

## **London Councils' response to BIS Consultation: A Dual Mandate for Adult Vocational Education**

### **National Colleges**

#### **How can National Colleges best work in partnership with local FE colleges, private training organisations and HEIs?**

It is critical that National Colleges work closely in partnership with local FE colleges, private training organisations and HEIs to improve the quality of their offer, ensure that it is accessible to businesses and learners across the country, and develop appropriate pathways that allow learners to progress. While there are merits to a process of specialisation and rationalisation, it is vitally important that a disconnect does not develop between the two aspects of the dual mandate.

Too much separation between higher vocational skills provision and 'second chance' provision risks leaving the 'second chance' cohort behind by missing the middle ground of Level 3 and 4 vocational training and fracturing progression routes. It could have a detrimental impact on progression by young adults (19-25) to higher vocational skills, particularly following the current period of significant change in the 16-19 curriculum (raising the participation age and the return to linear 'A' levels). Less academically able pupils need a clear, supported, alternative track from age 14 onwards to avoid needing 'second chance' provision, and young adults who do need a 'second chance' should have just as much opportunity to progress through into higher vocational qualifications as younger peers. Pathways are also important for adults post-25 who have poor basic skills and few or no qualifications as well as those returning to work after an absence from the labour market due to health issues or raising children, and those looking to retrain and change careers following redundancy.

Excellent provision is required at all levels to allow London's young people and adults to participate and compete in the capital's highly competitive, international labour market. This is particularly important given the high levels of in-work poverty affecting low-skilled workers in the capital, as well as high levels of vacancies for high-skilled jobs (46% of vacancies). Clear and coherent pathways to higher vocational skills are critical in helping low-skilled low-paid workers to progress, and in helping employers to recruit the high-skilled workers they need to grow. National Colleges should therefore have a clear remit and an obligation to work with local FE partners - and with local authorities, schools and careers services - to establish these pathways and to support learners of all backgrounds to succeed.

### **Communications and branding**

#### **Would you support a national advertising and marketing campaign for higher vocational education?**

London Councils would support an advertising and marketing campaign for higher vocational education, but responsibility and funding for such a campaign should be devolved to localities so that campaigns can be tailored to reflect the needs and priorities of local businesses and learners, and can be joined up with existing local activity, as well as careers information, advice and guidance.

London has particular needs, which are different from the rest of the country, when it comes to higher vocational education. Demand for highly skilled, highly productive labour is particularly marked in the capital, where 54% of employees are managers, professionals or associate professionals compared to 44% for the UK as a whole<sup>1</sup>. Sectoral needs also differ, with unrivalled demand in areas such as financial services and the creative and digital industries. Any marketing campaign should reflect these unique needs.

London government has already demonstrated its ability to deliver effective marketing and communication campaigns on aspects of further education. For example, an evaluation<sup>2</sup> of the Spring 2013 campaign that

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<sup>1</sup> Level and per cent are for those aged 16+. Source: ONS Annual population survey, Jan 2014 – Dec 2014. These occupations typically require a degree or equivalent qualification, with some requiring a formal period of experience-related training or further study. For further details on the skill level and general qualifications associated with different occupational groups see: <http://www.ons.gov.uk/ons/guide-method/classifications/current-standard-classifications/soc2010/soc2010-volume-1-structure-and-descriptions-of-unit-groups/index.html#5>, accessed on: 20/04/15.

<sup>2</sup> TNS online tracking survey Feb-May 2013

the Mayor of London ran on apprenticeships found that it had delivered a range of positive outcomes including:

- A 15% increase in businesses agreeing that apprenticeships improve staff retention and loyalty
- An 8% increase in businesses agreeing that their company had sufficient resources to support an apprentice
- An 8% decrease in businesses having the negative impression that apprentices require a lot of support to become effective.

Similarly, London Councils received funding from the National Apprenticeship Service in 2013 to generate employer apprenticeship vacancies and encourage employers to fill these vacancies with 16-18 year olds. The nine month programme delivered by seven London boroughs:

- Generated 550 apprenticeship vacancies
- Resulted in a higher than average proportion of these vacancies being filled by 16-18 year olds
- Represented very good value for money, with the average cost of a vacancy generated and filled being less than £350, which compares extremely well to mainstream programmes.

These examples demonstrate London government's ability to run effective campaigns to generate interest in further education and to convert this interest into concrete opportunities. What makes these campaigns effective is being able to link them to local support and signposting for businesses and learners who want to pursue the opportunities that they have been made aware of.

## **What other means of promoting higher vocational education do you think would be desirable?**

In addition to any marketing campaigns, effective promotion of higher vocational education requires informed and impartial careers information, advice and guidance (IAG) to ensure that schools, parents and learners of all ages are aware of the opportunities and pathways presented by higher vocational education. Given the wealth of high-skilled job opportunities available in London, careers IAG in the capital needs to be clear about what these opportunities are, and how to access them, as well as the financial return (i.e. the earnings potential) of higher vocational qualifications. Effective IAG should be informed by better data on learner destinations made available to prospective learners to inform their choices about which courses and which providers would best meet their needs.

London government (London Councils and the Greater London Authority [GLA]) have been making the case for devolution of the London careers offer for adults and young people so that we can establish a coherent framework for trusted and impartial careers guidance for all adults and young people across London. This could be achieved by streamlining and defining sustainable services and initiatives to bring them under the umbrella of a single London Portal. To help improve on the current situation in London, which has a crowded and confusing marketplace of over 240 careers providers, London Councils, on behalf of the London Enterprise Panel, is developing a framework for improving the careers offer from London's schools and colleges. The framework proposes seven evidence-based elements for a London Careers Offer to transform the landscape of careers and employment support for young people, including a London Careers Curriculum to support schools and colleges to develop a coherent learner journey.

## **Specialisation in colleges**

### **How can we support FE colleges to achieve excellence in higher level vocational skills?**

FE colleges and adult learning providers can be supported to achieve excellence in higher-level vocational skills through:

#### **1. Access to more granular, timely and comprehensive information on businesses' needs**

There is a lack of timely, detailed information on skills demand to inform providers' offer. Without this information, it is difficult for providers to know what courses to offer, and what the content of those courses should be. Central government has already taken significant steps to address this problem with measures to involve employers more closely in the design of qualifications, but more needs to be done.

Particularly in a vast city like London, where 49 colleges, as well as a myriad of adult learning providers, are seeking to meet the needs of more than 900,000 businesses (including 1,800 large businesses), it is extremely challenging for providers to coordinate directly with businesses about their needs. The scale and diversity of London means that a strategic brokerage mechanism is needed to gather and share better labour market intelligence, at the borough and sub-regional as well as the pan-London level. Groups of London boroughs are uniquely-placed to act as strategic brokers in London's skills system because of their role as place-shapers, their comprehensive understanding of London's local economies (including infrastructure developments and demographic trends), their links with businesses and skills providers, their engagement with potential learners, and their track record in aligning skills provision with economic need.

London government is committed to working with central government to achieve better labour market intelligence, and has commissioned research into what a successful model would look like. We ask government to support this new approach by devolving London's share of the skills data-gathering budget.

## **2. A funding model that rewards excellence**

Reforms to the funding model should be introduced in order to recognise and reward the best performing providers. The current Adult Skills Budget (ASB) funding model pays providers on the basis of enrolments and the achievement of qualifications. Levels of funding are driven by a provider's ability to deliver courses based on the previous year's delivery thus generating insufficient incentives to tailor courses to employer demand and/or to innovate. There are no payments for positive outcomes beyond certification. Providers are therefore incentivised to focus primarily on volumes of learners and on certification, rather than on whether training meets the needs of employers or enhances learners' employment or progression prospects. Providers are also largely restricted to delivering accredited courses, which are not always important for employers and learners, and sometimes act as a deterrent. Reforms are needed to allow more flexibility in this respect and the ability to reward providers that achieve successful outcomes. London government should, through devolved funding structures, be able to reward high performing, forward-looking, responsive providers with flexible, multi-year settlements that offer them the stability they need to innovate and address to local needs.

## **Making the overall system more effective**

### **What is the best way to ensure greater local accountability on the part of providers towards learners and employers, in terms of relevance and quality of provision, and social and economic impacts?**

Greater local accountability of providers towards learners and employers can be achieved through:

#### **1. Measuring and rewarding providers on a broader range of outcomes**

The funding model should be reformed to reward providers on the basis of learners achieving positive outcomes beyond certification. This would further incentivise providers to ensure that their offer aligns with local economic need, and give learners the skills, knowledge and experience that they need to progress in work or learning. Greater local accountability would be achieved by giving localities the ability to define what those outcomes – both social and economic - should be. London government is fully committed to this approach.

#### **2. Publishing outcomes data in a transparent and comparable way**

Altering the funding model to reward providers on the basis of a range of learner outcomes will require those outcomes to be tracked and measured. The outcomes data should then be made public in a transparent and comparable way such that learners and employers can compare performance across providers and courses. Although some data is currently made available via the FE Choices website, this is only aggregated at the provider level, and several of the measures (the employment rate, learner rate and learner destinations data) are not up to date (coming from 2011/12). The amount and quality of information available to inform learner and employer choice in Further Education compares poorly to that available to learners going on to Higher Education.

Measuring and publishing a wider range of timely outcomes data, at a course as well as provider level, would improve the accountability of providers to learners and employers, allowing the latter to make more informed investment decisions as to which providers and which courses best meet their needs.

### **3. Giving local leaders a role in the FE Commissioner process**

The introduction of the FE Commissioner is a positive development in improving provider accountability. In order to ensure that this mechanism supports better local accountability, a duty should be introduced to consult with the relevant local authority leader(s) when agreeing the actions to be taken by underperforming Further Education Colleges, based on recommendations of the FE Commissioner. The relevant local authority Chief Executive(s) should also be part of the Review Case Group that generates the FE Commissioner's recommendations. This would bring important local knowledge and context to the process, and ensure accountability to local businesses and learners through their democratically elected representatives.

### **4. Strengthening Ofsted's reporting on whether providers respond to local economic needs**

Ofsted already looks at whether '*providers successfully plan, establish and manage the curriculum and learning programmes to meet the needs and interests of learners, employers and the local and national community*' as part of their assessment. This includes looking at '*how well data and information on learners' and employers' needs, and local and national priorities, are used to review and plan the provision*'. Given the direction of travel set out in the consultation document, such criteria should be given greater weight by Ofsted, in order to strengthen local accountability.

## **What benefits would there be to commissioning Adult Skills Budget provision through local partnerships or through a lead provider acting on behalf of a partnership?**

Commissioning ASB provision through local partnerships is a positive opportunity to join up provision and services to address learning needs across a locality. London Councils supports such an approach, alongside other measures outlined in the consultation paper including:

- Supporting more flexible and accessible provision that is not necessarily linked to qualifications but is able to meet a broader range of needs of unemployed and low-skilled learners
- Focussing on performance against a range of employment, learning and social outcomes defined at a local level
- Strengthening local accountability on providers for achieving those outcomes

## **Testing alternative approaches**

### **What new approaches can be taken on commissioning and funding streams to maximise the value gained from public spending to support unemployed and disadvantaged learners?**

Meeting the needs of unemployed and disadvantaged learners is a priority in London, which has a particular set of challenges in helping low-skilled Londoners to access the job opportunities on their doorstep in one of the most competitive labour markets in the world. Despite the strength of its economy, employment levels in London have lagged behind the UK average for more than two decades. London also has challenges around in-work poverty with a need to help low-skilled residents to progress to better paid, more stable employment. More than more than 19% of employees in London are paid less than the London Living Wage<sup>3</sup>, and 10% of Londoners are in receipt of housing benefit to support their cost of living (costing the Exchequer £6bn a year in 2014)<sup>4</sup>.

London government is therefore particularly keen to explore new approaches to commissioning and funding streams to maximise the value of support for unemployed and disadvantaged learners. These include:

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<sup>3</sup> The London Living Wage used in this estimate is the one announced the previous year at the time of the survey (LLW 2013 = £8.80). Source: ONS Annual Survey of Hours and Earnings (ASHE), 2014 provisional results.

<sup>4</sup> As of November 2014, 826,000 London residents were in receipt of housing benefit, worth an average of £140 per week. Of those in receipt of housing benefits, 1 in 3 was also in employment. Source: DWP, housing benefits claimants.

## **1. Enabling localities to diverting funding to priority areas**

In a similar vein to the three skills incentive pilots currently being conducted by the North East, Stoke and Staffordshire, and West of England LEPs, London government should have the ability to divert skills funding to support the delivery of provision that meets locally determined skills priorities. Under the pilots, five per cent of funding can be withheld when low priority provision is delivered. London government would like to work with central government to explore how similar principles could be applied in London, but extended so that as well as withholding a proportion of funding from low priority courses, we could also redirect a proportion towards high priority courses. These principles should also apply to training for all learners, not just those who are unemployed or disadvantaged.

Prioritisation of courses would be set by London government, in collaboration with business, drawing on labour market information compiled at a local, sub-regional and regional level. Such an approach would help to maximise value gained from public spending by ensuring that more of the provision available was better aligned with economic need, increasing learners' prospects of finding work and progressing in employment after completing their training.

## **2. Enabling localities to flex market pricing to be more closely aligned with demand**

Building on the principle of diverting funding to priority areas, London government should ultimately have the ability to flex market pricing to reflect not only the costs of delivering different kinds of training, but also whether the training corresponds to local economic need. Under such a system, higher prices would be offered for training that was in-demand from businesses and under-supplied by providers, and lower prices would be offered for training that was over-supplied relative to business need. This would not mean a proliferation of different pricing - and would therefore not go against the grain of recent reforms to simplify the system – it would simply mean the ability to flex prices where required.

Again, London government is ready to work with central government to explore how such a model could be introduced in the capital, with prices to be set within the locality drawing on labour market information compiled at a local, sub-regional and regional level.

## **3. Enabling localities to join up skills and employment support**

London government should also have the ability to align and integrate aspects of skills spending with employment programmes and other budgets. Funding for skills provision aimed at unemployed, inactive and/or disadvantaged groups - including Community Learning budgets - could be joined up with other employment support such as the Work Programme successor provision and local authority welfare services to better enable entry into work. Joining up provision can help to address information and coordination failures and better target the full range of support required by those seeking to gain core employability and basic skills to move into work. Being able to join up provision at a local level would require devolution of skills and employment support functions and budgets; it cannot be achieved from Whitehall. With reductions in public sector spending, this is an important way of achieving value for money from these budgets.

## **Community Learning**

### **Would a greater focus on commissioning partnerships enhance partnership working and deliver a more coherent Community Learning offer?**

In London, many local authorities run successful Community Learning services which already involve partnership working with other local authority services, with local providers and, increasingly, with other boroughs. Having the flexibility to form partnerships with the right mix of services and providers, at the right geographical level is critical and is happening already. London Councils would therefore not support reforms that would introduce different requirements or restrictions around partnerships in this area.

It is important that local authorities remain at the heart of community learning provision, as they are able to join up provision with a wide range of services, such as social care, health and wellbeing, homelessness, drug and alcohol abuse, and leisure services to reach and meet the variety of needs of disadvantaged and low-skilled learners in their local areas. This leveraging of different services is critical to achieving maximum value from these limited budgets. In order to achieve even more in this area, London government has also

been calling for the devolution of employment support to enable better links with skills provision and help more unemployed residents to progress into work.

### **Do you agree that some institutions, such as Specialist Designated Institutions (SDIs), play a unique role within the wider sector and should continue to receive funding on an individual basis?**

Specialist Designated Institutions play an important role in promoting personal development and increasing employability, particularly for disadvantaged learners, and those who have benefited least from their initial education and training. SDIs are well established and well regarded, and should continue to receive funding on an individual basis.

### **Would there be benefits from greater integration of Community Learning and Adult Skills Budget funded provision?**

The strength of community learning budgets is that they allow for greater freedom to respond to local needs and to deliver a wider range of recognised social and economic outcomes in a flexible way. There should not be any loss to Community Learning funding, which is critical in reaching those who are socially excluded and furthest from the labour market. Instead, similar flexibilities should be extended to elements of Adults Skills Budget funded provision, such as English and Maths, as well as traineeships and other pre-apprenticeship support. Devolving these aspects of the budget, alongside employment support, would allow London government to align and integrate provision to support unemployed, low-skilled and disadvantaged residents to access the training and support they need to find work and progress in employment.

## **Supporting the development of resilience in the sector**

### **How can relationships between localities and FE providers be strengthened?**

Relationships between localities and FE providers can be strengthened through:

#### **1. Better support**

If London government is given a greater, more formalised role in the skills system, it can provide better support to FE providers to improve their offer and align provision with local economic need by collating and deploying more detailed and timely information on local skills demand. In an economic area as vast and complex as London, this would involve compiling information at local, sub-regional and regional levels, capitalising on borough and regional government networks and resources. This would include leveraging the many existing relationships and communication channels that London local government has with businesses across the city, as well as drawing on the knowledge that boroughs have of their local economies and communities, from their capacity as planning authorities, licensing authorities and deliverers of welfare services.

#### **2. Greater influence**

Relationships would also be improved by giving localities more levers to steer the market towards meeting local skills demand. These could include the ability to divert funds to priority areas, adjust incentives (for example through the introduction of outcome payments) and flex market regulations such as pricing. These levers could also include the ability to link funding allocations with FE capital funding to drive up delivery of in-demand, high delivery cost sectors.

#### **3. Improved accountability**

Finally, improved accountability of providers to the locality would also help to improve relations. This could include a greater role for local government in the developing and agreeing recommendations for remedial action by the FE Commissioner when colleges underperform.

## **What are the advantages/disadvantages of Central Government taking an active intervention role in the FE landscape, including supporting new entrants and/or supporting mergers and rationalisation?**

### **Advantages:**

FE Colleges are a public good, and it is therefore appropriate for government to play a role in ensuring that there is sufficient provision, of a sufficient quality, to meet the needs of learners in all areas. Meeting the needs of disadvantaged, lower-skilled and unemployed residents in particular cannot be left purely to market forces.

### **Disadvantages:**

Intervention and support cannot, however, take place purely at a national level. London government should also have a role in ensuring that there is adequate provision within the capital to meet local needs, drawing on its:

- Links with businesses through its regulatory responsibilities and economic development roles
- Understanding of local economies and how these are developing, through its regeneration activities and planning responsibilities
- Understanding of local communities through its responsibilities for welfare and other residents services.



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