

Tackling Worklessness Review

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

Final Report

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March 2009

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March 2009

Product Code: 08RSD05788

ISBN: 978 1 4098 1232 6

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Foreword by Stephen Houghton

Worklessness is a relatively new concept. Whilst unemployment has proved a challenge to Governments over decades the notion of large numbers of people excluded from the economy and work over long periods has only recently developed. Its causes and context are different from place to place and therefore the answers to it also require an understanding based not only on place but of those affected by it.

Our report builds upon the work already done by Government to enable local, indeed personal, solutions to be developed but also on the good works being done by those local authorities and partners whose communities have been blighted by an absence of enterprise, skills, and employment opportunities. The Working Neighbourhoods Fund was established to boost enterprise and skills levels and to tackle the local barriers to employment that people living in the most disadvantaged areas across the country face.

The effects of the recession are being felt across all areas and in all communities of the country. Because we believe worklessness is shaped by place and that its solutions are very much to be found in localities we believe the issue of worklessness or long term unemployment and economic inactivity must become mainstream business for local authorities, their partners, employers and residents put into improving their prospects is not lost.

We have visited many places, received many contributions and been given tremendous support. For that we are enormously grateful and we hope our recommendations reflect much of what we heard. We want to ensure that the commitment and effort that we have seen local authorities, their partners, employers

and residents put into improving their prospects is not lost.

Many responded enthusiastically to the proposals set out in our interim report and we have taken comments and criticisms on board in setting out our final report. We see our report providing the essential foundations for improvement, to further devolution, and to a responsible relationship between local, regional and national partners – greater powers and resources in return for greater transparency and accountability. We see an urgent need for further resources to enable areas to respond to the challenges they face. We are clear that many partnerships can and want to do more.

Finally, for myself I am particularly grateful to Iqbal Wahhab and Claire Dove, my colleagues on the Review. Their knowledge, wisdom and insight has been invaluable in bringing forward proposals which we believe can make a real difference.

I would like to thank Dave Simmonds and Damon Gibbons of the Centre for Economic and Social Inclusion for their expertise and Katie Hewett at Communities and Local Government for her skills in administering the Review. In particular I would like to thank Paul Kirk for his knowledge of both the subject and the workings of Government. Indeed, but for his diplomatic skills in steering us through the various interested groups and partners. Again without his help we would not be here publishing our report.

It is our intention to follow up our work of the last six months. At a time of great recession and economic uncertainty we must ensure those farthest away from employment and prosperity are not forgotten and we hope not only will Government respond positively to our ideas but we will continue to press the case for those in most need.

Councillor Stephen Houghton

Chair of Review Team and Leader, Barnsley MBC

The other Review Team members are:

Claire Dove, Chair, Social Enterprise Coalition and Chief Executive, Blackburne Home Group.

Iqbal Wahhab, Founder, Roast Restaurant and Chair, Ethnic Minority Advisory Group.

Executive Summary

Background

In May 2008 we were asked to examine how English local authorities and their partners can do more to tackle worklessness.

In developing our Report we have visited local areas to see for ourselves how services are being delivered on the ground and to hear directly from users of services and front-line practitioners. We published an interim report in November, and received a positive response from a wide range of organisations.

Our review has taken place during a period of rapidly increasing unemployment and, in October 2008, the National Economic Council was established to co-ordinate responses to the economic downturn. Increased investment in the Department for Work and Pensions (DWP) and Jobcentre Plus followed and subsequent announcements have detailed further support for unemployed people. Against this background we believe our work should be taken forward by a Worklessness Forum, composed of national, regional and local partners, to share best practice, report to the National Economic Council and make sure our most disadvantaged people and places do not suffer disproportionately in this recession.

A mainstream objective for local partners

Local authorities and Local Strategic Partnerships should be central to government's ambitions to tackle worklessness. If we are to maintain a focus on the needs of the most disadvantaged people and communities then there must be a concerted and sustained partnership across the national, regional, and

local levels. We know that worklessness is often concentrated – amongst disadvantaged groups and within local communities. We know too that many people without work also experience multiple barriers to employment. Too often these problems result in long-term detachment from the labour market.

Local authorities and Local Strategic Partnerships with the highest levels of worklessness (the 65 authorities receiving the Working Neighbourhoods Fund) have demonstrated that they can, and do, make a real difference:

- the gap between local authorities with the highest and lowest unemployment rates has narrowed significantly over the last sixteen years
- Working Neighbourhoods Fund areas have accounted for 71% of the reduction in Incapacity Benefit claimants in England since 2004
- however, the recession now means that claimants are increasing at a faster rate in Working Neighbourhoods Fund areas.

It is still shocking that one in ten people living in Working Neighbourhoods Fund areas are sick and disabled and claiming benefits, despite consistent investment in some neighbourhoods, as well as national and local targets to tackle concentrations of worklessness. Some groups of people are disproportionately represented in areas with high levels of worklessness. For example, 57% of England's ethnic minority population live in Working Neighbourhoods Fund areas compared to just 33% of the white working age population. It is clear that different

neighbourhoods will need a different mix of solutions depending on the reasons for their high levels of worklessness, and that there is a need for interventions to be sustained over time.

Tackling worklessness needs to become a mainstream objective for local authorities and their partners. How services are delivered and planned at the local level can have a substantial impact in helping workless people find and sustain employment.

Improving delivery

As unemployment continues to rise, it is even more essential that local authorities and Local Strategic Partnerships focus their efforts on the most disadvantaged people and neighbourhoods. They should ensure that their direct expenditure on support for workless people adds value to existing mainstream provision and that local government services and funded provision are properly integrated with mainstream employment and skills services.

Existing measures are not proving sufficiently successful because:

- national programmes have not proved to be sufficiently flexible at the local level
- information has not been sufficiently shared between agencies
- the different funding streams and initiatives are overly complicated
- too many funds are short-term; and
- support can be fragmented and confusing, usually as a consequence of un-coordinated commissioning of services.

It is not easy to reach out to the most disadvantaged people and neighbourhoods: to engage them; raise aspirations; and to join up

employment and skills provision with other support services to meet their needs. Government is already addressing many of these issues and our recommendations, taken as a whole, are intended to build on these actions.

Maximum flexibility is required by local authorities and their partners to identify and spend funds in a way that will have the most impact. The Working Neighbourhoods Fund, as part of the Area Based Grant, provides flexibility but should move to a five year cycle to enable long-term planning. Linked to this is the need for an early announcement on the future of the Working Neighbourhoods Fund beyond 2011.

Working smarter: an enhanced framework for partnership

A clearer framework for integrating skills, employment and wider support for workless people is needed to guide more flexible local funding. A new framework will need to enable local authorities and their partners to demonstrate the contribution they are making, and help them to make the case for freedoms and flexibilities to be extended.

The present framework is too disparate and we recommend that it should be simplified. We propose:

- *Worklessness Assessments* conducted by every local authority as part of their proposed economic assessment duty
- *Work and Skills Plans* for those authorities and partnerships that want to align budgets and co-commission services, especially those with Working Neighbourhoods Funds
- *Work and Skills Integrated Budgets* for those areas with robust partnerships where it is feasible for central and local government to pool and align budgets and co-commission a substantial portion of relevant funds.

This framework is consistent with the three levels of devolution recently set out by the Department for Work and Pensions. It is a framework within which all local authorities can choose to progress, either individually but preferably in co-operation with neighbouring authorities. To ensure that Local Strategic Partnerships, or sub-regional partnerships, have robust governance arrangements they should establish employer-led Employment and Skills Boards, where these do not currently exist.

We want to see Worklessness Assessments in place by mid-2009 and being used to increase the understanding of local partners of the numbers and characteristics of claimants.

Work and Skills Plans will need to identify the actions that are being taken by partners and the resources they will spend on support for workless people. The plans should set out how services and resources will deliver the relevant Local Area Agreement, or Multi-Area Agreement, priorities for the area, including more detail on the appropriate local measures that will contribute to the delivery of those shared, strategic objectives. We recommend that all plans should be agreed by central government, and that these form the basis for co-commissioning at the local level. Where existing plans and strategies are in place (for example within City Strategies and some Multi-Area Agreements) these should be automatically recognised, and authorities receiving Working Neighbourhoods Fund should be required to have a Work and Skills Plan.

Those areas with Work and Skills Plans in place should be encouraged to take the next step by establishing a Work and Skills Integrated Budget. These could, over time, form the basis for aligning and pooling funding and facilitating joint commissioning between partners. We recommend that a number of pathfinders be established from those local

authorities or sub-regions with an existing track record to develop this approach.

To help local authorities in this new framework we want to see more and improved technical assistance through Regional Improvement and Efficiency Partnerships. We also want to see improvements made in the way that management information is shared between partners to help build a common understanding of the challenges they face, and for the potential of greater data sharing to be fully explored.

We believe this framework will help to improve how partners work together. It will improve the quality of decision-making and the commissioning of provision and this in turn will lead to more and better outcomes for workless people.

Vulnerable economies and a Challenge Fund

We know a new partnership framework will not be sufficient on its own to meet the challenges that many areas face, particularly those with the most vulnerable economies.

Many areas are still struggling to deal with high levels of worklessness from the previous recessions. These areas often have low levels of vacancies and need innovative support and additional investment to help them deal with the added impact of the current recession.

To meet the urgent needs of workless people in these areas, we recommend that a Challenge Fund be established that will quickly provide more support for long-term claimants. We envisage it will help stimulate temporary jobs for workless people that will help them compete more effectively for jobs in the wider labour market. The work would have to be of benefit to the community and local economy,

and would cover a wide range of activities, including green jobs.

Regional Development Agencies should be required to help priority areas to develop a comprehensive programme for the medium and longer-term, especially so these areas will benefit from the upturn. The task is to help areas re-think their regeneration strategies and provide additional investment for infrastructure and skills

Local authorities and partners as employers and procurers

Local authorities and their partners can do more to expand employment, work experience and training opportunities for long term benefit claimants. More can also be done to support social enterprises and the wider third sector to help them to make more of an impact.

Local authorities need to be more ambitious in expanding apprenticeships and also provide a broader range of work experience and training opportunities where full Apprenticeships are not appropriate. A national programme is needed to help local authorities provide up to 50,000 Apprenticeships over the 3 years to 2011/12 and to give work experience for approximately 75,000 unemployed people each year.

To help achieve this, local authorities should sign Local Employment Partnership agreements with Jobcentre Plus where they have not already done so, and as part of these agreements should also notify Jobcentre Plus of all vacancies.

Local authorities can do more as procurers of goods and services. Local authorities spend approximately £42 billion per year on external contractors, and can use this to support the development of local enterprise (including social enterprises) and to encourage suppliers to open up more employment and training opportunities.

Conclusion

The rise in unemployment means we need to use all the capacity at our disposal to prevent the damage of long-term worklessness. Local authorities and their partners can and should be doing more. This is a challenge to both central and local government – both have to change how they plan and deliver services to workless people. Some of these changes are in hand but progress will need to be faster and planned together. The collective aim for local government and partners should be meeting the immediate needs of workless people but also planning for stronger local economies in the future.

Chapter 1:

The context we're working in

Key findings:

- the gap between local authorities with the highest and lowest unemployment rates has narrowed significantly over the past sixteen years
- Working Neighbourhoods Fund areas have been particularly successful in reducing claims for Incapacity Benefit accounting for 71% of the reduction in England since 2004
- but there is still 9.4% of the working age population on Incapacity Benefit in Working Neighbourhoods Fund areas compared to 5.3% elsewhere
- 54% of lone parents live in Working Neighbourhoods Fund areas
- the lone parent claimant rate has fallen faster in Working Neighbourhoods Fund areas – from 4.1% to 3% compared to 2.7% to 2% elsewhere
- in 2008 the claimant count increased at a faster rate in Working Neighbourhoods Fund areas than the rest of England
- nine claimants chase every notified vacancy in Working Neighbourhoods Fund areas compared to five claimants elsewhere.

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:

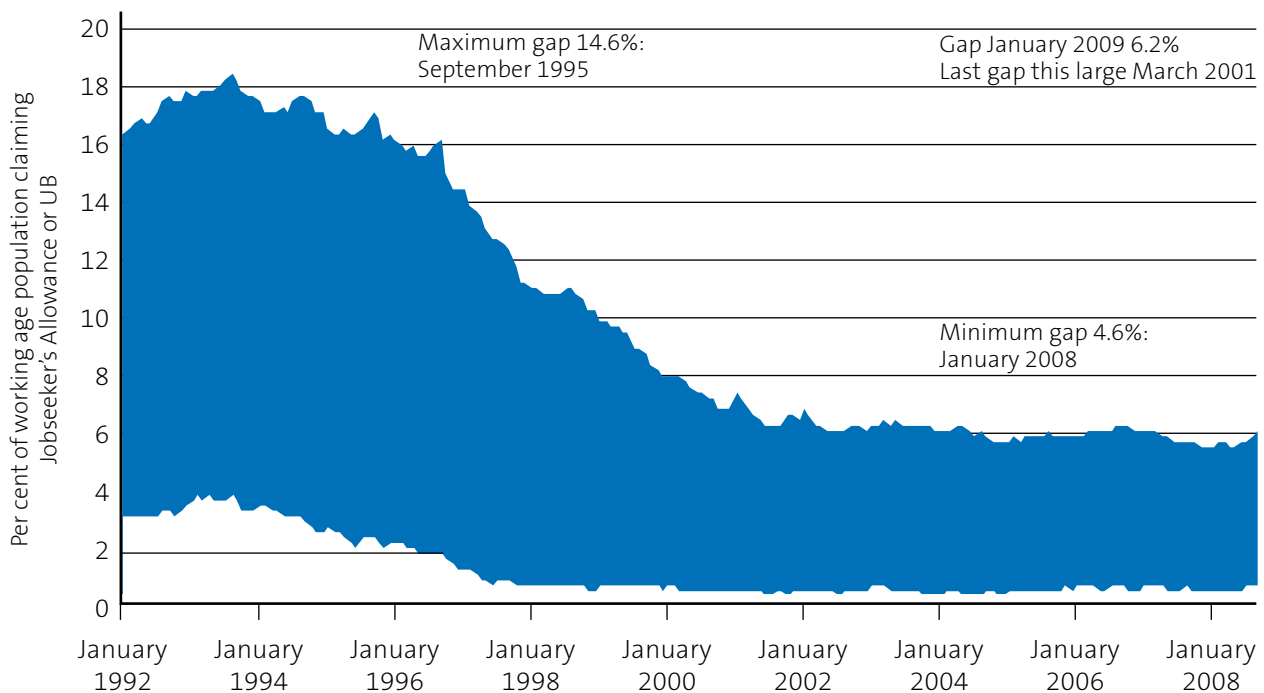
- how local authorities and their partners are using the Working Neighbourhoods Fund

- 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.

This report is published at a time of rapidly increasing unemployment. The government is rightly putting in place a comprehensive package of support for those who are unemployed and claiming Jobseekers Allowance. This forms part of a much wider response to the recession being co-ordinated across government by the National Economic Council¹. Our priority is for those people and places that have been blighted by an absence of employment opportunities and have high numbers of not just Jobseekers Allowance claimants, but those on Incapacity Benefit² and lone parents. In this recession we believe equal efforts must be made for all those who are already long-term claimants rather than risk another generation of unemployment and inactivity.

1 The National Economic Council was established in October 2008. It is a full Cabinet Committee chaired by the Prime Minister and is supported by a Senior Officials Working Group, a Regional Economic Council and Business Ambassadors.

2 Since October 2008 new claimants for sickness and disability benefits join the Employment Support Allowance. However, we mostly refer to Incapacity Benefit because of the large numbers of existing claimants that remain on Incapacity Benefit.

Chart 1: Gap between the highest and lowest unemployment rates

Source: Claimant count rates, NOMIS

The gap between areas with the highest and lowest unemployment rates has narrowed significantly over the past sixteen years (see Chart 1). However, there are concentrations of worklessness within local authorities and we are equally concerned that local authorities and partners are even more sensitive to how services are localised in their most deprived neighbourhoods.

We suggested in our interim report that a clear commitment is needed at all levels of government to prevent the gap opening up once again. There is already a Public Service Agreement target³, a Communities and Local

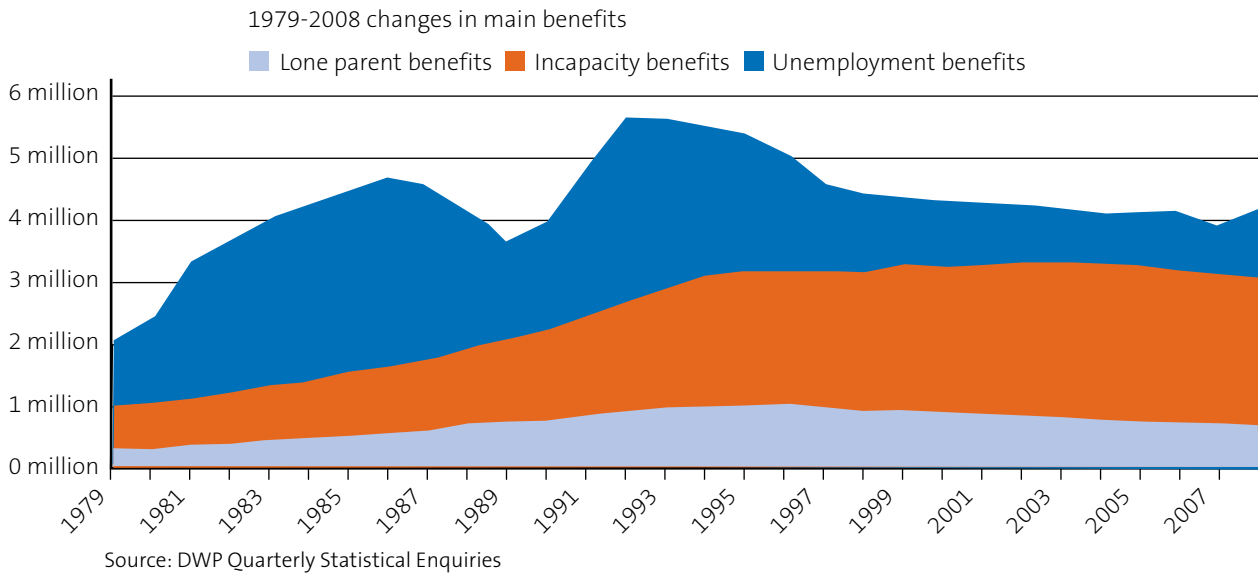
Government Departmental Strategic Objective⁴ and a Local Area Agreement indicator⁵ which address the problems of neighbourhoods with the highest numbers of claimants. In the recession these targets may no longer be appropriate or sufficient to focus efforts on preventing the gap opening up. We think central government should examine their Public Service Agreements and Local Area Agreement indicators they presently have on worklessness and consider whether additional and/or more appropriate targets could be used to drive the response to rising worklessness.

³ PSA 8 – Reduce the gap between the overall employment rate and the employment rates of disabled people, lone parents, ethnic minorities, the over fifties, those with no qualifications, people living in the most deprived wards and those most likely to be socially excluded.

⁴ DSO 3.7 – To narrow the gap between the employment rate in deprived neighbourhoods and the rest of England.

⁵ National Indicator 153.

Chart 2: Total benefit claimants since 1979



As Chart 2 shows we are entering this recession with higher numbers of total claimants compared with the 1980s or 1990s recessions. The main reason for this has been the growth of people on Incapacity Benefits which has not significantly declined over the period since the early 1990s.

We recognise the important contribution that neighbourhood renewal funds and other targeted initiatives have made over the years.

Most local authorities with high levels of worklessness will accept that the additional funds and initiatives have significantly improved their capacity to respond to the needs of local workless people and helped to attract new employers to their areas. As Chart 3 shows the Working Neighbourhoods Fund areas have been successful at reducing claimants at a faster rate than other areas – thereby closing the gap.

Chart 3: Claimant count rates in Working Neighbourhoods Fund and non-Working Neighbourhoods Fund areas

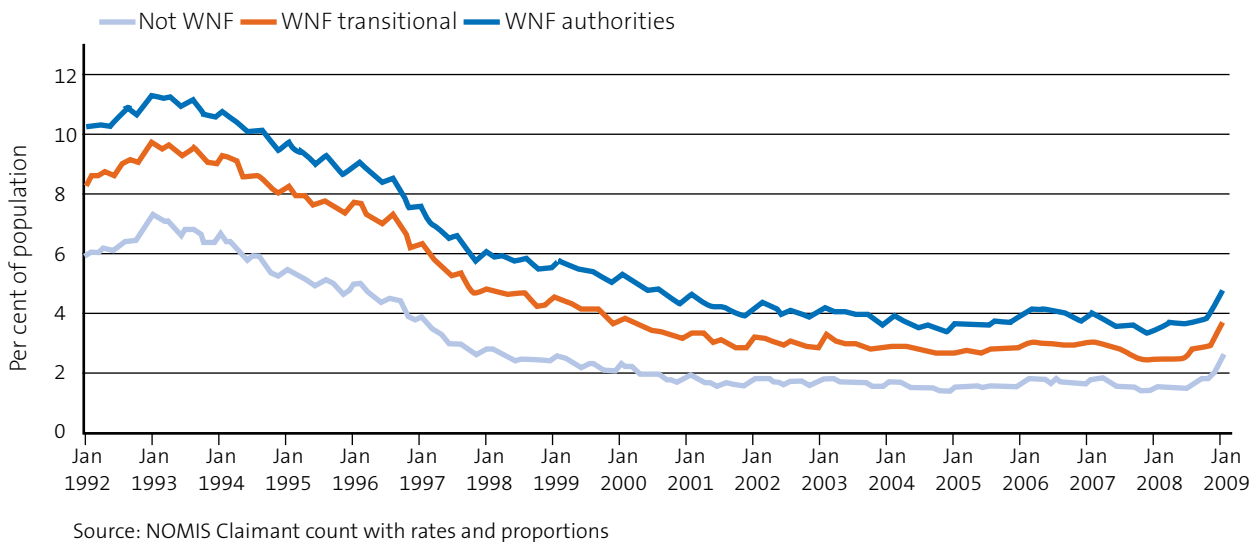
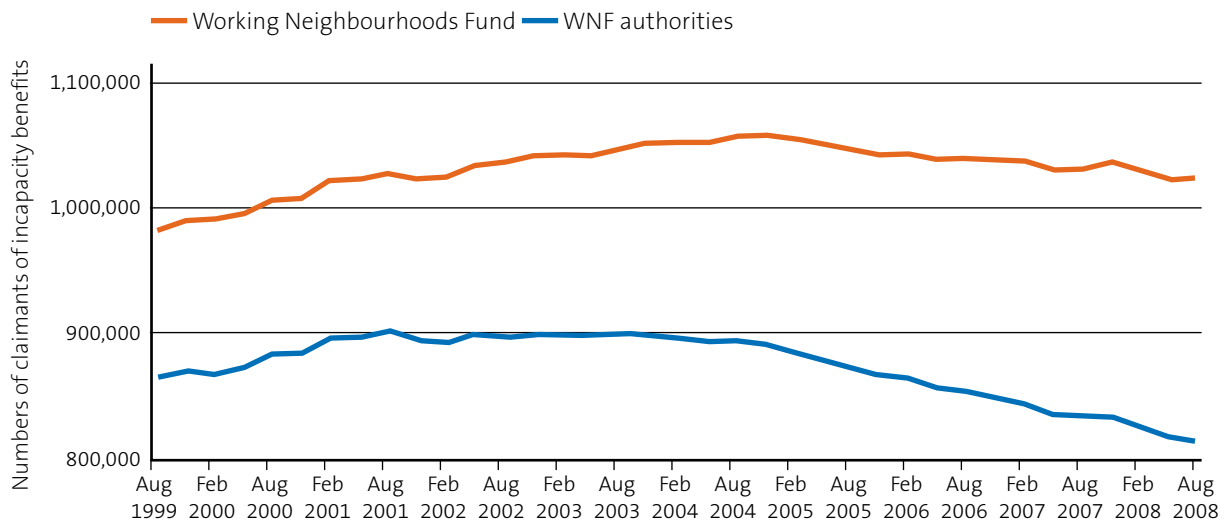


Chart 4: Incapacity Benefit claimants by Working Neighbourhoods Fund and non-Working Neighbourhoods Fund areas



Source: NOMIS: DWP benefits (100% claimant)

In fact, Working Neighbourhoods Fund areas have been even more successful in reducing the number of Incapacity Benefit claimants (see Chart 4). The numbers on Incapacity Benefit in Working Neighbourhoods Fund areas started to decline in 2002 and have continued to decline, whilst in non-Working Neighbourhoods Fund areas this decline only started in 2005. Working Neighbourhoods Fund areas have accounted for 71% of the reduction in Incapacity Benefit claimants in England since 2004. The effect has been to reduce the Incapacity Benefit claimant rate gap between Working Neighbourhoods Fund and non-Working Neighbourhoods Fund areas by over 1 percentage point.

There will be a number of different reasons for this success but we are sure that it can be partly explained by the efforts of local partners working with Jobcentre Plus and providers. However, much more remains to be done. Despite this success there is still 9.4% of the working age population on Incapacity Benefit in Working Neighbourhoods Fund areas compared to 5.3% elsewhere. It remains shocking that almost one in ten people in Working

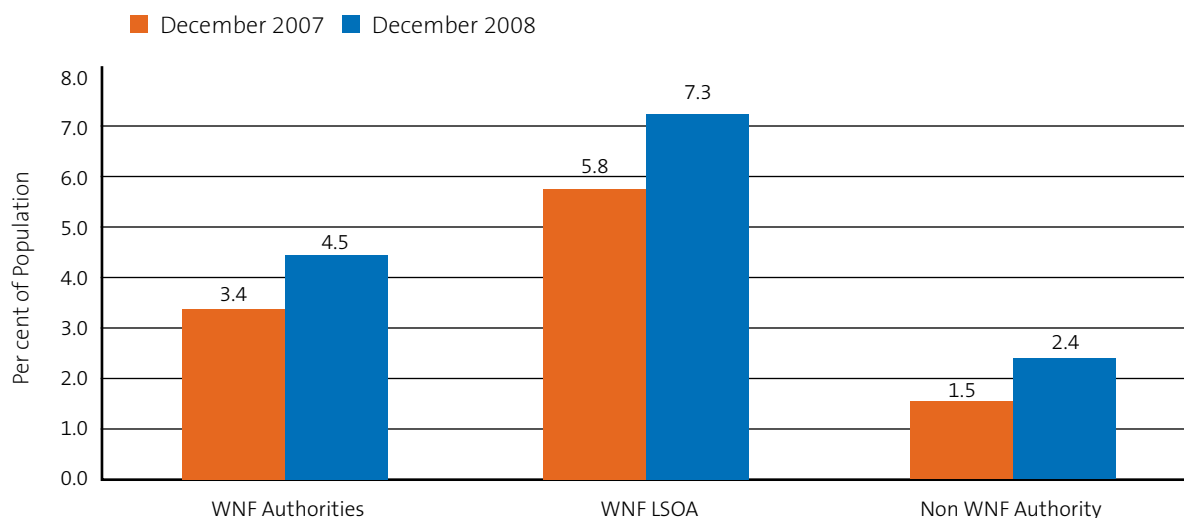
Neighbourhoods Fund areas are sick and disabled and claiming benefits.

Working Neighbourhoods Fund areas have been almost as successful in narrowing the lone parent claimant rate over the same period – from 4.1% to 3% compared to 2.7% to 2% elsewhere. Lone parents are particularly concentrated in Working Neighbourhoods Fund areas with 54% living in these areas. This has major implications for tackling child poverty and it means that Working Neighbourhoods Fund areas have a significant contribution in reducing child poverty and meeting the government’s target of eradicating child poverty by 2020.

Increases in the numbers claiming Jobseekers Allowance

Increases in the number of Jobseekers Allowance claimants threaten to undo this successful work by returning the overall claimant rate back to levels of the last recession. Our main fear is that the claimant count gap will again open up because of the fragility of some local economies or because of

Chart 5: Claimant Count Rates 2007 – 2008



Source: CLG

the concentration of people with multiple labour market disadvantages, or both.

Early evidence is confirming our fears. Chart 5 shows that the claimant count increased at a faster rate in Working Neighbourhoods Fund areas and at an even faster rate in the deprived neighbourhoods⁶ within Working Neighbourhoods Fund areas. The full impact of the recession is yet to feed through into the labour market and we should be planning new measures now that will minimise the gap opening yet further.

Almost every local authority has seen a decline in vacancies notified to Jobcentre Plus over the past year. However, in Working Neighbourhood Fund areas there are more claimants chasing the notified vacancies – on average nine claimants for every notified vacancy compared to five claimants elsewhere. Some areas were considerably higher – there are ten areas that had fifteen or more claimants chasing each vacancy. At the same time there is also a growing number of non-Working

Neighbourhoods Fund areas that also have high numbers of claimants chasing vacancies.

The Government’s response to rising unemployment

Since we published our interim report in November last year, a number of our proposals have already been taken forward by government. These include:

- Government’s broad support for our proposal that all local authorities should conduct worklessness assessments as part of their local economic assessment duty⁷
- DWP clarification in its White Paper of three levels of devolution to empower local authorities and their partners to deliver ‘wraparound’ services and enter into co-commissioning arrangements⁸
- additional investment to support an increase in the number of Apprenticeships⁹

⁶ Local Super Output Areas within Working Neighbourhoods Fund Authorities that are the most deprived 10% of the Index of Multiple Deprivation 2007 or the Employment Domain of the Index.

⁷ Department of Communities and Local Government, 2009, para 2.7.

⁸ Department for Work and Pensions, 2008.

⁹ Department for Innovation, Universities and Skills, 2009.

- DWP commitments that their providers will be expected to share performance information with local employment and skills partnerships¹⁰
- responses from government to the concerns of smaller providers and the third sector about flexible New Deal commissioning, including a proposal to establish accreditation pilots for DWP prime contractors to demonstrate how they are including the third sector in their supply chains¹¹.

DWP's White Paper 'Raising Expectations: the future of welfare reform', published in December 2008 marked an important step in confirming the government's intention to pursue the greater involvement of local partners and put in place mechanisms to devolve more responsibility and funds.

In the following chapters, we provide a further level of detail on some of these proposals and focus on how they can now be implemented. This includes setting out more information on worklessness assessments and proposing a framework for enhanced partnership that is consistent with DWP's three levels of devolution.

We have also taken account of a number of other steps that government is taking in response to rising unemployment. These include making additional resources available to support people unemployed for six months or more into work or self employment¹². Our main concern is to ensure that these are co-ordinated with actions being taken at the local

level and form part of a comprehensive strategy to maintain the focus on the most disadvantaged during the recession. For example, we want to make sure that the additional investment announced by the Department for Innovation, Universities and Skills¹³ of £83 million to support approximately 75,000 training places to people who have been unemployed for six months or more is commissioned in partnership with local partners.

We also welcome the announcement¹⁴ that Local Employment Partnerships will be re-focused to include the short-term unemployed as well as the harder to help groups and there is to be a 'substantial' expansion of Jobcentre Plus local and regional employer engagement capacity. Employers have already recruited over 100,000 disadvantaged people through Local Employment Partnerships and the government aims to help 250,000 disadvantaged people move into work through Local Employment Partnerships by the end of 2010.

We believe that all local authorities should be entering into Local Employment Partnership agreements and so we welcome the commitment made by local authorities at the February 2009 meeting of the National Employment Partnership to increase the number of vacancies placed with Jobcentre Plus.

We also welcome the proposal to expand the use of work-focused volunteering options, and in February 2009 government published an action plan¹⁵ to improve support for the third sector, which includes an investment of £42.5 million. In Chapter 6 we review the steps being taken as part of this investment and make

¹⁰ Department for Work and Pensions, 2008. p 48.

¹¹ Office of the Third Sector, Cabinet Office, 2009. p. 11.

¹² On 12th January 2009 the Prime Minister announced that up to £2500 would be made available as employer subsidies for this group, and people wanting to start their own businesses will be able to receive £1000.

¹³ Department for Innovation, Universities and Skills, 2009.

¹⁴ Pre-Budget Report, HM Treasury, November 2008.

¹⁵ Cabinet Office, 2009.

recommendations for local authorities and their partners to increase their own support to the third sector.

Finally, the DWP Welfare Reform White Paper includes a proposal to pilot a 'Community Allowance', which would enable existing benefit claimants to undertake limited paid work, while in some circumstances continuing to receive benefit payments. We believe that these pilots would complement our proposals to do more for the most vulnerable communities contained in Chapter 7.

Conclusion

It has been shown that through a combination of different efforts and additional resources, it has been possible to reduce claimant rates in our most disadvantaged areas at a faster rate than elsewhere. We now need to learn the lessons of how this was achieved and apply them in the new economic circumstances.

This is the main reason why we think there is a strong case for a Worklessness Forum which will bring together local, regional and national partners to identify best practice and be charged with driving forward responses to unemployment in priority areas and for priority groups and to co-ordinate action at all levels. Such a forum would be recognition of the need for a partnership at the highest level – helping to bind together the important contribution of Local Strategic Partnerships. The forum's priority will be to continue the drive to narrow opportunity gaps and prevent them growing during the course of the recession. With an independent chair the forum would make direct contributions to the National Economic Council.

Increasing support to the newly unemployed will be important but so too must be the continuing efforts to help sick and disabled people and lone parents find and keep work.

Preventing already disadvantaged areas losing out disproportionately will need to be a central policy objective for government, but it is local government with its local partners that will be at the front-line.

Recommendations

1. We recommend that a Worklessness Forum should be established. It would be charged with identifying best practice and driving forward responses to unemployment in priority areas and for priority groups, and to co-ordinate action at all levels and to bring the voice of disadvantaged areas into the National Economic Council.
2. Tackling worklessness should be a mainstream objective for local authorities and Local Strategic Partnerships. Helping people find work and stay in work should become a priority for local government and for local partners. We believe that how services are delivered and planned can have a substantial impact in helping workless people find and sustain employment.
3. Government should examine their Public Service Agreements and Local Area Agreement indicators they presently have on worklessness and consider whether additional and/or more appropriate targets could be used to drive the response to rising worklessness.

Chapter 2:

What people have said to us

During our review we have engaged with local authorities and their partners to ensure our recommendations address the challenges they face in tackling worklessness. From the start of our review we consulted widely and with a variety of agencies, and were able to undertake visits to 25 areas to see for ourselves how services were being delivered on the ground. We heard directly from service users and front-line practitioners as well as from those involved in the strategic planning and commissioning of services for their areas.

In order to be as open as possible about our thinking, and to aid the further development of our recommendations, we published an interim report on 27th November 2008. The interim report contained our initial findings that:

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

complementary, support is needed alongside mainstream provision to successfully support long-term claimants

- service provision was affected by ‘stops and starts’ as gaps occur between the end of one funding stream and the start of another
- interventions with workless people and communities were required over a sustained period in order to make a difference
- providers, especially smaller providers, were concerned that flexible New Deal commissioning could cause them to lose funding
- local authority funding for employment and skills provision is crucial to provide ‘wraparound’ services for engagement activity and to build on mainstream activity.

In view of these findings we proposed that there was a need for greater clarity about the role of local authorities, Local Strategic Partnerships, and other partners in tackling worklessness. National, regional, and local partners should be enabled to work smarter, work locally, and to use resources flexibly. This needed to be driven by some clear aims focused on disadvantaged people and communities.

We therefore proposed the introduction of a clearer and simpler framework to support strategic planning and joint decision-making, comprising of:

- a requirement for local authorities to conduct a worklessness assessment as part of their wider local economic assessment duty

- a 'Work and Skills Plan' that would enable direct and flexible responses to local economic conditions
- a 'Work and Skills Integrated Budget' that could be agreed as part of the Plan and which could incorporate Working Neighbourhoods Fund and other funds and permit co-commissioning with DWP and the Department for Innovation, Universities and Skills.

In addition, we also proposed that a new 'Challenge Fund' be created to help priority local areas stimulate new, temporary jobs, self employment, new businesses and social enterprises that would benefit the community, the environment and disadvantaged people. We felt there was a strong case for additional resources to be made available to help the most disadvantaged communities counter the effect of rising unemployment. This should be particularly targeted on areas where there is likely to be a lack of jobs in the immediate future.

Finally, the interim report also set out our view that the public sector could be doing more as an employer and as a procurer of goods and services, for example by increasing the numbers of Apprenticeships and stimulating demand for local jobs.

Comments were invited on the proposals by 9th January 2009 and 80 responses were received in total. 57% of these came from local authorities and we were very pleased to see that the remaining submissions came from a very broad range of agencies including Regional Development Agencies, Employment and Skills Boards and employer groups, and from welfare to work providers, and the housing, social enterprise, and third sectors. A full list of those responding is included as Annex 1.

Responses to our Interim Findings

There was overwhelming agreement that local authorities had a key role to play in tackling worklessness and widespread recognition of the need for local flexibility in the delivery of services. The findings presented in the interim report were generally accepted, although a number of responses added a further level of detail or made the case for additional proposals to be included. A number of responses wanted to see the review broaden its focus and detail what more could be done for areas that do not receive the Working Neighbourhoods Fund. There were also concerns that the review had overly concentrated on urban authorities and had overlooked some of the issues faced in rural communities.

The increased pressure on resources arising from the rise in unemployment was a common theme. A number of respondents wanted the allocation of future resources to be re-thought, arguing that existing concentrations of worklessness would not necessarily provide an accurate guide to those areas suffering most in the current recession. On the other hand, many areas already receiving Working Neighbourhoods Fund expressed concern that, without additional resources, the recession would make it increasingly difficult to remain focused on the needs of the most disadvantaged. Many therefore called for additional funding for their areas. There was much more consensus concerning the need for longer-term funding to be provided.

The need to improve partnership working was also a common concern. Improvements were needed at all geographical levels, from the neighbourhood to the national, and across a range of sectors. The importance of good relationships with health, housing, business, and the third sector were all highlighted.

At the neighbourhood level, we received evidence of the approaches being taken to better co-ordinate activities and to personalise services to meet the needs of local communities. The responses we received from neighbourhood teams, Registered Social Landlords, and the third sector particularly emphasised the need for effective outreach services to engage long-term benefit claimants.

We were also told that Local Strategic Partnerships could improve their responses by asking all partners to identify the contributions they can take to tackle worklessness. A number of responses prioritised the importance of working with health agencies to prevent people from losing employment, as well as to support those with long-term health problems and disabilities back into work.

At the sub-regional level there were concerns that the interim report did not sufficiently acknowledge the progress already made towards joint strategic planning and decision-making in some areas. A number of responses also highlighted the importance of involving the private sector in the scrutiny arrangements for employment and skills provision at this level.

A number of respondents felt that the report would benefit from greater emphasis on the demand-side more generally, and urged more thought be given to improving the links between supply-side interventions and capital investment programmes. Respondents also felt that national agencies needed to share information more, and that programmes were needed to build the capacity of local partners to deliver.

Responses to the proposals in the Interim Report

Our proposals to clarify and simplify the framework for strategic planning and decision-making were well received. Responses generally focused on the need for:

- a greater level of detail concerning how these would integrate with existing strategic planning processes, commissioning and operational processes (for example those developed within Multi-Area Agreements and City Strategies) and concerning the way in which the proposed Integrated Work and Skills Budget would work;
- existing best practice to be recognised; and
- support for local authorities and their partners to build their capacity and to help deliver high quality worklessness assessments and Work and Skills Plans.

Our proposal for a Challenge Fund was welcomed by the majority of respondents. There was widespread support for our view that additional funding was required to help local partnerships maintain a focus on the needs of the most disadvantaged groups and communities in the recession.

Our proposal that the Fund should contain an enterprise element was also generally welcomed. However, there was a clear view that local authorities should work with partners including Regional Development Agencies and Business Link to develop an integrated offer of support for business. Some respondents also questioned the scale of the impact that social enterprises could make on worklessness, although others emphasised the training and employment opportunities that they provided for the most disadvantaged groups and the role of the sector in generating sustainable economic growth and demand for jobs.

Some respondents also raised concerns about our proposal for the Challenge Fund to be used to create temporary employment opportunities. A number of them pointed to the perceived failure of temporary employment schemes in the past and asked us to put safeguards in place to make sure the employment provided was of real benefit to participants and to the community more generally.

Other respondents questioned whether or not a Challenge Fund was the most appropriate way to allocate additional resources. They wanted to see the Fund targeted to the areas in most need and designed to support those sectors of the economy with the greatest potential for sustainable growth.

Near universal support was, however, given to our proposals for local authorities to do more to tackle worklessness in their role as employers and procurers. Improving public sector procurement processes was a particularly key concern for respondents representing business, social enterprise and wider third sector interests. These respondents felt that local authorities could be encouraged to do more to enable them to access opportunities, for example by building capacity and helping to develop local supply chains and by incorporating social benefit and local labour clauses into their contracts.

Chapter 3:

Empowering local communities: meeting the needs of workless people

There is widespread concern at the increasing numbers of people claiming Jobseekers Allowance and the government is rightly putting in place a comprehensive package of support for those who are unemployed. However, over the last ten years welfare reform has largely focused not on the unemployed but those who have been claiming 'inactive benefits' – Incapacity Benefit and Income Support. This emphasis mostly took place within the context of declining unemployment to historically low levels, and consequently more attention was given to those who were claiming other benefits. This shift was welcomed by many local partners who recognised that, in the most deprived neighbourhoods, the issue was not the numbers on Jobseekers Allowance but those claiming Incapacity Benefit and lone parents on Income Support.

We think other workless people must not be lost sight of as the numbers on Jobseekers Allowance rise. Indeed we think now is the time to redouble efforts or run the risk of further excluding disadvantaged people and communities. Some key lessons have been learnt so far from providing support to long-term claimants:

- there is a wide diversity of the economically inactive population in terms of personal characteristics;
- they are more detached from the labour market with duration of claims significantly longer than those on Jobseekers Allowance;
- there can be a high degree of geographical concentration in some neighbourhoods;
- solutions to some significant barriers remain outside the direct control of employment services e.g. health and childcare issues;
- the limited extent to which government measures can reach some of the inactive; and
- the high incidence of child poverty within inactive households.

Collectively this experience has posed significant challenges to policymakers and service providers at all levels, but has led to a recognition that services need to become more personalised – providing what individuals need to increase their employability.

“But it is also the case that for many those barriers get higher and more complicated the longer they stay on benefit. Understanding this is at the heart of our welfare reforms. They provide more active, personalised support to help people overcome these barriers rather than an impersonal and passive service that condemns people to years of inactivity.”¹⁶

When 'personalising' there needs to be an increased awareness of the range of services that are, or should be, available at the local level for workless people to access. It also means there needs to be an increased understanding of 'what works' in terms of provision and delivery. DWP research¹⁷ has provided evidence of the types of interventions that work:

¹⁶ Department for Work and Pensions, 2008.

¹⁷ See for example Barnes et al (2005); Bivand et al (2006); Dewson et al (2007); GHK Consulting (2005); Hasluck, C., & Green, A. (2007); Newton et al (2005); Ritchie et al (2005).

- interventions that are holistic rather than focusing on one aspect of employability;
- providing the right support at the right time for individuals;
- active outreach to engage workless people;
- the quality, enthusiasm and commitment of support staff;
- Personal Advisors with flexibility to deliver specific needs;
- engendering and maintaining motivation, especially through voluntary involvement;
- job search activity is central;
- active engagement with employers – being ‘demand-led’;
- providing continuity of support between job search, work experience and training;
- tackling basic skills problems at an early stage; and
- allowing continuity of training, in and out of employment.

Delivering greater personalisation has (and will continue to) required re-thinking how a number of services are delivered and targeted. In general this means:

- more accessible and better information about opportunities;
- better co-ordination of existing mainstream and specialist services;
- streamlined access which minimises bureaucracy and waiting times;
- exploring ideas such as ‘one-stop shops’ which act as access points for communities; and
- high quality ‘intermediaries’, such as personal advisors and skills brokers and community outreach.

Why localising is important

Delivering more personalised services requires more flexibility in the employment and skills system to enable individuals and front-line staff to tailor services and give the right mix of support. This was recognised in the Department for Work and Pension’s Green Paper ‘Empowerment and devolution – a new way of delivering our services’ and the more recent White Paper ‘Raising expectations and increasing support: reforming welfare for the future’ which proposed introducing flexibility by devolving more power to:

- providers;
- communities; and
- individuals, specifically disabled people.

“Too often in the past, the welfare state has provided a centralised, one size fits all system of support. Not only has this failed to address the more complex and localised sources of disadvantage, it has also tended to stifle innovation.”¹⁸

We welcome this approach and, from what we have seen and heard during our consultations, so do local authorities and local partners. This report is primarily about how devolution to communities can best work, although we recognise the benefits of greater flexibility for providers and Jobcentre Plus Districts.

Local partners already deliver for workless people

Local authorities, with their Local Strategic Partnerships, are responsible for co-ordinating and delivering a number of services and functions that are important in tackling worklessness. In general these can be summarised as:

¹⁸ Department for Work and Pensions, 2008.

- planning and co-ordination of *local service delivery* across welfare provision for all ages, for example, childcare services, social care, and young peoples services;
- neighbourhood management and *outreach* to areas of *high worklessness*, including work with social housing landlords;
- specific co-ordinated *responses to urgent problems*, for example, young people and knife crime;
- *engaging with business*, planning regeneration, and promoting enterprise;
- providing *information and advice* to local people, for example, on welfare rights and Tax Credits; and
- *partnership and sharing of good practice* between all local service providers.

Integrating services is best planned at the local level – allowing local areas to determine the right mix of services and the best use of available resources. This will mean that local policymakers and providers have to be constantly reviewing the characteristics and geography of workless people as well as the nature of employer demand – and developing strategies and services to match the two. This is why we are proposing an evolution of both DWP and Communities and Local Government’s current frameworks for devolving funds – see Chapter 5.

In our interim report we described DWP’s proposed three tiers of devolution to communities and we very much welcome that the recent White Paper confirmed this approach and set out more detail.

‘Raising expectations and increasing support: reforming welfare for the future’ DWP, 2008

“We [DWP] ... set out three levels of devolution to local communities. These levels represent progressively greater flexibility and discretion to tailor services to meet local needs. Level 1 involves improved influence over contract specifications, full use of the flexibility available within contracts and improved communication between providers and other local bodies.

In level 2, funding streams may be arranged in innovative ways to support shared commissioning of services. During this stage of devolution, we would be trying to develop new partnerships to test and improve these provisions.

Level 3 goes further and could include devolving contracting responsibility to local (or sub-regional) partnerships. At this level, money and control would be given to the locality with the DWP and other parts of central government specifying only the outcomes to be achieved.”

The central plank of government’s approach is a spine of mainstream provision delivered across the country by Jobcentre Plus, DWP, Learning and Skills Council, and support for enterprise. In addition to this spine there are what government calls ‘wraparound’ services that will need to work effectively with mainstream provision to provide a personalised approach.

“Level 2 – wraparound services within Department for Work and Pensions’ contracts

The prospect of local and sub-regional partnerships adding value to the Department’s contracted provision through better alignment of existing funding streams offers considerable scope to develop solutions appropriate to local circumstances. We believe there is real opportunity here to align at a more local level the various funding streams which focus on employment, skills and individual support more closely to the Department for Work and Pensions’ commissioned provision, including resources from the Working Neighbourhoods Fund (where this is available and in England only).¹⁸

We now want to encourage local and central government to take practical steps to see this approach implemented as soon as possible. A key question is which local services should be considered as ‘wraparound’? We think this is important for local authorities focusing their efforts and for central government to have a clear appreciation of what local services can bring.

We are therefore proposing there should be an agreed list of ‘wraparound’ services. This list would be used in the proposed Worklessness Assessments and Work and Skills Plans (see Chapter 5) as a guide for local authorities on which services they should be including. Our proposed criteria for which services to include are:

- those for which local government has a statutory duty or other direct responsibility, or where many local authorities provide the service on a discretionary basis;

- services to people where there will be a higher demand from workless people and/or they are a recognised barrier to employment if not provided to the required scale, quality or cost; and
- the services should be provided directly or commissioned by local government.

Therefore, our initial proposed list of wraparound services is:

- debt and benefits advice;
- administration of Housing Benefit and Council Tax Benefit;
- childcare, Children Centres, and extended schools;
- adult social care and mental health;
- care leavers;
- community outreach services;
- services to social housing tenants;
- transition to adult services for 16/17 year olds not in education, employment or training (NEET);
- adult education;
- Drug and Alcohol Action Team;
- interpreting services;
- volunteering; and
- travel and transport.

Clearly there are other local partners, such as Primary Care Trusts and Registered Social Landlords, which also need to define the connections between their services and mainstream DWP provision.

¹⁹ Department for Work and Pensions, 2008. Para 3.43.

“We are encouraged to see that the vital importance of wraparound services, in many cases funded, or coordinated by the LA, is acknowledged in the review.”

Sheffield City Council

What we want to see is an increased appreciation by DWP, mainstream contractors, and local government of the importance of these services working closely with the ‘spine’ of mainstream provision. This is why we set out in Chapter 5, our proposals to help the system ‘work smarter’, an England-wide framework which builds on DWP’s tiers of devolution.

Southwark Childcare Support Scheme

The Southwark Childcare Support Scheme (SCSS) is operated by Southwark Council to link provision of free childcare to opportunities for training and support with job search. It was established under the Childcare Affordability Programme which is co-funded by the London Development Agency and the Department for Children, Schools and Families and is available to all parents in Southwark with a joint household income of under £50,000 or an individual income of under £35,000.

Parents claiming childcare assistance must take up advisor-led employment support, either from Jobcentre Plus or a provider. For their part, local employment providers are encouraged to refer their clients to SCSS for childcare support.

Each eligible parent receives two days of formal childcare per week whilst job searching, for a maximum of twelve weeks, although this can be extended in exceptional circumstances. Once a parent enters employment, SCSS pays one month’s worth of formal childcare fees directly to the childcare provider and also helps the parent to claim Working Tax Credit. SCSS has also negotiated waivers of deposits and ‘joining fees’ with local childcare providers. To compensate providers, Southwark Council guarantees the equivalent of four weeks of fees if the childcare agreement is broken.

Since April 2007, 880 parents in Southwark have accessed the service, and SCSS have provided pre-employment childcare assistance for 210 parents and in-work childcare for 230 parents.

The co-commissioning of mainstream and local services holds much potential in guaranteeing that partners are working together for common outcomes. DWP has given a clear challenge to those local authorities who want to develop co-commissioning with DWP mainstream contracts:

“If we are to proceed with a shared commissioning proposal, we will expect it to be clearly based on evidence. It will need to be actively supported by a credible business case, a firm co-funding offer and robust evidence of a track record. We will also expect clear performance indicators, demonstrable added value and a strong focus on performance management and accountability.”²⁰

We think that our proposals will help more local authorities move more quickly to achieve the standards that DWP are requiring. Our expectation is that government will take active steps to build the capacity needed by local authorities and we set out more proposals on this in Chapter 8.

Empowering neighbourhoods

The sharpest challenge in using new flexibilities is tackling worklessness in our most deprived neighbourhoods. Despite consistent investment in some neighbourhoods, and despite national and local targets to tackle concentrations of worklessness we still have too many neighbourhoods where half (or more) of residents are claiming benefits.

We think one reason for these high concentrations is a collective failure of central and local government – an inability of mainstream and local services to work sufficiently closely together to really make a difference. Different neighbourhoods will need a different mix of solutions depending on the

underlying reasons for the high worklessness, and invariably there is no one single solution – a range of interventions are needed but they need a strong framework for them to work within.

There have been recent initiatives and pilots that have reinforced the message that flexible community-based provision is necessary to reach claimants in disadvantaged neighbourhoods. There are some common messages from evaluations of Action Teams for Jobs, Working Neighbourhood Pilots and in New Deal for Communities²¹:

- having the right staff to deliver services;
- having a joined-up approach;
- being in the community;
- being flexible;
- it takes time;
- it takes flexible, long-term funding;
- be focused on outcomes;
- get the neighbourhood geography right; and
- don't ignore the demand-side and involve employers.

We want to strongly endorse a more integrated approach to delivering services in deprived neighbourhoods. One of the most challenging aspects of this work for local authorities and Local Strategic Partnerships has been converting policy about social exclusion and disadvantage into a practical joined-up reality for people in deprived neighbourhoods. This is a significant change management task, and although we have seen a lot of evidence that this can be achieved, too often this has been

²⁰ Department for Work and Pensions, 2008. Para 3.45.

²¹ Casebourne et al (2006); Dewson et al (2007); Department of Communities and Local Government (2008).

individual projects or isolated examples, rather than strategic, service-wide reform.

We have also seen some excellent emerging examples of local authorities and Local Strategic Partnership's working and learning across boundaries, for example by utilising the local base of Registered Social Landlords to deliver outreach into deprived communities, and we believe that this must be further developed. Simply stated, it does not make sense to try to solve difficult problems independently in every local authority that needs a solution. There is clear scope for sharing practice and possibly sharing services and capacity where this makes sense and saves time.

A key theme of this review has been devolution, so we do not wish to be prescriptive about a delivery model. However, we have seen and learnt enough about 'what works' to be able to set out a series of key features of effective neighbourhood delivery and performance management. These will be of use to local authorities and Local Strategic Partnerships, Government Departments and Government Offices and also to Inspectorates.

We believe the five key features of a successful approach to tackling worklessness at the local level are:

1. Integrated public service delivery at neighbourhood level, with employment and skills provision as a core component.
2. Robust joint commissioning arrangements for skills, work and enterprise – fragmented commissioning is at the root of fragmented delivery.
3. Evidence of a clear role and value of the Working Neighbourhood Fund in tackling worklessness in neighbourhoods.
4. A local basket of appropriate indicators on worklessness for local authorities and Local

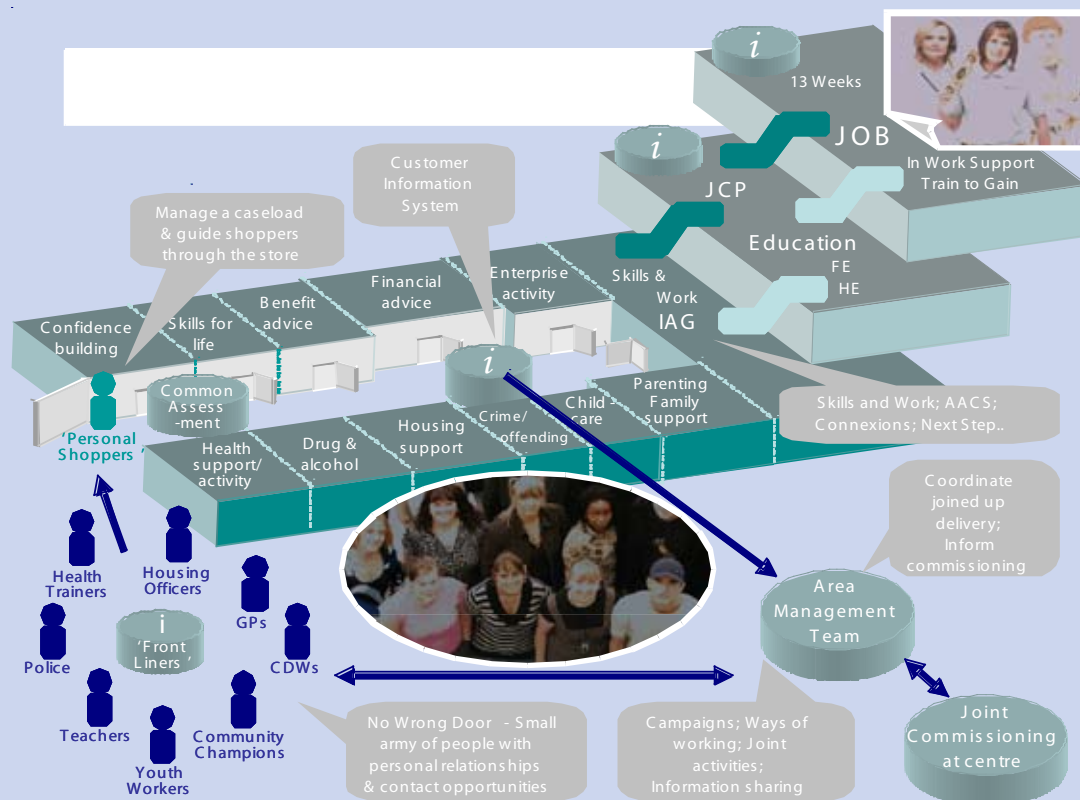
Strategic Partnerships – this should be supported by equally clear indicators for key public services involved at the neighbourhood level in their own performance frameworks.

5. The best public services will lead by example – the public sector being proactive in making opportunities available in their own workforces and in their supply chains.

We believe that when these features are in place in deprived neighbourhoods, we will have created the conditions for dealing with the long-term challenges of deep seated worklessness and child poverty. These are urgent issues, requiring a rapid response, and they reflect the important role and responsibility that lies with local authorities and Local Strategic Partnerships in responding to the recession.

Greater Manchester Working Neighbourhood Teams

Greater Manchester is developing a flexible model of Working Neighbourhood Teams. Designed and branded according to these needs of each neighbourhood and authority they share a common goal of integrating services and providing outreach. Within this Greater Manchester approach, Salford’s model of integrated neighbourhood delivery has been developed using the notion of a ‘department store’ of joined up services. This is supported by common assessments, joint commissioning arrangements and contains many of the elements of the wraparound provision we have listed earlier in this report.

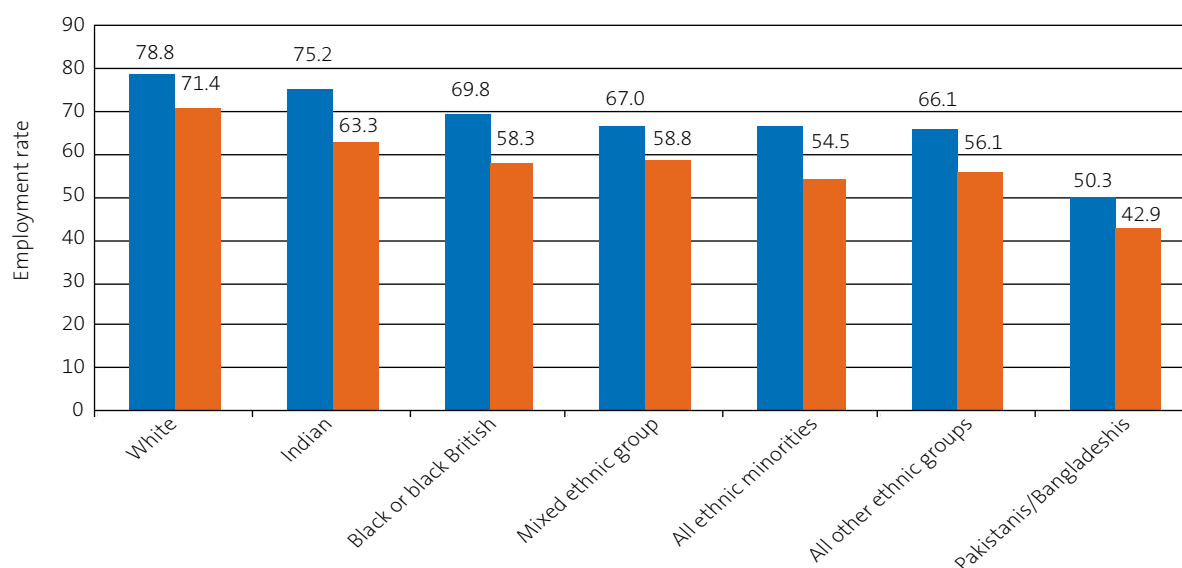


Local Authorities role in reducing ethnic minority unemployment

The importance of localising and personalising services is reinforced when we consider the needs of ethnic minority communities. England’s ethnic minority population is substantially concentrated in our most deprived neighbourhoods. A total of 57% of England’s ethnic minority working age population live in Working Neighbourhoods Fund areas compared to just 33% of the white working age population.

Working Neighbourhoods Fund areas also have a higher proportion of ethnic minority Jobseeker’s Allowance claimants. Taken together Working Neighbourhoods Fund areas account for 66% of all ethnic minority claimants compared to 47% of white claimants. There are similar wide differences between Working Neighbourhoods Fund areas and most of the concentration of ethnic minority claimants can be explained by 17 authorities.

There are lower employment rates for whites and all ethnic groups living in a Working Neighbourhoods Fund area. Chart 6 shows the

Chart 6: Employment rates of ethnic groups between WNF and non-WNF areas

Source: NOMIS (Annual population survey)

employment rates for the main ethnic groups for non-Working Neighbourhoods Fund and Working Neighbourhoods Fund areas. In Working Neighbourhoods Fund areas there is a 10 percentage point gap between whites (74%) and all ethnic minority groups (64%). The gap is slightly larger in non-Working Neighbourhoods Fund areas (12 percentage points) but this is mostly explained by high levels of white employment in non-Working Neighbourhoods Fund areas which presently stands at 79%.

Whilst every ethnic minority group has a lower employment rate than whites, it is the Pakistani and Bangladeshi community that has particularly low employment at just 43% in Working Neighbourhoods Fund areas. However, the employment rate for Pakistani and Bangladeshi men in Working Neighbourhoods Fund areas stands at 63% compared to only 22% for women. In fact the Pakistani and Bangladeshi male employment rate is slightly higher than for men from the Black or Black British community (62%) and for the mixed ethnic group (59%).

In 2007 the 'Business Commission on Race Equality in the Workplace'²² produced a number of important recommendations to government on tackling the ethnic employment rate gap (see Annex 2). We think these could significantly contribute to the closing the gap and some (such as use of procurement) are similar to our recommendations. We are aware that the Ethnic Minority Employment Taskforce has recently recommended government pull together an action plan to implement the recommendations of the Business Commission, and are pleased to add our support to their request.

Working for all communities

Increased flexibility and more devolution must be seen to work for all communities. Working Neighbourhoods Fund authorities and deprived neighbourhoods have higher levels of people with multiple labour market disadvantages. A localised approach recognises the range and depth of these disadvantages and responds by making sure both mainstream and wraparound

²² Business Commission on Race Equality in the Workplace, 2007.

services are properly tailored to the particular demands of the neighbourhood. This is why we are recommending that local partners need an improved understanding of the different needs of workless people and what works. It is the reason why we believe that the Working Neighbourhood Fund needs the maximum flexibility to respond but also must be seen to be doing so for all disadvantaged communities – both place and people.

Recommendations

1. Local authorities, with local partners, should focus their efforts on the most disadvantaged people and neighbourhoods. They should ensure that direct expenditure on support for workless people should add value to existing mainstream provision. They should also ensure that local government services and funded provision which support workless people are properly integrated with mainstream provision.
2. Local authorities, with their Local Strategic Partnership, should be responsible for planning the right mix of provision to ensure that disadvantaged people and neighbourhoods are not losing out disproportionately in the recession. Appropriate local measures should be adopted to show how partners are succeeding in preventing disadvantage, through the delivery of their LAA priorities.
3. All local authorities, but especially Working Neighbourhoods Fund areas, have pockets of high worklessness. Claimants in these areas often include high levels of people on Employment Support Allowance/Incapacity Benefit as well as lone parents. It is in these areas and for long-term claimants, often with multiple barriers, that local partners should be concentrating on new forms of service delivery that integrate support and access to opportunities. Community outreach services, especially using Registered Social Landlords, should be the norm for these neighbourhoods.
4. All local authorities (as part of the worklessness assessment proposed in Chapter 5) should identify those people and neighbourhoods with already high levels of worklessness and at most risk of disproportionately suffering from rising unemployment. We recommend that assessments must include the position of disadvantaged groups recognised nationally as being most at risk – ethnic minority communities, disabled people, the lowest qualified, lone parents, and people aged over 50 – but many areas will also identify other groups who may be disproportionately effected by the recession such as young people and women.
5. We are conscious of the fact that some groups of people are disproportionately represented in Working Neighbourhoods Fund areas, such as ethnic minority claimants, disabled people, and lone parents. This should be reflected in the plans, spending and targets of Working Neighbourhoods Fund authorities. Central government should publish on a regular basis details of the progress being made to reduce disadvantage in Working Neighbourhoods Fund authorities.
6. In the light of the current economic situation, we think it is time for government to review the recommendations made by the Business Commission on Race Equality in the Workplace and examine what every level of government can do to implement them. We support the recommendation of the Ethnic Minority Employment Taskforce that an action plan now be drawn up to take forward the Business Commission's recommendations.

Chapter 4:

Support for local authorities: developing the Working Neighbourhoods Fund

The Working Neighbourhoods Fund was established following the Sub-National Economic Development and Regeneration Review. The impact of the Working Neighbourhood Fund's predecessors, the Neighbourhood Renewal Fund and the Deprived Areas Fund, was diluted by being divided between housing, crime, education, health, liveability and employment, and this led to an inevitable focus on addressing symptoms of economic deprivation rather than their causes.

There were three significant reasons for the creation of a new renewal fund:

- to strengthen the role of local government in delivering improved employment outcomes through devolving resources to them to use as needed to address local priorities;
- to focus those resources more intensively on areas of acute economic disadvantage; and
- for areas to put greater emphasis to tackling worklessness as the critical factor in delivering sustainable change.

We welcome the focus of the new fund and agree with the need for a sharper focus on tackling the drivers of economic deprivation. As we have identified, local authorities are using it to make a difference. In this review we argue that there is a clear need for the role of local authorities and partnerships to be strengthened further, with more devolution to this level where it is demonstrated that this will improve outcomes.

Working Neighbourhoods Fund inclusion in Area Based Grant

A recurring theme of consultation responses, our visits and of the range of meetings we have held during this review has been the fact that local authorities are free to spend Working Neighbourhoods Fund resources in any way that enables them to deliver the local strategic priorities identified in their Local Area Agreement. Some partners and commentators have difficulty in reconciling this with the fund's more specific objective to improve employment, skills and enterprise. We also received a clear message from the responses to our review that there is a need for funding to support sustained interventions with workless people. Many programmes in the past have been characterised by 'stop' and 'start', disrupting provision targeted to those who need it most, and longer-term funding was a clear priority for many local authorities and their partners.

We fully support the allocation of the Working Neighbourhoods Fund to authorities as part of the new Area Based Grant. The fund has given local authorities genuine control of decision making and the freedom to use their resources to be responsive to local need. We are convinced that local decision making needs to be increased not restricted if local and personal barriers to employment are to be directly and effectively addressed.

Local authorities and partners have long argued the need for greater devolution of resource and flexibility. The Working Neighbourhoods Fund, at £1.5 billion over the 3 years to 2010/11, is a

considerable sum when concentrated in the 65 beneficiary authorities and the sums can be significant when compared to mainstream employment funding. On average in 2008, across all WNF authorities, there is around £290 for every claimant. If WNF were just targeted on jobseekers then this would rise to about £1,200 for every JSA claimant. This compares to around £1,600 per person on the flexible New Deal. Of course, some local authorities may decide (using the flexibility of the Area Based Grant) to spend even more.

This reinforces our belief that the Area Based Grant can make a very substantial contribution to increasing the support to workless people. In their search for effectiveness and efficiency local authorities should be asking hard questions about how Area Based Grant funds for workless people are properly targeted to have maximum effect. Value for money considerations are important because it is our assumption that local authorities are able to identify and measure the outcomes they want to purchase. Whilst the Area Based Grant does not require any reports on performance, we would expect that the Audit Commission will want to see evidence (for the new local performance framework) that local authorities can measure the positive impact that Area Based Grant is having on workless people.

The Working Neighbourhoods Fund has provided the opportunity to demonstrate the benefits of devolution and greater flexibility but, as yet, no consistent way to communicate the benefits to government. We are anxious that local authorities and partnerships have a framework that enables them to demonstrate their contribution and a basis to make the case for freedoms and flexibilities to be extended. As things stand, we are concerned that the lack of reporting requirements and transparency has left the fund open to undue and unspecific challenge, which has not given local authorities

the best foundation to make their case for the additional control and resource needed to improve local delivery further.

Liverpool First

The Merseyside City Strategy pathfinder has provided an opportunity for Liverpool and its sub-regional partners to develop an integrated employment and skills offer. Partners have shared information and jointly conducted an analysis of gaps in mainstream provision.

Following this exercise, Liverpool First, the Local Strategic Partnership, has developed a citywide employment and skills support programme, Liverpool Jobs Employment and Training (JET), and has used its Working Neighbourhoods Fund allocation to wrap a range of local provision around the mainstream employment and skills offer to deliver on the worklessness targets contained in the Local Area Agreement.

JET has developed a Working Neighbourhoods Fund supported programme, Streets Ahead, which focuses on priority neighbourhoods, giving wraparound support from housing partners, Sure Start, and Citizens Advice Bureau as well as employability support. Jobcentre Plus and Connexions provide staff on secondments to Streets Ahead who, with the core team, engage residents in their homes, at schools and community centres. The programme has a proven track record in supporting workless residents and is now being rolled out across the City Strategy area.

Recommendations

1. Working Neighbourhoods Fund should remain as part of the Area Based Grant providing the maximum freedom and flexibility to local partners.
2. We recommend that more should be done to improve the understanding of how local resources, including the Working Neighbourhoods Fund, are improving support for workless people. This is why we strongly recommend that every Working Neighbourhoods Fund authority is required to have a Work and Skills Plan that sets out the resources from local and national partners that are spent on direct provision to workless people.
3. We agree with the need for longer-term funding to provide more consistent support, especially in the most disadvantaged neighbourhoods and for the voluntary and community sector. We recommend that the Working Neighbourhoods Fund should move to a five year cycle, bringing it in line with the flexible New Deal. We would like to see an early announcement on the future of the Working Neighbourhoods Fund beyond 2011.

Chapter 5:

Working smarter

In the Interim Report we proposed that:

- all upper tier local authorities should be required to produce a ‘worklessness assessment’ as part of their wider economic duty
 - local authorities would have the option to produce a ‘Work and Skills Plan’ which would set out the local partners response to local economic conditions
 - central government should consider establishing a ‘Work and Skills Integrated Budget’ in areas where the Work and Skills Plan is of a sufficient standard.
- *Work and Skills Integrated Budgets* for those areas with robust partnerships where it is feasible for central and local government to pool and align budgets and co-commission a substantial portion of relevant funds.

Many local authorities are already co-operating across boundaries through Multi-Area Agreements and City Strategies. This approach should be encouraged through a new framework, but we think it is right that local authorities must have the freedom and choice to decide how and who they work with.

The intention behind these proposals was to help shape a new strategic and decision-making framework that could improve how partners work together and deliver improved results. The Interim Report proposals made a start, and we have generally had a positive response, however we now need to give more detail about our proposals.

The geographical level at which a new work and skills framework operates is a vexed question which absorbs much time and energy at all levels of government and between national and local partners. We think our proposals will help to clarify who is doing what and at what level. In summary:

- *Worklessness Assessments* conducted by every local authority as part of their proposed economic assessment duty
- *Work and Skills Plans* for those authorities and partnerships that want to align budgets and co-commission services, especially those with Working Neighbourhoods Funds

A new framework

We think the present arrangements for involving local partners in work and skills are overly complex and need simplifying. The current complexity confuses partners, makes it more difficult to plan, and blurs responsibilities.

Diagram 1 shows the layers of different forms of devolution and accountability for work and skills. We have not attempted to add to this diagram the complex and different reporting arrangements between each of these layers and regional and central government departments.

We want to see a new framework where responsibilities are clear and it is easier for local partners to work together, and easier for national government to devolve more responsibility with confidence. Diagram 2 sets out our new framework which we think can be introduced quickly and with a minimum of bureaucracy.

Diagram 1: Layers of devolution and targets

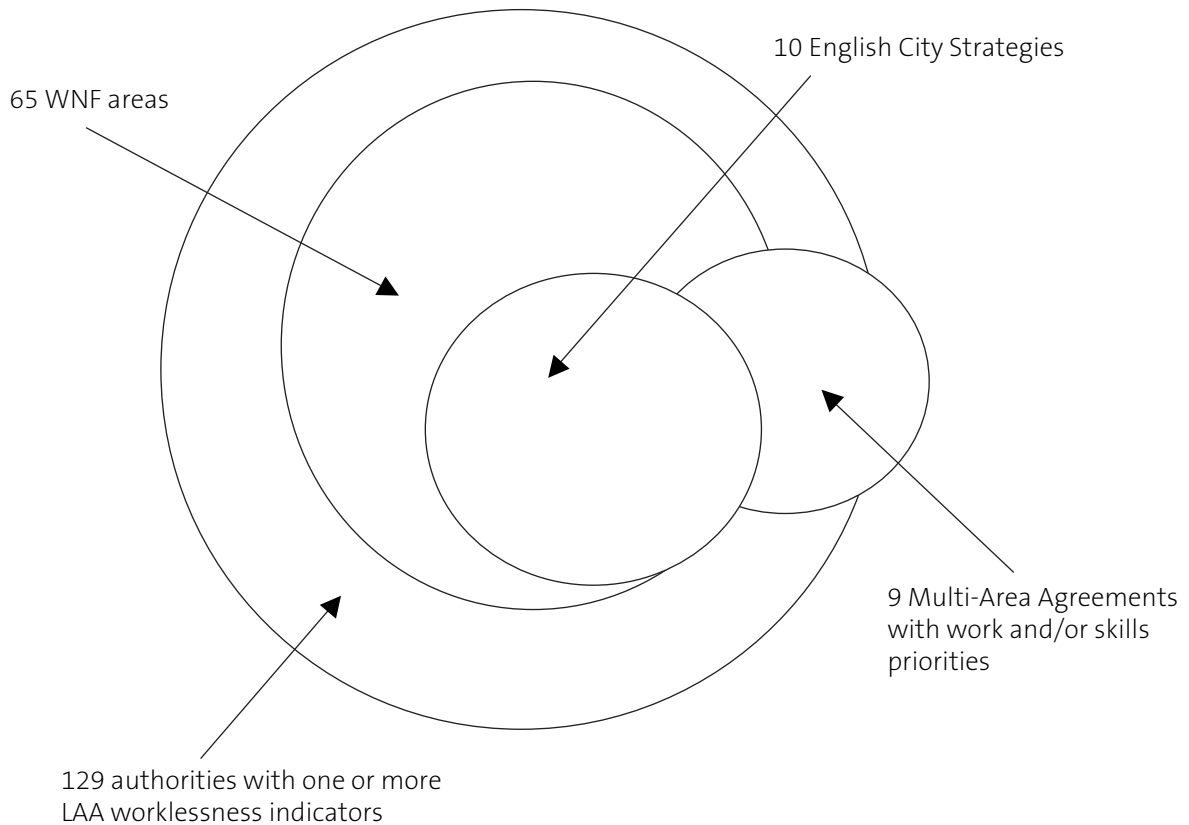
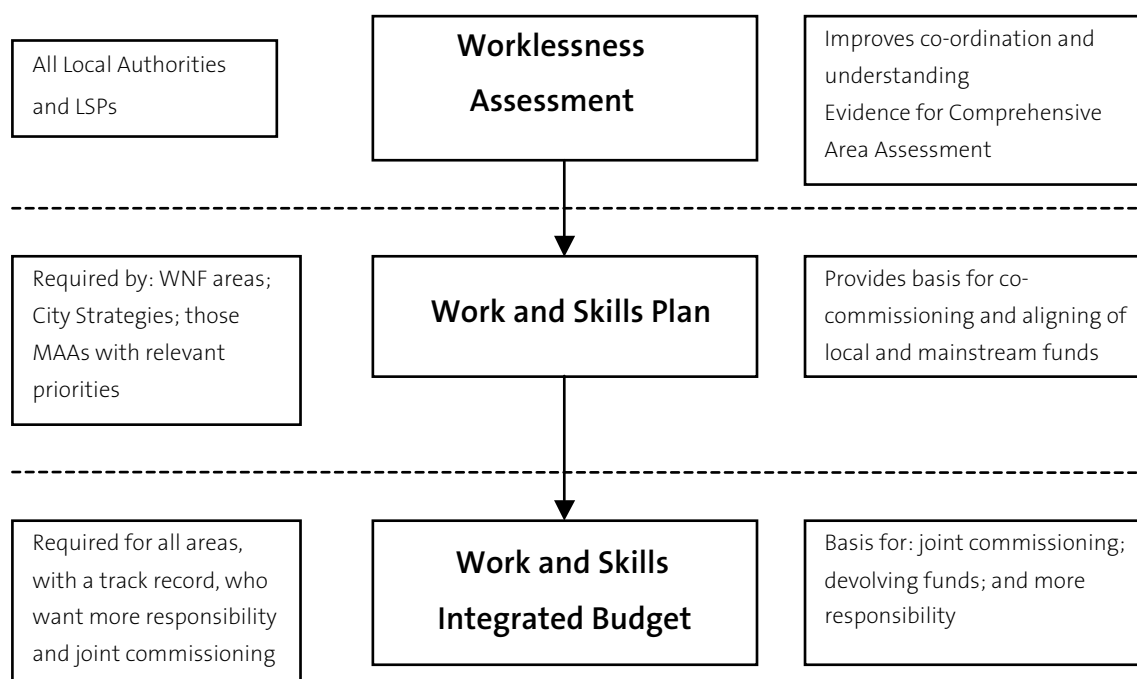


Diagram 2: A new framework

A new framework for local empowerment



A local worklessness assessment

We had a very positive response to our proposal that every local authority should produce a 'worklessness assessment' for their area. Most responses recognised that it was an important and sensible first step for local authorities to take. Our view is that the worklessness assessment should be at the core of the proposed economic development assessment duty on local authorities. In summary, a local worklessness assessment could:

- provide a basic understanding of worklessness in each area;
- set a benchmark for partners to understand how labour market conditions are changing;
- contain a demographic profile of those who are claiming out of work benefits;
- identify those people most at risk of redundancy and long-term unemployment;
- identify neighbourhoods that may suffer more than others;
- provide an overview of the local capacity to support those who are made redundant and unemployed people; and
- contain a statement of employer views and needs.

The assessment should lead to a brief statement of the:

- overall aims and any related targets;
- priority areas and people; and
- actions that the local authority and partners are taking.

We want the worklessness assessment to help make a difference. We want it to be a useful and creative process – bringing partners together and stimulating ideas for how existing and any new resources can be more effective.

The assessment should be seen in the context of the wider economic assessment that local authorities will be undertaking. This will ensure that employer demand and labour supply issues are considered together. However, we cannot underline too much the importance of local authorities responding urgently to rising unemployment. Consequently we would like to see a timetable set immediately for local authorities to complete local worklessness assessments. We think that, with the right support, these can be complete by mid-2009.

“...we strongly support...proposals for worklessness assessments... [and the]...concepts of work and skills plans and integrated budgets.”

South Bank Employers Group

Some local authorities already have local plans underpinning their Local Area Agreement targets that perform the functions of a worklessness assessment. Where these exist they should be recognised as worklessness assessments to prevent duplication of effort. Some local authorities within Multi-Area Agreements may want to agree a joint assessment, if this has not already been done as part of the Multi-Area Agreement. In addition, some District Councils may want to agree with the County Council to undertake a joint assessment.

Central government will need to play an enabling role in developing useful assessments. Communities and Local Government and DWP should agree, in consultation with other Departments, a template for an assessment and provide accessible guidance on its completion. Jobcentre Plus will also need to be actively involved at the local level in providing information and understanding of the local labour market. Regional Improvement and Efficiency Partnerships also have a role to play by providing dedicated technical assistance and training to complete assessments.

The final step to consider is how the worklessness assessment will form part of the Comprehensive Area Assessment? Our understanding is that the actions taken by local partners to address worklessness, and the evidence they provide through worklessness assessments, will be useful to local public service inspectorates. This will mean that local authorities are assessed on their success in making a real impact through their own actions and through those of their partners.

We would expect the outcome of a worklessness assessment to be:

- improved opportunities for workless people;
- better co-ordination between local partners;
- new initiatives by local authorities; and
- establishing the conditions for local authorities to meet Tier 1 of Department for Work and Pension's devolution framework.

Work and Skills Plans

The Interim Report suggested that many local authorities would want to do more than a local worklessness assessment. The report also recognised that some local authorities have already done more because they:

- have invested in some form of employment and skills plan;
- are within a DWP City Strategy area;
- have agreed a worklessness Local Areas Agreement indicator with a Delivery Plan;
- are part of a Multi-Area Agreement which includes worklessness;
- have developed Joint Investment Frameworks, or similarly named plans; and
- have a local governance structure that involves employers.

We want to build on this activity and not replace it, and we also want the approach to be rolled out to more areas. The consultation responses reinforced our view that a comprehensive local strategy, backed up with deliverable plans, is something that many local authorities and local partners want to do. There was a consistent concern expressed in responses that the proposed Work and Skills Plan should recognise the efforts already taken by local partners. We agree, but also think that government can do more to tidy up the overly complex arrangements that presently exist.

Our vision for Work and Skills Plans is that they will:

- bring local partners (including Local Authorities, Jobcentre Plus, Learning and Skills Council, social landlords, Primary Care Trusts, and others) in a shared commitment to decide how best to tackle worklessness, increase skills, and boost levels of enterprise;
- be clearly influenced by employers and their needs;
- ensure effective management of customer journeys;
- align existing mainstream services and local activity;
- set out the partners' expenditure plans;
- identify duplication and gaps in provision;
- take steps to increase capacity where required;
- set out how our Local Area Agreement priorities and locally agreed targets will be delivered through partnership efforts, updating them as appropriate; and
- channel any new resources to address the problems of increasing unemployment.

The Work and Skills Plan will open up the possibility of co-commissioning arrangements

so that local partnerships can supplement national provision with wraparound services to address specific local issues. This will meet the Tier 2 requirements for Department for Work and Pension's devolution framework.

We are convinced that a Work and Skills Plan should be the core of a new, simpler system that can be easily introduced. First, every local authority should be given the freedom to develop a Work and Skills Plan but there should be a clear and rigorous process for Plans to be developed and agreed. Second, existing employment and skills strategies (including City Strategies and Multi-Area Agreements) should be recognised as Work and Skills Plans where they meet the required standards. Third, the agreed plans will bring both rights and responsibilities – more influence over mainstream services but a responsibility to fund wraparound services and plan provision effectively.

This offer should be open to all local authorities but we recommend that Working Neighbourhood Fund authorities should be required and will want to be some of the first to agree a Work and Skills Plan. As we have already recognised, groups of authorities (such as Multi-Area Agreement authorities) will be free to combine to agree a Work and Skills Plan. The intent should be that all areas with higher than average unemployment will be covered by a Work and Skills Plan by the end of 2010. There should be rapid progress by DWP and Communities and Local Government in establishing a single network of authorities which can learn from each other and inform those that wish to develop a Work and Skills Plan.

What should be the required standards of a Work and Skills Plan? First, there should be a robust analysis of the local labour market, including employer demand. Second, it must be supported by sound governance arrangements

and agreed by the Local Strategic Partnership. Third, it should set out the funds which support activity covered by the Plan, both mainstream and local funds. Fourth, there should be appropriate and agreed measures that set out how the relevant Local Area Agreement or Multi-Area Agreement targets for the area will be delivered.

The governance arrangements should provide for employer-led Employment and Skills Boards actively setting the priorities for the Plan, and helping to drive forward engagement with the private sector. There already exist many such Boards around the country operating under a range of different names and constituted in different ways. We think there must be two distinguishing features. First, they must be employer-led and second, they must be linked to the Local Strategic Partnership. The government has already encouraged²³ the formation of Employment and Skills Boards and we understand will be shortly publishing guidance on how they could be constituted and their possible functions.

Finally, we think that the Work and Skills Plan should form the basis of an agreement between central and local government. If central government is to use the Plans as a basis for encouraging co-commissioning and other forms of devolution, then there needs to be an unequivocal recognition that a Work and Skills Plan meets the expectations of government. As such there should be some form of 'accreditation' process during which Plans are agreed and that central government are acknowledging that further steps can be taken to empower local communities. Central government will have to determine the process for agreeing Plans but we would expect there to be strong regional involvement.

²³ Work Skills, DWP and DIUS, 2008.

Work and Skills Integrated Budget

The idea of a Work and Skills Integrated Budget was mainly welcomed in the consultation responses, but most wanted to see more detail of how it would work. Some responses felt that whilst the idea was right in principle, the practical implications may not bring the intended benefits.

The Interim Report suggested that the Work and Skills Integrated Budget could:

- replace the Working Neighbourhood Fund but be larger;
- allow co-commissioning for DWP programmes contracts;
- ensure integration of skills training funding priorities and targets; and
- have an enterprise element.

This amounts to an ambitious vision for how different streams of funding can be brought together at the local level. Indeed some consultation responses felt that it was unrealistic and could divert energy away from the task of improving provision. We appreciate this argument but feel that progress must be made in reforming how different funding streams work together at the local level.

The seat of the problem is that we have too many agencies and organisations operating separately at the local level. At present, there is inadequate means to improve co-operation and no single agency or partnership has ownership over the infrastructure to provide support to workless people. Our proposals for Work and Skills Plans, backed up by better partnership arrangements, should improve co-operation and the alignment of funding but we should go a step further and lay the foundations for local areas to progressively have more control over how they plan and control funding which supports workless people.

We also appreciate that central government must feel confident that more devolved decision-making with an Integrated Budget will lead to more effective and efficient delivery. Linked to this is the concern expressed by some consultation responses about the extent of capacity at the local level to manage an Integrated Budget wisely.

Taking these points into account we are proposing a staged approach to developing the Work and Skills Integrated Budget. This would take two forms: 1) setting clear standards to be achieved by local areas before a Work and Skills Integrated Budget is agreed; 2) progressively bringing together different funding streams as technical issues of integration are resolved.

What are the next steps towards an Integrated Budget?

It is a complex job to bring together different funds or to make them work better together. The experience so far of City Strategies has demonstrated the length of time it has taken to introduce better co-ordination *and* have an impact on delivery. However, some City Strategies and Multi-Area Agreements have made real progress in co-commissioning and agreeing frameworks, and we need to build on this experience.

The aims are to make a number of different funding streams work together and to provide a new channel for central government to devolve funds that will directly benefit workless people. The main funding streams are:

- Working Neighbourhoods Funds
- European Social Fund
- Regional Development Agency funding for worklessness
- DWP support for the long-term claimants

- Learning and Skills Council support for claimants
- BERR support for enterprise development by workless people
- Health and social care budgets
- Homes and Community Agency support to Registered Social Landlords
- Other local budgets related to wraparound services.

It is easier for some of these funds to work together than others and progress should not be held up because of the difficulties of integrating some funding. What is more, it may be easier in some areas than others to move towards an Integrated Budget because of the strength of the partnership. We would therefore expect a spectrum of different forms of Integrated Budget. We recommend that, starting October 2009, pathfinders should be established from those local authorities with an existing track record in developing this approach, beginning with Multi-Area Agreement areas.

“An integrated budget should be flexible and adaptable, recognising the sub-regional agenda as well as the local perspective. Local authorities understand the services that are being delivered in their area and the integrated budget will avoid duplication and competition between services. It would also help create a more seamless service for customers.”

London Councils

“We would support a Work and Skills Integrated Budget and...recommend the emphasis placed on devolving responsibilities and powers to local level. There is strong sub-regional support for implementing the proposals and a will to develop appropriate local, flexible responses to meet individual needs.”

One North East Regional Employability Framework Strategy Group

“We welcome the integration of budgets into a single pot to support worklessness and will be seeking ways to move towards this locally through the Employment and Skills Partnership.”

Bradford District Employment and Skills Board

“Prime sees merit in the Work and Skills Integrated Budget, with a Challenge Fund for priority local areas, which will allow far more flexibility and discretion at local level.”

PRIME

At one end of the spectrum the Integrated Budget would form part of the Work and Skills Plan that sets out the different contributions of partners, and this would lay the foundation for increased integration. At the other end of the spectrum would be a single budget that would pool funds and commission provision on behalf of central government. This would conform to the third tier of Department for Work and Pension's devolution framework.

The point of an Integrated Budget is that joint decision-making is fostered between local partners and we would expect local resources, including Working Neighbourhoods Fund allocations, to form the heart of an Integrated Budget. We think that if local authorities took this step then they would be creating the local conditions for others funders to use the Integrated Budget approach to commission services.

The initiative should also lie with central government to invest through the Integrated Budget. It provides central government with a direct and flexible route to channel funds to the areas that need them most. For example, new funds to support local initiatives for workless people, such as our proposed Challenge Fund, should be channelled through the Integrated Budget. At the same time the Integrated Budget will provide the basis for co-commissioning arrangements where it is not feasible to pool budgets, especially in the short-term.

Taken together the Work and Skills Plan and the Integrated Budget are intended to:

- improve the planning and responsiveness of provision;
- make sure partners are working together;
- improve the transparency of who is doing what and why; and
- deliver what employers and individuals need in different local economies and at different stages of the economic cycle.

Finally, the Integrated Budget can provide the greater certainty of funding over a longer time period that local partners are looking for. This is why we suggest the Integrated Budget should cover a five year period but we would expect it to be responsive to the economic cycle and the extent of the local challenge.

Sharing information

Partners will also need to improve the way that they share information in order to build up a common understanding of the challenges they face. In our interim report we highlighted the need for:

- flexible New Deal providers to give regular performance information to local partnerships and to share their analysis of

the key issues facing the local labour market and workless people;

- Jobcentre Plus to provide local partnerships with regular labour market information and analysis. We recommended that their Geographical Information System be refreshed and that outputs be made widely available; and
- a clear commitment between national and local government to progress the sharing of individual claimant information, securely and in a way that protects the individual.

Since the publication of our interim report, we are pleased that DWP in its White Paper, 'Raising expectations and increasing support: reforming welfare for the future', has confirmed the first of these will be taken forward and DWP is expected to announce shortly the level of involvement that local partners will have in the performance management of flexible New Deal providers.

Local authorities can also do more themselves by using their Housing Benefit and Council Tax Benefit records to help them make targeted offers of support to workless individuals and households.

We do also recognise that sharing data on individual claimant information between partners could significantly improve the targeting of provision and help providers to personalise their services. We are conscious that the issue of data sharing has been on the agenda of local and national government for some time, and that a number of the Integrating Employment and Skills trials are working to improve referral processes between Jobcentre Plus, nextstep and training providers by sharing information on claimants with their informed consent. We are also aware of the current joint Communities and Local Government and DWP data sharing pilots.

However, we think that data sharing could be progressed more swiftly, and would like to see local authorities provided with a similar level of access to personal data as is currently provided to DWP contractors, with the caveat that adequate arrangements are in place to protect individual security.

Joint Communities and Local Government /DWP Data Sharing Pilots

Communities and Local Government and DWP have recognised the need for improved data sharing and are jointly taking forwards three pilots in the Multi-Area Agreement areas of Kent, Liverpool, and Leeds. These will be used to test out how local partnerships can be provided with the information they need to target interventions to the right client group, achieve better strategy making, and develop closer to real-time performance management for localities. The pilots have identified an initial list of data sharing priorities including both aggregate information and some personal data requests.

Further steps, including the recruitment of Local Improvement Advisors to support the pilot areas, are now being taken by the Departments to:

- broker relationships and facilitate discussions which scope local needs for worklessness data;
- facilitate data sharing and data management to achieve better outcomes in worklessness and related skills issues;
- help identify solutions to obstacles which present themselves in the process, including ways of ensuring data security;
- work with local partners, CLG and DWP to test and provide exchange protocols, data sharing principles, MoUs and other tools to underpin this process; and
- identify lessons and good practice to be shared with the project coordinators.

Recommendations

1. The present framework for devolving and planning local support to workless people is too complicated and should be simplified. Central and local government should work within a single framework for integrating skills, employment and wider support for workless people. This framework should consist of:
 - *Worklessness Assessments* conducted by every local authority as part of their proposed economic assessment duty
 - *Work and Skills Plans* for those authorities and partnerships that want to align budgets and co-commission services, especially those with Working Neighbourhoods Funds
 - *Work and Skills Integrated Budgets* for those areas with robust partnerships, such as Multi-Area Agreements, where it is feasible for central and local government to pool and align budgets and co-commission a substantial portion of relevant funds.
2. Every local authority should have the choice to progress within this framework. Where local authorities (or groups of authorities) already have strategies and plans (such as City Strategies and some Multi-Area Agreements) these should automatically be recognised in this new framework. This framework is consistent with, and helps develop, Department for Work and Pension's three tiers of devolution to empower communities.
3. **Worklessness Assessments:** Every local authority should be required to complete a local worklessness assessment, either individually or in co-operation with neighbouring local authorities. The government should assist by providing a template and technical assistance through Regional Improvement and Efficiency Partnerships. A quick timetable should be established with assessments completed by mid-2009.
4. **Work and Skills Plans:** These will identify the action being taken by partners and the resources being spent on support for workless people. It will also set out the local measures that will deliver relevant Local Area Agreement or Multi-Area Agreement priorities and targets and locally agreed targets. All Plans should be agreed and signed-off by central government, which will then form the basis for co-commissioning at the local level between local partners and mainstream employment and skills funds. We are recommending that all authorities receiving Working Neighbourhood Funds should be required to have a Work and Skills Plan. We expect that existing City Strategy areas and authorities covered by a Multi-Area Agreement with a worklessness objective will automatically be recognised as having a Work and Skills Plan.
5. **Work and Skills Integrated Budgets:** We want to see areas with Work and Skills Plans take the next step in establishing an Integrated Budget. These will, over time, form the basis for aligning and pooling funding and facilitating joint commissioning between partners. We do not think it necessary nor efficient for all mainstream funds to flow through an Integrated Budget, so long as joint decisions are being taken on spending priorities and commissioning. Integrated Budgets should also be the preferred channel for central government to invest resources in support for workless people at the local level. We recommend that, starting in October 2009, pathfinders should be established from those local authorities with an existing track record in developing this approach, beginning with Multi-Area Agreement areas.

6. Where they currently do not exist, employer-led Employment and Skills Boards should be established to provide more robust governance arrangements for Local Strategic Partnerships or sub-regional partnerships.
7. We would like to see assessments and plans being used as evidence by local public service inspectorates in the Comprehensive Area Assessment of local authorities and their partners.

Recommendations for sharing information

1. We want to see an increased and common understanding of worklessness between local partners, Jobcentre Plus, the Learning and Skills Council and DWP providers. Relevant management information should be shared between partners in a standardised format and on a regular basis. At a minimum, this information should cover: the profile of local claimants; mainstream and local provider performance; the impact on equality, especially for minority groups; and progress towards local targets.
2. The DWP data sharing protocol should be reviewed and local authorities provided with the same level of access to data as DWP providers. The measures being taken to share information between Jobcentre Plus and skills providers within the Integrating Employment and Skills trials should also be rolled out.

Chapter 6:

How local authorities can do more and differently

In the previous chapter we set out the measures that we believe will significantly strengthen the strategic planning and decision-making of local authorities and their partners. However, we are also concerned to ensure that local authorities use all of the direct levers at their disposal to make more of an impact on worklessness in their areas. In particular, we believe local authorities can make a real difference by:

- using their employment and procurement processes to increase the employment and training opportunities on offer to disadvantaged groups
- supporting enterprise, including social enterprises, and the third sector in disadvantaged communities.

As employers and procurers

In our interim report, we stressed the importance of the public sector both as an employer and as a procurer of goods and services. We believe these roles are critical in the current economic climate where private sector employment opportunities are in decline. The public sector accounts for almost one in five of all jobs²⁴, and in deprived areas the sector, particularly health and local government, is often the major employer²⁵. Through its procurement processes the public sector also has substantial market power. This

can be used to encourage suppliers to offer opportunities to workless people, and can help to support the development of local enterprise²⁶.

We recognise that many local authorities have taken steps to improve their employment and procurement processes to better tackle worklessness in their areas. However, this is not the case everywhere and there is considerable variation in the scale and effectiveness of the measures being taken.

Our interim report therefore proposed that local government should provide a 'basic offer' to disadvantaged communities comprising of:

- increases in the number of public sector apprenticeships;
- greater use of Local Employment Partnerships with Jobcentre Plus and its partners to notify vacancies and to recruit staff; and
- improving procurement processes to encourage their suppliers to take these actions.

Responses to this proposal were very positive, and many local authorities asked us to provide further guidance to help them improve their performance in these areas.

Apprenticeships

Since the publication of our interim report government has announced an additional £140 million investment to create 35,000 new Apprenticeships in both the public and private

²⁴ In the third quarter of 2008, public sector employment accounted for 19.6% of total employment in the U.K, Office for National Statistics, 2008.

²⁵ See for example, North et al, 2006.

²⁶ All Party Urban Development Group, 2008.

sectors. This forms part of a drive to raise the total number, for young people and adults, to 250,000 by 2010²⁷. The Local Government Association, Local Government Employers, and the Improvement and Development Agency have responded by setting out a joint commitment to double the number of local government Apprenticeships in 2009/10 by 7,500 to 15,000²⁸.

This commitment from local government is based on the creation of formal Apprenticeships which will last between one and three years, provide a salary and training on the job, and see apprentices work towards formal qualifications such as National Vocational Qualifications. Although the Apprenticeships will not necessarily lead to permanent employment in local government itself, they will provide people with valuable experience and skills that will improve their job prospects. With further support we believe that local government should be able to increase its commitment and create 50,000 Apprenticeships over the three years to 2011/12²⁹.

However we believe local government should also help to develop Apprenticeships and other opportunities for training in the SME and third sectors by taking on the some of the administrative burdens and costs, and by working with other public sector agencies to provide mentoring services to people on placements.

Local authorities and their partners can draw on existing best practice to help them achieve their ambitions and can use Apprenticeships and other forms of work based training to both reduce worklessness and deliver on other targets within their Local Area Agreements, for example to improve outcomes for care leavers, teenage parents, offenders, or young people not in education, employment or training.

²⁷ Department for Innovation, Universities and Skills, 2009.

²⁸ Local Government Association, 2009.

²⁹ Assuming that local government achieves 15,000 Apprenticeships in 2009/10 then this would require a further increase of 2,500 to 17,500 Apprenticeships in 2011/11 and sustained performance at that level in 2011/12.

Blackburn with Darwen Public Sector Apprenticeship Project

The Public Sector Apprenticeship Project, managed by Blackburn with Darwen Connexions, was set up in 2006 to increase the number of apprenticeships, entry to employment placements and other opportunities for young people within the public sector. It has a particular focus on young people not in education, employment and training and on young people aged 16-19 who are leaving care.

Local public sector employers identified a champion for the project who helped to secure apprenticeships, placements and other opportunities within their organisation. A dedicated adviser supported the champions by identifying appropriate training provision and facilitating referrals. This adviser also provided candidates with pre-interview preparation and co-ordinated training for public sector supervisors and mentors.

The project harnessed a range of incentives to encourage young people and employers to participate. These included financial support to cover the young people's costs of transport, work clothing, books, etc, and bonus vouchers to reward progression. Employers were given free mentoring and training to support their new trainees, as well as supervisory training on how to retain the young people and keep them motivated.

The project has succeeded in securing over 107 opportunities for some of Blackburn with Darwen's most vulnerable young people. Alongside this, the project has challenged and changed the recruitment practices of public sector employers and is embedding new sustainable policies for the future.

Recruitment and Training

Many local authorities have told us that they recognise their role as an employer needs to link more effectively with their ambitions to raise the employment rates of disadvantaged groups and communities. Some have already made efforts to do this by signing Local Employment Partnership agreements and advertising their vacancies with Jobcentre Plus. However, not all local authorities have taken these steps.

More also needs to be done within local authorities to encourage human resource departments and service managers to identify suitable posts for recruitment through Local Employment Partnership agreements, and to look at creative ways in which more benefit claimants be provided with work experience and training opportunities.

Signing up to Local Employment Partnership agreements should involve local authorities in:

- offering two to four week long work trials for local benefit claimants;
- making available a target number of places for New Deal participants including those taking up subsidised employment places, or wishing to take up work experience or work placements;
- working with Jobcentre Plus and the Learning and Skills Council on the design of pre-employment training to ensure that it is relevant to employers' needs, and agree, when hiring, to guarantee interviews or jobs to local benefit claimants who complete this training;
- encouraging their employees to volunteer to provide one-to-one mentoring for long-term benefit claimants to help prepare them for work; and

- reviewing their application processes to ensure that local benefit claimants are not inadvertently excluded by, for example, requirements for qualifications, or overly complicated procedures.

We would also like to see local government give greater priority to organising and providing a greater range of work experience opportunities for workless people. These can include: work tasters through a Local Employment Partnership; collaborating with New Deal contractors to provide work experience; internships; pre-employment support with guaranteed job interviews; and dedicated projects to provide work experience and training. Our expectation is that every local authority should make work experience opportunities available but especially Working Neighbourhoods Fund authorities. We think it should be feasible for local authorities and their public sector partners to provide work experience for around 75,000 unemployed people each year.

Local authorities also need to do more to meet the needs of their own workforce for training and progression. The Local Government Workforce Development Strategy³⁰ (jointly signed up to by the Local Government Association, Local Government Employers and the Improvement and Development Agency) currently contains a target for 200 authorities to sign up to the Get On award by March 2010. The Get On award is designed to encourage local authorities to implement the national Skills for Life strategy and to reduce the proportion of employees who have no qualifications. This initiative is welcome but we believe there is a need for local authorities to make greater use of skills audits and the Skills

Pledge to drive forward a faster improvement in performance.

Procurement

Local authorities spend approximately £42 billion per year on external contracts. As a result, local authorities are in an excellent position to influence the market and ensure that their suppliers take measures to help tackle worklessness in their areas.

Our review heard how local authorities have been taking this agenda forward in three main ways, by:

- requiring suppliers to demonstrate how they will benefit the community through the use of 'social clauses' (sometimes referred to as 'community benefit clauses');
- taking action to increase the number of local SME's, social enterprises, and third sector agencies in the supply chain for local authority services; and
- requiring suppliers to make commitments to increase employment and training opportunities for workless people through the use of s.106 agreements and local labour clauses in major developments and infrastructure projects³¹.

A number of good practice reviews and pilot projects have been taking place, supported by government. For example, the Cabinet Office and Office for the Third Sector have recently concluded a pilot project to examine the scope for using social benefit clauses as a means to support the development of social enterprises and the third sector³². This found that the major barrier to the use of social clauses was a lack of certainty amongst Council Procurement Officers that these could be incorporated into

³⁰ Available from <http://www.idea.gov.uk/idk/core/page.do?pagelid=5222019>

³¹ All Party Urban Development Group, 2008.

³² Office of the Third Sector, 2008.

the contracting framework without breaching EU procurement rules. A model clause and guidance has now been provided through the project³³.

The incorporation of a procurement theme into round seven of the Beacon Council Scheme has also helped to identify best practice.

Wakefield Metropolitan District Council

Wakefield Metropolitan District Council (MDC) won Beacon Authority status for 2006–2007 under the Delivery of Quality Services through Procurement theme in Round 7. The key features of its approach are:

- Inclusion of local labour clauses in all major work contracts
- Mapping spend against datasets including indices of deprivation and researching businesses in under-represented areas to target them for mail shots and workshops
- Holding 10 authority-wide workshops with buyers annually, offering advice on how to interpret and respond to tenders. These workshops have engaged some 1,000 businesses and enabled the council to engage with small to SMEs and voluntary sector organisations to open up access to contracting opportunities.

Wakefield's renewed procurement strategy significantly exceeded its initial target of increasing spend in the regional economy by 10% over two years. There was an increase of 40% to 52% in regional spend by March 2006, including £34m of spend in the Wakefield district. Currently, over 84% of Wakefield Council's major suppliers are SMEs.

We welcome the efforts that local authorities are making in these areas and also recognise that the current economic climate is making it difficult for local authorities to progress as far as they would like with section 106 agreements. However, the performance of local authorities is subject to great variation. With rapidly increasing unemployment, local authorities need to review their procurement plans to see how they can make more of an impact.

From April 2009, Comprehensive Area Assessment (CAA) will include consideration of how local public bodies are using procurement processes to deliver better value for money and improve outcomes for local people. Sustainable procurement is an important element of the CAA Use of Resources assessments, and the way in which this is assessed is described in the Audit Commission's internal guidance to auditors³⁴. We would like to see local public service inspectorates, including the Audit Commission, looking for evidence that local authorities and their partners have used their procurement processes to best effect to tackle worklessness alongside meeting their wider obligation to secure value for money.

For example, local authorities should encourage their suppliers to offer expanded numbers of Apprenticeships and work experience opportunities. They can do so by supporting apprenticeship placement services, which reduce administration costs for SME and third sector suppliers, as well as by continuing to seek section 106 agreements and make wider use of social benefit clauses.

³³ <http://www.cabinetoffice.gov.uk/media/107443/leeds%20model.pdf>

³⁴ See the Audit Commission's published Use of Resources 2008/09 approach: (<http://www.audit-commission.gov.uk/useofresources/2009kloe.asp>)

Case Study – East London Business Alliance

The work of the East London Business Alliance (ELBA) in the London Borough of Hackney, is an example of a successful partnership approach to private sector employer engagement and work with SMEs geared to helping disadvantaged people into jobs.

Working in a Borough that suffers from a general lack of jobs and a high unemployment rate, ELBA has focused on ensuring local businesses and local people benefit from major construction works, in particular those associated with the Olympics 2020. Work is underway to support businesses, especially SMEs, to bid for Olympic contracts and by working with the London Development Agency, over 50 SME's in Hackney have now been approved as fit to supply for contracts. ELBA has been particularly successful in helping businesses led by people from BME communities, women and disabled people in this way.

In addition to this work, ELBA has established a volunteer placement scheme, which now provides 7,000 private sector volunteer placements per year across approximately 500 East End organisations, and it has been provided with Area Block Grant funding to develop the 'Real Apprenticeship Scheme' which allows people to develop their confidence over a 11 week period in work placements with a real prospect of permanent employment at the end. Out of the 100 people who have thus far participated in the scheme, 90 per cent have secured permanent work.

Providing support to help local authorities improve their procurement processes is also required. This lies within the remit of the Regional Improvement and Efficiency Partnerships, which we discuss further in Chapter 9.

Supporting enterprise, social enterprise, and the voluntary sector

In our interim report we signalled our intention to further consider how local government could improve its support for self employment and enterprise, social enterprise, and the third sector in deprived areas. Responses to our interim report were positive about the need to improve the performance of local authorities in this area.

However, some highlighted concerns that local government did not currently have the level of resources required to support or influence this agenda effectively and others questioned whether or not local government was the most appropriate channel for additional resources to support enterprise development.

There was also a widely held view that local government initiatives need to mesh with the wider business support agenda, and with services being offered through Business Link in particular. Nevertheless we consider that local authorities do have a role to play by:

- Helping to improve access to finance for new and developing enterprises in deprived communities, and by
- Involving social enterprises and the third sector in the supply chain for employment and skills provision.

We have concentrated on developing our recommendations in these two areas. This is not to say that we do not see other links between the work of local authorities and the broader enterprise agenda. In our interim

report we set out a number of ways in which local government was involved in supporting local enterprise – including for example by helping to reduce crime against businesses operating in deprived communities as part of their wider community safety responsibilities or fostering entrepreneurship amongst young people in our schools and colleges. Over the course of the review we have been made aware of a number of excellent projects in these areas. However, we have remained focused on those actions which can make the most impact on worklessness and in which local authorities have a key role.

Improving access to finance

Many local authorities have been supporting the development of micro-finance and community-based lenders for a number of years. These have often taken the form of Community Development Finance Institutions which are able to make loans to local businesses that are unable to obtain credit from mainstream sources. Some of the factors which can lead mainstream lenders to refuse credit to what are otherwise viable businesses include:

- the business is new, and the entrepreneur has no track record or is moving off benefits;
- there are no assets which the new entrepreneur can provide as a guarantee;
- the business plan is not fully developed and further business support is required; and
- the mainstream lender has no expertise in supporting social enterprise.

In the past, access to finance has also been reported as being a particular problem for ethnic minority business³⁵. In the current climate the restricted availability of credit

makes it more likely that new businesses, particularly those being proposed by people living in disadvantaged areas or who are wanting to move off benefits and into self employment, will struggle to raise the initial seed capital that they need to get their business off the ground.

Alternative sources of credit are therefore needed if: solid business ideas are to be developed and supported in disadvantaged communities; people on low incomes are to be enabled to make a success of self employment; and social enterprises are to grow. Evidence indicates that the most effective approaches to achieve these objectives are those that combine greater access to credit with high quality and inclusive business support³⁶.

One mechanism to achieve an expansion of credit in low income communities is through the development of Community Development Finance Initiatives. The number of Community Development Finance Institutions has increased significantly in recent years, as has the amount of capital that they are lending to businesses³⁷. There is therefore already a wide range of best practice examples and experience that can be drawn on to assist local authorities in areas which have not yet taken these steps. These often highlight the value of local authorities working closely together with Regional Development Agencies to support this agenda.

In the current economic climate, some local authorities are considering more radical options to expand access to finance for local businesses. For example Essex County Council and

³⁵ See for example, Ram et al (2002).

³⁶ Ramsden (2005).

³⁷ In 2007/08 direct lending by CDFI's increased by 59% to £287 million and this was accompanied by levered finance from other sources of £330 million. The sector is focused on new business start ups, female and BME business, as well as lending to individuals with a lack of affordable credit options.

Birmingham City Council have put forward proposals to establish municipal banks. These initiatives are being progressed through the use of existing powers and many local authorities will be watching these developments with interest. However, we consider that the core role of local authorities should be to support the development of new businesses in areas that, even when the mainstream credit markets are functioning properly, are often overlooked and struggle to raise capital investment.

In its response to the recent consultation on proposals to take forward the sub-national review of economic development and regeneration, government has indicated that it will legislate for the creation of Local Authority Leader's Boards and that it will task these and their Regional Development Agencies to jointly submit their draft Single Integrated Regional Strategies to Ministers for approval³⁸. The Single Integrated Regional Strategies will be required to set out how areas will support sustainable economic growth³⁹. We believe that this mechanism should be used by local authorities and Regional Development Agencies to jointly agree their plans for helping businesses in deprived areas access credit in the coming period.

Supporting social enterprises and the voluntary sector

Government has long recognised the potential of social enterprises to empower local communities and groups, to help regenerate neighbourhoods, and to contribute to more sustainable economic growth. There are

approximately 55,000 social enterprises – comprising 5% of all UK businesses with employees – operating in a wide range of industries⁴⁰. Some of these are remarkably successful. Research conducted in 2006⁴¹ found that one in five social enterprises earns over £1 million annually, and the sector has a collective turnover of over £27 billion a year, making a contribution of £8.4 billion to the economy as a whole.

Social enterprises also play a particularly important part in tackling worklessness by creating employment opportunities in disadvantaged communities and targeting many of these towards disadvantaged people. Although the scale of social enterprise in some areas limits the impact they can make on overall levels of worklessness, they can provide routes to employment for people that have few other opportunities. This is particularly the case for Social Firms⁴² which have an explicit objective of providing job and training opportunities for workless people.

Government's Social Enterprise Action Plan, established in 2006, included a wide range of activities across government departments to further support the growth and effectiveness of the sector, grouped under four main themes of:

- fostering a culture of social enterprise;
- ensuring availability of the right information and advice;

³⁸ Department of Communities and Local Government & Department for Business, Enterprise, and Regulatory Reform (2008).

³⁹ Department of Communities and Local Government & Department for Business, Enterprise, and Regulatory Reform (2008).

⁴⁰ 'The real value of the third sector', speech by John Hutton (2008). <http://www.berr.gov.uk/aboutus/ministerialteam/Speeches/page45349.html>

⁴¹ Cabinet Office, 2006. p. 11.

⁴² Social Firms are defined by their commitment, usually in their governing documents, to creating employment and training opportunities for people who are furthest from the labour market. They typically aim to employ between 25% and 50% of their labour from disadvantaged groups, but also to generate at least 50% of their income through trading.

- enabling access to appropriate finance; and
- enabling social enterprise to work with government.

Our review found that a number of actions under these themes can be supported by local authorities and their partners. These include:

- working to identify, establish, and support social enterprise networks at the sub-regional and local levels;
- helping to increase levels of investment in social enterprise, for example by widening access to credit;
- influencing regional plans to improve business support for social enterprises; and
- adopting the best practice set out in Communities and Local Government's guidance on managing risks in the transfer of assets to social enterprises.

In our view these are all actions that local authorities should take to support the development of social enterprise in their areas. However more also needs to be done to involve social enterprises and the wider third sector in the development of plans to tackle worklessness and to provide them with greater opportunities to participate in the supply chains for the delivery of employment and skills provision.

Fusion 21

Fusion21 began as a local authority-initiated venture to boost sustainable procurement in the social housing sector, following the expansion of Merseyside's construction industry. It links procurement for major capital works and maintenance programmes with local employment and training needs, by seeking a 10% local labour target for all construction and maintenance contracts.

Fusion21 delivers skills training courses to local residents, contractors, suppliers and the wider community. These include entry into construction, health and safety, and a range of personal development courses at the end of which attendees move into full-time employment and have the necessary foundation skills to go on to gain a National Vocational Qualification or similar qualifications. Local trainees are recruited, trained and guaranteed jobs with partner contractors, suppliers or social housing providers at the end of the programme.

Since 2002, Fusion21's has moved 566 trainees into full-time employment, and provided over 700 Merseyside residents with vocational training that subsequently enabled them to gain National Vocational Qualifications in key construction skills.

The model of linking capital works projects to job creation, retention and skills training is potentially transferable beyond the social housing sector to other public and private sector developments, including hospitals, schools, shopping centres and community refurbishment projects.

In February 2009, Department for Work and Pension's 'Welfare to Work Third Sector Taskforce' reported on the potential role of the third sector in helping government to deliver on

its welfare to work reform agenda. The report makes a strong case for the involvement of the third sector in welfare to work provision, highlighting: the importance of its community engagement activities; the trust that it has developed with disadvantaged groups; and the innovative approaches that it has taken to assist those that are furthest from the labour market. The Taskforce's report includes fourteen recommendations, and two of these have clear implications for action at the local authority or sub-regional level. These are:

- proposing up to £5 million of DWP pump priming to support existing work by prime contractors to strengthen the capacity of potential third sector partners; and
- DWP and its providers (third and private sector) should establish contracting "norms" consistent with the Compact⁴³.

Also in February 2009, the government published 'Real Help for Communities: Volunteers, Charities and Social Enterprise'⁴⁴ which contained a commitment to make a £42.5 million investment in the sector, including:

- up to £10 million investment in a volunteer brokerage scheme for unemployed people to create over 40,000 opportunities for people to learn new skills and give back to communities through volunteering;
- a new pilot accreditation process and independent ombudsman for the Department for Work and Pension's Code of Conduct to better protect the interests of smaller, specialist and third sector welfare to work providers; and

- a £15.5 million Community Resilience Fund to provide grant funding to small and medium providers in the local areas that are most at risk of deprivation.

We welcome the recommendations of the DWP Welfare to Work third sector Taskforce and the actions by government as set out above. We particularly support the Taskforce recommendation for pump priming funding to be available to prime contractors to develop the capacity of third sector organisations, but we feel strongly that the role of local authorities, which often make significant investments in infrastructure support for the sector and which commissions the third sector directly to deliver a wide variety of services, also needs to be recognised.

Likewise, our review is conscious of the need for local authorities and Local Strategic Partnerships to improve the way that they themselves use their third sector Compacts to provide for greater involvement of the sector in the development of employment and skills strategies – including making the links with volunteering opportunities – and to ensure that the sector has a fair opportunity to bid for and obtain contracts to deliver employment and skills provision where this meets locally identified priorities.

⁴³ DWP Welfare to Work third sector Taskforce, 2009.

⁴⁴ Cabinet Office, 2009.

Enable (Nottinghamshire)

Enable is a consortium of over 350 voluntary and community sector organisations (VCS) providing learning, skills and employability services in Nottingham which operates under contract to the LSC and in partnership with a DWP contractor to build the capacity of member organisations and their staff to deliver welfare-to-work provision.

Enable convenes a forum to ensure sector involvement in the design and implementation of local employment and skills strategies, and has supported 60 VCS organisations to become part of the supply chain for employment and skills delivery.

Enable also co-ordinates the delivery of community-based learning and Information, Advice and Guidance services through a 'hub and spoke' model, with outreach into the most deprived city wards, and has provided accredited training for over 150 VCS staff to obtain NVQ qualifications in Information, Advice and Guidance, supported by Train 2 Gain funds.

Recommendations

For local authorities as employers

1. Local authorities should be more ambitious in expanding the number of Apprenticeship opportunities for young people and adults. We would like to see local authorities providing 50,000 Apprenticeship opportunities in the three years to 2011/12. To achieve this will require a national programme of support, including financial resources to stimulate new opportunities.
2. Local authorities should sign Local Employment Partnership agreements with Jobcentre Plus where they have not already done so. Our expectation is that all Working Neighbourhood Fund local authorities will have already agreed a Local Employment Partnership, or are about to. The LGA should consider facilitating the wider use of Local Employment Partnerships by agreeing with Jobcentre Plus what best practice would be for a Local Authority Local Employment Partnership, including the use of recruitment subsidies for those unemployed for 6 months or more. As part of Local Employment Partnerships local authorities should establish as standard practice the notification to Jobcentre Plus of *all* vacancies. Local authorities should also agree with Jobcentre Plus how they can locally promote Local Employment Partnerships to local employers, especially small and medium-sized employers.
3. Our expectation is that every local authority should make work experience opportunities available, but especially Working Neighbourhoods Fund authorities. We think it should be feasible for local authorities and their public sector partners to provide work experience for around 75,000 unemployed people each year.

4. Local authorities should act as exemplar employers in offering apprenticeships, work experience, the use of Train2Gain and signing Local Employment Partnerships. In doing this local authorities should agree with Jobcentre Plus how they can locally promote Local Employment Partnerships to local employers, especially small and medium-sized employers.

For local authorities as procurers

1. Local authorities and partners should submit evidence to local public service inspectorates to demonstrate how they are using their procurement processes to tackle worklessness and support the development of local SME's and social enterprises, as part of their wider plans for sustainable procurement and value for money.
2. Local authorities should be proactive with their suppliers in encouraging them to also offer expanded numbers of apprenticeships and work experience opportunities. Local authorities should consider providing to suppliers (or through an appointed organisation, including private sector consortia) an apprenticeship placement service which reduces administration for private and voluntary sector suppliers. Local authorities should also continue to seek Section 106 agreements and make more use of social benefit clauses in procurement generally to create demand for local labour and expand training opportunities.

To improve access to finance for businesses and social enterprise

1. As part of their work to develop a Single Integrated Regional Strategy Regional Development Agencies and the new Local Authority Leaders Boards should develop proposals to help SMEs and social enterprises in their deprived areas gain access to credit.

To support the third sector

1. We believe that there is a need to align sources of support to build capacity in the third sector and that DWP contractors should be required to consult with local authorities over the use of any funding provided to them for this purpose.
2. We recommend that local authorities be involved in the DWP Code of Conduct accreditation pilots for DWP contractors to ensure that they are able to provide evidence concerning provider support for the third sector.
3. We recommend that local authorities should seek to ensure that their Work and Skills plans are Compact compliant and that they also meet the standards of the Department for Work and Pension's Code of Conduct where these are applicable.

Chapter 7:

Doing more in the most vulnerable economies

There was a positive response to our proposal to establish a Challenge Fund, but there were some important reservations about how it might work. We have taken these reservations fully into account in our proposals for the design of a new Fund.

We remain convinced of the need for additional funds in the most vulnerable economies, indeed the need has become more urgent since our Interim Report. Our concern is for those communities where worklessness has remained high over the last ten years but are now suffering further from the effects of the recession. We have shown that the unemployment rate gap between those local authorities with the highest and lowest rates have narrowed over the last fifteen years and we have proposed there should be a policy priority to prevent that gap opening up again. The purpose of a new Fund is to make a significant contribution in stopping that gap opening up once more.

There are important differences in the economies of areas with persistent high levels of worklessness. Some areas have suffered significant structural unemployment and are still losing manufacturing jobs and have low levels of vacancies. Others, mostly London boroughs, are in areas where there remain a wide range of vacancies. Any new initiative to tackle long-term worklessness will need to be sufficiently flexible to reflect these differences.

Our concern is for those who are already long-term unemployed and who live in existing vulnerable economies where unemployment is expected to rapidly increase and vacancies will further decline. Local authorities are very aware of the social and economic costs of supporting

communities where employment is the exception rather than the rule.

Vulnerable economies will need innovative support and new resources to minimise the effects of the recession and help build their economies for the upturn, which is why we are recommending a package of support that will address the short, medium and long-term investment needs of these economies.

We do not want to lose sight of the long-term needs of these local economies. We want to see the right investments made now so that they are better placed to exploit the upturn in the economy when it comes. Whilst there is an important task in meeting the immediate needs of claimants in these areas, we also need to be putting in place the building blocks for new jobs and re-vitalised local economies. However, there has also been consistent physical and social capital investment in many of these areas over the last two decades – and with mixed results. We now need a process where we use these lessons and bring the most informed and innovative thinking to bear on the individual areas. This should rightly be a challenging process – deliberately bringing in new thinking, backed up by resources that will help local policymakers develop fresh approaches.

To achieve this we recommend that Regional Development Agencies should develop a comprehensive support programme, targeted on their most vulnerable economies, that includes: renewing existing economic development plans; support for infra-structure; building skills for the future; enhanced enterprise support; and help for local employers to maintain jobs. Regional Development

Agencies have already developed their regional economic recovery plans and within these have started to identify those areas that are most at risk. We think it is right that the areas to benefit from this approach, and from the proposed Fund, should be identified as part of the regional response to recession. Our proposed criteria are not just those local economies that have high worklessness but also where there has been a prolonged failure of the economy to supply sufficient jobs.

A Challenge Fund

In the Interim report we envisaged:

- a Fund to stimulate new, temporary jobs that will help the community, the environment and disadvantaged people
- the temporary jobs would be for the long-term unemployed and include skills training and jobsearch
- Local Authorities would act as the focal point for the organisation of temporary work of public benefit, in co-ordination with the voluntary and community sector, Jobcentre Plus and providers
- priority areas would be invited to bid, with the condition that the Challenge Fund would complement local resources
- bids would set out the nature of the work, the number of temporary jobs, the different funding streams making contributions, and the role of the local Flexible New Deal and Pathways contractors.

The responses to these proposals can be summarised by three key questions:

- should it be a competitive fund?
- how much freedom will local partners have in determining how the Fund is spent?
- which claimants will be able to benefit?

These are important questions for the overall effectiveness of a new fund and the consultation responses have been extremely useful in shaping our thoughts on a more detailed proposal. Since the Interim report the prospects for the labour market have also considerably worsened. The combination of the consultation responses and labour market conditions has required us to develop our original proposals.

What should a new Fund achieve?

Our primary aim is to ensure that there are sufficient opportunities of the right kind in areas that have consistently suffered from high levels of worklessness and where there is the danger that the recession will entrench worklessness for a further generation.

Therefore, the main aim of the Fund should be to help improve the labour market prospects of **disadvantaged people** living in those areas that have the **worst prospects** during the recession and which have suffered **disproportionately in the last recessions**, recognising that this will involve different solutions in different labour markets.

The design principles

Taking into account our aims and the consultation responses we think the principles on which a fund should be established are:

- a focus on *disadvantaged* areas and *long-term claimants*
- maximum *flexibility* at the local level within a national framework
- minimise the *administrative* requirements.

In many areas this may involve the creation of temporary jobs which are linked to training and personal support. This is because we want the Fund to benefit those areas with low numbers

of vacancies. During the recession it will be vital to provide the work experience and training that can help long-term claimants compete for the available jobs, especially in the upturn bringing more jobs. In providing temporary work opportunities the Fund will also help regenerate local communities and economies. A further aim is therefore to ensure that any work undertaken by long-term unemployed people is of direct benefit to local people and the local economy. We do not want to see the creation of 'make work' schemes, as has happened in the past, which provide little value to communities or to long-term unemployed people. This will mean learning the lessons from similar programmes and initiatives in the past.

Whilst we would not want to stipulate the nature of the activities supported by these jobs, there is clearly much potential to make the link locally with the development of the green economy, as well as other infra-structure improvements. Increasing energy efficiency and reducing fuel poverty for low-income households would clearly be an important and useful impact of Challenge Fund jobs. We would like to see innovative proposals for activities that would genuinely: help communities; contribute to local economies; and give new skills to the temporary workers.

Opportunities for long-term claimants

Long-term claimants are concentrated in Working Neighbourhoods Fund local authorities, they have:

- 66% of all people claiming Jobseekers Allowance for 12 months or more
- 75% of all people claiming Jobseekers Allowance for 24 months or more
- 54% of all lone parents; and
- 51% of all Incapacity Benefit claimants.

Therefore our main concern is for those long-term claimants who are the most detached from the labour market. Whilst our Review has been asked to look at how we can improve outcomes in Working Neighbourhoods Fund areas, we recognise that there are some local authorities not receiving Working Neighbourhoods Fund which also have high numbers of long-term claimants. These areas should not be overlooked in for the proposed Fund, especially given the evidence that factors other than area helps to explain the levels of long-term worklessness. This is one reason why it is right for the region to lead on identifying the areas. For example, in London (and other big cities) there is a complex mix of reasons for why worklessness remains high and already in London the recession is hitting some parts more than others. A London-wide approach is therefore critical to ensuring additional support reaches the right people and neighbourhoods.

We are also aware that in some areas a high percentage of Jobseekers Allowance claimants who become long-term unemployed are still claiming at 24 months. On average across England 22% of those who become long-term unemployed are claiming at two years. In Working Neighbourhoods Fund areas this increases to 27% and there are nine local authorities at over 40%. Urgent consideration is needed to identify why this is the case and the Fund should, as a priority, focus on removing the additional disadvantage experienced in these areas.

The DWP White Paper 'Raising Expectations: the future of welfare reform' signalled support for new work experience and paid work opportunities for long-term Incapacity Benefit claimants. The Community Allowance proposals previewed in the White Paper will be targeted at this group and this could act as an important and useful supplement to the Fund.

CREATE consortium

The CREATE consortium has developed a proposal for a Community Allowance to help long-term benefit claimants gain valuable paid work experience in the third sector, whilst still in receipt of benefits. The proposal has been supported by Communities and Local Government and DWP and pilots will be established to test the allowance for Incapacity Benefit claimants. CREATE are also developing a Right to Bid application which would also extend the proposal for Community Allowance to JSA claimants. The key features of the Community Allowance proposal are:

- Jobs should be integrated with wrap-around training and support
- Maximum earnings on top of benefits will be capped at £4,469, the equivalent of up to 15 hours a week on the minimum wage.
- Community Allowance will last for a maximum of 52 weeks

Maximum flexibility for delivering within a national framework

As we have pointed out, there are significant differences in the type of local economies and the characteristics of local populations. This should mean that the outcomes of the Fund should be tailored to the needs of the area and the people.

Some areas may want to put a greater emphasis on temporary jobs whilst other areas may be in the position to stimulate more interest in apprenticeships and work experience with private sector employers. In addition, some may wish to support self-employment as an option. How the proposed fund is delivered

should be a judgment taken at the local level, based on prevailing labour market conditions.

Voluntary organisations and social enterprises are likely to have a significant role in some areas. Voluntary organisations have shown they can quickly respond by creating temporary jobs which are highly valued by the community. They can also provide a supportive environment for long-term unemployed people. Social enterprises have also shown that they can both create work opportunities and help stimulate new sustainable jobs within the community. We would also expect delivery to fully take into account the needs of ethnic minority communities.

The mix of temporary jobs in the private, public, and voluntary sectors is something that can only be decided at the local level – very often determined by the willingness and extent of capacity in employers in each of the sectors. Local Employment Partnerships could be used to encourage employers to provide opportunities that are additional to their workforce and not displacing existing jobs.

Whilst we want to see maximum flexibility we also want to see a framework that embeds what has already been learned about what works best in support for the long-term unemployed. In summary, we think the main elements of a framework should be:

- a continuing focus on sustainable job outcomes with measurable targets
- personal support and job search must be provided alongside any temporary work opportunities
- access to training, especially for those with basic skill needs and those with low qualifications, focused on developing marketable skills

- temporary work which has demonstrable value to the individual, community and local economy.

These points were often made in the consultation responses and we think there will be strong support for a framework that has at its heart the principles of opportunity, effectiveness and support.

By definition this approach requires a partnership approach in putting in place the different elements for success. We think local authorities are best placed to co-ordinate this partnership – bringing together the needs of communities and the individual needs of workless people. We believe that, with the right support from partners, local authorities will be able to quickly stimulate a wide range of opportunities that will offer valuable work experience, skills and job search.

The key delivery partners should be the DWP contractors for the New Deal and Pathways. In half the country from October 2009 the flexible New Deal contractor will be commencing, responsible for providing personalised support to all Jobseekers Allowance claimants over 12 months. The delivery partnership needs to be a combination of the local authority stimulating and funding temporary work opportunities and the contractors providing personal support, job search and access to training. The division of responsibility should be clear: the local authority identifies sufficient opportunities; and the contractors refers individuals and provides personal support and job search. Both partners delivering what they are best equipped to do.

Minimise administration

To implement this with a minimum of administration (and within a relatively short timeframe) a competitive challenge fund is *not* the most appropriate mechanism. To deliver outcomes for the long-term unemployed people will mean providing appropriate resources to priority areas.

The nature of the challenge means that the Fund must be ring-fenced for the direct benefit of the long-term workless. Furthermore we think it should be linked to the proposed local Work and Skills Plan which identifies the contribution of different partners in tackling worklessness. In approving these Plans central government should be expecting local authorities to demonstrate that they have:

- put in place a sound partnership with DWP contractors
- analysed the nature of long-term unemployment in their area
- identified the capacity of different sectors to contribute work opportunities
- mechanisms to take quick and effective decisions to meet delivery targets
- taken into account those geographical areas in most need
- robust and measurable targets.

The funds would be transferred directly to the local authority, or accountable body, once government is assured that all requirements have been met. Government should also consider establishing a basis to issue further resources to those local authorities who are successful in meeting their volume and job outcome targets and could achieve more with additional funding.

The cost of the challenge fund will require detailed consideration by government but on our estimates we think that a fund in the region of £250 million a year could provide up to 50,000 temporary jobs.

Recommendations:

1. We recommend a new Challenge Fund that will quickly provide more support for long-term claimants in areas of high worklessness. The Fund could support temporary jobs, as well as other interventions, by supplementing mainstream and local resources.
2. For the medium and long-term we recommend that Regional Development Agencies should develop a comprehensive support programme, targeted on the most vulnerable economies, that includes: renewing existing economic development plans; support for infra-structure; building skills for the future; enhanced enterprise support; and help for local employers to maintain jobs.

Chapter 8:

Investing in capacity

In our interim report we highlighted the need to build the capacity of local authorities and their partners to help them analyse their labour markets, produce excellent Work and Skills Plans, and manage the delivery of new projects. We particularly focused on the role of Regional Improvement and Efficiency Partnerships in building the economic development capacity of local authorities and recommended that every Regional Improvement and Efficiency Partnership should aim to help local authorities to meet the requirements of our proposed worklessness assessments and Work and Skills Plans.

We received much support for our thinking on these issues. We also heard of the importance of individual leadership in local partnerships, and witnessed this for ourselves on many of the visits that we made as part of our review. Many improvements in areas have resulted from the drive and determination of local officers and community leaders. We believe that their success in forging and sustaining a culture of partnership working across the public, private and third sectors needs to be recognised, further supported, and facilitated in all areas.

Our review has therefore highlighted the need for:

- increased support to be provided to local authorities on employment and skills issues, and a clear focus on the problem of worklessness within this; and
- investment in the key individuals within local employment and skills partnerships to provide them with greater mutual learning opportunities, and to support them in their work.

Our intention is that we need to build on existing good practice to further support the roles of individuals, local authorities and their partners, and the wider employment and skills support network.

The role of Regional Improvement and Efficiency Partnerships and the wider support network

Responses to our interim report agreed that Regional Improvement and Efficiency Partnerships had a key role to play in developing the capacity of local authorities and their partners to respond to the challenges of worklessness in their areas. As part of our review we have looked at the existing Regional Improvement and Efficiency Strategies and have identified a number of areas which are leading the way.

Regional Improvement and Efficiency Partnerships

In London, the West Midlands, East Midlands, North West, and the North East, the Regional Improvement and Efficiency Partnerships have specifically identified the challenge of tackling worklessness as a priority for action between 2008 and 2012, and all of the Regional Improvement and Efficiency Partnerships have included improvements in skills as a priority.

The London Regional Improvement and Efficiency Partnership has focused particularly on improving the quality of labour market assessments and has priorities to:

- Conduct employment surveys to identify regional issues in workforce demand and supply and facilitate employment benchmarking.
- Support initiatives that are innovative and address areas of key occupational shortage, develop flexible working practices, and assess the people/skills issues relating to the 2012 Olympics.
- Identify and implement support measures to develop key skills across the local government workforce.
- Support initiatives to address workforce planning and management issues across public sector delivery agencies.
- Support skills audits and actions to deliver on the commitment to the Skills Pledge.

In Yorkshire and the Humber, the Regional Improvement and Efficiency Partnership has priorities to:

- Support councils and partnerships to address the issue of young people not in education, employment or training (NEETs); and

- Build the capacity to understand local economies, identify the right targeted interventions and to deliver them cost effectively.

The North-West Regional Improvement and Efficiency Strategy delivery plan includes plans to:

- Establish five sub-regional procurement hubs which will focus on building capacity and skills in relation to procurement across the region
- Work with the North-West Regional Development Agency to determine the skills gaps and support needs of leaders and key change agents in relation to the economic development agenda and appropriate delivery mechanisms to provide this support
- Create skills development programmes in each sub region that are designed to strengthen the capacity of individuals, organisations, and partnerships involved in regeneration to deliver more sustainable communities
- Support Skills for Care to build effective planning and development for the social care workforce.

We welcome the work that is being conducted in these areas, but believe that there is a need to ensure all Regional Improvement and Efficiency Partnerships are focused on the issue of worklessness and take action to support the necessary improvements in strategic planning and decision making that we have identified in our review.

We also recognise that supporting local authorities is not a job for Regional Improvement and Efficiency Partnerships alone. Responses to our interim report highlighted the

important role of Regional Development Agencies, for example through their work in developing Regional Employability Frameworks, and pointed to a wide range of available support for local authorities, including from the Improvement and Development Agency⁴⁵, Local Government Information Unit, Local Government Association, Local Government Employers, Audit Commission, and the DWP City Strategies Learning Network.

The agencies and networks listed above all have distinct roles and responsibilities and come at the issue of worklessness, and at local authorities, from different angles. This has sometimes meant that the support being made available to local authorities and their partners has been fragmented and uncoordinated. Steps have recently been taken by DWP and Communities and Local Government to improve this, including joint departmental agreement for a package of support that will include:

- a National Learning Forum – bringing together regional leads on worklessness, Multi-Area Agreements, and City Strategy Pathfinders to work with DWP, Communities and Local Government, and other departments to test and advise on emerging policy, and innovate and share good practice
- regional worklessness networks – with Regional Improvement and Efficiency Partnerships working to develop the capability and capacity of local strategic partnerships to deliver their targets
- provision of face to face advice – for partnerships provided by Local Improvement Advisors with backgrounds in employment and skills, business development, and economic regeneration

- the development of the Improvement and Development Agency website – to include a stronger focus on worklessness case studies, good practice and national policy
- national and regional conferences and seminars.

To give particular support to local areas in how to respond to the downturn the Department of Work and Pensions and Communities and Local Government have also commissioned the publication of a number of ‘How To Guides’ for English local authorities and their partners.

Investing in individuals

Our review has identified a need to invest in individuals working within local employment and skills partnerships, as well as a need to clarify organisational responsibilities and improve processes. We therefore particularly welcome the initiative being taken by the North West Regional Improvement and Efficiency Partnership and the Regional Development Agency to determine the skills gaps and support needs of leaders and key change agents in relation to the economic development agenda and to develop appropriate delivery mechanisms in response. We would like to see more regions responding in this way, but also believe that there is a case to be explored further for a national programme of training and support to be developed.

The Homes and Communities Agency may provide a useful model. It has a national Academy that provides training and support for a wide range of staff involved in the planning and delivery of services to improve the sustainability of local communities, and offers a Foundation Degree in Sustainable Communities alongside a series of less formal learning and training opportunities.

⁴⁵ The Improvement and Development Agency have published resources to help local authorities deal with the recession on their website at: <http://www.idea.gov.uk/idk/core/page.do?pageld=9190749>

We would like to see similar opportunities developed for those staff, from across the public, private, and third sectors, who have a key role in the development and delivery of welfare to work programmes and in tackling worklessness and believe that Communities and Local Government should facilitate a discussion with existing support networks for local authorities and with the Homes and Communities Agency Academy, to identify options to move this forwards.

Recommendation: That all Regional Improvement and Efficiency Partnerships be tasked to include specific proposals to build the capacity of local partnerships in their areas to tackle worklessness, deliver high quality Work and Skills Plans, and consider how local authorities in their areas can be supported to do more in line with the recommendations made in Chapter 5.

Chapter 9:

Summary of recommendations

Leadership

1. Tackling worklessness should be a mainstream objective for local authorities and Local Strategic Partnerships. Helping people find work and stay in work should become a priority for local government and for local partners. We believe that how services are delivered and planned can have a substantial impact in helping workless people find and sustain employment.
2. Government should examine their Public Service Agreements targets and Local Area Agreement indicators they presently have on worklessness and consider whether additional and/or more appropriate targets could be used to drive the response to rising worklessness.

A National Worklessness Forum

3. We recommend that a Worklessness Forum should be established. It would be charged with identifying best practice and driving forward responses to unemployment in priority areas and for priority groups. The Forum would co-ordinate action at all levels, bringing also the voice of disadvantaged areas into the National Economic Council.

Disadvantaged people and neighbourhoods

4. Local authorities, with local partners, should focus their efforts on the most disadvantaged people and neighbourhoods. They should ensure that direct expenditure on support for workless people should add value to existing mainstream provision.

They should also ensure that local government services and funded provision which support workless people are properly integrated with mainstream provision.

5. Local authorities, with their Local Strategic Partnership, should be responsible for planning the right mix of provision to ensure that disadvantaged people and neighbourhoods are not losing out disproportionately in the recession. Appropriate local measures should be adopted to show how partners are succeeding in preventing disadvantage.
6. All local authorities, but especially Working Neighbourhoods Fund areas, have pockets of high worklessness. Claimants in these areas often include high levels of people on Employment Support Allowance/Incapacity Benefit as well as lone parents. It is in these areas and for long-term claimants, often with multiple barriers, that local partners should be concentrating on new forms of service delivery that integrate support and access to opportunities. Community outreach services, especially using Registered Social Landlords, should be the norm for these neighbourhoods.
7. All local authorities (as part of the worklessness assessments) should identify those people and neighbourhoods with already high levels of worklessness and at most risk of disproportionately suffering from rising unemployment.
8. Assessments must include the position of disadvantaged groups nationally recognised as being most at risk – ethnic minority communities, disabled people, the lowest qualified, lone parents, and people aged

over 50 – but many areas will also identify other groups who may be disproportionately effected by the recession such as young people and women.

9. We are conscious of the fact that some groups of people are disproportionately represented in Working Neighbourhoods Fund areas, such as ethnic minority claimants, disabled people, and lone parents. This should be reflected in the plans, spending and targets of Working Neighbourhoods Fund authorities. Central government should publish on a regular basis detail of the progress being made to reduce disadvantage in Working Neighbourhoods Fund authorities.
10. In the light of the current economic situation, we think it is time for government to review the recommendations made by the Business Commission on Race Equality in the Workplace and examine what every level of government can do to implement them. We support the recommendation of the Ethnic Minority Employment Taskforce that an action plan now be drawn up to take forward the Business Commission's recommendations.

Working Neighbourhood Fund

11. Working Neighbourhoods Fund should remain as part of the Area Based Grant providing the maximum freedom and flexibility to local partners.
12. More should be done to improve the understanding of how local resources including the Working Neighbourhoods Fund, are improving support for workless people. This is why we strongly recommend that every Working Neighbourhoods Fund authority is required to have a Work and Skills Plan that sets out the resources from local and national partners that are spent on direct provision to workless people.
13. We agree with the need for longer-term funding to provide more consistent support, especially in the most disadvantaged neighbourhoods and for the voluntary and community sector. We recommend that the Working Neighbourhoods Fund should move to a five year cycle, bringing it in line with the flexible New Deal. We would like to see an early announcement on the future of Working Neighbourhoods Fund beyond 2011.

An enhanced partnership framework

14. The present framework for devolving and planning local support to workless people is too complicated and should be simplified. Central and local government should work within a single framework for integrating skills, employment and wider support for workless people. This framework should consist of:
 - *Worklessness Assessments* conducted by every local authority as part of their proposed economic assessment duty
 - *Work and Skills Plans* for those authorities that want to do more in aligning budgets and co-commissioning and especially those with Working Neighbourhoods Funds
 - *Work and Skills Integrated Budgets* for those areas with robust partnerships, such as Multi-Area Agreements, where it is feasible for central and local government to pool and align budgets and co-commission a substantial portion of relevant funds.
15. Every local authority should have the choice to progress within this framework. Where local authorities (or groups of authorities)

already have strategies and plans (such as City Strategies and some Multi-Area Agreements) these should automatically be recognised in this new framework. This framework is consistent with, and helps develop, Department for Work and Pension's three tiers of devolution to empower communities.

16. **Worklessness Assessments:** Every local authority should be required to complete a local worklessness assessment, either individually or in co-operation with neighbouring local authorities. The purpose of these assessments is to increase the understanding of local partners of the numbers and characteristics of claimants. The government should assist by providing a template and technical assistance through Regional Improvement and Efficiency Partnerships. A quick timetable should be established with assessments completed by mid-2009.
17. **Work and Skills Plans:** These will identify the action being taken by partners and the resources being spent on support for workless people. It will also set out the local measures that will deliver relevant Local Area Agreement priorities and locally agreed targets. All Plans should be agreed and signed-off by central government, which will then form the basis for co-commissioning at the local level between local partners and mainstream employment and skills funds. We are recommending that all authorities receiving Working Neighbourhoods Funds should be required to have a Work and Skills Plan. We expect that existing City Strategy areas and authorities covered by a Multi-Area Agreement with a worklessness objective will automatically be recognised as having a Work and Skills Plan.
18. **Work and Skills Integrated Budgets:** We want to see areas with Work and Skills Plans take the next step in establishing an Integrated Budget. These will, over time, form the basis for aligning and pooling funding and facilitating joint commissioning between partners. We do not think it necessary nor efficient for all mainstream funds to flow through an Integrated Budget, so long as joint decisions are being taken on spending priorities and commissioning. Integrated Budgets should also be the preferred channel for central government to invest resources in support for workless people at the local level. We recommend that, starting in October 2009, pathfinders should be established from those local authorities with an existing track record in developing this approach, beginning with Multi-Area Agreement areas.
19. Areas pursuing Work and Skills Plans and Integrated Budgets should establish employer-led Employment and Skills Boards, where these do not currently exist, to provide more robust governance arrangements for Local Strategic Partnerships or sub-regional partnerships.
20. We would like to see assessments and plans being used as evidence by the local public service inspectorates in their Comprehensive Area Assessment of local authorities and their partners.
21. We want to see an increased and common understanding of worklessness between local partners, Jobcentre Plus, the Learning and Skills Council and DWP providers. Relevant management information should be shared between partners in a standardised format and on a regular basis.

Sharing Information

At a minimum, this information should cover: the profile of local claimants; mainstream and local provider performance; the impact on equality, especially for minority groups; and progress towards local targets.

22. The DWP data sharing protocol should be reviewed and local authorities provided with the same level of access to data as DWP providers. The measures being taken to share information between Jobcentre Plus and skills providers within the Integrating Employment and Skills trials should also be rolled out.

How local authorities can do more and differently

23. Local authorities should be more ambitious in expanding the number of Apprenticeship opportunities for young people and adults. We would like to see local authorities providing 50,000 Apprenticeship opportunities over the three years to 2011/12. To achieve this will require a national programme of support, including financial resources to stimulate new opportunities.
24. Local authorities should sign Local Employment Partnership agreements with Jobcentre Plus where they have not already done so. Our expectation is that all Working Neighbourhoods Fund local authorities will have already agreed a Local Employment Partnership, or are about to. The LGA should consider facilitating the wider use of Local Employment Partnerships by agreeing with Jobcentre Plus what best practice would be for a Local Authority Local Employments Partnership, including the use of recruitment subsidies for those unemployed for 6 months or more. Local authorities should also agree with Jobcentre Plus how they can locally promote Local Employment Partnerships to local employers, especially small and medium-sized employers.
25. Local authorities should establish as standard practice the notification to Jobcentre Plus of all vacancies.
26. Our expectation is that every local authority should make work experience opportunities available but especially Working Neighbourhoods Fund authorities. We think it should be feasible for local authorities, and their public sector partners, to provide work experience for around 75,000 people each year.
27. Local authorities should act as exemplar employers in signing Skills Pledges and expand the use of Train2Gain to provide training and progression for their staff with low qualifications.
28. Local authorities and partners should submit evidence to local public service inspectorates to demonstrate how they are using their procurement processes to tackle worklessness and support the development of local SMEs (including social enterprises), as part of their wider plans for sustainable procurement and value for money.
29. Local authorities should be proactive with their suppliers in encouraging them to also offer expanded numbers of Apprenticeships and work experience opportunities. Local authorities should consider providing to suppliers (or through an appointed organisation) an apprenticeship placement service which reduces administration for private and voluntary sector suppliers. Notwithstanding the current economic conditions, local authorities should also continue to seek Section 106 agreements and make more use of social benefit clauses in procurement.

30. As part of their work to develop a Single Integrated Regional Strategy, Regional Development Agencies and the new Local Authority Leaders Boards should develop proposals to help SMEs and social enterprises in their deprived areas gain access to credit.
31. We believe that there is a need to align sources of support to build capacity in the third sector and that DWP contractors should be required to consult with local authorities over the use of any funding provided to them for this purpose.
32. We recommend that local authorities be involved in the DWP Code of Conduct accreditation pilots for DWP contractors to ensure that they are able to provide evidence concerning provider support for the third sector
33. We recommend that local authorities should seek to ensure that their Work and Skills plans are Compact compliant and that they also meet the standards of the DWP's Code of Conduct where these are applicable.

A Challenge Fund for vulnerable economies with high worklessness

34. We recommend a new Challenge Fund that will quickly provide more support for long-term claimants in vulnerable economies with high worklessness. The Fund could support temporary jobs, as well as other interventions, by supplementing mainstream and local resources.
35. For the medium and long-term we recommend that Regional Development Agencies should develop a comprehensive support programme, targeted on the most vulnerable economies, that includes: renewing existing economic development plans; support for infra-structure; building skills for the future; enhanced enterprise support; and help for local employers to create and sustain jobs in line with local needs.

Building Capacity

36. That all Regional Improvement and Efficiency Partnerships be tasked to include specific proposals to build the capacity of local partnerships in their areas to tackle worklessness, and deliver high quality worklessness assessments and Work and Skills Plans.

Annex 1:

Respondents to the interim report

Birmingham City Council
Blackburn with Darwen City Strategy
Consortium
Bolsover District Council and Bolsover Local Strategic Partnership
Bradford Employment and Skills Board
Bury Metropolitan Borough
City of York Council
Community First
Community Gateway Association
CREATE
Devon County Council
Doncaster Council
Ellesmere Port and Neston Borough Council
Employment Related Services Association
Furness Enterprise Partnership
Fusion 21
Greater Merseyside Employment Strategy Board
Groundwork
Hastings Borough Council
Hertfordshire PASS
Homes for Haringey
Hull City Council
JobCentre Plus District and Regional Management team
Kent County Council
Kirklees Metropolitan Council
Lambeth First local strategic partnership
Lancashire Economic Partnership
Lancaster City Council
London Borough of Brent
London Borough of Ealing
London Borough of Hackney
London Borough of Hammersmith and Fulham
London Borough of Haringey
London Borough of Havering
London Borough of Lambeth
London Borough of Southwark
London Borough of Tower Hamlets
Local Government Association
London Councils
Meridian East
National Federation of Enterprise Agencies
National Housing Federation
Neighbourhood Investor
Newark & Sherwood District Council
North Kent – Multi-Area Agreement Skills Working Group
Norwich City Council
One North East framework strategy group
Peabody Trust
Preston City Council
Prime
Remploy
Rotherham Work and Skills Board
Salford City Council
Sefton Metropolitan Borough Council
Sheffield City Council
Social Firms UK
Solihull Metropolitan Borough Council
Somerset County Council and the Somerset Economic Partnership
South Bank Employers Group
South Yorkshire Chief Executives Meeting
Southampton City Council
Stockport Metropolitan Borough Council
Suffolk Coastal District Council
Thanet Works
The Foyer Federation
The Papworth Trust
Trafford Economic Alliance
Tyne and Wear City Region Employment and Skills Board
Wansbeck Initiative
West Cheshire Employability Partnership
West Lancashire District Council
West Mercia Probation Trust

West Sussex County Council
Wigan Council
Wiltshire County Council
Wirral Council
Worcester City Council
Worcestershire County Council
Worcester Partnership (Local Strategic
Partnership)
Work Directions
Working Links

Annex 2:

List of Working Neighbourhoods Fund areas

Barking and Dagenham
Barnsley
Barrow-in-Furness
Birmingham
Blackburn with Darwen
Blackpool
Blyth Valley
Bolsover
Bolton
Bradford
Burnley
Chesterfield
Copeland
Derwentside
Doncaster
Easington
Enfield
Gateshead
Great Yarmouth
Greenwich
Hackney
Halton
Haringey
Hartlepool
Hastings
Hyndburn
Islington
Kingston upon Hull, City of
Knowsley
Lambeth
Leicester
Lewisham
Liverpool
Manchester
Middlesbrough
Newcastle upon Tyne
Newham
North East Lincolnshire
Nottingham

Oldham
Pendle
Preston
Redcar and Cleveland
Rochdale
Salford
Sandwell
Sedgefield
Sefton
Sheffield
South Tyneside
Southwark
St. Helens
Stockton-on-Tees
Stoke-on-Trent
Sunderland
Tameside
Thanet
Tower Hamlets
Walsall
Waltham Forest
Wansbeck
Wear Valley
Wigan
Wirral
Wolverhampton

Transitional authorities

Barnet
Brighton and Hove
Bristol, City of
Coventry
Croydon
Derby
Dudley
Ealing
Hammersmith and Fulham
Kirklees
Leeds
Lewisham

Mansfield
North Tyneside
Norwich
Penwith
Plymouth
Rotherham
Wakefield

Special Transitional Authorities

Brent
Camden
Westminster
West Somerset

Annex 3:

Summary of Recommendations from the Business Commission on Race Equality in the Workplace

1. Government adopts and publicises the long term policy ambition of eradicating the ethnic minority employment gap within twenty-five years.
2. Government sets the over-arching goal of narrowing the ethnic minority employment gap to twelve percentage points by 2015.
3. That in 2015, Government measure the private sector contribution to reducing the ethnic minority employment gap against a 2008 baseline. This baseline should be established from discrimination testing commissioned by the Department for Work and Pensions and a race equality index generated from existing employer surveys.
4. Government, through its position as the UK's major purchaser, use its leverage over, and relationships with, private sector companies to motivate the private sector to promote race equality.
5. Government establish a public sector-wide procurement policy to use more robust pre-qualification questions and contract conditions to promote race equality in the workplace. It should do this in a way that does not impose undue burdens on small companies.
6. Government develops and endorses publicly approved standards by which companies may demonstrate that their HR practices promote race equality.
7. The Commission for Equality and Human Rights (CEHR) conduct two sector-based reviews each year, to result in agreed action plans for improving performance in ethnic minority recruitment, retention and promotion. Reviews should begin in 2009. Where companies or sectors who sign up to action plans do not take necessary steps, then as a last resort the CEHR should use its powers to conduct formal investigations.
8. Government assesses, in 2012, whether the private sector has made enough progress in promoting race equality to support the goal of reducing the ethnic minority gap to twelve percentage points by 2015; reports its findings publicly; and, if it finds insufficient progress has been made, brings in legislation that obliges private sector employers to promote workplace race equality. Legislation should recognise the distinctive circumstances of small companies.
9. Department for Work and Pensions develops a centre of expertise to help city-level employment and skills bodies promote race equality. In the first instance it should work with Birmingham, Bradford, Glasgow, Greater Manchester, Leeds, London and Sheffield.
10. That local employment and skills programmes have workplace equality objectives and performance indicators. The Ethnic Minority Employment Task Force should review these objectives and indicators to ensure that they are sufficiently robust and challenging, and should monitor performance against them.

11. The Commission for Equality and Human Rights work with the Sector Skills Councils and appropriate city-level employment and skills bodies to commission technical support for employers who want to improve the fairness of their recruitment and progression practices. This support should be targeted in the first instance in Birmingham, Bradford, Glasgow, Greater Manchester, Leeds, London and Sheffield, and at companies and sectors engaged in thematic reviews.
12. That the organisations charged with eradicating the ethnic minority employment gap be directly accountable for doing so to the Chancellor of the Exchequer.
13. Government develops, with business, media experts, and appropriate city-level employment and skills bodies, a strategy to communicate its race equality goals, the required business action, and the support available.

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ISBN: 978 1 4098 1232 6

ISBN 978-1-4098-1232-6



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