

Local Government Association briefing

Debate on the Government's skills strategy

House of Commons

8 May 2018



Key messages

- Our employment and skills system is highly fragmented, and it can be difficult and confusing for people looking to retrain or upskill to know where to start. £10.5 billion of employment and skills funding is commissioned by eight Whitehall departments or agencies across 20 different national schemes, with different criteria and eligibility.ⁱ Despite this level 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. Failure to address the resulting 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 will be £1,176 a year worse off.ⁱⁱ
- The Government has initiated a range of post-16 skills reforms to address the skills challenge, including a renewed focus on adult re-skilling and upskilling. It will be important for the Government to recognise the merits of the local careers pilots and use it to inform the CBI and TUC-led National Retraining Scheme. It must also ensure that sector needs are balanced with local needs, and that it delivers support to those people and places that are most likely to lose out from economic and technical change.
- Other national initiatives include skills advisory panels, devolved adult education budget, digital skills partnerships and reforms to achieve parity between technical and academic routes. There are clear benefits to exploring how these could be designed and coordinated locally to target training of the current and future workforce and we are committed to working with the Government to achieve this.
- *Work Local* is the LGA's positive proposal for change. Led by combined authorities and groups of councils, in partnership with local 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 approach is now critical as combined authorities, councils and local partners plan how their areas will respond to the challenges and opportunities of Brexit and the Government's Industrial Strategy.
- We continue to call on the Government to embrace this place-based approach and to help take the agenda a step further, we have recently proposed a new partnership between the sector and DfE to deliver more effective collaboration on post-16 skills provision.

Briefing

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Background information

The current skills and employment system

All councils, working with local businesses and partners, want to build strong, resilient economies where residents contribute to, and benefit from, growth. 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. This is especially important as every area looks to contribute to the delivery of a successful industrial strategy in a post-Brexit Britain.

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, and more than six million too many low-skilled. Failure to address these gaps puts at risk four per cent of future economic growth, while the average worker will be £1,176 a year worse off. Nine million people lack literacy and numeracy skills, and more than half of all unemployed people do not claim benefits or receive employment support from Jobcentre Plus (JCP). All of this is bad for the economy, employers and individuals.ⁱⁱⁱ

Both the employment and skills systems are highly centralised, with little or no scope for local areas to influence priorities or funding so they can target support. At the same time, accountabilities between national agencies are highly fragmented. A total of £10.5 billion of employment and skills funding commissioned nationally by Whitehall or its agencies, is scattered across 20 different national schemes. The country can ill-afford this fragmented approach to employment and skills services.^{iv}

As we move towards the United Kingdom's exit from the European Union (EU), it is more vital than ever that local areas have greater input and oversight of the skills system. Improving employment and training prospects for residents, whilst ensuring that some of the most important sectors of the economy benefit well-skilled employees, must be a priority for the Government.

The Apprenticeship Levy

It is estimated that 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 the key standards are not currently in place. It 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.

More than £1.28 billion of funds collected through the Apprenticeship Levy is sitting unused in National Apprenticeship Service accounts, according new data analysis commissioned by The Open University.^v One year on from the introduction of the Apprenticeship Levy, organisations have paid in more than £1.39 billion but only withdrawn £108 million.^{vi} Employers are struggling to fully utilise the funding. Any review of the Apprenticeship Levy must enable local areas to pool Levy contributions and have the ability to use these contributions, so provision can be planned and targeted more effectively across places. We stand ready to work with the Government on the detail of this.

To ensure that apprenticeship provision matches the needs of employers and the skills of the population, the Government must use the Apprenticeship Levy review to enable local areas to pool Levy contributions, loosen Levy restrictions including its use. Central government must also ensure all Levy underspend goes back to local areas where it is raised rather than directed from Whitehall. Most importantly to ensure its success, the apprenticeships system should be fully devolved to combined authorities. In addition, all non-Levy funding should be devolved to local areas.

A key part of changes to the Apprenticeship Levy must be a relaxation of rules on how Apprenticeship Levy funds can be used by public sector employers. This would include enabling these to be pooled between local public sector employers, and for local areas to be able to use these funds to establish hubs which allow knowledge and funding to be pooled.

Work Local

Work Local is the LGA's vision for an integrated and devolved employment and skills service. Led by combined authorities and groups of councils, in partnership with local stakeholders, *Work Local* areas will plan, commission and have oversight of a joined-up service bringing together advice and guidance, employment, skills, apprenticeship and business support around place for individuals and employers.

In doing so it will provide a more coherent offer for the unemployed and low skilled of all ages, while supporting local economic growth by forging better links between training providers and employers. We recommend practical steps that should be taken now to make our vision a reality. Across a local area, *Work Local* could each year result in 8,500 more people in work, additional fiscal benefits of £280 million and a benefit to the economy of £420 million.^{vii}

This *Work Local* service will:

- Bring together and localise support that is currently fragmented across business support, local growth, careers services, JCP services, adult skills, apprenticeships support and employment programmes.
- Make full use of physical assets across the range of services that host or deliver employment and skills services; including colleges, councils, universities, JCP offices, and many more. Services will work together to provide a co-ordinated, locally tailored, physical and digital presence.
- Have a clear offer for individuals and for employers, which for individuals means a single system that can help with improving skills, preparing for work, finding work, changing careers and progressing in work. For employers, this means going beyond just placing vacancies and helping with recruitment.
- Connect to wider services, partners and support so that *Work Local* not only integrates employment and skills, but must also act as a gateway to more specialist services and support that individuals and employers may need. This includes health services, budgeting support, housing and welfare.

To help local areas close their skills gap, the Government must ensure the ambitions set out in the 2019 Local Industrial Strategies can be fulfilled with devolved powers and funding, and that *Work Local* is promoted as a framework for their development.

Local authorities would also like to be satisfied that by 2019, the £1.5 billion 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.

We want to see the Government work with councils and combined authorities to ensure the UK Shared Prosperity Fund is locally rather than centrally designed and managed and in place by 2019. Councils and combined authorities must be given a key role to design and coordinate the local skills offer for people and places (National Retraining Scheme, Skills Advisory Panels, T-Level introduction).

ⁱ LGA, 2017. *Work Local: our vision for an integrated and devolved employment and skills service* (www.local.gov.uk/sites/default/files/documents/WORK%20LOCAL%20FINAL%20REPORT%2005072017.pdf)

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

ⁱⁱⁱ LGA, 2017. *Work Local: our vision for an integrated and devolved employment and skills service*

^{iv} LGA, 2017. *Work Local: our vision for an integrated and devolved employment and skills service*

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

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

^{vii} LGA, 2017. *Work Local: our vision for an integrated and devolved employment and skills service*