

# Future-Ready Skills Commission

## Public Infrastructure

Technical paper  
September 2020



**Recommendation:** Large-scale **public infrastructure** projects designed to level up areas should include an additional skills premium of up to 5% of the total budget of the project to maximise their economic potential.

**Ambition statement:**

Additional money raised through a skills premium on infrastructure projects is devolved to areas to fund future workforce needs. Areas are able fulfil strategic plans for skills and employment ensuring that localities intended to benefit from investment have the skills to do so. A dynamic and skilled regional workforce is safeguarded from economic shock. This creates a more economically efficient investment, contributing to growing and productive local and national economies where individuals can make the most of their talents.

**Rationale:**

Employment and skills are central to increasing social mobility and ensuring inclusive growth, yet funding streams for local strategies are not achieving their economic potential. Investment in large scale infrastructure projects remains siloed and disconnected from an area's ambition and strategic plans to make the most of human capital and economic growth.

For example, the transport agenda is inextricably linked with skills and employment, with affordable and efficient transport links essential to accessing training and job opportunities. Too many employers, particularly those based in out of town locations and/or offering shift work, report that potential employees find it difficult to access their sites, and Jobcentre Plus consistently report that this is one of the biggest issues preventing people from accessing employment opportunities.

Furthermore, large-scale infrastructure projects to enhance transport connectivity in the North of England will require access to skills and labour which is already in high demand and short supply: this is one of the biggest risks to the deliverability of these schemes.

The climate emergency will transform political thinking over the coming years and there will be direct implications for employment and skills. Many labour market economists think that there will be an impact on the nature of a vast range of current jobs and we need to ensure that our workforce can adapt to these changes. New "green jobs" will require people with – already highly sought-after – STEM skills. The massive interest from young people in the environmental agenda presents an opportunity to engage their interest in STEM careers.

Furthermore, regions are too often required to compete for national investment opportunities which prevents areas from implementing long term strategic plans. Ambitions to realise investment is made even harder as some government departments such as the Department for Transport (DfT) only have access to capital funds. These capital funds cannot be converted into the revenue funding

streams needed to deliver the benefits for the people the schemes are intended to benefit.

The recent introduction and implementation Skills Advisory Panels have created an improved local intelligence and evidence base that is accountable and governed by a range of stakeholders within an area, including constituent local authorities, employers and education and skills training providers. Strategic skills plans should build on these mechanisms and set out how skills provision will contribute to overall economic growth and productivity, with the flexibility to adapt as new opportunities affect the economy.

Plans need to be backed with additional funding for skills raised through a premium on infrastructure projects that enable areas to provide the skills required to complete the project and thrive in the future economy, delivering the economic benefits to the localities the investment is intended for.

**Key facts:**

1. According to the National Infrastructure Plan for Skills, 250,000 people will need to be retrained nationwide over the next decade in order to reflect the changing skills blend required by infrastructure investment plans. This is in addition to the substantial number of new recruits who will be needed.
2. Construction has the highest prevalence of skill shortage vacancies of any sector, with 36% of vacancies hard to fill due to a lack of candidates with the required skills. This compares with an all industry average of 22%. RICS UK Construction and Infrastructure Market Survey (Q4 2019) found that more than 40% of surveyors identified skill shortages as a key barrier to future building activity.
3. Infrastructure investment is not evenly distributed across the UK - public investment is increasingly used to strengthen already prosperous regions. For example, average annual investment per capita by central and local government in the North East is only 45% of that in London (source: National Infrastructure and Construction Pipeline, 2018 update). This strengthens the case for a national levy.

<b>Current landscape (national / regional / local roles and responsibilities)</b>	
<p><b>National</b></p> <ul style="list-style-type: none"> <li>• The National Planning Policy Framework (NPPF) states that planning agreements should be kept to a minimum and only imposed where they are necessary, relevant to planning and to the development to be permitted, enforceable, precise and reasonable in all other respects. There is little requirement to add detail in relation to skills demands.</li> <li>• Skills solutions set out in the government’s national strategy relate to national interventions and pay little regard to highly distinctive local patterns of skills needs.</li> </ul> <p><b>Regional:</b></p> <ul style="list-style-type: none"> <li>• Delivery of projects where awarded, within the timescales and budgets</li> <li>• Little influence on timescales and flexibility of funding to deliver long term and strategic ambitions to build a skilled and flexible workforce with opportunities for ‘Good Work’</li> </ul>	
<p><b>Funding:</b></p> <p>There is a complete lack of revenue funding needed to ensure investment in human capital needed to deliver the capital funded infrastructure projects.</p> <p>Public spend on physical capital is twice as much as on human capital. With national spend on post-16 FE and skills is about £9bn per annum, excluding HE whereas public spend on infrastructure is about £19bn.<sup>1</sup></p>	
<b>Government to:</b>	<b>Regions (and local) to:</b>
<p>Set out a national ambition and strategy including statutory requirements for housing, transport, energy and infrastructure schemes</p> <p>Make it a compulsory requirement to consult with SAPs on regional / local infrastructure planning and provision</p> <p>HMT to create an additional revenue budget of up to 5% for publicly funded capital scheme relative to the demand for skills, that is devolved to regions to ensure the provision of training so that</p>	<p>Skills Advisory Panels (SAPs) reflecting the geography of local industrial strategies bring together private and public sectors employers, local authorities, colleges, universities and private training providers to develop and plan skills requirements for the local labour market needs now and in the future. SAPs are well placed to as a consistent, expert link between SAPs and local transport authorities.</p> <p>Areas set out their strategic skills plan and deliver the provision needed to ensure localities where large scale</p>

<sup>1</sup> <https://commonslibrary.parliament.uk/research-briefings/sn06594/>

<p>everyone benefits from the 'trickle-down effect'</p> <p>Coordinate and disseminate best practice examples from regional approaches</p> <p>End the competitive basis for applying for regional infrastructure funds such as Transforming Cities Fund</p>	<p>investments are made are able to benefit from them, and this contributes to productivity.</p> <p>Use revenue funding to ensure the skills provision needed within local functional economic areas</p> <p>Co-operate with other areas to deliver the skills needed for national infrastructure projects</p>
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## Find out more

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