AGENDA

Meeting	**Economy Committee**
Date	**Thursday 17 January 2019**
Time	**2.30 pm**
Place	**Chamber, City Hall, The Queen's Walk, London, SE1 2AA**

Copies of the reports and any attachments may be found at
www.london.gov.uk/mayor-assembly/london-assembly/economy

Most meetings of the London Assembly and its Committees are webcast live at www.london.gov.uk/mayor-assembly/london-assembly/webcasts where you can also view past meetings.

Members of the Committee

Susan Hall AM (Chairman)
Andrew Dismore AM (Deputy Chair)
Jennette Arnold OBE AM
Shaun Bailey AM
Caroline Russell AM
Fiona Twycross AM

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

Ed Williams, Executive Director of Secretariat
Wednesday 9 January 2019

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Clare Bryant, Committee Officer; telephone: 020 7983 4616;
Email: clare.bryant@london.gov.uk; minicom: 020 7983 4458

For media enquiries please contact: Giles Broadbent, External Communications Officer;
Telephone: 020 7983 4067; Email: giles.broadbent@london.gov.uk. If you have any questions about individual items, please contact the author whose details are at the end of the report.

This meeting will be open to the public, except for where exempt information is being discussed as noted on the agenda. A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other means is available at www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf.

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Certificate Number: FS 80233

Agenda
Economy Committee
Thursday 17 January 2019

1 Apologies for Absence and Chairman's Announcements

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

2 Declarations of Interests (Pages 1 - 4)

Report of the Executive Director of Secretariat
Contact: Clare Bryant, clare.bryant@london.gov.uk, 020 7983 4616

The Committee is recommended to:

(a) Note the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, as disclosable pecuniary interests;

(b) Note the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s); and

(c) Note the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at Agenda Item 2) and to note any necessary action taken by the Member(s) following such declaration(s).

3 Minutes (Pages 5 - 42)

The Committee is recommended to confirm the minutes of the meeting of the Committee held on 20 November 2018 to be signed by the Chairman as a correct record.

The appendix to the minutes set out on pages 9 to 42 is attached for Members and officers only but is available from the following area of the Greater London Authority's website:
www.london.gov.uk/mayor-assembly/london-assembly/economy

4 Summary List of Actions (Pages 43 - 46)

Report of the Executive Director of Secretariat
Contact: Clare Bryant, clare.bryant@london.gov.uk, 020 7983 4616

The Committee is recommended to note the completed and outstanding actions arising from its previous meetings.

5 Tackling the Disability Employment Gap (Pages 47 - 54)

Report of the Executive Director of Secretariat
Contact: Pauline Niesseron, pauline.niesseron@london.gov.uk; 020 7983 4843

The Committee is recommended to:

(a) Note the report as background to the discussion with invited guests on the disability employment gap in London and note the subsequent discussion; and

(b) Delegate authority to the Chairman, in consultation with party Group Lead Members, to agree an output from the meeting.

6 Response to the Committee's Report and Consultation Letters (Pages 55 - 78)

Report of the Executive Director of Secretariat
Contact: Pauline Niesseron, pauline.niesseron@london.gov.uk; 020 7983 4843

The Committee is recommended to:

(a) Note the responses to its letters commenting on the consultation on the draft Culture Strategy and draft Sports Strategy as attached at Appendices 1 and 2 to this report.

(b) Note the response from the Mayor relating to the Committee's work on the London Economic Action Partnership, as attached at Appendix 3 of this report.

7 Economy Committee Work Programme (Pages 79 - 88)

Report of the Executive Director of Secretariat
Contact: Pauline Niesseron, pauline.niesseron@london.gov.uk; 020 7983 4843

The Committee is recommended to:

(a) Agree the work programme and priorities for the remainder of the 2018/19 Assembly year, as set out at paragraphs 4.2 to 4.6 of the report;

(b) Delegate authority to the Chairman, in consultation with party Group Lead Members to agree the scope for the Committee's meetings on 12 March 2019 and 3 April 2019; and

(c) Note the Impact Review of *What works for Microbusinesses,* as attached at Appendix 1 of the report.

8 Date of Next Meeting

The next meeting of the Committee is scheduled for Tuesday, 12 March 2019 at 10.00am in the Chamber, City Hall.

9 Any Other Business the Chairman Considers Urgent

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GREATERLONDONAUTHORITY LONDONASSEMBLY

Subject: Declarations of Interests
Report to: Economy Committee

Report of: Executive Director of Secretariat	**Date: 17 January 2019**
This report will be considered in public	

1. Summary

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

2. Recommendations

2.1 **That the list of offices held by Assembly Members, as set out in the table below, be noted as disclosable pecuniary interests[1];**

2.2 **That the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s) be noted; and**

2.3 **That the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at below) and any necessary action taken by the Member(s) following such declaration(s) be noted.**

3. Issues for Consideration

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

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

Member	Interest
Tony Arbour AM	
Jennette Arnold OBE AM	European Committee of the Regions
Gareth Bacon AM	Member, LB Bexley
Shaun Bailey AM	
Sian Berry AM	Member, LB Camden
Andrew Boff AM	Congress of Local and Regional Authorities (Council of Europe)
Leonie Cooper AM	Member, LB Wandsworth
Tom Copley AM	Member, LB Lewisham
Unmesh Desai AM	
Tony Devenish AM	Member, City of Westminster
Andrew Dismore AM	
Len Duvall AM	
Florence Eshalomi AM	
Nicky Gavron AM	
Susan Hall AM	Member, LB Harrow
David Kurten AM	
Joanne McCartney AM	Deputy Mayor
Steve O'Connell AM	Member, LB Croydon
Caroline Pidgeon MBE AM	
Keith Prince AM	Alternate Member, European Committee of the Regions
Caroline Russell AM	Member, LB Islington
Dr Onkar Sahota AM	
Navin Shah AM	
Fiona Twycross AM	Deputy Mayor for Fire and Resilience; Chair of the London Local Resilience Forum
Peter Whittle AM	

[Note: LB - London Borough]

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

- where an Assembly Member has a Disclosable Pecuniary Interest in any matter to be considered or being considered or at

  (i) a meeting of the Assembly and any of its committees or sub-committees; or

  (ii) any formal meeting held by the Mayor in connection with the exercise of the Authority's functions

- they must disclose that interest to the meeting (or, if it is a sensitive interest, disclose the fact that they have a sensitive interest to the meeting); and

- must not (i) participate, or participate any further, in any discussion of the matter at the meeting; or (ii) participate in any vote, or further vote, taken on the matter at the meeting

UNLESS

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

3.3 Failure to comply with the above requirements, without reasonable excuse, is a criminal offence; as is knowingly or recklessly providing information about your interests that is false or misleading.

3.4 In addition, the Monitoring Officer has advised Assembly Members to continue to apply the test that was previously applied to help determine whether a pecuniary / prejudicial interest was arising - namely, that Members rely on a reasonable estimation of whether a member of the public, with knowledge of the relevant facts, could, with justification, regard the matter as so significant that it would be likely to prejudice the Member's judgement of the public interest.

3.5 Members should then exercise their judgement as to whether or not, in view of their interests and the interests of others close to them, they should participate in any given discussions and/or decisions business of within and by the GLA. It remains the responsibility of individual Members to make further declarations about their actual or apparent interests at formal meetings noting also that a Member's failure to disclose relevant interest(s) has become a potential criminal offence.

3.6 Members are also required, where considering a matter which relates to or is likely to affect a person from whom they have received a gift or hospitality with an estimated value of at least £25 within the previous three years or from the date of election to the London Assembly, whichever is the later, to disclose the existence and nature of that interest at any meeting of the Authority which they attend at which that business is considered.

3.7 The obligation to declare any gift or hospitality at a meeting is discharged, subject to the proviso set out below, by registering gifts and hospitality received on the Authority's on-line database. The on-line database may be viewed here: https://www.london.gov.uk/mayor-assembly/gifts-and-hospitality.

3.8 If any gift or hospitality received by a Member is not set out on the on-line database at the time of the meeting, and under consideration is a matter which relates to or is likely to affect a person from whom a Member has received a gift or hospitality with an estimated value of at least £25, Members are asked to disclose these at the meeting, either at the declarations of interest agenda item or when the interest becomes apparent.

3.9 It is for Members to decide, in light of the particular circumstances, whether their receipt of a gift or hospitality, could, on a reasonable estimation of a member of the public with knowledge of the relevant facts, with justification, be regarded as so significant that it would be likely to prejudice the Member's judgement of the public interest. Where receipt of a gift or hospitality could be so regarded, the Member must exercise their judgement as to whether or not, they should participate in any given discussions and/or decisions business of within and by the GLA.

4. Legal Implications

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

5. Financial Implications

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

Local Government (Access to Information) Act 1985	
List of Background Papers: None	
Contact Officer:	Clare Bryant, Committee Officer
Telephone:	020 7983 4616
E-mail:	clare.bryant@london.gov.uk

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GREATERLONDONAUTHORITY LONDONASSEMBLY

MINUTES

Meeting: Economy Committee
Date: Tuesday 20 November 2018
Time: 10.00 am
Place: Chamber, City Hall, The Queen's Walk, London, SE1 2AA

Copies of the minutes may be found at:
www.london.gov.uk/mayor-assembly/london-assembly/economy

Present:

Susan Hall AM (Chairman)
Andrew Dismore AM (Deputy Chair)
Jennette Arnold OBE AM
Shaun Bailey AM
Caroline Russell AM

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

1.1 Apologies for absence were received from Fiona Twycross AM.

2 Declarations of Interests (Item 2)

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

2.2 **Resolved:**

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

3 Minutes (Item 3)

3.1 **Resolved:**

That the minutes of the meeting held on 30 October 2018 be signed by the Chair as a correct record.

4 Summary List of Actions (Item 4)

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

4.2 **Resolved:**

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

5 Self-Employed Londoners - Managing Finances Under Universal Credit (Item 5)

5.1 The Committee received the report of the Executive Director of Secretariat as background to putting questions on self-employed Londoners – managing finances under universal credit, to the following invited guests:

- Neil Couling CBE, Universal Credit Director General, Department for Work and Pensions;
- Kayley Hignell, Head of Policy, Citizens Advice;
- Andy Chamberlain, Deputy Director of Policy, Association of Independent Professionals and the Self-Employed;
- Faisel Rahman OBE, Managing Director, Fair Finance;
- Zoe Charlesworth, Policy and Product Manager, Policy in Practice; and
- Ben Fell, Senior Analyst, Policy in Practice.

5.2 A transcript of the discussion is attached at **Appendix 1**.

5.3 **Resolved:**

(a) That the Committee note the report and the subsequent discussion; and

(b) That authority be delegated to the Chairman, in consultation with party Group Lead Members, to agree an output from the meeting.

6 Economy Committee Work Programme (Item 6)

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

6.2 **Resolved:**

(a) That the Committee note the work programme and priorities for 2018/19, as set out at paragraphs 4.2 to 4.5 of the report; and

(b) That authority be delegated to the Chairman, in consultation with party Group Lead Members to agree any site visits, informal meetings or engagement activities before the Committee's next formal meeting.

7 Date of Next Meeting (Item 7)

7.1 The date of the next meeting of the Committee was confirmed as Thursday, 17 January 2019 at 2.00pm in the Chamber, City Hall.

8 Any Other Business the Chairman Considers Urgent (Item 8)

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

9 Close of Meeting

9.1 The meeting ended at 12.16pm.

Chairman Date

Contact Officer: Clare Bryant, Committee Officer; telephone: 020 7983 4616;
Email: clare.bryant@london.gov.uk; minicom: 020 7983 4458

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London Assembly Economy Committee – 20 November 2018

Transcript of Item 5 – Self-employed Londoners – Managing Finances Under Universal Credit

Susan Hall AM (Chairman): This brings us to today's main discussion item on self-employed Londoners managing finances under Universal Credit (UC).

We have a wonderful set of guests. Thank you all so much for attending. I know Ben [Fell, Senior Analyst, Policy in Practice] is on his way down and will join us shortly. We have Neil Couling CBE, UC Director General, Department for Work and Pensions (DWP); Kayley Hignell, Head of Policy, Citizens Advice; Andy Chamberlain, Deputy Director of Policy, Association of Independent Professionals and the Self-Employed (IPSE); Faisel Rahman OBE, Managing Director, Fair Finance; and Zoe Charlesworth, Policy and Product Manager, Policy in Practice. As I say, Ben will come soon.

If I can start off the questions to Neil, please, can you explain why it was so important for the Government to introduce UC and some of the problems of the old system?

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): The problems with the old system are many, but essentially boil down to the fact that work is not incentivised to the extent to which the Government would like to see it in the old system, and the disincentives to work are many. They can be the fact that it is very difficult to progress once you are in work. There is a very high bar to get over in terms of losing your entitlements when you first go into work. The fact that you have to deal with three different agencies when you move between work and unemployment - or the other way around - disincentivises people from taking short-term opportunities. And under the old system, because it was an overlapping particularly of the tax credits and Housing Benefit systems, the rates of withdrawal on people's entitlement are very high. For lone parents it can be as much as 90 or 95 pence that is taken back in reduced benefit should you earn an extra £1. UC is an attempt to smooth all of those cliff edges to make the journey into work much less hasslesome for claimants and to support people in work with higher rates of return from that work so that they see more of the money they earn ending up in their pockets and not being withdrawn through the benefit system.

Susan Hall AM (Chairman): Can you set out how UC works for self-employed people and what advantages it would bring them?

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): For most people in self-employment, UC works in exactly the same way as it does for employed people on UC. It is worth bearing in mind that by the time UC has finished rolling out, over half the people on UC will actually be in employment. It is worth keeping that in mind when you think about some of the design choices we have made.

For self-employed people in particular, we had some worries about the way in which the legacy system was working for them. In the United Kingdom (UK) economy, there are currently 800,000 unfilled vacancies for employed work. When you look at the earnings of people from self-employment at the lower end of the earnings distribution, they are very low for self-employed people at about £10,800 a year compared to, on average, about £20,000 from employment.

Therefore, we looked at within the system trying to incentivise people for whom self-employment is not providing a level of support to lift them out of poverty, whether they would be incentivised to do more self-employment, to take a second job if that was not going to remunerate them to the level required, or consider leaving self-employment and going into one of these 800,000 vacancies that we have in the economy. As I say, if you are above a certain level of earnings on self-employment, you are treated in exactly the same way as you are for employment, but if you fall below that level, we try to incentivise you into taking some steps to raise your level of earnings.

Susan Hall AM (Chairman): Much has been said about this. Kayley, if I come to you, what is your view?

Kayley Hignell (Head of Policy, Citizens Advice): One of the challenges for self-employed people on UC is quite similar to that for those who have fluctuating earnings or are in some other form of non-traditional employment. People who do not get paid on a monthly basis and people who do not have a regular wage that is the same and is paid on the same day every month face particular challenges because of the way UC is calculated. For self-employed people, we know that fluctuations in income are more common, either because of seasonal variation or just month-to-month having differences in income.

In some ways, UC has an advantage here in that it prevents you having massive overpayments because it checks your income each month. In other ways, it does create challenges for people to have a steady income across those months.

What we see for self-employed people in particular on top of that challenge in the design is that if you are above the minimum income floor - the threshold that Neil just mentioned - you are treated exactly the same. Once that hits somebody, it means they can be worse off compared to an employed person. It is the first time that we see in the benefit system that the way you are earning money counts as much as how much money you earn. Traditionally, we would see the levels of income making the difference. If you earn less than the minimum income floor, which is roughly set at the Minimum Wage for however many hours you are expected to work, you will see that UC will not top up your income to make sure you have enough to live on. If you go above it, UC will take into account that income and will reduce your UC payment. That is how, when you compare an employed person to a self-employed person, the self-employed person will be worse off if they do not hit that threshold of the minimum income floor.

There is a challenge in terms of businesses making sure that they are viable businesses and making sure that businesses provide people with enough income to live on, but the design of the minimum income floor means that this also hits people because of that fluctuation in income, not just because over the year they are not earning enough. Over a year a self-employed person could earn enough to hit that threshold but, depending on the month they are looking at their income, they could be lower and then penalised by that threshold. Again, it is not just about a penalty for the annual income; it is a problem in terms of the fluctuation of people's incomes that UC brings as an extra challenge.

Caroline Russell AM: I just wanted to ask something specific about the minimum income floor. People who are self-employed are dependent on invoicing and people paying them. With late payments and things like that, where is the minimum income floor calculated from? Is it from the moment you invoice or is it from the moment you receive the money?

Kayley Hignell (Head of Policy, Citizens Advice): UC is calculated on a monthly basis. It is not calculated, say, January, February, March. It is based on a month from when your claim goes in and then the DWP assesses how much money you get during that time and then comes up with a payment at the end of it, depending on how much you have earned that month. With your schedules of invoices, it just depends where it falls in that month as to which assessment month it will affect.

What we find is that the date of your income makes quite a significant difference. If you get paid just before your assessment period is due to end, then UC can work in a way that tops up your income. If you get paid just after that assessment period, UC can exacerbate peaks and troughs in people's income. The date of your payment, how regularly it comes in and how much it fluctuates make a difference to whether it smooths your income and whether you are better off over the year.

Shaun Bailey AM: Just quickly, can you give me some idea of what kinds of numbers of people we are talking about in London who are self-employed and also claiming UC? What kinds of numbers are we talking about here?

Kayley Hignell (Head of Policy, Citizens Advice): For the general population, we are talking about 15% of the population who are in self-employment. I am not sure of the numbers for London, but I believe it is slightly higher in London for self-employment. I am not sure if other panel members have that level of detail.

Andy Chamberlain (Deputy Director of Policy, Association of Independent Professionals and the Self-Employed): It is about 800,000, we think, and that is based on Office of National Statistics (ONS) statistics. There are 800,000 self-employed people in London, which is - you are absolutely right - slightly higher than the UK proportion overall. There are 4.8 million self-employed people in the UK.

Shaun Bailey AM: How many of that 800,000 will have any relationship with UC or will be using it?

Andy Chamberlain (Deputy Director of Policy, Association of Independent Professionals and the Self-Employed): No one knows that at the moment. That work has not been done and so, unfortunately, I am unable to give you a figure on that.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): Roughly, there are 5 million people who are self-employed in the country in the workforce and about 800,000 to 900,000 of those are claiming tax credits. We can expect, as we move UC on and start to manage the migration process, about 800,000 or 900,000 people will come on to UC and will be self-employed if there are no changes in their behaviour because of the way the minimum income floor works and is designed to work.

There is a real problem of in-work poverty in this country. Two things drive in-work poverty in the main. If you are in full-time employed work, it is very unlikely you will be in in-work poverty, but if you are in part-time employment, there is a good change you will be in in-work poverty. If you are in self-employment, a quarter of the in-work poverty numbers in this country are derived from being in self-employment.

UC tries to incentivise more work when you are in part-time work because we do not want people to be in in-work poverty. Similarly, with the minimum income floor, we are trying to incentivise people to a level of earnings from their self-employment that can support them or, as I said before, into other alternatives that will allow them to increase their incomes.

Andy Chamberlain (Deputy Director of Policy, Association of Independent Professionals and the Self-Employed): We would support the Government's move to try to ensure that the benefit system is not propping up unsustainable businesses that have no realistic hope of becoming sustainable, but we feel that it is about finding a sweet spot, if you can, on the one hand, not support businesses that are never going to be sustainable but also, at the same time, offer support to businesses that may well become sustainable.

Under the current system we are concerned that we have not found that balancing point right at the moment. There is mounting evidence that UC is putting some self-employed people under severe financial hardship and it is encouraging them to close their business, which they do not want to do and they are hoping that they may be able to turn their business around.

There are a range of statistics out there that show that businesses become more profitable in about year three. In order to get a level of earnings above the minimum income floor, which is a little over £1,000 a month, typically, we would really want to be seeing businesses entering into their third year. With the way the minimum income floor works, there is a start-up period of 12 months when a new self-employed business does not have to worry about the minimum income floor because it does not come in for 12 months. We would like to see that extended to three years because there are figures from RSA [Commercial Insurance] that show that in the second year of trading the average self-employed business is earning £665 a month, well under the minimum income floor. The Mone Review [*Be the Boss: Boosting enterprise in more deprived communities* (2016)] established that only 29% of businesses were earning over £1,000 per month in their second year. There are pretty good statistics out there that show that self-employed businesses in their second year are going to struggle to meet that minimum income floor. That means that a lot of them are going to find it hard to keep their families going and pay their bills.

This is why we are worried about UC. We think that we should be giving a little bit more leeway to allow people to make their businesses profitable before we decide that we cannot keep this going anymore and that the Government does not want to keep paying to keep this business propped up.

Shaun Bailey AM: You say you want to see it extended to three years. Is there any idea what that would cost?

Andy Chamberlain (Deputy Director of Policy, Association of Independent Professionals and the Self-Employed): I do not have that figure, I am afraid, no.

Shaun Bailey AM: It would be very important for people deciding to support that or not to know what that would cost. If the work has been done and your argument is correct - or not and that needs to be decided, I would imagine - you are going to need to tell us what that would cost because we could pursue it.

Andy Chamberlain (Deputy Director of Policy, Association of Independent Professionals and the Self-Employed): Yes, I take your point. At the moment, the way the tax credit system is working is that those businesses are receiving tax credits. The current benefit system is paying for that now. What we are talking about here is removing some payments from some businesses. There is obviously going to be a saving there for the Government, but we are questioning the cost of that saving to the self-employed businesses. It is going to force them out of businesses and either into unemployment or into an employed role that they would rather not take.

Shaun Bailey AM: I accept that, but if you could give us the cost, we would be able to understand what it is you ask for. Of course, the tension here is that it is very hard to predict which business will be profitable and which one we are just propping up for an extra two years. That is the tension. That is why the cost is important.

Faisel Rahman OBE (Managing Director, Fair Finance): Just to put it into context, I run a social enterprise in London that offers access to financial services for people outside the mainstream, which includes individuals as well as small businesses. The relevant point is that one of the key aspects of making a decision about whether you can lend to a small business is assessing whether they are generating sufficient income to justify the loan. A key aspect of our work is that we look very carefully at a small business, what it generates, how much it generates and over what time period.

We were launched in 2005 and have worked with individuals and small businesses and, of those small businesses, probably about 20% of them are self-employed. Across the gamut of our clients, we work with around 20,000 people a year, of which 1,000 are entrepreneurs. We make a couple of hundred loans a year to small businesses and 20% of those are self-employed.

In terms of trying to put into context how we assess that, we will not make a loan to start-up self-employed businesses because we have no sense about what its income profile is going to look like. In fact, we will not make a loan to any business that does not have at least two years of track record, especially for self-employed businesses, because so much of their income is very volatile. You are very right to point out, Andy [Chamberlain], the time it takes for many of these businesses to be established. It is only really in the second or third year that you get a true sense of what the true cashflow is going to look like. They are generally losing money or more likely going out of business within the first year. Therefore, we would not work with any start-ups and we would not work with any people in the first two years. We think it would be almost impossible to say, looking at those first two years of cashflow, whether that person could afford a loan or what their income is. That is effectively the way we stand and look at it.

One of the big reasons for that is partly around volatility. It has been touched on a bit already, but many small businesses and specifically self-employed businesses have a lot of business volatility: invoices paying late, one-off charges that they have to pay, work that is invested before they get a return and so they are often not seeing much coming back, and large transaction payments that come out at irregular times in the course of the year. Their income comes in at very irregular times as well. An invoice might be charged today but paid in 90 days if you are lucky but maybe 300 days if you are really unlucky.

Many of these businesses are dealing with huge amounts of volatility on the business side and many of these self-employed business commingle their finances with their personal finances, and so they then have all the volatility of their own personal finances: rental bills that are due every month, utility bills that could be monthly or six-monthly, other bills or transactions that you have to pay that are probably not aligned with income flows. This makes managing two sets of volatility extremely complicated and difficult for self-employed businesses.

That means that if we are going to work with this customer segment or this group of individuals, we need to introduce a much more defined level of personalisation to really understand what is going on, not just over a time period to understand what their income flows are but a personalisation to really figure out whether these volatile income flows are positive or negative. Are we looking at a month, three months or six months? Are we looking at a positive or a negative trend? We cannot do that without a sufficient time period.

What we have discovered is that many lenders in this market choose not to even associate with this customer segment because it is too difficult to do so. It is too risky to lend to this group. It is too risky to assess. I suppose I would turn back the point to you and say, if professional underwriters are saying it is too difficult to assess these customers for at least two years, it would be very hard to make a judgement about their income within a year. Even going forward, addressing and working with that customer segment requires a level of engagement that is very difficult and expensive to provide. This means that, for this group here, for me specifically, I see multiple levels of exclusion: exclusion from the personal finance market, exclusion from the business finance market and potentially exclusion from the public finance market when they are struggling to make ends meet.

Zoe Charlesworth (Policy and Product Manager, Policy in Practice): I would like to add some comments to what has been said already.

We have recently run an analysis on the choices self-employed people make when they go over to UC. We have data on 500,000 from our Trust for London project and so it is quite easy for us to look at this data and follow the track over time and see the choices people make. The DWP is doing a huge bit of work into this to be published next year. We were looking at 43,000 self-employed people, but the cohort that we could track is only 800 and that is because it is a particular computer system that those London boroughs use. Out of those, we found that when they moved over to UC 74% went to unemployment, 23% went to employment and 1% remained self-employed. It might be that once we have a wider group -- I would not rely too much on the figures and the exact percentages, but there does certainly seem to be an indication that the path we are going to see most commonly is to unemployment rather than to employment and that retention of self-employment is likely to be the least selected path. As I say, these are initial figures. The DWP is doing an awful lot more work on this and we could do more work on it when we have more people moved over to UC. At the moment, we are just seeing a few move over.

On Kayley's comments on fluctuating income, a lot of our people who use our software, especially housing associations and local authorities, do a lot of budgeting work for people. We are always hearing about the problem of not knowing. Not being able to plan for your outgoings and not being able to plan for your rent and your utility bills is a real problem. That hits the self-employed more than others because of this volatility. I know that we are hearing that feedback over and over again.

One thing I would like to say is to bring council tax into this. It has not been mentioned. Local authorities have the ability to design their own council tax scheme. Policy in Practice probably does more modelling on these than any other company. We have probably done 150 models for local authorities in the last year. Local authorities are under huge financial pressure and are looking at ways to protect the most vulnerable and make savings, and so the majority of them are incorporating the minimum income floor into the council tax support scheme. The self-employed are not just losing benefit through UC; they are also losing benefit through council tax support.

To go even further than that, some of the local authorities are introducing the minimum income floor for those on legacy benefits as well. It will not just be as people move over to UC. We might actually see some self-employed people's household incomes going down even while they remain on current benefits.

Especially for next year we are seeing a lot of these being modelled for coming in in April 2019 and an awful lot being modelled for April 2020. As time goes on, we are going to see council tax support for the self-employed reducing as well. That gets very little publicity, but when you are on a low income, the amount of support you get for council tax does start becoming relevant even though it is much less than the overall household income.

We are hearing from a lot of housing associations that work very closely with tenants that a lot of self-employment is not about building up a big business idea; it is about having barriers to work. Although the minimum income floor does take into account barriers to work, it is set at the hours of the conditionality and so different people will have different minimum income floors. These barriers to work might be at a low level that are probably not really that relevant to the DWP. They are not enough to get a Carer's Allowance. The caring they are doing is not enough to get a Carer's Allowance or to have the hours they are supposed to work reduced because of that. It might be that they are getting children to and from school or that their children are over 13 [years old] and so they are expected to work fulltime, but that still might not be possible because of various aspects to do with the family. It might be to do with health.

We have a real problem here in that the work coach is supposed to be deciding on how many hours the person should be looking for work and working - and of course that is what the minimum income floor is based on - but work coaches have a really tricky job. They are supposed to be understanding the person's situation and be the coach at the same time and so they are the enforcer. A lot of people are very reluctant to start discussing too much about their lives with their work coaches. They are not really sure of that relationship. We have been to a lot of Jobcentres. Neil can talk about this way more than I can. The work coaches do an incredible job but they are in a really difficult position.

There are a lot of barriers to work. We are not talking about lots of entrepreneurs who necessarily want to build up incredible businesses. That is a cohort, but we have a lot of people for whom this is their only step into employment and other types of employment might start becoming quite tricky for them.

The only other point I would make is about the three years. We have been following our self-employed cohorts through longitudinal data analysis and we see very little rise in income. That might be because of the ones that after three years are moving out of our cohort. We are not seeing those. The successful businesses we are not seeing and other businesses are coming in. We are not seeing the increase if we follow people over two or three years. Over 18 months we saw an increase of 3% on average, whereas for the employed we saw an increase of about 7% over the same period. We are seeing flat earnings amongst the self-employed. Yes, I am just adding that in.

Jennette Arnold OBE AM: It is to you, Zoe. Thank you for that. The scales fell from my eyes whilst listening to you. What sort of range of jobs are you talking about? I was taken with the point that we often think of the self-employed as in amazing jobs on the way to making their first million, but I recently had a conversation with my window cleaner. He has been self-employed for X number of years and was saying he just cannot cope now and has given over his ladders to somebody else. What sort of jobs are prominent in what you are seeing?

Zoe Charlesworth (Policy and Product Manager, Policy in Practice): We are seeing a huge range, but our information mostly comes from housing associations. We do an awful lot of work with housing associations and get an awful lot of feedback from housing associations. Housing associations tend to be a bit more proactive than local authorities because rental income is so important and they just do seem to be. They are actually having one-to-one interviews with most of their self-employed clients just to try to get them out of self-employment as soon as possible so that debts do not build up. Therefore, we do have a lot of feedback.

This might just represent the households because we do know there are more single parents amongst housing association clients, but there do seem to be a lot of women, particularly lone parents, who are trying to fit in various caring for not just their children but other relatives and other responsibilities and health issues. They might be running a craft business from home and selling over the internet, just trying to top up their income at the moment as best they can, but it will make no sense for them to carry on doing so. That is a different type of business to a business that could grow and is worth financing and moving forward. These are just sole traders trying to top up their income, really.

Jennette Arnold OBE AM: UC has not incentivised them in most instances, has it?

Zoe Charlesworth (Policy and Product Manager, Policy in Practice): It might incentivise them to employment and then the household would be even better off. We just have to track more over time. The DWP is doing a lot of research into where people are going and so we will see next year when that is published.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): Quickly on that, I do have data if the Committee would like it on the kind of work that people in self-employment and tax credits are doing.

Susan Hall AM (Chairman): That would be very helpful.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): First of all, only about 5% employs anybody else. It is predominantly sole traders, as you would expect at these levels of income. As Zoe said, they tend not to increase their income and so, at the three-year point, 66% have not changed their income at all from when they started claiming. To Assembly Member Bailey's question, each year added on the minimum income floor are roughly 300 million there.

On the kind of work that people are doing, 10% are taxi drivers, 7% are in construction, 5% are in cleaning, 5% in hair and beauty, and 10% in other building and plumbing. It is very sole trader-like work.

The other thing I would say is that the people doing some small amounts of self-employment would probably fail something we call the 'gainful self-employment test'. It is possible to be self-employed under UC and the minimum income floor not apply because you are not deemed to be 'gainfully self-employed'. You might be doing a little bit of selling on the internet. That will not be treated as a business by us. You will have the same conditionality and responsibilities put on.

To the question of why we set the minimum income floor at one year as opposed to three, it was because of what that data is telling us. We have promised the Work and Pensions Select Committee that, when we have run this data and this longitudinal study that we are setting up and running right now, as Zoe [Charlesworth] mentioned, we will take a look and see what the outcomes are from that. However, right now, we think that a year is the appropriate point at which to set the minimum income floor based on that data.

Susan Hall AM (Chairman): Welcome, Ben. I know you missed most of that. Would you like to miss out on this round of questions or is there anything specific you wanted to add?

Ben Fell (Senior Analyst, Policy in Practice): Yes. I just want to apologise for getting the timing wrong, but Zoe has almost certainly covered everything that I could possibly cover on that.

Susan Hall AM (Chairman): The Government has just announced that established self-employed people moving to the benefit will be given a 12-month exemption period from the minimum income floor. Do you think that will make a difference, Neil?

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): We have just announced it and so, obviously, yes. The reason why we have done that is - and this is probably a bit of Zoe's [Charlesworth] difficulty in trying to track cases - there are very few self-employed people on UC right now, probably around 10,000 the last time I had a look inside the system. That is out of 1.3 million people currently on UC and so it is a very small number, which is why we cannot do the tracking yet, as we explained to the Committee.

However, looking ahead, we know through managed migration that a lot of people on tax credits are going to come over. They would come previous to this policy and the minimum income floor would hit straight away. We thought there needs to be a period of adjustment for people to come to terms and to think about the life choices we are asking people after a year, new claims and new self-employed, to make and decide. That is why we brought that in and it will support us to move probably about 1 million cases over from tax credits into UC.

Andrew Dismore AM (Deputy Chair): Can I go back to your 300 million figure? It could be also a question for Andy [Chamberlain]. Presumably that is not a cost; that is a lost saving if it were to be extended for two years? If those people are already receiving other benefits before they are migrated, that is money that is being paid out now and so it is actually a lost saving rather than an additional cost.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): You can describe it both ways around but it has the same net financial effect, which is that we need to spend £300 million more.

Andrew Dismore AM (Deputy Chair): The next question is: is this one-year rule really a false economy? If people, as Zoe says, come off self-employment and go on to unemployment, presumably their claim on UC is going to be higher than it would have been had they been able to continue their business at whatever level.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): There are currently about £5 billion worth of public money being spent on self-employed people and supporting them in the tax credit system. After these changes, we estimate that that figure will be about £4 billion. It is a little under £4 billion but let us call it £4 billion for now because the economic numbers all moved around in the [Autumn] Budget and I have not crunched all the numbers again in light of that. That makes sense from the individual's point of view because, if we can incentivise them into employment, the incomes for those families will go up and they will be lifted out of in-work poverty. Therefore, there are financial benefits to the taxpayer coming through this policy, but that is not why we are doing it. We are doing it because we think, with the number of vacancies we have in the economy, many of the people who are currently sole trading could be employed and could get higher incomes for their families from that. As I said, the average income is about £20,000 from unemployment and only £10,800 from self-employment.

Andrew Dismore AM (Deputy Chair): That assumes that people are in a position to get into full-time employment or whatever. Just going back to what I was asking you about the numbers, from the figures Zoe has just given us, albeit from a relatively small sample, only 1% was able to stay in self-employment. I have forgotten the figure that went into unemployment.

Zoe Charlesworth (Policy and Product Manager, Policy in Practice): It was 23% into employment and it was about 75% [into employment].

Andrew Dismore AM (Deputy Chair): Yes, three quarters of them end up on unemployment benefits in whatever form that happens to be. I can understand the theory behind what you are trying to do, but the question I put to Andy [Chamberlain] is like this. The sorts of people who go into sole trading or self-employment are people who need flexibility in their work patterns and that flexibility is not normally available unless they are in the gig economy, which again creates the same problems with variable earnings and so forth.

This is a question for Andy. Is it a realistic prospect for people whose self-employment at whatever level fails to go into employment? From Zoe's figures, it is apparently not.

Andy Chamberlain (Deputy Director of Policy, Association of Independent Professionals and the Self-Employed): This is our concern, yes. That is what we are concerned about. If you look at some of the groups where there are disproportionately high numbers of self-employed people, there is a disproportionately high number of self-employed disabled people, for example. There are about 750,000 disabled self-employed and their earnings are 23% lower on average than the average overall self-employed earnings.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): If they are in a no-conditionality group, the minimum income floor will not apply to them.

Andy Chamberlain (Deputy Director of Policy, Association of Independent Professionals and the Self-Employed): That is a fair point, sure. Not all of those people will be affected. Zoe mentioned working mothers. Sorry, I keep on using percentages. I hope I am not overdoing it, but it is helpful for me to try to explain the picture. Of self-employed women, 51% earn less than £1,000 per month, and so they would be affected by the minimum income floor because they would be expected to be earning over that. These are the groups and we can see. It is quite easy to imagine how it would not be straightforward necessarily for some of these groups to go into employment where they would have to meet certain criteria imposed by an employer which they would feel unable or unwilling or it would make life very difficult for them to do given their other responsibilities. This is one of the concerns that we have with the imposition of the new income floor.

Assembly Member Hall, just to go back to your point about the extension of the 12-month start-up period to existing businesses, we do think that that is a helpful financial cushion for businesses that are transitioning into the new UC system --

Andrew Dismore AM (Deputy Chair): However, if the system did not change, you would not have to have that in the first place.

Andy Chamberlain (Deputy Director of Policy, Association of Independent Professionals and the Self-Employed): No, that is true, but it does not address the underlying problems of the minimum income floor, which is around the expectation of earnings and, as others have mentioned, the volatility of earnings is a big problem. If you have one big expense in a month, then you are really hit by that.

Also, just one other point on volatility: there is a concern over the administration burden because you basically have to do accounting on a monthly period and work out what is coming in and going out, whereas you would normally do that over a longer period. That just means more time staring at the books rather than going out and trying to make money for the business.

Andrew Dismore AM (Deputy Chair): Just a question for Kayley, actually. A straightforward question with a straightforward answer this will be. Is it worked on invoices delivered or bills actually paid in terms of the income for the DWP purposes? Do you look at real income, as in pounds coming into the bank account, or when the invoice is delivered does it count?

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): It is the actual money you receive. To Andy's point, 97% of people are reporting their self-employed earnings to us monthly online now. It is only 10,000 people, as I said before, but 97% are managing to do that and the rest phone it in.

Andrew Dismore AM (Deputy Chair): Going back to my original question that set all of this off, we have details here of the sectors that low-paid self-employed work in in London and 41% are in construction, electrical, plumbing, decorating and so on, 22% are in administrative and support services such as cleaning, 17% are drivers, 27% are in what is described as professional, scientific and technical, which is design, photography and translation, and 10% are in wholesale and retail, which are all very flexible sorts of jobs for self-employed people. Is it pie in the sky to think that those people are going to be able to hold down full-time or even part-time regular jobs, bearing in mind the sorts of conditions they can set for themselves?

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): Assembly Member Dismore, the figures you have there are for the whole of the self-employed population in London, not the self-employed population on tax credits.

Andrew Dismore AM (Deputy Chair): No, these are the figures for low-paid self-employment. In the UK the figures are slightly different, but 73% of London's low-paid self-employed are in those categories. It is not across the board; that is the low paid.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): I apologise.

Andrew Dismore AM (Deputy Chair): It may be there is a similar number in better paid, but that is the low paid figure.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): When you ask self-employed people, they definitely want to be self-employed compared to employed. Only about a third of self-employed people on tax credits want to be employed. They are making a life choice to work in that way. You are quite right: for some people that will suit their lifestyle and maybe their caring responsibilities. As Andy was saying in his answer to the question, lone parents will be required to work to a minimum income floor congruent with the conditionality requirements on them. Not all lone parents have to be seeking full-time work, for example. The minimum income floor will be set at that level.

We try in the system to respond to some of that, but I will keep bringing the Committee back to the hard fact here that a quarter of people in in-work poverty are self-employed. We are trying to do something about that in an economy where there are really good opportunities for employed earnings which will lift people out of that in-work poverty. That is something the system does not do now that UC will do.

Andrew Dismore AM (Deputy Chair): That assumes that the people we are talking about are in a position to take and hold down those jobs.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): I would be very interested to see Zoe's [Charlesworth] data to understand what the destinations ultimately were because we know that the Jobcentre Plus (JCP) system is very effective at getting people jobs. The Organisation for Economic Co-operation and Development considered it to be one of the most effective - if not the most effective - public employment service system anywhere in the world. It may be that the person's transition is from self-employment into unemployment. You then have to ask how quickly we get them into employment and then what the levels of earnings are there compared to what they were earning in the self-employed work.

Andrew Dismore AM (Deputy Chair): I accept all of that and I know that JCP does a good job. I was on the Work and Pensions Committee myself many years ago.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): I remember it very well.

Andrew Dismore AM (Deputy Chair): That was one of the things we looked very closely at and, compared to the old employment exchanges, it is a complete transformation. There is no argument about that, but we still come back to the subjectivity of the individuals we are concerned about. My argument that I put to you is, in effect, that cutting off at one year is a false economy. If three quarters of those people go into unemployment and end up claiming more because of the floor, you are not going to save anything. That is basically the premise. You are saying they can get a job, but my argument - and I think Andy [Chamberlain] was backing me up - is that not all but a significant proportion of these people are not really in a position to take employed work because it does not have the flexibility they need to run their lives and generate as much money as they possibly can.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): Should people formerly in self-employment go into unemployment it will cost more money, but we know that the system we are running is very effective at getting people into work. In fact, UC is even better than that old Jobseeker's Allowance (JSA) system at getting people into work. Our expectation is that the burden on taxpayers will fall because of this policy; it will not rise. We will not know until we have done some of the evaluation and tracking there. Clearly, if we find something has not happened, then we will look at making some changes, which we have done regularly on UC in the light of evidence that has been presented to us. However, right now, the evidence is very strong that a year for a minimum income floor is the right thing to do and that is what we said back to the Select Committee. Let us do the tracking, let us do the research and let us see what happens.

Andrew Dismore AM (Deputy Chair): The people here are all saying that a year is too short. Kayley [Hignell] said it. Andy [Chamberlain] said it. Faisel said it. Zoe did not say it because she was not asked, but I do not think she would agree with that. You have this range of experts who are saying that it is not going to work. The problem is that at the moment you only have a very small sample. How long is it going to take before the increasing number of people going to the foodbanks again forces you to rethink?

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): We went and looked at the data and the data shows that after a year and after three years there is very little difference in terms of the likelihood of that sole trading or business having an increased income. There is no difference between one year and three years. We are forcing people, in one sense, to confront that at a one-year point and a three-year point. My colleagues are arguing for a three-year point and I have given you the cost within the system of what each year's extension would generate for taxpayers.

Andrew Dismore AM (Deputy Chair): Have you factored into that assessment the number people who will, as a result, be claiming higher rates of benefit - whichever it happens to be - because they do not have a job? There are two sides of the balance sheet; on the one hand you have how much it is going to cost in straight lost savings in having one year instead of three years, and on the other hand you have to factor in how much extra you are going to be paying out in Unemployment Benefits.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): We are at record low levels of unemployment. There are 800,000 unfilled vacancies in the economy. My contention is that as the labour market clears here and these individuals clear through the labour market they will make it into employment. We will know when we have run the analysis on this. The Government does not think it is the right time just because people say three years is the right time. We say let us have a look at the evidence. We based our decision originally on a year on evidence. UC is a new system. We will see how it is performing. If it shows that what we think is not true then, of course, we would look at making some adjustments.

Andrew Dismore AM (Deputy Chair): At the moment it is lick your finger and stick in the air and see what happens.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): No, look at the data. The data shows that if businesses have not increased their income after one year it is very likely they will not after three. That is the factual basis upon which we made this decision.

Shaun Bailey AM: Zoe, I want to focus on your figures. Your figures could be meaningful but we have to put them in context and I wonder if you could look at that for me. Because you deal with housing associations you tend to be dealing with a very particular and vulnerable end of the employment market.

Zoe Charlesworth (Policy and Product Manager, Policy in Practice): If you are talking about the figures I gave you about three quarters and a quarter --

That comes from low-income Londoners. That is from the Housing Benefit data from all London boroughs, all the people in London who are on benefits. We can look at the household income of all those Londoners, we know which of them are self-employed. The reason that was reduced to £769 for that analysis was because as they move over to UC local authorities do not have access to as much data. There is only one computer system at the moment that certain local authorities use for council tax support that provides the level of data we need to be able to do that longitudinal tracking. We are trying to work out a way of doing it with the others but at the moment that is all we have. That is why I am saying not to focus too much on the figures, it is more the pattern at this stage. This is all new and is something we are creating at the moment. I am absolutely certain those patterns are right; the majority are going into unemployment, a small percentage going into employment and very, very few going into self-employment.

However, this is only tracked over a short period of time at the moment. I go back to what Neil said: they might be going from self-employment onto UC, be absolutely aware they cannot survive on that and so change immediately to giving up employment all together but that might be a temporary step to looking for employment. We are needing longer tracking and we are needing a longer sample, at the moment that is all we have.

Shaun Bailey AM: I just asked because an awful lot of assumptions were made about the situation we are in. It sounds as if we need to go through the process and look at the figures properly. To my mind it sounds like if you change the income floor you may be encouraging people to stay in a lower earning situation longer than they have to, when they could have exited earlier and be making much more. That is the tension there. Until somebody has the figures it seems that one year may be the right time because the current set of figures would suggest those extra two years are basically people's incomes going backwards.

Andy Chamberlain (Deputy Director of Policy, Association of Independent Professionals and the Self-Employed): The other thing I would like to think about for a second is the context of the labour market as a whole. We have seen the numbers of self-employment going up staggeringly fast. A lot has been said about that; whether it is gainful self-employment, whether false self-employment and in some way bogus and so on. What we have found is that in the main it is people actively choosing to go self-employed. As Neil has said: if you are self-employed, are you happy being self-employed or would you like to go back to employment? By and large they say, "Yes, I am happy self-employed and, no, I would not like to be an employee". What is causing this? Technology must be playing a role in it. There is a cultural shift too in the way we all work now. People used to stay in a job forever, now they move jobs all the time even if they are an employee. There is a lot of transience in the way people work and that has spilled over more and more into self-employment. People want to be self-employed. We are concerned that this system is so rigid, with very little flexibility, it is forcing people out of what could become a viable work pattern for them.

I do take the point that if you look at some statistics perhaps you are seeing that incomes are low and over a period of time they are not increasing as fast as you would like them to be. However, what we have been appealing to the Government to do is to cut people a bit more slack, let us see if they can turn their self-employed business into something viable. Give them three years or so where you offer that bit of extra support, bearing in mind you have been supporting them up until the introduction of UC. We are not asking for more support than they have received previously. We are just asking for that level of support to be sustained up until a point where it does become clear this is unviable. We are a pro-business movement. Sometimes I am going around lobbying for lower taxation too so I am not completely saying we should go on funding unsustainable businesses forever, I do not think we should. It is a balance and I am worried at the moment we do not have the balance quite right. That is where IPSE stands on this issue.

Shaun Bailey AM: I see your point. However, it seems to me the current set of figures would suggest that is two years of people's incomes going backwards and that is a worry, particularly at the low end. If you are in gainful self-employment you are doing well. If you are at the low end I worry your passion to make your business work and the flexibility it offers you is punishing your income, which is the tension we need to figure out.

Andrew Dismore AM (Deputy Chair): In fact, it is not going backwards, it is static according to Neil.

Shaun Bailey AM: You said there is no increase but there is a cost increase so relative income --

Andrew Dismore AM (Deputy Chair): To summarise, the question then is whether it is better to have people earning, albeit earning less than the threshold and therefore not claiming a full amount of Unemployed, or if it is better not to. I have figures here. Just because you are in work does not mean to say you are not in poverty. There are 2.8 million people living in poverty in families where all the adults work fulltime. Families with two parents working fulltime at the National Minimum Wage are still 11% short of the income they need to raise a child. The sort of people who are in this sort of business and earning not a lot, if they do manage to work are probably going to be in the in-work poverty box instead of the self-employed poverty box. I do not think it really takes us a great deal further one way or the other.

I will come back to Andy and the schedule of things we want to ask about. Is the effect of all this to discourage entrepreneurship?

Andy Chamberlain (Deputy Director of Policy, Association of Independent Professionals and the Self-Employed): I believe it is, yes. You do have to a bit careful about what really is entrepreneurship. As Zoe has said, the majority of these people are probably not going to go off and be the next [Sir] Richard Branson [entrepreneur].

Andrew Dismore AM (Deputy Chair): If we take a window cleaner, do you call a window cleaner an entrepreneur or somebody who is trying to make it --

Andy Chamberlain (Deputy Director of Policy, Association of Independent Professionals and the Self-Employed): -- They often will say about themselves they are not an entrepreneur but they have to act entrepreneurially or they have to display certain entrepreneurial characteristics. No one is looking after them, they are looking after themselves. They are keeping their business going on their own and I believe that is entrepreneurship. However, they are not growing the next big empire.

The Federation of Small Businesses has said this does discourage entrepreneurship. IPSE believes we should be looking at policies that encourage people to strike out on their own, albeit with the caveat that we do not want to encourage them into sustained periods of poverty. That is what Neil is saying this policy is trying to address and we completely recognise that as well. As I say, it is a balancing act and at the moment we are worried the balance is not quite right.

Kayley Hignell (Head of Policy, Citizens Advice): Two things strike me from this conversation. The first is that we need a proper test. I agree, we need to see this data in terms of how long people need. In its current form as a policy it is not a proper test because we do not know what happens at two or three years in UC. There are fundamental differences between tax credits and UC beyond the minimum income floor; there is much more regular contact with the individual, there is work coach support, much more regular reporting of income and much more tracking of that income. The problem with the policy of a minimum income floor is that it is not a test that is being evaluated, it is the policy that is in place that will affect all claimants. Until we get that data we do not know whether it is the right policy or not. It is continuing to be rolled out and will continue to affect people who move from tax credits onto UC.

If we wanted to test the effectiveness of the policy, you would have a control group that was not affected by a minimum income floor. You would look at what the interaction with the Jobcentre leads to of itself, without the threat necessarily of the minimum income floor. We are all for testing, data and evidence but it has to be in a proper evaluated way. It is an assumed policy at the moment that is affecting people and we are going to check at a certain point whether it is working.

The other thing is that we are having a discussion here about viable businesses. People who have viable businesses who, by all accounts, hit the minimum income floor during the year are affected by this policy and will receive less financial support because of the way their income comes in. From our point of view at Citizens Advice that balance is not right. It does not seem right to us the policy has a trade-off on the other side of it; to try to tackle businesses so people are not left in a situation where they have low incomes at the same time as negatively affecting businesses who, as I say, have a sufficient level of income but have it coming in through the year in different ways.

Andrew Dismore AM (Deputy Chair): I want to come onto this point about the monthly assessment and its impact. I forgot the question I was going to put to you, I will have to try to remember what it was. If we look at the monthly assessment - again I think this is for Kayley and Andy - how can small businesses address the ebbs and flows that push them into debt, into winding up and going unemployed?

Kayley Hignell (Head of Policy, Citizens Advice): It is not as if for your energy bills you can say, "Right, I am going to pay 20% less this month" or for your rent you will pay less that month. In the calculation of income for the minimum income floor if you have a bad couple of months you will receive less benefit support and over the year you will receive less benefit support compared to an employed counterpart. Our calculations are that somebody who has a fluctuation of say £160 per month, a single parent earning just short of £10,000 per year, will be worse off by about £500 over the year. It is not like their bills stop during that time or that for their finances they can say, "Right, I will just pay less towards this". If they were employed they definitely would not see that drop.

Andrew Dismore AM (Deputy Chair): I think what you are saying at the moment - going back to my thing of licking your finger - is that this policy is not evidence based.

Kayley Hignell (Head of Policy, Citizens Advice): We, and Neil, are referring to datasets that are relating to tax credits. The problem is that UC is different to tax credits. Therefore, we need to see what happens in the UC world, evaluating it both in terms of the success of supporting low-income self-employed people - whether they have fluctuations in earnings or not - and then the success of progressing people's earnings and increasing their earnings. Those two things have to be done at the same time for it to be successful.

Andrew Dismore AM (Deputy Chair): The problem with UC is that a lot of people suffer from their incomes going down, end up going to foodbanks and all the rest of it. The Government catches up and tweaks the system to deal with it but there is a lot of evidence in between to produce the evidence that that particular aspect of UC is not working. The risk here, when this is fully rolled out, is we are going to have a lot of people who are presently self-employed going bust, claiming Unemployment Benefit or ending up at foodbanks until the Government catches up and then Neil decides, "We have to tweak it a bit".

Zoe Charlesworth (Policy and Product Manager, Policy in Practice): Your point about hardship goes back to Susan's [Hall] question about 12 months being extended to everybody and whether it is going to make a difference. It is going to make a difference mostly because of the support that can be given during that time. It is not reactive support - not people going to local authorities, going to JCP or the Citizens Advice Bureau - but proactive support that some local authorities and some housing associations are doing now.

That year gives them a chance to contact those people who can show them how much they will get now, what is going to happen when the 12 months runs out and who can model for them what happens if they move into employment. They can sit down with them in their homes and discuss the different options they have. The figures I gave you earlier are people who perhaps did not have this option. There was a change of circumstances, they went over to UC and immediately were hit by the minimum income floor. What that year does is it gives time for support organisations to contact those people and work with those people. If people decide to stay in self-employment and they have a feasible business, it gives them time to plan for having less income. I do not know if you can plan for having that much less income, but some sort of planning. It does allow people a chance to contact people and set out options with them and that is why it is important.

Andrew Dismore AM (Deputy Chair): That is a very positive way of approaching it. It is probably the most positive thing we have heard this morning. You have this 12-month Sword of Damocles hanging over your head about what happens at the end of 12 months. The point I was really making - and I do not know if Neil wants to comment - is this, that your rollout so far has not been without problems. I think that is universally accepted. The difficulty is that the rollout has meant a lot of people have undergone a lot of hardship before the system is tweaked or more money is put in - we saw the Chancellor put more money in or is about to put more money in in the Budget - to correct things that have gone wrong. My concern is that we are going to have a lot of people, albeit with all the encouragement you have given, facing the 12-month cut-off and undergoing lots of hardship, which could be avoided if we thought it through or piloted it, as I think Kayley [Hignell] was suggesting, to see how it works for the self-employed. As you say, your sample is still pretty small. I think Neil said there are only 12,000 people nationally on it.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): 10,000, yes.

Andrew Dismore AM (Deputy Chair): At the moment we are working with very, very small samples and it really has not been properly piloted, I think is the point I am making.

Ben Fell (Senior Analyst, Policy in Practice): Sorry, do you mind if I follow up on something that Zoe [Charlesworth] said? This point about proactivity is critical in this because I am hearing a lot of 'ifs' in this:

if people have barriers to work, if they are disabled but slightly below the criteria for getting the Personal Independence Payment (PIP) or other forms of support or to receive unconditionality. We do not, from everything we have heard here, know concretely very much about the specific barriers that are affecting this quite large percentage of self-employed people who are not increasing their earnings or who are decreasing their earnings. This is something we can deal with proactively because we can identify these self-employed households and we can identify households that are not improving their incomes under legacy benefits. If we follow up with those households and take a more focused data-collection initiative, then we can start to tease it apart. Is it that these are people with intersectional barriers? Is it purely that they have childcare responsibilities that they cannot overcome?

This year of support that is going to come in in UC can be more effectively targeted if it turns out that the problem is the criteria for disability or illness are too high. Then you can look at ways to support that specifically, but we need more information about who these people are. There has been a lot of hypothesising about why they are not improving, and that is what we need to know.

Andrew Dismore AM (Deputy Chair): I think it is fair to say that there are a lot of assumptions going on. I do not think there is anything new about this. When I was on the Work and Pensions Select Committee for eight years under the previous Government there were a lot of policies put forward without properly piloting, and I think we have seen the same continue - sorry to have a go at the DWP - ever since. The real issue is that I just do not think this has been properly piloted sufficiently to get the data and evidence-based decision-making, rather than political choice decision-making.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): The only thing I would say back to you, Assembly Member Dismore, is what I have said three times now. We use the evidence from the tax credit data to inform the decision about how long the grace period, this 12 months, should be. Because there is no appreciable difference in the tax credit data between the 12-month position and the three-year position, for the Government, it was exactly as Assembly Member Bailey suggested: "Let's intervene early here. Let's intervene at 12 months".

Now, some of my colleagues think that period should be longer. We have said to the Work and Pensions Select Committee we will produce longitudinal data that will look at this, and if the evidence suggests something should change, then we will look at making changes. Right now, it is wrong to assume that this is just a finger in the air, as you suggested. If anything, I put it back gently to my colleagues here whether it is their fingers in the air rather than mine on this one, because we have used the tax credit data.

Now, Kayley is absolutely right, tax credits are a different system, but to suggest this is not evidence-based would be wrong.

Andrew Dismore AM (Deputy Chair): It is apples and pears, isn't it? Zoe has given her very positive way forward in terms of looking at the difference between tax credits and UC, so it has not been tested on the UC basis. I accept you are making a decision based on historical evidence from tax credits. That is fair enough, but the whole thing about UC is, on the basis of tax credits, it does not work. Therefore, we are changing it to UC. I do not think it is an answerable question, really. My argument is it has not been piloted as a UC change from before because the numbers are too small.

Susan Hall AM (Chairman): I will just make one quick comment, then we must move on. I have run a small business myself for 40 years. We do our own businesses for various different reasons but we understand that it is the flexibility that is beneficial and the ability to work lots of extra hours and earn extra money. One of the things that we have to understand when we start earning money is that it will fluctuate. I would have thought that in a year, you should know then that you have fluctuations and that you have to put other measures in place in order to build up a business, and that is when Faisel [Rahman OBE] will start lending you money, etc, and it is only if you can increase that.

Andrew Dismore AM (Deputy Chair): A question for Faisel, because you have been sitting there very quietly listening to our backwards and forwards. Presumably you have seen cases where self-employed have got into debt because of income volatility. What can you do to explain how Fair Finance's business model can support people in those circumstances? You said before you will not lend to less than two years, and why do you choose two years, rather than one year or three years? That is a sub-question.

Faisel Rahman OBE (Managing Director, Fair Finance): Fair Finance was launched in 2005. We spent a lot of time working with small businesses. We initially launched the organisation working with start-up businesses as well as individuals for personal finance use. What we found within the first couple of years of doing that was that the default rate and failure rate for small businesses and start-ups was extremely high, close to 60% or 70%, and I think that is borne out by lots of policy papers that have come out over time.

What we wanted to do was not to be in a position of over-indebting individuals who were just starting an idea or a business, because the most successful way to grow a business is with equity rather than debt. What you really want to use debt for is when you have some stability of cash flows and you have some ability to see invoices or financing coming in and you want to manage the cash flow. Our decision was effectively based on that. It was to say, "At what point would it be responsible for us to lend, and at what point will you have enough data to know what to ask for?" Up until that point, all you are really doing is you are working it through. If most of them fell within the first year, it felt sensible to wait until that business has stabilised before the second year. That is why two years was the focus.

Also, the Government has a programme called the Start Up Loans Fund, which works with businesses that have less than two years of track record. That is a very soft loan. It is very advantageous. It is almost like equity for many businesses, and in a way that is a much better product than taking it away from us or from anyone else, so we wanted to take ourselves out of that space.

In terms of how we help businesses manage their finances, we have three arms in the organisation: a personal finance arm, a business lending arm and a money advisory service. I have been talking to a number of the team around what exactly happens around default and failure. Mostly, as anyone who has worked in the business knows, it is generally about cash flow rather than the business itself. That is the reason why you fall into financial distress. It is often about big cash flow items that are often the most financially distressing. Interestingly for us, the two biggest ones that have come up are Her Majesty's Revenue and Customs (HMRC) payments, which are often very large and annual, and then often down-payments, either on your rent or in arrears on your rent. Those are the two biggest areas. Interestingly, if you were to search online as to accessing finance at short term, you will find that there will be a plethora of payday lending firms that will lend to you just before HMRC deadline dates. You can see that the private sector has adjusted to reflecting that.

What we try to do with many of those customers is try to work with them, firstly looking through the company and seeing, "Would they have been able to pay this if they had managed their finances effectively? Therefore, are we financing a business that just cannot finance itself, or are we financing a business that could work?" We normally work around trying to help them build their financial management skills, give them some coaching or support, generally very light-touch. It is very expensive and time-consuming to do that kind of work. That does not exist very much, specifically designed for self-employed businesses, at the moment.

What I will come back to is the point that I said earlier. These businesses are complex, not because necessarily understanding the business is complex, but because the financial management that these people are managing is very complex, personal and commercial. Until we can get deep into understanding what is going on, we are not able to design a solution. Our response is: look very carefully at how the business works, offer a degree of personalisation that currently does not exist in that market, and try to look through whether we can build up a way of managing your finances so that you do not get into the same problem again when we deliver our finances to you.

Shaun Bailey AM: I will direct my initial comments to Zoe and Ben. What work has Policy in Practice been doing to help individuals transition to UC?

Zoe Charlesworth (Policy and Product Manager, Policy in Practice): We do not work directly with individuals. We work with local authorities and housing associations, but mostly with local authorities. We use the Housing Benefit data and council tax support data and their rent arrears data and council tax arrears data. We try to gather as much data from a local authority as we can.

Once we have that data, there are a couple of ways that local authorities can use it. One of the big ones - and eight London authorities have gone down this path - is that that can all go into a dashboard, and it means that they can then identify patterns around low income. They can identify need and low income and where to target, and then they can track interventions.

For example, they could use that tool to find all the self-employed people in their boroughs, and then they could put them in order of how they are going to be hit by the minimum income floor, and they could arrange visiting officers to go and see them, or they could then help support all of those using another tool they use from us, which is a calculator. The calculator is not just a calculator. What it does is, once they go and see that self-employed person, they can say, "This is what you are getting now. This is what you will get under UC". It allows modelling, so it says, "If you took a job, if you gave up work, if you did not work at all". It allows them to see different scenarios. There are eight local authorities that are using that.

Housing associations use the same. They obviously cannot use a dashboard because they do not have the right to that data, but they use the calculator. A lot of housing associations, as a reaction to UC, are trying to get a financial overview of all their tenants. Every single tenant they sign up, they are now trying to capture household financial data just so that they can immediately intervene as a person moves over to UC.

The most proactive work, I have to say, we are seeing is from housing associations, which try to intervene immediately when they know someone goes on UC. Immediately, they get the UC notice, they try to do a visit to see what the problems are going to be, see what the budgeting problems are going to be, to see if there are things like self-employment. They just try to give that support right at the very beginning, because otherwise rent is not coming in. The whole housing association business is at risk. Yes, they do extreme amounts of proactive work, and I know they have done a lot about self-employed, which is why I was saying about that year being really good because they now have the time to do it. If you have five weeks, you have already started getting into a nasty cycle of debt. If they have a year to contact those people and work with them, you will end up with much more positive outcomes.

The local authorities are a bit stuck because they do not have any money, so they are doing an awful lot of reactive work. They are using our tools when people come to see them, and they are using them proactively to inform policies around discretionary spend, like the discretionary housing payments will, for assistance. They are using it to define who they want to help and things like that. The most proactive work we are seeing is around prevention of homelessness. To them it is the most urgent. These tools are being used, and they could be used for targeting, supporting, tracking and interventions for every self-employed household. They are there; they just need to press a button. They could be doing that.

If they have resource to do proactive work, it tends to be focused on using the same tools towards prevention of homelessness. They are limited, the amount of staff they have to be able to do proactive work, because the staff who do the reactive work - their welfare teams, their customer support teams - are seeing quite a lot of increase in work as people move over to UC anyway. In fact, they are cutting back in their proactive work rather than upping it. That is the pattern of use we are seeing at the moment.

Ben Fell (Senior Analyst, Policy in Practice): I would just follow up to say that although we do not work directly with individual benefit claimants, the benefits calculator that goes alongside the dashboard is available online and it is directed through Gov.uk. We do have a fairly regular stream of independent users and that has most of the same functionality and allows individuals who may not already be on UC to put in all their financial circumstances and see whether they are going to better off or worse off, and do that same pre-emptive modelling to see, "OK, how many hours do I need to increase my work by in order to break even under UC?" That kind of thing.

Just again, I would emphasise Zoe's point that through the dashboard and through the information that we collect there is a huge amount of potential for proactive, pre-emptive intervention, particularly with this question of self-employment. We can literally on Google Street View say, "OK, that household, they are self-employed and they are going to be this much worse off under UC". We have all the information that is captured in the DWP data on household circumstances, including number of child and disability status as determined by DWP. We have a certain amount of information about risk factors associated with that transition, I think. My point previously was that maybe we need a little bit more information on those specific households. Because it is a relatively small sample size I think that would be definitely achievable if there was someone wanting to do that research. This would be a great starting point for identifying those people.

Shaun Bailey AM: Neil, we have talked about this benefits calculator. What work is being done to make this easy to find? Do you have a similar thing? Could you be using their system?

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): The Government uses Policy in Practice's and a couple of other benefit calculators. They are accessible through Gov.uk and we work with Policy in Practice to make sure it could be.

Shaun Bailey AM: We all love Gov.uk, whatever it is called, but is there any way of getting it out there more widely? Knowing that individuals can do pre-emptive work themselves, more individuals asking might mean more councils may become involved. It just seems like something that we should be pushing forward, not just letting it rest on the Government website.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): I agree with Policy in Practice that there is more that Jobcentres can do in partnership with their local authorities. I have colleagues with housing associations and I think housing associations were, prior to 2010, a bit of a sleeping giant in the field of Works Better work. They are now really energised on that. They have really picked up the baton there and run with this. That is a very positive development out of the reforms that we are doing. We can use our own data in the same way that Policy in Practice use their data, to inform what we are doing locally. We are particularly looking at this about managed migration, where we are moving around 2 million households on to UC from -- probably it will not start in volume now until about 2020, between 2020 and 2023. We are trying to get that process right now.

Shaun Bailey AM: Does this managed migration and your rollout effectively act as a pilot? Can you adjust things as you go along, as you face new challenges? As Policy in Practice say, can you adhere to what we are seeing?

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): To some extent and to some extent not. Rollout is nearly finished. We are about three weeks from the end of rollout and UC being in every Jobcentre across Great Britain, and in fact in Northern Ireland it finishes a week earlier. We will be right across the country then. That is for New Claims youth loans and change of circumstances. Then, as I say, in July 2019 we are going to start testing small pilots. We are back to piloting and testing, which is what we did with UC for the first few years. Then once we are convinced we have a viable system for taking on large numbers of people, which will be a judgment made probably around the autumn of 2020, we will be ready to go to volume on that.

All the time now though, UC is growing. It is growing quite fast. In October [2018] there were 140,000 new claims to UC and there are already 1 million households, 1.3 million people overall on UC. That will grow now steadily. We will be at 2 million by around April and towards the end of 2019 into 2020 we will be at 3 million. The case load really grows quite quickly now, so our ability to tweak things is still there but if you have to make a major policy change, something like the run-ons we announced in the Budget, they take a little time to now code and put in the system because I need to be sure that by coding the system I do not interrupt the payments of everybody else when I put that fix in. I asked Ministers in Parliament for a little bit of time to get changes in now. When we were at the piloting stage it was must quicker to get changes in and flex the system.

Shaun Bailey AM: Just focusing on Kayley for a second, what work has Citizens Advice been doing to support UC claimants?

Kayley Hignell (Head of Policy, Citizens Advice): Absolutely. Since UC has been rolled out we have helped over 150,000 people now with UC enquiries. The bulk of those enquiries relate to the initial claim at this point in rollout and you would expect over time for that to change. At the moment it is things like people unsure about what they should claim and when they should put a claim in, because it does make a difference for UC.

There is the actual claims process. We have documented this and there are at least ten stages to the claims process and several deadlines within that which, if you miss, your claim stops and you have to start again. We see fairly high rates of people having to make repeat claims. There are lots of problems around people getting sufficient evidence to complete their claim so that they get paid on time, and challenges around the claimant commitment, what should be in it and if it is appropriate for them.

Beyond that are enquiries related to things like delays or errors. There are problems around people being paid late. We know from DWP’s data that still one in six people are paid late. They do not receive their full payment on time, missing crucial payments like rent or childcare, for example. We also see particular issues at the moment around people who have a disability or health problem. If they have moved from the old system, the legacy system, into UC, it is not particularly smooth for them at this point in time.

In addition, beyond the initial claim period we help people with lots of issues around deductions and debt repayments. We were glad to see in the Budget a reduction in the overall level that can be taken from somebody’s UC claim but still we see people really struggling with having 30% of their standard allowance. The core bit of their UC will potentially reduce once this change comes in.

There are lots of different issues. We help people by making sure they have the correct information. We give tailored support so that if an individual just needs information and reassurance, we can do that. If they need help to go through those ten stages or to correct errors and delays or problems with their benefit, we help them to take action as well, somebody who has higher support needs. As I say, we do this in a way that empowers people. We always show them the information; we do not just take action for them. We always set out the options that are available for them to take and ask them to make a proactive decision about what they would like to do.

For us, UC is not a straight replacing of the enquiries that we used to have around, say, JSA or tax credits. We do see a difference and a change in the nature of enquiry. The difference largely is around the initial claim being such a big area of advice, rather than those errors or problems with it, but also in terms of volumes and in terms of the amount of people coming to us. It is much harder to track now that we are at this stage of rollout but in earlier stages of rollout we were seeing roughly 10% of all new UC claimants, the equivalent of that, I stress. Given that you are talking 7 million households roughly over the rollout of UC and that we have a relatively fixed supply, that was a challenge for us. We could see down the line that there was going to be a massive problem in terms of being able to help those people.

We really welcome the addition of the Universal Support funding that we have recently received. We have been running Universal Support from 2019/20, so April next year. It is a new service, not just replacing assistance with digital and personal budgeting support. It is more end-to-end, independent, impartial initial claims support through all of those ten stages. What we were seeing with Universal Support is that it is different in each area as it stands, and what we were seeing was that there were gaps in that support. You might get help to make your initial online claim and then you might get help to, say, open a bank account, but in between the bits where you have to submit evidence, the bits where you have to complete actions on your journal or your online account, people were having challenges getting caught at that stage. Ours is end-to-end. It is not one size fits all. If you need that reassurance, we can do that. If it is that hand held, we do that as well. We also ensure that people know about things like advance payments, alternative payment arrangements and the like.

That is in the design of the current offer. We will be running that from April [2019]. We are in the process of piloting that service at the moment in a handful of areas, mainly to check things like demand, how many people need that level of support and what level of support do they need, but also to check it is the right type of support. We will be taking a similar test and learn approach to what UC has in that if we do see issues we can then change the way the design works and work with our local network to ensure that happens.

At the moment, we are helping people who are coming through our doors with that initial claim and beyond. We will continue to provide that help as we do at Citizens Advice but now we have the addition, from April, of having a very specific support service for the initial claim part of our support.

Shaun Bailey AM: Just one small question before we move on, Chair. What specific issues are you seeing around the budget calculator software and people having to apply online? Again, Zoe [Charlesworth], you may want to come in as well. Are you seeing any specific issues around having to do it online?

Kayley Hignell (Head of Policy, Citizens Advice): Yes. A lot of our clients do struggle with online. Online skills, access and trust are not a given, particularly for benefit claimants. It is different for every group. We see a lot of people who are just struggling with the very fact that it is online in the first instance.

The actual claims process in terms of submitting information and the like, it is really variable as to how people are faring with that, but what I want to stress is that it is not just a case of going online and typing in your information and pressing "send", which you could potentially do with an individual. You have to set up an online account, you have to do things within timelines, with deadlines that will close your claim. You then have to keep interacting with that system on a regular basis and certainly throughout the claims process as well.

In terms of benefit calculators, there are several that exist and we support our clients to use them and use them with our clients to do it. It is very hard with UC to give people a sure message on what their income is going to be at the end of the month and this is one of the fundamental challenges. If somebody comes in and we help them with their claims process, saying to them, "Right, you will definitely get X at the end of the month" is nearly impossible. You can give people a really good outline of what it might be but you cannot give them the definite amount because people's incomes change over that month and their UC will change, potentially, during it. There is an additional challenge that you did not see in the same way in the legacy system of that surety of income because it is more reflective of people's income during the month whereas, say, tax credits looked over the year and you had a certain income from tax credits unless you had a significant change of circumstance. People were then able to budget on the basis of having that surety of that income.

Shaun Bailey AM: That is the tension, is it not, this system that is responsive, that then is initially more complicated but ultimately is probably a bit simpler because the number of benefits that were shooting around beforehand was a bit much.

Kayley Hignell (Head of Policy, Citizens Advice): Yes. I myself am a welfare benefits advisor and I lose count of the amount of better off calculations I have done that go, "So if you do this many hours in tax credits and this many hours for JSA, with Housing Benefit, how does that all interact?" It is massively complicated, so it is good that we have one system that looks at it. The challenge is that system has to reflect a diversity of ways of earning and different income patterns. At the moment it works quite well if you have a sure income, it is paid on a monthly basis and you are not self-employed. In many ways it can work well for you. If you have diversity in the way you earn, then UC creates new challenges that did not exist in the legacy system.

Shaun Bailey AM: Neil, are you planning a system that will have that?

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): Kayley spoke very clearly about the kind of issues we both experienced and spoke about through 2017, and arrived at the conclusion that Citizens Advice and Citizens Advice Scotland could provide a service there, what I colloquially call "crossing the bridge", basically making it safely on to UC.

What we are trying to do here is effectively three benefit systems' worth of verification in one go. People often compare UC to the old system but if you think a tax credit renewal took 12 weeks, or that Housing Benefit administration in most councils took up towards a month to do, you can see that a process that takes place across a month is, for many people, an improvement.

We agree with Citizens Advice; we want more people to be paid in full on time. About a third of people are not being paid because they have not signed up to their commitments and UC is a conditional benefit. You have to do things to get it. We make no apologies for not paying those people but there are a bunch of people, as Kayley was saying, who need help and support through the system and that is what we are looking to Citizens Advice to provide and we have funded them to do that. We have changed the way Universal Support works for exactly that reason.

There is always a constraint on your design of any system. If you take monthly assessments, which are a core part of the system, it has been put to us, certainly by some of the organisations representing self-employed people, that it would be easier for them if it was annual, if you did an annual assessment like they have in tax credits. What you get from that is they currently have the burden of trying to recover £5.9 billion worth of tax credit overpayments from people inside of UC because of the debt that grew up over years and years.

The other factor is that 10% of people who are self-employed and on tax credits are also earning. Their earnings will be coming into the system weekly, two-weekly or monthly. There will be people who are self-employed whose partners will be earning. You cannot have a mix and match system here. You have to have a monthly assessment. It will mean that, for some, you cannot optimise this system from every individual's perspective. You have to make some design choices and then make sure that you render assistance to those people who are experiencing more difficulty than the vast majority. That is what our relationship with Citizens Advice is attempting to do.

Susan Hall AM (Chairman): I believe you just touched on it, the reforms in the Budget. Generally, I am getting the impression that the reforms in the Budget are making a difference in a positive way to improve --

Zoe Charlesworth (Policy and Product Manager, Policy in Practice): Can I just make a point about the Budget regarding the self-employed? We did some modelling and the self-employed are worse off from April because of the Budget, even though the money has gone in, because the minimum income floor is based on the National Minimum Wage. Therefore, if you increase the minimum wage you increase the minimum income floor. Of course, the self-employed who do not have children are not benefiting from the work allowances. What we found is that self-employed people without children would be, on average, about £9 a week worse off from April 2019.

Those who did benefit from the work allowance extension would be £2 a week better off. Obviously, the work allowance is being offset by that minimum income floor, but they end up being slightly better off. Overall, there is a slight drop in income for the self-employed after April 2019 and that is not to do with the increase in work allowance. That is also to do with the minimum wage increase, which everybody supports. It has just had this unfortunate effect.

Susan Hall AM (Chairman): It has a knock-on effect.

Zoe Charlesworth (Policy and Product Manager, Policy in Practice): Yes.

Caroline Russell AM: I am going to continue talking about support and advice from where Shaun has left off. First of all, I just wanted to pick up on something. Someone was talking about errors. Certainly, as a councillor, I experience casework with people on UC where errors have been made and that then carries on for months trying to sort that out. I am wondering if anyone can tell me how people who are on UC can get errors revised effectively and quickly so that the problems of UC being paid wrongly do not continue for too many months. Is that one for you, Kayley?

Kayley Hignell (Head of Policy, Citizens Advice): Yes. At Citizens Advice, for many years we have helped people with benefits, whether it is the legacy benefit system, which is our biggest enquiry area, or now UC coming in as well. What we find, in terms of when things go wrong with somebody's UC award, is that often it is around not having the right elements in place or having inappropriate conditionality, for example. Those kinds of things, perhaps where there is a sanction that needs to be overturned.

What we find is when we call the service centre - we help people; they come to us and we act on their behalf or with them - it can take longer to resolve, though I cannot give you data on that because we record what people come to us about, not necessarily whether the problem took two weeks to resolve, or four weeks to resolve, or was resolved on the spot. We know that it can be more complicated.

There have been some changes to the way --

Caroline Russell AM: Sorry. It is more complicated if people?

Kayley Hignell (Head of Policy, Citizens Advice): To fix issues. Some of that is just because it is a new benefit system. When we are calling the Jobcentre or the service centres, it can take longer to get to the bottom of what is going on. There are challenges around implicit consent and explicit consent. The way advice providers can support individuals has changed, partly due to data protection. It basically means that every time we support somebody we have to potentially get a new explicit consent from that person that we can help on their behalf. That causes an extra challenge, an extra barrier and it can take longer to sort out. I understand the Department are looking at that in some ways. In the old system, effectively, if we were seen as a representative, if we had some kind of consent signed off, if the person was with us and gave consent, we could then act on their behalf. That has become harder in UC to do.

There are two problems here. There is a new benefit system so it takes longer on the DWP or the Jobcentre side to fix because it is harder to get to the bottom of what is going on. Then the second challenge is it has become harder potentially, in our experience, for advisors and support workers to act on somebody's behalf and to help them with their claim. In two ways, it has become a little more challenging.

Caroline Russell AM: Is that something, Neil, that is being looked at in terms of how these kinds of problems, the fixing of errors can be streamlined and sped up?

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): Yes. One of the things we have done recently is put in something - apologies for the management jargon - called call routing. We currently run, or we used to run, a virtual telephony system across the whole country. If you would ring up, you would get through to somebody and they would have to start on your case from scratch. That is what Kayley is alluding to in her evidence in terms of the experience there.

What we have done since the summer is roll out call routing, which means we can identify from your number where the call should be routed to, to which team. Say we have our service centre in Canterbury and your case is dealt with by Canterbury: it will try to route the call to that team, to your case manager. If your case manager is not there, then it will go to the team there. That means that the team already know your case and can cut out maybe ten minutes' worth of questioning about what the basis of your enquiry is and so forth because they know the issues that you may be facing. The recent changes that have been made to call routing allow the advice agencies as well to identify as they call through to get themselves call routed. Not every call is routed and also some claimants do not want to be routed to the teams administering their benefit, but that is one of the things where we are trying to address issues as they emerge.

I agree with Kayley that it is a new system and we are recruiting people to it. We have variable levels of experience within the system but you are seeing sustained performance improvement going on. This time last year I was under a lot of pressure, particularly from Kayley and her colleagues, about the decision to expand the rollout from the small number of pilot offices we had to running 50 a month, going to 50 Jobcentres a month. It was a lot of, "You cannot cope", but in that space of that year we put a million people on to the UC full service and the payment timeliness has gone up from gone 74% to 84% in terms of people paid in full. I think the DWP is showing it can both expand the service and improve levels of service that people are getting.

Is it good enough yet? No, it is not. We aspire to high levels of customer service, as my new Secretary of State was saying just in the House [of Commons] yesterday.

Caroline Russell AM: UC reporting is all online and I am wondering if that is a particular problem for some self-employed people. Andy, if you would like to start on that.

Andy Chamberlain (Deputy Director of Policy, Association of Independent Professionals and the Self-Employed): Yes, it is for some self-employed people, as Kayley [Hignell] touched on earlier. There is another big Government project going on called Making Tax Digital which is experiencing some similar teething problems because there is this expectation that people are going to interact with the system digitally. It is a bit like UC. There is an expectation that you will interact digitally. With Making Tax Digital, everyone is going to have to go online and report their income and outgoings to HMRC as part of the new process.

What they have discovered there is that there are a couple of groups, one they call 'digital excluded' and one they call 'digital assist'. The digitally excluded are a group that do not have particularly good access to online platforms. They do not use computers. They are extremely nervous about interactions via some sort of digital interface. They are a particularly difficult group. The Government has made some exceptions for that group and they are working out ways to get around that problem.

'Digital assist' is a slightly lower category where they recognise that there are some problems. These people will be able to interact digitally but they will require some assistance to do that. It is self-employed people, largely, who we are talking about here because certainly in the initial phase of Making Tax Digital they were the ones who were going to be asked to be onboarded first. They revised that somewhat, partly because of this digital exclusion problem.

There is either an inability or a reluctance, depending on which group you are in, to interact via the digital programmes. That is a barrier to some.

Caroline Russell AM: Of the groups where it has been rolled out, is there any data on whether those who are either digitally excluded or in need of digital assistance are more likely to have errors and issues with their UC payments?

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): Can I give you the data I have? From our self-employment tax credit survey, it was reported that monthly reporting is not a problem for most if they compile records monthly. We have got 97% of people now reporting their self-employed earnings online. When we surveyed them, 85% said they found online reporting easy, 6% said hard and 37% of people are doing their reporting outside of normal business hours. They are doing that in the evenings or whatever. Digital brings challenges. Andy [Chamberlain] is quite right to say it brings challenges for a small minority, but it also brings advantages, the ability to interact with Government outside of office hours and not have to interrupt your work to come and report stuff to us.

Caroline Russell AM: It is useful to understand those percentages of people who find it easy or hard, but of that 6% who said they found it hard, do they have a disproportionate number of bits of friction in terms of how they are receiving UC?

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): If you focus on the 3% who are not reporting online, they are ringing us up to report their self-employed earnings. They are managing with the digital system by not being digital. That is their choice. They have to ring up in office hours in order to report that. We try to encourage people to go online. We think it is a better service for them and it makes the system run better as well internally in DWP where we can get that to work, which is why HMRC are trying to make tax digital. We are doing something similar with UC. However, we are the system of last resort so we always have to have systems that cope with people who cannot interact with us in a digital way.

Caroline Russell AM: But you do not know whether there are more problems for that 6% who find it hard to report online? Are they ending up with more errors in their cases?

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): The error they will get is that if anybody reports their self-employed earnings late, they will see an interruption in their UC payments. We do a lot of work with self-employed people to say, "Please report your earnings on time. Do it online. If not, ring us up". Some self-employed people forget to do that. They are busy, maybe they are trying to expand their business at that point and they just forget to do it. We will put the payment back in place as quickly as we can once we have got the self-employed declaration of their earnings. Is that a feature of not being digital? I do not know the answer to that. My assumption will be it is better to do it digitally because it turns up in the workflow then for somebody to assess the case rather than ringing up and waiting for that. It is a service that is there for people, but we encourage them and we try to coach them through the best way to make sure their payments arrive on time.

Caroline Russell AM: The fact that they have to do that reporting is a particular problem for self-employed people because if you are employed your income is simple.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): It automatically comes to us and they do not see it, yes.

Caroline Russell AM: Faisel, I am just wondering, in Fair Finances' experience, what are the most common money worries that self-employed people raise?

Faisel Rahman OBE (Managing Director, Fair Finance): There are mainly the two that I touched on earlier, which are the two very lumpy, large payments that they need to make. Effectively HMRC payments and rental or deposit payments are the biggest challenges for them, whether those are rental payments to do with work or rental payments to do with personal finance. They are the biggest areas in terms of finance.

One area that we do pick up quite a lot is that often we are working out the problems that many of these businesses have when they fall into arrears. We do not miss the point that many of these businesses are spending a huge amount of time managing lots of complex finances and not enough time managing their business. That surprised us quite a lot. In the defaulted businesses that we have worked with over the last year, we found that nearly a third of them were spending more time organising their personal finances than they were thinking about their business.

I suppose my reflection on looking at some of the conversations we have here is that a lot of it seems to be around managing a system and very little of it seems to be about managing the opportunity. The point around starting entrepreneurship and innovation is that if you are spending most of your time managing something that is in your business, you are distracted quite heavily. I suppose I worry when I hear these kinds of conversations about how much time we spend talking about process, and not looking at the opportunity people are giving up to do something that is significant, something to gain more income or allow them to lead a lifestyle in a sustainable way that they could not in other ways.

Caroline Russell AM: When you say that people are spending a huge amount of time or they are being distracted by the need to manage their personal finances, in the Committee we heard last year [2017] when we did the report on the financial health of Londoners, about people needing to take out multiple small loans, paying bits of credit card debt and borrowing from friends and family. Are you saying that kind of financial precariousness impacts on people's ability to cope with UC?

Faisel Rahman OBE (Managing Director, Fair Finance): I do not know specifically about UC. We have very few customers; as you say, it is a small group of people. Around 60% of the businesses have some form of benefits. I suppose I would turn it around to tell you that what we do see increasingly is - and we touched on it earlier - that the challenges of managing so many different types of payments and vulnerabilities takes time and pressure.

We find the people who default have found it increasingly difficult to manage those levels of complexity. In those senses, I suppose I am making a judgement that juggling all of those systems, the personal finance pressures, the business finance pressures and the other kinds of pressures that they are having, is taking up their time. One of the things I have observed is that it is often a lot easier to get access to small amounts of credit than it is to get access to the right kind of advice. I find that quite interesting.

I also find it quite interesting that it is easier to borrow from a payday lender than it is to negotiate with one of your creditors. I also find that quite a problem. I sat with utility providers and asked them to explain to me why their customers would prefer to use a high cost, payday lender to ringing their service line to restructure their finances. There is something here that is much broader than just the individual circumstance of the business. It is the wider life around them that they have to navigate and the less money you have, the less time you have. That is what makes many of these things precarious.

I take all the points around the positiveness of UC combined with lots of different discussions, but it is one part of a much broader ecosystem with complexity that these people have to manage that will not be addressed by simply changing the benefit system. It is a much broader issue about financial management, capability, resilience and other types of financial products. Until we find a way of giving support to those people that is as quick and as simple and as useful as currently provided by very expensive finance, we are going to be in a similar position where lots of opportunity is going to go begging.

Caroline Russell AM: Are you thinking that if the Government is running a benefit system, they should also be providing citizens with advice on how to use credit responsibly if you need to, how to manage finances? Are you saying you think it would be useful for the benefit system to incorporate some of that financial advice side of things?

Faisel Rahman OBE (Managing Director, Fair Finance): I am not sure who the best person is to provide the best kind of advice, partly because people do not like listening to people they do not trust. Finding the right vector is probably the most important thing when you think about providing financial advice and capability. It is an important variable for people to consider. I did not know a huge amount about the plans for long-term coaches for people moving into different types of benefits, but it does feel like if they do not have some of that knowledge or understanding then they will not be able to give people the right advice.

In the broader environment, there is precious little support around financial capability and financial management that people have access to. A huge amount is done to give it to children in school. There is lots of discussion around improving financial management at that level but there is not that same level of detail being done for adults. You can get a lot of help if you are in bad trouble, but the challenge is how you help people who have not quite got there. I do not think there is a proper provision of that type of service.

Caroline Russell AM: Jennette will be picking up on that financial capability issue some more in a minute. Does Fair Finance give personal loans or only business loans?

Faisel Rahman OBE (Managing Director, Fair Finance): We give both.

Caroline Russell AM: You give both. What is that proportion of personal loans that you are giving out to people who are in receipt of benefits?

Faisel Rahman OBE (Managing Director, Fair Finance): Of the lending that we do each year, about 70% of our customers are in some type of benefit, whether that is fully provided, but all their income is provided by them. The proportion of it is around 70%. That is significant; that is in the personal lending side. On the business lending side, it is much lower. It is probably about 30%, 40%.

Caroline Russell AM: Are those loans that are helping people to navigate significant financially difficult moments or are they loans that are about long-term, steady situations?

Faisel Rahman OBE (Managing Director, Fair Finance): Broadly, I always joke and say that I think Fair Finance was set up about 20 years too late. A significant chunk of the lending that we do is to refinance high cost lending. Most of the time, we are taking people out of high cost and unsustainable finance that they are struggling to pay, therefore, maybe 60% to 70%.

A significant chuck of the lending is also around one-off items, replacing something that might be broken, a washing machine or cooker, moving to a new flat or property is all in the personal finance place. All the business finance place is usually around one-off items, whether that is to pay for stock or to replace machinery, to cashflow a transaction or to put a deposit on to something as well as financing high cost providers.

Caroline Russell AM: I have one more question for you, Faisel. I gather you are in favour of open banking and I wonder if you could say a little bit about what open banking is and why it is important for the financial health of small businesses.

Faisel Rahman OBE (Managing Director, Fair Finance): I can tell you that we think it is. It is an interesting area. The broad word of open banking is just access to banking data and information. We use it quite a lot in a company to access transactional data that people have within their bank accounts. Being able to use real-time, live information of what is happening in your bank accounts is important to help us figure out what your cashflow is. Often, you will not know as well as the bank details might do, and the bank is not using that data to make decisions. We use that, and it helps us reduce the transaction cost. Rather than asking to give us a printout of your payments, putting that into a spreadsheet and trying to figure out what is going on, we can take that data and within a few seconds produce a cashflow, either of your personal life or your business life. We can use that assessment to understand who you owe money to and who you do not and what you are paying, as long as you put your transactions through your bank account.

What is interesting for us is that about 70% to 80% of the businesses we work with use that service but only about 40% of the personal finance customers use it. There is a big split between people who are running their business and working online predominately and accessing that service, and people who are personal. It has a huge potential to reduce cost but we are also mindful that this does have issues that have been touched on, issues around digital exclusion and people who are not using online banking. If you do not use online banking, you cannot use open banking very easily.

We have seen this market of open banking providers develop very fast, which has seen a huge increase in the number of online lenders, aggregators and options for people to access finance. While we are super supportive of what is possible, the reality of what we have seen has not been fully realised. Although you now have more access to finance, it generally is not cheaper, and you might have had that assistance from the bank. Although you might have quicker and faster providers, quicker and faster is the only advantage that these providers have, not price. What we have seen in this market is an industry that is trading in speed rather than price and often trading in speed rather than responsibility. In order to gain market share, we have seen many small businesses and individuals become overindebted very quickly.

One thing we talked about at the previous evidence session. Most people know that small business lending is unregulated. That means that the transparency of interest rates and collection practices are not as well covered as for consumer finance. Where this overlaps to the conversation we are having here is that if a lender was to lend to a self-employed business they would be caught under the consumer credit legislation which means they would have to advertise their annual percentage rate. They would have to have a consumer credit licence and they have to be bound by all the regulations the Financial Conduct Authority have put around as possible lending and collection practices.

The net result has been that all these institutions that are created for fast, quick analytics around your lending have chosen not to lend to self-employed businesses because they do not wish to be regulated in the same way. There is an increasing level of financial exclusion for self-employed businesses to access appropriate and flexible finance.

The net result has been that many of these individuals and many of these small businesses are using very expensive, high cost personal finance providers to give them access to credit. One of the things that is often unsaid in these conversations around what is happening in this market is that we are building a fast, transparent market for small to medium enterprise (SME) lending. We are improving the regulation for personal finance lending and in the space where the self-employed businesses are, we have expensive finance designed not for them being accessed because all of the innovation is happening to a different group of people. This raises some real challenges for self-employed businesses that not only are they struggling with complexity; all of the innovation is not happening in their market.

We work with a number of mobile app providers, fintech providers and others and I have been surprised that they are either designing solutions for personal finance use or business finance use. There is nothing for the complexity of self-employed businesses that overlap those two. There is a big space here and it links in very closely to this discussion around what the right type of advice is and what the right type of support is for this group. The truth is that nobody is providing it right now. They are sitting in the inappropriate personal finance or the fast, innovative SME finance market that does not work for them. While I am very supportive of open banking, nobody is working in this market yet.

Caroline Russell AM: Are there any other challenges on support and advice, or anything that we have not picked up before I hand over to Jennette? No. Thank you.

Susan Hall AM (Chairman): One thing this is throwing up is that being self-employed, there are many more challenges than people realise when they go into it. That is for sure. Right. Last but by no means least, Jennette.

Jennette Arnold OBE AM: Thank you, Chair. This section is a pretty core section for us because what we need to do is to be seeing what the Mayor can do in this area. I just want to start off by coming back to Faisel.

Just for clarity, in your last comment you said nobody is providing adequate -- what is that, financial capability support or general support?

Faisel Rahman OBE (Managing Director, Fair Finance): This is specifically around self-employed businesses. We have struggled to find the right type of advisory support that will help these businesses but we have also struggled to find the right type of financial management support, whether that is around what we would call financial capability in your personal finance. We have struggled to find something that is appropriate for these businesses.

Jennette Arnold OBE AM: That is very interesting. I am told officers looked at cities and came up with what is going on in New York City. Bearing in mind the difference in personal and business tax take, which is totally distorted in that London retains 6% and New York has 50% take on both personal and tax, are you aware of the work that is going on in New York City in terms of enabling -- I am not sure. I would think it is targeted so let us say that it is targeted at low-income New Yorkers. Are you aware of those sorts of initiatives that the New York Mayor has taken? If you are, could the Mayor of London take comparable initiatives?

Faisel Rahman OBE (Managing Director, Fair Finance): I am aware of some of the work that they have done. They have taken a long-term view around providing consistent support for individuals who are requiring financial support both in terms of finance and in advice. What I think they have done is quite interesting in how they think about making long-term commitments. One of the biggest challenges is that it is very difficult to know where the next piece of advice is going to come from because often institutions disappear very quickly. First, I would say, yes, I am aware of some of the activity and I think the most important thing they have done is to take a very long-term view about it.

You are right, obviously the Mayor of New York has different resources to the UK, but what they have done in America more broadly is that they have found a really positive way of engaging with large corporations and institutions to back and support different forms of innovation and provision of services. One of the most interesting things I have seen in New York has been investment bank-funded foundation-funded activities around looking at the financial diaries of people who are on low income. I do not think work has been done in the UK in the same way, really trying to understand what the reality is of people who live on low income. How do they budget and make those choices that are appropriate to them?

In some ways, I think America has done a lot better by using these large institutions to finance new forms of innovation for non-profits, using those foundations to finance research through non-profits as well as through public institutions to create a much bigger evidence base of what could work. We are doing a current piece of work right now funded by the JPMorgan Foundation and we have partnered with an organisation in the US who are very much involved in financial services design. I was very much struck by how integrated the relationship between corporates, the public and non-profits are in looking at solutions in this market, both technology and non-technology-related. There could be a lot more done in terms of transitioning and transferring some of those learnings because I think the issues they are dealing with are no different to the issues we are dealing with here.

Jennette Arnold OBE AM: Andy, there is an initiative called the New York City SafeStart Account, which is where New York City has partnered with seven banks and four credit unions to offer a safe and affordable starter account. Going back to what we have been hearing about that first year -- I do not know if Kayley is nodding. If she is, she can come in later.

Andy Chamberlain (Deputy Director of Policy, Association of Independent Professionals and the Self-Employed): This is a bank account, is it, that is tailored toward start-up businesses?

Jennette Arnold OBE AM: Yes.

Andy Chamberlain (Deputy Director of Policy, Association of Independent Professionals and the Self-Employed): One of the things that I do think is attractive about that is that we have been trying to do a piece of work. I think we have worked with the Money Advice Trust and possibly even Citizens Advice before we have tried to explain to people the benefits of having a separate bank account from their personal account, because what you will find is many self-employed people simply merge the two together, which very quickly can become quite messy. There are lots of advantages and almost all the financial advice says it is quite helpful if you just get a separate business account. You can see what is going in and out of the business and it helps you to plan and do various things. It shows you what you need, where the shortcomings are and so on.

That sounds attractive, if for nothing more than the fact that it would be a very good nudge to people to get a separate business bank account when they start their business, which would be the best time to get in there to get them set up and doing that. I am afraid I do not know very much more about it than that. I only know what I read in Pauline's excellent briefing about the initiatives in New York, but it does sound to me like it could be a good idea.

Jennette Arnold OBE AM: Yes. No, I have only picked that out as one of five good examples. I am sure there are more. I am just trying to hone in because it is always easy to shout, "The Mayor should be doing something" and then when you come down to it, it is: what is it that the Mayor should be doing? Kayley, you have a minute with the Mayor in the lift.

Kayley Hignell (Head of Policy, Citizens Advice): I have the privilege of a minute with the Mayor.

Jennette Arnold OBE AM: What do you want him to do?

Kayley Hignell (Head of Policy, Citizens Advice): I think financial capability education, advice and assistance is something that really is important. I say that in line with what Faisel [Rahman OBE] has been saying, specifically targeted at groups that face extra challenges like those who are self-employed. This kind of funding does exist in many ways but it is not targeted to those groups in that specific sense and lots of places are unwilling to either finance or give advice in that way because of the complexity and because of the extra risks involved. There is something about using any capital to help innovation in that space so that businesses can start taking those risks. There is potentially something there for the Mayor to do.

It was mentioned earlier by Zoe [Charlesworth] around council tax schemes, council tax support schemes, and the risk of MIF, the minimum income floor, in those spaces is really high and really detrimental, especially as there is no extra support in place in those areas either in that policy. That is something that I would advise or ask the Mayor to look at in terms of councils and their actions there.

The New York equivalent, the New York package there is really important in that it is a package. It is identifying all of those different elements that people are struggling with: access to appropriate accounts, access to finance, access to advice and support. Crucially in terms of what we are talking about today as well with UC, there is something in here about products that smooth income. We want a benefit system that gives people enough money to live on. We also want a benefit system that gives some people certainty and security of that income so that all of their bandwidth is not taken up thinking about how they are going to pay their bills and the like. From our point of view at Citizens Advice, we want to see improvements in UC to give more surety and certainty of income but there are things that products can do in addition to that, banking products and the like, to help people smooth that income. There is some innovation space there for sure that I think the London Mayor could push.

Jennette Arnold OBE AM: In August [2018] - it is early days yet - the Mayor said, in answer to a question at Mayor's Question Time, that his officers will actively explore opportunities to work with boroughs and civic society organisations to ensure the effects of the UC policy shortcomings, as he has identified -- has anybody been approached by an officer from the Mayor's Office yet?

Kayley Hignell (Head of Policy, Citizens Advice): I would have to ask our London Citizens Advice specifically about that. I can do that and report back if that is helpful.

Jennette Arnold OBE AM: Yes, because you seem a reasonable first point of call. In May 2018, in answer to a question posed during Mayor's Question Time by my good colleague here, Andrew Dismore [AM], the Mayor said:

> *"Over the coming months City Hall will be doing work to understand which groups in London are most at risk from the reforms to allow me to better advocate on their behalf."*

Now, people always forget the power of advocacy and enablement that is enshrined within a mayoralty. People always go to the pound sign first. Zoe and Ben [Fell], have you had any contact with the Mayor's Office about your data gatherers or your modellers?

Zoe Charlesworth (Policy and Product Manager, Policy in Practice): No, we have not but we would love to show it. We can break down completely the impacts by all sorts of different cohorts and all sorts of different groups. We can see exactly how much they are going to be affected. We can see immediately any sort of changes being proposed by the DWP. You could look at any particular group and see the impact on them, and we can also see obviously where help should be targeted for people who are going to need the help the most. We would love to hear from the Mayor's Office.

Jennette Arnold OBE AM: So there is a capacity there. Neil, I do not really know how you work with the mayoralty if it is appropriate.

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): The mayoralty speaks to Government on a number of matters. I would not presume in a public environment to try to advise the Mayor, although if he has not been to see UC in one of our London Jobcentres he should because he will see the massive amount of good it is doing. As my Secretary of State said yesterday, we have problems still to work through but for the majority of people UC is working well. I really encourage him to come and see that and feel that for himself.

Jennette Arnold OBE AM: You are saying, from his statement earlier on this year in terms of the policy shortcomings, that he needs to go and see whether those shortcomings are evidenced?

Neil Couling CBE (Universal Credit Director General, Department for Work and Pensions): We encourage local councillors, Members of Parliament and Members of the London Assembly to visit and come and see UC for themselves and make their own judgments about just how well it is going. I do not say that as a criticism of anybody. I just think you cannot do any better than actually going to see something for yourself and experiencing it.

Jennette Arnold OBE AM: Yes. No, I totally agree. I do not think there is any further I can go with this.

Susan Hall AM (Chairman): Thank you. Well, we are coming to the end. Clearly new systems take a while to bed in and it has to be right that one system is better than six, even though we are bound to have some teething problems. It is always essential that people are better off when they are working than when they are on benefits, and I am sure we all agree with that. It is something we must all strive towards.

I sincerely thank all of you for your contributions today. It has been really, really interesting.

GREATERLONDONAUTHORITY LONDONASSEMBLY

Subject: Summary List of Actions

Report to: Economy Committee

Report of: Executive Director of Secretariat | **Date: 17 January 2019**

This report will be considered in public

1. Summary

1.1 This report sets out details of completed and outstanding actions arising from previous meetings of the Economy Committee.

2. Recommendation

2.1 **That the Committee notes the completed and outstanding actions arising from its previous meetings.**

Actions arising from the Committee meeting on 20 November 2018

Minute Item	Topic	Status	For Action
5.	**Self-Employed Londoners – Managing Finances Under Universal Credit** The Committee delegated authority to the Chairman, in consultation with party Group Lead Members, to agree an output from the meeting.	Ongoing.	Scrutiny Manager

Actions arising from the Committee meeting on 30 October 2018

Minute Item	Topic	Status	For Action
6.	**London & Partners** During the course of the discussion, Members requested additional information from London & Partners (L&P) set out below: • A breakdown of businesses by sectors and markets used for the L&P methodology; • Examples of the kinds of businesses that we have worked with, of those who are happy to have their investments be disclosed; • More detail on the information collected from surveys on businesses that have previously worked with L&P; • A comparison of venture capital investment for in contrast to European and world destinations; • The number of companies approached to invest in London in 2016/17 and 2017/18; • Clarification on how the 30% target for positive media coverage was reached; • A breakdown of partnership fees paid by businesses to the L&P; • Subject to availability from the Insights Team, L&P, details on whether the increase of crime in London has an effect on business. The percentage of all businesses that L&P help which allow L&P to publish their investment, and the percentage of those which will not; • A model copy of the engagement letter; • Detail on the engagement taken place with borough administrations to promote tourism in outer London boroughs; and • The amount spent on PR agencies, Freuds and Cavalier Communications.	Ongoing.	L&P
9.	**Any Other Business the Chairman Considers Urgent** (a) That the Committee, under the provisions of Section 61(1)(b), 61(4)(b) of the Greater London Authority Act 1999 (as amended), require the Chief Executive of London & Partners, Laura Citron, to provide the documents listed below, for which notice will be given in accordance with Section 62 of the Greater London Authority Act 1999 (as amended) in due course and with the documents to be provided no later than two weeks from the date of the notice requiring these documents: • Any documents setting out how the claims set out in the London & Partners Annual Review	Completed: the documents have been received and are being analysed.	Economy Committee Project Team *Continued…*

Minute Item	Topic	Status	For Action
	2016/17 to have added £340 million to London's economy and supported or created 10,112 jobs in the 2016/17 year were arrived at and all data and information used, including documents setting out: which companies/organisations London & Partners have assisted; how they have assisted them; the evidence for that assistance; and what those companies have then done to add gross value added or create/support jobs; and • Documents setting out details of London & Partners staffing structure, including: the pay bands for staff, details of job titles and where posts sit within each Directorate, Division or Group; and • The agendas, papers and minutes of London & Partners Board meetings held in the past five years. These documents and files are to be provided no later than two weeks from the date of the notice requiring these documents.; and (b) That the Committee note the discussion on how to ensure transparency of London and Partners' operations and calls for London & Partners formally to commit, from the financial year 2019/20, to publishing all spend above £250, on a quarterly basis.		

Actions arising from the Committee meeting on 10 July 2018

Minute Item	Topic	Status	For Action
6.	**Preparing London for EU Exit** That authority be delegated to the Chairman, in consultation with party Group Lead Members, to agree an output from the discussion.	Ongoing	Scrutiny Manager

Actions arising from the Committee meeting on 26 March 2018

Minute Item	Topic	Status	For Action
6.	**The Mayor's Draft Culture Strategy** During the course of the discussion, Members requested the following additional information: • Information on the evaluation of the spending of public money in relation to the Culture Seeds programme; • The number of inquiries dealt with by the Culture at Risk team; • The quarterly reports of how the team were going to measure the success of the Culture Strategy including the evaluation that the team used as a reference point; and • Key performance indicators for monitoring the success of the London is Open campaign.	Ongoing - Action chased on 11 November 2018.	Assistant Director, Culture and Creative Industries Deputy Mayor for Culture and Creative Industries

3. Legal Implications

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

4. Financial Implications

4.1 There are no financial implications to the Greater London Authority arising from this report.

List of appendices to this report:
None.

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

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Subject: Tackling the Disability Employment Gap

Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 17 January 2019**
This report will be considered in public	

1. Summary

1.1 This report provides background information for the Economy Committee meeting on the disability employment gap in London. The discussion with expert guests will explore the disability employment gap in London, with a focus on what support is available to disabled Londoners in-work or looking for work and what actions the Mayor can take to support better these Londoners.

2. Recommendations

2.1 **That the Committee notes the report as background to the discussion with invited guests on the disability employment gap in London and notes the subsequent discussion.**

2.2 **That the Committee delegates authority to the Chairman, in consultation with party Group Lead Members, to agree an output from the meeting.**

3. Background

3.1 London's employment rate is at historically high levels. However, the employment rate for disabled Londoners was only 51.4 per cent in 2017. That's 27 percentage points below the rate for all Londoners (age 16 to 64). Although more disabled people are in employment as a proportion of the total than in 2007, the disability employment gap has barely moved in a decade.

3.2 The evidence base for the Mayor's Skills for Londoners Strategy points to a number of underlying factors that may be impeding disabled Londoners in their search for suitable employment. These include:

- Disabled people have on average lower level qualifications. Around a fifth of Londoners with a disability have a qualification at National Vocational Qualification (NVQ) Level 4+, compared to around a half of those without;
- Disabled people are more likely to be working part time, if they are in employment; an

- Almost a quarter of disabled people have never used the internet, compared to 4.9% of non-disabled people.

3.3 There are a number of initiatives at both the national and regional level to help to begin to close the gap including the 2018 devolution of the Work and Health Programme (WHP) to London government and the government's Disability Confident Scheme designed to encourage businesses to employ more disabled people.

4. Issues for Consideration

4.1 The Committee is asked to note the terms of reference for its investigation into the disability employment gap in London, as set out below, which were agreed by the Chair under delegate authority, following consultation with the Deputy Chair and party Group Lead Member:

This inquiry will:

1. Identify the challenges of getting someone who is disabled into, and to stay in, work from the perspective of the employer and the potential employee;
2. Identify the key intervention points in someone's journey into work when support is likely to be most effective;
3. Highlight initiatives that work and assess whether the Mayor's current initiatives in this area are delivering for disabled people; and
4. Propose concrete steps that the Mayor can take to help support individuals with disabilities and those organisations that work with individuals with disabilities to better access the labour market.

4.2 On 4 December 2018, the Committee visited the Poppy Factory, the country's leading employment charity for veterans with physical and/or mental health conditions. The Committee heard about the challenges that disabled people face when trying to access the labour market and about the great work that the Poppy Factory does to support disabled veterans into work and in employment. A note of the site visit is attached at **Appendix 1**.

4.3 At this second meeting, Members will discuss with guests the main issues faced by disabled people in London when seeking work and examine the support offered by leading organisations to help disabled people finding work and in-work.

4.4 The following guests have been invited to attend the meeting:

- A representative from London Central Forward;
- A representative from Remploy;
- James Taylor, Head of Policy, Campaigns and Public Affairs, Scope;
- Tracey Lazard, Chief Executive Officer, Inclusion London; and
- Jon Rees, Making it Work Project Manager, Inclusion London.

5. Legal Implications

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

6. Financial Implications

6.1 There are no direct financial implications to the Greater London Authority arising from this report.

List of appendices to this report:
Appendix 1 – Note of site visit to the Poppy Factory held on 4 December 2018

Local Government (Access to Information) Act 1985 List of Background Papers: None
Contact Officer: Pauline Niesseron, Scrutiny Manager Telephone: 020 7983 4843 E-mail: pauline.niesseron@london.gov.uk

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Appendix 1

Economy Committee – Poppy Factory site visit on 4 December 2018

Purpose

As its part of its inquiry into 'tackling the disability employment gap', the Economy Committee visited the Poppy Factory in Richmond to discuss with the employability team the work they do to support disabled servicemen and women back into work. This visit was an opportunity for Members to hear first-hand from disabled people and front-line organisations the work they do and suggestions on how they might be better supported.

Agenda

Round table 10.00 – 11.15am	The round table enabled Members to hear from veterans with physical and mental health challenges about their experiences seeking for employment.
Site visit 11.15 – 11.30am	This part of the visit gave Members the opportunity to have a tour of the Poppy Factory.

Round table guests

- **Sarah Casemore**, Director of Operations (Service Delivery), The Poppy Factory
- **Tom Adam**, Team manager for London, The Poppy Factory
- **Tanya Moore,** Insights Manager, The Poppy Factory
- **Sue Ferrier**, Lead Clinical Psychologist, Veterans' Mental Health TIL Service
- **Susan Hall,** Chairman, Assembly Member
- **Jennette Arnold OBE,** Assembly Member
- **Nabeel Sheraz,** Economy Researcher, GLA Conservatives
- **Yvonne Kay**, Senior Researcher, City Hall Labour
- **Pauline Niesseron**, Assistant Scrutiny Manager
- **Tanya Lightfoot-Taylor**, Project Officer
- **Giles Broadband,** External Communications Officer

Write-up of the roundtable discussion

The Poppy Factory

- Is a nationwide community-based team.
- Works with veterans who have health barriers and want to work .
- Currently works with hundreds of veterans with disabilities and their employers across England, Wales and Northern Ireland .
- advocates for individuals who may have difficulties advocating for their own needs, including veterans who have disclosure issues with employers.

Since 2010, the Poppy Factory has run an employability service with veterans that have left service for 2 years and have physical and mental health problems. The Poppy Factory works with veterans to see what they would like to do and support them to make the opportunities happen. Since 2010, they have supported over 1,000 veterans into work in England and Wales.

The Poppy Factory talks to employers to encourage them to make small adjustments in the work place to make it more accessible to veterans e.g. flexible working. They have produced an employer tool kit with top tips for employers to consider on their website.

The Poppy Factory also helps veterans apply for 'military funding' to help the veterans pay for equipment they need to go to work e.g. tyres for car to go to work. They also encourage employees to contact Access to Work to see what adjustments are available.[1]

In recent years, the Poppy Factory has seen an increase in referrals from a wide number of sources, including from housing associations and social media platforms.

Anecdotal evidence suggests that once a veteran is in employment, veterans mental health improves – however support is still needed to support veterans through employment.

More generally, employment is a public health issue and not just economic as it helps people lead longer lives, in better health mentally and physically. This in turn benefits spouses and children as unemployment can double the risk of divorce. Children appear far less likely to live in poverty, more likely to finish secondary school, go to university, achieve better results and have fewer behavioural issues as research has shown clearly that unemployment has the very opposite effect.

The Poppy Factory's approach to employment - Individual Placement and Support

The Poppy Factory's employability team provide highly-personalised employability support based on the Individual Placement and Support (IPS) method. A new report commissioned by the Poppy Factory found that ex-Service personnel with a serious mental health condition are nearly three times more likely to find and stay in work if they are supported through 'Individual Placement and Support' than by other methods of employment support.[2]

IPS model encourages veterans to be independent and is based on is based on 8 core principles outlined below:[3]

1. Support individual into competitive employment.
2. Open to all who want to work.
3. Focuses on work consistent with the veteran's preferences.
4. Rapid job search.
5. Employment Consultant (EC) embedded into clinical teams.
6. EC develops relationships with potential employers based on the veteran's work preferences.

[1] https://www.gov.uk/access-to-work
[2] https://www.poppyfactory.org/wp-content/uploads/2016/06/MH_report_2016.pdf
[3] https://www.poppyfactory.org/ips-report-for-veterans-with-mh/

7. Time-unlimited, individualised support for the veteran and their employer.
8. Benefits counselling included.

The Poppy Factory adopted the IPS model 2.5 years ago. Early results indicate that IPS achieves on average twice as many employment prospects. In 2017/18 they supported 270 veterans back to work and 70 per cent are still in employment 12 months later. This year the service will support 310 veterans into work.

Mental health and veterans:

- 79 per cent of Poppy Factory's casework involve mental health issues.
- Veterans with mental health issues do not always access NHS mental health services.
- The Poppy Factory works very closely with NHS TILS to be the bridge for veterans accessing mental health services.
- Post-Traumatic Stress Disorder (PTSD) support is still needed even when veterans find employment.
- Employers understanding of mental health plays an important role.
- People with mental health issues are not more likely to take time off work – but there is a stigma that they are the ones who take more time off from work

Employment/Working culture

The employability team works on a 1-to-1 basis in the community close to the veteran not in a group setting – using a tailored approach.

The team takes the time needed to find a job that is fulfilling for the veterans and that fits to their personal requirements in terms of job conditions (for example if it needs to be a job that can be done from home; role; location (do they want to use public transport or not); and work ethic. The employability team do not rely on a particular company or organisation to provide employment opportunities for veterans. The roles are secured through competitive application with the support of the Poppy Factory employability consultant.

Some veterans work at the factory and use it as a stepping-stone to future employment – it builds their confidence. On the contrary, some people in the factory have been working there for 43 years.

Good examples:

Many veterans go to work for Amazon. The company offers flexible working, e.g. working at home, that is valued by veterans. Amazon has a thriving veterans network that started in the US and is now being replicated in Europe.

BT Open Reach have a buddy and mentor scheme – if a veteran is thinking of applying they can find a mentor/buddy to assist them through the process of applying.

TFL – has good schemes for disabled people and many veterans went on working for TFL.

Collaborative working

There is a lot of collaboration between organisations in the military sector – some of the larger organisations award grants to smaller organisations.

The Poppy Factory's work is niche, and results show they are good at what they do. There are few organisations that offer support to veterans with physical and/or mental health challenges to employment – they do not have the expertise in dealing with the clients that Poppy Factory deal with.

The factory contributes to the Veterans gateway – a single point of access for veterans.[4] A 'Map of need' is being developed and will allow veterans to put in their post code and see what mental health support and housing support is available to them in their area. [5]

Fundraising challenges

Fundraising is one of the main challenge for the organisation. The organisation is small so applying for funding can be difficult. European Social Fund require bidding organisations to find 50 per cent of the funding themselves. The Poppy Factory usually must partner-up to meet the requirements.

A regularly source of funding would help the Poppy Factory support the set of veterans they meet. Some of the Poppy's Factory estates are rented out (office and house) which helps to provide a regular income.

The factory is doing work to try and support veterans with criminal convictions into employment. They have won a successful bid from the Ministry of Justice which will help them support veterans with criminal convictions find work on the run up to leaving prison.

They wanted to apply for 'Forces for Good' GLA funding but aspects of the applications were inappropriate for veterans e.g. asking them to volunteer in order to receive funding.

Key points for the Mayoral/GLA

The Poppy Factory said they would like the Mayor to speak up about the disability employment gap and the benefits of hiring disabled people. People in positions of authority should take the opportunity to talk about it in a normal and respectful way.

The language used matters. Veterans won't necessarily identify with having a 'disability'. The language used needs to be that which veterans themselves identify with e.g. physical or mental health challenge. There needs to be more focus on the positives of employing disabled people, and not just seeing it as the morally correct thing to do.

[4] https://www.veteransgateway.org.uk/

[5] https://www.northumbria.ac.uk/research/research-impact-at-northumbria/health-impact/mapping-the-needs-of-veterans-across-the-uk/

GREATERLONDONAUTHORITY LONDONASSEMBLY

Subject: Response to the Committee's Report and Consultation Letters	
Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 17 January 2019**
This report will be considered in public	

1. Summary

1.1 The Committee is asked to note the responses to it letters on the consultations on the draft Economic Development Strategy, draft Culture Strategy, draft Sports Strategy and draft Food Strategy. It is also asked to note the responses to and impact review of its report, *What Works for Microbusinesses*.

2. Recommendation

2.1 **That the Committee notes the responses to its letters commenting on the consultation on the draft Culture Strategy and draft Sports Strategy as attached at Appendices 1 and 2 to this report.**

2.2 **That the Committee notes the response from the Mayor relating to the Committee's work on the London Economic Action Partnership, as attached at Appendix 3 of this report.**

3. Background

3.1 The Committee responded to the following consultations on draft Mayoral Strategies:

- Culture Strategy on 18 June 2018[1]; and
- Sports Strategy on 19 October 2018[2].

3.2 The Committee agreed its report, *What works for microbusinesses,* at its meeting on 12 September 2018. The report is available on the GLA's website here[3]. The report set out the

[1] https://www.london.gov.uk/sites/default/files/economy_committee_draft_culture_strategy_response_final180618_.pdf
[2] https://www.london.gov.uk/business-and-economy-publications/response-draft-sports-strategy-consultation
[3] https://www.london.gov.uk/sites/default/files/30-08-2018_micro_business_final_and_agreed_.pdf

challenges microbusinesses face in London, whether just starting out in business, established or 'stressed'.

3.3 On the 16 October 2018, the Committee wrote to the Mayor of London raising a number of recommendations and requests regarding the London Economic Action Partnership (LEAP).

4. Issues for Consideration

4.1 The Mayor has responded to the Committee's consultation responses to Mayoral strategies. The responses are attached at **Appendices 1** and **2** for Members to note.

4.2 The Mayor responded to the Committee's letter regarding the LEAP on 21 November 2018. A copy of the letter is attached as **Appendix 3.**

5. Legal Implications

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

6. Financial Implications

6.1 There are no financial implications arising from this report.

List of appendices to this report:
Appendix 1 – Mayoral response to the Culture Strategy response
Appendix 2 – Mayoral response to the Sports Strategy response
Appendix 3 – Mayor response to the Committee's work on the LEAP

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

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MAYOR OF LONDON

Susan Hall AM
Chair
London Assembly Economy Scrutiny Committee
City Hall
The Queen's Walk
More London
London SE1 2AA

Our ref: MGLA200618-5494

Date: 04 DEC 2018

Dear Susan,

I am writing to thank the Economy Committee, chaired by your predecessor Caroline Russell AM, for responding to the culture section of my draft Culture Strategy 'Culture for all Londoners' and for giving my Deputy Mayor for Culture and Creative Industries, Justine Simons OBE, the opportunity to present the draft Strategy to the Committee on 26 March.

Not only does culture attract visitors to our city and contribute billions to our economy, it can inspire and transform lives, supporting people to reach their full potential. This is why I have made culture a priority. I want everyone – from all backgrounds, from every corner of London and of all ages – to be able to access culture and all the benefits it can bring.

From the consultation, I learned that there was a great deal of support for us to do more, not less, with culture, for Londoners. I would like to take the opportunity to thank you for responding so positively and comprehensively to the draft strategy. There was a strong response from the public and sector stakeholders, and support for the priorities, policies and programmes set out.

My Culture Unit has reviewed and incorporated feedback in the final version of 'Culture for all Londoners'. The consultation response report will be published alongside the strategy, and in the meantime, I would like to take this opportunity, in the attached appendix, to respond to the points you have helpfully raised.

Once again, thank you for the time you have taken to respond.

Yours sincerely,

Sadiq

Sadiq Khan
Mayor of London

Appx.

Cc: Tony Arbour AM, Chair, London Assembly
Jennette Arnold OBE AM – Deputy Chair, London Assembly

Appendix: Response to the London Assembly Economy Scrutiny Committee

Feedback on the draft Culture Strategy – Culture for all Londoners

As the first six questions relate to monitoring performance and Key Performance Indicators (KPIs) they have been grouped together.

The Economy Committee suggested:

1. That the final strategy should set a strong framework for delivery to underpin the many policies and commitments it signs up to, clearly stating what the deliverables are, when they will be delivered, and what the measures for success look like.
2. The final strategy should clearly set out which of the commitments are to be considered as short, medium or long-term objectives.
3. The final strategy should clearly set out what further work is needed to deliver the commitments listed, what monitoring will be undertaken, and the criteria for determining success.
4. That a comprehensive schedule of programmes, should be published alongside the final strategy and include information on agreed and proposed funding allocations. This document should clearly state the KPIs for each programme and who will be accountable for their delivery.
5. That a comprehensive schedule of programmes, should be published alongside the final strategy and include information on agreed and proposed funding allocations. This document should clearly state the KPIs for each programme and who will be accountable for their delivery.
6. That I commence publishing quarterly cultural performance monitoring data as soon as possible.

   Response: The strategy sets out a bold ambition for arts and culture in the capital, and you are right that a strong delivery and measurement framework will be essential to achieve this. High level outcomes and indicators are set out in the Implementation Plan, which is published alongside the strategy. Regular reporting across my culture programmes is submitted to the London Assembly Budget Monitoring Sub Committee on a quarterly basis through the Culture Unit's Portfolio Dashboard. This sets out programme KPIs and milestones for key projects, and the budgets associated with these, including timescales.

Love London

7. **The Committee suggested** the final strategy should include a section in the 'Love London' chapter setting out what steps I will take at a pan-London level, to tackle feelings of exclusion and non-entitlement among BAME communities and those on low incomes. Steps could include: support for volunteering and mass participation in cultural events; and, seeking best practice examples.

   Response: We share an urgent interest in tackling the many barriers to participation and inclusion which Londoners unfairly experience. My Culture Unit is developing opportunities to improve the diversity of the creative workforce, where we see deep issues in representation. I recently launched the expansion of Film London's Equal Access Network, and a new Action Plan for Diversity in Theatre with BECTU, the media and entertainment union. I have also have launched Culture Seeds, supporting grassroots organisations and diverse communities who normally miss out on public funding, and mass participation programmes like London Borough of Culture. Both of these programmes also offer best practice examples to share across the creative industries and I have updated the strategy to highlight the importance of this.

8. **The Committee suggested** that I should look for opportunities to engage Londoners in mass participation cultural events.

   Response: I agree and will continue to support opportunities to engage Londoners in mass participation cultural events. The strategy sets out a wide-ranging programme that will deliver a range of mass participation opportunities, including through our community events programmes. EURO 2020 presents us with another opportunity to deliver a world-class sports and culture programme for people right across London to participate in.

9. **The Committee asked** that I provide more information on the evaluation programme that will run alongside the London Borough of Culture, including when the evaluation will start, what will be included, and when the Assembly and other stakeholders can expect to receive updates on progress.

   Response: In 2017, The Audience Agency were appointed independent evaluators for London Borough of Culture. They will report on the impact of the programme for Londoners and the boroughs, across the title winners and the six Cultural Impact Awards I have made to boroughs across London. They will also evaluate the competitive bidding process. The programme began in 2018 and we will provide quarterly updates on progress to the Assembly through the Culture Unit's Portfolio Dashboard reporting.

10. **The Committee suggested** that the final strategy should incorporate the statement that 'the Mayor will publish a public map of the city's museum and heritage infrastructure across all boroughs, and [...] boost their volunteer infrastructure.

    Response: A healthy museum and heritage infrastructure is crucial to London's success as a cultural capital. My final strategy has included your recommendation as a new action under Policy 3. Your important point about boosting volunteer infrastructure has also been included under the same policy and has a separate action to capture the range of volunteering opportunities that I am supporting across the culture and creative sector.

11. **The Committee suggested** that the final strategy should also include a commitment under Policy 3, to support museums, particularly in outer London to start or extend after-hours programming.

    Response: Many museums in London already offer extended hours to visitors. My vision of London as a 24-hour city encourages more museums to consider the benefits of late opening. To highlight best practice, I have updated my World Cities chapter to included examples of museums and galleries which offer after-hours opportunities like Queer Tango at the Horniman Museum. I am supporting festivals that extend activity across the 24-hour day, including Art Night which will be a feature in the London Borough of Culture programme for Waltham Forest. I have facilitated the launch event and provided strategic advice for Otherworld, led by Culture24. This will be a new festival of night-time events, Lates, in museums, galleries and historic houses in 2019.

    The Committee suggested:

12. The final strategy should set out how organisations benefitting from the Culture Seeds micro-grant programme will be supported over the long-term.
13. That I clarify how the value added of the support and funding given to Culture Seeds projects will be assessed.

Response: The Culture and Creative Industries Unit is developing a 'Culture Seeds Community' programme to provide support to recipients of Culture Seeds funding. The aim of this programme is for the beneficiaries to make the most of their award and to enable us to maintain contact with applicants.

An independent evaluator has been appointed to assess the impact of the programme. The evaluation framework uses a range of methodologies including questionnaires, data analysis, face-to-face interviews, stakeholder conversations and volunteer interviewers to assess the effectiveness of the programme in achieving its aims. We hope through this we can assess the value of the grant beyond the life of the project.

Culture and Good Growth

14. **The Committee asked** that the final strategy set out more detail on the Creative Land Trust (CLT).

    Response: The CLT will provide a vital intervention to stem the critical loss of affordable workspace the capital is experiencing. I have updated the final strategy to provide a more detailed section on the CLT.

15. **The Committee stated** that the final strategy should reflect the challenges posed by withdrawal of funding from the European Social Fund to the longer-term prospects for Creative Enterprise Zones and the Creative Land Trust.

    Response: The loss of European Social Fund (ESF) investment in the UK is just one example of the impact that Brexit will have on Londoners, as those who need it most will miss out on significant development funds. The final strategy sets out more information on the ESF, Adult Education Budget (AEB) and CEZs skills, training and employment programme. ESF and AEB funding is available from 2019 and secured to 2023, beyond the end of the current CEZ programme which is secured to 2021. I am pleased to reassure the Assembly that ESF funding is not an element of the CLT business model.

16. **The Committee asked** what actions I will take to support creative businesses to take up the Good Work Standard (GWS).

    Response: I have engaged with creative businesses on the development of the GWS, through roundtables and in discussion with my Cultural Leadership Board. Cultural organisations will be included in the testing of the GWS online beta website to ensure it is fit for purpose, clear and effective for the industry and my GWS team will support organisations across sectors, including creative businesses, to take up the GWS.

17. **The Committee asked** for a commitment under Policy 18 to revise the Culture and Night Time Supplementary Planning Guidance. The revision should require all boroughs to consider the need for a dedicated space to act as an 'anchor venue' to showcase the work of emerging and established artists and musicians. This amendment should be considered as part of the revision process for the London Plan.

    Response: Following the publication of the Supplementary Planning Guidance for Culture and the Night Time Economy in 2017, the guidance was incorporated into the draft London Plan. As this is included in the London Plan, a dedicated action under Policy 18 of the strategy is not required. My teams are working with boroughs to develop their night time visions through the Borough

Champions Network, and my Cultural Infrastructure Plan will help boroughs to identify the need and provision for such anchor venues.

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MAYOR OF LONDON

Susan Hall AM
Chair
London Assembly Economy Committee
City Hall
The Queen's Walk
More London
London SE1 2AA

Date: 04 DEC 2018

Dear Susan,

Thank you for your letter of 19 October on behalf of the Economy Committee about the draft Sport Strategy. As you know, Matthew Ryder has now stepped down as Deputy Mayor for Social Integration, Social Mobility and Community Engagement, and Debbie Weekes-Bernard took up the post on 19 November. Debbie is the Deputy Mayor responsible for community sport.

Consultation Feedback

Since your letter, we have been able to assess the responses to our consultation which closed on 12 October. You will be pleased to hear that the feedback was very positive and highly supportive of the approach we proposed in the strategy document. An independent evaluation company has assessed the responses and found the following:

- Over **100 stakeholders** responded to the consultation.

- They provided a total of **535 suggestions** to the draft strategy.
  246 of the suggestions specifically indicated the level of support given, positive or negative. **229 (93 per cent) were positive**.

I would like to thank you for the detailed comments made in your letter, which were very helpful in guiding our work following the consultation process.

We have taken the time to review all your comments. Where possible, we have taken them on board - either by clarifying existing points or adding new text to the final strategy. You will appreciate that a strategy document cannot set out our programmes or our methods with the same level of granular detail that will be provided when formulating grant criteria or the specifications for projects; but we will continue to keep the points you have raised in mind as we deliver projects and programmes. If, at any time, you and the Economy Committee would like to know more about the programmes being developed please do not hesitate to contact Simon Cooper, Head of the Sport Team.

Clarity over key partners

In respect to the comments you make about Laureus Sport for Good and Comic Relief and the apparent lack of clarity around these partnerships, I have provided an appendix to this letter (Appendix A) which addresses your queries on both organisations and provides assurance over due diligence and standard partnership process. Additional information has also been included in the final strategy document.

The vision

In respect of your comments regarding our issues-based approach, the final strategy incorporates a new section which explains this in more detail. This also includes highlighting the key issues the entire programme aims to address; inactivity, mental health, serious youth violence, social isolation and social mixing. It also discusses the key groups we believe are most affected by those issues, thus ensuring that we focus on them. Those issues, and the relevant groups most affected by them, will inform future funding criteria.

In addressing your point on outlining successful programmes that specifically address social integration, I enclose a list of projects that Sport Unites has funded to date (Appendix B). Please note that as these projects are in the delivery stages, final measures on success and benefits are not yet available.

You have pointed out that, *'[P]articipation rates are an important indicator of the extent to which the programmes are getting buy-in from the local community, but they cannot be the only metric used to define success.'* I strongly agree, and this has driven our desire to move away from solely using participation rates as a metric for success, to an approach that measures social outcomes. We believe that the number of beneficiaries referenced in the strategy are realistic, based on findings from the previous programme and research commissioned during the development of Sport Unites. However, measuring social outcomes is of course more complex than measuring participation. We will, therefore, keep this under review as part of our ongoing work. It will be closely aligned with the ground-breaking work being done by the Social Integration team in partnership with the Intelligence Unit to develop more effective measures of social integration as part of the new social evidence base.

I should add that in order to ensure that the issues-based approach is effectively tackling the right issues and reaching the right groups, the initiatives funded will be regularly reviewed. Those reviews will consider whether there are groups of Londoners that our initiatives are missing or are not engaging with sufficiently. For example, special educational needs and disability (SEND) children and older Londoners. Our review will also include ensuring that our outreach and communications is effective, which is why we have appointment a Communications Lead for this strategy.

I am grateful for your comments about the need to align Sport Unites initiatives relating to active travel in the *Transport Strategy* and *Healthy Streets Approach*. The final strategy now sets out the common themes between the strategy, the *Transport Strategy* and the *Healthy Streets Approach* in more detail. Our definition of sport has also been clarified to ensure that it makes clear that active travel is complementary to sport and other physical activity, as an important way to stay healthy.

Sport Unites

You suggested that a practical example of a programme that supports groups such as seniors be included in the final strategy. A case study – Tottenham Silver Sports: Ground Work London – has therefore been included in the final strategy.

Regarding your point to make use of professional venues, clubs do undertake outreach work to engage with their local communities, for example the foundations that football clubs have established. The Crystal Palace National Sport Centre is another example of a venue offering extensive community use The Sport team will be working with these bodies to see how Sport Unites can align with their work. The final strategy has been amended to reference this.

I acknowledge your point to maximise the Olympic legacy by ensuring ordinary Londoners can access professional sports via these sporting venues. As you may be aware, the London Legacy Development Corporation (LLDC) has a pricing plan on facilities. Since Queen Elizabeth Olympic Park was reopened in 2013, LLDC has been committed to keeping pricing low to encourage as many people as possible to use the facilities. As a general guide, pricing is similar to the prices charged in the facilities in the surrounding host boroughs. LLDC remains committed to providing the facilities at low prices to encourage use by local people, whilst at the same time seeking to avoid displacing users from facilities elsewhere in the host boroughs. To provide an example: in 2017/18, there were over one million visits to the London Aquatics Centre and 450,000 to the Copper Box Arena. Over 50 schools have used the London Aquatics Centre for their school swimming lessons. Over 1,400 local school children access school swimming every week at the venue. Meanwhile at the Copper Box Arena, Greenwich Leisure Limited (GLL) deliver a diverse grassroots sports programme for the local community and the venue is used by more than 20 local sports clubs and 20 local schools.

I agree with your suggestion to be clearer in the strategy about how we will support people on low incomes through Sport Unites and with major sporting events. The final strategy has been revised accordingly. Through our issues-based approach with work focussing on social isolation, social mixing and inactivity, we will address the barriers that affect people on low incomes participating in sport. For example, by focusing on projects supporting disadvantaged communities or areas. In respect of the steps needed to ensure that people on low incomes can watch world-class events, additional text has been added in the final strategy on how the Sport Team will work with event organisers to develop ticket pricing strategies which make events as affordable as possible, whilst balancing the need for the event to be profitable.

<u>Working with schools and grassroots organisations</u>

I note your concern that the strategy lacks detail in how we will work with schools. New text has been added to the final strategy on how we will support school and college sport and PE.

In respect of your concerns on the need to avoid duplication in terms of grant giving and deliverables in communities, including grassroots organisations, this has been considered as part of our investment principles in the final strategy. However, I would like to reassure you that the Sport Team has extensive experience of grant giving and will take this into account.

I note your request for us to think further about offering small capital funding. Capital spend can be expensive, even for relatively modest contributions to a facility build or refurbishment. Consequently, we feel that the focus for our investment ought to be on revenue rather than capital funding. The Sport Team's research emphasised the importance of encouraging the use of existing community assets (for example, community centres, parks and other recreational spaces), in addition to 'formal' sports facilities, to help reduce barriers for those who may want to become active or get back into sport.

MAYOR OF LONDON

It is often the case that relatively small amounts of funding make a huge difference, especially to small organisations and clubs. Investing in people-focussed initiatives and programmes is the best way to maximise the impact of the funding we invest. The focus on revenue funding is now clearly explained in the final strategy. Equally, the final strategy now highlights my commitment in the London Plan to ensure there is no net-loss of sporting facilities.

While I note your suggestion to set out established pathways in the strategy for how community groups could look to access other funding sources, such as the Good Growth Fund, this is typically part of the Sport Team's approach in their interactions with stakeholders. Given the Sport Team is proactive in offering solutions or alternative avenues to stakeholders presenting opportunity, I do not feel this needs to be explicitly stated in the strategy.

I note your concern regarding due diligence and the effective use of public money. As mentioned previously, the Greater London Authority (GLA) has a robust grant giving process, which includes a proportionate approach to funding. All organisations applying for funding are subject to due diligence and financial checks.

At your request, the Sport Team will provide the Committee with an annual update on funded projects. This information will also be available to you in the *Mayor's Annual Report*. Information on major funding recipients will also be published on the Mayor of London website and 360Giving.

I would like to thank you once again for your letter and assure you that your valuable feedback has resulted in improvements to the final strategy. I trust that this information addresses the points you made in your letter.

Yours sincerely,

Sadiq Khan
Mayor of London

Encs: Appendix A: Laureus Sport for Good and Comic Relief
Appendix B: Sport Unites funded projects

Appendix A: Laureus Sport for Good and Comic Relief

Laureus Sport for Good

What they do:

Laureus is a global movement that celebrates the power of sport to bring people together as a force for good. Laureus comprises "Laureus Sport for Good", "Laureus World Sports Academy" and "Laureus World Sports Awards".

Laureus Sport for Good is a charity that uses the power of sport to end violence, discrimination and disadvantage for young people, operating through a network of international delivery organisations. More than 150 programmes have been funded internationally. Laureus are long-term investors, supporting projects for 5 years or more and offer tailored support to projects to strengthen their organisations, become more sustainable and 'help them to help themselves'. Laureus brings funding expertise and management, capacity building, coalition-building and evaluation and learning. They are a global leader in sport for development, strengthening it through impact measurement, research and knowledge-sharing.

How their programmes work:

All supported projects address at least one of the following six social issues, which are aligned with the UN Sustainable Development Goals:

- **Health:** Enhancing mental wellbeing and encouraging healthy behaviour change
- **Education**: Increased access to and completion of education
- **Women and Girls**: Promoting equality, empowerment and safety
- **Employability**: Developing skills and creating pathways to employment
- **Inclusive Society:** Creating communities which embrace ethnic, cultural and physical differences
- **Peaceful Society**: Resolving conflict, promoting community peace-building and creating safe spaces

In addition to their traditional grant funding model, Laureus runs a programme called "Model City" – a new approach to creating positive social change through sport. Model City empowers local communities to make change and ensure local voice guides the decision-making process. This approach strengthens existing community assets, builds trust amongst stakeholders, whilst creating a structure to allow new partnerships to develop and communities to thrive. The Model City approach is based on "Collective Impact", which is built on the belief that social issues are solved better collectively.

Level of funding that is going to the Laureus Project:

£500,000 Greater London Authority (GLA) Funding, £250,000 Laureus Funding, $250,000 Nike Funding

What measures of success they can demonstrate:

Laureus' measurement frameworks are designed to complement and support their funded organisation's existing measurements and not to duplicate or over-shadow. Upon successful funding, all projects have individual indicators that prove individual impact/success measured against the six focus areas mentioned above so that the aggregated impact of all their supported projects can be used to demonstrate their contribution to achieving the Sustainable

Development Goals. We are currently interviewing evaluators for the Model City strand of work and will have them in place by January 2019.

Comic Relief

What they do:

Comic Relief is the UK's lead funder of 'Sport for Change' initiatives and have funded over 400 Sport for Change projects since 2002 to the sum of over £55 million. Projects tackle a range of social issues, using a variety of sports. Comic Relief funds pilots as well as existing, successful projects. They also fund campaign and advocacy work and research projects.

What the money will be used for:

The GLA and Comic Relief are running the '£3m London Together Fund' from 2018-2020. This fund offers large grants (between £25,000 and £150,000) to not-for-profit organisations that are running projects between 12-18 months which intentionally use sport to improve social integration, bring people from different backgrounds together to strengthen local communities and improve community cohesion.

How the money will be used to support the goals of two very different organisations:

Comic Relief's major grant programme clearly aligns with the GLA's objectives for sport. Comic Relief bring a wealth of experience and knowledge from funding hundreds of initiatives that yield the kind of positive outcomes the Mayor's Sport Unites programme is seeking to achieve.

How the governance and accountability of the fund works:

Comic Relief have an existing, robust decision-making process that was refined to account for additional GLA grant funding and sign-off processes.

Every application is:

- Scored by a minimum of 2 Comic Relief assessors and reviewed by GLA staff
- Scrutinised at a shortlisting panel that consists of GLA and Comic Relief representatives

Shortlisted applications are:

- Checked for compliance
- Assessed on organisation "Governance and Finance"
- Assessed on their proposal delivery
- Scrutinised by a final Advisory Group Meeting that consists of GLA and Comic Relief representatives

Recommended successful applications are approved by:

- The Advisory Board (Comic Relief and GLA)
- Comic Relief Trustees
- A GLA Assistant Director

Appendix B: Sport Unites funded projects

Grant Programme	Recipient	Demographic	Location	Amount awarded
London Together Fund	Croydon Voluntary Action	Refugees	Croydon	£139,130.00
London Together Fund	Groundwork London	Elderly	Tottenham	£131,088.00
London Together Fund	Celtic FC Foundation	Young people	Boroughs in East London	£123,200.00
London Together Fund	Football Beyond Borders	Young people	Boroughs in South London	£117,500.00
London Together Fund	Maslaha	Muslim girls	Boroughs in East London	£111,000.00
London Together Fund	The Change Foundation	Young people with learning disabilities & mental health problems	Southwark, Wandsworth, Greenwich, Lambeth, Tower Hamlets, Hammersmith, Fulham and Twickenham	£104,920.00
London Together Fund	The Royal Society for Blind Children (RSBC)	Young people who are visually impaired	Pan-London	£64,253.00
London Together Fund	Holloway Neighbourhood Group	BAME women	North Islington	£64,352.00
London Together Fund	Salaam Peace	Young people	Waltham Forest and Hackney	£61,259.00
YLF Impact Partnerships 2018 - Summer Activity	Badu Sport	Young people identified as at risk[1]	Hackney Tower Hamlets Islington Newham	£15,000.00
YLF Impact Partnerships 2018 - Summer Activity	Box Up Crime	Young people identified as at risk	Barking and Dagenham	£10,000.00
YLF Impact Partnerships 2018 - Summer Activity	Hackney Wick FC	Young people identified as at risk	Newham Southwark Hackney	£10,000.00
YLF Impact Partnerships 2018 - Summer Activity	Ignite Trust	Young people identified as at risk	Harrow Brent	£10,000.00

[1] Young people who have been identified as at risk of becoming involved in anti-social behaviour, youth violence or crime, are NEET or come from disadvantaged backgrounds.

YLF Impact Partnerships 2018 - Summer Activity	Key4Life	Young people identified as at risk	Brent Westminster Southwark Hammersmith & Fulham	£15,000.00
YLF Impact Partnerships 2018 - Summer Activity	London Youth	Young people identified as at risk	Pan-London	£20,000.00
YLF Impact Partnerships 2018 - Summer Activity	XLP	Young people identified as at risk	Southwark Lambeth Greenwich Lewisham	£10,000.00
YLF Sport Unites Small Grants	Islington Somali Community	Young Somalis identified as at risk	Islington	£62,075.00
YLF Sport Unites Small Grants	SkyWay Charity	Young people identified as at risk	Hackney	£90,000.00
YLF Sport Unites Small Grants	ARCA Generation	Young people identified as at risk	Pan-London	£30,000.00
YLF Sport Unites Small Grants	Get Hooked on Fishing	Young people identified as at risk	Boroughs in West London	£86,875.00
YLF Sport Unites Small Grants	Southside Young Leader's Academy	Young people identified as at risk	Southwark and Lambeth	£88,565.00
YLF Sport Unites Small Grants	Ebony Horse Club	Young people identified as at risk	Lambeth	£81,187.00
YLF Sport Unites Small Grants	School of Hard Knocks	Young people identified as at risk	Pan-London	£87,840.00
YLF Sport Unites Small Grants	Snow Camp	Young people identified as at risk	Stockwell	£90,000.00
YLF Impact Partnerships 2018	Chance to Shine	Young people identified as at risk	Barnet, Brent, Camden, Ealing, Hackney, Hounslow, Tower Hamlets	£100,000.00
YLF Impact Partnerships 2018	Fight for Peace	Young people identified as at risk		£95,000.00
YLF Impact Partnerships 2018	StreetGames	Young people identified as at risk	Newham, Croydon, Hackney, Lambeth, Wandsworth	£120,000.00

YLF Impact Partnerships 2018	The Change Foundation	Young people identified as at risk	Southwark, Wandsworth, Greenwich, Lambeth, Tower Hamlets, Hammersmith, Fulham and Twickenham	£95,000.00

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MAYOR OF LONDON

Susan Hall AM
Chairman of the Economy Committee
City Hall
The Queen's Walk
More London
London SE1 2AA

Our ref: MGLA161018-5350

Date: 21 NOV 2018

Dear Susan,

London Economic Action Partnership (LEAP)

Thank you for your letter of 16 October raising a number of recommendations and requests regarding the London Economic Action Partnership. Set out below are my responses to the issues raised in your letter.

Infrastructure spending

LEAP's priority is to support economic growth through job creation in the capital. Transport infrastructure investments under the Growing Places Fund programme were agreed under the previous administration and are not a priority for LEAP investment under this Mayoralty. The LEAP Board has inherited oversight of these projects and therefore would be responsible for signing off any changes. Greater London Authority officers working on behalf of LEAP manage the overall delivery of this work, and together with the LEAP Board ensure the robust delivery of large infrastructure projects that are transforming local communities.

LEAP's provision of an £8.5m capital loan to aid the successful delivery of the £25m redevelopment of Hackney Wick Overground station is an example of a transport project. Working with the London Legacy Development Corporation (LLDC) as part of Round 2 of the Growing Places Fund, the completed project has radically transformed the accessibility and quality of Hackney Wick station, and it has significantly reduced journey times. The investment being a capital loan, £4.2m was invested and £4m was repaid in 2017/18.

LEAP's investment at Barking Riverside is a further example where £10m LEAP funding was used to build a road providing for bus priority routes, cycle paths and footpaths to enable commercial, retail and leisure development; new homes; and jobs – with the additionality of creating safer and healthier modes of transportation. £5.9m was spent in 2017/18.

I would very much welcome the opportunity to provide a breakdown of funding allocated by LEAP in this Mayoralty, and my team will share this with you in due course.

Stakeholder engagement

While suggestions as to how we can raise awareness of LEAP's work are gratefully received, it is fair to say that LEAP already has a significant programme of engagement with stakeholders. This includes sub-regional events; workshops with individuals; regular engagement with individual boroughs, workspace providers and businesses; and hosting an annual summit of London's Business Improvement Districts.

LEAP's Crowdfund London initiative champions inclusive growth, by giving Londoners the opportunity to contribute to the process of change and development in their local area by bringing forward creative and innovative regeneration projects, with the best community-led crowdfunding campaigns receiving LEAP funding. Over the past year we have held Crowdfund London workshops across nine London boroughs, engaging with local communities by providing detailed programme insight; sharing success stories; and advising on how to run a campaign, think creatively and involve local communities. On 25 October LEAP pledged £590.5k to 26 community-led crowdfunding campaigns across 19 boroughs; more than 3,000 people had already pledged their support to these projects and LEAP's funding will further boost the campaigns.

We actively promote funding opportunities widely to encourage applicants from a range of backgrounds and continuously seek to improve to ensure we are following best practice in this area. In June we hosted three workshops in North West, North East and South London in order to introduce Round 2 of the Good Growth Fund (GGF). With stakeholders from local authorities, Business Improvement Districts (BIDs), the built environment sector, cultural organisations and charities, the workshops enabled potential future applicants to reflect and understand priorities from GGF Round 1. We also provided key guidance on the Round 2 application process and generated ideas about potential projects.

LEAP's London Growth Hub has engaged with over 13,000 businesses to date and regularly continues to engage local businesses and entrepreneurs through business shows, local business networking events, and partnering with business support providers to host events. For example, the London Growth Hub recently co-hosted GetFunded! with business support provider GetSet for Growth. The event provided an opportunity for 100 small businesses to hear from and engage with successful entrepreneurs, who in turn provided advice and guidance on how to successfully launch and grow a business. LEAP Member Simon Pitkeathley presented at the event to promote the London Growth Hub and LEAP's business support offer.

Alongside delivery partner Enterprise Nation, the Growth Hub recently hosted the official launch of the Meet the Buyer project at City Hall, with over 100 micro and small businesses and buyers in attendance. More than 200 applications have since been received to participate in the project, of which 75 have been shortlisted to participate.

In September LEAP launched a series of Roundtable events to improve its engagement with BAME, women, LGBT+ and disabled entrepreneurs – and increase their participation in our programmes. The first Roundtable, chaired by LEAP Member Natalie Campbell on 5 September, invited black women entrepreneurs to share ideas and improvements to ensure our business support programmes are fully inclusive and effective.

We will soon be publishing LEAP's first Annual Report, further increasing clarity, transparency and awareness of our work. From 2019 we will be holding an Annual General Meeting in public and using this as further opportunity to showcase our work and engage with stakeholders.

The LEAP delivery team is recruiting a dedicated engagement and communications officer who will manage our stakeholder engagement strategy going forward.

LEAP website

LEAP is committed to making significant improvements to the Growth Hub website. Phase one of this work is focussing on improving navigation and adding project and programme-level content on the current site and will be completed before the end of 2018. This will include key outputs and outcomes from programmes, which will address your request regarding the London Co-Investment Fund.

Phase two involves a complete redesign of the website, for which we are undertaking user research to inform our understanding of how the website is currently used, barriers to use and key areas for improvement. We would very much welcome involvement from the London Assembly during this process, which will provide an opportunity to feed in ideas such as the proposed postcode search functionality.

The London Growth Hub already has a site-wide search function, and search results for events, schemes and resources can be filtered by a full range of categories and parameters. This functionality enables users to navigate the website with ease. The Growth Hub team would be happy to provide guidance on the search function for the Assembly.

Performance and spend

LEAP is extremely committed and motivated to performing in line with its targets. The LEAP Board closely monitors and scrutinises performance data and risk at each quarterly meeting. LEAP's Investment Committee and Programme Board focus on detail relating to individual projects at their delegation levels. In addition, the LEAP Board has established an informal process for Members to review granular data and provide specific advice as required outside of the formal meeting cycle.

LEAP is focussed on ensuring that its spend forecasting is accurate and spend pace is sufficient to increase economic growth across the capital. We are working closely with delivery partners to deliver this and will add a statement in the governance webpages of our new website to explain how we manage project performance.

Any slippage to spend profiles is taken very seriously and highlighted in the published quarterly performance report, that we will signpost to more clearly on the new website. Senior officers supporting the LEAP and individual delivery teams meet with Government monthly to, amongst other things, discuss performance and spend, which further increases accountability.

Support for London's microbusinesses

Reaching out to businesses

We are already undertaking an active strategy of engagement that has seen us meet with over 13,000 businesses, generate 15 million online engagements and build networks with 500+ business support providers, including London Boroughs. The Assembly's survey suggests that LEAP awareness amongst London's SMEs is about 30%, which we submit demonstrates that LEAP has already built a strong awareness base and reflects work already being undertaken to raise awareness of the London Growth Hub at events across the capital. We have held events and workshops in Brent, Hounslow, Islington, Lewisham, Ilford, Harrow, Newham, Tower Hamlets, Kensington & Chelsea, Hammersmith & Fulham, Camden and Lambeth. We are now progressing plans for our next round of engagement opportunities and would be happy to share details with Assembly Members.

On 16 October I launched my new Brexit Business Resource Hub, part of the London Growth Hub, at my reception with over 100 businesses and entrepreneurs, helping businesses of all sizes prepare for the potential challenges Brexit will bring. In addition, the London Growth Hub is planning to deliver a Brexit support programme and has set up a survey asking businesses for feedback to help create a programme that meets their needs.

We are continually exploring ways to maximise engagement with LEAP programmes and have exciting plans for raising the profile of the London Growth Hub, which include working more closely with grass roots business bodies across London's sub-regions. We would be happy to discuss these plans with the Assembly in the new year.

Supporting established businesses

LEAP is committed to economic growth in London and to supporting both new and existing SMEs to thrive. LEAP's London Growth Hub is a programme of free business support, with the aim of simplifying the business support landscape in London and making it easier for the capital's entrepreneurs, social enterprises, microbusinesses and SMEs to start, sustain and grow.

The Growth Hub's Start, Scale, Grow pilot launched in May 2017 to help business owners from start-ups, SMEs and growth businesses acquire the knowledge, confidence and skills to grow and develop their businesses. By the end of 2017 the project had supported 1,061 businesses and start-ups through masterclasses and helped 298 businesses and start-ups access one-to-one mentoring. Participants were reflective of London's population, with a 43/57% male/female split balance and 41.5% of respondents identifying as being from BAME communities.

In summer 2018 the London Growth Hub launched its new Mentoring for Growth programme in partnership with Be the Business. The programme matches high growth SMEs with a business leader from some of the best names in UK business, including Siemens, GSK and John Lewis Partnership, to enable SMEs to receive free mentoring over the course of 12 months and help them reach their growth potential.

LEAP is continually looking at better ways to reach the harder to reach businesses through a wider face-to-face business support offer that will be delivered across London, focussing on areas of higher deprivation and businesses that lack the social capital possessed by others. Thank you for your helpful suggestions about support that we should focus on providing; we shall certainly build this into our future programme of support, which will be led by the needs of businesses.

New technologies

I agree that upskilling to equip entrepreneurs and small business owners to adapt and take advantage of new technologies is essential to success. The London Growth Hub is already in the process of developing proposals for a 'Technology Adoption Service' that will help every-day businesses adopt existing and emerging technologies. The programme has been considered by the LEAP Programme Board and will be launched in 2019; again we would be happy to share details with the Assembly.

Affordable workspace

LEAP's Growth Hub already includes a directory of borough-level support across the capital, including private and public sector support, and we are looking at how we can better promote this on the new website. By way of example, the following link shows results for business support in the London Borough of Croydon: www.growthhub.london/support/?location%5B%5D=croydon.

In addition, we have developed the London Workspace Map a part of the Growth Hub, which provides a unique London-wide search tool for co-working space, artist studios, incubators/ accelerators, maker spaces and shared kitchens.

Finally, we continue to deliver a pan-London property Advice Service, which provides start-ups and existing SMEs looking to take on or renegotiate an existing lease with free property advice from property experts. This support is easily accessible at: www.growthhub.london.

Thank you again for writing to me.

Yours sincerely,

Sadiq Khan
Mayor of London

Cc: Rajesh Agrawal, Co-Deputy Chair, London Economic Action Partnership
Angus Knowles-Cutler, Co-Deputy Chair, London Economic Action Partnership
Clare Bryant, Clerk to Economy Committee
Dr Celia Caulcott, Board Member, London Economic Action Partnership
Amy Gelsthorpe-Hill, LEAP Board Secretary
Jamie Izzard, Senior Manager - SMEs, Food and LEAP
Debbie Jackson, Assistant Director – Regeneration and Economic Development, Senior Responsible Owner for LEAP
Ben Johnson, Senior Advisor to the Mayor - Business and Digital Policy

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GREATERLONDONAUTHORITY LONDONASSEMBLY

Subject: Economy Committee Work Programme	
Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 17 January 2019**
This report will be considered in public	

1. Summary

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

2. Recommendations

2.1 **That the Committee agrees the work programme and priorities for the remainder of the 2018/19 Assembly year, as set out at paragraphs 4.2 to 4.6 of the report.**

2.2 **That the Committee delegates authority to the Chairman, in consultation with party Group Lead Members to agree the scope for the Committee's meetings on 12 March 2019 and 3 April 2019.**

2.3 **That the Committee notes the Impact Review of *What Works for Microbusiness*, attached at Appendix 1 to this report.**

3. Background

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

4. Issues for Consideration

4.1 The Committee's calendar of meetings for the 2018/19 Assembly year was agreed at the London Assembly's Annual Meeting on 10 May 2018. The Committee is scheduled to meet on:

12 March 2019	3 April 2019

4.2 Initial priority areas identified informally by Members include:

- Mayoral support for micro businesses in London;
- Preparing London for Brexit; and
- The London Economic Action Partnership.

4.3 The table below sets out a proposed schedule of topics for the next two meetings. Members are requested to agree the proposed schedule:

Date	Topic
12 March 2019	Minicab firms in suburban London
3 April 2019	Minicab firms in suburban London

4.4 It is proposed that the Committee use its two remaining meeting slots in the 2018/19 Assembly year for a scrutiny review of minicab firms in London.

4.5 The Economy Committee is planning to investigate the minicab market in London. The investigation will examine the challenges affecting the economic survival of small minicabs operators in London; and establish what actions the Mayor can take to support minicab firm owners to flourish in London.

4.6 Evidence to support the inquiries may be gathered through formal committee meetings, informal briefings, and site visits, or a combination of approaches.

4.7 It is recommended that authority be delegated to the Chairman, in consultation with the party Group Lead Members, to agree the scope for the 12 March 2019 and 3 April 2019 meeting slots.

What Works for Microbusinesses

4.8 The Committee agreed its report, *What works for microbusinesses,* at its meeting on 12 September 2018. The report is available on the GLA's website here[1]. The report *What Works for Microbusinesses* sets out the challenges microbusinesses face in London, whether just starting out in business, established or 'stressed'.

4.9 Responses to the Committee's report have been received from Sue Terpilowski OBE, London Policy Chair, Federation of Small Businesses, Krissie Nicolson, Director, East End Trades Guild and the Mayor. The impact review, attached at **Appendix 1** to this report, summarises the responses and impact of the report and is attached for Members to note.

5 Legal Implications

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

6 Financial Implications

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

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[1] https://www.london.gov.uk/sites/default/files/30-08-2018_micro_business_final_and_agreed_.pdf

List of appendices to this report:
Appendix 1 – Impact Review – *What works for microbusinesses* report

Local Government (Access to Information) Act 1985	
List of Background Papers: None.	
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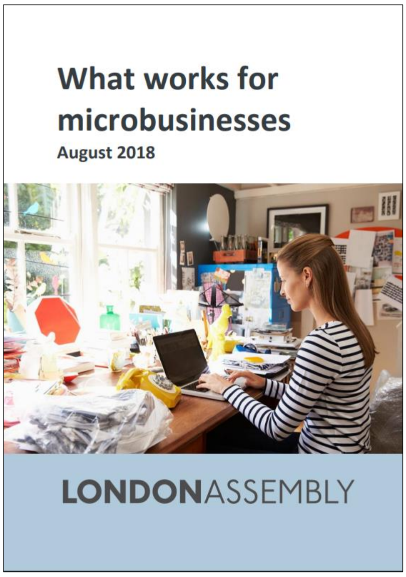
Report and letter Impact Review

What Works for Microbusiness

Released in Autumn 2018



Feedback

Sue Terpilowski OBE, London Policy Chair, Federation of Small Businesses said: *"We welcome this report as it addresses some of the major concerns of members of FSB in London. Whilst London micro businesses remains dogged and determined, the high cost of doing business is putting additional pressure on wages and inflation for London businesses. (…)"*

Krissie Nicolson, Director, East End Trades Guild said: *"The East End Trades Guild is pleased to have made representations to this concerted enquiry into the challenges of London's fastest growing business constituency. The report paints an accurate picture of the barriers imposed on micro businesses and the lack of relevant provision for them. (…)"*

Media coverage & stakeholder engagement

The Chairman was interviewed about the report on LBC Radio. The report received coverage in HR Director. The video created to launch report has been watched around 100 times.

The Economy Committee site visit to the East End Trades Guild received press coverage from London Live, Business Advice and East End Advertiser.

The survey for microbusiness owners was promoted by many stakeholders via their website, twitter or newsletters, including Wandsworth Council, ISPE, ISBE, FSB, London Councils, LEAP, EETG, Capital Enterprise, North London Chamber of Commerce, and many others.

Mayoral response and recommendation implementation

The Mayor's response to the letter was received on 21 November 2018.

The response overall was very positive. The Mayor was positive about most of the recommendations and highlighted how a number of his strands of work would cover the recommendations.

The majority of the recommendations will be carried out or considered in a variety of the LEAP's future work. The LEAP will publish an annual report and hold an AGM in public to showcase its stakeholder engagement work; it is re-designing the website to increase transparency on funded projects; is strengthening its project oversight; will increase its work with grassroot businesses; and will launch a programme next year to help small and microbusinesses adapt to new technologies.

See below for a full breakdown of the recommendations and the Mayor's response.

	Recommendation summary	Progress	Response summary
1	**Transport-related spend** We heard from the Deputy Mayor for Business that the LEAP's short-term priority is to support enterprise and entrepreneurs, and in the longer term, to develop skills and 'the right kind of infrastructure' for London. (…) Can you clarify the situation around transport-related spend? To assess the proportion of spending going on transport-related projects, we would also be grateful if you could send the committee a breakdown of the funding allocated by the LEAP each year since 2012 and what the money was spent on.		The LEAP has inherited a number of transport-related projects from the previous administration. GLA officers working on behalf of the LEAP manage the overall delivery of this work, and together with the LEAP Board ensure the robust delivery of large infrastructure projects that are transforming local communities. A breakdown of funding allocated by LEAP in this Mayoralty will be shared in due course.
2	**Stakeholder engagement** We recognise the significant challenges the LEAP faces to engage widely with London's diverse business landscape. However, we recommend a more active strategy of engagement to promote and develop awareness of how businesses and communities can connect with the LEAP's programme of work. This will give businesses better access to available funding and support. Can you outline what plan, with timelines, the LEAP has to boost its engagement activities?		It is fair to say that LEAP already has a significant programme of engagement with stakeholders. A list of past engagement activities is provided. We will soon be publishing LEAP's first Annual Report, further increasing clarity, transparency and awareness of our work. From 2019, we will be holding an Annual General Meeting in public and using this as further opportunity to showcase our work and engage with stakeholders. The LEAP delivery team is recruiting a dedicated engagement and communications officer who will manage our stakeholder engagement strategy going forward.
3	**Website update** We welcome the Board's commitment to upgrade the LEAP		LEAP is committed to making significant improvements to the Growth Hub website. Phase one of this work is focussing on improving

	website, and to make it more navigable. As the LEAP's main means of communication, it is vital that the information on the website is readily accessible, not merely available. (…) a) a clear and regularly updated list of funded programmes on the website. b) that the LEAP develops a postcode search functionality to enable businesses and the public to see what projects have received funding in their local area. c) that the LEAP provides for the London Co-Investment Fund, and wherever applicable for other funds, the rate of return on investments made by LEAP funds. d) an improved Growth Hub on-site search functionality to make it easier for users to navigate the website and find relevant content.		navigation and adding project and programme-level content on the current site and will be completed before the end of 2018. This will include key outputs and outcomes from programmes, which will address your request regarding the London Co-Investment Fund. Phase two involves a complete redesign of the website, for which we are undertaking user research to inform our understanding of how the website is currently used, barriers to use and key areas for improvement. We would very much welcome involvement from the London Assembly during this process, which will provide an opportunity to feed in ideas such as the proposed postcode search functionality.
4	**Project oversight** We welcome the LEAP's commitment to step up oversight of ongoing projects. It was disconcerting to learn that there have been instances where LEAP funds, though committed through grant agreements, have not been spent to planned profiles. We would recommend that the LEAP now publish information on the improvements it has or intends to make to its monitoring process.		The LEAP Board closely monitors and scrutinises performance data and risk at each quarterly meeting. LEAP's Investment Committee and Programme Board focus on detail relating to individual projects at their delegation levels. In addition, the LEAP Board has established an informal process for Members to review granular data and provide specific advice as required outside of the formal meeting cycle. LEAP is focussed on ensuring that its spend forecasting is accurate and spend pace is sufficient to increase economic growth across the capital. We are working closely with delivery partners to deliver this and will add a

			statement in the governance web pages of our new website to explain how we manage project performance. Any slippage to spend profiles is taken very seriously and highlighted in the published quarterly performance report, that we will signpost to more clearly on the new website. Senior officers supporting the LEAP and individual delivery teams meet with Government monthly to, amongst other things, discuss performance and spend, which further increases accountability.
5	**Small business engagement** We welcome both online and offline strategies to increase awareness of the Growth Hub among micro and small businesses in London. (…) To this end, we want to see you connect and work more closely with local, grassroots business organisations, such as the East End Trades Guild and Sohost, or council programmes such as Wandsworth Enterprise Week 2018. You should organise a set of workshops across London to meet with those local business groups to promote the Growth Hub and LEAP funded programmes.		We are continually exploring ways to maximise engagement with LEAP programmes and have exciting plans for raising the profile of the London Growth Hub, which include working more closely with grass roots business bodies across London's sub-regions. We would be happy to discuss these plans with the Assembly in the new year.
6	**Established business** Microbusinesses and other stakeholders felt that a lot of government, council and GLA programmes were great for start-ups but irrelevant for established businesses who struggle to survive. (…) We welcome the information from the Deputy		LEAP is continually looking at better ways to reach the harder to reach businesses through a wider face-to-face business support offer that will be delivered across London, focussing on areas of higher deprivation and businesses that lack the social capital possessed by others. Thank you for your helpful suggestions about support that we should focus on

	Mayor for Business that the LEAP is considering launching a new fund in the new year that will provide working capital loans to micro and small businesses. But we would like to see more tailored and practical support and advice to established businesses.		providing; we shall certainly build this into our future programme of support, which will be led by the needs of businesses. No information was provided whether there would be a new fund that will provide working capital loans to micro and small businesses.
7	**Help small businesses adapt to new technologies** During our meeting, the Deputy Mayor for Business agreed that "upskilling to equip entrepreneurs and small business owners to adapt and take advantage of new technologies" was essential.[6] We would like to see the Growth Hub provide practical information on how small and microbusinesses owners can best adopt new technologies to support their livelihoods.		I agree that upskilling to equip entrepreneurs and small business owners to adapt and take advantage of new technologies is essential to success. The London Growth Hub is already in the process of developing proposals for a "Technology Adoption Service' that will help every-day businesses adopt existing and emerging technologies. The programme has been considered by the LEAP Programme Board and will be launched in 2019; again we would be happy to share details with the Assembly.
8	**Signposting local initiatives** Finally, we heard from experts and business owners that it was difficult for microbusiness to know what London's councils are doing to support access to affordable workspace, including pop-up initiatives. We would like the Growth Hub to play this role of signposting local initiatives. This could take the format of an "in my area" feature, similarly to the one on London.gov.uk.		LEAP's Growth Hub already includes a directory of borough-level support across the capital, including private and public sector support, and we are looking at how we can better promote this on the new website. By way of example, the following link shows results for business support in the London Borough of Croydon: www.growthhub.london/support/?location%5B%5D=croydon. In addition, we have developed the London Workspace Map a part of the Growth Hub, which provides a unique London-wide search tool for co-working space, artist studios, ·incubators/ accelerators, maker spaces and shared kitchens.

			Finally, we continue to deliver a pan-London property Advice Service, which provides start-ups and existing SMEs looking to take on or renegotiate an existing lease with free property advice from property experts. This support is easily accessible at: www.growthhub.london.