, or to engage in partnership working. Employers want to support young people into work, but to do it properly is time consuming, and they have limited sources of support. It is sometimes quicker and easier for them to recruit more experienced workers than work with third sector organisations to create and support young people on employability programmes

#### How programmes are designed and commissioned

- Programmes tend to be huge in scale, and requirements for bidders – both in terms of the complexity of the process, and the ‘due diligence’ requirements in terms of capacity, size of organisation and scale to deliver – are too significant for many organisations.
- Many programmes appear to be designed with a fixed set of outcomes and processes – whereas the value that the third sector can bring, through the closeness of organisations to local communities – lends itself better to more flexible programmes, co-designed with users in response to specific need

#### The capacity of the sector

- As well as the fact that many third sector organisations are simply too small and financially unstable to meet commissioning requirements (as set out above), the other problem is the lack of voluntary infrastructure to support delivery. In many boroughs, CVSs are under-resourced, and in some boroughs hardly exist at all. Many funders and policy makers have noted that particularly in outer London boroughs there is limited voluntary sector provision, and certainly not strong, financially stable organisations which can co-ordinate local responses and delivery.
- The challenge for the third sector is exacerbated by the funding environment. When funding is secured it tends to be short term, limiting organisations’ capacity to innovate; it also tends often not to prioritise or incentivise partnerships. Or when it does this is not always achieved in a way that the sector feels ownership of. For example we knew of an example where an organisation successfully bid for some employability related funding, but instead of being awarded the contract, was required to split it with another bidder and do joint delivery. The outcome is manageable, and the partnership which has emerged is good – but there is not really enough money for either partner to do justice to their role, and if a partnership was thought to be needed, then either party may have set out to bid in a different way, with potentially a different set of partners and delivery models.

#### **Question 2: How do central and local government’s policies affect the third sector’s involvement in employment and skills programmes?**

There are implications from policy which affect involvement at both a strategic level and in terms of how programmes are operationalised.

#### Strategic challenges

- The heavy focus on SIBs, while interesting and a potential route to new resources tends to underestimate the investment needed up front: to get programmes right, and to adjust as they go along based on their learning; and to manage partnerships required for good delivery.
- Payment by Results models require organisations to have access to significant funds to support delivery until payments are achieved, and can create levels of risk which voluntary boards are reluctant to take on. These create major disincentives to third sector organisations.
- Some of our learning also suggests that Local Authorities are reluctant to back voluntary sector SIBs because of the perceived riskiness. So even where third sector organisations believe they have the model and the expertise, it can be difficult to get programmes started.
- While many programmes are aimed at those out of work, there appears to be no specific provision to upskill or support to progression the many young people who are in low paid jobs. Our learning is that entry level jobs can be and are good starter opportunities for many young people; but unless they offer support for development young people can quickly drop out or lose their job. Third sector organisations could – if resourced – provide more support for workers in low paid jobs, to help them build careers rather than just working for ever in low paid professions.

#### Operational issues

- Some third sector partners are bought into programmes on frameworks, rather than as partners. This means they have to go through complex application processes, ensure they are ready for delivery, train staff and allocate resources, but actually have no guarantee of ever having their services called upon. For many third sector organisations this is an unacceptable level of risk.
- The low level of apprenticeship wages is a disincentive and barrier to some young people, preventing them from engaging on programmes designed to help them. This makes it more difficult

in turn for third sector organisations to become delivery partners, and if they do, makes it harder for them to meet their outcome targets.

**Question 3: How could the Mayor, central and London government ensure a diverse supply chain for employment and support programmes in the capital which includes the third sector?**

To answer this question we have offered some strategic pointers, and some specific learning around what makes a good employability programme for young people.

**Strategic pointers**

- More locally commissioned programmes, smaller in scale, but better coordinated across the capital
- Choose third sector lead partners: this will both support the development of third sector infrastructure, and will incentivise better partnership working across the sector
- Make funding longer term: Three years is the minimum needed to develop a partnership; establish a model; test and refine it; deliver results and learn and learn and evaluate.
- Develop more innovative approaches to financing: ‘collective impact bonds’ are an idea under investigation within Government. These recognize that outcomes can be multiple and dispersed rather than linear. Incentivising and rewarding the third sector partner which – for instance – supports family re-integration, residential learning or offers opportunities to do sport or social action acknowledges their role in the process of supporting a person into or back into work.

**What makes good employability programmes?**

The learning we have developed so far shows that three elements are crucial above all to successful support for young people to sustain them through the programme and progress:

- **Outreach:** *Creative ways to engage young people disengaged from existing provision, working within communities and localised networks, reaching out to those who may not be able to access support themselves*
- **Personalised support:** *from a designated worker, tailoring the support to the distinct needs of young people, and what they would want to achieve out of a career. Importantly, young people will work with the Talent Match team to set their own agenda and have a genuine stake in shaping the solutions*
- **Employer engagement:** *providing opportunities and insight into the world of work, and support for employers to ensure those opportunities can be sustained. Beyond creating specific opportunities, this is about helping young people become job ready, and employers to be better able to support and sustain them in jobs.*

Many third sector organisations, by nature of their closeness to local communities, the perception of them as honest brokers and separate from formal institutions, have significant advantages to supporting delivery of programmes designed with these three strategic outcomes in mind. The table below outlines our recommendations for policy makers, commissioners and practitioners.

Policy Makers and commissioners	Practitioners
<b>Outreach</b>	
<ul style="list-style-type: none"> <li>• Design programmes that acknowledge and resource the role of community and voluntary organisations and build capacity of their staff</li> <li>• Build in time and resource for partnership management and engagement. Incentivise collaboration rather than competition for easy wins</li> <li>• Set targets or incentives for engaging young people currently outside the system – otherwise they will be ignored</li> </ul>	<ul style="list-style-type: none"> <li>• Be creative: social media, face to face marketing, peer outreach and youth driven marketing all can play a role</li> <li>• Build partnerships: who are the best organisations to contact different young people? Collaborate with partners who will lead you to places you can’t reach</li> <li>• Engage young people where they are: those who aren’t engaging may be at home, in youth clubs and community spaces; shopping centres and on estates.</li> </ul>

	You can find them if you look for them.
<b>Personalised support</b>	
<ul style="list-style-type: none"> <li>• Resource different models and places of delivery for programmes recognising that not all young people engage with institutions immediately</li> <li>• Allow risk and false starts – so build resources for flexibility into programmes</li> <li>• Incentivise youth leadership and involvement, making it a central part of any commissioned organisation’s delivery model</li> </ul>	<ul style="list-style-type: none"> <li>• Offer programmes in spaces where young people want to be (youth clubs, community centres, at home)</li> <li>• Build programmes that are flexible – what one young person achieves in 1 month may take another twice as long</li> <li>• Support young people to shape and design their own development and opportunities</li> </ul>
<b>Employer engagement</b>	
<ul style="list-style-type: none"> <li>• Resource and support quality careers advice and guidance as part of employability programmes – so youth workers can meet real market need</li> <li>• Incentivise and encourage employers to learn and change practice so they can sustain young people in jobs</li> <li>• Resource creative collaboration between groups of small employers (eg opportunities for work experience in one firm to lead to jobs in another)</li> </ul>	<ul style="list-style-type: none"> <li>• Build in capacity and opportunity to train and develop youth workers to understand employer needs and opportunities</li> <li>• Deliver programmes which support confidence, resilience, and relationship capabilities – then work with employers to support technical skills</li> <li>• Work with employers as equal stakeholders in supporting young people – don’t think they know all the answers</li> </ul>

**London Assembly Economy Committee**  
**Role of the third sector in employment and skills programmes**  
**Response from Peabody**  
**3 July 2015**



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**About Peabody**

Peabody has been creating opportunities for people in London since 1862.

Peabody was established in 1862 by the American banker and philanthropist, George Peabody. Our mission is 'to make London a city of opportunity for all by ensuring that as many people as possible have a good home, a real sense of purpose and a strong feeling of belonging.'

We work solely in London, with a presence in the majority of London boroughs. We own and manage around 27,000 homes, providing affordable housing for over 80,000 people. This is set to grow with 8,000 new homes planned across the capital, meaning Peabody will provide a good home for one in every 100 Londoners. Every penny that we generate from sales on the open market is reinvested into providing more affordable homes and building thriving communities – expanding George Peabody's founding mission to more people than ever before.

As well as bricks and mortar, we provide community programmes for the benefit of our residents and for people living in the surrounding neighbourhoods, including employment and training support; health and wellbeing projects; family support programmes; welfare benefits advice; and activities for younger and older people. We support over 23,000 hours of free-to-access community activities each year. This work aims to tackle poverty at its roots, supporting people to transform their lives and communities for the better.

Employment and training is an important part of Peabody's offer to Londoners. Over the last year we helped 525 people into jobs or apprenticeships, generating an estimated social return of £7 for every £1 invested in our employment programme.<sup>1</sup> Our subsidiaries CBHA and Trust Thamesmead also helped around 200 people into jobs or apprenticeships over the last year. During 2015/16 we are looking to build upon this success and help 1,000 Londoners into jobs or apprenticeships.

**Our response**

**Q1. Are there particular characteristics in London which help or hinder third sector involvement in delivering employment and skills programmes?**

A1. A specific hindrance to our involvement in delivering employment and skills programmes is the operation of Section 106 agreements specific to individual boroughs. This can often make it difficult to fill vacancies and limits opportunities as it restricts the pool of young people who are able to fill vacancies and excludes young people from boroughs where there is little or no construction, even if they show an interest in the construction sector. Different boroughs also have different approaches to recruiting apprenticeships and contractor requirements vary, some are fairly relaxed and others are

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<sup>1</sup> This is based on the HACT methodology for measuring the social impact of community investment.



fairly stringent with regard to their recruitment criteria, causing inconsistency.

Having strong relationships with individual boroughs helps our involvement in delivering employment and skills programmes. We are currently working in partnership with the London Borough of Hackney on a ten-year programme called the Pembury Children's Community which aims to significantly improve the life chances of children and young people aged up to 24 on the Pembury estate. Through this work we are able to address the multiple causes of child poverty in a holistic way through targeted interventions such as helping parents into work and providing employment, education and training to young people on the estate. Through this programme Peabody and the local authority have been able to bring their resources, expertise and contacts to bear on a shared problem.

**Q1.1. Is the third sector sufficiently linked in with the capital's employers?**

A1.1 Peabody has strong partnerships with employers from different industries across London who can provide access to job opportunities that might otherwise be unavailable. In June 2015 we held our fifth annual jobs fair at Islington Assembly Hall. This attracted around 1,300 attendees and employers represented at the event included Building Lives, Crossrail, London Care, McDonalds, VINCI Facilities and many more. They offered jobs and apprenticeships in areas including administration, catering, construction and hospitality. However, we would benefit from being better linked in with the capital's employers, possibly through the availability of more networking opportunities.

**Q1.2. How well is the employment and skills potential of London's third sector assessed and understood?**

A1.2. As a housing association, Peabody is primarily assessed and understood on the basis of its ability to provide affordable housing. However, as a recent report by the Centre for Cities suggests, many housing associations also provide exemplary employment and training services. Housing associations are well placed to deliver such services because of our relationship with our residents, who have lower skills and experience higher levels of unemployment than in other housing tenures,<sup>2</sup> as well as our extensive knowledge of the areas in which we operate and local labour markets.

The majority of employment and training provision delivered by large housing associations in London is done so through core funding.<sup>3</sup> In Peabody's case such services are not only available to people who are Peabody residents and so delivers a wider benefit to the whole of London. Government and commissioners may often overlook the role of housing association investment in delivering employment and training services, and the savings which this helps to deliver to the public purse.

**Q1.3. How can the third sector best offer work experience opportunities to jobseekers?**

A1.3. Our Matrix accredited employment programme 'Reconnect' targets Londoners aged 16+ who are unemployed or working less than 16 hours per week and are actively seeking employment. Participation in the programme is voluntary and all participants must have realistic employment goals and be prepared to develop their skills through training, volunteering or work experience. From four centres across London, we aim to swiftly move job ready clients into employment and supporting those further away from the job market by referring them to free local training, work experience or specialist advice services that will improve their prospects of employment.

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<sup>2</sup> Centre for Cities, Delivering change: What Housing Associations can tell us about employment and skills (2015)

<sup>3</sup> G15, 'Capital Communities' G15 Investing in Communities – added value for Londoners

Peabody is also a major employer in its own right and we create added value through expenditure on contracted services and suppliers. This provides opportunities to offer a variety of jobs and work experience roles, either in-house or within our supply chain.

**Q2. How do central and local government’s policies affect the third sector’s involvement in employment and skills programmes?**

A2. Peabody’s employment and training provision is resourced largely through core funding. In the past such provision has been funded using a variety of sources, including the European Social Fund. However, this made delivery more difficult leading to complicated reporting patterns and the need to ‘pigeonhole’ clients according to certain categories or boroughs.

Our future involvement in publicly-funded employment and skills provision would be predicated on the need to continue the success of our employment programmes, which have been funded by Peabody over the past four years; in this time our job conversion rate has increased from 16% to 33%, alongside an increase in the number of people helped into jobs lasting over 6 and 12 months.

Several barriers concerning the financial model of the current Work Programme exist, as well as the risk of compromising our position of trust with our residents. Furthermore, the level of bureaucracy involved would require investment in a strong administrative function, to safeguard the level of one-to-one client facing support, which ensures that we continue to deliver a high quality, efficient service.

Although Peabody collects a range of data on our tenants, our data collection is restricted by limited resources. A relative lack of data on employment levels among our tenants prevents us from effectively identifying who would most benefit from employment and training provision. This entails significant resources being spent on marketing materials and events.

Better data sharing between housing associations and others, such as Jobcentre Plus, Work Programme providers and local authorities would enable us to gain a more detailed picture of the employment status of our tenants. This would also prevent duplication of effort in which new clients do not have to provide the same information multiple times.

**Q2.1. What has been the impact of new commissioning models such as ‘payment by results’?**

A2.1. Whilst we are confident that our range of employment support services provide excellent value-for-money and deliver demonstrable positive outcomes for participants, we are concerned that the focus on payment-by-results in publicly-funded programmes fails to recognise the investment required to move people towards the labour market. Many of the long-term unemployed face severe barriers and multiple disadvantages that demand often intensive, prolonged and costly interventions. A more effective and sophisticated funding model would recognise and reward ‘distance travelled’ rather than only the end outcome.

**Q2.2. Does current commissioning practice encourage the third sector to address skills shortages and foster job creation?**

A2.2. To appeal to housing associations, commissioning practice should be less prescriptive and provide housing associations with the freedom to create and deliver their own employment and skills programmes. At Peabody, we believe it is essential that the employment and skills support that is

provided is tailored to the needs of individuals, taking account of the range of contributory factors, such as the need for flexible and affordable childcare to enable parents to return to work.

Commissioning practice might also seek to utilise a more sophisticated payment model that recognises and rewards both the achievement of sustainable job outcomes and the success of supporting people to move closer to the labour market. A more effective commissioning model would also ensure a fairer balance of power in the relationship between prime and sub-contractors, so that the latter are guaranteed a minimum volume of cases and income.

**Q3. How could the Mayor, central and London government ensure a diverse supply chain for employment and support programmes in the capital, which includes the third sector?**

A3. As stated above, we believe that a less prescriptive approach to commissioning practice would help enable third sector organisations, such as housing associations, deliver employment and skills programmes in the capital as part of a diverse supply chain.

**Q3.1. Could funding, commissioning, procurement and contracting practices be improved?**

A3.1. Again we would ask that Section 106 agreements be revised to enable labour market support to cover the whole of London as an entity, as opposed to the borough specific arrangements which currently exist.

**Q3.2. Are there examples of good practice which could be shared or adopted more widely in the capital?**

A3.2. We believe that Peabody's 'Reconnect' programme provides an effective model for delivering employment support and engaging with those who are furthest from the labour market. However, other valid models do exist. In particular we feel that the voluntary aspect of our provision is an essential to securing the trust of participants.

**Q3.3. How could devolution of employment programmes help to address barriers?**

A3.3. Devolution of employment programmes to London could help address some of the current barriers faced by third sector organisations in delivering employment and training services, providing better access to funding through a more effective commissioning model and greater flexibility to deliver tailored services. We would also wish to see greater recognition of the role of housing association investment in employment and training services as part of any devolution of services to London.

For further information, please contact:

Veronica Kirwan, Director of Community Programmes

[REDACTED]  
[REDACTED]



## London Assembly investigation into the role of the third sector in employment and skills programmes

### London Voluntary Service Council response

#### Executive Summary

London is a city full of opportunities but also one that can throw up huge challenges for people trying to find quality and sustainable employment. Living costs are 20-50% higher than other parts of the country and 57% of adults and children in poverty in the capital come from working families. We need public services to support people into jobs that provide a standard of living for their families and ensure those furthest from the workplace are not left behind.

The 60,000 organisations that make up London's voluntary and community sector (VCS) are a vital part of the market which government should be looking to when addressing these issues. Although the sector is diverse, ranging from large household names to grassroots, volunteer led organisations, it has some unifying characteristics. VCS organisations are value driven and see providing employment and skills services as a means to addressing a wider social problem. They are less likely to take a tick-box approach which means they often provide extra benefits as a knock on effect. Many have their roots deep in their communities, with stronger links to harder to reach people than the public and private sectors.

However, trends in commissioning and procurement have excluded a large proportion of the VCS from participating in public services. The move from grants to contracts, large contract areas, payment-by-results, power imbalances with prime contractors, short procurement timescales and excessive monitoring requirements all have a part to play. If these trends continue, many VCS organisations will no longer be viable and their expertise – often built up over many years - will be lost, with serious implications for the beneficiaries of services. The sector is not asking for special treatment, only the opportunity to compete on a level playing field.

Government at all levels needs to address these issues by encouraging good commissioning practice. Taking a broader view, public services need to be more integrated and locally targeted and the bodies running them must be fully accountable and transparent. In LVSC's view, this must be the ultimate aim of any devolution of employment programmes in London.

#### About London Voluntary Service Council

LVSC is the collaborative leader of London's VCS. We bring together the sector to share good practice and create a co-ordinated voice to influence policy makers on issues affecting Londoners. LVSC's vision is of a vibrant and sustainable city where people's lives are enhanced through voluntary and community action. LVSC's employment and skills work is supported by the Big Lottery Fund (BLF), the European Social Fund (ESF), the Mayor of London and Trust for London.

## (1) About the VCS in London

### Number of VCS organisations

1.1 Research commissioned by LVSC and compiled by the National Council of Voluntary Organisations (NCVO) in 2013 found that there are a total of 40,470 charitable organisations in London. This figure includes registered charities as well as Community Interest Companies, Industrial and Provident Societies and Companies Limited by Guarantee, but excludes organisations such as housing associations or independent schools which may be registered charities but are generally not included in the traditional definition of the VCS.<sup>1</sup> There are also a large number of unincorporated charitable organisations operating in London. When these are included, the true figure of VCS organisations in the capital is likely to be in the region of 60,000.

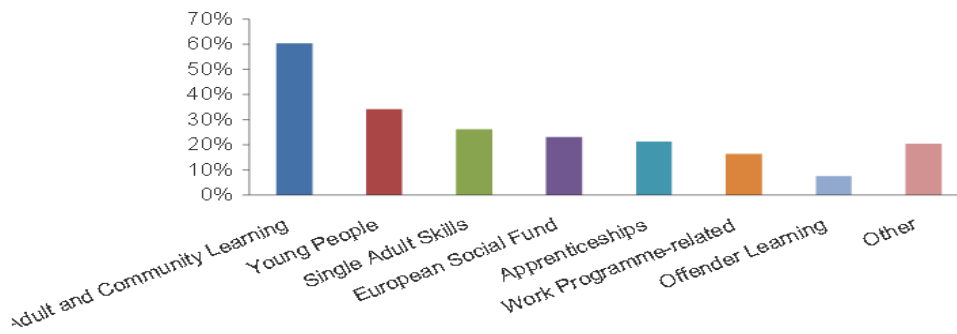
### VCS organisations working in employment and skills

1.2 Of the areas in which registered charities work in London, the largest group (23%) work in the area of education and training. A further 8% are active in the prevention of relief of poverty, while 6% work in economic/community development or employment. It is also worth bearing in mind that many organisations that focus in areas such as disability or equality and diversity may carry out activities within the employment and skills sphere.<sup>2</sup>

### Employment and skills provision by the VCS

1.3 A survey conducted in 2012 by the Department of Business, Innovation and Skills (BIS) found that the main area of provision within VCS employment and skills organisations was community learning, with other notable roles in provision for young people, single adult skills and ESF funded provision.<sup>3</sup>

**Figure 5 Learning and Skills Activities Provided by the Third Sector**



Source: Survey for Providers of Learning and Skills in the Third Sector (2012)

<sup>1</sup> London for All, At a glance: the VCSE sector in London (October 2013), <http://www.lvsc.org/londonforall/wordpress/wp-content/uploads/2014/05/LFA-Data-briefing-SK-v2.pdf>

<sup>2</sup> NCVO and LVSC, The voluntary sector in London (October 2013), <http://data.ncvo-vol.org.uk/areas/london/classification>

<sup>3</sup> Department for Business, Innovation and Skills, Third sector engagement and participation in the learning and skills sector (April 2013), [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/185725/bis-13-585-third-sector-engagement-and-participation-in-the-learning-and-skills-sector-quantitative-research-report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/185725/bis-13-585-third-sector-engagement-and-participation-in-the-learning-and-skills-sector-quantitative-research-report.pdf), p.9

## **(2) Are there any particular characteristics in London which help or hinder third sector involvement in delivering employment and skills programmes?**

### **The employment and skills potential of the third sector in London**

- 2.1 The VCS makes an enormous contribution to employment and skills, both in terms of reach and range of services, and the quality of the delivery. The discussion below is based on various sources of data, including the NCVO Civil Society Almanac and case studies and surveys collected by LVSC. While these sources are invaluable, the last attempt to map the VCS in London was the research project undertaken by NCVO for LVSC in 2013. LVSC would welcome an updated attempt to map the state of the sector in across the capital.

#### ***Holistic approach***

- 2.2 Organisations within the VCS are value driven. This means that they are less likely to see employment and skills as a goal in itself, but more as a means to supporting a particular group or achieving a wider social outcome. The 2012 BIS survey found that many VCS organisations provided ancillary services such as learner support (82%), information, advice and guidance (79%) and outreach activities (58%).<sup>4</sup> This is important because obtaining and sustaining quality employment does not just depend on having appropriate skills and qualifications, but a number of other external factors including housing, physical and mental health, contact with the criminal justice system and social capital. Providers, particularly those working with the hardest to help, need to recognise and address this range of factors if they are to be successful in supporting individuals into employment.

#### **Case study: East London Advanced Technology Training (ELATT)<sup>5</sup>**

ELATT is a non-for-profit training organisation graded Outstanding by Ofsted that provides a variety of free training courses leading to nationally recognised qualifications for unemployed adults and speakers of other languages. The majority of ELATT's learners are unemployed at the point of engagement and around half speak English as a second or other language.

ELATT differs from many other providers in that it delivers learning in more informal, alternative setting. It also offers additional support beyond skills provision to address the more holistic needs of learners, such as housing and benefits. The impact of allowing tutors to provide a fuller range of pastoral and economic support is that they are able to gain a higher level of trust and engagement from disadvantaged learners.

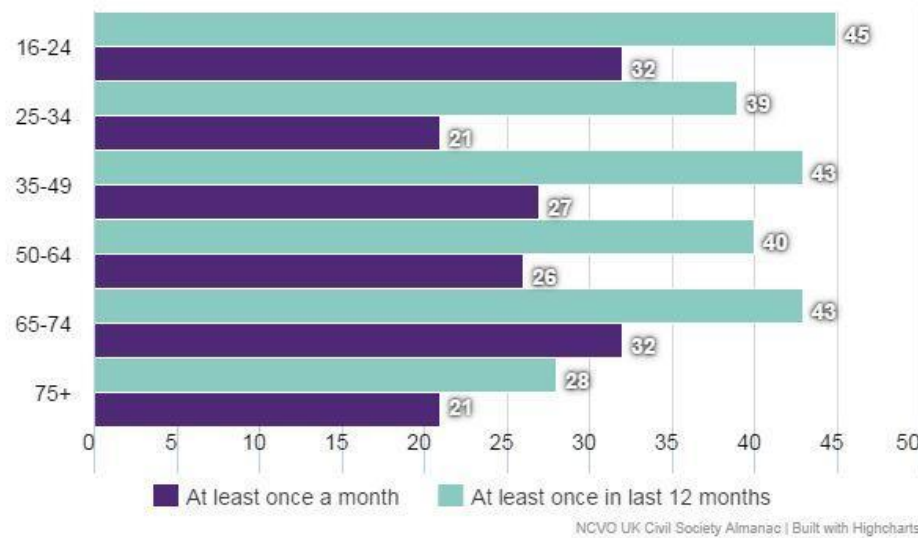
#### ***Knock on benefits***

- 2.3 VCS organisations, because they are value driven and look at social issues in the round, often provide added value as a knock on benefit of their services. They bring investment from trusts, donors and corporate social responsibility into the sector, closing gaps in the government's own strategies to improve skills and employment and providing innovative and creative solutions to social challenges. The VCS is also able to harness the skills and time of volunteers. As the graph below shows, a large proportion of the population give some time to formal volunteering every year.

<sup>4</sup> BIS, Third sector engagement in the learning and skills sector (April 2013), p.13

<sup>5</sup> <http://www.elatt.org.uk/>

**Proportion of people formally volunteering by age group, 2013/14**



2.4 The benefits of volunteering work both ways: VCS organisations can access the knowledge and time of volunteers, and volunteers gain experience and skills which increases their employability. For instance, NCVO’s Volunteering for Stronger Communities project aimed to increase levels of volunteering within disadvantaged communities with the objective of improving employability and enhancing skills. The independent evaluation of the programme noted that it “displayed an impressive capacity to move individuals into volunteering and paid work” and that the “[e]mployment outcomes compare favourably when benchmarked against the national Work Programme.”<sup>6</sup>

***Hard to reach communities***

2.5 Many VCS organisations originate out of communities and a grassroots desire to address a particular problem. The vast majority of VCS organisations are small, with correspondingly strong local links and specialist knowledge of their areas and client groups.

**Number of UK voluntary organisations, 2011/12**

	Micro	Small	Medium	Large	Major	
How big?	Less than £10,000	£10,000 to £100,000	£100,000 to £1 million	£1 million to £10 million	More than £10 million	Total
How many?	82,391	52,815	21,257	4,270	533	161,266

[NCVO Almanac 2014]

<sup>6</sup> Sheffield Hallam University, Final evaluation of the Volunteering for Stronger Communities Programme (December 2013), [https://www.ncvo.org.uk/images/documents/practical\\_support/volunteering/vsc\\_final\\_evaluation\\_report\\_dec\\_2013.pdf](https://www.ncvo.org.uk/images/documents/practical_support/volunteering/vsc_final_evaluation_report_dec_2013.pdf)

- 2.6 As a result of their proximity to communities, VCS organisations tend to be closer to harder to reach individuals who may have more limited contact with statutory services or private sector employers. Skills Funding Agency data analysed in 2012 found that a learner based with a VCS provider was more likely to have a disability or come from a Black and Minority Ethnic (**BAME**) background than a learner with a private provider.<sup>7</sup>

#### **Case study: Merton Adult Education and St Mark's Family Centre<sup>8</sup>**

Merton Adult Education (**MAE**), part of Merton Council, is responsible for delivering adult education. As part of its work to bridge the large inequality gap between east and west parts of the borough, MAE worked with St Mark's Family Centre to provide free courses that the community and employers want, in a community setting and at accessible times.

Courses focus on improving employability and include health and well-being, family learning and community integration. A number of learners have secured employment as a direct result of their participation in the courses, while others have progressed onto other courses. In 2004/05 BME students accounted for just 17% of the student base. Now 45% on qualification courses are from ethnic minority groups, while 35% live in disadvantaged wards.

- 2.7 The proximity of VCS organisations to their communities is particularly significant in London. London's population includes a high proportion of BAME individuals: 55% of the population compared to 20% for England as a whole.<sup>9</sup> Employment rates are significantly worse for this group than for the overall population. The proportion of BAME people in London aged 16-64 in work was 61% 2013-2014, compared to 71% for the London population overall, while the percentage of BAME people classed as economically inactive was 30% compared to 23% for the overall London population.<sup>10</sup>

#### **Case study: Harlesden JobCentre Plus<sup>11</sup>**

Harlesden is a multi-cultural area of London: according to JCP Harlesden, over half the residents were born outside of England, and 45% did not speak English. The Somali population makes up the largest percentage of the population of any BME group in the area. By holding meetings and open discussions with the community, communication was identified as a primary concern. As a result, JCP staff identified solutions including the delivery of outreach activity and a "Community Desk" in the JCP which provided an interface between local people with language barriers and JCP staff.

The approach has contributed to a 15% reduction in Harlesden's claimant count since April 2015, and has been used to target other entrenched barriers to work such as ex-offending, drug and alcohol addiction and gang membership.

<sup>7</sup> BIS, Third sector engagement in employment and skills, p. 22-23

<sup>8</sup> Compact Voice, Compact Awards 2014 shortlist,

<http://www.compactvoice.org.uk/sites/default/files/shortlistbooklet2014.pdf> , pp.36-37

<sup>9</sup> Middlesex University, BME populations in London: statistical analysis of the latest UK census (July 2013),

<http://sprc.info/wp-content/uploads/2013/07/BME-communities-statistical-profile1.pdf>

<sup>10</sup> Business in the Community, Fact File- London's Working Age Population (2014),

<http://raceforopportunity.bitc.org.uk/research-insight/factsheet/Londonlabourmarket>

<sup>11</sup> Compact Awards 2014 shortlist, pp. 10-11



- 2.8 Individuals belonging to disadvantaged groups in the capital also tend to do worse than their counterparts in the rest of the country. For instance, the lone parent and disabled employment rates are respectively 11.8% and 3.3% below the equivalent UK rate.<sup>12</sup> In addition to its unique demographics, disadvantaged groups in London also face specific challenges when entering employment; the VCS is ideally placed to help provide support.

### **Commissioning for low paid workers**

- 2.9 One significant issue facing Londoners in particular is the high rate of in-work poverty, largely due to high childcare, transport and housing costs.<sup>13</sup> Figures in London's Poverty Profile show that in 2013, 640,000 jobs in London were low paid compared to 420,000 in 2007 while 57% of adults and children in poverty are in working families.<sup>14</sup>
- 2.10 For all employment and skills providers in London, the goal is therefore not just getting an individual into employment but to getting them into quality employment which ensures that they and their family do not live in poverty. One significant barrier to this is the mandatory nature of the Work Programme which means that individuals undertaking meaningful activities with VCS providers are often diverted to placements of less value. For instance, LVSC has repeatedly heard from refugee and migrant organisations that clients with professional backgrounds such as engineering or in healthcare are threatened with sanctions if they continue with work placements which might help them continue in their career in London instead of taking a poorly paid unskilled job. The waste of human capital arising from such situations is clear.
- 2.11 So far, relatively little attention has been given to this particular dimension of VCS employment and skills work. The exception is the new initiative from Trust for London and the Walcot Foundation that will be funding new approaches to help low paid workers increase their earnings.<sup>15</sup> LVSC would encourage more targeted consideration of this issue from all levels of government in London.

### **Links with the capital's employers**

- 2.12 There is a broad understanding across the VCS in London that good links with the private sector are absolutely critical. Many barriers to employment must be tackled by working with the client group themselves. However, it is equally important that employers understand how their recruitment and employment processes can act as a barrier to particular groups participating in the jobs market. VCS organisations bring the experience which allows employers to adopt more inclusive processes.

#### **Case study: VCS engagement with employers**

There are a number of specialist VCS employment organisations in London that engage closely with employers, including through offering a recruitment service, in order to help their client groups access quality employment.

**Transitions London**<sup>16</sup> is social enterprise operating in London which works to support professional

<sup>12</sup> London Enterprise Panel, Jobs and Growth Plan (April 2013), <http://www.london.gov.uk/sites/default/files/Jobs%20%26%20Growth%20Plan%20for%20London.pdf>

<sup>13</sup> Loughborough University and Trust for London, A Minimum Income Standard for London (2015), <http://www.trustforlondon.org.uk/wp-content/uploads/2015/05/MIS-London-full-report.pdf>

<sup>14</sup> London's Poverty Profile, <http://www.londonpovertyprofile.org.uk/key-facts/>

<sup>15</sup> Trust for London, Step Up (April 2015), <http://www.trustforlondon.org.uk/funding/step-up/>

<sup>16</sup> <http://www.transitions-london.co.uk/>

forced migrants to employment. It provides free one to one support for refugees, information and advice for employers and professional bodies in London, experienced talent acquisition services and positive action internships. Transitions London helps employers access underutilised talent amongst refugees while supporting individuals to gain the skills and experiences they need to move into UK employment.

**Women Like Us**<sup>17</sup> is a social business that provides support for women with children who are finding it difficult to find a role that suits both their skills and family life and that will help lift their families out of poverty. The organisation provides online and face to face career support. In addition, as part of The Timewise Foundation, the organisation operates a range of recruitment and advisory services to encourage employers to unlock more quality jobs to flexible and part time hours, in order to build a more inclusive labour market for families and others needing flexibility in how they work.

**Working Chance**<sup>18</sup> is the UK's only recruitment agency for women with criminal convictions. It provides specialist employment services, support and training to women in prison, on probation and out in the community, working closely with employers to improve recruitment processes and overcome the bias against candidates with a criminal record. The organisation empowers women to have financial autonomy by securing voluntary and paid employment with mainstream employers. In doing, Working Chance changes attitudes about ex-offenders amongst employers, the media and society at large.

- 2.13 LVSC also supports the development of links between employers and the VCS through its training programmes. For instance, as part of our BLF funded work to prepare the sector in London for ESF we have funded Women Like Us to run a number of "engaging with employers" workshops. Engaging with business is also a core component of our London Councils funded "London for All"<sup>19</sup> capacity building project, where we have engaged the organisation Business Unusual to develop training.<sup>20</sup> These courses are typically oversubscribed, demonstrating the extent to which they are valued by the sector.
- 2.14 LVSC considers that there is an important role for the Mayor to act as a conduit between the VCS and business community. Although the sectors are getting better at working with each other, making initial links and establishing credibility remains a challenge for the VCS. By supporting the sharing of VCS learning among employers, the Mayor can help overcome these challenges

### **VCS links with jobseekers**

- 2.15 As discussed above, VCS organisations often have stronger links with communities and harder to reach individuals than the statutory and private sectors. Much like links with employers, making the most of these connections also relies on cross-sector working. Local infrastructure bodies (often know as Councils of Voluntary Service or CVSs) provide a key co-ordinating function and an interface with the private sector and jobseekers.
- 2.16

#### **Case study: Work Redbridge Partnership<sup>21</sup>**

RedbridgeCVS is one of the members of the Work Redbridge Partnership. Led by the London Borough of Redbridge and including more than thirty organisations from across the public, private and voluntary sectors, Work Redbridge delivers a range of outreach activities at libraries and

<sup>17</sup> <http://www.womenlikeus.org.uk/>

<sup>18</sup> <http://www.workingchance.org/AboutUs/tabid/1048/Default.aspx>

<sup>19</sup> <http://www.lvsc.org/londonforall/>

<sup>20</sup> <http://businessunusual.co.uk/>

<sup>21</sup> Compact Awards 2014 shortlist, pp. 48-49

community centres to help jobseekers access advice and guidance. The projects cross-refer clients as appropriate to afford them the best chance of improving their employability.

2.17 However, while many CVS organisations in London are flourishing, others are struggling in a climate where demand is increasing and funding is decreasing. While infrastructure organisations must adapt themselves to these challenges, it is vital that the work that they do in supporting VCS organisations and acting as a conduit between the sectors is preserved.<sup>22</sup>

### (3) How do central and local government’s policies affect the third sector’s involvement in employment and skills programmes?

#### Change in income for VCS organisations

3.1 Austerity is having a significant impact on the VCS, with some organisations hit harder than others. The London VCS has seen the biggest proportionate decrease in government income (7.6%) of any region in England between 2011/12 and 2012/13.<sup>23</sup> When analysed by sector, government funding of VCS employment and training has also seen one of the biggest reductions: a fall of nearly £400m between 2000/11 and 2012/13.

Income from government by subsector, 2008/09 to 2012/13 (£ millions)



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Source: [Charity Commission](#), [NCVO](#)

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<sup>22</sup> For a more detailed discussion of the challenges facing local infrastructure, see National Association of Voluntary and Community Action (NAVCA), Change for Good (January 2015), <http://www.navca.org.uk/downloads/generate/3878>

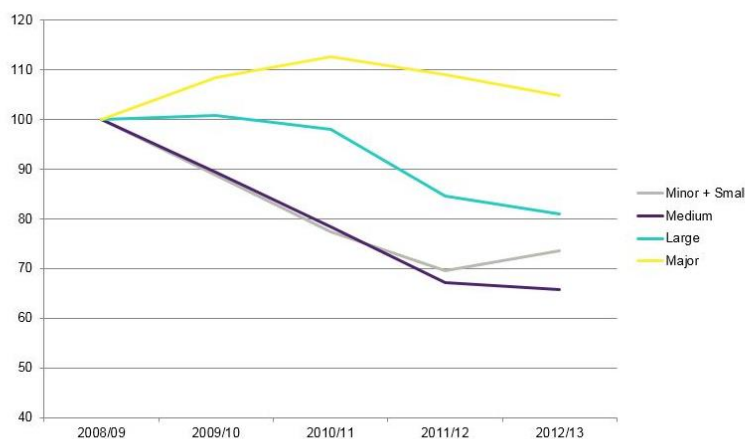
<sup>23</sup> NCVO Almanac 2015,

[http://data.ncvo.org.uk/a/almanac15/government/#Local\\_and\\_central\\_governmenthave\\_both\\_seen\\_falls\\_in\\_income](http://data.ncvo.org.uk/a/almanac15/government/#Local_and_central_governmenthave_both_seen_falls_in_income)

3.2 Smaller VCS organisations have also been disproportionately hit by the reduction in government income. The chart below, provided by NCVO, shows that the percentage cumulative decrease in government spending on VCS organisations has been much greater for micro and small organisations (who make up the vast majority of the sector) than for major organisations, who receive the same amount of funding now as they did before austerity policies were implemented by the Coalition Government.

Government spending on the voluntary sector, cumulative change, 2008/09 to 2012/13 (2008/09 = 100)

Source: NCVO, TSRC, Charity Commission

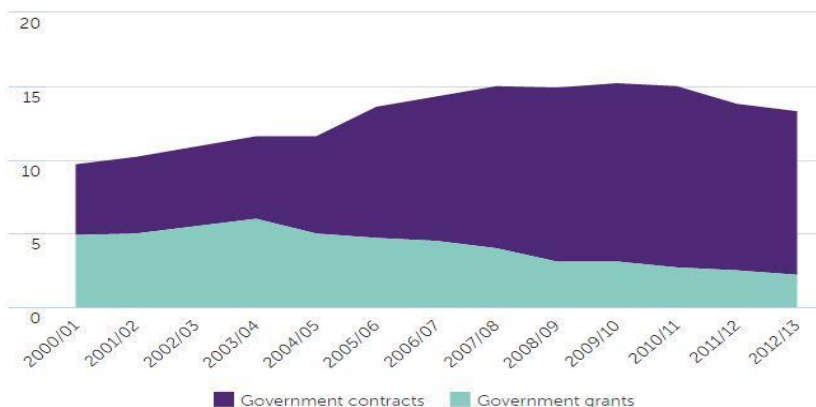


3.3 Small organisations often provide specialist or geographically focused services, respond to the needs of local people and allow for innovation and experimentation. It is vital that the cuts in government are spread equitably to ensure the survival of a diverse VCS, where organisations range in size and offer services in a number of different areas. More must be done to understand which parts of the sector are being impacted the most by reductions in government spending and to consider ways in which these can be managed in a way which does not decimate large parts of the sector.

### Move from grants to (large) contracts

3.4 The last decade has seen a significant shift from grants to contracts in government funding of the VCS. In 2003/04, grants peaked at £6bn, representing over half of the VCS's income from government. In 2012/13, grants from government amounted to £2.2bn or 17% of income from government.

Government grant and contract income to the UK voluntary sector, 2000/01 to 2012/13 (£ billions, 2012/13 prices)



Built with Highcharts

Embed

Source: Charity Commission, NCVO, TSRC

- 3.5 LVSC recognises that there can be advantages to using contracts, for instance in ensuring that the relationship between the parties is defined and in order to closely monitor standards of delivery. However, a mixed provider base can only exist where commissioners use a mix of funding mechanisms. Grants can allow innovative organisations to test new ideas or encourage the participation of smaller, more specialist providers. We believe that commissioners should keep an open mind to the different forms of funding which might be appropriate in any given case.
- 3.6 Similarly, LVSC recognises large contracts, or a prime/sub model may offer advantages in specific circumstances. However, it is worth noting that these advantages are often overstated. For instance, the evidence base for economies of scale in public services is weak: instead of providing efficiencies, larger contracts can instead increase administrative burdens, provide service users with what has been commissioned rather than what they actually need, create silos within services and reduce the scope for innovation and cooperation.<sup>24</sup>
- 3.7 Importantly from the point of view of the VCS, large contracts also act to exclude smaller organisations which do not have the scale to deliver over large areas, thereby limiting competition in the market. For instance, LVSC is funded by the BLF to support the VCS in London access Building Better Opportunities, BLF's ESF programme.<sup>25</sup> We appreciate that much work has been done by BLF and the London Enterprise Panel to try and make the programme accessible to the VCS, for instance, commissioning grants rather than contracts and engaging with the sector in the pre-procurement stage. However VCS organisations have repeatedly expressed concerns that the size of grant areas for the first tranche of projects that is open for applications; for some projects, London is split into two areas of 16 and 17 boroughs which makes participation by smaller organisations in the sector more difficult.
- 3.8 Developing consortia of VCS organisations can allow the sector to compete for larger contracts than one individual organisation would be able to bid for. A number of consortia including VCS organisations have been developed, including Together North London<sup>26</sup> and City & Hackney Together<sup>27</sup> and partnership building has also been heavily encouraged in the Building Better Opportunities programme.
- 3.9 However, it is worth emphasising that partnership building is not a magic bullet: it is inherently a risky endeavour and can expose smaller organisations to the consequences of unequal relationships as discussed in more detail below. In many instances, commissioners demand a track record of handling large contracts which a new consortium of small VCS organisations will not be able to provide. Most importantly, functioning partnerships require significant upfront investment of time and resources to set up – an investment which smaller organisations are often unable to make.

### **Payment-by -results**

- 3.10 LVSC agrees that regardless of sector, the organisation best placed to assist beneficiaries should be the one delivering services and that this should be recognised in commissioning processes. However, we have profound concerns about the way in which Payment by Results (**PbR**) has worked in practice, and in particular in relation to the Work Programme in London.<sup>28</sup>
- 3.11 One issue is that the use of PbR requires providers to have sufficient capital to fund service delivery

<sup>24</sup> Locality, Saving money by doing the right thing: why 'local by default' must replace 'diseconomies of scale' (March 2014), <http://locality.org.uk/wp-content/uploads/Locality-Report-Diseconomies-web-version.pdf>

<sup>25</sup> Big Lottery Fund, Building Better Opportunities in London (June 2015), <https://www.biglotteryfund.org.uk/global-content/programmes/england/building-better-opportunities/london>

<sup>26</sup> <http://havcohariney.org.uk/together-north-london>

<sup>27</sup> <http://www.hcvs.org.uk/index.php?category=14&sec=68&page=214>

<sup>28</sup> LVSC, Fair Chance to Work 2: Experiences from the first phase of the Work Programme in London (March 2013), <http://www.lvsc.org.uk/media/127586/fair%20chance%20to%20work%20%20-%20march%202013.pdf>

before payment is made: primes in the Work Programme were required to hold a minimum of £20m to use for upfront delivery. This automatically excluded the majority of VCS organisations. In 2014, there were just over 264 VCS organisations nationally who had a turnover of over £20m.; many of whom were not active in the welfare to work field.<sup>29</sup> The predictable result was that only one VCS organisation succeeded as being appointed a prime on the Work Programme nationwide, and that the market was narrowed to exclude many capable and experienced providers.

- 3.12 In addition, PbR contracts that are not priced correctly are another risk for providers and can create perverse incentives. Research from NCVO and the law firm Bates Wells Brathwaite showed Work Programme contracts often ended up with VCS providers subsidising their work with other income sources. There was also an incentive for providers to “cream and park” those with complicated needs in order to focus on those who could more easily be found employment. For instance, St Mungo’s, an organisation which helps people recover from the issues that create homelessness, withdrew from the Work Programme in May 2012 citing a lack of referrals.<sup>30</sup> This meant that although the Work Programme has broadly outperformed previous government employment schemes for those closest to the labour market, it has been much less successful in supporting those furthest from the workplace.<sup>31</sup>
- 3.13 It is worth noting that these concerns have not just been voiced by VCS organisations. A recent National Audit Office (NAO) report on outcomes based payment schemes noted that PbR is not suited to all public services, that there are significant technical challenges involved in designing PbR contracts, and that the considerable risks inherent in such schemes were often underestimated by the government.<sup>32</sup> Among its recommendations, the NAO recommended that commissioners should be actively justifying their choice of PbR over other delivery models rather than using it as a default.

#### **Power imbalance within contracting structures**

- 3.14 Since primes have significantly greater resources than sub-contractors, they typically determine the terms on which a sub-contractor takes part in a contract. For instance, within the Work Programmes sub-contractors took on a disproportionate level of risk compared to their size and structure as primes sought to pass their risk down the supply chain.<sup>33</sup> This is not, as some suggested when VCS organisations were withdrawing from the Work Programme, a failure of the sub-contractor to negotiate appropriate contracts.<sup>34</sup> It reflects a commercial reality where the sub-contractors do not have the requisite negotiating power to secure fair terms.
- 3.15 This power imbalance was recognised by the introduction of the Merlin Standard (discussed in further detail in section (4) below), which all prime contractors within the Work Programme are required to adhere to. However, this is clearly an area which warrants continued attention.

#### **Procurement timescales and requirements**

- 3.16 Excessively short timescales or excessive procurement requirements can exclude VCS organisations from participating in a public services tender. For instance the NAO noted that it took twelve months for the

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<sup>29</sup> NCVO, Stepping Stones: the role of the voluntary sector in future welfare to work schemes (July 2014), [http://www.ncvo.org.uk/images/documents/about\\_us/media-centre/stepping-stones-vol-sec-and-welfare-to-work-work-schemes-jul-2014.pdf](http://www.ncvo.org.uk/images/documents/about_us/media-centre/stepping-stones-vol-sec-and-welfare-to-work-work-schemes-jul-2014.pdf) , p.9

<sup>30</sup> NCVO, Stepping Stones, p.15

<sup>31</sup> Centre of Economic and Social Inclusion, Work Programme: how is it performing? (March 2014), <http://cesi.org.uk/responses/dwp-work-programme-how-it-performing-1>

<sup>32</sup> National Audit Office, Outcome-based payment schemes: government’s use of payment by results (June 2015), <http://www.nao.org.uk/report/outcome-based-payment-schemes-governments-use-of-payment-by-results/>

<sup>33</sup> NCVO, Stepping Stones

<sup>34</sup> LVSC, Fair Chance to Work 2, p. 7



Department of Work and Pensions (**DWP**) to introduce the Work Programme compared to the four years taken with previous schemes which meant that policy decisions overlapped with design and development and the views of delivery organisations could not be properly taken into account. The procurement timescale was extremely short with an invitation to tender for primes released in late December 2010, and successful bidders announced in early April 2011. <sup>35</sup> In London, there were three stages, each of which required heavy investment in intelligence gathering, submitting expressions of interest, relationship building and preliminary negotiations. For smaller organisations, this scale of investment is prohibitively large.

- 3.17 It is important to allow for sufficient time for partnership building activity that allows smaller providers to take part, particularly where a commissioner has decided that a large contract is appropriate. Pre-procurement dialogue also means that the experience of providers can be harnessed and services designed so as to ensure that they are properly identifying and advertising the need in question.

### **Identifying specialist needs**

- 3.18 Many VCS organisations offer services which help particular disadvantaged groups overcome their specific barriers to employment. However, the commissioning process does not always recognise the different challenges faced by diverse sections of the population. In the case of refugees for instance, there can be difficulties around proving qualifications when the relevant paperwork has been left in the country of flight, while employers are often uncertain about eligibility to work. Despite these issues and a range of others, customers on the Work Programme are not asked whether they are refugees meaning that the skills of specialist organisations used to working with this group are not utilised. <sup>36</sup>

### **Capacity building for the VCS**

- 3.19 While there are several changes that could be made to commissioning process to make it more inclusive, LVSC recognises that VCS organisations also need to be upskilling themselves. A core part of LVSC's activity is capacity building; in addition to our generic London Councils funded "London for All" programme, we also have delivered specialist support for VCS organisations wanting to access ESF, funded by ESF itself and the BLF. Many CVS organisations carry out a similar function at borough level, and as noted above, some also lead or participate in consortia. These functions are essential in supporting smaller, more specialist or newer providers access funding opportunities that would otherwise be closed to them. Excluding organisations through commissioning processes results in the huge reservoir of experience within the VCS being wasted, and ultimately worse outcomes for the end users.

## **(4) How could the mayor, central and London government ensure a diverse supply chain for employment and support programmes in the capital, which includes the third sector?**

### **Could funding, commissioning, procurement and contracting practices be improved?**

- 4.1 Under section (2) above we have set out some of the key issues with current commissioning, procurement and contracting practices and changes which could be improved. In this section we consider some tools which can be used to drive better practice.

### ***Social Value Act***

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<sup>35</sup> National Audit Office, The introduction of the Work Programme (January 2012) <http://www.nao.org.uk/wp-content/uploads/2012/01/10121701.pdf>, p.7

<sup>36</sup> LVSC, Fair Chance to Work 2, p.22

- 4.2 The Public Services (Social Value) Act 2012 was an extremely welcome piece of legislation for the VCS. LVSC considers that the Act has had an impact in encouraging commissioners to think in broader terms about how they can extract the most value in the long as well as short and medium term. London Councils reported that 86% of London Boroughs had changed their procurement processes in response to the Act, giving examples such as Harrow Council creating at least 40 apprenticeships in the supply chain since beginning its Sustainable Procurement Policy and Tower Hamlets requiring a commitment for the creation of 250 apprenticeships and jobs from organisations bidding to improve its housing stock.<sup>37</sup>
- 4.3 However, LVSC continues to receive anecdotal reports of commissioners focusing on price in the short term rather than value in the long term. Such a strategy is clearly not a sustainable one, particularly in a climate of reduced government spending. LVSC would welcome continued emphasis on training, information and advice for commissioners and progress reports to track the implementation of the Social Value Act across London.

### *Merlin Standard*

- 4.4 The Merlin Standard sets standards of good practice for prime contractors engaging with their supply chain. Our research into the Work Programme in 2013 showed that confidence in the Merlin Standard was very low.<sup>38</sup> Now that the Merlin Standard is more established, the message from our members is that they are glad it exists but more could be done to ensure that it does function to ensure that sub-contractors are treated fairly.
- 4.5 First, VCS organisations remain concerned that prime contractor self-assessment is the main evidence for accreditation. Secondly, many of the standards used in the Merlin standard, such as whether risk transfer is deemed “equitable” or funding arrangements are “fair, proportionate and do not cause undue financial risk for supply chain partners” are clearly open to different interpretations. Thirdly, there is some concern that the Merlin mediation process is underused because of the reputational risks which might arise for the sub-contractor who engages with it, both with the prime contractor in issue and those in industry more widely.<sup>39</sup> LVSC hopes that these issues will be addressed in the ongoing review of the Merlin Standard.

### *The Compact*

- 4.6 The Compact is the agreement between the government and the voluntary sector, setting out how they will treat each other and based on the principles of transparency, fairness and engagement.<sup>40</sup> As well as the national Compact which was last renewed by the Coalition government in 2010, there are a number of local Compacts across London which act as a key driver in establishing good relations between different sectors in the local area.

#### **Case study: Redbridge Compact<sup>41</sup>**

The development and implementation of the Redbridge Compact has greatly increased the mutual understanding between the local VCS and public sectors. The document itself sets the framework for

<sup>37</sup> Written submission from London Councils and the London Procurement Strategy Board to the Communities and Local Government Committee (2014), <http://data.parliament.uk/writtenevidence/WrittenEvidence.svc/EvidencePdf/1833>

<sup>38</sup> LVSC, Fair chance to work 2, p.26

<sup>39</sup> See also NCVO, The Work Programme – initial concerns from civil society organisations (October 2011), [https://www.ncvo.org.uk/images/documents/practical\\_support/public\\_services/work\\_programme\\_concerns.pdf](https://www.ncvo.org.uk/images/documents/practical_support/public_services/work_programme_concerns.pdf)

<sup>40</sup> For more information, see the Compact Voice website, <http://www.compactvoice.org.uk/>

<sup>41</sup> RedbridgeCVS, Redbridge draft Compact 2015-2018: consultation open (December 2014), <http://www.redbridgecvs.net/news/redbridge-draft-compact-2015-2018-consultation-open>



partnership working, including providing funding guidelines. It also acts as a tool which seeks to demonstrate to public sector commissioners and others of the value of partnership working – including explaining how the VCS sector can engage with parts of the community that others often struggle to reach. A new Compact for 2015-2018 has recently been consulted on.

### **How could devolution of employment programmes help to address barriers?**

- 4.7 One of the biggest barriers in the effective delivery of public services is that different issues such as health, employment, housing and so on are often dealt with in silos. This can limit the effectiveness of each intervention – as discussed in more detail above, attempting to help someone with a chaotic life into employment is unlikely to be successful unless the wider issues are addressed first. Devolution of employment services should be welcomed if it can achieve more integrated and person centred public services. Central London Forward’s Working Capital project, supporting long term Employment Support Allowance Claimants who have left the DWP’s Work Programme after two years without securing employment is an example of such an approach. However, it is essential that if more powers are devolved locally, that adequate checks and balances are put in place to ensure good governance and proper accountability.

### **Acknowledgements and next steps**

LVSC would like to thank the following organisations who took the time to input into this response: ELATT, RedbridgeCVS, Transitions London, Women Like Us and Working Chance.

LVSC very much welcomes the Economy Committee’s investigation, recognising the importance of establishing an accurate picture of the VCS’s contribution to employment and skills in London. As a conduit between regional government bodies and the VCS, LVSC would be happy to work with the London Assembly and Greater London Authority to facilitate any further work on this topic.

## **Shaw Trust, Role of the third sector in employment and skills programmes**

### **Response to the London Assembly Economy Committee's Inquiry, July 2015**

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#### **1. Introduction: About Shaw Trust**

- 1.1. Shaw Trust is a leading national charity with a thirty year history of supporting disabled, disadvantaged and long term unemployed people to achieve sustainable employment, independence and social inclusion. Last year Shaw Trust delivered specialist services to over 50,000 people from 200 locations across the UK, supporting its beneficiaries to enter work and lead independent lives. In 2012 Shaw Trust merged with fellow employment services charity Careers Development Group (CDG).
- 1.2. Shaw Trust has built an extensive delivery infrastructure across London. We are one of only two third sector prime contractors of the Department for Work and Pensions' (DWP) employment services contract - the Work Programme. In London, Shaw Trust delivers the Work Programme as a prime contractor in London East from ten delivery centres, and manages a supply chain of twelve end to end subcontractors. The charity is also a significant subcontractor to Maximus in the London West contract package area, and delivers DWP's specialist disability employment programme Work Choice as a subcontractor in South London.
- 1.3. In addition to our employment services provision, Shaw Trust has a growing Apprenticeships service in London, runs two social enterprises in Harrow and Bromley – offering disabled and disadvantaged individuals work experience and stepping stone employment opportunities - and the charity has recently commenced delivery as a prime contractor of the National Offender Management Service's ESF provision across London.
- 1.4. Shaw Trust's comprehensive frontline experience of delivering nationally and locally commissioned employment and skills provision across London as both a prime and subcontractor, ensures that the charity is well placed to respond to the Economy Committee's inquiry.

#### **2. Executive Summary**

- 2.1 Third sector organisations have an essential role to play in the delivery of employment and skills programmes. There are a wealth of organisations working in London with extensive knowledge and experience of supporting people to gain skills and find sustained employment. These organisations offer added value that private sector organisations cannot, including being able to reinvest their surpluses back into the services they provide and the communities they are working in, due to not being

required to provide a return to shareholders, which allows them to invest in trialling innovative methods to improve service delivery.

- 2.2 The full capacity of third sector organisations to transform the lives of disadvantaged Londoners is not being harnessed however, as the third sector has historically faced multiple challenges to competing for employment and skills contracts. Financial and bureaucratic barriers, such as low upfront funding with the use of payment by results and the requirement to provide commissioners with Parent Company Guarantees (PCGs) or financial guarantees, can make it difficult for third sector organisations to compete on a level playing field with private sector organisations, as charities are less likely to have access to large amounts of working capital to make contracts that use payment by results or require PCGs viable.

### **Key Recommendations for greater involvement of third sector organisations in employment and skills programmes:**

- 1) **The Mayor and the Greater London Authority should work with the national government to create a level playing field for the third sector to compete for contracts in London**, highlighting the financial and bureaucratic challenges that exist and working with the government and the third sector to find pragmatic solutions to overcome these challenges.
- 2) **The Mayor and the Greater London Authority should work with Local Authorities**, spearheading a joined-up approach to employment and skills programmes with best practice being shared and unnecessary duplication of programmes and funding streams avoided.
- 3) **The Mayor and the Greater London Authority should work to untangle the current ‘spaghetti junction’ of employment and skills funding streams and programmes**, to simplify the funding landscape and make it easier for third sector organisations to navigate.
- 4) **Third sector involvement should form a key part in the designing and commissioning of future employment and skills programmes**, with lessons being learnt from past programmes to ensure the full potential of the third sector to improve the lives of disadvantaged Londoners is realised.

### **3. The role of the third sector in employment and skills programmes**

- 3.1. Third sector organisations have a key role to play in delivering employment and skills programmes that best meet the needs of disadvantaged people in London. There are a wealth of organisations working in the capital with extensive knowledge and experience of helping people into work, whose expertise should be capitalised on to deliver effective employment and skills programmes which support more Londoners to enter and sustain employment.

- 3.2. Shaw Trust is one of the few charities nationally that has been able to successfully compete in the employment and skills sector in London as both a prime contractor and as a subcontractor. Our motivation to compete as a prime contractor for national government contracts in the capital was two-fold. Firstly, as a charity, Shaw Trust is committed to re-investing its surpluses into the communities where we work. By competing for national government contracts such as the Work Programme, Shaw Trust could ensure that more money is used to support the disabled and disadvantaged people we work with to achieve employment and independence. Secondly, by competing for, securing and delivering large scale government contracts, Shaw Trust could use its experience to highlight to commissioners and the government the challenges that charities face when trying to compete on a level playing field with the private sector. Shaw Trust has also used this experience as part of a joint report with ACEVO highlighting the challenges the third sector faced when competing for the Work Programme.<sup>1</sup>
- 3.3. However, to be able to compete on an equal footing with other prime contractors in London, Shaw Trust has had to make significant investments into its ICT infrastructure, information security procedures and into the governance of the charity to ensure it has the processes in place to demonstrate to commissioners that we can deliver large-scale government contracts. Similarly, to deliver the Work Programme, Shaw Trust had to ring-fence a significant amount (millions) of its own reserves to fund the working capital required for contract delivery. As a larger charity Shaw Trust had the resources available to invest in developing the capacity and capability needed for it to compete on a level playing field with the private sector. However, small to medium sized third sector organisations may not have the resources to invest in delivering larger scale employment and skills services contracts.
- 3.4. Despite these challenges (which will be more fully explored in section four), third sector involvement in delivering employment and skills contracts has a number of benefits. Firstly, third sector organisations are not beholden to shareholders and can reinvest any surplus they make back into the communities they work in. This is better value for money for taxpayers and service users, as more money can be ploughed back into the communities where charities work. Additionally, this re-investment of surpluses also gives third sector organisations more room to test innovative ways to enhance service delivery.
- 3.5. For example, over the last year, Shaw Trust has invested £500,000 of its surpluses into the re-design of two of its Work Programme delivery centres in Hackney and Lewisham in London East. Driven by the motivation to ensure every single customer entering the centres should have a positive experience of the Work Programme, Shaw Trust transformed the centres into Community Hubs. These Community Hubs are designed to provide a holistic service for Work Programme customers, with more advisers available to provide truly personalised support to customers, and joined-up health and employment support available at each hub site. In particular, the hubs

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<sup>1</sup> Shaw Trust and ACEVO (2013), Refinement or Reinvention? The future of the Work Programme and the role of the voluntary sector.

offer access to occupational therapy and counselling services, as well as services from local health and well being providers, for example, a local gym offers yoga and Pilates sessions in our Hackney Hub. Other third sector organisations also offer services in our centres, for example Thames Reach work with customers in our Lewisham Hub facing housing difficulties. Shaw Trust's Community Hubs are being independently evaluated by the Work Foundation. However, feedback at each hub has highlighted that Shaw Trust's charitable investment has led to more customers, including those with health problems, making positive progress towards and into employment, and that our Work Programme provision has been transformed into a place where customers want to participate, rather than merely a place they are mandated to attend.

- 3.6. Additionally, the third sector's delivery of employment and skills provision can also ensure that these services are delivered in a more 'charitable' way that meets both the commissioner's requirements whilst adhering to each charity's vision, mission and values. For example, Shaw Trust chose to bid for and deliver the DWP and Mayor of London's Day One Support for Young People Trailblazer. This contract required unemployed young people aged 18-24 year olds to participate in mandatory work placements, to help them gain the work experience needed to secure permanent work. Although the use of mandatory work placements is controversial, Shaw Trust felt that as a charity delivering this contract we could offer the young people involved in this programme a choice of high quality work placements tailored to their career goals, as well as added value coaching and support from our professional Shaw Trust volunteers. Shaw Trust also accepts some customers into work placements in our charity shops to ensure that each individual has an opportunity to participate in meaningful work experience. Delivering the Trailblazer contract not only enabled Shaw Trust to support over 200 young people into sustainable work, but also enabled us to feed back key learnings to DWP on how similar contracts could be enhanced in any future commissioning. Although participation in such schemes should be each charity's choice, Shaw Trust feels that the third sector should be more confident in tackling this controversial issue in the future.
- 3.7. By re-investing surpluses back into communities, delivering specialist support to harder to help customers, delivering services charitably, and by investing in innovation, third sector organisations make an invaluable contribution to the delivery of employment and skills contracts in London.

#### **4. Barriers to third sector involvement in employment and skills programmes**

- 4.1. Despite the added value that the third sector can bring to employment and skills provision in London, there are a number of financial and bureaucratic challenges that can render it difficult for the third sector to compete on a level playing field to deliver employment and skills contracts. These challenges affect both third sector organisations that wish to compete for prime contracts and subcontracting opportunities.

- 4.2. Financial barriers particularly affect the third sector's involvement in the delivery of contracts funded through a payment by results mechanism. The largest payment by results contract Shaw Trust is involved in delivering is DWP's Work Programme. As stated, the minimal level of up-front funding available to deliver the Work Programme required all organisations wanting to participate in service delivery to have access to working capital to fund the implementation and service delivery of the contract until revenue had been generated through the achievement of job outcomes. Shaw Trust sought funding from both commercial banks and social investors to fund this working capital requirement. The commercial banks we had discussions with were reluctant to lend us money due to the commercial risks involved in payment by results delivery. The social investors we worked with were willing to lend to Shaw Trust, however, the rate of return the social investors put on the investment to offset the commercial risks rendered the opportunity unviable for Shaw Trust. In the end, Shaw Trust used its reserves to provide the working capital needed to deliver the Work Programme.
- 4.3. Now that the social investment market is more mature, in addition to there being more evidence available to highlight the effectiveness of payment by results contracts, Shaw Trust is hopeful that there will be more appropriate financial products available for the third sector to support the delivery of future payment by results contracts. However, it is important that commissioners including the Greater London Authority learn the lessons from the commissioning of contracts like the Work Programme if the third sector is to be increasingly involved in the delivery of employment and skills contracts in the future.
- 4.4. Financial challenges can also be a barrier to smaller third sector organisations wishing to participate as a subcontractor in payment by results contracts. Shaw Trust works alongside twelve end to end subcontractors to deliver the Work Programme in London East. Fifty per cent of our supply chain is from the third or not for profit sector. To ensure that two of our third sector subcontractors could deliver the Work Programme, Shaw Trust changed the payment terms for each contractor, by moving funding from the job outcome payment to increase the attachment fee. This ensured that contractual delivery remained financially viable for each subcontractor.
- 4.5. Bureaucratic barriers can also restrict the third sector's involvement in delivering employment and skills contracts in the capital. Shaw Trust has previously found the requirement to provide both local and national commissioners with a Parent Company Guarantee a barrier to bidding for certain employment and skills contracts.
- 4.6. Shaw Trust fully understands that Parent Company Guarantees (PCGs) or financial guarantees are a useful tool for commissioners to utilise to **mitigate the financial risk involved in outsourcing public services**. They provide a guarantee to commissioners that an organisation's parent company will cover the financial costs if an organisation becomes overextended during contract delivery, and will also cover the transition costs to a new contractor in the event of contract termination.



- 4.7. PCGs can be used to effectively minimise the financial risk of contracting with large private sector organisations. Such organisations usually operate under a group structure, and have an asset rich parent company, and multiple sources of finance with which to provide the PCG. **However, the use of PCGs can prevent charities from playing an optimal role in the delivery of outsourced public services.** For charities, the parent company is one and the same. There is no asset rich parent company to take on the financial risk of public sector contracting. Instead charities have to ring-fence a proportion of their reserves to provide the commissioner with the financial assurances needed to mitigate any contractual liabilities. By ring-fencing the limited financial reserves of charities, they have less funding to invest in frontline delivery. This either causes a threat to the financial sustainability of voluntary sector organisations, or results in charities taking difficult decisions not to tender for public service contracts.
- 4.8 With the Greater London Authority and national government committed to ensuring that **charities can compete on a level playing field** with private sector providers to deliver public sector services in the future, commissioners could develop a far greater understanding of the governance of charities, including the ways they are funded. This will help commissioners to develop an alternative form of commercial assurance to the PCG for the third sector.

## 5. The role of the Mayor and the Greater London Authority

- 5.1 As demonstrated in sections three and four, the third sector has much to offer Londoners by being involved in the delivery of employment and skills programmes, but third sector organisations have historically faced multiple challenges to their participation in these schemes. The Greater London Authority has the capacity to help break down these barriers, ensuring that third sector organisations can compete on a level playing field with private sector organisations, and that the benefits of third sector involvement in these programmes can be realised with the best possible results for unemployed Londoners achieved.
- 5.2 Firstly, **the Mayor and the Greater London Authority should work with central government to co-design and commission the next round of employment and skills programmes.** In particular, it is likely that the Greater London Authority may have a role in commissioning the next iterations of the Work Programme and Work Choice schemes, and the Authority should ensure that lessons are learnt from the procurement process for the original Work Programme, to guarantee that third sector organisations do not face unfair barriers to competing for the new contracts. This includes ensuring that funding mechanisms do not prohibit third sector involvement by making contracts unworkable for charitable organisations. As section four outlined, the use of payment by results and requirement to have PCGs can both be challenging for third sector organisations. The use of payment by results should be limited to create a more accessible market at prime level and to ease financial pressures further down the supply chain, while alternative systems of financial guarantees should be explored for third sector organisations, to replace PCGs. This would allow more third sector

organisations, who might find access to large amounts of working capital a challenge, to compete for contracts, encouraging a more diverse supply chain and harnessing the power of the third sector to make a difference to the lives of unemployed Londoners.

- 5.3 Furthermore, **the Mayor and the Greater London Authority should also work with local authorities in London to help to co-ordinate different programmes and funding streams across the capital.** Shaw Trust has had much success working closely with a number of local authorities. In Waltham Forest, for example, we are working collaboratively with the council, Jobcentre Plus and other Work Programme prime providers to coordinate efforts to reduce unemployment in the borough. Shaw Trust signed up to a service level agreement committing to the sharing of vacancies and joining up services to support more people into work in the most disadvantaged wards of the borough. This coordinated approach has seen the unemployment rate in the borough halve in the last year of the pilot. However, more could be done to improve perceptions of national employment and skills programmes at local authority level, and to ensure that all local authorities are working closely with providers and third sector organisations to join up support. **The Greater London Authority should take the lead in spearheading this joined-up approach, encouraging authorities to share best practice and to coordinate their services to avoid unnecessary duplication.** This would ensure that all involved parties are working together to achieve the best possible outcomes from unemployed Londoners.
- 5.4 Additionally, **the Mayor and the Greater London Authority should work to guarantee that the financial conditions that are in place in London enable third sector organisations to compete on a level playing field.** Shaw Trust's 2014 report *Stepping Up: Bridging Local Disability Employment Gaps* identified a 'spaghetti junction' of funding streams and programmes with similar and overlapping objectives, managed by a range of local and national agencies.<sup>2</sup> Separate Shaw Trust analysis found at least fifteen separate major programmes to support young people not in employment, education or training (NEET) alone in London, not including local authority programmes.<sup>3</sup> A graphic illustrating this complex funding landscape is provided in the appendix of this paper. Untangling this 'spaghetti junction' would simplify the funding process and allow more third sector organisations to participate in employment and skills programmes by making it easier for them to navigate the funding landscape.
- 5.5 As shown, the Mayor and the Greater London Authority have a crucial role to play in ensuring the barriers to third sector involvement in employment and skills programmes are addressed to help create a level playing field for charities to compete with private sector organisations for contracts. This is important not only for existing programmes, but also for the design and commissioning of future programmes, to ensure they capitalise on the expertise and added value that third sector organisations offer, to achieve the best possible outcomes for Londoners.

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<sup>2</sup> Shaw Trust (2014), *Stepping Up: Bridging Local Disability Employment Gaps*

<sup>3</sup> Careers Development Group (2012), *Response to the Work and Pensions Select Committee Inquiry into the Youth Contract*, p7. Available at <http://bit.ly/1yi49Ap>



## 6. Conclusion and Recommendations

6.1 The third sector has much to offer by being involved in the delivery of employment and skills programmes in London. However, as our evidence has shown, there are multiple barriers which have prevented third sector organisations from competing on a level playing field for contracts with private sector organisations in the past. This means that the third sector's full potential to help disadvantaged Londoners to gain skills and find sustainable work has yet to be realised. Shaw Trust has a number of recommendations for how the Greater London Authority can capitalise on the expertise and added value the third sector offers to ensure the best possible outcomes for jobseekers in London.

- 1) **Shaw Trust recommends that the Mayor and the Greater London Authority work with the national government to create a level playing field for the third sector to compete for contracts in London.** In particular, they should highlight the financial and bureaucratic challenges that exist, and work with the government and the third sector to find pragmatic solutions to overcome these challenges.
- 2) **Shaw Trust recommends that the Mayor and the Greater London Authority work with Local Authorities** to ensure they work collaboratively with third sector organisations and employment and skills programme providers to achieve the best possible outcomes for Londoners who are unemployed and looking for work. Examples of good practice should be shared across different local authority areas and the Greater London Authority should take the lead in this, spearheading a joined up approach across the capital and avoiding unnecessary duplication of programmes and funding streams.
- 3) **The Mayor and Greater London Authority should work to untangle the 'spaghetti junction' of employment and skills funding streams and programmes.** Working collaboratively across government departments, local authorities and funding agencies, the Assembly should aim to streamline and simplify the funding landscape to make it easier for third sector organisations to navigate.
- 4) **Third sector involvement should form a key part in the designing and commissioning of future employment and skills programmes.** Shaw Trust recommends that the Greater London Authority explores ways to overcome the barriers to third sector involvement in employment and skills programmes and ensures this forms a part of any future commissioning role the Authority has.

## Appendix

## The funding 'spaghetti junction' – Employment and skills initiatives





- *How could future developments, including possible further devolution, be exploited to develop a more diverse supply chain in employment and skills programmes in London?*

**1. An effective platform that enables third sector organisations to bid for and deliver a range of services as consortia should be introduced.**

It is common for employment and skills contract volumes to be too large for third sector organisations to consider bidding for and delivering on their own. St Mungo's Broadway and other third sector organisations are often therefore willing to work in consortia with other organisations in order to make bids of sufficient scale.

However, creating and coordinating consortia is time consuming and requires expertise. Third sector organisations would benefit from support in the form of a platform which facilitates the forming of and joint working within consortia. A platform which can effectively fulfil this function across the range of opportunities for building consortia is currently unavailable.

**2. Third sector contributions to larger providers' bids are often not reflected in actual contract values. Larger providers should not be allowed to use smaller third sector providers as 'bid candy'.**

St Mungo's Broadway has recently featured prominently as a subcontractor in bids for contracts submitted by larger providers. We have invested time and resource in contributing to these bids and in doing so have shared potentially commercially sensitive information with larger providers.

Some of these bids have been successful. However, the contract value awarded to St Mungo's Broadway is often far smaller than we had hoped and smaller than one would expect it to be on the basis of what is stated in the bid. On some occasions a contribution to a successful bid has resulted in no delivery contract at all.

This leads us to believe that we have been used as 'bid candy', i.e. larger providers make bids more attractive to commissioners through overstating the actual role that we will play in delivering the contract. We believe that we are not the only third sector organisation to be used in this way.

**3. Specific issues and recommendations based on St Mungo's Broadway's experience of delivering London Councils European Social Fund (ESF) contracts:**

- **Contracts should require less administrative work to deliver, and/or smaller providers' contracts should factor in the cost of this administrative work**

In the experience of St Mungo's Broadway the administrative burden of delivering London Councils ESF contracts is relatively onerous.

There is a risk that smaller, third sector providers' ability to sustainably deliver contracts is undermined by their inability to meet administration costs. Smaller organisations, including many third sector organisations, may find it costs more to meet administrative requirements. They cannot apply larger providers' economies of scale to meeting these administrative requirements.

- **Providers should more free to meet demand across borough boundaries**

Under current London Councils ESF contracts, the number of participants that providers can work with in each borough is limited. This is case even if there is i) demand for a service from a borough and ii) spare capacity in the service because the target number for participants from other boroughs has not been met.

This means that potential participants may miss out on the benefits of services, and that the maximum potential impact of the funding is not realised.

I've copied our submission to London Councils which we sent fairly recently and they asked similar questions. Additionally Local Government is well placed to lead on developing partnerships which bring VCS employment providers together to deliver projects.

Regards,  
Jugjit

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See below a brief reply to the questions that you have asked (I have highlighted our replies in italics):

**Voluntary and community sector role in employment and skills: London Assembly enquiry**

**Are there particular characteristics in London which help or hinder third sector involvement in delivering employment and skills programmes?**

- Is the third sector sufficiently linked in with the capital's employers?
- *No. Often they are not linked into the job brokerage function.*
- How well is the employment and skills potential of London's third sector assessed and understood?
- *Third sector often seen as a good route to developing basic skills and volunteering. This often leads onto limited opportunities in employment.*
- How can the third sector best offer work experience opportunities to jobseekers?

*By linking in more with providers (e.g. JCP) who are directly trying to get clients into work. By providing bespoke job placement opportunities for people trying to get into work.*

**How do central and local government's policies affect the third sector's involvement in employment and skills programmes?**

- What has been the impact of new commissioning models such as 'payment by results'?

*Third sector often cannot compete with these new models which often favour larger providers. Often third sector providers are too small and have had limited success in being sub contracted by the larger providers to engage in employment support.*

- Does current commissioning practice encourage the third sector to address skills shortages and foster job creation?

*No*

- Does the current commissioning framework allow providers to support people to progress in work, particularly low-paid workers?

*No. There is limited evidence of this.*

**How could the Mayor, central and London government ensure a diverse supply chain for employment and support programmes in the capital, which includes the third sector?**

- Could funding, commissioning, procurement and contracting practices be improved?

*Yes by opening up opportunities specifically geared up for third sector and third sector consortium working.*

- Are there examples of good practice which could be shared or adopted more widely in the capital?

*Yes.*

- How could devolution of employment programmes help to address barriers?

*Local programmes could address the particular barriers into work for local diverse communities in london (e.g. Somali women). Local programmes can outreach to these hard to reach communities.*

Kind Regards

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## **Role of the third sector in employment and skills programme.**

### **Background:**

The Skills Funding Agency is an executive agency of the Department for Business Innovation & Skills exercising functions on behalf of the Secretary of State. We fund skills training for further education (FE) in England. We support over 1,000 colleges, private training organisations and employers with more than £4 billion of funding each year.

We are responsible for giving colleges, training organisations and employers the right funding to help adults, young people, the unemployed and people with low skills levels to get the skills they need for employment. This includes:

- Supporting traineeships for young people not in education, employment and training (NEET)
- Running the National Apprenticeship Service which supports, funds and co-ordinates the delivery of apprenticeships and traineeships throughout England and provides a dedicated, responsive service for both employers and learners
- Running the National Careers Service, which gives impartial, professional advice on careers, skills and training,
- Overseeing and managing 24+ Advanced Learning Loans
- Being a co-financing organisation for the European Social Fund (ESF) in England, which is investing in jobs and skills
- Helping offenders get into education or training using the Offenders' Learning and Skills Services.

### **Market Entry**

The Public Contract Regulations 2015 came into effect in February 2015 and we have updated our processes for all providers to join the Register to ensure that they comply with the regulations and that we continue to deliver a simple and consistent approach to selecting organisations to tender. We are provider neutral with the opportunity for all types of organisations to apply to join the Register.

We have one Register which covers all education and training services, including the delivery of education and training, education and training development services and delivery of information advice and guidance (which may include delivery for the National Careers Service).

Consortiums and Partnerships are able to tender for procurement opportunities; this enables smaller organisations, particularly third sector organisations offering niche provision, to participate in the tendering process.

### **Questions raised by the London Assembly**

***Are there particular characteristics in London which help or hinder third sector involvement in delivering employment and skills programmes?***

- *Is the third sector sufficiently linked in with the capitals employers?*
- *How well is the employment and skills potential of London's third sector assessed and understood?*
- *How can the third sector best offer work experience opportunities to jobseekers?*

### **Agency response:**

The Agency contracts with a range of providers to deliver its mainstream programmes such as apprenticeships, work place learning, classroom based learning and adult and community learning as well as a range of programmes supported through the European Social Fund.

### **Organisations listed on the Register of Training Organisations – June 2015**

On the Register of Training Organisations, we have a total of 2513 providers who are either a lead provider, a sub-contractor delivering more than £100,000 of activity or a subcontractor delivering less than £100,000 of activity. Of these providers 20.3% have indicated their status as third sector. For providers to be engaged in our mainstream activity, they would have strong links with employers.

	Third Sector	Total	
Lead Provider	85	984	
Subcontractor > £100,000	236	1036	
Subcontractor < £100,000	191	493	
New to Agency	355	1198	
	867	3711	23.4%

Providers can be based locally or nationally and still have a footprint in London, working with individuals to move them into employment and/or apprenticeships.

In addition we have a further 1,198 providers, 355 of which (30%) have indicated their status as third sector, who are currently on the register without a contract but who, in addition to current contract holders, will be able to participate in future procurement rounds.

Throughout the year there are opportunities for new providers to join the Register. The Register is currently open and we have made as many networks, stakeholder groups, etc. aware so that they can inform their members. To apply for the Register providers must complete the pre-qualification process which includes due diligence questions (includes a financial health self-assessment) and capacity and capability questions. There are numerous documents on the website to support providers in the process.

Once on the Register, providers will be alerted to procurement opportunities and will be able to submit their bids to specific tendering rounds.

### ***How do central and local government's policies affect the third sector's involvement in employment and skills programmes?***

- *What has been the impact of new commissioning models such as payment by results?*
- *Does current commissioning practice encourage the third sector to address skills shortages and foster job creation?*
- *Does the current commissioning frame work allow providers to support people to progress in work, particularly low paid workers?*

## **Agency Response**

For mainstream activity, such as apprenticeships, providers are paid a unit cost based on the particular apprenticeship framework the individual is following as well as such characteristics as the age of the learner and the level of apprenticeship. Funding is spread throughout the planned duration of the programme with 20% of the total value held back and paid on achievement.

Existing providers will often target key community groups, voluntary organisations, etc, providing partnership/subcontracting opportunities to deliver customised employment programmes to support individuals into work. All providers are required in their contract to publish their management fees on their website to encourage transparency.

For programmes funded through ESF, payments have been made on achievement of deliverables such as a start on the programme, a start on an intervention (i.e. workshops) achievement of the intervention, progression into employment or education and achievement of sustained employment or education. A similar approach is being used for the new ESF programme and we are working with colleagues in the European Programme Management Unit in the GLA on identifying suitable deliverables for payment.

The strands of activity which have been and are being developed for the new ESF programme have been targeted at certain groups of individuals. For some of the activities reference has been made to local voluntary groups as being best placed to support individuals and a desire for the successful bidder to work closely with such groups.

The forthcoming ESF procurement round has a focus on supporting individuals to progress into employment and to support those who are currently in low paid, part time employment, to gain the skills to progress into other employment opportunities. There is a desire for employment opportunities to be in line with the London Living Wage.

### ***How could the Mayor, central and London government ensure a diverse supply chain for employment and support programmes in the capital which includes the third sector?***

- *Could funding, commissioning, procurement and contracting practices be improved?*
- *Are there examples of good practice which could be shared or adopted more widely in the capital?*
- *How could devolution of employment programmes help to address barriers?*

## **Agency Response**

The Agency has reviewed the Funding Rules which support contracts with providers and in line with the Priorities and Funding for 2015 to 2016 letter from BIS, have strengthened our subcontracting policy requirements to ensure that provision remains high quality.

In addition, within the sector the Association of Employers and Learning Providers together with the Association of Colleges has published Supply Chain Management, a good practice guide for the post 16 Skills Sector. They also recommend the Common Accord and follow published best practice on contracting out skills training to other providers. The AELP website has a range of support materials and resources on supply chain management which are available to members.

The Agency has revised and updated our procurement processes to ensure that they comply with The Public Contract Regulations 2015 which came into effect in February 2015. In line with the

themes of simplification and consistency, we have incorporated the following changes to our process:

- One Register
- Financial Health self-assessment toolkit
- Updated Pre-qualification process

Full details of the changes can be found on our web site

<https://www.gov.uk/government/collections/sfa-register-of-training-organisations>

We have no evidence to suggest that third sector organisations are unable to join the Register and participate in procurement opportunities.

**LONDON ASSEMBLY ECONOMY COMMITTEE INQUIRY INTO THE ROLE OF  
THE THIRD SECTOR IN EMPLOYMENT AND SKILLS PROGRAMMES**

**Written Evidence from the City of London Corporation**

*Submitted by the Office of the City Remembrancer*

1. The City of London Corporation is, through its charity, City Bridge Trust, one of the largest funders of the third sector in London. The City Corporation is also the accountable body for Central London Forward—the sub-regional grouping of central London boroughs and the City Corporation—which is leading on the ‘Working Capital’ pilot scheme. The scheme aims to demonstrate the potential of local commissioning and integration to support long-term unemployed leavers of the Government’s Work Programme and claimants of Employment Support Allowance into work. A separate scheme, the ‘Central London Forward Into Work’ programme aims to help 800 central London residents into work. It is funded by the City Bridge Trust and delivered by six not-for-profit organisations, commissioned through a competitive bidding process.

*Is the third sector sufficiently linked in with the capital’s employers?*

2. The effectiveness of third sector engagement with employers varies across London. A number of schemes based in the City stand out as examples of best practice. For example, The Brokerage Citylink works with employers in the finance and business sectors to widen access to career opportunities. It delivers two City Corporation initiatives to raise the aspirations and employment opportunities for state school pupils in the City’s immediately neighbouring boroughs—the ‘City Business Traineeship’ programme, a programme of paid-internships in City businesses, and the ‘City Careers Open House’ scheme, which provides taster visits to City businesses to thousands of students each year. The programmes have been successful in engaging City employers because they have been able to help City businesses to meet both their corporate responsibility and talent development needs.

*How well is the employment and skills potential of London’s third sector assessed and understood?*

3. Third sector organisations are often able to demonstrate strong links into local communities and a capacity to reach groups that other organisations struggle to engage. City Bridge Trust’s ‘Youth Offer’ programme of grants, which helps young people not in education, employment and training (NEETs) into work or training, aims to demonstrate this by channelling a grant of £100,000 through each London local authority with a condition that third sector organisations be appointed to deliver locally tailored solutions. The flexibility offered by these grants enables third sector organisations to demonstrate how they can excel at getting people into work.

*August 2015*

## **London Assembly**

*Role of the third sector in employment and skills programme (Economy Committee)*

Response from vInspired.

### Introduction

vInspired is a leading national youth social action charity, established in 2006. Our vision is a world where all young people are inspired to reach their full potential through social action. Social action is defined as 'young people taking practical action in the service of others, in order to create positive social change that is of benefit to the wider community as well as to the young person themselves'.

Our mission is to provide young people aged 14-25 with inspiring, high quality social action opportunities to gain new experiences and skills for life and work. We do this by:

- providing innovative, award-winning social action programmes, such as our youth project funding initiative Cashpoint, and our Awards which give young people the opportunity to reflect on their social action and have their achievements rewarded and recognised;
- promoting social action opportunities posted by our 1,700+ partner organisations around the UK through our digital 'hub' vInspired.com.

We believe that young people's creativity, energy and optimism can change the world. We're dedicated to helping young people improve their skills, confidence and employability by taking action on causes they care about.

### **Case Study: Task Squad - powered by vInspired**

[tasksquadhq.com](http://tasksquadhq.com)

Task Squad is an online platform, recruitment agency and social enterprise, connecting young people aged 18-25 with short-term, flexible and permanent paid work. These young people (Task Squaders') will possess a proven track record of social action achievements, and having demonstrated their strong work ethic and positive attitude through social action are looking to bring their passion, motivation and discipline to the workplace. Task Squad represents an innovative, proven, technology-based solution to the youth unemployment problem and the fact that young people do not view 'traditional' temping agencies as providing an effective solution.

A 2015 Cabinet Office report<sup>1</sup> using a randomised control trial methodology validates the link between social action and the acquisition of vital workplace skills which employers value and need to see young job seekers demonstrate and articulate. Focusing on that crucial link between social action and short-term paid work link, Task Squad:

- disrupts current ineffective recruitment practice for young people by connecting them *directly with employers*
- provides a 'CV builder' tool helping young people to showcase the life skills and experience they have gained through social action
- individually supports young people to build their confidence to the point that they are 'work-ready'
- raises the profile of young people as skilled, motivated and desirable employees, the 'workforce of tomorrow'
- provides an opportunity for employers to access young employees with social action credentials
- supports SMEs and new start-ups with skilled, enthusiastic young staff.

We launched Task Squad in April 2013, focussing on London, which has a marked 'skills gap' problem and a youth unemployment rate exceeding 25% in inner city boroughs, with the GLA having no legislative powers over skills and employment provision. Since then over 2,065 young people have signed up to the platform using the 'CV builder' tool. 10,213 hours of work have been delivered to young people, grossing £125,000 with £92,000 paid to young people in wages. 54 employers have posted work opportunities, including the Houses of Parliament, *Which?* Magazine and Kew Gardens. Eight young people have secured permanent employment directly through their Task Squad experience so far, and most young people who have used Task Squad have said they would recommend us to other young people.

Task Squad is an opportunity for vInspired to capture the market for short-term paid work for young people and provide employment opportunities for young people eager to enter the job market, while creating an income stream to support and grow youth social action sustainably over the coming years. Our current focus is recruiting to our base of employers posting opportunities in London and in Manchester where we also have a retail hub 'Goodstock', so that by 2018 Task Squad will have placed over 13,000 young people across the UK into sustained employment.

Task Squad is currently joint-funded by Nesta (through their Centre for Social Action Innovation Fund) and by Nominet Trust. In 2013, vInspired received a Google Global Impact Challenge award of £100,000 plus £34,000 worth of Adwords budget for Task Squad out of over 42,000 applications. Task Squad was also one of ten finalists out of 1,254 entrants in the EU Social Innovation Competition 2014. This funding has enabled us to put a business plan to 2016 in place with the aim of growing Task Squad to the point where it is an independent entity generating a surplus to be invested back into our charitable activities.

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<sup>1</sup> <http://www.behaviouralinsights.co.uk/publications/evaluating-youth-social-action>

## 1. Are there particular characteristics in London which help or hinder third sector involvement in delivering employment and skills programmes?

- Is the third sector sufficiently linked in with the capital's employers?

How has TS faired generally in linking with employers?

In order to build the proposition and develop a working business model, vInspired worked with SMEs and start-ups who expressed a need for short-term yet high quality resources at short notice. vInspired has taken this learning and has refined the Task Squad operating model based on feedback from employers, our Advisory Board (which includes vInspired Trustee and pro-bono employment law expert Julian Taylor) and other key stakeholders such as business groups and central government. We have also defined our key customer base in order to reach and engage them more effectively. We have engaged with business networks, e.g. London Chamber of Commerce, Federation of Small Businesses in London, the CBI, Westminster Business Council, Institute of Customer Service and networks support by the DWP all of whom we have already established relationships with.

We have also targeted 'co-working spaces' and hubs used by small businesses and start-ups across London. We have developed bespoke offers to these spaces, including Task Squad time being a core part of a 'membership' offer and shared Task Squaders across the spaces. We will also aim to hold information events which are common at these spaces – some of whom we have already brokered relationships with including Innovation Warehouse, Microsoft Ventures, TechStars and the Kings Cross and Westminster Impact Hubs.

Our outreach strategy sits alongside a targeted Google Adwords campaign to ensure we are taking business from the 'traditional' temping agency community which young people do not see as serving their needs.

- How well is the employment and skills potential of London's third sector assessed and understood?

- There needs to be better understanding of how TSOs can address the 'skills gap' identified by employers and set out in the ESIF Strategy for London. ESIF investment will help tackle London's worklessness and skills gap by supporting the most disadvantaged groups to develop the skills they need to succeed and to ensure job opportunities are accessed in the most deprived areas in particular the Growth Boroughs to narrow the employment gap with the rest of the London. The London Enterprise Panel (LEP) will use a more flexible, tailored and localised approach to address needs not fully met by mainstream provision. However, there needs to be more formal recognition of how interventions such as social action and volunteering can benefit certain groups, especially young people, in terms of acquiring 'softer skills' which employers frequently cite as missing from the skillset of young people wanting to enter the employment market, even recent graduates. Social action also provides young people with the opportunity to demonstrate their 'work-readiness' and motivation for work. This is a key message from TSOs



working in the skills and employment space which needs to be understood widely. vInspired's *Youth Survey* with Dubit Research (April 2015) shows that the primary motivation for young people engaging in social action is to gain or develop the skills, experience and contacts needed to secure work or progress in education or in their career. A key barrier to more young people engaging in social action is time and geographical proximity of opportunities. It

- Needs to be wider recognition of the impact of innovative, online and tech-based interventions which address skills and employment issues in addition to the more traditional, structured, face-to-face interventions.

□ *How can the third sector best offer work experience opportunities to jobseekers?*

- TSOs need to be aligned to the fact that the LEP will ensure 'good quality' work experience is available to young people to give the exposure to the world of work early on and help them to compete and progress in the labour market. TSOs need to demonstrate that their offer provides a useful, meaningful experience for young people and that the intervention can be evidenced as contributing to a positive outcome for the young person in terms of their employability.

**2. How do central and local government's policies affect the third sector's involvement in employment and skills programmes?**

- What has been the impact of new commissioning models such as 'payment by results'?

For instruments such as Social Impact Bonds (SIBs), the fact that the risk shifts from the delivery organisation to the investor is attractive to many smaller TSOs. However, the PbR model can present cashflow issues for these TSOs and present a risk in that respect. SIBs can be complex and require an existing infrastructure is in place before a TSO can bid for an opportunity. There are fewer than twenty SIBs in operation throughout England and not all of them in skills and employment, so there is much to learn before proven models can be replicated in this sector.

- Does current commissioning practice encourage the third sector to address skills shortages and foster job creation?
- Does the current commissioning framework allow providers to support people to progress in work, particularly low-paid workers?

**3. How could the Mayor, central and London government ensure a diverse supply chain for employment and support programmes in the capital, which includes the third sector?**

- Could funding, commissioning, procurement and contracting practices be improved?
- Are there examples of good practice which could be shared or adopted more widely in the capital?
- How could devolution of employment programmes help to address barriers?

**From a previous consultation exercise in 2014:**

- **The following may help ensure TSOs have the skills to bid for contracts, and are aware of existing opportunities, to improve their involvement in employment and skills programmes:**
  - NCVO (April 2014) recommend that Govt and Service Commissioners must make early and clear communication of procurement intentions so TSOs can carry out the necessary preparatory work (capacity, risk assessments, service model testing) and assess their ability to bid for contracts – and to successfully deliver them with managed risk.
  - Provide free training on bidding skills, risk assessment, modelling, finance and the procurement process, which can otherwise be prohibitively costly to smaller TSOs with limited resources and put them off engaging with what is a significant shift in the funding landscape.
  - Facilitate introductions between smaller TSOs and those larger TSOs which have ongoing capacity to bid for contracts.
  - Build-in capacity-building to contracts so that large scale contractors must support and develop the capacity of smaller sub-contractors to be able to grow and bid in the future.
- **The following would ensure that ‘payment by results’ (PbR) models of commissioning skills and employment programmes do not exclude smaller, grassroots TSOs from bidding**
  - PbR models often favour larger providers with resources to match. Govt should ensure that to attract new and smaller TSOs (who are the most likely to innovate) their new ideas and models can enter public service procurement markets and are supported to explore and incubate new methods of delivery

- PbR model in some sectors favours TSOs who focus on delivering time-limited, preventive interventions with intermediate outcomes, but should not exclude smaller TSOs who do not have this focus but still deliver measurable outcomes over a longer time period
  - Flexible approach to both contract design and performance management
  - Smaller TSOs should be allowed sufficient time for their Boards to fully assess all the potential risks of undertaking PbR contracts
  - Ensure consultation with TSOs of all sizes to 'sense-check', test and challenge PbR programme design before the procurement process starts
  - Smaller, grassroots TSOs are likely to have close service-user involvement and this should be a key criterion in selecting preferred bidders
  - PbR models should recognise appropriate outcomes payments for e.g. individuals with complex needs
  - PbR model has potential to focus on more 'personalised' outcomes which smaller TSOs may be better placed to deliver.
  - Develop the process by which funding is disbursed gradually, on achievement of milestones, over the period of the contract – this could help ensure that smaller TSOs are not expected to fund the programmes upfront on the expectation of payment by results at the end.
- **The following would encourage and support collaboration amongst TSOs to bid jointly for contracts:**
- Encourage match- or co-funding from consortia delivery partners with complementary delivery models
  - Incentivise collaboration by providing funding for TSOs to invest in joint planning activities, to share and embed learning from one organisation to another and to support the creation of shared outcomes.
  - Free sessions run by sector experts with potential partners to develop early-stage proposals and consortia with a more exploratory approach
  - Focus should be on quality of delivery rather than just reach
  - Fund research into the impact/risks of PbR on joint innovation and market entry of new TSOs into delivery to facilitate decision-making
  - More accessible help with developing Social Impact Bonds and accessing social investment or less 'traditional' funding streams which focus on innovation and outcomes.

➤ **Local govt infrastructure could play the following role in supporting TSOs to bid for contracts:**

- More local events should take place to enable orgs to access knowledge and learning from other TSOs, without there being unnecessary demand on time, resources and money (e.g. senior staff attendance, travel and accommodation costs).
  - Local authorities are well-placed to deliver these as they have deep knowledge of local needs and the shape of possible delivery models which would achieve most impact; they also have spaces to deliver events at low or no cost.
  - Local Commissioners should ensure that programme evaluations involve local service users and take account of the context of local needs.
  - Local bodies should encourage local consortium bidding and support them with resources where possible.
-

**From: DWP Labour Market Interventions Strategy Division**

**To: London Assembly Economy Committee**

**Date: 10 July 2015**

**The Role of the Voluntary, Community and Social Enterprise Sector in Employment and Skills Programmes**

**The Work Programme**

1. The Work Programme is the Government's flagship employment support programme for people who are long term unemployed or at risk of becoming so. The Programme supports a range of claimant groups including many who were not previously supported by a programme on this scale. It is delivered by a range of private, voluntary and public sector providers who are free to tailor support to individual and local need and who are paid for the results they achieve in supporting people into sustained employment. 433,000 people have moved into sustained employment through the Work Programme as of March 2015.
2. To deliver the programme, the Department for Work and Pensions (DWP) contracts directly with large prime providers who are able to manage payment by results contracts on a large scale. This model has delivered efficiencies and economies of scale, securing value for money for taxpayers. Two of the 15 Work Programme primes are from the voluntary, community and social enterprise (VCSE) sector.
3. Prime providers are free to assemble and manage supply chains to deliver some or all of their support. This enables them to harness the expertise of the best specialist organisations, including many VCSEs. There are currently 96 Tier 1 and 297 Tier 2 VCSE subcontractors listed in prime providers' supply chains.
4. The majority of subcontractors have adapted well to this model and over two thirds of those surveyed for the Work Programme Evaluation, published in 2014 intending to maintain or increase their involvement in delivery.
5. The Work Programme Building Best Practice Group was commissioned by the Minister for Employment in March 2013 to, among other things, review how VCSE involvement in the current and any future programmes could be optimised. The Group's members included The Association of Chief Executives of Voluntary Organisations, The National Council of Voluntary Organisations and a number of welfare to work providers from the sector. The group published a report in December 2014 alongside a government response in which DWP committed to implementing many of its recommendations either in current or future contracts. These include extending procurement timescales in any future programme to enable smaller specialist organisations to assemble high quality bids for contracts, and

working with partners across and outside government to build organisations' capacity to engage with large scale payment by results programmes.

6. DWP's 2014 Commissioning Strategy also set out our intention to explore the possibilities new funding streams such as social investment bring in terms of helping to ensure a diverse market for the delivery of employment support programmes.

#### Future Co-commissioning Opportunities

7. We have had initial discussions with London officials, and will continue to explore piloting joint commissioning of the next round of Work Programme contracts over the coming months. We would expect any approach taken to develop the evidence base around the impacts of joint commissioning on outcomes.
8. DWP will work with London officials to further develop a model of joint commissioning that could be taken forward. We would look to retain significant core elements of any national programme in a jointly commissioned programme, and would look to match the level influence over joint commissioning with the level of resource and funding that the local area could contribute to the programme.
9. At this stage it is difficult to say what impact joint commissioning might have on VCSE providers as this would largely depend on the policy priorities of the commissioners.

#### How Jobcentre Plus Engages with VCSEs in London

10. VCSEs deliver much valued support to disadvantaged claimants and the wider community in London. Jobcentre Plus pays for local services from such organisations to help people into work through its Flexible Support Fund as well as signposting claimants to available support.
11. The Flexible Support Fund is a discretionary fund administered by local Jobcentre Plus District Managers to help claimants back to work or to progress closer to work. It covers costs for bespoke training, travel, childcare, tools, equipment, fares for travel to interviews and commissioning employability support where gaps are identified in mainstream provision.
12. This provision tends to be on a relatively small scale and is purchased from organisations which offer niche, specialist and usually community based support. Payment models usually mean a percentage of the grant is made on a payment by results basis, which varies depending on the difficulty of achieving the result. Last year over 260 partnership grants to the overall value of around £7.5m were awarded to VCSEs through the Flexible Support Fund.

## **Voluntary and community sector role in employment and skills: London Assembly enquiry**

### **1. Are there particular characteristics in London which help or hinder third sector involvement in delivering employment and skills programmes?**

- Is the third sector sufficiently linked in with the capital's employers?

This is best answered by the third sector. London Councils does not feel it has enough information to answer this question.

- How well is the employment and skills potential of London's third sector assessed and understood?

Many London local authorities work closely with third sector organisations and recognise the value they bring to the employment and skills landscape, often in the form of specialist expertise that some of the Primes<sup>1</sup> may lack. Third sector organisations often have excellent connections to local communities, particularly more disadvantaged groups and know their local economy extremely well. Yet this closeness to communities (which is in part a function of size) is sometimes what rules out these groups from being able to realistically bid to provide large scale, mainstream employment services. The VCSE sector also provides a number of volunteering and work experience opportunities, as employers themselves.

- How can the third sector best offer work experience opportunities to jobseekers?

By linking in more with providers (e.g. JCP) who are directly trying to get clients into work. By providing bespoke job placement opportunities for people trying to get into work.

### **2. How do central and local government's policies affect the third sector's involvement in employment and skills programmes?**

- What has been the impact of new commissioning models such as 'payment by results'?

London Councils supports PbR models but recognises they must be designed in such a way that incentivises providers to work with clients with different needs and requirements.

- Does current commissioning practice encourage the third sector to address skills shortages and foster job creation?

Some contracts may be too large (in geographical and/or financial scale); require providers to take financial risk and the commissioning timeline can be too fast to allow VCSE organisations to put together a competitive proposal. This may discourage the third sector from bidding for these contracts.

- Does the current commissioning framework allow providers to support people to progress in work, particularly low-paid workers?

In-work progression is a relatively new area of work. Very few commissions focus on in-work progression and those that do have only recently started. It is therefore not possible to say whether current commissioning frameworks are working for third sector providers.

<sup>1</sup> Private and public companies, that take the lead and have contractual responsibility to find work for claimants transferred to them from Jobcentre Plus at specified points in their claim.

### 3. How could the Mayor, central and London government ensure a diverse supply chain for employment and support programmes in the capital, which includes the third sector?

- Could funding, commissioning, procurement and contracting practices be improved?

Yes in the following ways:

#### *Bidding*

- a. Lead partners should ensure potential small VCSE partners are not subject to large management fees when joining a bidding partnership or consortium

#### *Contracting with subs*

- b. Lead partners should avoid removing small VCSE partners from a partnership between contract award and delivery starting without adequate reason
- c. Contracts/Agreements with small VCSE partners to replicate clauses from the Lead Partner's Agreement with the commissioner - to protect either the small VCSE, or the objectives of the project and the commissioner
- d. Charging an up-front administration fee to small VCSE partners to be a project delivery partner after the lead partner has been awarded a grant/contract should be avoided.
- e. Lead partners to establish fairer payment models that don't just focus on the 'final outcome' or other similar payment structures with small VCSE partners. This would avoid passing an unfair level of risk to the sub-partners that does not reflect the commissioner's payment structure.
- f. Sub-contracts/Agreements should not include unreasonably high fines for small VCSE partners who submit project documentation late.

#### *Payments to subs*

- g. Lead partners to pass on an appropriate proportion of the advance to small VCSE partners, to help with any potential cashflow problems.
- h. Lead partners should not withhold or delay payments from small VCSE partners for claims which the lead partner has verified as correct.

#### *Project delivery*

- i. Minimum delivery standards to be considered are included in the LEP's research and evaluation of the 2007-13 ESF programme, see here:  
<https://www.london.gov.uk/sites/default/files/2015%2003%2011%20ESF%202007-13%20Final%20report.pdf>

#### *Project management*

- j. The lead partner establishes a steering group with representation from small VCSE partners and/or commissioners and cross collaboration with other lead/ delivery organisations.
- k. The lead partner to share evidence requirements with small VCSE partners from the outset, to avoid omissions of data, and/or ineligible or delayed claims.

#### *Contract termination*

- l. The lead partner should only be able to terminate a sub-contract/agreement because of a legitimate concern or complaint.



### *Commissioning:*

- m. When commissioning employment support for disadvantaged groups, contracts could include some 'progress' payments as well as job outcome payments; likewise, contracts could ensure some up-front payment to provide some cashflow for providers when using PbR. Contracts should actively be managed to make sure they meet the needs of sub-contractors. For example the 2009 – 2013 London Councils' ESF programmes were designed to ensure that clients with complex needs were not 'parked'. Contractors targeted economically inactive residents, and 15 per cent of contract funding was paid up-front, allowing smaller specialist VCS organisations to work with this particular client group, alongside strong contract and performance monitoring.
- Are there examples of good practice which could be shared or adopted more widely in the capital?
- How could devolution of employment programmes help to address barriers?  
Under a devolved system commissioners should remain committed to appointing the best provider regardless of whether they are private, public or third sector. However the focus in a devolved system will be on integrating services and working in line with local needs and nuances. VCSE organisations have expertise in doing this and their skills would be valuable. In addition to this contract packages may be smaller, making it easier for consortium of VCSE providers to work together to deliver a competitive bid.