

Employment and Skills: Update Paper

Purpose

For discussion and direction.

Summary

Board members agreed that employment and skills should continue to be a key lobbying focus for the organisation, and one which should be developed alongside the City Regions Board.

Recommendations

This report seeks Members views on current activity, in particular the LGA proposal for an employment support for adults with multiple needs (**Appendix B**), and suggestions for ongoing lobbying and support needs for councils.

Members are also asked to consider additional proposals to broaden the scope of our future work.

Action

Officers to take forward as directed by members.

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Employment and Skills: Update Paper

Summary

1. The Government has set ambitious employment and skills manifesto commitments. There is a role for councils which must continue to put forward. There is no shortage of evidence which points to the rationale for employment support to be devolved, given initiatives such as the Future Jobs Fund. Councils want to go further and faster towards devolution; indeed employment and skills is the top 'ask' in last month's round of devolution bids. For this to happen, local government will need to negotiate the details with departments like DWP and BIS. The LGA has a clear role in supporting councils achieve their ambitions either through devolution deals or locally proposed models. This paper sets out the issues in more detail.

The Government's employment and skills agenda

2. Over the course of this Parliament, the Government has committed to achieve full employment, deliver three million new apprenticeships, restructure and localise the skills system, reduce worklessness by halving the disability employment gap, supporting more people with mental health and long term 'treatable' conditions into work, and making 18-21 year olds 'earn or learn' through the new benefit system for young people, and rolling out Universal Credit. These are significant commitments, to be delivered with reduced departmental budgets, with further cuts expected through the Spending Review. This will require careful and planned use of available resources.

Councils' role

3. Councils want to stimulate thriving local economies, so their residents contribute and benefit from local growth. In the LGA Spending Review submission, we called on the Government to enable local areas to manage the strategic local integration of public funds so they can plan, integrate and deliver welfare support, employment, health and skills provision locally. In return, councils would help deliver Government priorities to target skills spending to local economic need, boost apprenticeships, and reduce unemployment. We recommended that the Government work with the LGA to develop a Youth Offer through which the new Youth Obligation could be delivered, and design a devolved, integrated programme to help adults with multiple disadvantages into work.

Devolution Deals

4. Last month, 34 groups of councils in England – cities and non-metropolitan areas – submitted devolution proposals to the Government ahead of next month's Spending Review decisions on the first wave on deals. Our understanding is that bilateral negotiations are underway between local areas and the Government, and that the majority of bids prioritised the devolution and / or co-commissioning elements of employment and skills funding including:
 - 4.1. *Employment*: Reducing unemployment through devolved employment support for the long term unemployed as a minimum, (co-)commissioning of the Work Programme, and oversight of JobCentre Plus (JCP).
 - 4.2. *Skills*: Reshaping and restructuring the Further Education system with control of capital and revenue budgets to be devolved, alongside proposals for the devolved

and / or co-commissioned Education Funding Agency (EFA) and Skills Funding Agency (SFA) budgets to simplify and localise the system across all age groups.

4.3. *Skills*: Making the apprenticeship system work for local economies through the devolution of funding, and local commissioning for all information, advice and guidance available to an area including the National Careers Service.

5. **Members' steer is sought on the LGA's role to help progress devolution by: i) negotiating at scale with Whitehall departments to help demonstrate how devolution can support numerous commitments; and ii) what an LGA support offer could look like both for councils who are ready to go straight away, and for those requiring capability and capacity before further devolution.**

Update on current work

6. The Government is pursuing a twin track approach in inviting areas to come forward with devolution deals while also continuing thematic discussions on decentralisation .e.g. skills which can be applied to across all areas in time (see below). This requires the LGA to follow a similar twin-track approach to its lobbying.

A partnership with DWP – a joint Statement of Intent

7. Given its significance as a department, we have sought to develop more systematic, high level engagement with DWP. LGA officers met Jeremy Moore, DWP's Director for Strategy to discuss a range of issues – successor arrangements for the Work Programme and support for those with multiple disadvantage, Youth Obligation, universal credit – issues we believe require central and local government to work together more effectively over coming years. To this end, the LGA drafted a joint LGA/DWP Statement of Intent (**Appendix A – approved by lead members of both Boards**) which sets out in one place what those collective issues are, intended outputs and milestones.
8. On a basic level, it is an aide memoire for our joint work, but ideally, the LGA would like this to be a high level commitment signed by respective politicians on joint work. The draft is being considered by DWP officials. **Members may wish to consider how the Boards take forward discussion with DWP Ministers to move our work along.**

LGA proposal for a devolved employment programme for adults with multiple needs

9. In Realising Talent (LGA, March 2015), we recommended that once current Work Programme contracts expire in 2017, employment support for claimants facing multiple disadvantages into work, including Employment Support Allowance (ESA) work ready claimants be fully devolved. Councils are confident more locally tailored solutions which integrate employment, health and skills interventions, and adopt a similar case worker approach to that used for Troubled Families would be more effective than national provision. Work Programme has supported 10% of ESA claimants into sustained work.
10. Many areas highlighted employment and skills as a number one contender for devolution in their bids. Devolution of some degree is likely, but the risk is it will come with insufficient funding, be deal-based rather than England wide, with councils given a peripheral role rather than as a commissioner.
11. The Cities and People and Places Boards therefore commissioned Inclusion to develop the detail of a devolved employment model for the most disadvantaged jobseekers / ESA

claimants which devolves support in the right way and could be flexible enough to apply in all areas across England.

12. **Members are asked to carefully consider the initial outline proposal (Appendix B). Views are sought as to whether or not it contains the right components, can be applied locally, and what further considerations or detail should be focused on in successive iterations. The proposal also suggests ways in which claimants who do not have multiple needs could be supported.** Our intention is to put forward the proposal to Government ahead of the Spending Review. Following discussions at both Boards, a detailed draft will be circulated for approval.
13. In developing this work, the LGA sought the views of a range of non-metropolitan areas including Derbyshire, Gloucestershire, Hertfordshire, Lincolnshire, Staffordshire and Suffolk. This work is in line with an LGA submission to the Work and Pensions committee welfare to work inquiry (also approved by lead members of this Board in September).
14. Alongside the model, the **LGA will publish an evidence based report** on the merits of a local approach to support people with physical and mental health conditions into work, and those with 'treatable' conditions drawing on case material from Cornwall, Gloucestershire, Hertfordshire and Sussex among others.
15. See paragraphs 27-28 for proposed additional activity on the most disadvantaged.

Apprenticeships

16. The Government has pledged to deliver three million apprenticeships over the course of this Parliament, geared to employers' skills requirements. This is a significant increase of 35% from the last Parliament (2.2 million starts).
17. The Enterprise Bill (second reading, 12 October), includes a clause to enable the Secretary of State to set apprenticeship targets for councils and other public bodies. We have opposed this on the basis that current and further cuts to budgets will undoubtedly impact on the local government workforce, so a legal obligation to hire apprentices would be unhelpful. We also proposed councils are excluded from the apprenticeship levy applicable to large employers as it is an additional cost at a time of significant financial constraint.
18. With devolved funding, councils can support the target in other ways, which the Bill does not recognise. This includes not only their role as employers, but also as commissioners and procurers, and through their local economic development and place shaping functions, working with employers of all sizes and LEPs. **Members are encouraged to raise with parliamentarians our concerns about the target and levy applying to councils, and of the positive role councils can play notwithstanding targets.**
19. An LGA-DCLG roundtable with councils and relevant Whitehall departments takes place on 20 October to explore ways in which local government can contribute meaningfully to increasing apprenticeships, rather than centrally imposed targets.

Adult skills

20. Ministers have tasked BIS and the Skills Funding Agency (SFA) to work together with some LEPs, local authorities, providers and the LGA to develop a simpler, more locally responsive adult skills budget (excluding apprenticeship funding).

21. While much is yet to be decided, the intention is a block grant for unified adult skills budget (including community learning) would go to Further Education (FE) colleges. It would no longer be qualification based and local commissioners will negotiate how funding is spent. In the short term, it will be co-commissioned (SFA and local areas – combined authorities possibly), with a view to full commissioning with more locally funding allocations. Some areas will be asked to pilot this from 2016/2017. Others are expected to implement this from 2017/2018. These developments are set alongside Area Based Reviews designed to provide stability for the Further Education sector. **Members are asked to consider ways this BIS development can help our lobbying of DWP, which could open up possibilities for local areas to align skills and employment.**

Youth obligation

22. The LGA met with DWP to discuss the new Youth Obligation (YO) to be introduced in 2017, replacing Job Seekers Allowance for 18-21 year olds. It will apply to new claimants on Universal Credit, and our assumption is it will be contracted separately to employment support for adults. The support package will include three elements: 1) Day One intense support package to include 72 hours of activity in the first three weeks of a claim, 2) traineeship, apprenticeship, sector based academies or a three month work placement six months into the claim, and 3) Work Programme type interventions.
23. The LGA suggested that the introduction of the Obligation does not address the fragmented and duplicative funding system to re-engage young people. Further we have recommended learning from the MYGO pilot jointly funded by JCP and Suffolk county council be explored given the integration principles which have been applied. An invitation from Suffolk officers has since been sent to DWP to visit the centre. **Members may wish to consider how we raise this across at political level too both at DWP and more broadly across HMG departments.**
24. **With regards paragraphs 9-23, if Ministers are minded to apply these models across England an LGA support offer will be necessary. Members may suggest a paper is brought to the next Board outlining what that offer could look like.**

Proposals for additional future activity

The case for a more local public employment service

25. DWP's PFI contract on Jobcentre Plus (JCP) offices expires in 2018. There is potential for significant changes in the way it operates in the future. The LGA is working to ensure that Universal Credit roll out recognises and adequately resources the role of councils, and that through Universal Support delivered Locally (USdL) we push for greater number of areas to benefit from co-location and develop thinking on integration. Alongside what Lord Freud, Welfare Reform Minister referred to as this 'spine of provision' there are opportunities to improve support for claimants within a reformed welfare system.
26. To support LGA lobbying for a more locally relevant public employment service, the LGA could initiate some research around international comparisons, JCP read across with the National Careers Service, links with local partners and wider economy, and users' perceptions. **Members' ideas are sought so a scoping paper can be tabled at the next Board.**

Support for disadvantaged

27. The success or otherwise of the Government's cuts to welfare spending are predicated on reducing the 'welfare dependency' of low income households, primarily through increased employment. The Welfare and Work Bill emphasises 'life chances' as a key factor in breaking cycles of poverty, recognising other factors – housing, childcare, health – in enabling people to find and progress in work. A benefit of devolving employment and skills funding and responsibility is that it enables support for the most disadvantaged to be integrated more effectively with other services, such as Troubled Families.
28. **It is proposed the LGA makes concrete proposals / case studies for improved local integration, and better harmonisation of policy at a national level:** for example lobbying against proposed changes in housing policy could see low income households priced out of the areas where they currently live and – crucially – work. Welfare Reform is championed by Cllr Claire Hudson (LGA Resources Member). Cross board work given this is a cross-cutting theme. Work that sits within this portfolio includes contributing to the Work and Pensions Select Committee Inquiry into the role of councils in providing a welfare safety net, and producing a publication on the current and future role of councils in social security (by March 2016). This piece of work is proposed by the LGA officer responsible for welfare reform.