

Local Government Association briefing

Debate on apprenticeships and skills policy

House of Commons

8 January 2019



Key messages

- In November 2018 the LGA launched its Skills Taskforce, bringing together a range of industry stakeholders, including the FSB and the TUC, to discuss the skills-related challenges we currently face and the solutions needed.
- The Taskforce, jointly led by Cllr Mark Hawthorne and Sir Richard Leese, has the single objective to develop an approach that will tackle the growing skills gap and the highly fragmented skills and employment system in the UK.
- In 2016/17, £10.5 billion of employment and skills funding was commissioned by eight Whitehall departments or agencies across 20 different national schemes, with different criteria and eligibility.ⁱ
- Despite significant levels of investment, our skills system has failed to have a decisive impact on the varying social and economic challenges and opportunities in local areas, or make a decisive impact on outcomes.
- Research commissioned by the LGA reveals that the skills gap is worsening. By 2024 there will be more than four million too few high-skilled people to take up available jobs, two million too many with intermediate skills and more than six million too many low-skilled.ⁱⁱ
- Failure to address the growing skills gap puts at risk up to four per cent of future economic growth, or a loss of £90 billion economic output, and the average worker could be £1,176 a year worse off.ⁱⁱⁱ
- We welcome the range of post-16 skills reforms to address the skills challenge, including a renewed focus on adult re-skilling and upskilling, which the Government has initiated. We look forward to working with stakeholders to ensure local need is reflected in this work.
- A place-based approach is critically important to ensuring that combined authorities, councils and local partners can plan how their areas will respond to the challenges and opportunities of Brexit and the Government's Industrial Strategy.

Briefing

Background information

The current skills and employment system

Councils and combined authorities, working with local businesses and partners, want to build strong, resilient economies where residents contribute to, and benefit from inclusive growth around a shared vision for their local area. Fundamental to achieving this is a steady supply of skills and jobs, fostering local business growth and effective support to help people get on in life.

However our employment and skills system is designed and commissioned by a range of Whitehall departments and agencies in a way that disincentives collaboration. For instance none of them have a plan on how to coordinate activity, nor a duty to discuss with councils or combined authorities how provision will land in local areas around service users and reflect local economic and social priorities.

Research for the LGA showed that in 2016/2017, the Government spent £10.5 billion across twenty different national skills and employment policies and schemes. Local areas have little or no influence over these which is a missed opportunity to target support and make the best use of available resources.

Despite best intentions, a centralised system simply cannot identify and address the unique economic and social challenges and opportunities within and between places, and the people that live within them. It is staggering that nine million people lack basic skills, more than half of all unemployed people do not claim benefits or receive national employment, 5.5 million people want a job or more hours, and one in ten are in insecure work. This affects places differently. For instance, the proportion of residents with low qualifications ranges from 1/3 in parts of the West Midlands to 1/17 in parts of London.

There are further challenges ahead. Research for the LGA suggests that by 2024, a growing skills gap will result in 4 million too few high skilled people to fill demand and 8 million too many intermediate and low skilled than there are jobs. Failure to increase our skills levels is bad for individuals, employers and the local and national economy.

Brexit and the ongoing productivity gap are presenting growing skills challenges both nationally and locally. New national reforms and initiatives including apprenticeships, technical levels, skills advisory panels, the national retraining scheme, local industrial strategies and a future UK Shared Prosperity Fund will seek to address these challenges. While they are all positive and important in their own right, without sufficient join up or focus around 'place', they risk being stand-alone and less effective. There needs to be a better way of coordinating policy and provision, both nationally and locally.

A place-based solution to improving skills and employment across England

The LGA believes a far more place based and integrated approach to policy and funding is needed to coordinate the myriad of initiatives. That's because what works for major cities will be different to what is needed in suburbs, towns, rural areas and more mixed communities.

Work Local is the LGA's positive proposal for change. Led by combined authorities and groups of councils, in partnership with local and national stakeholders, local areas should have the powers and funding to plan, commission and have oversight of a joined-up service bringing together advice and guidance, employment, skills, apprenticeship and business support for individuals and employers.

This requires the various parts of Whitehall to coordinate activity, and would be

achieved through the establishment of Local Labour Market Agreements (LLMAs) which would be negotiated between local areas and national Government. Across a medium sized combined authority, *Work Local* could each year result in 8,500 people off out of work benefits, a fiscal boost of £280 million, and contribute £420 million to the economy.

Our *Work Local* approach is now critical as combined authorities, councils and local partners plan how their areas will respond to the challenges and opportunities. While our *Work Local* vision is big, there are many things we can do now to make the best of provision, some of which is included below. We will continue to engage with employers, Government and providers to promote *Work Local*.

To help councils and combined authorities can close their skills gaps in their local areas, the Government should:

- Enable local areas to coordinate a localised approach to skills. This includes loosening Apprenticeship Levy restrictions, ensuring skills advisory panels bring national and local partners together, that Technical levels are designed as part of coherently planned local post 16 offer, and that the national retraining scheme is tailored to the needs of local communities.
- Create a localised / devolved Shared Prosperity Fund within a radically different post 2020 funding landscape.
- Enable local areas to co-commission the development of a locally relevant careers advice offer to young people and adults.
- ensure Local Industrial Strategy ambitions are fulfilled with devolved powers and funding, and *Work Local* a framework for their development.
- ensure Adult Education Budget is successfully devolved to combined authorities and progressively localised to all other areas, and that it is the first of a succession of skills funding streams to be localised.

On the Apprenticeship Levy specifically, the announcement related to flexibilities in the Levy made in the Budget 2018 is good news for smaller employers, and builds on earlier flexibilities to increase the amount employers can transfer. These are all positive signs that the Government is beginning to listen to concerns around the need for flexibility. However they do not go far enough for local authorities, both as employers in their own right, as well as helping them to carry out their economic development functions.

As direct employers, the Apprenticeship Levy costs local government as a whole £207 million a year. National policy requires that the levy is spent against 'standards' within two years, but some of the key standards against that local authorities need to spend their Levy against, are not yet fully accessible. Alongside this national policy does not allow Levy contributions to be planned for and fully pooled locally, and has set out that any Levy funds unspent within 24 months must be returned to the Treasury rather than being retained and recommissioned locally.

This is why the LGA is calling on the Government to go further and faster so councils can make apprenticeships work for the local economy. In particular by:

- Using the upcoming Levy review to enable local areas to pool Levy contributions across local economies, so that employers can plan provision together more strategically for the good of the local area and residents.
- An extension on the two year limit (from April 2017) to spend the Levy against key standards for local authority workforces, some of which have only just been approved or are still in development.
- The power for local areas to use the Levy more flexibly to recognise the full costs of apprenticeship programmes and administration including on pre-apprenticeship training, so long as there is a final apprenticeship outcome.

- Making transparent how much Levy underspend there is and that local areas retain the Levy underspend rather than handing it over to Whitehall.

Analysis for the Open University^{iv} one year into the introduction of the Apprenticeship Levy revealed that more than £1.28 billion of funds collected through the Levy sat unused in National Apprenticeship Service accounts. This was on the basis that organisations paid in more than £1.39 billion but only withdrew £108 million).^v Employers are struggling to fully utilise the funding.

ⁱ <https://www.local.gov.uk/topics/employment-and-skills/work-local>

ⁱⁱ www.local.gov.uk/about/news/local-solution-12-million-caught-skills-gap-2024

ⁱⁱⁱ Ibid.

^{iv} <http://www.open.ac.uk/business/apprenticeships/blog/apprenticeship-levy-one-year-on>

^v <http://www.open.ac.uk/business/sites/www.open.ac.uk.business/files/files/apprenticeship-levy-one-year-on.pdf>