Government Response to the Work and Pensions Select Committee Report into the European Social Fund

Presented to Parliament
by the Secretary of State for Housing, Communities and Local Government
by Command of Her Majesty

June 2018

Cm 9656

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at:

Ministry of Housing, Communities and Local Government
Fry Building, 2 Marsham Street
London SW1P 4DF
Tel: 0303 444 0000

ISBN 978-1-5286-0622-6

CCS0618960048 06/18

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

GOVERNMENT RESPONSE TO THE WORK AND PENSIONS SELECT COMMITTEE REPORT INTO THE EUROPEAN SOCIAL FUND

Introduction

1. The Government welcomes the Work and Pensions Committee's report into the European Social Fund (ESF). We would also like to thank the witnesses who gave evidence to the committee as well as the Employment Related Services Association (ERSA), which provided written evidence. Together, they have many years of experience of European funding; their insight is immensely valuable and we are grateful for it.

2. The ESF focuses investment on people who are at a disadvantage in the labour market as well as people seeking to improve their skills. This includes those who are long-term unemployed, disadvantaged young people, offenders, people with disabilities and people who are in work but do not have basic skills.

3. That said, the specific priorities for the fund have been dictated to us by the European Union (EU), they have not always reflected our own priorities and we have been strictly governed in the way the fund is delivered – a reality made worse by the UK being a net contributor to the EU's budget with the money derived from UK taxpayers. The committee's report identifies many of these flaws. At its worst, the bureaucracy can be considered "prohibitive" to some frontline providers.

4. The UK's exit from the EU provides us with an opportunity to redefine the way we spend money previously allocated to European programmes. As the committee report states: "we have an opportunity to design a truly world-leading successor to the current fund." For the first time in 40 years, we will invest our own money in our own priorities.

5. We believe in one nation – in helping every part of our country to share in the prosperity of our United Kingdom. We are building on a strong track record. The UK has one of the most successful labour markets in the world. Our employment rate is at a near-historic high point, female participation is at a joint high point and unemployment at a 40-year low. There are nevertheless profound challenges we face as a country.

6. Since 2008 productivity growth has stagnated and there remain unacceptable levels of inequality between communities across the four nations of our Union. This Government wants everyone to take part and enjoy the fulfilment that comes from meaningful work. We will work to narrow disparities between communities in skills and education and remove barriers faced by under-represented groups to realising their potential. We will ensure that everyone has the opportunity to improve their skills throughout their working lives.

7. Further, there is more to be done to tackle low pay, address skills mismatches and support people to progress in their work. These challenges manifest themselves in different ways in different places. Profound national changes in the workplace will affect places in different ways too, with the advance of automation and changes in the labour market as we leave the EU and embark on a new relationship with the rest of the world.

8. To tackle these inequalities and the disparities between communities we need to invest in the foundations of productivity set out in the Industrial Strategy: ideas, people, infrastructure, the business environment and place. The Government's manifesto commits to create a UK Shared Prosperity Fund to reduce inequalities between communities across our four nations. The manifesto commits to delivering sustainable, inclusive growth based on our modern Industrial Strategy. The fund will be cheap to administer, low in bureaucracy and targeted where it is needed most.

9. As we leave the EU, we want to give businesses, public bodies, voluntary and community organisations and individuals the opportunity to contribute their views on the UK Shared Prosperity Fund. The manifesto committed to consult on the new fund and we intend to do so later this year. We welcome the views of the committee and its witnesses and will take these into account as we continue to design the new fund.

10. We do recognise, though, that local places need certainty over their funding. The draft Withdrawal Agreement states that the UK will continue to participate in all EU programmes financed by the multiannual financial framework (MFF) 2014-20 until its closure. This means that the UK will remain in the ESF until the end of the MFF. For local places it is business as usual. They can continue to apply for EU funding with confidence over the full programme period.

11. At the same time, the Government continues to plan for all exit scenarios. The Government guarantee made in October 2016 will stand in a 'no-deal' scenario. Government will pay for all projects signed before we leave the EU in March 2019, providing they are good value for money and align to domestic priorities.

Recommendation one

"Establish a new arm's length body, or create an arrangement with an existing one, to hold the fund's budget, dovetailing existing funding streams so programmes can meet effectively all of their participants needs."

12. We note the recommendation of the committee to create an arm's length body to hold the fund's budget. It is though the Government's policy that new arm's length bodies should be set up as a last resort, when consideration of all other delivery mechanisms have been exhausted. The Government manifesto commits to design the UK Shared Prosperity Fund so that it is cheap to administer, low in bureaucracy and targeted where it is needed most. We are considering a number of ways to achieve this outcome.

Recommendation two

"Retain a separate fund within the UKSPF for employment support. The separate fund should focus on innovative projects that offer work opportunities and skills development to disadvantaged groups (for example, disabled people) in areas of clear economic and social need."

13. The UK Shared Prosperity Fund will be designed to reduce inequalities between communities across our four nations. The Industrial Strategy white paper identified the need to narrow disparities between communities in skills and education and help people from under-represented communities to realise their full potential.

14. The Government also recognises the criticism of the current delivery method of the ESF. As the committee heard, parts of the budget being held by different bodies orientated to different outcomes "produces siloes and insufficient flexibility to deliver the "truly wrap-around support an individual would need." The Government is considering how the structure of a replacement ESF can address these criticisms. We will take into account the finding of the committee and views of its witnesses.

Recommendation three

"Ensure flexibility of local funding mechanisms for both longer-term (with funding cycles of at least seven years, as in the current fund) and short-term programmes."

15. The duration of any funds created to replace EU funding will be determined at the Spending Review.

Recommendation four

"Reduce overall bureaucracy for providers enabling them to focus on what really matters: value for money, building understanding of 'what works' in employment support, and fostering new entrants."

16. A working group between the Employment Related Services Authority and the National Council for Voluntary Organisations described ESF bureaucracy as "prohibitive" and that it has prevented providers from delivering programmes to their full potential. Stripping back unnecessary bureaucracy and making it easier for local places to access funding is an absolute priority in designing any new fund.

Conclusion

17. The Government would like to thank again the committee for its report and the witnesses for their invaluable contributions. As the committee report concludes, this is a historic opportunity to design a fund that is the “envy of Europe”. To achieve this, we want to give all interested parties: businesses; public bodies; voluntary and community organisations; individuals - all of whom have decades of experience of European funding - the opportunity to have their say in the way the United Kingdom Shared Prosperity Fund should work. We have committed to a public consultation and intend do so later in the year. We look forward to receiving the responses.

CCS0618960048
978-1-5286-0622-6