

## **Appendix A**

### **Employment and skills**

Councils want to stimulate thriving local economies, so all residents contribute and benefit from local growth. Working across functional economic areas with businesses and local partners, they are building on their unique and proven capacity to integrate services around vulnerable people and anticipate and respond to local employer needs.

Yet councils' ability to address unemployment and skills demands is constrained by a national employment and skill funding system. Worth £13 billion in 2013/2014, national budgets have significantly reduced. Councils can help manage these reductions if the Government devolved these funds allowing them to locally integrate and plan investment so all areas create a steady supply of skills and jobs required to boost national productivity. While many areas have benefited from pilots through City, Growth and Devolution Deals, all areas want to have more secure funding so they can plan more effectively.

#### **The problem...**

**National contracted employment schemes struggle to support those with weaker labour market prospects** – just one in five disadvantaged Jobseekers Allowance (JSA) and Employment and Support Allowance (ESA) claimants get a job on the Work Programme (WP) which has also created huge variances in job outcome performance between local authority areas, ranging from 44 per cent above the national average to 28 per cent below. After two years on the scheme, 70 per cent of all jobseekers and 87 per cent of all ESA claimants find themselves back at the job centre looking for work. This is unacceptable. Reform is needed.

**The skills system is unresponsive to the future needs of local areas and employers.** Failure to invest in skills will impede local growth and England's productivity by up to 25 per cent – £375 billion – could be lost, with £174 billion in lost tax – enough to fund adult social care for a decade. LGA analysis predicts if we do not increase average qualification levels from five GCSEs to three A Levels (or equivalent), a growing skills gap will emerge by 2022:

- a surplus of 5.5 million low skilled workers as 9.2 million chase 3.7 million low skilled jobs
- a surplus of 2.4 million intermediate skilled workers as 12.6 million chase 10.2 million jobs
- a shortage of 2.9 million high skilled workers – only 11.9 million high skilled workers for 14.8 million high skilled jobs.

**Skills shortages are holding back housebuilding.** While recruitment demand has increased from 29,050 in 2013, to 44,690 in 2015, the number of people in construction-related training is declining, with apprenticeships falling by 58 percent since 2012/13.

#### **The solution...**

Employment

- Submitted to Ministers in November 2015, the **LGA devolved employment support programme** could support one million of the most disadvantaged jobseekers, including ESA work ready claimants. We recommend it replaces Work Programme contracts in 2017, with a budget of £2.75 billion drawn from central government employment, health and skills budgets (DWP, DoH, BIS). We expect it to improve job outcome performance by 50 percent resulting in 54,000 more people securing employment.
- The Spending Review announced a new specialist Work and Health Programme (WHP) to replace the Work Programme for claimants with health conditions or disabilities and those unemployed for over two years. While it reflects many of the LGA proposals, national commissioning (except in seven city regions areas where it will be co-commissioned) and much lower levels of investment for WHP may result in inadequate support for claimants needing intense support.
- The LGA will lobby DWP to give councils the lead commissioning role for the WHP programme with adequate levels of funding. Next steps include a DWP/LGA roundtable with councils and a meeting with the Employment Minister Priti Patel MP. Collaborative work wider stakeholders is also planned.

#### Skills

- Addressing the local skills challenge, creating 3 million new apprenticeships and getting the provider market to deliver is a priority for all areas. To achieve it, we need a step change in Government policy to devolve apprenticeship and skills funding for all ages to local areas so councils, businesses and education providers can gear all funding to the needs of local residents and businesses.
- While the Government is moving in the right direction, it is far from councils' long term ambitions. For instance many want to see Area Based Reviews, set up to restructure the FE landscape, capture a broader range of educational establishments, and that plans to unify separate skills budgets for adults with a view to local areas co-commissioning it, to also include funding for apprenticeships.

Visit [the LGA's DevNext Hub](#) for more information.

## Transport

The vast bulk of this country's transport infrastructure exists to serve local needs and local economies: 98 per cent of the roads network are local roads. Yet there are some major challenges facing transport services which only serve to highlight what is currently a dysfunctional system of funding and distribution of power. In 2014, the LGA commissioned independent research into the funding and decision-making system for transport, which were published in a report, *Better Roads for England*<sup>1</sup>. It identified some **major challenges**:

**Gridlock 2040** – The Government forecasts up to 51 per cent increase in traffic and 24 per cent increase in congestion levels on council run Principal A roads by 2040. If left unchecked this will have major consequences for the national economy given that congestion is estimated to already cost the UK £4.3 billion per year. Tackling air pollution and carbon reduction will be much more difficult. Increasing road capacity by itself is not the solution – policies such as development planning, supporting public transport, walking and cycling and traffic management are needed to take the heat out of the predicted growth. Only councils can deliver the most effective combination of policy approaches to deal with variable local impacts.

**Road maintenance backlog** – It is estimated the current backlog of road maintenance would cost £12 billion to fix and would take around 10-12 years to clear. The backlog is growing and – without new policies – will worsen as traffic increases. Addressing the backlog, a more stable funding stream, and moving towards preventative maintenance would also save money in the long run.

**An unbalanced system** – The systems for planning and resourcing the strategic road network and local roads are very different, with Highways England given a long-term funding settlement and from 2020/21 investment resources are being pinned to Vehicle Excise Duty. In contrast councils have to access a myriad of funding pots which have different legal frameworks, different assessment criteria, business case requirements and timescales. This leads to inflexibility, duplication and waste. There is an over-use of competitive funding. Addressing these issues would improve outcomes and value for money. Yet the two tiers are part of a single indivisible network where virtually all journeys begin and end on local roads.

Furthermore, in September this year the LGA published *Missing the Bus?*<sup>2</sup> a report which highlights the funding pressures on non-metropolitan councils' supported bus services, and the mitigating measures they are taking to minimising cuts in service.

In **response to these challenges** the LGA is calling for greater devolution of powers and funding, including:

- Longer-term certainty of funding as enjoyed by other infrastructure providers such as Highways England and Network Rail
- Simplification and devolution of all funding relating to local transport, avoiding wasteful and time-consuming competitive bidding

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<sup>1</sup> <http://tinyurl.com/l6ejdb6>

<sup>2</sup> <http://tinyurl.com/o2paltq>

- Devolution of Bus Services Operator's Grant, and to make bus franchising much simpler and for Government to help with Total Transport.
- Government agencies, such as Network Rail and Highways England, to be more responsive to local needs.

### **Next steps**

Recently announced devolution deals have shown a positive change in approach from central government with a number of places set to benefit from multi-year funding settlements, a promise of bus franchising powers (in response to agreeing to a mayoral model, except for in Cornwall) and agreements for closer working with Highways England and Network Rail.

We must now make the most of future opportunities for reform, such as through the Buses Bill. We urge you to stay in touch with the LGA to understand how the Bill can help promote better transport through devolution to local government.

Visit [the LGA's DevoNext Hub](#) for more information.