

## Leitch Implementation Update

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## Background and Introduction

- 1 The Leitch Review of Skills *Prosperity for All in the Global Economy – World Class Skills* was published on 5 December 2006. As discussed at the last Council meeting, the report examines the UK's long-term skills needs and sets out ambitious goals for 2020 which, if achieved, would make the UK a world leader in skills. On publication of the Pre-Budget Report, the Chancellor endorsed the report's proposals and committed to taking forward the recommendations of the Leitch Review.
- 2 At the last Council meeting a paper was provided which gave an overview of how the Leitch Report as being taken forward by Government and the LSC, highlighting some of the particular activities taking place to support implementation.
- 3 This paper also provides a general update on developments since the last Council meeting, as well as covering two major areas of LSC-led implementation, Train to Gain and Learner Accounts, where we are seeking comments from Council members. This will be the first in a series of Council papers to provide reports on progress of Leitch implementation.

## Recommendation

- 4 National Council are asked to
  - note the update on developments relating to the implementation of the Leitch report (paragraphs 5 to 18);
  - comment on the issues raised on Train to Gain (paragraphs 19 to 29);
  - and

- note the progress made and the planned developments leading to the commencement of Learner Accounts in Autumn 2007 (paragraphs 30 to 40).

## **General Update**

### **Leitch Implementation**

- 5 As reported in the last Council paper, DfES are developing the Leitch Implementation Plan, working with the LSC and other delivery partners. The deadline for the plan is still not confirmed, but could be as early as March as it is linked to the Comprehensive Spending Review settlement.
- 6 The Plan will set out the detail and timetable for action, and will incorporate a series of Ministerial submissions based on taking forward each of the accepted recommendations within the report. The current position is that there will be four submissions:
  - Train to Gain and Learner Accounts;
  - Economically Valuable Skills;
  - Sector Skills Councils and Sector Skills Agreements; and
  - Employment and Skills Programme and Commission for Employment and Skills.
- 7 We are working with DfES colleagues to ensure we contribute to and influence the submissions ensuring they are based on local and regional evidence.

### **Leitch/ FE Reform Roadshows**

- 8 We have been working jointly with the DfES on a series of regional events which being held February between April. Aimed at FE College Principals, Work Based Learning Providers and key stakeholders, the events provide a strategic overview of the Leitch ambition and plans for FE reform.
- 9 Two of the regional roadshows have been held so far (London and West Midlands) and these have gone well. There was overall support for Leitch vision from those attending, with employer engagement being seen as central to effective implementation. There was also recognition that the FE sector needed to make changes in response to Leitch.
- 10 In addition, the Skills for Business Network has held an employer event in Birmingham. The event was hosted by the Regional Director for West Midlands, David Cragg and the Skills Envoy, Sir Digby Jones, was the keynote speaker.

### **Commission for Employment and Skills**

- 11 DfES have been focusing primarily on the setting up of the Commission and resolving issues with DWP and the Devolved Authorities prior to recruitment of the Chair. DWP have now agreed to the remit of the Committee and the DAs have agreed to a working model for a UK commission whilst allowing regional flexibility.

- 12 The position of the Chair of the Commission was advertised on Sunday 25 February. They are seeking an acknowledged business leader with a strong track record and a commitment to drive change in the employment and skills system. An appointment is likely to be made around June.
- 13 DfES have confirmed that Ministers do not want the Commission to get in the way of their relationship with the LSC. Following the last Council meeting, we developed a note on our thoughts and concerns on the establishment of the new Commission for discussion with DfES. This note is attached at Annex A.

### **Lyons Inquiry**

- 14 Following a suggestion made by National Council members at the last meeting, we have submitted further information to Sir Michael Lyons and the Lyons Inquiry team as to how we are working with local partners, including Local Authorities, to maximise impact on local delivery. This covered collaborative working on 14-19 provision as well a case study of skills and employment planning in the West Midlands and supplements our formal response.
- 15 Sir Michael Lyons is now finalising his report which will be published around the time of the Budget on 21 March, and the Inquiry Team are leading on a major national conference to be held in London on 27 March.

### **Sub National Review of Economic Development and Regeneration**

- 16 We continue to maintain a close dialogue with the Review Team and have been involved in several recent meetings with Treasury about the Sub National Review. We attended a roundtable meeting chaired by Sir Bob Kerslake, where it was clear that previous experiences of working with the LSC coloured the views of Local Authorities in how the sub-national structure should look. So, if relationships have worked well, they were not advocating any change to existing arrangements and they could see the importance of the LSC's Regional Boards.
- 17 Several members of the Management Group also attended a LSC/ Treasury meeting to discuss the Sub National Review where regional, sub-national and local arrangements were discussed, and possible options for each. The message was that the LSC and RDAs need to redefine and clarify roles and responsibilities and to develop flexible regional and local working. Issues around Local Area Agreements recognising and responding to local economies were also discussed.
- 18 There is still no news of the publication date for the Sub National Review which could be as early as March or as late as June. We hope to know shortly.

# **Train to Gain**

## **Background**

- 19 Train to Gain offers a great opportunity for meeting employers' needs and securing progress towards the Skills For Life, adult Level 2, 3 and 4 Leitch aspirations. Whilst many regions are generally positive about elements of their performance, we need to achieve much more in relation to meeting starts, learner participation and achievement targets and achieving regional and national consistency.

## **What is already working well**

- 20 There are 26,000 employers already engaged with Train to Gain after only six months operation across England. Employers consider that the skills brokerage service adds significant value in terms of the holistic offer and range of training solutions that skills brokers can source for employers. The brokerage service is having the greatest impact on the hardest to reach and hardest to engage businesses that the service seeks to target. This is critical in regions like the South West where the bulk of employers are micro-organisations/ small employers that take greater stimulation and encouragement to be receptive to the idea of investing in skills training.
- 21 The Level 3 pilots, now that the funding strategy has been aligned with other funding streams, are showing significant growth in employer demand.
- 22 Through the Higher Education (HE) pathfinder project, links with HE to offer an enhanced service to employers are beginning to develop in some regions.

## **Focus of future development**

- 23 It has always been clear that skills brokers, who are focussing on the hardest to reach employers, would not generate the volume of leads needed to convert to starts on Level 2 training. We need to consider where we focus the resource of skills brokers so that they can have real impact over and above that which the provider network can deliver.
- 24 The key issue identified in each region is the 'disconnect' between the skills brokerage service and providers/ provision which has led to many providers setting up their own sales teams. This has anecdotally been reported as pitching a narrow offer of free Level 2 and Skills for Life qualifications to employers rather than the holistic service to employers starting with an organisational / skills assessment or diagnostic. As Train to Gain expands, we will continue to rely on the provider infrastructure to generate a significant volume of employer engagement and Level 2 activity.
- 25 As we expand and grow the Train to Gain service, we need to consider how sustainable the different brokerage models are that we have in operation. Chris Roberts, Regional Director North East, will lead a comprehensive review of Skills Brokerage.
- 26 Provider performance varies significantly within and across regions, but overall Train to Gain learner activity has got off to a slower than expected

start. Most regions report that they feel confident that they will recover to the expected level by the end of the academic year. Nevertheless, all regions believe that extensive capacity building support is necessary to ensure that the provider network can meet the demands of years two and three.

- 27 As the service expands we will want to consider how to develop the employer offer, including moving people from unemployment through to sustainable employment outcomes, and in furthering our goal to better integrate skills and employment.
- 28 There is a robust evaluation framework in place for looking at the satisfaction of the service from employers and learners points of view. This evaluation framework needs to be further developed to look at wider issues such as the value of workplace learning on economic productivity of individual businesses who access Train to Gain Services.

### **Key issues for Council**

- 29 In commenting on the future development of Train to Gain to help us realise the Leitch ambitions, Council is requested to consider the following:
- If we continue to focus skills broker resource on hard to reach, small and medium sized employers, how can we stimulate additional employer leads to support the achievement of the PSA targets?
  - How do we best support provider engagement with employers - should we accredit providers to 'act' as mini/tied skills brokers/ account managers, possibly with some method of accreditation to ensure they offer a more holistic skills diagnostic not just offer 'free Level 2s' going forward?
  - To support the transformation of providers, as well as ensuring that we have sufficient supply to meet demand, should we accelerate the implementation of the New Standard for Employer Responsiveness and Vocational Excellence and in particular its use as a development framework for providers?
  - How do we engage more effectively with Sector Skills Council and enable them to: guide the brokerage service in key sectors; design the products we purchase through Train to Gain, and support providers to better understand the sectoral needs of employers?

## **Learner Accounts**

### **Background**

- 30 In March 2006 in the White Paper *Raising Skills Improving Life Chances*, the Government announced its intention to introduce trials of Learner Accounts, focused on helping individuals gain level 3 qualifications. The trials were planned to begin from Autumn 2007 and to take into account lessons learned from similar schemes in England and elsewhere.

- 31 In his report in December 2006, Lord Leitch developed further this approach to a demand led learner account system that would motivate individuals to engage in learning and to complete their learning.
- 32 Since these proposals the LSC, in conjunction with DfES officials and others, has been developing arrangements to enable learner account trials (Phase 1 from 2007/08) to begin in two LSC regions: the South East and East Midlands. The trials will be restricted to full (but not necessarily first) Level 3 learning. From 2008/09 larger scale trials, possibly at all learning levels and in more LSC regions. The detail of this phase 2 is still the subject of discussion with DfES.

### **Phase 1 from 2007/08**

- 33 The trials will involve approximately 4,000 learners across the two regions with a budget of £10 million for funding learning. Of the £10 million, £7.5 million will be subject to open and competitive tender, the balance of £2.5 million continuing to be allocated to college delivers of level 3 provision. The £10million is made up from £5 million from 'normal' college allocations and £5 million of additional funding from national sources.
- 34 Plans for Phase 1 are progressing and will include the submission of the project to review by the Office of Government Commerce through their Gateway process. Further, the systems developed to support the project will be subject to audit scrutiny to ensure that the findings of the investigation into the problems experienced by Individual Learning Accounts have been fully covered. In this context it is significant to note that, as planned, Learner Accounts contain only virtual funds and will only be accessible through LSC approved providers.
- 35 The trials will be subject to a comprehensive evaluation process designed to determine:
- the benefits to learners;
  - the costs to providers and the LSC; and
  - the flexibility of extending the trials.

### **Phase 2 from 2008/09**

- 36 With a commencement date in Autumn 2008, the same as the new arrangements for demand led funding (DLF), Phase 2 will be designed as a medium term system solution for Learner Accounts.
- 37 The design will take into account feedback from the DLF consultation and early lessons learned from Phase 1 trials. In line with the Leitch aspiration, it is planned that Learner Accounts will form a second funding route for funding learning for adults, alongside the Train to Gain route.
- 38 It is planned that this phase will extend Learner Accounts geographically, across learning levels or both. This is still the subject of discussion with DfES officials.
- 39 It is also planned to examine the possibilities for integrating Learner Accounts operating systems with other systems, such as the Adult Learning Grant and

EMA system, currently the subject of competitive tendering process. This could have benefits for learners by providing a single portal to access funding for learning and financial support.

- 40 No decision has been taken on the desirability, or otherwise, of fully extending Learner Accounts by 2010, in line with the aspirations outlined in the Leitch Report. This is the subject of discussions with DfES and Ministers.

### **Key Issues for Council**

- 41 Council members are requested to put forward any suggestions for consideration in the development of the Learner Accounts.

### **Legal implications**

- 42 There are no legal implications arising from this paper.

### **Financial implications**

- 43 Following the CSR announcements there will be major financial issues to be addressed in relation to the delivery of Leitch's recommendations.

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# **Annex A: Commission for Employment and Skills – Comments from the LSC**

## **Introduction**

- 1 The Learning and Skills Council shares Lord Leitch's vision for world-class skills and is supportive of the direction and ambition in the final report. We particularly welcome the move to making the skills system fully demand led and the central role that the development of Train to Gain will play in meeting the training needs of employers. The establishment of a new Commission for Employment and Skills to strengthen the employer voice and articulate their views on skills, will be vital to the success of the new approach.
- 2 It will be crucial that the new arrangements that will be created post-Leitch, are readily understood by employers and individuals as well as stakeholders - and that the interplay between all agencies is fully owned, clear and effective. In light of this, this paper provides views and comments from the LSC perspective on the new Commission. These comments relate to the role and functions of the Commission, as well as accountability and governance. The role of the Employment and Skills Boards, for which the Commission will be responsible, is also touched upon.

## **Role and Functions**

- 3 From our point of view the two most crucial roles for the Commission are to act as the voice for employers and to integrate successfully skills and employment. By clearly articulating employer demands to the various skills and employment agencies the Commission will be responsible for influencing and shaping the entire skills and employment network. To achieve this, the Commission has to ensure that Sector Skills Councils (SSCs) put in place approved qualifications that employers recognise, value and are prepared to invest in. This will mean close working relationships with the QCA and awarding bodies.
- 4 This will enable the LSC to respond more effectively to meet employer needs by ensuring we have clarity and confidence around our qualifications system, including a significant reduction in the number of approved qualifications available. This will also enable the LSC more effectively to match demand with supply of high quality learning and training which is delivered flexibly, giving individuals and employers the skills they need to succeed in a competitive market place.
- 5 In respect of integrating skills and employment much progress has been made across the key organisations, but far more needs to be done to better align targets and approaches. The LSC continues to push forward with ideas for a new programme Skills for Jobs, which in conjunction with Jobcentre Plus would help individuals from inactivity into sustainable employment through the acquisition of skills and qualifications. We are currently looking at how we might best take forward this crucial area. By the time the

Commission is established, we would hope to have the early outcomes available to help shape the Commission's thinking.

- 6 The continued bi-annual publication by the LSC of the National Employer Skills Survey research and underlying data provides the skills arena with invaluable information on the future skills needs for the economy. The LSC also now produces a Progress Report annually on the achievements of the learning and skills sector. The Commission can rely on the LSC to continue to provide this key information which will assist with their annual stocktake on the "state of the nation", as well as supporting any other reports which will assist with meeting employer need. Over time we would wish to discuss with the Commission, the Departments and other partners, how best to frame and commission research across the learning, skills and employment sectors.
- 7 The LSC regions have recently published their respective Regional Commissioning Plans which set out the skills requirements that each region intends to purchase over the following year. The plans represent a major first step in introducing a systematic response to ensuring that a supply of quality training is available to meet employer and individual demand. At the same time we are consulting the FE sector on the broader principles of a demand-led funding system. By the time the Commission is established, the LSC will be in a position to share its intended approach to demand-led funding including the expansion of Train to Gain and the introduction of Learner Accounts.

## **Accountability and Governance**

- 8 It would be advantageous for the Commission if the LSC had a clear link into it, for example through the Chair of the LSC applying to join the Board of the Commission. As well as the Chair providing a contribution as an employer knowledgeable about skills, this would allow a suitably informed debate on the response of the supply side to the demand articulated by the Commission.
- 9 In addition the Skills Alliance Delivery Group which we convene twice yearly is proving an excellent forum for bringing together the Skills and Employment 'supply' agencies and much progress has been made over the last three years. We would recommend that this group continue and be further developed by being chaired by a member of the Commission – ideally the Chair of the LSC.
- 10 Twice a year there should be a formal meeting between the Commission and the Council to: (a) to hear the Commission's formal statement of employer needs; (b) allow the Council to report on work undertaken to respond to it; and (c) jointly to agree next steps.
- 11 The Commission will advise at the strategic level on the overall performance of adult training and skills provision. We would anticipate that this would involve scrutinising the overall performance of skills supply overall and in particular Government-funded programmes, ensuring that provision is meeting the needs of employers and that the SSCs, Train to Gain brokers and the National Employers Service are stimulating appropriate demand,

supported by LSC-orchestrated marketing campaigns, aligning and amplifying the messages of all key partners.

- 12 Our sponsor department, DfES would continue to be responsible for setting the priorities and targets of skills delivery, monitoring LSC performance and holding the LSC to account through regular Performance Ministerial Reviews. The tripartite relationship between the Commission, DfES and LSC will need to be defined early on and clear boundaries between roles and responsibilities of each will be necessary to ensure that we together deliver the ambition of the Leitch report.

## **Employment and Skills Boards**

- 13 The LSC's internal reorganisation under *Agenda for Change* has meant the strengthening of the organisation's regional and local executive presence and the next step is to consolidate the work of the non-executive regionally, in line with the LSC's regional management tier. The Further Education and Training Bill provides a requirement to establish nine new Regional Councils in England, and these changes will further strengthen the LSC's ability to work at a regional level.
- 14 The LSC is streamlining/simplifying the system further, by disbanding the 47 Local Councils and "opening up" the LSC locally to take the lead from Employment and Skills Boards, without the need for duplicate structures. In the capital, the London Skills and Employment Board, chaired by the Mayor of London, will champion the importance of skills and set the strategy for adult training for the region.
- 15 At the same time the Employment and Skills landscape is currently undergoing structural review and change bearing in mind the establishment of City Boards and the publication of City Strategies, the Treasury Sub-national Review of Economic Development and the Lyons review. It will be crucial over the coming months that the key skills and employment organisations work together to put in place effective regional/ city/ local arrangements that are not bureaucratic but aim to enhance the skills and employment agenda. Any new Boards, at either national, regional or local level, should be introduced only where they add value and simplify current arrangements. The Commission's role should be in defining and setting the parameters, rather than creating a network as such.

## **Conclusion**

- 16 The creation of the Commission is an important opportunity to bring employment and skills together, raise the profile of this critical issue and put employers clearly in the driving seat. Clear articulation of employer demands and the integration of skills and employment supported by a streamlined qualification framework, will ensure that we invest in the capacity we need to drive forward the skills and employment opportunities which employers and individuals demand, and so help meet the challenge so clearly identified by Leitch.