

**OXFORDSHIRE PUBLIC SERVICE BOARD – 27 SEPTEMBER 2010****PLACE BASED BUDGETS****Purpose of this report**

This report summarises the LGA's thinking on place based budgets and the expression of interest the County Council has submitted for more control of budgets which could be used to reduce the numbers of those not in education, employment or training (NEETs).

**Place based budgets**

In its report '[\*Place-based budgets – The future governance of local public services\*](#)' the LGA has put forward the argument that councils should be responsible to local voters and Parliament for spending on frontline services under a new system of 'place-based' or 'community' budgeting. Proposals include:

- allowing councils either to replace the regional development agencies (RDA) with local enterprise partnerships (LEPs) or to retain existing regional arrangements, and abolishing the boards of primary care trusts and strategic health authorities.
- devolving RDA, Homes and Communities Agency and Skills Funding Agency budgets to place-based budgets
- devolving the budgets and commissioning of employment support and Job Centre Plus functions
- transferring responsibility for many trunk roads (excluding motorways) from the Highways Agency to local government
- creating local accountability for offender management.

**Place based budget proposal targeting NEETs**

The LGA has called for expressions of interest from local authorities seeking to pilot place based budget ideas. We have submitted a bid (23<sup>rd</sup> August) to form a place based budget to enable us to improve skills provision in the county and specifically to reduce the number of young people who are not in education, employment and training in order to reduce the longer-term costs (both social and financial). See **ANNEX 1**.

The bid proposes bringing together various existing funding streams (for example, Young People's Learning Agency, Foundation Learning, Skills Funding Agency, Connexions) totalling about £9.5M and using this to reduce the £11.9M cost of out of work and associated benefits paid to 18-25 year old NEETs.

## Challenges

It remains to be seen just how far the government will go in supporting the LGA proposals and we should learn more in the spending review announcements this autumn.

Developing the NEETs bid for the LGA has highlighted the main barrier to more joined up budgeting - the ability of government organisations to provide financial information on their spend within county boundaries. For example, Job Centre Plus have been helpful but their budgets are part local and part sub-regional and unpicking their costs and spend in relation to NEETS in Oxfordshire is not straightforward.

There is much in the bid that we can do without a place based budget and will be investigating these possibilities with partners in coming months.

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## ANNEX 1

### Oxfordshire Place Based Budget Proposal to address Skills and Worklessness

#### 1. Introduction

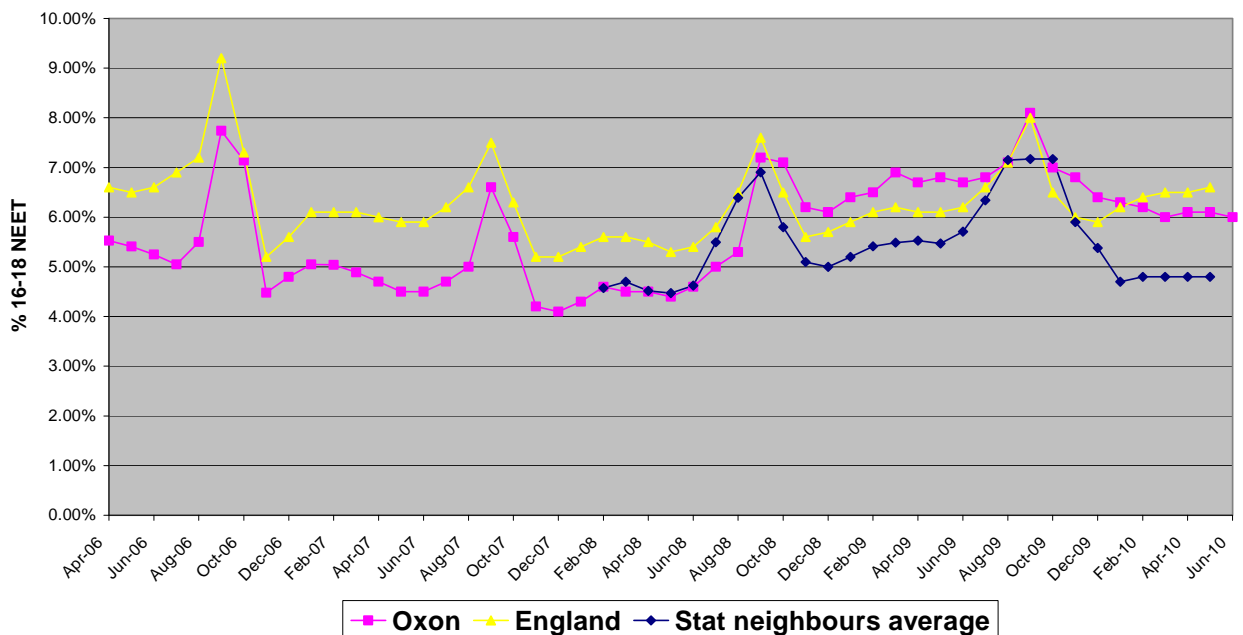
Oxfordshire has one of the strongest economies in the South East, itself the powerhouse of the national economy. The SE region contributed £18bn to the Exchequer in 2008. Many elements of Oxfordshire’s economy are world class and globally competitive in areas such as high performance engineering, biotechnology and medical instruments. We also have the potential to achieve comparable strengths in new sectors including a range of green technologies.

In Oxfordshire the numbers of young people not in education, employment and training (NEET) were heavily impacted by the downturn and rose above national and statistical neighbour averages. While they are on a downward trend now progress is not good enough (Figure 1 illustrates this for the 16-18 age group). In addition there were over 2000 18-25 year olds from Oxfordshire claiming Job Seekers Allowance at the end of 2009. We recognise the huge costs to individuals and society when young people are not engaged in employment education or training and the need to improve our position.

Oxfordshire’s post-16 education providers collectively offer more level 3 courses and fewer level 1 and level 2 courses than are needed. There are currently over 950 16 and 17 year olds looking for level 1 and 2 courses that have not been placed for September 2010.

Figure 1

NI 117 16-18 NEET trend over time

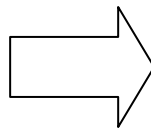


Our place based budget will enable us to improve skills provision in the county thereby increasing the numbers of young people in education, employment and training to reduce the immediate and long term benefit and social costs; and at the same time improve provision to grow the economy in key sectors. It has strong support from employers in the area.

## 2. Our proposal

We want the power to:

Identify local need
Commission provision locally
Develop an integrated careers guidance service
Develop apprenticeships in key sectors



In order to:

Reduce number of young people 16-25 NEET (estimated lifetime costs of unemployment per person of £255,000)
Increase apprenticeships and employment based training
Better match provision to the needs of the local economy

## 3. Budget

Existing funding (2010/11 baseline)

<b>£0.9M</b> Young People's Learning Agency (YPLA) (several funding streams to all providers including Foundation Learning)
<b>£3.8M</b> Skills Funding Agency (SFA) (includes funding for post 19 apprenticeships) Estimated until figures available Sept 10
<b>£2.3M</b> Cost of surplus Level 3 places in post 16 providers
<b>£2.5M</b> Connexions (Approx 50% of total budget directed at this group)
<b>£Not Known</b> People First - Adult careers service
<b>£11.9M</b> Out of work and associated benefits of 18-25 age group

Proposed Place Based budget

<b>Proposed budget</b> £9.5M place based budget would provide an education and skills offer for those least attractive to the provider market, that better matches the needs of the local economy and local residents
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Benefits budget potential savings in excess of <b>£4.6M</b> Based on 1,000 young people moved into employment in a year
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Based on 1800 18-25yrs claiming JSA and Local Housing Allowance
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#### **4. What we need from government**

To move to this new way of working there are a number of freedoms and responsibilities we will need devolved to the local level.

We will produce an annual statement of need in Oxfordshire for 16-25 year olds. We expect the emerging Oxfordshire Local Enterprise Partnership will play a major part in identifying the need. This would be the first formal step in the commissioning of all education and training for this age group from potential providers (School Sixth forms, FE Colleges and Training Providers). We will then require specific power to commission and procure education and training directly that better matches local needs -and specifically caters for the needs of the 16-25 year olds who are unattractive to the provider market.

If co-funding of post-19 courses is implemented we will want to be able to determine the ratios for co-funding. This will enable us to provide incentives to learners and providers to match local need and stimulate the market to respond. The emerging Local Enterprise Partnership will also have a key role in this process.

The alternative to a direct commissioning responsibility is greater influence over how the relevant funding streams are spent.

#### **5. Impact**

- (a) We anticipate being able to move 1,000 16-25 year olds into training/employment which will save an estimated £4.6M per annum in benefits and associated costs.
- (b) We will move more training provision into apprenticeship style provision, thus reducing the Education Maintenance Allowance (EMA) and replace it with an apprenticeship wage. For 16-19 year olds an apprenticeship wage is 3 times the EMA and is paid for by the employer thus improving the economic activity of the individual and reducing the burden on the Treasury. The current consultation on the future direction of skills policy “Skills for Sustainable Growth” indicates that individuals completing level 2 apprenticeships have a considerably higher estimated wage return compared to other vocational qualifications at level 2. Consequently these individuals would become more economically active in the future.
- (c) We will be responsive to local economic conditions through a locally-managed adult careers service more responsive to the needs of the Oxfordshire labour market than a nationally-administered service administered on contract and would assist with the deployment of under-utilised local skills and manpower.

The benefits of this approach are strong local provision, strengthened economy and better life outcomes for those young people moved into employment - and nationally in terms of the reduced benefits budget.

Furthermore research suggests that around 15% of those NEET in this age group will never secure long term employment. The estimated lifetime costs of unemployment and its associated costs are £255,000 per person which could be averted.

#### **6. Support**

We have discussed the proposal with partners including Job Centre Plus, Young People's Learning Agency, further education colleges and key employers. There is support for the approach which will enable us to have a strong local offer and skills provision. We would require support from colleagues in the Skills Funding Agency to quantify proportions of the relevant funding streams more accurately.

## **7. Governance**

We expect that the Place Based Budget (PBB) will work very closely with the emerging Local Enterprise Partnership but for accountability reasons a wholly accountable board should take responsibility for the PBB. We are continuing to discuss our proposals with local partners and look forward to exploring this further with government.

## **8. LGA questions**

In response to the questions posed by the LGA

- (a) The estimated level of savings place-based budgets could deliver in your area on total public spending against current 2010-11 baselines and how those savings are constructed;

The savings that we expect to make through this approach are primarily to the reduced benefits burden. By aligning the budgets for careers, connexions, and skills funding via the YPLA and SFA, we expect to make savings through efficiencies that will be used to fund additional and appropriate skills provision for those not in education, employment and training.

We estimate £4.6M of savings to the cost of benefits for 1,000 young people aged 16-25 in Oxfordshire.

- (b) Government officials would like to know what financial dividend (which could be expressed in absolute or percentage terms) would result from a place based budget, compared to reduced funding being either aligned or coming through separate funding streams - is that something you can estimate, and if so what would your estimate be?

- 16-18 year olds would be three times as economically active on an apprenticeship than on another equivalent education based level 2 course, throughout the duration of their course.
- 18-25 year olds would be at least twice as economically active on an apprenticeship than on benefits.
- All individuals successfully completing an apprenticeship at level 2 would increase their earning capacity, and hence their economic activity by a minimum of 12% over their working lives.

- (c) The level of savings on the benefits budget that could be achieved, and how these savings could be measured (against a counterfactual) and shared between Treasury and local government?

We estimate that by moving 1,000 16-25 year olds into training and employment we will save the benefits budget an estimated £4.6M per annum. This is based on out of work and housing benefits for which this group are eligible.

We also estimate reducing wastage of £2.3M from 16-19 budgets that is currently misdirected to level 3 provision.

(d) Any cost-benefit analysis that you are undertaking in relation to particular outcomes or across multiple outcomes where place-based budgets would help you deliver services more effectively at less cost?

- Ability to integrate careers information, advice and guidance provision for 16-25 year olds in a single service will enable savings in terms of delivery as well as the added benefits of a seamless coherent service.
- Increase the number of young people who currently receive EMA into employment based training to reduce the cost of training on the state and provide a training experience more likely to result in long term and stable employment.
- Staff savings by joining up functions of the 14-19 Strategic Development Team, ex-LSC staff, Education Business Partnership, Connexions and Economic Development to work from a common set of intelligence, working to support the LEP and commission education and training.

For more information or to discuss the proposal in the first instance please contact:

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