



Meeting the county skills challenge

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Foreword



Cllr Simon Henig
County Councils
Network Spokesman
for Industrial Strategy
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County Council

England's economy is on the cusp of major upheaval. The government's industrial strategy aims to promote growth evenly across the length and breadth of England, and it remains to be seen what impact the final Brexit deal will have on the economy.

At the same time, technological advances give greater options to the consumer, but potentially pose a challenge to employers, especially in sectors vulnerable to automation.

Central to overcoming these challenges and making a success of the Industrial Strategy, Brexit, and the automation revolution will be raising the skills of residents in county areas.

On the face of things, county areas contain adept and qualified workforces – the percentage of people qualified to NVQ level 4 and above is only just short of the national average, and greater than that of the combined authorities in England.

Yet, there are still substantial challenges in counties: many residents' occupations are in the skilled trades that are vulnerable to automation and the aftershocks of

Brexit, whilst in some areas, workforces do not have the skills to do the jobs of tomorrow; such as those in high-growth sectors like professional and technology. At the same time, those highly skilled employees may live in counties, but not necessarily work in them.

What is also striking is the difference in the skills, business, and occupational profile in each area; what may be a concern in Durham is not necessarily a major issue in Suffolk.

A blanket industrial strategy is one that is set up to fail, but the government's 'place-based' ethos of localised industrial strategies is welcome. Nonetheless, Local Enterprise Partnerships, rather than counties, are the chosen vehicle to drive forward these strategies, whilst policy and investment is still unfairly skewed towards urban areas and cities.

County authorities must be a big part of the skills conversation in England. They know their economies intimately, and have the size and track record to work with partners and businesses locally, as well as government nationally. They

must be empowered to deliver local industrial strategies alongside LEPs.

That is because these localised strategies offer a golden opportunity for local areas to shape their skills profile to foster economic growth and ensure our areas have the workforce to do tomorrow's jobs.

There are good news stories across the county landscape in England. My own county of Durham is carrying forward a 'Durham Works' programme which has engaged over 3500 eligible participants, two-thirds of whom have progressed to employment, education or training.

Yet if government devolves adult education powers and skills budgets to local areas, we will finally have the tools to make a substantial impact.

This report explores the skills conversation in local government so far, and what could happen next. If local growth is to be seen across the country, which is so crucial in the post-Brexit landscape, local areas must have the ability to shape the skills profile of their residents.

Introduction



Rod McCurdy,
Managing Director,
Citizen Services, Serco

Serco has been delivering Skills Support for the Workforce programmes since 2013 and as an ESF Prime Contractor working across 9 LEP regions and working with over 50 subcontracted delivery partners, we are well placed to offer our expertise to skills commissioners, working in partnership with them to assist in the design and delivery of effective training programmes that address the needs of both businesses and individuals, today and into the future.

Against the backdrop of more fragmented funding structures and

reduced public sector spending our experience and expertise can be put to good use in delivering the best value for money propositions that deliver economic impact.

We are able to offer innovative solutions that provide joined up services for businesses and individuals with the added potential to join up funding streams across localities allowing us to take advantage of any potential economies of scale. Our tried and tested delivery model is flexible affording our customers the capacity required to allow for a rapid

response to new or changing skills demands.

Our approach is one of partnership, we want to work with you to support you in commissioning programmes that deliver results and create a future proofed workforce that has the skills to meet the needs of industry across the UK. We can support the provision of learning pathways for sectors facing skills gaps and assist with the development of qualifications for the future creating a robust skills sector that can deliver against requirements.

Part One:

An overview of skills in counties

The following pages provide CCN's view on the skills offer challenges, drawing on recently commissioned research, alongside recent developments on skills and the future of provision.

Skills Challenge Within Counties

The uncertainty about Brexit, and what challenges and opportunities leaving the EU brings has brought into focus the performance of our regional economies that may have not been so under the microscope had there been a different result in June 2016.

In order for the country's growth to rise at the level needed over the next decade and beyond, all four corners of England need to be 'firing on all cylinders'; an argument made by the Prime Minister in her first day of office.

Here, county authorities are crucial on both counts; they are regional powerhouses, crucial to a local economy's wellbeing by leveraging private sector investment and containing the large-scale economic growth functions for large strategic projects, and collectively they account for 41% of the country's GVA; they are England's economic backbone.

Counties will therefore be a vital part of any major policy that

attempts to improve productivity and drive domestic growth, such as the government's Industrial Strategy, especially considering their annual growth is forecast to grow at a slower rate than the national average.

A key element of ensuring county economies thrive and grow over the coming period will be the skills profile of county residents and employees. There are big questions over local labour markets in county areas. Counties have large older populations, and their areas are forecast to have a larger-than-average migration of people either retired or approaching retirement. At the same time, many young people brought up in counties leave at 18 for universities or employment in bigger towns and cities.

When looking at the qualifications profile of county residents; 36.5% are qualified to NVQ level 4, slightly below the national average of 37.9% - but it is clear many work outside counties in the larger cities.

And when you drill down into the skills data at 'strategic authority' level



the picture is mixed, as Localis have done in their report commissioned by CCN, 'In Place of Work'. In total, seven of the bottom-ranked areas in terms of qualifications are county areas.

Conversely, only one of the top five areas for skills is a county – Oxfordshire – and the skills profile of the nation is skewed towards London and the surrounding areas. Even some of the Home Counties – where the stereotype is that of a highly skilled, urban workforce - barely register on the top 20 most skilled locations. As the OECD notes, the UK is a global leader in many technologically advanced industries, but the country's skills mix is not aligned the skills requirements of those businesses.



This is reinforced by Oxford Economics' research for CCN, which showed that counties' occupational profile is skewed towards the skilled trades; reflecting the high proportion of manufacturing and construction jobs in county areas.

But these jobs are under threat as local economies gradually evolve towards an increased focus on high value-added services such as professional, scientific, and technical businesses. There are also growing concerns that the post-Brexit immigration regime could leave labour shortages in sectors such as in hotels or food manufacturing, sectors which remain important to county economies.

Automation could have an equally

dramatic impact on county economies. Research from Oxford Economics suggests that 144,000 job losses could be lost nationally over the next decade as a result of automation eroding manufacturing. Using the Localis research, it appears that eight out of the ten areas in Britain that are most exposed to automation are counties.

This leaves counties facing what Localis' research called a 'toxic cocktail of threats' from three intertwined issues: will those places have the workforce for new and growing sectors and jobs? How can local areas – and individuals – be protected from automation and technological advances? And how much of an impact could a



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reduction in migration impact on some sectors and some areas reliant on having a sizeable migrant workforce?

These three issues were dubbed a 'toxic cocktail of threats' to local labour markets by Localis in their recent report for the County Councils Network. Their research found that in the ten areas most exposed to these threats, nine were counties.

Of course, both sets of analysis are looking towards the future, but it is worth pointing out that the past decade has proved county areas to be fairly resilient since the global financial crash. In total, 41% of jobs created in England since 2007 in county areas, with professional services and the health sectors accounting for over half those new jobs.

Therefore, ensuring that county residents have the qualifications to do the jobs in these emerging sectors will be of a paramount

concern to local authorities, whilst national strategy will need to focus positively to the opportunities – and challenges – from such a transition.

These are highly complex issues, where the national economy, skills profile, and employment makeup of individual areas are intertwined with each other as considerations, and all linked to whether the country will be able to prosper in the post-Brexit landscape.

Ensuring that individual areas have the powers and resource to make a difference, rather than a 'one-size-fits-all policy' will be important in ensuring these challenges are overcome.

Recent Developments in Skills Provision

Over the past ten years there have been significant changes to the way that skills provision is set and delivered in England. This has further

complicated a landscape where a number of different central government departments and agencies are directly responsible for employment and skills policy, design and funding.

In any one area, schools, colleges, councils and national agencies like the National Careers Service (NCS), Careers and Enterprise Company (CEC), Job Centre Plus, and Education and Skills Funding Agency deliver initiatives for different age ranges and groups, with no one organisation responsible for tailoring it for the local jobs market.

In total, 20 employment and skills funding streams are managed by eight departments or agencies, who collectively spend more than £10 billion a year. At present there is no common plan across government on how they will work together.

When the government embarked on determining which powers would



be given to the six new mayoral combined authorities that were set up between 2014 and 2017, responsibility for skills was one of the areas that the government was open to devolving. The resulting deals saw the Adult Education Budget and the Apprenticeship Grant for Employers devolved to the new mayoral combined authorities, and this responsibility was also extended to the Mayor of London.

This means that whilst combined mayoral authorities have responsibility for skills policy and provision, in others it continues to be guided at a national level. There is no duty for national organisations to consult with local authorities on provision in their areas, leaving councils, LEPs and other partners without all the tools they could have to shape skills strategies and provision in their areas.

Much of the funding that has

underpinned skills provision in England has come through the European Social Fund (ESF). Between 2016 and 2018 over £400m was distributed by the fund for the delivery of education and training on behalf of the Local Economic Partnerships (LEPs).

This funding will not be available after Brexit, and the Government is yet to set out what alternative funding arrangements will be put in place to ensure that councils and their partners in LEPs can continue to deliver high quality skills provision.

This uncertainty over future funding arrangements comes at a time when local communities and economies face a set of skills challenges that both reflect some of the reasons for the Brexit vote, and some that will be caused by Britain's withdrawal from the EU as employment opportunities and skills gaps change.

In addition to ESF funding, a significant new tranche of funding came into force in 2017 with the introduction of the Apprenticeship Levy. The levy is set at 0.5% of the value of the employer's pay bill, for all employers with a wage bill of over £3million a year. The funds generated by the levy are paid into a levy account for the employer to spend on apprenticeship training costs. If the employer does not spend these funds within two years they expire and are sent to the Treasury.

At present, the Apprenticeship Levy does not appear to be working to its full potential: there were 195,200 apprenticeship starts between April and November 2017, 40% lower than the 326,700 starts in the corresponding seven months in 2016.

Despite these challenges, local authorities have worked hard to ensure that skills provision meets local expectations, working with LEPs to commission providers like Serco to deliver programmes such as the Skills Support for the Workforce Scheme, which is explored in greater detail over the next five pages.

What Next for Skills Provision

County authorities have the ambition, size, and expertise to engineer real change in their local skills markets, and ensure their economies can

transition to new employment sectors, but they are currently shackled by their limited powers.

Localis' report proposes the tools counties need. The think tank argues that strategic authorities, led by the county authority in county areas working alongside Local Enterprise Partnerships, should be freed-up to create their own local labour strategies, moving away from the 'one size-fits' all mantra.

Localised industrial strategies, a key facet of the 'place-based' narrative of the national Industrial Strategy, could be the mechanism to create local labour strategies, with counties as strategic authorities working alongside LEPs; tailoring solutions to local areas by matching skills to local demand and supporting new business growth.

Government should consider devolving skills functions and funding, and adult education powers, down to local areas, with counties working closely with local business and education providers to shape solutions to specific local skills and workforce challenges.

There should also be the option for employers to passport their apprenticeship levy funds to the strategic authority and local businesses, this would help equip the local workforce with the high-quality skills businesses and public bodies seek. It may encourage pooling with local NHS providers, for example, to help combat the significant and specific skills shortages in health and social care. And it could see the revival of employer guilds to champion skills in local growth sectors.

At the same time, what works in one area may not work in another. This is why a blanket policy will fail to achieve its aims; solutions need to be locally-led and in response to area's specific challenges – and potential.

The foundations are there, but the powers aren't. If this government is to achieve its aims of creating a 'country that works for everyone', with prosperity and economic growth in all four corners of England, it must equip local areas with the tools they need to foster change.

Collectively counties account for

41%

of the country's Gross Value Added

36.5%

of residents in counties are qualified to NVQ level 4, slightly below the national average of 37.9%"

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was distributed by the fund for the delivery of education and training on behalf of the Local Economic Partnerships (LEPs).

Part Two:

Delivering skills provision

The following pages provide Serco's views on the skills offer they are delivering in partnership with local authorities, LEPs and Business'

Support for the SSW Programme

Serco delivers 13 Skills Support for the Workforce (SSW) contracts and two 'Apprenticeship Services' contracts, providing training, to help upskill the workforce of small and medium enterprises (SMEs). Serco provides support in Cornwall and the Isles of Scilly, Heart of the South West (HotSW Apprenticeships Service), Dorset, Swindon and Wiltshire, Gloucestershire, South East Midlands, Coventry and Warwickshire, Worcestershire, Stoke and Staffordshire.

The most recent SSW programme, launched in the Autumn of 2016, aims to help support growth in priority areas identified by Local Enterprise Partnerships such as engineering and manufacturing, retail, creative industries and renewable technologies, helping to boost the wider, regional economy.

Serco is the prime contractor for each area and works with a supply chain of expert training providers (selected because of their knowledge

of the local economy) to offer recognised accredited qualifications and bespoke training courses aiming to enhance employees' skills, increase the competitiveness of local businesses and boost the local economy.

Meeting the needs of key stakeholders

Serco proactively reports performance and challenges to each of our Local Enterprise Partnerships via performance reports. In many of our ESF contract areas we meet quarterly with the LEP (and other relevant stakeholders such as local authority skills leads) under tripartite agreements where we are able to talk through the performance reports and discuss key successes and challenges. We have found them to be an effective way to improve the performance and impact of skills investment in a locality. These arrangements facilitate closer working with key stakeholders, enable introductions to be made to business

networks and employers and help to ensure that the programme delivery remains aligned to local priorities. The local nature of the delivery of services is fundamental to this.

Where tripartite agreements have not been established and performance reporting is only with the ESFA (or other central commissioner) it can be more difficult to establish whether delivery is having the desired impact and aligning to strategic priorities locally and in line with key stakeholder requirements. This also has an impact on the potential reach of the programme. Key networking opportunities are lost to the programme and subsequently can impact on the number of employers accessing support.

Supporting SMEs to navigate the skills funding landscape

A key part of the role of our SSW Partnership Coordinators is to fully understand the local skills funding and delivery landscape and to use their knowledge and expertise to help businesses access the full suite of skills support they require even if that is not support delivered by Serco. We make referrals to training providers and funded programmes on behalf of businesses helping to ensure that the fragmented support landscape is seamless, providing the right package of support to assist them with their growth goals. As skills commissioning becomes more devolved the role of service integrators such as this becomes more significant and essential to ensure that businesses are utilising all of the provision available to them.

Recognising and responding to skills gaps

Serco works with partners that have

In Cornwall our SSW programme was approached by a large employer undergoing a redundancy process for up to 100 individuals to find out how we could support. Our Partnership Coordinator visited the HR team to assess individual needs. We recognised that it would be useful to bring in support from a range of organisations working in the skills and careers environment to support our SSW offer and provide the best outcome for the individuals going through this period of change.

We invited Outset, Careers South West and the National Careers Service to a follow up meeting where we decided it would be best for the employer to host a partnership skills event with each of the organisations in the room in attendance alongside the training providers in Serco's SSW supply chain for Cornwall.

Notable achievements from this collaborative event were:

- 80 individuals in attendance to access the wide range of support on offer
- Collaborative working with the employer and partners to develop a customer journey plan for each individual and a training needs analysis for the employer
- 40 attendees started basic IT training
- 20 started non regulated courses including bookkeeping, Social Media training, marketing and Leadership and Management training
- A further 20 individuals started SAGE courses or accountancy qualifications



GHQ recognises skills gaps in early years' speech and communication provision

GHQ are part of Serco's network of expert organisations chosen to deliver the SSW programme (HoTSW Apprenticeship Service) in Devon, Somerset, Plymouth and Torbay in partnership with Heart of the South West Local Enterprise Partnership (LEP).

GHQ Training is one of the region's leading providers for training in Childcare and Support Teaching. They identified a gap in skills and a need for additional CPD in the speech, language and communication area. This was highlighted through delivery of Training Needs Analyses with employers as part of the HotSW Apprenticeship Service provision and GHQ's in-depth knowledge of the sector.

Problems with speech and language are the most common developmental difficulty that children encounter. Studies indicate that as many as 1 in 10 children in the UK have speech and language difficulties, and these are particularly prevalent in the early years. Language is central to learning and difficulties in this area can have a profound impact on a child's experience of their early education.

There has been a huge reduction in the

funds available to support schools and early year settings with their ongoing CPD, leaving them to try and source funds to finance it themselves. GHQ recognised that they needed to address this through their training provision and with funding secured through Heart of the South West Apprenticeship Service, sought a solution to meet the skills shortage.

Working in partnership with the sector GHQ developed a regulated CACHE qualification – Level 3 Speech, Language & Communication Award for Children and Young People. As a well-established trainer GHQ had a number of staff with the expertise and qualifications required to deliver this and in many instances they were already working within the organisations who had been requesting it for some time, but couldn't afford to pay for it.

The training programme required the organisation to dedicate a specialist member of staff to oversee this area within their setting. The qualification ran for 6 months in locations across Devon, training took place in centres, at employers' workplaces or a combination of both.

Training beneficiaries said:

"We are already seeing the impact the training is having on our children and other staff members"

"It's so important having a member of the team who is able to set strategies for the children who need the support, and to support other colleagues"

Helen Hart, GHQ adviser, said: "Through accessing a recognised qualification, the dedicated staff members now feel able to more fully comprehend the needs of their learners with speech, language and communication issues and put in place effective plans to manage their learning & support. They have also received career progression in the form of becoming a specialist within their schools for the management of children with difficulties in this area. Children are seeing the benefits from the new skills learned. This all wouldn't be possible without the funding provided by Heart of the South West Apprenticeship Service and our dedicated team who have developed and delivered this new qualification."

methodologies for identifying demands in the employment sector which help to support real time identification of skills gaps. This allows us to align our offer to current skills demands and shortages. Our role as an independent prime contractor, our procurement approach and 100% supply chain model allow us to bring in new providers to address skills gaps and meet changing market demands or to support innovation and the development of new training programmes within our existing supply chain.

Serco holds the Merlin Standard, assessing supply chain management, rated as 'excellent' and our experience and expertise in procuring and managing complex supply chains means that we have been able to establish a network of the very best local providers who can meet the requirements of the customer locally. Our role as prime contractor allows local SMEs to deliver contracts that would otherwise be out of their reach. Our Skills Support for the Workforce contract is comprised of 56% SMEs.

This approach has resulted in us working with a diverse network of providers from the public, private and voluntary sectors. Our tried and tested subcontractor procurement approach provides an agile delivery model enabling responsiveness. We can quickly bring in additional partners from other areas to support local employer and customer needs that could not be met by existing local supply chain, or where potential local partners do not wish to deliver.

In Dorset it was recognised by the LEP that construction was an emerging priority sector not previously recognised in the original contract specification. Serco was able to engage with specialist skills providers Construction Skills People (CSP) and Geasons Training to address this emerging local demand as part of our SSW provision.

Fostering continuous improvement

A key part of providing an agile training provider supply chain is the opportunity for continuous improvement; that is an ability to bring in new providers that may be able to meet emerging market demands rather than well-established supply chains offering more of the same of the training they are experienced in and comfortable delivering.

For example the digital revolution enabled by access to faster broadband and ever more reliance on web based technology both for workers and businesses is increasing demand for digital skills across the SSW programme area. As this skills requirement is rapidly moving beyond the basics of technology literacy into more specialist areas and modules being incorporated into mainstream qualifications, such as leadership and management, it is essential to be able to have a procurement approach that allows us to work with digital specialists.

Contrary to the traditional training provider landscape, Serco increasingly recognise the requirement for those with specialist skills to also be those that are providing training to the workforce of the future. However this ideal is not without significant challenges. Taking the example of Quantity Surveyors, a profession facing serious shortages in labour supply, there is too much disparity between the wages of a Quantity Surveyor and those in a training role. Until funding or other market factors change in order to address this gap it's unlikely these skilled individuals will be motivated to allocate all or even any of their time to the training of others.

In our role as an independent prime contractor Serco is able to offer extensive impartial knowledge and expertise to our customers, helping them to select the right combination of suppliers in a locality, the right blend of qualifications and training to meet their bespoke skills requirements, as well as offering support in identifying real time gaps in skills and provision.

Facilitating Innovation

In Serco's experience recent skills programmes have lacked allocation

Development of a Higher Level Apprenticeships (HLA) Plan – HotSW Apprenticeships Service

Serco has engaged research partners Wavehill to assist us in identifying gaps in the provision of higher-level apprenticeships in the Heart of the South West LEP area. This will form part of a HLA Plan that we will provide to the LEP as part of our contract delivery.

Working with local employers to identify future HLA needs Wavehill undertook a survey, to which the local construction sector responded in significant numbers. It identified that whilst apprenticeships already made up 5% of construction sector workforces, none of these were HLA. (Level 4 Apprenticeships and above)

In response to this, Serco is delivering an event for SMEs in the construction sector which will explore and identify Apprenticeships as a career pathway for new and existing staff in disciplines facing skills shortages. We will bring together research professionals, training providers and employers inviting discussion as to how these skills gaps may be met and how potential career pathways into the industry could work.

of a dedicated innovation fund. This inhibits the ability of training providers to be able to fund the development of new qualifications. When paired with ongoing change in provision such as the shift from apprenticeship frameworks to the new standards, which in itself requires investment in redeveloping qualifications, the scope for innovation is further diminished.

Serco takes a collaborative approach to procurement and subsequent supply chain management allowing us to benefit from creativity within our supply chain, local knowledge and expertise that we may otherwise have missed. In turn we are able to share our own innovative practices and expertise with the supply chain helping them to improve or grow their own capability despite direct funding not always being available to facilitate this.

In addition to supporting the development of the training sector this reciprocity and sharing of knowledge with our training provider supply chain is a key step towards enablement of social capital.



Our role as an independent prime contractor, our procurement approach and 100% supply chain model allow us to bring in new providers to address skills gaps and meet changing market demands.

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CCN

COUNTY COUNCILS NETWORK

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