Divert unspent apprenticeship cash to improve local skills provision, report on FE college collaboration urges

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Localis press release

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Government should scoop up millions of pounds worth of funds lying dormant in thousands of business apprenticeship levy accounts to help jump-start a skills revolution across England's regions, a new report issued today by Localis has argued.

The recommendation is made in a Localis report entitled **'Working Better Together – colleges collaborating to succeed'** which examines how Further Education (FE) colleges could work better together to seize the devolution agenda and upskill the nation's workforce.

Localis found the majority, some 11,000 out of 19,150 eligible companies, have not signed up to the online service allowing them to passport 10% of their apprenticeship levy along their supply chain. The report authors urged the Government to force bosses to passport cash unspent after two years to regional economic players such as Local Enterprise Partnerships or Combined Authorities - which would use the money to improve local skills provision.

The study also revealed that the substantial (29% between 2010/2011 and 2015/16) reduction in funding for Adult Skills – has created an environment where competition based on the need for institutional survival at all costs has driven strategy and behaviour.

The report advised FE colleges should take control of their destiny by adopting a collaborative model, dubbed the '***enhanced consortium model'***, to build mutually beneficial relationships between institutions. The model's key tenets are:

- Resource sharing
- Specialisation
- Creating an active political presence
- Fostering genuine relationships with the local community
- Integrating strategic plans with the skills economy of the local region
- Voluntarism

Chief Executive of Localis, Liam Booth-Smith said: "At present more than half of around 20,000 estimated eligible large employers have not yet registered with the online service which enables them to spend their apprenticeship levy funds.

"This is a 'use it or lose it' situation and this untapped cash should be put to the good use it was intended. Government should, therefore, use the money that has lain dormant in these accounts to help local economic players - such as Combined Authorities, Local Enterprise Partnerships or Strategic Authorities, such as county councils – develop and support vocational skills and increase the quantity and quality of apprenticeships."

Report co-author, Localis researcher Rosalind Kenny Birch, said: "The FE sector has been beset by frequent policy changes. Working in a collaborative model, rather than alone, will give colleges the resources and cohesion they need to proactively set policy agendas."

"Enhanced cooperation can most effectively take place within small regions: FE institutions can come together to develop strategic plans aiming to upskill locals, meet skills deficits and give people who wish to further develop their professional skills or re-train the opportunity to do so."

Chief Executive Officer of Dudley College of Technology, Lowell Williams, said: "The reality for the Further Education sector is that a new system is emerging around us. With power now devolved to new sub-regional levels, the sector will require enhanced consortium groupings of colleges if we wish to influence freshly empowered Combined Authorities, Local Enterprise Partnerships and Skills Advisory Panels.

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“The future is working together. There should be no issue with competition among colleges when necessary, but there is a problem when competition for its own sake risks diverting precious resources and energy.

“Recent funding pressures and changes led by the devolution agenda and changing qualification landscape have left FE leaders in a constant state of adaptation.

“But this also presents institutions with a unique opportunity to influence, one which colleges must seize by meaningful strategic collaboration that fosters a stronger channel of communication to regional business leaders and national government alike.”

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Notes to Editors:

- **A full copy of the report can be downloaded from the Localis website:** http://www.localis.org.uk/wp-content/uploads/2018/03/015_WorkingBetterTogether_AWK.pdf#

- **Report Recommendations:**
  - A shared planning fund, in which each participating college would allot money to resource enhanced collaboration;
  - A nominated lead college which will provide the necessary resource to manage and implement enhanced collaboration activity.

The findings go beyond previous reports which suggest changing policies to strengthen the sector at the national level. This report focuses on operations at the institutional level which have resulted in desirable outcomes. In the case of the West Midlands Further Education Skills & Productivity Group, closer cooperation led to a better working partnership with the combined authority.

1. As announced in government’s *Modern Industrial Strategy: Building a Britain fit for the future* document seven Skills Advisory Panels (SAPs) are being piloted to provide strategic leadership around local skills planning. **We recommend**, subject to positive evaluation, government encourage and incentivise further Skills Advisory Panels in non-pilot areas.

2. A number of places, either through a local authority, LEP, university or other public agency/collaborative body, have for some time been operating advisory boards which provide advice and guidance on skills and employability which have proven useful forums for the discussion of strategic skills needs. **We recommend** those areas which do not have a Skills Advisory Board or similar (or currently operate a Skills Advisory Panel pilot) set up either Skills Advisory Board to operate as shadow Skills Advisory Panel in advance of a wider roll out.

3. Colleges individually produce detailed strategy documents which inform medium to long term planning.[1] However in the context of devolution (through LEPs, combined authorities and the future trend of skills funding devolution) there is a need for colleges to more efficiently influence the local political and policy making process. **We recommend** that colleges work in collaboration, based upon a voluntary functional geography which aligns with the relevant decision making body be that a LEP or combined authority, to craft an independent *FE Strategy*. This strategy should be a collective articulation of the local FE sectors demography, financial strength and specialisms, amongst other key information. This strategy can then be fed into the strategic economic decision making of the LEP, combined authority or other empowered local agency. Specifically, such a strategy should seek to influence the crafting of the impending *Local Industrial Strategies*.

4. Collaboration at a basic level can be achieved through improved communication and coordination. Fundamental reform, however, will require a resource commitment. Based on the available evidence gathered in this report and the best practice identified **we recommend** collaborating colleges consider the following approaches (these are by no means the limit);

5. **We recommend** the government's *Flexible Learning Fund* should be extended into 2018/19 (it is currently due to be reviewed before April 2018)[2]. As part of the extension **we recommend** government change the specification to prioritise consortium bids and judge the allocation of funds accordingly. For any subsequent similar funds created, **we recommend** the principle be applied too.

6. Where there is an identifiable skills shortfall, such as in the automotive and constructions sectors, **we recommend** government makes explicitly clear in any sector deals agreed how the number of apprentices will be increased. Specifically highlighting the sub-regional targets needed and the role of FE sector locally in supporting this delivery.

7. Government currently plans to allow Apprenticeship Levy contributors the option to passport 10% of their levy account along their supply chain. Evidence suggests that as of July 2017, 11,000 employers (out of 19,150 companies eligible to register) have yet to sign up with the online service which enables them to spend their levy funds.[3] **We recommend** government extend this principle further and, if apprenticeship levy funds are dormant after two years, mandate employers to passport funds to a Combined Authority, LEP or a nominated Strategic Authority (for example a County Council). [Consideration should be given to distribution of funds because of the geography of firms. They may have multiple sites and negotiation may need to occur over who will receive the funds].

8. Many of the college principals and FE sector experts interviewed for this report cited concerns about data management and sharing. In particular there was a concern that Whitehall departments are holding data that it either was not sharing with local areas or, when it did share, did not release raw numbers but rather composite data which has proven unhelpful when it comes to strategic planning locally. **We recommend** government establish a working group comprising FE college principals, the Association of Colleges, sub-regional college groupings and technical experts to agree a new approach to data sharing between central government and local agencies. Specifically in light of the need to assess the impact of the apprenticeship levy and the roll out of the new T-Levels in order to make timely improvements.

9. The government is currently set to devolve the Adult Education Budget (AEB) to seven mayoral combined authorities by 2019/20. In order to encourage further collaboration amongst colleges, **we recommend** the government publish a green paper on its future plans to devolve the AEB to non-mayoral combined authority areas.

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[1] https://www.aoc.co.uk/sites/default/files/GN Strategic positioning and local infrastructure.pdf

[2] Department for Education (2017) – The Flexible Learning Fund Specification for project proposals

[3] FE Week – Most eligible employers not yet on levy system – https://feweek.co.uk/2017/07/07/most-eligible-employers-not-yet-on-levy-system/

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