The West Midlands LEPs and the skills agenda:
The role and contribution of FE Colleges

Executive Summary

March 2015
Introduction

In Autumn 2012, AoC West Midlands (AoCWM) commissioned the Regional Observatory at Marketing Birmingham to undertake a series of interviews to assess how relationships between colleges and local enterprise partnerships (LEPs) were developing, and to identify some of the significant factors which were impacting on the ability of colleges and LEPs to develop a joint approach to meeting skills needs. The Observatory interviewed college Principals, LEP Officers and the individual with overall responsibility for skills on the LEP Board at each of the six LEPs in the West Midlands. We published a report of the findings in Spring 2013.1

Since the publication of the original report the role of LEPs has been strengthened with the agreement of local growth deals based on Strategic Economic Plans (SEPs), and there has been a further shift in Government policy to greater devolution and localism.

Against this back drop we wanted to refresh and update our understanding of the relationship between colleges and LEPs and how this is helping to achieve shared strategic goals around local growth and economic development. In Autumn 2014, AoCWM asked the Regional Observatory to talk to the same group of people to update the previous report and to assess how things have moved on. In particular we wanted to get a view on how relationships were developing, not just between colleges and the six West Midlands LEPs but also between colleges themselves and between LEPs – specifically are colleges coming together to offer a collaborative response to LEP skills priorities and are LEPs working together to address some of the more significant sectoral priorities that they have in common.

In reporting this second round of research on colleges and LEPs we comment on:

- how well the operation of the skills system is understood
- the development of LEP governance and college involvement in it
- the set of relationships between colleges and LEPs and how effective these are in meeting skills needs in the context of local economic growth
- the alignment between college provision and LEP skills priorities and the extent to which this is changing
- the use of labour market intelligence to provide an evidence base to support joint planning
- how success in the implementation of local skills plans and priority activity is being assessed.

The report concludes with a summary and some implications for further action.

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1 The West Midlands LEPs and the skills agenda: The role and contribution of FE Colleges, AoC West Midlands, 2013
The Skills System, Funding and Strategic Plans

LEP understanding of the skills system

In our previous survey, we asked about the extent to which LEP officers and Board members understood the operation of the skills system. There was agreement that the current system was both confusing and complex and this remains so. However the detailed understanding that might have been important when LEPs were first established has far less significance as the system itself changes.

LEP Board Members and Skills Leads remain heavily dependent on the advice and support of LEP officers often but not always based in local authorities. Whilst few of the six LEPs in the West Midlands have officers dedicated to skills issues, there has been a move to establish permanent executive teams with at least one person picking up skills responsibilities. The Skills Funding Agency still has a significant role to play in assisting LEPs to make the system work and more specifically to assist with skills capital funding and the management of European Structural Funds.

For most LEP Board Members however, the concern is far more about what the system delivers rather than how it operates. Hiding the wiring remains important.

Shifting responsibility for funding to employers

Along with a policy of devolving funding and decision-making to local level, there has been a parallel policy to devolve commissioning and purchasing decision for skills training to employers. The Government published a consultation document in 2014 outlining proposals to pass responsibility for funding Apprenticeships to employers. With the exception of funding for Apprenticeship Trailblazers the implementation of the changes is currently on hold.

LEPs have been given responsibility for skills capital funding and the new European Structural Funds. Following the agreement to devolve funding for adult skills to the new Combined Authority in Greater Manchester, further devolution of skills funding, including to the West Midlands looks almost certain.

Feedback from our survey indicates that there is little evidence that employer control over funding of skills related has occurred to any significant degree. In fact there is some reticence on the part of employer to take on this responsibility and some significant concerns as to the extent to which this is a practicable strategy for small and medium sized enterprises.

LEP Strategic Economic Plans

Strategic Economic Plans (SEPs) set out the LEPs’ strategic visions for their areas. They form the basis for the agreement of Local Growth Deals with Government and the devolution of funding. The extent to which colleges have been directly involved in the production of the SEP varies as does the coverage of skills issues. Most LEPs in the West Midlands have supporting Skills Strategies.

Governance arrangements

Since we completed our previous study in 2013, the number of LEPs in the region with direct further education representation on their Skills Board or on their main Board or both has increased. Colleges are now contributing directly to strategic
thinking on both skills and wider economic concerns and there are positive indications of Principals exercising strong strategic leadership on key aspects of economic development.

The extent to which colleges are collaborating is increasing and this is evidenced in the arrangements that have been adopted in nominating a Principal to the LEP and validating his or her role in speaking on behalf of the local Principals’ group.

Governance arrangements are currently being reviewed at a number of LEPs to identify improvements in both structure and membership. As LEPs mature this process will undoubtedly continue.

A further recent trend has been for colleges to seek to recruit LEP Board Members or officers to their Governing Bodies. Subject to the availability of vacancies on college boards, this trend is also expected to continue.

**Relationships and collaborative working**

*Collaboration between colleges*

Whilst there will always be a degree of competition for learners, colleges across the West Midlands are working collaboratively in their relationships with their LEPs. This has happened more quickly in some areas than others and reflects both local culture and the LEP’s willingness to engage in a single conversation rather than, or as well as, with each college individually. The appointment of staff to work on behalf of a group of colleges in some areas has further assisted this process.

There are good examples of effective joint working between colleges in specific sectors or areas of curriculum. For example:

- a high value engineering and manufacturing steering group in the Black Country where all colleges are developing a joint strategic plan
- jointly mapping provision for adults in Stoke-on-Trent and Staffordshire and agreement to submit joint European funding bids
- the development of the Skills Hub in Greater Birmingham and Solihull to provide a single point of access to training for employers.

Colleges view these developments as a proactive response to meeting LEP priorities but acknowledge that the LEP has been a significant catalyst to more effective joint working. However, whilst collaboration between colleges is increasing there is no firm evidence that this has led to rationalisation of provision.

*Collaboration between local enterprise partnerships*

There are currently few examples of collaborative activity between LEPs on skills issues in contrast to other strategic developments such as transport and infrastructure. Cross-LEP discussions on skills appear to be largely informal and there is as yet no evidence of joint approaches to sectoral skills priorities identified in one or more Strategic Economic Plan.

There is more cooperation where LEP boundaries overlap and some LEPs are working more closely together in response to Government announcements of
plans for further devolution. Uniquely for the region, The Skills Show is seen as a good opportunity to network, share practice and identify common challenges.

A distinctly local focus on priorities together with limitations on the capacity of LEP executive teams are viewed as factors which are inhibiting greater cross-LEP collaboration.

The current relationship between local colleges and the LEP

The focus on the perceived match between LEP skills ‘priorities’ and college provision often ignores the contribution colleges make to meeting skills needs across the wider local economy and labour market. Understanding this wider role is important to the development of an effective working relationship. The relationship is strongest at senior levels and there are few examples of joint development activity where colleges and LEPs play an equal part. Developments linked to the Black Country Skills Factory and the development of the Skills Hub in Greater Birmingham and Solihull are notable exceptions.

As yet there is little evidence of what the CAVTL Report\(^2\) termed a two-way street in co-designing and developing provision to meet local priorities. In general, the relationship between colleges and LEPs remains largely characterised as transactional rather than transformational.

LEP influence and the alignment of skills provision to skills priorities

Alignment

There are divergent views on the extent to which college provision is matched to LEP skills priorities. Indeed it is worth noting that whether this is either practicable or desirable is still contested. However, the discussion is now better informed and consequently more nuanced.

Broadly, the interviews with Principals point to a number of factors which challenge the presumption of a narrow alignment of college provision with LEP sector priorities:

- sector priorities often represent a small percentage of employment opportunities in the local economy even in sectors identified as having potential for growth
- colleges are rooted in their local communities and have well-developed links with a range of local employers of all sizes based on the quality of provision and its responsiveness to employer needs
- the LMI evidence to support changes in the provision profile is limited and the ability to predict future demand often weak
- in addition to specific vocational skills, colleges look to equip young people with a range of generic employability skills including literacy and numeracy; these generic employability skills can be taught in a variety of vocational settings

\(^2\) It’s About Work ..., The report of the Commission on Adult Vocational Teaching and Learning, LSIS, 2013
 learner choices are not currently well supported by impartial information, advice and guidance.

In contrast LEP Skill Leads tended to report that whilst they saw some progress there is still some way to go with colleges continuing to get closer to employers to understand the needs of businesses more fully. There is a view that colleges are delivering too much provision at low levels particularly in service industries and not enough technical and professional education at levels 3 and 4 and above.

There are additional challenges for colleges in meeting the needs of small and medium-sized employer with economically viable provision and in responding quickly to technological change in some sectors.

LEP Skills Leads recognise the importance of dynamic leadership from colleges in responding to skills needs.

**Influence**

LEP influence over college provisions appears to be increasing although it is more likely that LEPs are providing the strategic context in which colleges are working rather than through direct control of funding and planning. Colleges appear to be responding proactively to LEPs as one of a number of major local stakeholders to whom they are accountable. LEPs provide the high level market signals to colleges and are not currently influencing planning in any kind of direct way.

LEPs’ responsibility for skills capital is viewed as a significant driver of increased influence as only projects that meet LEP priorities are likely to receive funding.

LEPs recognise Principals’ concerns about the financial risks in changing provision. There is a need for informed discussions between colleges and LEPs over changes in the balance of provision in the context of the impact on college financial sustainability.

**Measuring how closely college provision is to LEP priorities**

Whilst there is external pressure on colleges to demonstrate the alignment of their provision to LEP priorities, there are some significant difficulties in developing a robust methodology mainly due to the different bases on which college provision and labour market statistics are based. This has led to some rather naive and uninformed comments on the relationship between college courses and programmes and LEP sectoral priorities.

Colleges are adopting their own methods for assessing the match based on a detailed analysis of the Individual Learner Record to demonstrate volumes of provision at each NVQ level and in generic skills areas including administration, leadership and management.

**Developing an evidence base - the use and adequacy of Labour Market Intelligence/Information (LMI)**

There is a much greater awareness of sources of relevant labour market and other data to support skills planning than shown in the previous survey. The Skills Funding Agency has provided LEPs with analysis on college provision extracted from the Individualised Learner Record (ILR) and some LEPs are able to draw on analysis from
local Observatories or other sources. In a joint initiative with the Association of Colleges, RCU Ltd has provided data analysis to colleges also drawn from labour market information and the ILR. Colleges in the Black Country have used this service to support their discussion with the LEP.

There are concerns, however, about the adequacy of LMI and also the capacity to interpret it correctly. These concerns largely centre on the use of what is effectively historic data to predict future skills needs, and also the importance of getting below the surface of broad sectors to get a better picture of skills needs in sub-sectors and occupational areas. This latter point is particularly relevant in terms of growth sectors where the actual number of jobs at technical and professional level might account for a relatively small number of jobs both in that sector and in the local labour market.

Measuring outcomes

Given the importance of skills to local growth and economic well-being we looked at how LEPs were intending to measure impact. Some LEPs have identified a relatively extensive range of measures and have built a monitoring and evaluation strategy into their plans. Key indicators used by most LEPs include:

- New job creation
- Business assists
- Apprenticeship numbers
- GVA growth (on aggregate and per head)
- Reduction in unemployment
- Increase in % of people with qualifications at specific skills levels

However there is no common basis for many of these measures which makes it difficult to assess the comparative performance of LEPs.

Measuring the performance of colleges is changing with a shift away from qualification achievement based measures to measures based on progression, employment and other related outcomes.

Overall conclusions and implications for action

Evidence from the interviews undertaken for this survey have shown that the relationship between colleges and local enterprise partnerships has developed significantly in the past two years. LEPs’ authority to shape local growth and economic development has been strengthened through the production of Strategic Economic Plans and the agreement of local growth deals. Colleges have responded proactively to realigning some provision to meet skills priorities and in most parts of the West Midlands are collaborating to provide joint responses to a number of skills initiatives. College Principals are increasingly recognised as skills experts and are providing strategic leadership on skills issues.

However, there are still some significant areas to address. These include the need for mutual agreement that colleges’ role extends to the whole local labour market and economy including the low skilled and unemployed, and that responsibilities
here need to be in balance with attention to other priorities. Similarly, colleges need to continue to demonstrate that they are able to meet individual employer demands with high quality responsive provision.

Both LEPs and colleges face the joint challenge of supporting skills development in small and medium-sized enterprises.

As Government continues to devolve additional responsibilities to LEPs and other local agencies, effective dialogue between all partners engaged in meeting local needs will be important, and between colleges and LEPs in meeting skills needs, it will be essential.

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Full Report

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