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Cities Strategy

1.0 About ERSA

- 1.1 ERSA is the representative body for providers of publicly funded employment programmes. It aims to raise the profile of the provider network with interested parties, and constructively engage with Government and other policy-makers on issues affecting its membership.
- 1.2 ERSA's membership consists of both private companies and not-for-profit organisations, ranging in size from small organisations to some of the largest providers in the UK.¹ ERSA's members collectively represent a significant proportion of the sector with over 50% of Jobcentre Plus provision spend going to ERSA members.
- 1.3 Public policy has created a mixed economy within welfare to work service delivery. Independent providers compete to secure contracts to deliver employment outcomes for customers. For instance, 60% of the rolled-out Pathways to Work initiative will be delivered by the private and voluntary sectors. Welfare to work policy is a facet of the wide-ranging public service reform embarked upon by the Government to increase customer choice, service-user involvement and achieve higher standards of delivery.

2.0 Introduction

- 2.1 ERSA welcomes the concept of the Cities Strategy as a means of devolving power and funding to a local area, thereby increasing the flexibility and effectiveness of employment service provision within that area. The services offered should be shaped to a greater extent by the service-user and will be responsive to the particular employment service needs of communities living, or seeking employment, within the area of the Strategy.

¹ ERSA's membership as at 23 January 2007: A4E, Action for Blind People, Agens International, Breakthrough UK, Carter and Carter Group, DISC, Employment Opportunities for People with Disabilities, Enham, Inbiz, Instant Muscle, Maatwerk, Mencap, OSW, Papworth Trust, Pecan, Pluss Organisation, Rathbone, RBLI, Reed in Partnership, Regenerate Glasgow, Remploy, RNIB, RNID, Salvation Army, Seetec, Sencia Group, Shaw Trust, TNG, Tomorrow's People, Turning Point, Working Links, WTCS Ltd, YMCA Training

- 2.2 ERSA recorded its support for the concept of the Cities Strategy proposals within the submission it made jointly with ACEVO in April 2006 to the Welfare Reform Green Paper 'A New Deal for Welfare: Empowering people to work' consultation. Nevertheless, many of the concerns regarding the practical application of the proposals made in that response do not appear to have been addressed adequately.
- 2.3 ERSA represents a wealth of expertise within the sector both in terms of securing employment outcomes and knowledge of local labour markets and employment service needs. ERSA wishes to offer this expertise to contribute towards a successful Cities Strategy programme.

3.0 Cities Strategy and the Independent Sector

- 3.1 'A New Deal for Welfare: Empowering people to work' stated that, "Each consortium will be expected to use private and voluntary sector providers to deliver additional investment and employment support under contract."² A concern expressed by ERSA when responding to the Green Paper was that local Authorities with a service delivery arm may be reluctant to engage.³ Since this time, this concern has been borne out by our experience.
- 3.2 There has been very little consultation by local consortia with the private and voluntary sectors; and where ERSA members have attempted to engage, these approaches have largely been speculative and it has proved difficult to assist in a constructive way. This is of concern for three reasons.
- 3.3 Firstly, the knowledge and expertise that the independent sector represents is not being utilised. Thus Cities Strategy as a programme may not be prove to be as successful in practice as it has the potential to be. It would be a great shame if such an innovative and exciting new welfare to work initiative becomes merely a missed opportunity.
- 3.4 Secondly, the stated aim of being "expected to use private and voluntary sector providers" is not being implemented. If this does not happen at the start of the process, operationally it will make it much more difficult for the independent sector to support the objectives of a consortium that is already underway and delivering. It is hard to see how the private and voluntary sectors would be welcomed by a local consortium delivering its Cities Strategy if it was not willing to do so in the design and initial implementation of the strategy. Again, this is of concern because of the added value to the Cities Strategy the independent sector could bring.
- 3.5 Lastly, the initial concern reported by ERSA in the Green Paper consultation response of a possible reluctance by Local Authorities to use the independent sector for delivery has been seen in practice in two forms. Firstly, in one Local Authority partnership an ERSA member has had to submit to branding only under the local partnership banner without reference to their individual organisation. There is a concern that this is with a view in the long term to the Local Authority 'mainstreaming' the work and ultimately taking the activity away from the private and voluntary sector by assimilating staff into the Local Authority.⁴ If the Cities

² 'A New Deal for Welfare: Empowering people to work' , Department for Work and Pensions, January 2006, p. 77

³ 'Welfare Reform Green Paper: A New Deal for Welfare: Empowering people to work', ERSA-ACEVO Joint Submission, April 2006, p.17, para. 8.3

⁴ Information supplied to ERSA Cities Strategy sub-group 18 January 2007.

Strategy consortia take a similar approach it would be a realisation of the initial concern. Secondly, ERSA members have reported a negative approach to the independent sector, particularly in relation to having a profit motive. Whether this is because of a lack of awareness by local consortia of the success the private and voluntary sectors have achieved in securing employment outcomes; or if this is a prejudice against the sector, involvement of the private and voluntary sector is a stated aim of the Cities Strategy and we contend that the local consortia should not be formulating views about the sector without first engaging with providers and establishing what they can offer.

3.6 ERSA hopes that in the assessment of local consortia business plans, the proposed role for the private and voluntary sectors will be an important criterion for approving the plans. Each proposal should explicitly state the engagement strategy of the consortia in utilising the private and voluntary sector to ensure both that their role has been considered by the consortia as an integral part of the strategy, and that engagement will be on a clear and transparent policy based on the principals of contestability.

3.7 It is clear that there has been a lack of involvement of the private and voluntary sector thus far in the development of Cities Strategy. ERSA has made repeated requests from an early stage to be involved in the process of the design of the programme, but disappointingly, these offers have not been taken up. Unfortunately the Jobcentre Plus Provision Forum meeting on the Cities Strategy was also postponed, meaning that this issue will not now be discussed with providers until after the consortia business plans have been approved. ERSA believes that to fulfil the potential of the Cities Strategy this situation must be remedied as soon as possible, and we again offer to be available for consultation on this issue and would welcome the opportunity to contribute to the programme.

3.8 ERSA notes that it is a national organisation seeking to work within the local nature of Cities Strategies. ERSA would welcome the opportunity as a representative body to raise awareness within local consortia of the role played by the private and voluntary sector in welfare to work delivery and how it could contribute to a successful Cities Strategy. Individual ERSA members operating within an area would then be able to offer their specialist expertise to the local consortia if they wished to be involved. Given the difficulties experienced with engagement thus far, central governmental facilitation may be required to achieve this.

4.0 Procurement

4.1 ERSA believes that good procurement practices are essential to delivering successful and efficient programmes. We recognise that central government has recently done much to improve procurement; however we have observed that there are vastly differing methods and standards of procurement between central and local government. ERSA members have reported poor examples of tendering carried out by Local Authorities, for instance with very short lead times of two or three weeks.⁵

4.2 In ERSA's response to the Welfare Reform Green Paper, ERSA highlighted the issue of procurement and recommended that this should be considered before the policy framework was set.⁶ We are still not clear how the local consortia would contract with the private and voluntary sector. If all consortia operate their own procurement strategies, it not only lacks

⁵ Information supplied to ERSA Cities Strategy sub-group 18 January 2007.

⁶ 'Welfare Reform Green Paper: A New Deal for Welfare: Empowering people to work', ERSA-ACEVO Joint Submission, April 2006, p.17, para. 8.3

consistent quality control but also increases bureaucracy and inefficiency. Each potential contractor would have to work to a different standard and produce different information and data for each consortium they wished to work with. There are existing examples, for instance in Birmingham and Newcastle, of Local Authorities drawing up their own procurement models. Although it is encouraging to see Local Authorities recognising the need for applying standards in their procurement responsibilities, the procurement methods used should be based on examples of national best practice to ensure consistency across local consortia.

- 4.3 To avoid the adverse affects of poor procurement, ERSA believes that national standards for procurement, based on examples of best practice, should be published for use by central and local government. This would also be an opportunity to entrench equality and diversity as a procurement consideration. In the case of the Cities Strategy, it is particularly important that the consortium reflects the communities within its local area in order to have a specialist understanding of the barriers to employment those communities have. All Cities Strategy consortia would have access to these national guidelines to inform their procurement strategy and would be expected to follow them. ERSA would be pleased to assist in drawing up standards for procurement based on our members' experiences of the impact that procurement practice has on the successful delivery of contracts.

5.0 Benefit Savings Reinvestment

- 5.1 There have been mixed messages on the issue of benefit savings reinvestment in the Cities Strategy. When the initial proposals for the Cities Strategy were discussed, it was made clear that it would provide an opportunity for recycling benefits savings.⁷ This was taken to be part of the new and innovative aspect of the Cities Strategy programme. However, no further information about benefit reinvestment has been forthcoming and when asked about this topic recently at the Work and Pensions Select Committee, Jim Murphy spoke in terms of Pathways to Work and said that it would have to prove a success for IB claimants in Pathways before extending to others.⁸

⁷ (Roger Berry MP) "Given that enabling someone to work reduces benefit payments and increases tax revenue and national insurance contributions, is my right hon. Friend working closely with the Treasury to ensure that the savings from more people achieving employment will result in more investment in pathways to work?"

(Rt. Hon. John Hutton MP, Secretary of State for Work and Pensions) "I work very closely with the Treasury on all such matters... I draw his attention to the part of the Green Paper that set out our plans in relation to the new city strategy, which is one area where we will be able to make progress in the direction to which he referred." , Parliamentary Record, 12 June 2006, Column 512.

⁸ (Jim Murphy MP, Minister for Employment and Welfare Reform) "On incapacity benefit customers we have got an agreement in principle from the Treasury to use the success that we see through Pathways, with the opportunity and the legal framework that the Welfare Reform Bill provides, to support a million people off incapacity benefit over a decade. There is the agreement in principle now in place to enable that recycling of benefit savings so that that can be invested in further success. That is a real shift in terms of how we fund and incentivise the welfare system and the welfare market. If we establish that on a successful basis there is no reason why in theory it could not be extended to other customer groups." Uncorrected Oral Transcript, Work and Pensions Select Committee, 18 December 2006, www.parliament.uk

5.2 ERSA supports the principle of benefit savings reinvestment. We believe it represents good value to the taxpayer to recycle at least a proportion of the savings made from achieving employment outcomes into improving services and helping more customers. It would be a distinguishing aspect of the Cities Strategy programme to have reinvestment integral to the mechanism of the programme. We would like to have a clear statement from government as to whether reinvestment will happen within Cities Strategy areas and how this would work in practice.

6.0 Commercial Implications

6.1 ERSA is concerned about the implications contained within the document 'Provider Led Pathways to Work and Cities Strategy Pathfinders: Probity and Propriety (Chinese Walls)'.⁹ It suggests that becoming a consortium partner may compromise a provider's activity within Pathways tendering in Phase 2, as a prime-provider and a sub-contractor. ERSA members would wish to engage with consortia but not if they were to jeopardise themselves commercially.

6.2 ERSA would like this matter clarified and would like to work in partnership with government to find a way forward to enable the private and voluntary sector to be involved in the design of Pathways stage two programmes within the four Pathfinder districts without compromising their commercial position. It is ERSA's understanding that the 'Think Learning Network' will be an advisory body to the consortia, and that involvement in the design and terms of reference of these networks will be an appropriate way for ERSA members to be involved in the process without compromising themselves commercially.

7.0 Conclusion

7.1 ERSA supports the Cities Strategy initiative but is concerned at the lack of opportunity afforded to the private and voluntary sector to participate. ERSA would also like clarity over the potential commercial implications of being involved with a consortium.

7.2 It would be helpful to gain an understanding of the long-term aim for the Cities Strategy. This would enable ERSA to contribute more constructively with the process. For instance, if consortia will be taking over the tendering of Pathways in their City regions in the future, it makes it even more crucial that procurement standards are nationally applied.

7.3 ERSA wishes to make it clear that it is available for consultation and wants to be of assistance to local consortia in order to make the Cities Strategy a ground-breaking and successful programme to tackle the residual pockets of worklessness and deprivation in Cities.

⁹ 'Provider Led Pathways to Work and Cities Strategy Pathfinders: Probity and Propriety (Chinese Walls)', Version 2.0, 15 December 2006, Michelle van Toop, DWP Procurement Division.