



Taking forward a devolved approach to growth related funding in England

CEDOS/ADEPT – Paper to Local Government Association Growth Advisory Board

January 2013

The Chief Economic Development Officers Society (CEDOS) provides a forum for Heads of Economic Development in upper tier local authorities throughout England. Membership includes county, city and unitary Councils in non-metropolitan areas. The Society carries out research, develops and disseminates best practice, and publishes reports on key issues for economic development policy and practice. Through its collective expertise, it seeks to play its full part in helping to inform and shape national and regional policies and initiatives.

The Association of Directors of Environment, Economy, Planning & Transport (ADEPT) represents local authority Strategic Directors who manage some of the most pressing issues facing the UK today. The expertise of ADEPT members and their vision is fundamental in the handling of issues that affect all our lives. Operating at the strategic tier of local government they are responsible for crucial transport, waste management, environment, planning, energy and economic development issues. ADEPT membership is drawn from all four corners of the United Kingdom.

TAKING FORWARD A DEVOLVED APPROACH TO GROWTH RELATED FUNDING IN ENGLAND

Introduction

1. In his recent growth review commissioned by the Government, Lord Heseltine gave strong support for the localism agenda calling on the Government to reverse the centralising trend of the past century and unleash the dynamic potential of local economies. His report¹ set out a case for a major reconfiguration of responsibilities for economic development between central and local government, and between government and the private sector.

2. A key feature of Lord Heseltine's 'blueprint for the future' is "a very significant devolution of funding from central government to Local Enterprise Partnerships so that government investment in economic development is tailored directly to the individual challenges and opportunities of our communities, and can be augmented by private sector investment". His recommendations included:

- Central government should identify the budgets administered by different departments which support growth. These should be brought together into a single funding pot for local areas, without internal ring fences;
- local partnerships should bid for funds from central government on a competitive basis. Bids should be for a minimum of five years starting from 2015/16;
- Government should streamline its management of EU Common Strategic Framework funds in England, strip out the bureaucracy of multiple programmes and align local allocations from the four funds with the single funding pot;
- taking full account of the Government's national growth strategy, all LEPs, in collaboration with local stakeholders, should lead the development of a long term strategy and business plan for their area that will be used to bid for economic growth funds from central government.

3. In his Autumn Statement presented to Parliament on 5 December 2012, the Chancellor set out the first stage of the Government's response to Lord Heseltine's review, focusing particularly on local economic growth with a full response to follow in the spring of 2013. In the initial response, the Chancellor said Lord Heseltine's review made a powerful case for increased devolution of economic powers from central government, in particular for a transfer of funding and responsibilities to Local Enterprise Partnerships, and for a stronger voice and role for the private sector in promoting growth. He said the Government agreed with Lord Heseltine that local leaders and businesses are best placed to set the strategic direction for an area and that the Government will devolve a greater proportion of growth-related spending to local areas from April 2015.

4. Under the heading 'Unleashing local growth – empowering Local Enterprise Partnerships', the Chancellor announced that "the Government will devolve a

¹ *No stone unturned in the pursuit of growth* Lord Heseltine October 2012

greater proportion of growth related spending on the basis of strategic plans developed by LEPs, by creating a single funding pot for local areas from April 2015. Funding will reflect the quality of strategic proposals put forward by LEPs, as well as local need”.

5. The single funding pot issue was discussed at the December meeting of the LGA Growth Advisory Board when it was noted that there are currently a number of national policy strands that need to be brought together. BIS, DfT and DCLG have been working separately on what the devolution of skills, transport and EU funds might look like. There is a wider Whitehall discussion on what a ‘core package’ for City Deal areas might look like and Government Departments are considering what might be included in a single pot announced by the Chancellor.

6. In the light of this, it was decided that LGA would carry out some work to set out what a package of deeper devolution of national economic policy levers to local partnerships might look like. CEDOS and ADEPT support this approach and at the Board meeting offered their assistance to the Board. For this we are seeking views from our members. Given the short deadline, this paper is a preliminary input to the LGA’s work. We set out below a summary of ADEPT and CEDOS’ overall position and attach as annexes, views received so far from individual members to the specific requests set out in the letter from the LGA Chief Executive relating to the February 2013 meeting of the Growth Advisory Board.

CEDOS/ADEPT OVERALL POSITION

7. Our overall position has been set out in a series of responses to Government consultations and in evidence to Parliamentary Select Committee Inquiries, including most recently the paper “Local growth – quick wins for Government’ prepared for the All Party Parliamentary Group on Local Growth in October 2012, which set out the need to:

- *embed support for local economic development across Whitehall* devolving powers and responsibilities to local areas and providing the necessary freedoms and flexibilities to enable local areas to pursue economic growth effectively;
- *avoid counter-productive competitive bidding for funding* - too many funding initiatives have been based on a competitive bidding approach, which because they are time-consuming and uncertain, militate against quick and effective action to achieve economic growth;
- *continue to invest in infrastructure* to support economic recovery and stimulate sustainable long-term growth with Government:
 - recognising the key role of local authorities and their partners in enabling and investing in economic infrastructure;
 - enabling and supporting local innovation in the evolution of infrastructure funding vehicles; and
 - protecting local government’s freedoms and flexibilities under the prudential borrowing code;

- *ensure skills training provision links directly to local economic growth priorities* – improved skills training provision that meets local economic priorities is essential to economic growth. There is an urgent need for a shift to a system that enables the drive for local economic growth to be accelerated by devolving responsibility for funding decisions to local areas, increasing employer influence and providing a clear link between growth sectors, employer requirements and training provision, focusing on outcomes rather than outputs;
- *unlock the growth potential of all areas and sub-regions* – The Government needs to recognise that core cities are not the only drivers of growth and must carry forward its ambition set out in the Local Growth White Paper to foster prosperity in all parts of the country. It should ensure as far as possible that the different sub-regional areas have a level playing field on which to pursue economic action and to enable local authorities and Local Enterprise Partnerships throughout the country to realise their local growth ambitions and play their full part in achieving national economic recovery, growth and prosperity.

8. With regard to the EU Structural Funds post 2014, we set out our position in our response to the Government consultation on the delivery of EU Structural Funds, Rural Development Funds and Maritime & Fisheries Funds in England, our evidence to the Communities and Local Government Select Committee Inquiry into the European Regional Development Fund and our paper 'Making the case for a devolved approach to the delivery of EU Funding in England', which was sent previously to LGA. In these we argued:

- local authorities and Local Enterprise Partnerships should play a key role in designing and delivering EU funding programmes in England in partnership with central government;
- this requires putting in place a devolved approach, which will maximise the potential benefit and value for money of EU Funds and play a fundamental part in removing duplication and reducing administrative burdens;
- localised delivery models must be designed to meet the particular needs of the local areas involved and must not be determined in a prescriptive way; there must be the scope for different models to be used to meet particular local circumstances.

Single funding pot

9. In our paper to the Local Growth All Party Parliamentary Group in the context of the then forthcoming Autumn Statement we argued strongly for:

- *A 'single pot' approach to Government economic development funding with local freedoms and flexibilities* – the number of different funding streams and initiatives is considered counter-productive. There is a need for consolidation and for local flexibilities and freedoms to support local economic development priorities and to minimise the extent to which local authorities and Local

Enterprise Partnerships have to bid for resources and apply for approval to Government for their actions. As well as removing ring fencing from capital grants there should be more recognition and support for revenue projects that assist local economic growth.

10. We welcome the announcements in the Autumn Statement that a single funding pot for local areas will be created from April 2015 and that under the EU Common Strategic Framework, the Government will take the opportunity to streamline its management of the European Union Common Strategic Framework funds in England, aligning priorities on the basis of the plans from LEPs. We support the indications from BIS of an intention for LEPs to be the fundamental building blocks for an EU Growth Programme to be financed by ERDF and ESF with a contribution from EAFRD.

11. We support the overall direction of travel but as ever much will depend on the detail, the buy-in across Whitehall departments and the freedoms and flexibilities that are provided. The capacity of LEPs is also a key issue. So too, with the increased role and core funding announced for LEPs, is the issue of democratic accountability and LEP governance, which underlines the importance of the relationship between LEPs and local councils, with their long established leadership role of in economic development.

ANNEX A: RESPONSES TO SPECIFIC LGA REQUESTS FROM INDIVIDUAL CEDOS MEMBERS

Shropshire Council (a member of the Marches LEP along with Herefordshire and Telford and Wrekin Councils)

1. Any clear asks your authority has for the devolution of transport or skills powers or funding to the local level

Skills

Skills issues facing The Marches can be translated into 2 areas; those holding back business growth and those holding back the unemployed and young people from securing employment.

Business growth and skills - There is an urgent need to up-skill existing employees within businesses to intermediate and advanced levels in areas such as management and leadership skills. Capacity to support employers to find innovative solutions and access funding to support skills development on a modular basis is limited and our training providers find it difficult to respond to fast changing business and technological requirements.

Youth unemployment and disengagement - Unemployment amongst those aged 18-24 is at 7.6% in the Marches – twice the national average and double the rate for the population as a whole. Long-term unemployment amongst young people has also doubled with 1300 unemployed across the region. Apprenticeship placements for 16-18 year olds have seen no increase in the past 3 years across the LEP due to our SME base.

The 'asks'

1. Pump priming for the Marches LEP to grow the Skills Board to become a strong public/private partnership to deliver skills under the banner of a Marches Skills for Business Brokerage Service - to grow and develop a Marches Apprentice Training Agency.

This will enable the establishment of a collaborative and completely impartial Marches 'Skills for Business Brokerage Service', to include local apprenticeship brokerage support for SME's, schools, young people or unemployed.

It will provide an umbrella service that matches apprentices/graduates and potentially older age group to a range of tailored opportunities that links business need to the needs of individuals. For 16-18 year olds that find it difficult to access employment and training it could also include work experience, one to one mentoring and life skills. For 18+ young people support on up-skilling/growing graduates could also be included.

The model will better enable businesses to up-skill their current workforce. With local commissioning powers and associated funding allocations, bespoke development of training opportunities for business would respond to business needs and also allow training organisations to match a local demand from young

people. This would provide a 'future proofing' strand to coordinated LEP activities.

Strength in numbers and a more joined up approach across the three areas leading to increased access to external funding – leveraging of private sector investment/ESF on the back of this.

It will create a pool of skilled apprentices with broader skills and experience and a more coordinated approach enabling shared learning from national training providers to develop a better, more streamlined local training offer, with the opportunity to create a more all-round business support and tailored support across the three areas in the medium term.

2. Employer ownership of skills – Allocation of BIS and SFA Employer Ownership of Skills that we could commission locally, due to our lack of suitable large employers to bid for the next two rounds of this money e.g. working with local businesses to commission a range of learning materials to support soft skills.

Transportation

There has been a significant reduction in highways and transport capital funding distributed to local authorities from DfT. From 2011 funding has been around 20% lower (approximately £10 million pa across the Marches) than the previous 4 year period. Despite this funding cut there are some recent investment proposals for the Marches area; and the DfT is in the process of devolving a number of powers and funding streams down to a more local level.

However, there is a lack of influence at local level in relation to strategic infrastructure investment, along with insufficient funds for big investment (relief roads) and significant bureaucracy around devolved funding of major schemes. Another key issue is the lack of dedicated and ring-fenced revenue funding for public transport.

The 'asks'

1. Enable the Marches LEP through representation from the Marches LEP Local Transport Body, to have a strong voice and voting powers in new devolved arrangements for rail investment and also directly with the Welsh Assembly.

2. More influence on strategic road network (Highways Authority) improvement decisions, with an agreement for local authorities to fund/undertake smaller-scale safety and improvements works on Highways Authority roads.

3. Confirm major scheme funding allocation for a longer (10 year) period to provide certainty of investment and enable other funding to be levered in and the phasing of bigger projects e.g. to support town centre developments.

4. Reduce the 'minimum requirements' around the devolution of major scheme funds that will result in a significant proportion of funding being spent on scheme justification rather than delivery.

5. More say on split of capital/revenue of DfT funding (e.g. major scheme) – and enable some 'capital' only funds (e.g. CIL) to be spent on revenue activities (bus services).

6. Ring-fencing of devolved transport revenue funds including newly devolved Bus Service Operator Grant (BSOG) funding beyond the first year.

2. Any views you have about what should be included in a single funding pot (as set out by Lord Heseltine) or a 'core package' for future City Deals

Our view is that it should be a melting pot so that once funds are included, we are free to use them as we wish based on our needs - not as in the past with the Single Regeneration Budget when you knew where funding came from and proportions and had to put in bids reflecting this. The single pot ought to have the widest possible source funding demonstrating buy-in right across government. It should also mirror European funds.

3. Could you provide any early thoughts you have on the changing role of LEPs and how capacity might be built to deliver a much wider agenda and any relevant local research or policy papers that you have

We argue that new LEPs such as Marches need more capacity resources from Central Government. They should still be real partnerships with local government as accountable body and be an equal partnership between the private and public sectors.

If there any queries or further information is required please contact Jacqui Casey, Executive Co-ordinator for the Marches LEP
Jacqui.Casey@shropshire.gov.uk Tel: 01743 252525

Southend-on-Sea Borough Council

Responses regarding skills (views on transport are also being sought):

1. Any clear ask your authority has for the devolution of transport or skills powers or funding to the local level

By transferring funding to local authorities, they will be able to target funding to meet the needs of local employers to improve the skills of the work force and develop the skills of the local community and reduce NEETs. Employers are unsure of the quality of training provision available and the local authority would be able to quality assurance a provision and identify alternative providers that are able to deliver provision locally to meet the needs of local employers.

2. Any views you have about what should be included in a single funding pot (as set out by Lord Heseltine) or a 'core package' for future City Deals

The following funding streams related to skills should be included in a single funding pot: Skills Funding Agency (NAS funding apprenticeship age grant), ESF

for youth contract, JCP funding targeting skills agenda, Government funding that has been transferred to national providers, who are not aware of the needs of the local areas. Examples are Work Programmes, Youth Contract 16-17 and Youth Contract 19-24.

Existing case studies or research

The number of learners on apprenticeship programmes increased in 2011/12 to 1,768, an increase of 31% on the previous year. This increase has been mainly due to work of the local authority promoting apprenticeship provision through employer groups and raising awareness in schools and not through the NAS. Southend Borough Council (SBC) currently employs 28 apprentices, with 2 vacancies waiting to be filled, and has committed to prioritising interviews for young people leaving care. In 2010/11 the Economic Participation Programme (EPP) enabled SBC to offer a wage subsidy for apprentices in both private and public sectors allowing 82 young people to access apprenticeship programmes. European Regional Development Funding (ERDF) has enabled a further 70 young people to access apprenticeships. In 2011/12 the ONTrack Team was able to offer salary subsidy for a further 30 apprenticeship places in the public sector directed towards learners who were not able to access ERDF. ONTrack has a target to develop an apprentice ambassador in each secondary school with a remit to raise the profile of apprenticeship opportunities. OnTrack has identified additional funding to support employers who are not eligible for Age Grant Subsidy, to access a similar wage subsidy (£1,500). As of November 2012, 47 public and private sector companies have accessed this funding.

If there any queries or further information is required please contact Emma Cooney, Enterprise and Community Manager emmacooney@southend.gov.uk
Tel: 01702 215404

Norfolk County Council

1. Any clear asks your authority has for the devolution of transport or skills powers or funding to the local level

- More discussions around the roles of upper tier local authorities vs. LEPs and how they work together to deliver outcomes for government funding are required in this area. While LEPs are more and more receiving government mandates for funding, they are not yet geared up/resourced to deal with this kind of thing, whereas upper tier local authorities are.
- *Skills funding*: We would welcome this being devolved to upper tier local authority level. At the moment it is used by the institutions, with no lever around priority setting.
- *JobcentrePlus*: This funding could be developed down to upper tier local authorities and would be targeted at local priorities. Devolving Jobcentre Plus in the context of Universal Credit would bring together the whole benefits system and worklessness solutions being best provided through tailored local solutions that also cement the skills and worklessness agendas.

2. Any views you have about what should be included in a single funding pot (as set out by Lord Heseltine) or a 'core package' for future City Deals'

- *General:* We would welcome a single pot, with fewer rules and regulations, giving us more freedoms and flexibilities to deliver on local priorities. We would also welcome a longer planning horizon for this single pot, ideally 7 years, to coincide with and, in some circumstances, be matched against EU funds. We would want the CSR period as a minimum.
- *Pinchpoint Funding* is an example of one of the small pots of money we would like control of, so that we can put them together to make a larger pot that could commission meaningful outcomes. At the moment the Highways Agency decides the priorities are and we have no say.
- *Business support:* We think business support funding should revert back to the model Lord Heseltine envisaged when he first conceived of Business Link. We would be able to develop services that meet local need, tailor them to ensure reasonably equitable delivery across the county and promote it ourselves. This could link in with the Technology Strategy Board 'ask' that will be included in Norfolk's City Deal proposal.
- *City Deals:* We would like local control so that budgets can be allocated to local priorities and be used to react to unforeseen circumstances. High level details of our ask will be available once the bid has been submitted.

If there any queries or further information is required please contact Jo Middleton jo.middleton@norfolk.gov.uk

Worcestershire County Council

1. Any clear asks your authority has for the devolution of transport or skills powers or funding to the local level

Transport

The County Council and the LEP have responded to the consultation from DFT on the major schemes devolution. Worcestershire County Council and Worcestershire Local Enterprise Partnership are supportive of the proposal to devolve capital funding for local major transport schemes to "democratically accountable local transport bodies". We view it as vital that the Local Transport Body (LTB) for Worcestershire (and any parts of the county) includes Worcestershire County Council as the democratically accountable local transport authority. This will also ensure alignment between the LTB and the primary transport scheme delivery body.

Skills

The Worcestershire LEP and Worcestershire County Council have developed an employment and skills strategy. Worcestershire would like to see a greater delegation at the sub-regional level to local authorities and LEPs in delivering and managing EU programmes through the use of Local Action Plans. This would include a multi-fund approach combining ERDF and ESF to respond to local needs and priorities based on local evidence included on Local Development Plans and the Local Economic Assessment.

The current model operates at a very high and complex level and often the result is that opportunities to deliver projects are unrealised. A localised model would be more responsive to local need and inclusive of a wider and more mixed range of local partners. The local authority role would be to engage partners and build on existing relationships with District Councils, the LEP, neighbouring LEPs, Chamber of Commerce, and Worcester University.

2. Any views you have about what should be included in a single funding pot (as set out by Lord Heseltine) or a 'core package' for future City Deals

- The model should bring together EU funding and also include the City Skills fund for each of the LEP areas.
- Funding within different departments could be devolved to LEPs through a City Deal type approach but it does seem at present that some areas may be excluded, therefore the first issue to address it to have a City Deal equivalent in each area. This might include TSB innovation vouchers, Big Lottery funding, or funding from culture to develop creative industries.
- Skills funding to assist the County's growth plans and schemes to get people into work, apprentice and other youth funding should all be included. This would help us to meet local needs. It would be useful if some RDPE money could be set aside and allocated at LEP level to develop rural skills and rural business support for those excluded from other funding streams such as ERDF.
- Funding could be channelled to LEPs through the Growing Places Fund and Regional Growth Fund.
- Structural funds and rural development and fisheries funds could also be matched centrally.
- We would welcome transport funding allocated at a local level which could reduce bureaucracy and ensure schemes meet local need and aid growth.
- Giving areas greater control over business rates or perhaps even greater financial freedoms to local authorities to enable them to be more creative would assist with innovative plans for local areas.

- The City Deals should not include competitive bidding rounds. Delegated funding, possibly for a particular purpose, would provide value for money and gives LEPs some certainty in supporting their growth plans.

If there any queries or further information is required please contact Stephen Brain, Funding and Programmes Manager, Economic Development and Planning
Worcestershire County Council Tel: 01905 766925 email:
sbrain@worcestershire.gov.uk

East Riding of Yorkshire

1. Any clear asks your authority has for the devolution of transport or skills powers or funding to the local level

The Government's vision in the Natural Environment White Paper is for Local Nature Partnerships (LNPs) and LEPs to have complementary roles in growing the green economy. LNPs would be able to add real value to the LEP's role in coordinating, directing and potentially securing EU funding by providing knowledge on the local natural environment, helping to ensure that investment strategies are sustainable and contribute to improving the natural environment. This in turn would give greater local accountability for external funds. LNPs could play a role in targeting agri-environment or other RDPE funds in conjunction with LEPs to realise economic benefits from the natural environment and deliver cross-cutting outcomes.

3. Could you provide any early thoughts you have on the changing role of LEPs and how capacity might be built to deliver a much wider agenda and any relevant local research or policy papers that you have

LNPs can help LEPs to expand traditional local economic development planning by considering the critical direct and indirect contributions the natural environment makes to economic activity. LNPs will be able to provide advice and expertise on the value of the natural environment, and work with LEPs to integrate the value of the services provided by the natural environment into economic decision making. This would also assist the LEPs in taking a longer term, more sustainable approach to economic development at local level. We are keen to ensure that the development of a green economy takes a wider approach over and above renewable energy looking at the wider benefits the green economy can provide e.g. green tourism. We do, however, recognise the quick wins in terms of job creation and economic growth that the renewable sector can provide to our area. The Hull and East Yorkshire LNP has begun to work towards this through contributing to the area's local economic development strategy. Also an application, involving the LEP, was made to be a pilot for Natural England's Linking Economic Development and the Environment (LEDE) toolkit. Whilst this application was unsuccessful it is hoped it can be taken forward through joint working by the LNP and LEP in the future. For further information please contact Nadine Senior, Hull & East Yorkshire LNP, East Riding of Yorkshire Council, email: nadine.senior@eastriding.gov.uk Tel: 01482 391715.

Herefordshire Council

1. Any clear asks your authority has for the devolution of transport or skills powers or funding to the local level

We recognise that given the right and sufficient level of support, the Local Enterprise Partnerships have the potential to be engines of economic growth. They can build on existing working arrangements at the local level to align their work on planning, housing, transport, skills and infrastructure priorities.

We are working with government to develop a framework for investment in transport, skills and infrastructure. We support Lord Heseltine's recommendation to identify the budgets, including EU structural funds, administered by different government departments which support growth, and these funds should be brought together into a single fund pot for local areas, without internal ring-fencing.

We agree with the 'asks' as outlined in the Marches LEP Skills paper (see Annex B) and the Marches LEP Transport paper (Annex C) and recommend the following additional points:

Skills:

- Funding for work experience is crucial for 16 – 18 year olds who may not be 'apprenticeship ready' where there is a need for applied functional skills instead of acquired occupational skills.
- Fine tuning the Information Advice and Guidance (IAG) by applying a consistent and in-depth series of interventions to allow young people to make informed choices on career paths.
- A greater synergy between employer ownership up-skills programme and work-based learning programme. These schemes are already linked to the requirements of the funding aimed at driving innovation into the work place and improving skills and experience.
- Providing the local knowledge to make inward investment successful through ensuring that the right infrastructure is in place to grow new jobs and new markets.
- For the future ESF programme, we appreciate that there is a big push for it to be a national programme. We think that this approach will not respond to the skills requirements at the local level. Hence, we suggest a more devolved approach to funding allocation, including match funding, be adopted.

Transport:

- We propose to invest funding in a 'Wheels to Work' type initiative in order to allow young people to travel both for work and learning.
- We also propose that all transport networks are made fit for purpose.

2. Any views you have about what should be included in a single funding pot (as set out by Lord Heseltine) or a 'core package' for future City Deals

We propose that the single pot should include the following funding programmes:

- EU Structural Funds (European Regional Development Fund, European Social Fund and Rural Development Programme for England) Regional Growth Funds;
- Skills Funding;
- Rural Growth Network;
- Growing Places Fund.

We propose that the single pot become an integral part of the Place-based budgeting, which is a government programme of decentralisation. This will enable a more holistic approach to dealing with barriers to growth.

We propose a better use of match funding programmes for EU funds that allows for a more place-based approach as well as issue-based approach. It is also imperative to better align national programmes, local expenditure and private sector investments with EU funds.

There is also a need for flexibility in managing funding programmes that allow for a more place-based approach as well as issue-based approaches.

A single pot which includes skills funding will enable a localised response to the emerging skills needs of the area. It will better support the funding of skills development being closely aligned to meeting the priorities of skills and employment planning of the Marches area, with providers being accountable for delivering the skills required to meet its economic development needs.

BIS proposed that for the next round of EU funds, the LEPs identify a portfolio of EU investments and that funding is ring-fenced to LEPs or associations of LEPs. We agree with these proposals and suggest that DCLG, DWP and DEFRA manage the ERDF, ESF and RDPE, respectively.

3. Could you provide any early thoughts you have on the changing role of LEPs and how capacity might be built to deliver a much wider agenda and any relevant local research or policy papers that you have

We think that for the LEP to be central to the growth agenda, it needs to become a strategic body focusing on prioritising and coordinating plans for economic growth and job creation. Whilst it is true that LEPs have this potential, they face greater challenges when it comes to supporting private sector jobs growth.

It is therefore critical that Government devolves more funding to the LEPs so that they can invest in the local economy to deliver growth. It also needs a mix of formal and informal powers to give enough muscle to drive growth.

If there any queries or further information is required please contact Vinia Abesamis, Senior Policy and Funding Officer Herefordshire Council
Tel. 01432 260625 email: vabesamis@herefordshire.gov.uk

ANNEX B: THE MARCHES DEAL – DISCUSSION PAPER: SKILLS²

What are the key issues?

Skills issues facing The Marches can be translated into 2 areas; those holding back business growth and those holding back the unemployed and young people from securing employment. The information in this paper has been collated from the Marches LEP draft skills report and from initial conversations with officers at each local authority.

Business growth and skills

There is an urgent need to up-skill existing employees within businesses to intermediate and advanced levels. This is to meet increasing demand for higher skills and reflects the predicted growth in jobs which will be at managerial, professional and associate professional level.

Skills required now in businesses and in the future are those such as management/leadership skills as well as inter-personal/softer skills as well as a persistent demand for literacy and numeracy skills.

Challenges facing the LEP to respond to this need

Workforce development across The Marches remains limited and unevenly distributed and many employers do not have a budget for training or a training plan. Many employers are not recruiting - and those that are find it easier to recruit those with the right skills as unemployment rises, rather than spend money on training, (including apprenticeships or graduates).

Employment is not expected to grow for the next 3 years, whilst job losses continue in agriculture, manufacturing, public administration and defence some of our key sectors.

Capacity to support employers to find innovative solutions and access funding to support skills development on a modular basis is limited and our training providers find it difficult to respond to fast changing business and technological requirements see "Hidden Talents" research.

Youth unemployment and disengagement

Unemployment amongst those aged 18-24 is at 7.6% in the Marches – twice the national average and double the rate for the population as a whole. Long-term unemployment amongst young people has also doubled with 1300 unemployed across the region. NEETs figures have also risen, with Telford & Wrekin and Hereford having the highest in the region.

² Author Vicki Ayton Telford & Wrekin; Contributors Professor Ian Oakes HE Champion LEP Board, Rebecca Knight Shropshire Council

Challenges facing the LEP to respond to this need

Apprenticeship placement for 16-18 year olds has seen no increase in the past 3 years across the LEP due to our SME base and the "Raising of the Participation Age" means that young people will need opportunities to gain employability skills as part of their 16-18 education/training programme.

The "Asks" proposed around these challenges

- The establishment of a collaborative completely impartial Marches "SKILLS FOR BUSINESS BROKERAGE SERVICE"
- This could include local Apprenticeship brokerage support for SME's, schools, young people or unemployed, including events and referrals to TP's and NAS. Also acting as a point of contact for schools TP's and councils.
- Education and curriculum links – contact point for businesses and schools/ education providers to provide IAG on employer engagement and school engagement (not to include work experience but to refer to relevant local agencies)
- Initiatives to tackle other barriers to training or recruitment such as poor transport or remote location e.g. Wheels to Work is good but limited.
- EMPLOYER OWNERSHIP OF SKILLS – example with Denso and TCAT learn from this pilot to see how we can work with local businesses to commission e.g. a range of learning materials to support soft skills.
- "Ask" could include requesting from BIS and SFA an allocation of Employer Ownership of Skills that we could commission locally due to our lack of suitable large employers to bid for the next two rounds of this money.
- WORK-BASED LEARNING – provide a range of CPD opportunities for those in employment using a programme of 'bite-size chunks' of learning material using a variety of formats e.g. management or leadership development programme delivered in-company.
- Build on the success of the Hereford Group Training Association and explore requesting funding to establish a Marches wide "GTA" or "ATA" with possible wider collaboration with other neighbouring LEPs and Authorities.

What is enabled if our "Asks" are granted?

1. The new impartial skills for business brokerage service will boost take up of training and skills development in all our businesses and numbers of apprentices.
2. Positioning the LEP for forthcoming announcements from the "Richard Review" and the Skills Investment Statement.
3. Emulates approach in City Deals around GTAs and ATAs.
4. Enables the LEP to obtain a valuable new source of funding for employers to design the training they need.
5. LEP will be prepared for the next ESF round of bids and any future innovation element of this and procurement on a LEP basis.

What are the anticipated outcomes?

- A clearer LEP based approach to skills development; learning lessons from good practice across the LEP and having new funding streams to do this.
- LEP is better prepared to bid for new external funding e.g. ESF.
- Government is clearer on a truly rural "Asks" for skills as part of the Marches Deal.
- The LEP is seen as cutting edge pushing the boundaries about what is possible with the complex wiring of skills funding and delivery but the direction of travel is in accordance with Government thinking and e.g. the Heseltine report.

Risks as regards the "Asks"

- City Deals Skills "Asks" are still not coming to fruition as expected.
- Centralised control of skills funding.
- The debate around public funding of skills is fast moving and there could be a whole series of changes announced over next few months making planning difficult.

ANNEX C: THE MARCHES DEAL – DISCUSSION PAPER: TRANSPORT³

What the Key Issue and opportunity is

What is already happening?

- There has been a significant reduction in highways and transport capital funding distributed to Local Authorities from the DfT. From 2011 funding has been around 20% lower (approximately £10 million per year across the Marches) than the previous 4 year period.

Despite this funding cut there are some recent investment proposals for the Marches area; and the DfT are in the process of devolving a number of powers and funding streams down to a more local level. These include:

- Devolution of major scheme funding
 - The Marches will receive between £11 million and £21 million for the period 2015-2019 for 'transport major schemes' with devolved powers to spend on value for money schemes. Fund will be managed through a new Local Transport Body. The DfT are imposing a number of minimum requirements for the "assurance frameworks" that need to be set up to govern the administration of these devolved funds.
- Rail Devolution
 - The Department for Transport (DfT) has consulted on the devolution of rail investment decisions. The most likely outcome will be regional devolution (West Midlands).
- Devolution of Bus Service Operator Grant (BSOG) for tendered services
 - Bus operators currently claim a fuel duty rebate (a flat subsidy based on fuel used) on both commercial and tendered bus services. The DfT are planning to devolve to local authorities the funds used to pay BSOG grant for tendered bus services. Funding will only be ring-fenced for a limited period. It is expected that operators will simply add on lost BSOG revenue onto tender prices. There could be opportunities to better focus expenditure; but there are also risks that if not applied to bus budgets on an ongoing basis, bus service could suffer.
- Highways Agency pinch point programme
 - 7 Junctions to be upgraded by 2015 as part of tranche 2 pinch point programme announcement (4 on A5 Shrewsbury, 3 on A49 Hereford), further junctions being considered for Tranche 3- including A5/A483 Oswestry and M54 Junction 5, Telford

³ Author Jan Cook, Shropshire Council ; Contributors Steve Burgess Herefordshire Council & Geoff Kitching, Telford & Wrekin Council

Key transport issues and opportunities (& barriers to addressing)

1. Need to improve strategic links with gateways and economic hubs

Transport Issues

- Faster, more reliable and direct rail services (line electrification, service improvements)
- Missing links on strategic road network (e.g. M6 Toll link)
- Quality of key routes within the Marches (A5/A49) – investment required.

Current opportunities

- Devolution of decision-making on passenger rail services and infrastructure investment

Barriers

- Lack of power/voice in relation to strategic infrastructure investment
 - If rail powers are devolved to a regional level it will be imperative that the Marches (and other rural authorities) have sufficient influence and voting powers to ensure investment benefits outlying areas of the regions not just the metropolitan area.
 - Decisions about key rail lines and services in the Marches (Wales and Borders franchise) are already made by the Welsh Assembly Government - we have no direct influence.
 - The Marches LEP & authorities have no direct powers to influence investment in the strategic road (Highways Agency) network (no devolution plans announced, but major review of HA due to be announced in December).

2. Need to relieve constraints on transport networks in key growth points (Telford, Shrewsbury, Hereford) and support town centre developments

Transport Issues

- Hereford - no ring-road and single river crossing
- Shrewsbury - incomplete ring-road (limited river crossings), A5 ring road junctions near capacity and very constrained town centre diminished by traffic
- Telford - reshape create a more sustainable urban form and enable town centre to expand; upgrade M54 junctions 4/5
- Need transport changes to support major town centre developments e.g. Telford Central development, Edgar Street grid Hereford, Riverside development Shrewsbury
- Access to rail (e.g. Telford, Wellington & Shrewsbury stations is difficult) with constraints on car parking and barriers to access by sustainable modes

Current opportunities

- HA pinch point programme
- Devolved major transport scheme funding

Barriers

1. Insufficient funds for big investment (relief roads)
 - o While the Marches will benefit from some guaranteed funding under DfT major scheme funding devolution, it will not be sufficient to progress very major schemes such as Hereford or Shrewsbury Relief Roads. Constraints in these towns will need to be dealt with through other methods (e.g. packages of sustainable transport measures) or additional funding will be required from other local sources.
2. Devolved major scheme funding bureaucracy
 - o The prescriptive minimum requirements for Local Transport Body assurance frameworks could mean a significant proportion of this funding will need to be spent on scheme justification and appraisal. This would reduce the amount available to spend on infrastructure improvements, and some may need to come from (unavailable) revenue sources.

3. Difficulties in sustaining good quality public transport services

Transport issues

- Access to workforce (and access to jobs) can be difficult due to limited public transport; particularly affects younger people, rural areas and shift workers
- Tourism would be boosted by improved rail/ bus links to tourism sites combined with integrated ticketing & marketing e.g. Ironbridge gorge/ Shropshire AONB/historic towns

Barriers

- Lack of dedicated and ring-fenced revenue funding to support public transport services and possible further loss of revenue funding
 - o With pressures on LA revenue, funding for public transport services is being squeezed; if BSOG funding is devolved into LA's revenue grant and not ring fenced and not spent on public transport services further loss of services would result
- Rural areas unable to compete for some specific funding streams e.g. 'Better Bus Area' DfT grant funding targeted only at urban authorities
- Capital / Revenue funding split – Most funding distributed/ devolved by the DfT is capital, as is the funding raised by the Community Infrastructure Levy. A greater say on whether funding is spent as capital or revenue would enable more flexibility to pump prime or fund economically beneficial public transport improvements

The "ask" proposed around this opportunity

1. Need to improve strategic links with gateways and economic hubs

- Make sure Marches have a strong voice/ voting powers in new devolved arrangements for rail investment and also directly with the

Welsh Assembly - Possibility through representation from the Marches LEP Local Transport Body.

- More influence on strategic road network (HA) improvement decisions.
 - This could include de-trunking of the A49 (however risks of this approach would need to be carefully considered); an alternative could be an agreement for LA's to fund/undertake smaller scale safety and improvements works on HA roads.

2. Need to relieve constraints on transport networks in key growth points (Telford, Shrewsbury, Hereford) and support town centre developments

- Confirm major scheme funding allocation for a longer (10 year) period so certainty of investment/ enable to lever in other funding and enable phasing of bigger projects.
- Reduce the 'minimum requirements' around the devolution of major scheme funds that will result insignificant proportion of fund being spent on scheme justification rather than delivery.

3. Difficulties in sustaining good quality public transport services

- More say on split of capital/revenue of DfT funding (e.g. major scheme) – and enable some 'capital' only funds (e.g. CIL) to be spent on revenue activities (bus services)
- Ring-fencing of devolved transport revenue funds including newly devolved BSOG funding beyond 1st year.

What is enabled if our "ask" is granted ?

- More say on future strategic investments- e.g. rail line electrification, strategic road network.
- Ability to progress some priority major schemes to tackle key blockages to economic development.
- Funding available to fund economically important bus services.

What are the anticipated outcomes?

- Delivery of strategically important transport infrastructure investment-enabling better movement of people and goods; and supporting local economies

What Governance arrangements should be considered/would be required?

- Establishment of the Marches Local transport body (LTB)
 - A Marches Local Transport Body will need to be established to administer the developed DfT major scheme funding. This body could also help to provide a focus for the other asks
- Governance around rail devolution - The Marches LTB could provide one or more representatives on West Midlands/ Welsh devolved rail bodies.

