

One East Midlands conference

'Changing the rules, not just explaining the rules' – The third sector, policy and the future of funding at local, regional and national levels'

Friday 1st December 2017

The third sector, policy and the future of funding at local, regional and national levels, including:

The Shared Prosperity Fund (post Brexit ESIF replacement fund) - what works according to the third sector?

The decision to leave the European Union, a new minority government and wider global changes will fundamentally alter our country's economic, political and social landscape.

This is an important time to take stock of current situation and think about the changes we want to see.

Our sector's funding, particularly following the loss of European contributions, is obviously a key concern and it is in everyone's interest to ensure a sustainable transition.

State of the sector

Voluntary organisations are already helping to build a more social economy:

- 166,000 charities with a paid workforce of 853,000 people. For comparison, the NHS, which is the single largest employer in the UK, employs twice as many people. Tesco employs about half as many people.
- The estimated value of the voluntary sector in the UK national accounts is £12.2bn, or 0.7% of the country's GDP. This contribution is similar to the GDP of Cyprus in 2015.
- More than one quarter of the population volunteer at least once a month, equal to more than 14 million people throughout the UK. The value of formal volunteering was estimated to be £22.6bn in 2015.

Financial overview – The latest data relates to 2014/15, and shows an increase in both the income and the spending of the sector:

- Overall income rose to £45.5bn, continuing the increase seen in the previous year.
- Total spending was £43.3bn, so around 95% of its income (£30.2bn on carrying out their charitable activities, £6.4bn on grants, £5.9bn on generating funds and £0.9bn on governance).

Despite the positive headlines, the sector faces significant financial challenges:

- Our data shows that local government funding has fallen from a peak of £8.2 billion in 2007/2008 to £7.1 billion in 2014/15.
- The sector's growth was predominantly amongst the very largest organisations and remains dominated by contracts or fees, with grants making up only 19% of government income.
- While grant funding from charitable foundations and the like has stepped up to fill some of the gap left by government cuts, the Association of Charitable Foundations been clear that grant funding cannot wholly plug this gap without a serious detrimental effect on the sustainability of grant making in the future.

Impact of Brexit

Our sector is likely to lose out further because of Brexit. For many years, a meaningful proportion of our sector's funding has come from the EU.

- The European Social Fund has been a major source of revenue: between 2007-2013 the UK received €4.47bn of ESF funding, which when matched by national co-funding, brought the total

spend on ESF projects to €8.6 billion. A further €3.5bn has been allocated to the UK for the period from 2014 to 2020.

- Charities have also been able to access funding and opportunities for collaboration, for example through the Horizon 2020 innovation programme.

It is hard to obtain a precise total figure, but the latest estimates tell us that we will lose over £200 million a year – and this doesn't include the match funding that most EU funding attracts.

Importance of ESF

ESF has offered crucial investment for the UK in education, training and employment support, specifically targeting some of the most vulnerable groups through a broad range of programmes and initiatives. These funds have been incredibly important in generating positive employment and skills outcomes, particularly for the most deprived communities.

The withdrawal of ESF without a replacement programme in place would have a serious impact on the vital support some of the most disadvantaged communities receive.

For example in East Midlands:

- Links to Work is co-financed by DWP and aims to support unemployed and inactive people in Leicester & Leicestershire into work. Over three years, the programme will facilitate

participants moving closer to the labour market, by helping local people to identify their strengths, skills and abilities, and to overcome any barriers that they have to employment.

The project will support up to 1681 clients from the Leicestershire Local Enterprise Partnership area, and aims to help 698 people into short job outcomes (13 weeks) and 625 sustained job outcomes (26 weeks). This project is also helping many people gain confidence in applying for jobs by linking with other local organisations.

Shared Prosperity Fund

It is therefore essential to ensure proper investment in education, training and employment support continues when we leave the European Union. And to design it in a way that enables experts in learning, skills and employment provision from the charity sector to fulfil their potential and deliver the best possible outcomes for the disadvantaged.

We were all encouraged to see the commitment in the government's manifesto to deliver a 'Shared Prosperity Fund', using our departure from the European Union as an opportunity to better reduce and eliminate inequalities between communities across our country.

It has been promised that the UK Shared Prosperity Fund will be cheap to administer, low in bureaucracy and targeted where it is needed most.

There's currently little detail about the precise design and priorities of the fund. But government has committed to consult widely – a commitment that was restated earlier this week in the Industrial Strategy.

We expect the consultation to launch in the new year.

Until then, it's not certain whether the Shared Prosperity Fund will be the vehicle for replacing ESF, or whether there will be a separate successor fund to ESF.

But we have assumed that SPF will play a role, so we see this as a unique opportunity to improve the design and delivery of employment and skills funding.

Proposals on ESF replacement

Despite the many successes of structural funds, leaving the EU provides an opportunity to design a better, world-leading initiative to replace the investment made through ESF.

This is why NCVO and ERSA (the Employment Related Services Association) have brought together experts in learning, skills and employment provision to develop a framework for a successor fund.

First of all, we agreed on what the fundamental aims and key aspects of this successor funding should be:

- It should invest in services that support disadvantaged and hard-to-reach communities neglected by mainstream state provision. In doing so, it will help tackle the UK's current skills gaps and productivity challenges and deliver a thriving labour market in line with the government's Industrial Strategy. It will also make communities better positioned to generate local opportunities for themselves and more economically resilient.
- It should reflect cross-cutting themes such as equal opportunities and gender mainstreaming, and be orientated around tackling inequality and ensuring the representation of marginalised communities.
- It should be led through partnerships that develop community-driven solutions which build social cohesion and opportunities for people on the margins of society.
- And, last but certainly not least, the total amount of money provided for a successor fund should be no less than existing levels of ESF funding currently provided to the UK to ensure

hard-to-reach communities continue to be adequately supported.

Key design principles

Then, through a series of workshops and meetings with experts from the voluntary and private sectors we identified a set of principles that should inform the design of this successor funding.

These will help address lessons learnt from the distribution of ESF and create an efficient and effective replacement fund.

1. A successor fund to ESF should take a holistic approach by promoting service integration, preventative action and community cohesion. This will ensure that it delivers interventions that reflect the link between health, wellbeing and employment services.

This is because we know how issues related to health and well-being can make finding work or participating in training programmes difficult for certain groups. Similarly, an individual's ability to find work or take part in activities that increase their likelihood of finding employment can have a positive effect on other wellbeing factors such as mental health.

2. Any successor fund to ESF should support the provision of services that are currently missing in mainstream provision. We are clear, it should not be used to subsidise existing state provision. We should be using this as a way to create a clear route of employment support for disadvantaged groups and people with complex needs neglected by existing public services.

3. It should also be developed and delivered by bringing together charities, statutory partners, LEPs, voluntary sector infrastructure organisations, skills, training, employment support providers and other partners with specific areas of expertise and knowledge of local and regional needs.

4. The fund should be partly used to develop innovative ways of tackling entrenched social problems. By broadening the mix of delivery and development partners to include non-traditional actors with a good understanding and engagement with disadvantaged groups, such as service users and volunteers, a successor fund to ESF could significantly improve the reach and effectiveness of employment, skills and learning provision.

5. It should include programmes with a mix of short-term trials and long-term funding. The short-term trials would allow flexibility and the possibility to test new ideas, while long-term funding would ensure financial certainty for commissioners and providers, and continuity of support for service users. It would also enable the development of forward thinking strategies, such as the use of preventative or early action initiatives.

6. A replacement fund will benefit from not having to deal with the bureaucracy of EU legislation around co-financing, and should therefore be better able to support a quicker process for identifying need and allocating funding.

Funding should be allocated to meet local needs: this will require flexibility as we know that there is an uneven distribution of disadvantage, with many so-called 'disadvantage hotspots'.

It should also be shaped by organisations that understand the needs of communities and individuals best: so for example you could have regional boards consisting of statutory partners, LEPs, local voluntary sector infrastructure organisations, skills and training and employment support providers, alongside other partners with specific areas of expertise and knowledge of local and regional needs.

7. The effectiveness of the fund to deliver the range of services to all the different target groups will require a diversity of providers, each specialising in specific areas of activity. To achieve this, a successor fund to ESF needs to ensure accessibility of funding to locally based providers of all sizes, who are close to the needs of disadvantaged and vulnerable groups, and have relevant specialist understanding and expertise.

We have published these principles today, as we want to influence the shape of the consultation itself, and ensure it is asking all the right questions.

We want to act early because this is a rare opportunity to develop an initiative that will provide critical support to many of the most disadvantaged and vulnerable members of society, from young people to those who are long-term unemployed, people with disabilities and health conditions, and people facing multiple complex barriers to employment.

If you have experience – either good or bad - of delivering ESF programmes, my policy team would love to hear from you. Your feedback will help us make a stronger case to government when the consultation is launched next year.

Earlier in my speech I focused on the financial and funding challenges facing our sector, and the loss of ESF is part of that. But building a successor fund is so much more than that: it's about creating a fairer and more inclusive society, where all communities have an opportunity to contribute to economic growth, and no individual feels left behind.