SKILLS DEVOLUTION: DELIVERING GROWTH FOR LONDON

LONDON ENTERPRISE PANEL

MAYOR OF LONDON
We have a mandate for radical reform of London’s skills system

In the March 2015 Budget, the Chancellor of the Exchequer announced:

“Government is devolving further powers to the Mayor of London including over skills... which will allow the Mayor of London to tailor skills provision to London’s needs”

The productivity plan released in July 2015 states:

“The government wants strong local areas and employers to take a leading role in establishing a post-16 skills system that is responsive to local economic priorities. The government will make an offer to local areas:

• first, the government will invite local areas to participate in the reshaping and re-commissioning of local provision
• second, following on from this restructuring process, the government will enable local involvement in the ongoing commissioning of provision”
London is a thriving global city...

- **£338.5bn GVA in 2013** - comparable to Sweden and larger than Scotland, Ireland and Wales put together
- **£34.2bn net contribution** to the Exchequer, in 2013/14
- Base for **1 in 5 UK businesses** employing **20% of the nation’s workforce.**

**BUT...**

- **Static productivity** since 2008 unlike other economies.
- **Higher unemployment**, higher proportion of households in **poverty** and higher rates of **economic inactivity**
- 9.4% of employees **paid less than the London Living Wage** (£8.8ph in 2013),
- 10% of Londoners rely on benefits to subside their housing costs.
Our vision for London is of a leading global city:

- Increasing productivity
- High rates of economic activity among men and women
- Near full employment
- Wages which enable Londoners to meet the cost of living in the capital
A skills system for London has a role to play in achieving this vision

By ensuring that:

• London’s learners and employees understand the skills needed by London’s employers and are supported and motivated to acquire them
• London’s providers understand the skills needed by London’s employers and are incentivised to deliver them
• All Londoners are equipped with basic skills for employment – with higher proportions achieving 5 A-C GCSE (incl. English/Maths) and progressing to L4 or above
• Low-paid, low-skilled and unemployed Londoners are able to access targeted learning to move into or progress in employment
• NEET figures - including not knowns - are reduced across all London Boroughs

Through:

• Professional and technical skills delivery, via specialisation, which is more responsive to economic demand
  ➔ to contribute to higher productivity
• Better alignment of basic skills training locally with employment and other services
  ➔ to support more Londoners into work
The current approach to skills commissioning is not fully meeting London’s needs

Issues are exacerbated by intrinsic market and system failures:

<table>
<thead>
<tr>
<th>Information failures</th>
<th>Misaligned incentives</th>
<th>Co-ordination &amp; engagement</th>
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<tr>
<td>• LMI - Employer skills needs</td>
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<td>• Provider performance data</td>
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<td>• Information on the economic benefits of training</td>
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<td>• Careers IAG in schools</td>
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<td>• Provider ability to respond</td>
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<td>• Business and learner ability to make informed choices</td>
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<tr>
<td>• Incentives for employer and learner investment in skills</td>
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<tr>
<td>• Provider funding driven by delivery of qualifications</td>
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<td>• Limited reward for learner progression / responsiveness to employer demand.</td>
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<td>• Insufficient incentives to tailor courses to employer demand and innovate.</td>
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<td>• Employers (particularly SMEs) not well engaged in the market.</td>
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<td>• Providers lack incentives to collaborate</td>
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<td>• Areas of undersupply</td>
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<td>• Areas of duplication</td>
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<td>• Underinvestment by employers in the skills market</td>
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We believe our vision will be best achieved through devolving skills to London

1. The size and complexity of London’s population and business community necessitates a different approach for London from the rest of the UK

2. Successful intelligence gathering to deliver a step change in informed decision-making requires investment by London government

3. Joined up commissioning of employment support and tailored skills development for low-skilled, low-paid, and unemployed Londoners is likely to be more efficient and effective than siloed national programmes.
A reshaped skills system for London would focus on delivering vocational excellence

**OBJECTIVES**

1. Boost economic growth and employment, and reduce welfare dependency by focussing investment in skills to increase productivity and progression into and in work
2. Increase the efficiency, effectiveness and VfM of skills investment via radical reform of the skills architecture

**PRINCIPLES**

a) **Demand-led**: Driven by informed consumers with an explicit focus on economically valuable skills

b) **Shared responsibility**: Employers, providers, individuals and government work together to ensure investment and action on skills.
   - Employers and individuals invest where they derive the greatest private returns
   - Government focusses on market failures and equipping individuals with basic skills to compete for work

c) **Local Accountability**: Decision-making within London takes place at the most appropriate geographical level

d) **Outcome focussed**: Emphasis on outcome measures such as jobs, earnings and progression

e) **Agile integrated system**: Remove institutional and funding silos, to align and integrate with other services
## Proposed key elements of a demand-led skills system for London

### Intelligence
- **Regional data gathering and analysis** – surveys, web, etc.
- **Employers and providers** supported to understand & articulate skills demand
- **Boroughs/sub-regions** gather and feed in other demand intelligence e.g. development plans
- **Providers / HMG** provide outcome-based performance data
- **Learners and employers** supported to make informed choices based on sound evidence and appropriate IAG

### Commissioning
- **Data is made public** in an accessible way to improve learner, employer and provider choices
- **Regional Skills Commissioning Strategy** sets market interventions required to ensure training delivered from 16+ is geared towards meeting priorities – based on intelligence
- **Sub-regions** commission integrated support for out-of-work and low paid residents making use of pooled budgets
- **Employers** enabled to directly commission in-demand skills

### Delivery
- **Streamlined provider base** with flexibility to meet demand based on intelligence and priorities in the regional strategy.
- **Employers engage** with providers to shape skills provision based on need and incentivised to invest in training – e.g. apprenticeship levies
- **Learners progress** in training and in/into work and understand the value of investing in their own training

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**Comprehensive, timely, regional labour market and provider performance intelligence analysed and presented in an accessible way by London Government**
Devolution could include influence or control of:

<table>
<thead>
<tr>
<th>Funding Allocation</th>
<th>Current owner</th>
<th>Allocation 14/15</th>
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<tbody>
<tr>
<td>Adult Skills Budget (incl. ESOL and ALS)²</td>
<td>SFA</td>
<td>£326m¹</td>
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<tr>
<td>19+ Apprenticeships</td>
<td>SFA</td>
<td>£38m¹</td>
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<tr>
<td>16-18 Apprenticeships and Traineeships</td>
<td>SFA</td>
<td>£34m</td>
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<tr>
<td>AGE Facility</td>
<td>SFA</td>
<td>£7m</td>
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<tr>
<td>19+ Discretionary Learner Support</td>
<td>SFA</td>
<td>£21m</td>
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<tr>
<td>24+ Advanced Learning Loans &amp; Bursary</td>
<td>SFA</td>
<td>£76m</td>
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<tr>
<td>Community Learning</td>
<td>SFA</td>
<td>£41m</td>
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<tr>
<td>National Careers Service</td>
<td>SFA</td>
<td>tbc</td>
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<tr>
<td>16-19 - FE Colleges</td>
<td>EFA</td>
<td>£349m²</td>
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<td>16-19 - Academies, schools and other 6th Forms</td>
<td>EFA</td>
<td>£644m²</td>
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<tr>
<td>Flexible Support Fund</td>
<td>DWP</td>
<td>tbc</td>
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1. Generally SFA figures taken from SFA published allocations for 2014/15 published in April 15. AoC figures show £38 allocations for 19+ apprenticeships. Although have a different figure for ASB overall – so figures are estimates tbc.
2. EFA figures are 16-18 education funding in London 2014-15 Academic year – from AoC
London government’s asks of central government

**Short term**

- now-April 16
  - Agree, and ring fence, SFA and EFA allocation for 2016/17 for London
  - Support London Government in developing the detail of a devolved skills system for London
  - Work with London Government on the process and blueprint for a “re-commissioned” FE sector with key specialisms to meet London’s skills needs
  - Extend AGE facility or appropriate ‘uplift’ for London’s SMEs to take on apprentices.

**Medium Term**

- April 16-Sept 17
  - Co-commission London’s allocation for SFA and EFA with London Government e.g. ability to adjust incentives, flex market regulations, link allocations with FE capital funding
  - Devolve marketing and communications activity on apprenticeships and careers
  - Require the gathering and publishing of destinations data, enabled by HMRC/DWP
  - Involve London Government in FE Commissioner process

**Long term**

- Sept 17 onwards
  - Transition to fully devolved EFA and SFA skills spend in London to London Government.
In return, London government (the Mayor, the LEP and boroughs) would:

- Clearly set out London’s skills priorities and entitlements where they’re needed most
- Develop a consistent approach to gathering and sharing LMI in an accessible way linking occupational data with skills needed
- Publish performance data (which could start with an Apprenticeships Guide for London)
- Work with BIS/DFE and the sector to deliver “re-commissioning” and specialist provision
- Work with the skills sector and government to develop and deliver skills provision that rewards progression of learners as well as qualifications
- Align the criteria for FE Capital applications with skills priorities
- Develop and deliver a London Careers Offer
- Integrate apprenticeship support for employers with other local apprenticeship activity and brokerage services
- Align and integrate appropriate budgets with employment programmes and local services
Questions

• What opportunities would a devolved skills system present?

• Do the principles for a devolved skills system feel right?

• What is missing from the proposition?

• What risks or unintended consequences might there be?