

Tackling Worklessness Review

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A Review of the contribution and role of local authorities and partnerships

Interim Report

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27 November 2008

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Foreword

In May 2008 we were asked by Local Government Minister John Healey and Employment Minister Stephen Timms to examine how English local authorities and their partners can do more to tackle worklessness.

Specifically, Ministers wanted us to consider:

- how local authorities and their partners are using the Working Neighbourhoods Fund
- what more central Government departments can do to support local partners to deliver better employment and skills services
- how the private sector, social enterprises and third sector, and Regional Development Agencies can do more to help local partners
- how agencies like the Learning and Skills Council and Jobcentre Plus can better tailor their services to meet needs of the most disadvantaged areas.

Since we were commissioned the economic context has considerably worsened. Rising unemployment has made our task all the more urgent. We are very conscious of the need to provide a positive message to those disadvantaged people and communities that are in danger of suffering more than most.

This is why we are committed to making robust recommendations to government in our final report that will make a real difference for workless people. Our basic principle is that local government and their local partners can and should do more, particularly for the most disadvantaged people and communities.

In this Interim Report we are sharing our current thinking about how government, from top to bottom, can better work together with local partners from the third sector as well as private sector employers. This is not always simple but the urgency places a pressure on all of us to find simple and straightforward ways to deliver more support for workless people.

We therefore welcome responses to our suggestions in this Interim Report. We will be carefully listening to the ideas and suggestions and publishing our final report early in 2009. However, we also hope this Interim Report will inform government thinking in the coming months.

Stephen Houghton

Chair of Review Team and Leader Barnsley Council

Iqbal Wahhab

Claire Dove

Executive Summary

Since we were commissioned by Ministers to consider what more local authorities and their partners can do to tackle worklessness, the economic context has considerably worsened. Rising unemployment has made our task all the more urgent, and we are very conscious of the need to provide a positive message to those disadvantaged people and communities.

In this Interim Report we share our current thinking about how government, from top to bottom, can better work together with local partners. Overall we have found a real enthusiasm and commitment within local partnerships to raise their game and to do more to tackle worklessness. Specifically we have found from consultations to date:

- There is a need to ensure that the Working Neighbourhood Fund (WNF) is used innovatively and to maximise its impact
- We think a significant majority of WNF authorities would not have a problem with reporting on how they are spending WNF and the impact it is having in their areas
- Government will need to evaluate carefully the benefit that black and minority ethnic communities receive from all employment and skills funds, including WNF
- More radical measures are needed in those areas which have suffered from wider economic decline
- There is a generally high degree of satisfaction with mainstream employment and skills services, however they are unlikely to be effective in isolation and additional, complementary support is needed alongside

mainstream provision to successfully support long term claimants

- Local partnerships frequently reported that services are affected by ‘stops and starts’ as gaps occur between the end of one funding stream and the start of another
- We found that interventions with workless people and communities were required over a sustained period in order to make a difference, the planned flexible New Deal (FND) now has long term funding and this is also required for other support services
- We also heard concerns from providers, especially smaller providers, that FND commissioning could cause them to lose funding
- Local authority funding for employment and skills provision is seen as crucial to provide ‘wraparound’ services for engagement activity and to build on mainstream activity.

To address this range of issues we think there needs to be greater clarity about the role of local authorities, Local Strategic Partnerships (LSPs) and partners in tackling worklessness, in short national, regional and local partners need to be enabled to work smarter, work locally, and to use resources flexibly. This should be driven by some clear aims focused on disadvantaged people and communities.

Government is already taking action to do this but we think there are three steps that should be taken immediately:

Step 1: All upper tier authorities should, as part of their wider economic assessment duty, have

a responsibility to provide local labour market assessments.

Step 2: priority areas should be defined now and work commenced immediately on planning an integrated response to rising unemployment, incorporating the Department of Work and Pensions (DWP) programmes, Learning and Skills Council (LSC) funds and WNF. In some areas this may require additional funds. This work should build on delivery planning already underway in the context of Local Area Agreements (LAA); and be completed as part of the first LAA review and refresh.

Step 3: A national task force should be established, reporting to the National Economic Council, and charged with driving forward responses to unemployment in priority areas and for priority groups.

To underpin this we are proposing some new mechanisms to ensure actions have maximum impact by making sure they are co-ordinated, responsive, and provide a new channel for resources to priority areas and people.

We propose:

- A 'worklessness assessment' as part of the wider economic assessment duty that will be used to ensure there is a common understanding of local need, and will be used by local partnerships to rigorously scrutinise the local performance of supply-side measures
- A 'Work & Skills Plan' that would enable direct and flexible responses to local economic conditions
- A 'Work & Skills Integrated Budget' that could be agreed as part of the Plan and which could incorporate WNF and other funds and permit co-commissioning with DWP and the Department for Innovation, Universities and Skills (DIUS).

Doing more for disadvantaged areas

A 'National Challenge fund' that would be for priority local areas to stimulate new, temporary jobs and social enterprises that will help the community, the environment and disadvantaged people.

We think the National Challenge fund could be implemented immediately, irrespective of progress on other proposals. We think there is a strong case that some communities will need additional targeted resources to counter the effects of rising unemployment. We are particularly concerned about those communities where it is likely there will be insufficient jobs over the coming period.

Public sector as employers and procurers

The public sector as a whole should also be doing more in their role of significant local employers and procurer of services. We think government should now require public sector employers to provide a basic offer to local people in how they recruit and procure services.

We think these ideas, taken together, can make a significant impact on worklessness and we are now consulting until 9th January and will publish our final report in March 2009.

Chapter 1

The economic context for local economies

The recent, and anticipated, increase in unemployment is causing widespread concern throughout society and at all levels of government. We are clear that our Review must give positive and constructive proposals as to how local authorities and partnerships can do more to address the current economic conditions.

Since we were commissioned the number of people in employment has started to decline after reaching an historic high. Unemployment and the Jobseekers Allowance (JSA) claimant count have sharply increased since April 2008 and most predictions assume they will continue to increase for at least the next twelve months. Vacancies are down across the country and in most industries, and employers are announcing significant levels of redundancies which have yet to feed through to the statistics.

Just as worrying is a sharp increase since May 2008 in economic inactivity due to long term ill health, potentially signalling an increase for the first time in three years of the number of Employment Support Allowance and Incapacity Benefit claimants. At the same time there are signs that the flow through to long-term unemployment (over 12 months on JSA) may be starting to increase after ten years at very low levels.

So far every part of the country has been hit with most (but not all) regional indicators moving in the wrong direction. However, there are signs that some areas will suffer more than most, including those that already had weak economies. The local authorities currently receiving the WNF (previously Neighbourhood Renewal Fund and Deprived Areas Fund) have

been successful over the past ten years in reducing their claimants at a faster rate than other areas. One reason for this is likely to have been the sustained investment focused on regeneration, employment, enterprise and skills. Our aim in this recession must be to prevent the clock being turned back in these communities.

Local authorities and partnerships are critical to government's ambitions to tackle worklessness and stimulate enterprise. We know that unemployment and worklessness is often concentrated – amongst disadvantaged groups and within local communities. We know too that many people without work also suffer from multiple barriers to employment. Too often, these problems result in long term disengagement from the labour market.

Reaching out to these groups and communities, to engage them, raise aspirations, and join up employment and skills provision with other support services to meet their needs, is not easy. Providing effective services to raise employment levels, particularly for the most disadvantaged communities and groups, requires a concerted and sustained effort across government and effective partnership at national, regional and local levels.

Rising unemployment makes this task all the more urgent. Tackling long term worklessness is made more difficult by increasing unemployment, as the pool of available labour grows and competition for jobs increases. Our review has found a real desire amongst local authorities and their partners to deliver more for workless people. Many local authorities have done excellent work with the most

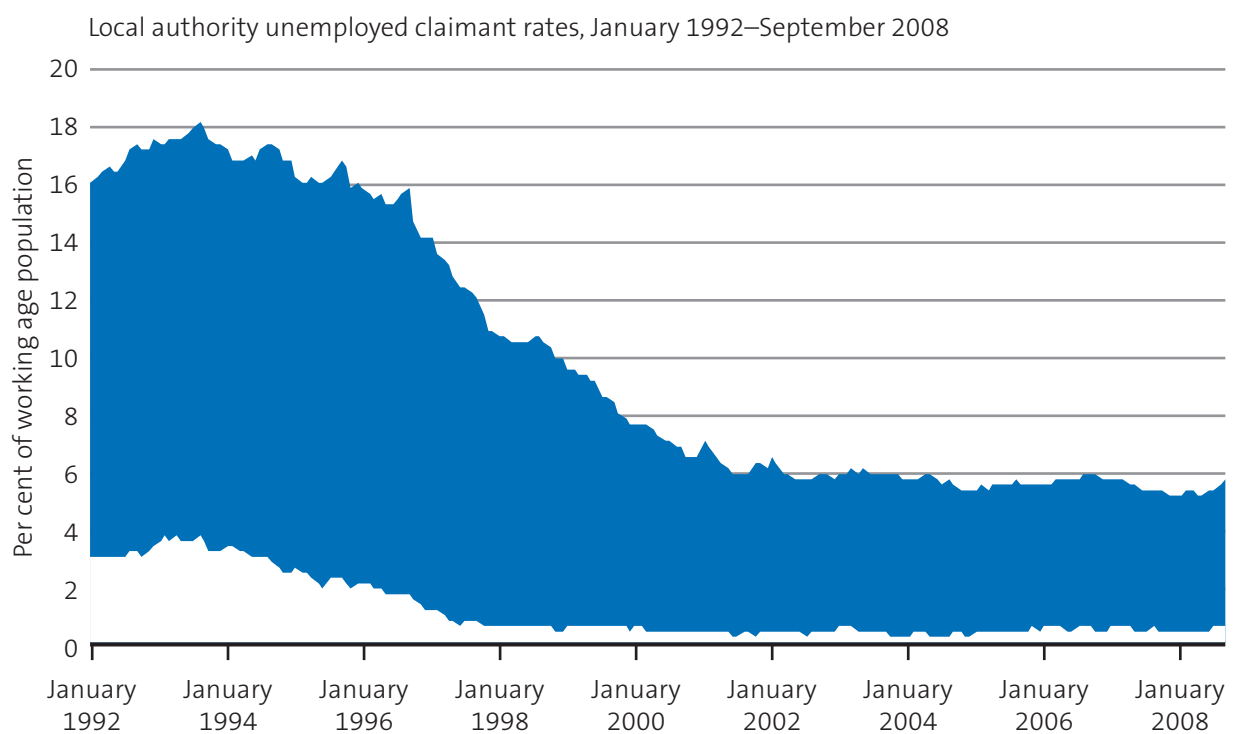
disadvantaged groups and communities in their areas, and others recognise that they will need to do more. Overall they have been making a difference.

The gap between areas with the highest and lowest unemployment rates has narrowed significantly over the past sixteen years (see Chart 1). This narrowing is, in part, a product of targeted initiatives and additional assistance in those areas that were worst affected by the two previous recessions. We also know there are concentrations of unemployment within local authorities and it is these areas that are likely to be hardest hit by rising unemployment.

A clear commitment to sustaining this narrowed gap is now needed at all levels of government. Local partnerships, including the private sector, have a key role to play if this is to be achieved against the backdrop of an economic downturn. They will have to build on innovative work in delivering services to claimants and joining up the contributions from a wide range of partners.

During the course of this review local authorities and partnerships have told us that they can, and want to, do more to help tackle worklessness. The measures proposed in this Interim Report aim to help them realise their potential.

Chart 1: Gap between the highest and lowest unemployment rates



Chapter 2

What have we found so far?

So far the review team has been on a number of visits to talk to local partners, received written submissions, and conducted discussions with a range of central government officials. We plan to do more but already there are clear messages emerging.

We have received some useful written responses to our consultation, primarily from local authorities and LSPs (see Annex 1). There are some common themes in the responses:

- Respondents want to effectively plan their response to worklessness but need more certainty about future funding and over a longer time period
- Some want more influence over mainstream agencies (such as Jobcentre Plus and the LSC) and more funds devolved to local areas but accept this will involve the need for more monitoring
- Many respondents want to build on existing activity designed to help disadvantaged groups access work experience, mostly through the third sector and, to a lesser extent, the private sector
- There was a high interest in enterprise and support to small and medium enterprises (SMEs)
- Some were reporting how they work with partners to share information to help them understand the reasons for worklessness in their area.

Our visits to local areas have revealed a generally high degree of satisfaction with mainstream employment and skills services. Jobcentre Plus, for example, was often praised

for its performance in respect of short term benefit claimants and how it works in local partnerships. However, we also found that services could vary in their performance and quality between different areas, and need to be coordinated with a range of additional, complementary services to be effective for long term claimants.

Throughout the review we found that interventions with workless people were required over a sustained period in order to make a difference. Services we visited often referred to the time needed to build relationships of trust with workless people, and of the need for ongoing support to be provided in order to help them back into sustained employment, or self-employment. That customer journey also frequently involves a broad range of specialist services.

Longer term funding for services would help. DWP commissioning of FND recognises the need for longer term contracts with those providers dealing with JSA claimants. But longer term funding is also required for other support services, and in respect of claimants who are not eligible for FND. Local partnerships frequently reported that services to workless people are affected by 'stops and starts' as gaps occur between the end of one funding stream and the start of another, or between commissioning periods. This also makes it difficult for local partners to link their provision with mainstream services, leading to poor coordination and reduced effectiveness. Funding uncertainties also impact on staff retention rates, causing a loss of expertise and making the intensity of provision difficult to sustain.

We also heard concerns from providers, especially smaller providers, that FND commissioning could cause them to lose funding. Many had previously forged effective relationships with Jobcentre Plus to deliver New Deal or to add value to core provision, for example by improving levels of engagement with specific client groups or disadvantaged areas. The move to national DWP commissioning and larger contracts with a small number of 'top tier' private providers requires new relationships to be built if these services are to form part of future supply chains. Many smaller providers, especially the voluntary sector, feared that the contractual requirements and prices in the proposed FND contracts would not be adequate to ensure they had a continued role.

Local authority funding for employment and skills provision was also seen as crucial to provide 'wraparound' services for engagement activity and to build on mainstream activity. For those areas with the greatest problems, the WNF, allocated as part of the new Area Based Grant, provides the means to address worklessness and increase skills and enterprise levels. There is a need to ensure that this funding is used innovatively to address the needs of the most disadvantaged groups and communities and to maximise its impact.

The first year of WNF commissioning posed challenges for many local authorities given that details of WNF allocations were released at a late stage to influence 2008/09 spending. We are aware that most WNF authorities are viewing 2009/10 very differently. They realise that rising unemployment, as well as the introduction of FND and other benefits changes, will mean they need to take a fundamental look at what they are funding. Local authorities understand that they will be

under increased scrutiny in the coming period as to how they spend WNF.

Whilst we are aware of some concerns about how WNF has been used this year we are confident that this will not be the case for 2009/10. However, government needs to do more to reconcile its desire to, on the one hand, devolve decisions on the use of WNF and, on the other hand, to see a direct link to outcomes for workless people and for interventions to be targeted or to follow a particular approach. We think a significant majority of WNF authorities would not have a problem with reporting on how they are spending WNF and the impact it is having in their areas. We return to this later in this report.

We are also aware that WNF absorbed some funds that were previously focused on black and minority ethnic communities. We found that some areas still maintained a high priority on closing employment rate gaps for black and minority ethnic communities. However, this was not always evident and we think that government will need to evaluate carefully the benefit that black and minority ethnic communities receive from all employment and skills funds, including WNF.

More radical measures are needed in those areas which have suffered from wider economic decline. We heard from communities where worklessness was considered to be primarily caused by a lack of jobs and where there is a need for places to establish a new vision for their future based on realistic prospects for growth. In these areas it is particularly important to provide opportunities for young people that raise their aspirations and provide them with sustained support to develop their skills and careers.

Despite these challenges, we found throughout the review and even in those places with the greatest of problems, a real enthusiasm and commitment within local partnerships to raise their game and to do more to tackle worklessness. Sometimes there was frustration that the potential of local partnerships was being constrained, and sometimes there was also a recognition that partnerships needed to build their capacity and expertise.

However, even where this was evident, we were pleased to hear that partnerships continued to seek out innovative ways of delivering services together to meet the needs of their communities. It is that 'desire to deliver' that we seek to build on in our recommendations to this review.

Whatever the barriers, there should be a clear responsibility for local government to improve their ability to make a difference to the employment prospects of their residents

Chapter 3

What difference do we want to make?

We think local government has three core functions in relation to the employment, skills and enterprise systems.

First, is its *enabling and co-ordinating* role in bringing different partner agencies and organisations together to inform Sustainable Community Strategies, backed up by a new duty to undertake economic assessments.

Second, is its *scrutiny and monitoring* role of the effectiveness of employment and training provision, and support for enterprise, in their areas.

Third, is their *funding and delivery* function where local authorities commission and deliver services that have a direct benefit for workless and low skilled people.

These functions operate within the LAA framework, where many local authorities have chosen to have specific targets relating to worklessness, promoting enterprise and skill levels. Taken together, and within the LAA framework, we think that local authorities could have a more substantial positive impact on the effectiveness and performance of services for worklessness people.

Overall the urgent task is to ensure that 'mainstream' provision (ie. services provided or commissioned by government agencies) is co-ordinated and working well with locally controlled provision, and that the employment, skills and enterprise systems are geared to the needs of the local economy, employers and disadvantaged people and communities.

We are aware that many local authorities and partnerships have stimulated a wide range of

funded activity that often supports mainstream programmes, but is too often planned and delivered in isolation. We are convinced of the benefits of multi-agency working, and a partnership approach is essential in realising the potential of improved planning, co-ordination and delivery of services.

We want to encourage the 'wraparound' approach and this means there are particular activities which local government is best placed to co-ordinate, fund, or directly deliver.

Whilst this is not an exhaustive list, the sorts of examples of activities are:

- Welfare and benefits take-up advice
- Debt and money advice
- Childcare services, especially for lone parents and low income families
- Local labour clauses using Section 106 Agreements
- Jobs and skills brokerage both for major employers and the public sector
- Leading and facilitating partnership working, especially promoting learning networks between providers
- Collaborative projects with local Primary Care Trusts
- Neighbourhood services incorporating access to employment, skills, and enterprise opportunities (consistent with the Business Support Simplification Programme (BSSP))
- Enterprise, self-employment and business growth support
- Supporting social enterprise

- Early intervention with families
- Outreach and community engagement
- Working with Housing Associations to provide services to tenants.

Over the coming period we believe these activities should be working more with mainstream employment services but we also recognise that demand on these services will be increasing. Already we hear of many services under pressure as unemployment increases. At the same time services are also adjusting to offer more support to large numbers of people on inactive benefits. We think that our proposals will help:

- Ensure that the wraparound approach becomes a reality
- Provide a route for government to invest in the services that are needed.

Finally, 'Child Poverty: Everybody's Business' set out how local authorities have an important role in helping to reduce child poverty. The Government's Pre-Budget Report confirmed local authorities' increasing role in eradicating child poverty and in trialling new and innovative approaches to tackle the problem in their communities. Many of the activities listed above directly support families and can contribute to achieving the targets of halving child poverty by 2010 and eradicating it by 2020. We will want to ensure that our recommendations will positively contribute to the reduction in child poverty.

What should we aim to achieve?

Based on our findings so far, we are proposing five aims for government when considering the role of local government and partnerships in responding to rising worklessness. These are:

- The position of those communities with the lowest employment rates should not worsen
- A continued focus on helping those furthest from the labour market and closing employment rate gaps for disadvantaged groups, especially black and minority ethnic communities
- Doing more for disadvantaged young people
- Flexibility to allow local areas to define additional local priorities
- Support enterprise as a means to drive demand for employment

Our proposals later in this interim report aim to facilitate the delivery of these aims by enabling national, regional and local partners to *work smarter, work locally, and to use resources flexibly*.

Chapter 4

The role of local authorities and partnerships

There is an urgent need to clarify the role of local authorities and LSPs if the aims we have set out are to be achieved. In this report we mostly use the term ‘local authorities and partners’ to describe the partnership governance structures that cover employment and skills.

We want to stress that LSPs must be central to a multi-agency approach in tackling worklessness. Local authorities already have a responsibility to ensure that the LSP is informed and structured in such a way that it can provide local leadership and co-ordination between partners. We want to make sure that every local authority is examining jointly with their LSP the extent and robustness of their arrangements covering employment and skills.

Our review recommends that local authorities, with LSPs, should have more responsibility to help long term claimants back into employment, as well as promote self-employment and enterprise. Alongside DWP top tier contractors, local authorities and partnerships should be a new channel to support delivery to this group and through which provision can be expanded, if necessary, over the coming period.

Local Area Agreements, Multi Area Agreements and City Strategies have all signalled a strong intent by government to engage local authorities and partnerships in tackling worklessness. In London the Mayor has been given direct influence over the LSC adult budgets through the London Skills and Employment Board. These developments have been welcomed. Indeed every WNF area has agreed LAA targets on worklessness and the

LAA target for people not in education, employment or training (NEETs) was the single most popular priority for local authorities. Furthermore, some local authorities have chosen to adopt additional local indicators on worklessness as part of their LAA framework. We now think it is time to build on these foundations.

Proposals in the DWP Green Paper *No one written off: Reforming welfare to reward responsibility* were clear about going further and developing a framework which could give more flexibility to local authorities and partners.

‘We will, therefore, be introducing a new delivery model – one in which there is a common ‘spine’ across the country so that we deliver common standards and services wherever people live. But within that framework, we want to see increased flexibility at the local and sub-regional level to meet specific needs.’

For consultation, DWP has set out three tiers of devolution:

Tier 1 – the core model: consulting local partners on how DWP commissions programmes for their area, setting the context in which the programme is delivered, evaluating proposals from bidders and managing their performance.

Tier 2 – the wraparound model: co-commissioning arrangements so that local partnerships can supplement national provision with additional wraparound services to address specific local issues.

Tier 3 – the joint venture model: a fully devolved model, including letting of contracts and ambitious pooling of budgets.

In addition, DWP have also set out its process for the 'Right to Bid' which could enable local areas to propose innovative pilots to be managed locally.

We are also conscious of substantial changes in how the funding and planning for adult and youth skills is being delivered. The LSC is due to be abolished and will be replaced by new arrangements from 2010. Existing LSC funds for 14-19 year olds will be devolved to local authorities and a new Skills Funding Agency will be established for adult skills. In addition a new Adult Advancement and Careers Service will start work in 2010.

Government has already committed the Skills Funding Agency to work with local 'Employment & Skills Boards', where they exist, and with local partners. Consequently, there is already the recognition by government that employment and skills commissioning needs to be considered within the local context and this will support the broader aim of integrating employment and skills provision.

This direction of travel by government is to be welcomed. However, there needs to be more clarity about how this new settlement with local government will work and a clear timetable for its implementation. We are confident that local government and partnerships will respond positively once national government sets out the new responsibilities, how they are to be discharged and the timetable for doing it.

The current review and refresh of LAA targets provides a key opportunity to do this quickly. We are of the opinion that all of our proposals can work within the LAA framework, but they also

give the stronger focus on employment, skills and enterprise that we think is justified in the current economic context.

We think there are three steps to drive forward rapid progress:

Step 1: All upper tier authorities should have a responsibility to provide local labour market assessments. They should also be required to establish mechanisms to scrutinise the performance of all providers in their area and make proposals for how performance can be improved.

Step 2: The areas for co-commissioning of services should be defined and work commenced immediately on planning an integrated response to rising unemployment, incorporating DWP programmes, LSC funds and WNF. In some areas this may require additional funds to cope with higher numbers of claimants and it may also mean extending the number of WNF authorities.

Step 3: A national task force should be established, reporting to the National Economic Council, and charged with driving forward this change and ensuring there is a co-ordinated and effective response to unemployment in priority areas and for priority groups.

Finally, Jobcentre Plus and the LSC both contribute significantly to the work of local partnerships and there is now a 'duty to co-operate' on both agencies. In clarifying the role of local authorities and LSPs we are conscious that the role and contribution of Jobcentre Plus and the LSC should also be absolutely clear. We will want to return to this in more depth in our final report.

Chapter 5

Working Smarter: improving performance

With a new and clearer role local authorities will need to strengthen how they plan and deliver their responsibilities. At present we found there is a considerable variation not just in whether local authorities strategically plan their support for workless people but also in how they do it.

This has three main consequences. First, it means that considerable time and effort is being duplicated by some local authorities in formulating strategies and plans. Second, it makes it difficult for central government to ask local authorities to do more when there are such large variations in practice. Third, it makes it difficult for local partners to assess the performance of local partners and providers.

This is why we believe local authorities need to be working smarter, but this also brings responsibilities on central government and Regional Development Agencies.

A worklessness assessment

Our first proposed step is that all upper tier local authorities should be required to undertake a 'worklessness assessment'. This should form part of the wider economic assessment duty, once introduced. But, given the urgency of the current economic situation, we believe that areas should aim to develop assessments immediately and complete them by early 2009. This assessment would inform the review and refresh of LAA targets.

The main purpose of a 'worklessness assessment' is to ensure there is a common analysis of the problems in the local labour market and the nature of labour market

exclusion. Our expectation is that these assessments will be used by local partnerships to rigorously scrutinise the local performance of supply-side measures, whether these are national programmes or locally funded projects. We see local scrutiny as a new force in helping to drive up performance across the local infrastructure.

We do not see this 'assessment' as onerous, rather it sets a minimum that every local authority should be doing. The assessment would also fulfil the basic responsibility to provide local labour market assessments, proposed in the previous chapter.

The function of the assessment is to ensure that worklessness is a central and important part of local authorities economic assessment duty. We also think that the assessment should cover provider capacity in the locality to deliver across all employment, skills and enterprise programmes.

We know many local authorities already undertake the equivalent of assessments and we are confident that others will want to do the same. We do not therefore believe that this will add significant additional burdens on local authorities, especially as those with relevant LAA indicators will be reviewing and refreshing targets.

Central Government should also act to ensure that the assessments are of a high standard and have core elements. DWP and Communities and Local Government should agree a common template for all assessments and release this, along with guidance, by early 2009.

Work & Skills Plan

We believe that many upper tier local authorities should, and want to be, going further. Many already have employment and skills strategies and some local authorities have led the way in showing how, with local partners, they analyse their labour markets and devise local interventions to address local market failures.

Local authorities are developing LAA delivery plans which set out how local partners can achieve their LAA targets. We see Work & Skills Plans being part of this process but providing a distinct focus to tackling worklessness.

The Work and Skills Plans offer the opportunity to reflect the expansive and important contributions of a wide range of partners, including across housing, the third sector and health, and to brigade their contributions to the delivery of the shared targets agreed in the LAA.

Many areas have also established governance arrangements, often called Employment & Skills Boards, which are linked to the LSP and include local employers and the third sector. City Strategies have also been leading the way in developing strategies with targets and aligned funding. We also think that employers are more likely to be actively involved in local partnerships and initiatives where there is a strong connection between their needs and an ability to respond locally.

A Work & Skills Plan would enable direct and flexible responses to local economic conditions. We think that a Work & Skills Plan should be a vehicle for:

- bringing local partners together in a shared commitment to decide how best to tackle worklessness, increase skills, and boost levels of enterprise

- aligning existing mainstream and local activity and funding
- updating national agreed and local LAA targets
- channelling new resources to address the problems of increasing unemployment.

Where upper tier Authorities receive WNF and/or want greater freedoms and flexibilities in aligning and managing funds, they should be required to have a Work & Skills Plan.

These Plans would primarily be action plans for responding to local employment and skills challenges. They would include more stretching LAA targets for the numbers of people to be supported and the jobs, skills and enterprise outcomes for all discretionary funding and mainstream programmes. These targets would set out the total impact of all public funding that supports workless people. This would be part of the process of reviewing LAAs so that they reflect the new economic circumstances.

The Plans would identify how all funds are best deployed to maximise the benefit for the local economy. It would identify gaps and duplication, and also how existing funding can work better together.

Local Authorities would therefore have more influence over mainstream funds. However, at the same time they should reciprocate by setting out in their Plans how they intend to spend WNF or other funding in Area Based Grant, and how they might use new funds, showing additionality and best value.

This idea would build on the successful approach to agreeing additional freedoms and flexibilities developed through recent negotiations on Multi-Area Agreements. Indeed Multi-area Work & Skills Plans would be encouraged so they conform to local

economies. Where local authorities do not conform to recognised local economies we would expect to see them co-operating to meet the needs of local employers, employees and workless residents. We recognise that this co-operation must be based on the choice of individual authorities and founded on clear agreements for how funds are to be distributed and managed.

Flexible resources, with accountability

Each Work & Skills Plan would be agreed by government and can then act as a new channel for government to direct resources. Responding to rising unemployment, we think there are two key actions government should take:

1. create a Work & Skills Integrated Budget to channel existing, and possibly new, funds to the local level
2. create a new national challenge fund to stimulate jobs, enterprise opportunities and social enterprise that will benefit the community.

Work & Skills Integrated Budget

Where Work & Skills Plans are of a sufficient standard (and backed by local practice) areas should be offered a 'Work and Skills Integrated Budget'. The Integrated Budget would give greater certainty of funding to local areas, with performance assessed regularly as part of the wider arrangements being put in place for reviewing LAAs, MAAs and through the Comprehensive Area Assessment.

This we see as a vital step to ensure that resources reach the areas that need them most to stop some communities losing disproportionately in the downturn. It provides

central government with a direct and flexible route to channel funds to the areas that need them most.

The Integrated Budget would be distinctive because:

- it could replace the WNF but would be larger and more responsive
- it would allow co-commissioning for the FND and other DWP and DIUS programmes, such as Pathways
- it would ensure that funding priorities and targets for skills training are fully integrated; and
- the Integrated Budget would have an enterprise element, possibly incorporating the Local Enterprise Growth Initiative (LEGI).

To give certainty and flexibility we suggest the Integrated Budget should cover a six year period but we would also expect it to be responsive to the economic cycle and the extent of the local challenge.

Where there are multi-area Work & Skills Plans we think a Integrated Budget could be a powerful incentive for local authorities to co-operate where they share a common local economy. Existing and planned Multi-Area Agreements have already shown that local authorities recognise the importance of working together. We also recognise that London will need further consideration given its particular challenges and the different arrangements for adult skills policy and funding.

Self-employment and enterprise

We want to give further consideration to what the self-employment and enterprise element of the Integrated Budget may comprise. We want to see how local government can do more to provide micro-finance to local businesses, especially social and community enterprises, in deprived areas. Local authorities can make a real difference to levels of enterprise in their areas – to start up rates, and to their chances of survival and growth.

A number of authorities have been using LEGL funding to build and strengthen business networks, and working with them to identify barriers to their growth and to identify solutions. A wide range of possible interventions to boost enterprise have been identified, including:

- Encouraging young entrepreneurs within the education system
- Ensuring suitable accommodation and technology is available for new businesses
- Tackling crime against businesses and in the communities they serve
- Co-ordinating and expanding advice and support on workforce development issues and helping with recruitment and training
- Helping businesses gain access to finance by developing micro-finance schemes.

We recognise that these interventions will need to be consistent with the aims and objectives of the Business Support Simplification Programme.

Chapter 6

Doing more for disadvantaged areas

Improving the effectiveness of existing funding is important but we also think there is a strong case for further investment in disadvantaged areas. Our assumption is that without the right sort of investment employment gaps will open up again – undoing twelve years of rapid progress. Some local economies have only recently found their feet after the last recession, but there are other local economies that have continued to suffer from a severe lack of jobs – and the current downturn will probably make this even worse.

We also need to repeat our earlier suggestion that funding for these areas needs to be more long-term than it is presently. Local authorities and partners should have the same commitment to long-term funding as FND contractors – putting all partners on the same duration and the same planning cycle will help considerably.

National challenge fund

Priority local areas should be empowered to stimulate new, temporary jobs that will help the community, the environment and disadvantaged people. We think there is a strong case that some communities will need additional targeted resources to counter the effects of rising worklessness. We are particularly concerned about those communities where it is likely there will be insufficient suitable jobs over the coming period. This lack of jobs risks a rapid growth in the damaging effects of long term worklessness on individuals' employability and on social and community cohesion.

We believe that local authorities can act as the focal point for the organisation of temporary work of public benefit. This should be done in co-ordination with the third sector as well as Jobcentre Plus and employment programme providers. Local authorities are best placed to co-ordinate community need and the individual needs of workless people. We believe that, with the right support, local authorities will be able to stimulate a wide range of projects that will offer valuable work experience, skills and support with finding a longer-term, sustainable job.

We would envisage a wide range of activities being supported but all must benefit the community, contribute to achieving economic, environmental and social objectives and provide the participants with a clear route towards work or self employment. There should be a national fund to which priority areas are invited to bid for funds to complement local resources. The proposals would set out the nature of the work, the number of temporary jobs, the different funding streams, and the role of the local FND and Pathways contractors.

The overall objective will be to maintain and improve the employability of long term benefit claimants, including long term JSA and Incapacity Benefit claimants. This will mean that skills training and jobsearch should be an integral part of the offer. Using Local Employment Partnerships could be the preferred route to recruit people to the temporary jobs. At the same time communities will benefit from the work – helping regenerate communities and supporting the most vulnerable. We know from past temporary work programmes that, in times of high

unemployment, they can play a role in both keeping people in touch with work and providing real benefits to communities.

We would anticipate that there would be a high degree of involvement by third sector organisations and particularly social enterprises. Similarly we would expect the proposals to be highly geared to the needs of local areas and so where there are significant populations of black and minority ethnic communities we would want to see proposals reflect this.

We think that the National Challenge fund can (and should) be implemented in 2009, irrespective of progress in establishing Work & Skills Plans or Integrated Budgets.

Using benefits expenditure creatively

Some areas might want to go even further by running pilots funded via an 'AME/DEL' transfer, where funds are transferred from 'Annually Managed Expenditure' (AME) to the DWP 'Departmental Expenditure Limit' (DEL) budget. DWP would then use this funding to deliver increased provision by paying for successful support out of the resulting benefit savings. This, we recognise, will involve local authorities accepting a level of risk in partnership with central government. Central Government is planning to establish a series of pilots in the 2010/11 financial year and should invite responses from local authorities to the proposals.

Doing more for declining local economies

We want to be clear about the radical approach that we think is needed for those local economies that are in danger of suffering disproportionately in the current downturn;

First, there should be additional funds for a concerted and long-term programme. These should be channelled through the Work & Skills Plan or the proposed Integrated Budget;

Second, the government should be open to a range of possible interventions beyond conventional supply-side programmes, including stimulating enterprise (including social enterprises), enabling mobility, building a better infra-structure and temporary job creation projects; and

Third, government should immediately charge Regional Development Agencies to have the responsibility for identifying areas and investing their resources in a support package to enable these areas to manage additional funds effectively.

Chapter 7

The Public Sector as employers and procurers

We recognise the importance of the public sector as an employer and procurer and this will become more important when private sector employers are not recruiting to the same extent during the current downturn.

The public sector, particularly health and local government, is often the major employer in deprived areas and local people will become more dependent on the opportunities which the public sector can offer. Whilst many public sector employers have offered some opportunities in the past, we believe many could have done more and will need to do much more in the coming years.

Consequently, government should now require public sector employers to provide a basic offer to local people. The basic offer should include:

- minimum numbers for Apprenticeships
- using Local Employment Partnerships with Jobcentre Plus and its partners to notify vacancies and to recruit staff
- to stimulate work of benefit to local communities, funded through funding channelled through the Work & Skills Plan and/or the proposed national challenge fund
- encourage their suppliers to conform to the basic offer.

In addition, public sector employers should be incentivised to do more, especially for people on Employment Support Allowance/Incapacity benefit and the long-term unemployed. How this is done will need further exploration, but we want to see a significant number of public sector employers doing more than the minimum.

Our concern is that the extent of the downturn and the increase in unemployment will require the creation of temporary jobs to maintain the work experience and improve skills of unemployed people.

Finally, the public sector is a significant procurer in the economy. It should use this market power to encourage all bidders and suppliers to offer more opportunities to workless people, and enable more social enterprises to bid for contracts.

Chapter 8

Investing in local capacity

The establishment of good Work & Skills Plans will require a stronger commitment to share performance and management information between local partners. All partners hold information and labour market intelligence that will benefit the development of well informed plans.

Jobcentre Plus has vital information about the profile of claimants and the extent of changes to claims for benefits. Local authorities hold information on claims for Housing Benefit and Council Tax Benefit, as well as information on economic development and employer demand.

We would like to see Jobcentre Plus provide local partnerships with regular labour market information and analysis. Their Geographical Information System should be refreshed and the outputs made widely available. The information should enable partnerships to monitor the level of claims for each benefit, the inflow and off flows, geographical concentrations, and the level of sanctions.

Similarly FND providers should be giving regular performance information to local partnerships and sharing their analysis of the key issues facing the local labour market and workless people.

We also think that Jobcentre Plus Districts should be empowered to provide more help to local partnerships and be responsive to local plans. Too often Jobcentre Plus staff at the local level are restricted in their ability to respond. We would like to consider, with Jobcentre Plus, what changes are needed to further empower their Districts.

We also think there needs to be demonstrable progress in how national and local government share information on individual benefit claimants. There should be a joint commitment to share claimant information, securely and in a way that protects the individual.

Local partnerships will need investment to help them analyse their labour market, produce excellent Work & Skills Plans, and manage the delivery of new projects. Regional Improvement and Efficiency Partnerships (RIEPs) are already responsible for building the economic development capacity of local authorities, along with their partners. Every RIEP should aim to help partnerships to meet the basic requirements of worklessness assessments and Work & Skills Plans.

Chapter 9

Conclusion and next steps

This is an Interim Report – reflecting our current thinking, making some specific proposals for discussion and others Government should progress now, and indicating those issues that we want to further explore. For example, in our final report we will want to consider in more depth how: outcomes for people from black and minority ethnic communities can be improved; more can be done for people who have been on Incapacity Benefit for a long time; micro-financing for new enterprises can be increased; and the roles of third sector, housing and health partners can be better incorporated into partnership delivery.

Our hope is that it provides a new framework for local authorities and partners to make an improved and increased contribution in tackling worklessness for disadvantaged people and communities. In the current context, we think this requires a combination of working smarter and additional resources. However, there is also a responsibility on local government to demonstrate that it is already making an impact – and can do more.

We also know that for many communities a rapid response is needed – this can only be delivered by national, regional, and local partners working together to marshal resources.

Next Steps

We welcome views on this Interim Report up to Friday 9th January. These should be sent to: houghtonreview@communities.gsi.gov.uk.

Responses can be sent to:

Tackling Worklessness Review Team
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Our aim is to publish our final report in March 2009.

Annex 1

Respondents to consultation

London Borough of Greenwich
Hull City Council
Tameside Metropolitan Borough Council
West Somerset Council
Chesterfield Borough Council
Blackburn and Darwen Borough Council
Wansbeck Council
London Borough of Haringey
National Housing Federation
Burnley Action Partnership
Bolsover District Council and Bolsover LSP (Joint response)
Sheffield City Council
Southey and Owlerton Area Regeneration (SOAR), Sheffield
Knowsley Metropolitan Borough Council
Newcastle City Council
Wirral Council
Tees Valley Joint Strategy Unit
Gateshead Council
Blyth Valley Council
London Borough of Islington
Hartlepool Borough Council
Salford City Council
Doncaster Council
Middlesbrough Borough Council
Job Centre Plus Leicestershire and Northamptonshire District
Stockton on Tees Borough Council
Leicestershire Learning and Skills Council
London Borough of Southwark

The following visit locations also contributed

London Borough of Brent
London Borough of Hackney
Manchester City Council
Sheffield City Council
Hastings Borough Council
Barrow Borough Council
Sandwell Metropolitan Borough Council
Liverpool City Council
South Tyneside
North East Lincolnshire
Nottingham City Council
City of Bradford Metropolitan District Council
Furness Partnership
Bradford Vision
Partners for Brent
Team Hackney
Liverpool Local Strategic Partnership
The Manchester Partnership
North East Lincolnshire Local Strategic Partnership
One Nottingham
The Sandwell Partnership
Sheffield First Partnership
South Tyneside Local Strategic Partnership
Hastings Local Strategic Partnership
Tyne and Wear Partnership

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