

## **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. This paper updates the Board on latest Government announcements and LGA activity and suggests options for future activity in this area.

### **Recommendation:**

Devolving employment and skills levers and funding to groups of councils is a longstanding LGA lobbying aim and one of the top 'asks' in councils' devolution bids. This paper seeks Members' steer on current and proposed activity to influence this.

### **Action:**

Officers to take forward as directed by members.

**Contact officer:** Jasbir Jhas, Senior Adviser [jasbir.jhas@local.gov.uk](mailto:jasbir.jhas@local.gov.uk) 020 7664 3114

## Employment and skills: update paper

### Summary

1. Devolving employment and skills levers and funding to groups of councils is a longstanding LGA lobbying aim and one of the top 'asks' in councils' devolution bids. This requires the sector negotiating with Whitehall on an individual devolution deal basis and at scale. The LGA has a clear role in supporting councils in both. This paper seeks Members' steer on current and proposed activity to influence this.

### 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 make young people 'earn or learn'. These reforms need to be delivered within reduced departmental budgets, and require careful and planned use of resources.
3. While the Government recognises that 'local' matters, a continued silo approach in Whitehall – via DWP, BIS and DfE – to employment and skills, perpetuates disparate funding streams, initiatives and institutions, which lack coherence on the ground or relevance to local economic need, and ill-serve people and places which most need it.

### The role for councils

4. 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.
5. To achieve that, we need a **devolved mainstream skills system** – further education, 16-19, adult skills, apprenticeships, higher skills, learner loans and careers advice and guidance – to prepare people to enter and progress into jobs market. Alongside this, a **locally responsive re-engagement system** – commissioning Jobcentre Plus and back to work schemes – is critical to help people who require extra support to enter, get back into, or progress in work.
6. 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, and skills provision locally. In return, councils would help deliver Government priorities to target skills spending to local economic need, boost apprenticeships, tackle worklessness, increase employment and stimulate local economies.
7. A growing number of areas are benefitting from elements of devolved funding through City, Growth and Devolution Deals. Councils' pitches within the most recent bidding round included:

- a. *Employment*: devolved employment support for the long term unemployed as a minimum, and oversight of JobCentre Plus (JCP).
  - b. *Skills*: local commissioning of Education Funding Agency (EFA) and Skills Funding Agency (SFA) budgets to simplify and localise the Further Education system across all age groups, as well as apprenticeships and all information, advice and guidance.
8. Greater Manchester's Working Well, London's Working Capital and Suffolk's MyGo demonstrate councils' ambition and capability with devolved powers and funding. But all areas want to secure funding channelled into one place with local influence over institutions to plan more effectively. This requires the sector negotiating on an individual devolution deal basis and at scale. This paper seeks Members' steer on current and proposed activity to influence this.

### **Update on current work**

#### *Employment support*

9. The Spending Review (November 2015) announced a new specialist Work and Health Programme (WHP) – £130 million per year – for claimants with health conditions or disabilities and those unemployed for over two years, to replace the Work Programme (WP) and Work Choice in 2017. Jobcentre Plus will support all other JSA claimants up to their WHP eligibility.
10. Prior to the Spending Review, the [LGA put forward its own a proposal to Ministers for devolved employment support](#), integrated with health and skills interventions, using a case worker approach, eligible for up to one million of the most disadvantaged jobseekers including Employment and Support Allowance (ESA) work ready claimants. Our proposal is being used by various Whitehall departments, councils, stakeholders and think tanks to inform next steps in the WHP design and local government's role within it. However our longstanding concerns - insufficient funding, deal-based rather than England wide, councils given a peripheral role rather than commissioner – are now surfacing. We need to lobby for:
  - 10.1 Clearer and faster devolution beyond the seven city region areas which DWP has agreed to work with within the context of their devolution deals. Our proposal was for this to be level of localism to be applicable to all groups of councils including non-metropolitan areas across England so they could lead commissioning.
  - 10.2 Increasing £130 million WHP budget line by combining Whitehall budgets (additional Work and Health Unit fund plus BIS and DH skills / health funding) otherwise our concern is that the programme will help too few claimants or interventions may fall short of the support they need. The predecessor WP was £600 million per year.
  - 10.3 Exploring ways with DWP how those areas outside of the devolution deals can influence the national WHP design. This means bringing councils together with DWP (March to October) to identify ways to influence tenders, and map how local services / funding and WHP can be aligned more closely.
11. The newly established Work and Health Unit (WHU) responsible for integrating health and employment will soon launch a White Paper with proposals on how this can be achieved. The LGA will respond, and has already discussed with the Unit the role councils can play in integration (above proposal) and secured a place on the Unit's

cross Whitehall Programme Board. **Members are invited to comment on steps to move this work further and faster.**

Skills:

12. The Government is making significant changes to skills policy and funding. While the LGA has secured some initial wins, more remains to be done to ensure the changes work for non-metropolitan areas and that powers and funding are devolved in a joined-up way.
13. **Area Based Reviews (ABR)** are tasked with making the Further Education system financially resilient and responsive to local economic need. Councils are keen to improve the whole system, and want Reviews to capture a broader range of educational establishments, not just colleges. Board members raised concerns that rationalisation of colleges in rural areas would put unprecedented strain on transport links and the ability of (disadvantaged) learners to travel. This is being raised with Government.
14. A new **Adult Education Budget** (£1.5 billion per year) will consolidate current skills funding for adults – Adult Skills Budget, Community Learning, and Discretionary Learner Support. Funding will no longer be qualification based and combined authorities will negotiate how funding is spent. Devolution deal areas will pilot this in 2016/2017 initially through a block grant to FE colleges, with SFA and local areas co-commissioning. The intention is to move to full local commissioning with locally negotiated funding allocations by 2018/2019. **The LGA has successfully lobbied for adult skills to be devolved and integrated alongside WHP so local areas could coordinate interventions for jobseekers. We now need to ensure devolved responsibilities for FE (readiness criteria) are proportionate to the amount of AEB being devolved, and that all areas benefit from this subsequently.**
15. Apprenticeships
16. While the LGA supports the Government's pledge of **three million Apprenticeships** by 2020, we lobbied against centrally imposed targets and the Levy applying to the sector, given this will cost councils £600 million per year. This national approach to this policy is at odds with the localist approach BIS is taking on adult skills (above).
17. All public bodies including councils with over 250 staff will be set a 2.3 percent apprenticeship target per year. It is currently based on headcount, which would have a cost to councils of £400 million per year. The LGA will lobby for it to be based on FTE to lessen the impact on councils. Taking effect from April 2017, an Apprenticeship Levy, expected to raise £3 billion by 2019/20 will pay for this, while state funding will be phased out. All public and private employers with a pay bill of over £3 million, including councils, will contribute 0.5 percent of payroll. This will cost councils over £200 million per year. To ensure the Levy is locally targeted, the LGA is calling for all public (and possibly private contributions) to be locally pooled, rather than centrally controlled by HMT, so local areas assess demand by sector and employer type, commission provision, and promote the Fund locally.

Future activity

18. To add value to our ongoing lobbying work (above), below are further suggestions for work to start April 2016.

*Influence the debate on the future Jobcentre Plus*

19. There is potential for significant changes to the way Jobcentre Plus (JCP) operates in the future when DWP's PFI contract expire in 2018. The LGA is already pushing for greater number of areas to benefit from co-location and develop thinking on integration. To ensure local government has a strong coordinated voice to influence the debate, it is suggested that LGA initiate research on international comparisons on locally accountable public employment services, and consider how efficiencies can be made between JCP and the National Careers Service locally alongside other public agencies.

*A whole system skills commissioning role*

20. Given areas are at different stages in negotiating skills devolution, it is suggested we focus our future work on
- Understanding specific issues non-met areas have to overcome to help make the case for skills devolution, and looking to commission research to achieve that
  - Pilot work / research to identify councils commissioning / brokering role in maximising opportunities for adults to improve their skills through the extended learner loan system
  - Help councils maximise their role in the apprenticeship target and levy (April 2017)
21. **Members' views are sought, particularly on the balance of activity between detailed policy work and media and lobbying activity. It is also recommended that Lead Members of both the City Regions and People and Places meet to discuss and agree a programme of work for 2016/2017.**