

# Debate on national productivity

House of Commons

22 January 2020



## KEY MESSAGES

- Across the UK, all regions face distinct challenges to future growth. These include lower than expected levels of productivity and a mismatch between skills provision and employer demand. These challenges are long-standing and have persisted despite intervention from Whitehall. A one-size fits all is therefore insufficient to meet the needs of individual places.
- Local government continues to lead the way in the public sector to improve outcomes for people while making savings for the public purse. The LGA's Productivity Experts Programme forms part of our sector-led improvement (SLI) offer.<sup>i</sup> Since 2012, we have worked with over 174 councils contributing to £194 million worth of savings and income generation.
- Devolving power to councils will be the key to improving productivity, building local economies, and delivering better outcomes. Policies such as the enhanced Towns Fund and the Local Industrial Strategies (LISs) took a positive step towards recognising the importance of local leadership and of councils as key partners. The National Infrastructure Commission has further recommended that councils should have 'stable, devolved infrastructure budgets'. This is an effective way for them to deliver improvements quickly in a way that complements local growth strategies and economic productivity.
- The UK Shared Prosperity Fund (UKSPF) represents the ideal opportunity to empower communities to drive economic growth, increase prosperity and productivity and tackle deep rooted inequalities. Elected mayors and local leaders, should be given the opportunity to co-design the UKSPF and ensure that other future growth funding is more accessible, based on local need and distributed over the longer term.
- By devolving the skills and employment system we could better match supply with employer demand. The LGA's Work Local proposals sets out a vision for a localised service, which would enable communities to design an offer customised to the individual need of their area. New research shows that not meeting the skills needs of employers could lead to a potential loss of £120 billion in economic output by the end of the decade.<sup>ii</sup>
- Government programmes, such as the National Skills Fund and the Apprenticeship Levy, seek to address the skills gap but Government will need new policy levers to ensure these different initiatives focus and link up at the front line. Councils are the natural partners of Government to provide this support and make the best of the current system.

# Briefing

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## **Background Information**

### ***Sector-led Improvement***

Local government continues to lead the way in the public sector to improve outcomes for people while making savings for the public purse. Our most recent analysis shows that there are now 626 individual shared service arrangements across the country resulting in £1.34 billion of efficiency savings.<sup>iii</sup> Councils' efforts to embrace innovation, while managing service and demand-led pressures, means over two thirds of council services have improved in the last ten years.

One of the ways councils have taken charge of their own improvement and made efficiency savings is through the LGA's SLI offer. With the LGA's support, councils make their own improvements to their services with a range of helpful and easy to access tools. SLI works on a basis that councils are responsible for their own performance, that they are accountable locally, not nationally and that there is a sense of collective responsibility for the performance of the local government sector as a whole

The LGA's SLI support includes corporate peer challenges, which involve a small team of local government officers and councillors spending time at the council to provide challenges and share learning. Peer challenges are also offered on a range of other specific areas including children's and adult's services. 95 per cent of leaders and chief executives say the LGA's support offer has made a positive impact on their authority. Access to a wide range of key contextual, financial and performance data via LG Inform, advice from regional advisers and leadership support, amongst a variety of other tools, are also included free of charge.

### ***Productivity Experts Programme***

The LGA's Productivity Experts programme<sup>iii</sup> supports councils with bespoke advice and support to councils to help them deliver efficiency savings or income generation. The programme provides challenges, mentoring or advice and supports approaches that will boost productivity. The experts themselves are recruited from a 'pool' of people who could be from another council, public sector organisation or private sector and have experience in implementing a similar approach to what is trying to be achieved.

In this financial year, experts are working with 43 councils contributing towards efficiency savings and/or income generation of £38.5 million over the next four years. Examples include Colchester Borough Council who reviewed their Waste and Zones Services which produced £750,000 of savings. Surrey County Council carried out a review of opportunities for either introducing or increasing charges for discretionary service provision in Surrey County Council's Highways, Transport and Environment (HTE) directorate which identified £2 million of savings/income in additional fees and charges. Also under the Productivity Experts Programme, Copeland Borough Council looked at their procurement and contract management processes and identified £2.3 million worth of savings.

### ***Industrial Strategy & LISs***

National policy developments have recently indicated a shift away from the focus on LISs. Councils have expended significant resource on the development of local strategies on the basis that these would provide a comprehensive local evidence base to inform future growth funding and devolution, and represent the beginning of a reshaped relationship between local and central government on the place-based growth agenda.

The future of the proposals arising from the LEP Review are equally uncertain with a number of geography issues remaining unresolved and with no indication to date from the

new Government on the future of the LEP Review and related policy proposals.

It is crucial that future growth policy, including the UKSPF, takes account of the work councils have done on LISs. This policy should be developed within a coherent national framework for place-based growth and devolution. Councils need to have stable, devolved infrastructure budgets and the Government must work with the LGA and councils to deliver on its infrastructure commitments.

### ***National Infrastructure Strategy***

The Government has promised a National Infrastructure Strategy. This needs to implement the recommendations of the National Infrastructure Commission. Specifically, that councils should have 'stable, devolved infrastructure budgets, as Highways England and Network Rail have', which would mean providing councils with a funding allocation in advance for five years.

This is the most effective way for us to deliver transport infrastructure improvements quickly in a way that complements local growth strategies. It should also devolve the management of the broadband roll out programme to local areas enabling councils to use their experience and local knowledge to hold broadband providers to account and secure greater value for money for local residents.

It is important that Government works with the LGA and councils to deliver on its infrastructure commitments, including fast and reliable digital connectivity.

### ***UK Shared Prosperity Fund***

The Budget is an opportunity to lay the groundwork and make decisions that will be required regardless of the final form of the UK's exit from the EU. One of local government's biggest priorities in preparation for the UK's exit has been securing the domestic replacement for the European Structural and Investment Fund (ESIF). The ESIF provides England with £5.3 billion of funding. It is vital that its replacement is of, at least, the same value.

The LGA has continually called on the Government to ensure that the UK Shared Prosperity Fund (UKSPF) is locally driven and democratically accountable. This can only be realised by granting elected mayors and local leaders, who have a democratic mandate to represent their communities, the opportunity to co-design the UKSPF and ensure that other future growth funding is more accessible, based on local need and distributed over the longer term. We are seeking for the UKSPF consultation to be published immediately. This should start a process of co-design with local areas to remove levels of uncertainty. It must also bridge any gap between the end of current EU funding and the commencement of the UKSPF.

### ***Devolution***

All regions face distinct challenges to future growth. These include lower than expected levels of productivity, shortages in the right mix of homes, insufficient transport and digital infrastructure and a mismatch between skills provision and employer demand. Many of the challenges are long standing and have persisted despite intervention from Whitehall. A one-size fits all approach to supporting growth and rebalancing the economy is therefore insufficient to meet the needs of individual places.

The UK's departure from the EU gives central and local government an opportunity to rethink the way decisions are made in the UK. Where EU laws are repatriated to the UK, it cannot mean leaving Brussels only to consolidate power in Whitehall, Holyrood, Cardiff Bay and Stormont. Instead, the UK's departure from the EU must lead to further powers for local communities through local government.

Devolution to mayoral combined authorities has already demonstrated the potential of giving local leaders greater powers and funding to support more effective place-based approaches to growth, particularly in transport and housing. Despite these positive developments, there has been a notable reduction in the momentum behind the devolution agenda. A new localism settlement is now needed to move beyond specific deals to a package of sustainably-funded, locally-led public service reform that is available to all of English local government.

## **Skills**

There are already significant geographical skills challenges including shortages of higher-skilled technical and vocational workers which hamper economic growth. We must do more to provide people with the skills to take up these jobs. Our exit from the EU, digitalisation, the gig economy, and extended working lives will further transform the economy, bringing different opportunities and challenges to specific sectors such as construction and social care, which will vary across the country.

New programmes such as the National Skills Fund and recent initiatives such as the National Retraining Scheme, the Apprenticeship Levy, and the introduction of technical levels seek to address these challenges. The Government will need new policy levers to ensure these different initiatives focus and join up at the front line of delivery in local places. Councils are the natural partners of Government to join up support so we can make the best of the current system.

Brexit is an opportunity to improve the current centrally-governed skills and employment system, which sees £10.5 billion a year spent by eight government departments or agencies across 20 different national schemes.<sup>iv</sup> We need a reformed and devolved skills and employment system to better match skills supply with employer demand.

The LGA stand ready to support the Government to deliver a more place based approach to skills planning. The LGA's Work Local proposals offer a ready solution that would enable local partners to work with central government to design an offer customised to individual need and bring together reformed careers advice and guidance, employment, skills, apprenticeships and business support for young people, adults and employers. We estimate that, in a medium-sized Combined Authority a Work Local model could lead to an additional 8,500 people leaving benefits, an additional 6,000 people improving their skills and additional fiscal benefits for a local area of £280 million per year, with a benefit to the economy of £420 million.

A new report, commissioned by the LGA, further estimates that not meeting the skills needs of employers could lead to a potential loss of £120 billion in economic output by the end of the decade.<sup>v</sup> The research by the Learning and Work Institute (L&W) reveals that by 2030 there could be 5.1 million low-skilled people chasing 2 million low-skilled jobs and 17.4 million high-skilled jobs with only 14.8 million high-skilled workers.

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<sup>i</sup> <https://www.local.gov.uk/our-support/our-improvement-offer/what-sector-led-improvement>

<sup>ii</sup> <https://www.local.gov.uk/centralised-skills-system-could-leave-six-million-people-behind-2030>

<sup>iii</sup> <https://www.local.gov.uk/our-support/efficiency-and-income-generation/shared-services/shared-services-map>

<sup>iii</sup> <https://www.local.gov.uk/our-support/efficiency-and-income-generation/productivity-experts-programme>

<sup>iv</sup> <https://www.local.gov.uk/centralised-skills-system-could-leave-six-million-people-behind-2030>

<sup>v</sup> <https://www.local.gov.uk/centralised-skills-system-could-leave-six-million-people-behind-2030>