

South East
Local Enterprise Partnership



South East Local Enterprise Partnership

Skills Strategy

2015 - 2017

'Our working age population is less skilled than that of France, Germany and the US and this contributes to the UK being at least 15% less productive than those countries.

We are currently weak in the vital intermediate technical skills that are increasingly important as jobs become more highly skilled and technological change accelerates. Approximately 80% of the people who will be in the workforce in 2020 have already left compulsory education.

If we are to achieve a world-class skills base we need to increase the level of their skills and meet the demands of our economy'.

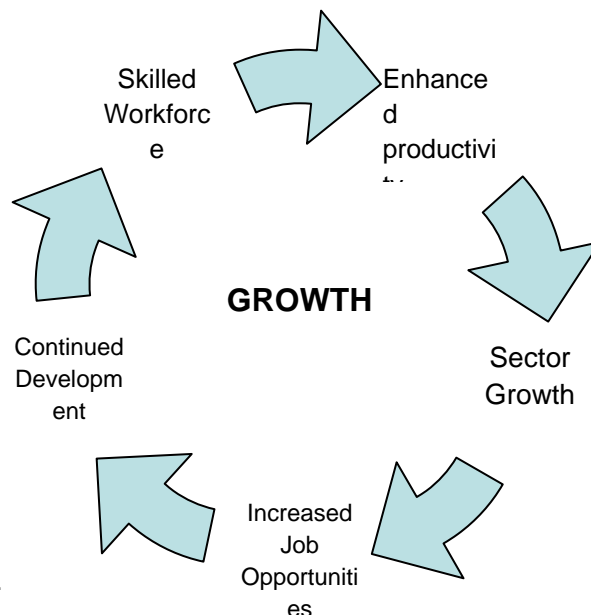
Skills for Sustainable Growth Strategy (BIS, 2010)

Foreword – Peter Jones

Chapter 1: The Importance of Skills to Economic Growth

The crucial role that skills development plays in economic growth is often overshadowed by other areas of the growth agenda such as transport, infrastructure, housing and broader business support. A significant number of employers raise skills and recruitment issues. They report concern about the impact on their continued productivity and growth of their business; whether this is related to an aging workforce, workforce development needs or ability to recruit new talent, particularly from the local area and indeed sometimes the UK.

Skills are not just important for our global competitiveness; they have the potential to transform lives by transforming life chances and driving social mobility. Having higher skills also enables people to play a fuller part in society, making it more cohesive, more environmentally friendly, more tolerant and more engaged. The LEP, with its local partners, can play a significant role in delivering a more coherent and employer responsive system that truly embeds skills within the economic agenda so that the skills system works in tandem with the other vehicles for growth and is fully recognised as a vital component to the growth cycle.



The BIS report - Productivity and the Economic Cycle (2011) states that *'In the long run, the challenge for UK's policy makers is to foster higher levels of skills that are essential for emergence as a leading knowledge-based economy, as well as progression of a significant proportion of the population beyond the first university degree'*.

The importance of skills for successful innovation, and for productivity growth in general, is well understood. In the UK, there was a significant increase in job skills between 1986 and 2006. For example, the proportion of jobs requiring Level 4 education or higher increased from 20% in 1986 to 30% in 2006. Similarly, the proportion of employees using computerised or automated equipment in their job nearly doubled from 40.3% in 1986 to 77.4% in 2006. This is consistent with the OECD's estimates that human capital accounted for an overwhelmingly large proportion of annual TFP growth in the UK between 1990 and 2000.

The Leitch Review of 2006 argues that UK has historically had a skills gap vis-a-vis other OECD countries, and this gap has not been bridged despite the significant improvement in the skills level in the UK between the early nineties and the middle of the last decade. Available evidence suggests that there are two problems in particular, namely, **a mismatch between the skills of the workers and the skills required for their jobs**, and heterogeneity about perceived benefits from skills acquisition. The skills gap is also reflected in the **greater perceived difficulty of British businesses to recruit workers with appropriate skills**, as reflected in surveys undertaken by the British Chamber of Commerce, and their consequent reliance on training.

Intelligence through local research echoes the importance of skilled talent to employers. Our employers articulate concern with their ability to replenish an ageing workforce and attract appropriately skilled talent to their organisations. They state particularly high demand for leadership skills, technical and literacy and numeracy skills and this state of play is consistent with national research via the UKCES Employer Skills Survey, of which findings can be found in the following chapters.

The Leitch Review went on to recommended *'...that, in order to enhance skill levels in the UK, the skill development system become demand-led, with a focus on skills that generate economic value. The greater employer involvement that is integral to a demand-led system could involve providing more apprenticeships, greater interaction between employers and universities, and an increase in the number of co-funded workplace degrees'*.

SE LEP fully endorses this recommendation and approach but there is much work to do to achieve it to the extent we see a genuine shift in how the skills system operates and what it delivers. The federal areas of the SE LEP have already established key strategic mechanisms for a new approach to demand-led training through their local employer-led **Employment and Skills Boards** in East Sussex, Greater Essex and Kent and Medway.

“Against the background of fragile economic conditions, we have identified clear areas for business growth across Essex, Southend and Thurrock. However, a common difficulty shared across these diverse markets is that of skills availability, sometimes common interpersonal skills, but often in technical skills specific to an individual market area. It is important that we provide the opportunity for businesses to have a voice in the skills debate and I would encourage businesses to get involved.”

Suzanne Jude, Raytheon UK and Chair of the Essex Employment and Skills Board

“Workforce skills have long been recognised in economic development terms as an important determinant of productivity. Improved skills for individuals are known to increase the probability of being employed and to raise efficiency. At a local level a well qualified workforce can attract businesses that require strong “human capital” to operate, encouraging a mix of industries with high value added, which can attract and retain more skilled workers. East Sussex will continue to build on its strong record of working in partnership to develop innovative and learning and skills opportunities that are relevant to the needs of learners and businesses.”

East Sussex Learning and Skills Partnership Board

“We seek to provide a bridge between providers and employers. Its aim is to create a ‘two way street’ whereby employers inform the curriculum of education and training providers, while providers supply work-ready employees to the local and wider economy. This will be achieved by brokering strong, long-term relationships, built on mutual interest and understanding, between employers and providers”

The Kent and Medway Learning and Skills Board

Chapter 2: Opportunities and Challenges in the South East

The South East LEP is the largest LEP in the UK outside of London. It currently has a population of over 4m people, which is set to increase further (+284,600) by 2021. However, only 62% of the South East LEP population is of working age with 19% of the population aged over 65 years.

SE LEP makes a significant contribution to the national GDP and its sea and air ports, and the road and rail networks that serve them, provide the UK's most important gateway to the rest of the world. As well as its geographical proximity to London, its strong creative and entrepreneurial nature places it in a unique position to drive innovation and growth.

Overall rates of economic activity in the SE LEP area are above the national rates but below those of the wider south east, with employment rates showing a similar pattern. London employers benefit from 273,000 of our residents committing in to work from the LEP area and many of them highly skilled.

Conversely, productivity in the SE LEP economy is lower than the national average and a low proportion of residents are employed in skilled occupations. The LEP also has areas of high deprivation, with some prevalence in our coastal communities. Unemployment in Thanet (12.3%), Hastings (10.7%), Medway (10.1%), Harlow (9.8%), Gravesham (9.3%) and Tendring (9%) are all in the top fifth of Local Authorities in England on this measure.

Future demand in the SE LEP Economy

Employment in the SE LEP knowledge economy has grown in recent years, from 14.6% in 2009 to 17.3% in 2012 and there are many opportunities to help build on this and rebalance our economy. The South East LEP area is fortunate to be benefitting from a number of growth opportunities, including:

- London Gateway - a deep sea container port and logistics park
- Enterprise Zones focussed on MedTech & Advanced Manufacturing and Life Sciences
- East Anglian Array – the world's 2nd largest offshore wind farm
- Centre for Offshore Renewable Energy (CORE) status for Ramsgate and Harwich
- Newhaven - the development of an off-shore wind farm could yield the potential for operations and maintenance being based in the port

These opportunities bring new investment and new employment, much of which will require high level technical skills and an agile workforce. In addition to these new developments, SELEP is home to numerous cutting edge companies and has significant opportunities for growth within our priority sectors which, based on the evidence available, are:

Advanced manufacturing	Life sciences & medical technologies	Transport and logistics
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<i>Represents 5.6% of SE LEP industry</i>	<i>Growing a sector worth £170bn pa globally</i>	<i>3 substantial Airports & 2 Sea ports</i>
Low carbon and Environmental goods & services	Creative, cultural & media <i>Generates £2.5bn GVA</i>	The visitor economy <i>6.6% of employment & 2.7% of economic output</i>

The LEP, both historically and currently, has an entrepreneurial business culture with 86 firms per 1,000 residents and self-employment above national average (6%) at 11%. Innovation is also alive and well with SE LEP companies reporting 15% of their business being generated by products/services new the market and 3.2% having applied for a patent.

Our Higher Education Institutions (HEI) provide a fantastic opportunity for new knowledge creation and innovation and alongside businesses, are driving growth in our major economic areas. Each HEI is building on their strengths in support of our priority sectors including Big Data, Automotive Engineering, Health Technology and Product Design.

The SE LEP Growth Deal promised to derive a further 200,000 private sector employment opportunities in the area, build 100,000 new houses and will leverage £10bn investment to accelerate growth. Governments' contribution to the SE LEP Growth Deal was announced on the 7th July 2014, committing £442.1M from the Government's Local Growth Fund to support economic growth in the area. £64.6m has been committed for 2015/16 and £143.6m for 2016/17.

In headline terms, the priorities for investment in 2015/16 for the SE LEP are-

- 33 transport projects
- The development of growth hubs
- Improved flood defences at Newhaven
- Broadband infrastructure in Colchester Business Parks
- A skills capital programme

As already highlighted, whilst creating the environment and investment for this growth, ensuring that local residents and businesses can benefit fully, requires the development of skill sets that enable us to deliver. The LEP needs to ensure that the skills system is equipped, supported and challenged to deliver these skills requirements of the future.

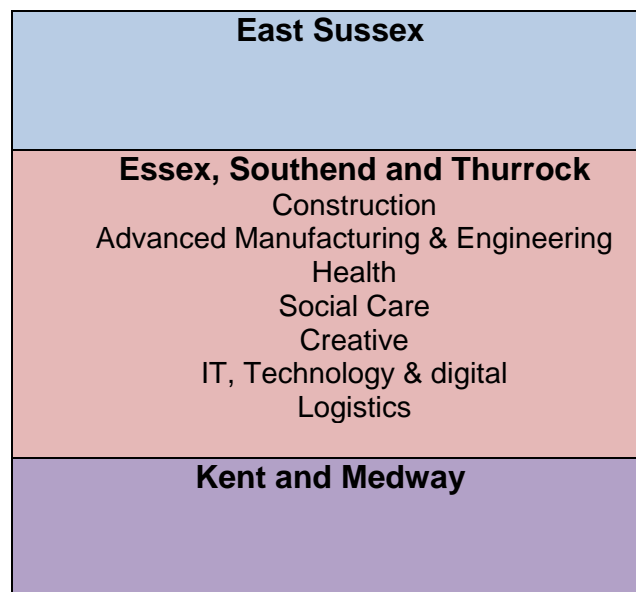
Our Growth Deal sets out some finance and levers for skills SE LEP to be able to execute this. They are –

- **£22M of skills capital** funding for 2015-17
- **Procurement of New Provision** – full co-commissioning of its European Social Funds
- **Accountability** – Providers will be required through their funding agreements with the SFA to explain to LEP's details of its provision and planning and how they are being responsive to local economic priorities

- **Allocations and Interventions** – in future years, providers’ records in delivering to LEPs requirements will be taken into account when setting allocation and triggering interventions.
- SE LEP can **influence the use of all skills budgets** in its local area and take steps if dissatisfied with the pattern of delivery

This is a good start and the LEP will see the strategic direction and practical application of its skills work driven through its three employer-led **Employment and Skills Boards** (ESB), which are already driving forward change through a more employer-led and informed approach. More information about the work of the Employment and Skills Board can be found in appendix A.

The Boards will continue to drive change through the LEP’s federated model in a way that supports the local and LEP wide priorities, articulated and underpinned by this LEP Skills Strategy and in addition to the growth sectors of the LEP, they have identified further growth and priority areas for skills.



The opportunities are undeniably there; however there are of course challenges. Many parts of the SELEP economy are over-reliant on public sector for employment in 2012, 19.1% of employment was in the public sector, higher than the national average. Southend, Maidstone and Chelmsford are concentrated areas, as are the coastal towns of Hastings and Eastbourne. In addition, SELEP is also relatively reliant on wholesale, retail and accommodation and construction jobs; sectors which don’t generally provide high value jobs.

Notwithstanding the recession, companies have been finding it hard to recruit due to skills shortages in recent years. The UK Commission for Employment and Skills (UKCES) Employer Skills Survey indicates that the proportion of businesses with skill shortage vacancies increased across the UK between 2011 and 2013. In the SE LEP area more than one in five (21%) establishments reported a skills gap or skills shortage vacancy in 2013; 23.7% of vacancies were due to skill-shortages, compared to 22.3% across England. The report goes on to state that:

- 26% of employers experience skills gaps due to an inability to recruit appropriately skilled individuals

- 58% of employers¹ report technical, practical or job-specific skills gaps, with skills such as organisation, team work, customer handling and problem solving all being reported by over 50% as gaps in workforce skills. These statistics are very similar to the skills gaps identified in new applicants
- 71% of employers expect employees to need new skills or knowledge over the coming year, the top reasons cited for this is new legislation or regulatory requirements (46%) and the introduction of new technologies or equipment (44%)
- Of those who received applications from young people (under 25)², 46% stated they didn't meet the requirements. 63% cited lack of skills as the reason they did not meet, 61% cited lack of experience and 29% cited lack of necessary qualifications
- 67% small employers don't engage in any formal or informal training
- There has been a decrease in the amount spent by employers on staff training and development from £3,080 per person in 2011 to £2,550 in 2013
- Only 31% of employers trained staff to achieve a qualification. This represents only 21% of all staff training and 13% of all employees. Of those trained to a qualification the largest proportion was to level 3 (12%).

The majority of the aforementioned job growth expected will be in professional occupations (+45,000); managers, directors & senior officials (+38,000); and associate professional & technical occupations (+33,000). When "replacement demand" is included over half (50.3%) of openings will be in high skilled jobs. Across the UK, there is unmet demand for science technology engineering and mathematics qualified workers with nearly two in five firms requiring STEM employees facing difficulties in recruitment.

The South East Strategic Economic Plan (<http://southeastlep.com/our-local-growth-deal-and-strategic-economic-plan>) presents more detail on the opportunities of the area.

Our Provider Base

SE LEP is home to a diverse college and training provider base³, collectively allocated over £85m per annum by the Skills Funding Agency (SFA) through the Adult Skills Budget (ASB); in addition to funding for education and apprenticeships for 16-18 through the Education Funding Agency and community learning budgets.

Notwithstanding that a considerable number of providers outside of the SE LEP area also deliver to learners within the area, 54% percent of our 50 SE LEP based providers are rated by Ofsted as being Good and 6% Outstanding. Although this is below the national average of 59% and 14% retrospectively, it provides opportunity for the LEP to build on high quality leadership and training to further develop good practice that meets the needs of local industry as well as individuals.

¹ Of those who reported skills gaps

² Only 29% had young applicants

³ Education and training supplied by publically funded post-16 institutions

SE LEP also benefits from nine Higher Education Institutions who educate and produce thousands of graduates a year into the market, as well as being host to a number of leading research departments. Many of our Providers already do a lot to try and respond to employers and they are keen to do more to meet employer demand, with plans to invest in developing provision that meets the needs of employers and learners alike.

FE College Strategies are increasingly focussing on Employer Engagement and the development of Apprenticeships, particularly at Adult Level. Adult Apprenticeships (25+), including Higher Apprenticeships, will be a key aim for FE colleges from 2015 onwards.

However, we equally face some challenges with quality and relevance of our provision. Quality and performance is generally lower than the national average and the offer of provision does not necessarily meet the demands of the local, or indeed, national economy.

Thirty three percent of Providers are current rated by Ofsted as Requiring Improvement and 8% as Inadequate - above the national average of 24% and 2% retrospectively. Only 11 institutions are above the 75th percentile for qualification success rates. This presents a challenge but the LEP can and will play a key role, alongside local public and private partners, to help increase quality and performance.

The relevance of provision offered in the SE LEP area to employers and the economy is equally an area for improvement. More information about the current offer is outlined in Chapter 5.

It must be recognised however that Providers face a number of challenges in delivering to the needs of both employers and learners. Revenue funding rates are not high enough, and have been consistently cut in recent years, to enable Providers to make long term investments in their infrastructure and curriculum/provision to align with skills priorities, particularly in high cost areas such as Advanced Manufacturing. In the absence of higher funding rates, a more focused and locally led investment in skills infrastructure, managed by SELEP, would also support better performance and alignment with priority sectors, including the purchase of specialist equipment to support new programmes.

The SE LEP has the –

- Fourth highest amount of capital funding required nationally (£201m) to address all category C/D condition based on average refurbishment cost
- Second highest number of colleges nationally (15)
- Second highest estate size overall and (5.9% of national estate)
- Second highest average grant since 2001 across all LEP areas (£26m)

Significant investment would therefore be needed in the SE LEP area to address all its infrastructure shortfalls; however recognising the need to focus and stretch public investment, SELEP, with support of the Skills Funding Agency, will take a strategic approach to prioritisation to ensure impact, best value and maximum local co-investment.

The LEP wishes to use its skills capital funding to support providers in delivering its priorities for economic growth. The capital investment criteria that Providers will need to demonstrate delivery against are as follows:

- 1) Benefits to Learners and Employers and Supporting Economic Growth
- 2) Financial Value for Money and Affordability
- 3) The Estate Need
- 4) Delivering LEP priorities

QUOTE FROM GRAHAM on Providers/ LEP Board

Chapter 3: Principles for delivering LEP Priorities

Improving workforce skills and the skills of those entering the workforce is crucial to achieving our growth ambitions. We need to deliver a locally responsive system that responds to the needs of employers and learners in order that skills can be a driver for economic growth and not a barrier.

The SE LEP believes that its role is to create the environment for economic growth and that with this; the private sector will make growth a reality. We therefore believe that the LEP should clearly articulate the skills needs of the local economy, what environment it would like to create to support skills and employment in the area and the principles which underpin this.

Simply put the LEP's key **principles** for skills are:

- Creating a skills system where employers and learners are joint stakeholders
- Creating a mutually beneficial system that is a catalyst for economic and social improvement
- Investing in infrastructure that enables delivery of skills now and for the future
- Ensuring individual and collective responsibility for delivering and sustaining such a system

To achieve this, as stated in that final principle, the LEP believes that all partners have a key role to play.

As a **LEP** we will:

- Work to increase employer engagement in and appetite for skills development
- Provide industry intelligence at a LEP and more localised level to support business planning and funding applications
- Utilise the resources at its disposal to create the environment for the sector respond to skills demands of the economy (inc. capital and ESF funding and economic intelligence to inform careers information to residents)
- Support and strengthen our federal level Employment and Skills Boards to ensure an effective forum for employers and the sector to engage
- Continue to lobby Government for additional funding to enable the area to create a truly effective skills system

We will encourage and work with **Providers** to:

- Fully utilise industry intelligence about skills demand in the economy in business planning for the skills sector, with particular focus on LEP priority sectors

FINAL DRAFT – OCTOBER 2014

- Deploy employer-led models to establish and steer provision (e.g. employer steering groups, employers on Governing Body)
- Involve employers at every stage of the process (steering - design – delivery)
- Seek and provide work placements, employer set project briefs and other industry exposure for students
- Build achievement of English and Maths into all delivery and where possible is a way that applies this learning to the subject/occupation of study
- Work with the LEP in a creative and innovative way to develop new and better ways of delivering

We will encourage and work with **Employers** to:

- Express and articulate what their current and future skills and recruitment needs are
- Engage with the LEP and local providers to better ensure that provision is fit for purpose and students can have exposure to industry whilst learning
- Understand and realise the benefits and potential of engaging and co-investing in our skills system
- See the skills sector as a recruitment mechanism and a solution to skill shortages

We will encourage **Individuals** to:

- Utilise the information available to them about local careers, skills shortages and employment to make an informed choice about their study path
- Be proactive in seeking work experience or work based assignments
- Consider apprenticeships as a valid and equally rewarding route to achieve their career ambitions

We will work with **Government** to:

- Secure further devolution of funds to the LEP area to invest in skills
- Shape and agree how the LEP can play an increased role in supporting the creation of an ambitious skills system (at both the local and national policy level)

Through its first Growth Deal (July 2014), the LEP has been granted responsibility for funding for skills capital and European Social Funding. The LEP will utilise the information in this strategy and the sources cited at the end of this document when developing specifications and tenders and assessing bids.

The content will be therefore need to be fully utilised by any successful bidder in demonstrating how the proposed investment would deliver against the priorities and enable the area to take full and better advantage of the opportunities for growth.

In allocating funding, the LEP will expect to see demonstration of how the investment will:

1. Deliver against the priority sectors, apprenticeships and higher level technical skills
2. Secure real and on-going employer involvement in the design and delivery of provision
3. Leverage the providers ability to meet a range of employer need – apprenticeships, CPD,

4. Unlock co-investment from the private sector

The LEP is also keen to encourage integration and coordination with other initiatives and activities that help deliver its priorities in a coherent and resource effective way. The LEP therefore welcomes and acknowledges the value of such linkages across and outside of the LEP.

Chapter 4: Creating Demand and a Responsive System

To support a partnership approach to economic growth through skills, we will put things in place to help create a skills system locally that can deliver. Our plans build on the steps we have already taken, the strengths that exist within the SE LEP and the merits of combining a national and local approach.

Much work is already underway to try and respond to the opportunities and tackle the challenges, particularly through the local Employment and Skills Boards in East Sussex, Essex and Kent & Medway, but there is more we need to do.

We need employers and individuals to value skills and qualification development and realise the benefits it can bring. In order to encourage more to engage and **increase the appetite for skills development within the SE LEP employer base**, we will:

- Devise an **employer focused campaign** articulating of the **economic benefits of workforce development** and local opportunities. The campaign will use hard hitting evidence that demonstrates the potential financial returns of up skilling, employing apprentices etc. and signposting employers to where they can access training and any funding that could support them; namely the Supporting Workforce Skills portal.
- Work through its partners to ensure that local skills development and employment is factored into all **LEP commissioned activities**

In doing this we need to be confident that the system is responsive and aligned to deliver against that demand. Part of the solution to this is to **establish and sustain a strong, systematic employer voice** and thus a collaborative local skills system. To do this the LEP will:

- Support and strengthen the local **Employment and Skills Boards** to give a strategic voice to employers on employment and skills. These Boards will have strong employer membership with common terms of reference and a direct link into the Local Area Boards
- Establish **Sector Guilds** to formally bring employers and providers together to develop skills solutions pertinent to that sector. These will initially be developed for the priority growth sectors across the LEP, with partners utilising a similar model for more localised priority areas.
- Support and champion the establishment of the **Supporting Workforce Skills portal – ‘SkillsAdvisor’** for employers across the LEP to access information, advice and available funding to support their recruitment and training needs, in one place. The portal will also help employers drive a suitable offer of provision in the area over time, with LMI being utilised to support LEP and local planning.

This will be underpinned by allocations of funding that will support a **higher quality and appropriate training offer with improved outcomes for employer and residents**. We will do this through:

- Ensuring appropriate and high impact **capital investments** in the Provider base, through local investment and effective use of the Skills Capital Funds
- Developing an **EU operational plan** for the use of European Social Funds that will deliver programmes to tackle the issues articulated in this document and more broadly in the EU Structural Investment Fund Plan
- Utilising the responsibility given to LEPs in the Growth Deal to influence the use of the **Adult Skills Budget revenue** allocated to the SE LEP area, to deliver skills that are required by employers⁴. This will better ensure that the offer meets the skills demand in the economy, drives growth and addresses skills gaps

The Skills Deal we proposed in our Strategic Economic plan provides more detail and can be found in Appendix B and the Growth Deal awarded on the 7th July 2014 can be viewed at <http://southeastlep.com/our-local-growth-deal-and-strategic-economic-plan>).

Chapter 5: Improving our Skills: What we need to deliver

The Priorities for Action

As outlined in Chapter 2, SELEP is home to many cutting edge companies and has significant opportunities for growth in our priority sectors. Our high value growth industries rely heavily on STEM based skills and struggle to recruit appropriately skilled adults and work ready young people – the pool of suitably qualified people is simply too small.

Equally, for our wider priority sectors, skills needs are not being met due to the lack of employer influence on the offer of provision and supply driven nature of planning. A mismatch exists between training provision and local priority sectors for growth: advanced manufacturing; logistics; digital, cultural & creative; low carbon & renewables; and life sciences & healthcare – all of which are underpinned by STEM-related skills.

Productivity in the SE LEP economy is lower than the national average and a low proportion of residents are employed in skilled occupations. Our greatest challenges lie at both ends of the skills spectrum – **insufficient volume and focus of higher level skills and low levels of basic** (literacy and numeracy) **and employability skills**. The SE LEP labour market underperforms compared with the South East as a whole as shown by lower than average levels of level 4+ skills, low levels of basic literacy and numeracy, and high levels of worklessness.

The LEP therefore wish to focus on three key areas and will look at each in turn:

⁴ The ESB's, Guilds and Portal will all play a key role in supporting Providers and employers to co-develop and deliver provision.

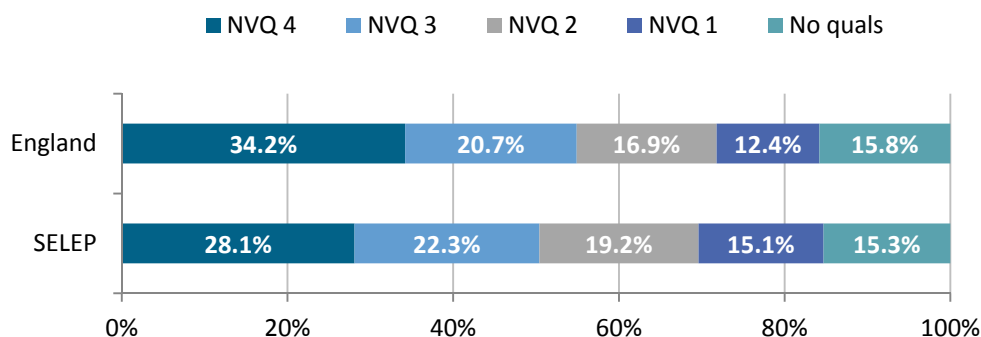
1. Improving the talent pool in support of priority sectors, particularly higher level skills
2. Increasing participation of young people work, education and in training, with focus on supporting priority sectors and skills gaps
3. Improving the basic skill levels and employability of our residents to boost productivity and employment

Improving the talent pool in support of priority sectors, particularly higher level skills - The problem to fix

Over half of the employers with vacancies in the South East are seeking degree level candidates⁵; alongside the national Employer Skills Survey which states that 55% of employers in the South East reporting workforce skills gaps in technical, practical or job specific skills⁶ and predictions that the number of jobs in skilled occupations typically requiring a high level qualification is expected to continue to grow⁷, this demonstrates a need to focus on developing higher level technical skills within and in preparing those for the labour market.

As shown in Figure 2 below, **the proportion of residents with higher level (4+) qualifications is relatively low** despite a significant increase in Level 4 qualifications attained in recent years⁸. In the SE LEP area 28.1% of residents aged 16-64 have level 4 or above qualifications compared with 34.2% for England and 36.8% for the South East region⁹.

Figure 1 – Residents with NVQ4+ qualifications, % aged 16-64 (2012)



Source: ONS Annual Population Survey

As a result, and notwithstanding the recession, companies have been finding it hard to recruit due to skills shortages in recent years. The UK Commission for Education and Skills (UKCES) Employers Skills Survey indicates that the proportion of businesses with skill shortage vacancies increased across the UK between 2011 and 2013¹⁰. In the SE LEP area more than **one in five (21%) establishments**

⁵ Labour insights

⁶ UKCES

⁷ Working Futures 2012-2022

⁸ In 2008 only 23.8% of working age residents were qualified at degree level or above – ONS Annual Population Survey

⁹ ONS Annual Population Survey

¹⁰UKCES (2014) UK Commission's Employer Skills Survey 2013: England Results

reported a skills gap or skills shortage vacancy in 2013¹¹; 23.7% of vacancies were due to skill-shortages, compared to 22.3% across England¹².

Revenue funding rates are not high enough to enable colleges and providers to make long term investments in their infrastructure to align with skills priorities, particularly in high cost areas such as Advanced Manufacturing. In the absence of higher funding rates, a more focused and locally led investment in skills infrastructure, managed by SELEP, would support better alignment with priority sectors, including the purchase of specialist equipment to support new programmes.

The solutions

We wish to **increase the talent pool, for our priority sectors**, particularly to level 4 by:

- increasing apprenticeships across SE LEP through incentivising employers to recruit apprentices, focusing on advanced and higher Apprenticeships and internships, and progression routes from traineeships. We also want to use EU funds to support higher skills development through co-investment with employers to address skills shortages.
- developing a far richer picture of opportunities, working with educational institutions and industry, to promote careers in growth sectors, in order to influence study and pathway choices.
- piloting sector-based tutor training to enable tutors to professionally update and experience the latest technologies, innovations and practice in the industry they teach to raise the quality and relevance of teaching STEM; and,
- investing £117m in facilities to provide capacity and industry standard facilities, with a focus on delivering priority skills and including a specialist equipment fund.

Increasing participation of young people work, education and in training, with focus on supporting priority sectors and skills gaps – The problem to fix

The UKCES forecast that there will be an increase of 105,000 jobs in the SE LEP area by 2020¹³ and our ambition is to almost double that. The majority of jobs growth will be in professional occupations (+45,000); managers, directors & senior officials (+38,000); and associate professional & technical occupations (+33,000)¹⁴. When “replacement demand” is included over half (50.3%) of openings will be in high skilled jobs. Across the UK, there is unmet demand for **Science Technology Engineering and Mathematics (STEM) qualified workers** with nearly two in five firms requiring STEM employees facing difficulties in recruitment¹⁵.

Some of the highest vacancy levels in SE LEP show high demand for programmers, software development professionals (1,517) and IT Business Analysts, Architects and systems designers (1,458), yet we have little provision offered in the area that supports these occupations.

¹¹UKCES (2014) UK Commission's Employer Skills Survey 2013: England Results

¹²UKCES (2014) UK Commission's Employer Skills Survey 2013: England Results

¹³ Employment growth is expected to be above the national rate and will accelerate after 2015. Over three quarters (76.7%) of the increase in employment for the decade will come between 2015 and 2020 – UKCES (2012) Working Futures

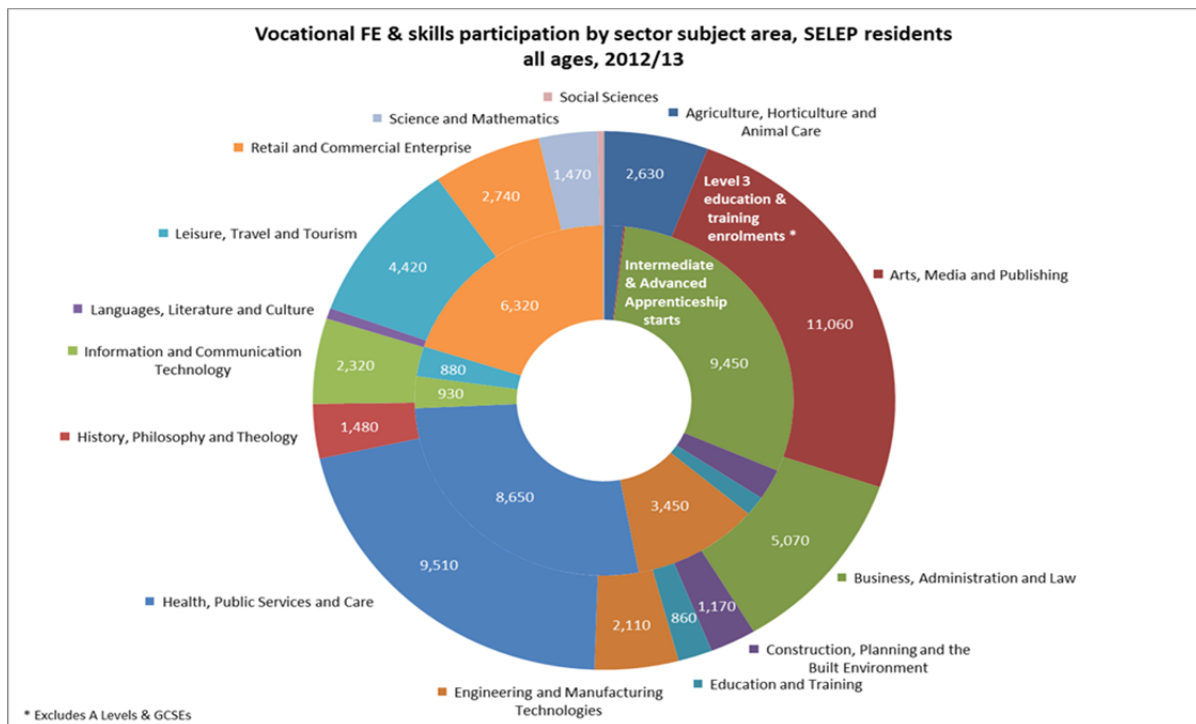
¹⁴ UKCES (2012) Working Futures

¹⁵ CBI (2013) Changing the pace - CBI/Pearson Education and Skills Survey 2013

EFA 16-18 allocation and Adult Skills Budget (ASB) classroom based programmes remain predominately learner-led which means that colleges and providers will naturally respond to this demand as their first priority, rather than local skills needs – a question of volume and income. For example, there has been a significant increase in the number of shorter classroom based courses, funded under the ASB, delivered to unemployed learners with no evidence of whether these have led to sustainable jobs and careers. There is insufficient direct leverage on funding for local employers to commission the skills training they need from colleges and providers and that ensure better outcomes for learners in terms of access and progression to career opportunities.

Data currently shows that for 2012/13, the highest proportion of vocational level 3 publicly funded enrolments were undertaking arts, media and publishing, health, public service and care and business administration and law. Of the 31,750 apprenticeship starts for 2012/13, again business administration and law and health and social care feature highly, with high levels of participation in hairdressing, retail and hospitality & catering. For A levels, Science and Mathematics make up the largest proportion of enrolments, however this is likely to lack the technical application of knowledge into the work place and that is sought by employers.

Figure 2: Vocational FE and skills participation by sector subject area, SELEP residents



Apprenticeships more than doubled from 13,823 in 2008/09 to 30,866 in 2012/13 (123% increase), with the biggest increase seen in 25+ age group (319% increase) and the top frameworks were Business and Administration, Health & Social Care, Management, and Retail & Customer Service .

We believe that apprenticeships are a fantastic way to reduce skills shortages in technical disciplines whilst increasing options and employment opportunities for young people. We therefore wish to see a significant increase in apprenticeship opportunities across the LEP, specifically in priority sectors

and skills shortage occupations. We would therefore need to secure quite a shift in the prevalence of apprenticeships in technical disciplines.

Whilst work has been done in some areas of the south east to enhance careers information, it is too institutionally and academically focused, particularly for more able students, and needs to have an increased focus on providing information on technical vocational programmes and the careers opportunities these provide that are linked to skills shortage areas.

In addition to ensuring that for those who do participate, do so in education and training that will lead them to gainful employment and progression, there are a range of reasons as to why some young people don't participate – geographical, financial, personal – and there is a compelling need to do more to remove the barriers that these young people face. More detail on this is provided in our EU SIF Plan.

The solutions

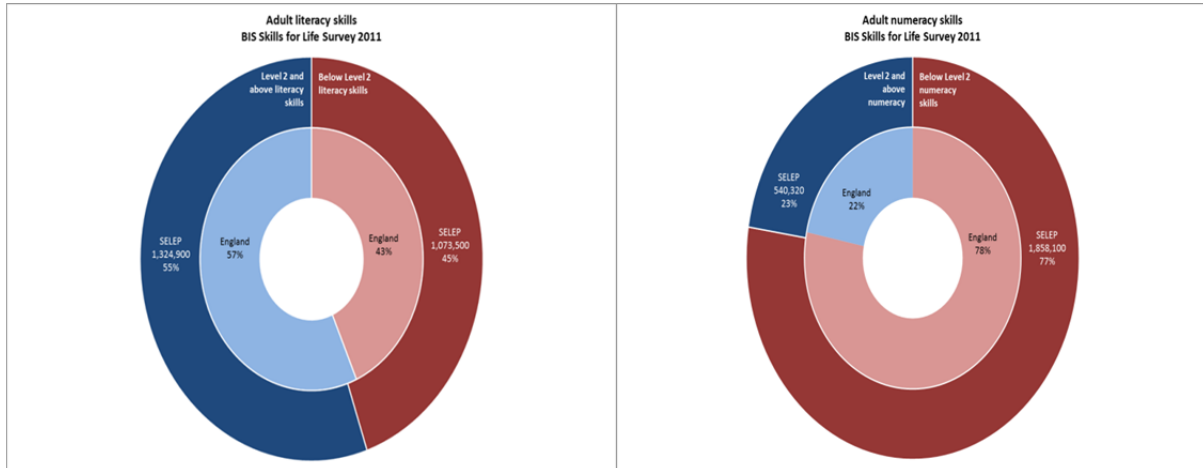
We will support full and meaningful participation of our young people by:

- providing industry work experience programmes with training/ traineeships, increase the range of available apprenticeship
- providing enhanced industry led careers information to improve awareness and understanding of industry and employment opportunities to support study choices
- working with providers and employers through our ESBs and Sector Guilds to deliver an offer of provision that reflects the needs of the economy
- working with and through schools and school governors to increase industry awareness and engagement, such as industry in schools programmes
- providing a package of support for young people who are further away from the labour market; and promote skills training at an early age to encourage uptake of vocational subjects from 14+; including the encouragement of University Technical Colleges, Career Colleges and Studio Schools.

Improving the basic skill levels and employability of our residents to boost productivity and employment – The problem to fix

The proportion of residents holding a basic literacy and numeracy qualification across the SELEP is low. 45% of working age adults do not have level 2 or above in literacy and 77% are below level 2 for numeracy. This problem is perpetuated by between 36.1% (Kent) and 40.5% (Thurrock) of young people leaving statutory schooling without GCSE English and Maths at grade C or above. Prevention is therefore key, but reducing current levels will also have a significant impact on the economy in the short to medium term.

Figure 3 – Resident levels of basic literacy and numeracy qualifications (2011)



In the SE LEP area, 35% of firms facing skills shortages indicate that numeracy skills are lacking among applicants, while 34% identify challenges around literacy skills¹⁶. Soft, employability skills, including customer handling, communication skills, and team working are also identified by local businesses¹⁷.

Gravesham, Medway, Thanet, Hastings and Harlow all have unemployment rates in the top quintile of local authorities in England (9.2%+). At the end of 2012, there were 8,480 16 to 18 year olds NEET in the LEP area - a rate of 6.3% overall (compared with 5.6% for England), and there is a high degree of variation between places masked within the average.

The solutions

We wish to increase the proportion of residents with maths and English qualifications by:

- developing occupational based literacy and numeracy teaching to encourage people to obtain basic qualifications
- investing in further training to bring more people up to the basic level of literacy and numeracy
- developing an innovative recruitment package to attract and retain English and maths tutors, including promotion of the Governments ‘golden handshake’ incentive
- providing a package of opportunities for, particularly young, people to increase their employability skills

In Summary

Our support for skills development needs to be effectively integrated with our support for business growth. We will achieve this through links between delivery teams at the operational level within the Gateways to Growth and our employer engagement systems for skills development; and at the strategic level, through our Employment and Skills Boards.

The direction of travel towards a more employer led system is welcome, but needs to be accelerated, whilst at the same time ensuring the provider base is not destabilised. Enabling the

¹⁶ UKCES (2014) UK Commission's Employer Skills Survey 2013: England Results

¹⁷ UKCES (2014) UK Commission's Employer Skills Survey 2013: England Results

skills system to be more employer-led is vital, particularly in relation to qualification design and commissioning. Achieving a relatively stable environment for colleges and providers, whilst providing more influence from employers, will enable the system to be more responsive to meet current and future skills needs.

Supporting Documentation

This document is intended to provide an overarching strategy on skills for the LEP. However, in addition there are a number of documents that articulate LEP and more localised economic information and priorities.

For organisations who are seeking to secure funding from SE LEP, the following information must be understood and considered as it will be utilised for assessment of applications to the LEP for funding. Please note, depending on the location of a project, local documentation must also be utilised as will also be used in project assessments.

- The South East Strategic Economic Plan (<http://southeastlep.com/our-local-growth-deal-and-strategic-economic-plan>)
- The South East European Structural Investment Fund – <http://southeastlep.com/about-us/activities/300-european-structural-and-investment-fund-strategy>
- Economic Plan for Essex – <http://www.essex.gov.uk/Your-Council/Strategies-Policies/Pages/Economic-Plan-for-Essex.aspx>
- Greater Essex Skills Demand Evidence Base – <http://essexpartnership.org/content/essex-skills-evidence-base>
- Kent and Medway Economic Plan –
- East Sussex – <http://www.eastsussex.gov.uk/NR/rdonlyres/B72EAA9D-A018-4B11-AF99-025F6AF56D7A/0/economicdevelopmentstrategy2012final.pdf>
- Thames Gateway South Essex -

Appendix A

The SE LEP Employment and Skills Boards

Progress of the Essex Employment and Skills Board

- 11 employers, FE, HE, Secondary School and Local Authority representation
- Evidenced base priority setting, from a comprehensive skills demand evidence base
- Working closely with the Federation of Essex Colleges and Provider Network who are in turn working as a collective to respond to the skills need/shortages articulated by the Board
- Provider base formally responding to how they can deliver against the evidence base of need and articulating barriers for the Board to help address i.e. capital, staff recruitment
- Live (Growth) Sector Action Groups of employers and providers to determine specific issues and tailor solutions i.e. adapting, developing specific qualifications, sector based campaigns
- Local funding being used to develop sector careers information, an industry/schools programme, support for training to help fill skills shortage vacancies, tutor CPD pilots. As well as the continuation of the Essex Apprenticeships scheme which so far has stimulated 2,600 new apprenticeships, most within priority sector areas.
- A communications strategy, website, meetings with local group, MPs and School Governors ensure growing awareness and influence in the area
- Utilisation of evidence base and dialogue with ESB to reshape capital investment plans – Offshore Energy, Harwich, renewable technologies, Basildon, Bio & Environmental Technologies, South Essex, Meditech & Advanced Manufacturing, Harlow

Progress of Kent & Medway Learning and Skills Board

Formed in March 2013, developed from the existing 14-19 County Planning Forum, to support delivery of the *14-24 Learning Education and Skills Strategy*

The Board includes representatives from employer groups, Further Education, Higher Education, secondary schools, funding organisations (EFA and SFA) and CXK (formerly Connexions)

The employer group representatives are from the Kent Business Advisory Board, the Chambers of Commerce and the Federation of Small Businesses, providing a link from the Board to these groups.

A consultation has recently been undertaken regarding the role of the board; and the 14-24 Strategy has been reviewed and updated.

The Board has adopted a series of new priorities including provider collaboration, employer engagement and employability skills

An Adult Learning and Skills Strategy, which follows on from the 14-24 Strategy is currently undergoing consultation and is expected to be published in January 2015

ADD EAST SUSSEX – ESB’s priorities/ work to date etc.

Appendix B

South East Skills Deal *(as articulated in the Strategic Economic Plan, March 2014)*

In our SEP (Section 2), we provide a high level summary of the activities that we will be developing in order to achieve our ambitions of raising skills and employment across the LEP. In delivering our Growth Deal and EU Strategic Investment Framework, we will add value to the welcome support already invested in the SE LEP area through government and EU initiatives, recognising that the majority of skills provision is still funded directly through central government and their skills agencies.

Our offer - current activity & stepping up our programmes

Progress is already being made through local and pan-LEP partnerships in delivering against our priorities and we are going further. Exemplars are:

Overarching activities (supporting priorities 1-3)

Current activity	Going further with local/ESF funding	Skills Deal
Employment and Skills Boards (ESB) – are already operating in East Sussex, Kent & Medway and Essex and as employer-led Boards are providing clear priorities for action, particularly for priority sectors.	As employer-led forums, the ESBs will act as the gateway for skills related activity to ensure synergies with the wider ambitions of the LEP, providing strategic guidance to local partners on projects and activities that will deliver LEP and local priorities – including use of ASB with the area.	

<p>Kent has established a Hospitality and Catering Guild which brings employers and providers together to develop qualifications and joint solutions to close the sector skills gap</p>	<p>Establish priority Sector Guilds across the LEP to identify curriculum pathways; promote the sector perception; articulate the needs of business; give employers greater ownership & define new apprenticeship frameworks.</p> <p>SE LEP Employer Portal: Supporting Workforce Skills – is in development and will provide an interface for employers, particularly SMEs, and providers to work together to meet skills and employment demand.</p>	
<p>Skills Demand Evidence Base - Essex, through University of Essex, has established this to support the ESB, all providers and schools in their planning. This has been used as an essential tool for the Board and is already being used by Providers to support curriculum planning. This will be developed for the whole of the SE LEP area.</p>	<p>An evolving and up to date evidence base of skills demand for the SE LEP</p> <p>An in depth ‘demand and supply’ analysis, ascertaining the ability and capacity within the current system to deliver carried out by local authorities with our skills providers.</p>	
<p>Local investment in skills infrastructure e.g. the Renewable Green Energy Training Centre, Basildon; Aviation Training Centre, Southend; School Creative Centre, Rye; Environmental Technologies, East Kent; University of Art, HHPP and Northampton University at Thomas Enterprise Park.</p> <p>Delivering against wider national policies: 4 UTC’s and 5 studio schools.</p>	<p>Leverage and optimise local match for skills capital projects to ensure co-investment and value for money.</p> <p>Encourage healthy competition in the market, using our evidence base to identify gaps in supply and challenge the market to respond in innovative ways through a competitive process – delivering an appropriate and diverse range of opportunities.</p> <p>Explore other skills delivery models, such as Career Colleges.</p>	<p>Skills Capital Funding (see Ask 1)</p> <p>£128m invested</p> <p>£25m new projects delivered in 2015/16</p>

Increasing apprenticeships and higher level skills for priority sectors (supporting priorities 1 and 2)

Current activity	Going further with local/ESF funding	Skills Deal
<p>Apprenticeship programmes are already in operation across SELEP to boost apprenticeships: - £8m invested to stimulate 2,600 new apprenticeships since 2010 in Essex, mainly in STEM subjects,</p>	<p>Stimulate new apprenticeships through wage incentives for SMEs and employer-led approaches.</p> <p>Work through the ESBs and SELEP provider network to raise awareness of the</p>	<p>Allowing SE LEP influence over £4.3m of ring-fenced ASB in order that it can work with</p>

<p>£150,000 to support 100 new apprenticeships in Southend</p> <p>- SELEP has already identified employers, based in the region, who are involved in both Phase 1 and Phase 2 of the Trailblazer apprenticeship project.</p>	<p>transformation of apprenticeship programme including the new Apprenticeship Standards, quality assurance, and the new funding methodology.</p> <p>Encourage employer involvement in apprenticeship trailblazers and secure participation in Phase 3 of the apprenticeship trailblazers</p> <p><u>Outcome:</u> 10,000 additional apprenticeships by 2021</p>	<p>providers to deliver a shift of learner volume towards qualifications. This will also leverage £3m of private investment through employer contribution.</p>
<p>Employer-led higher level skills development programmes:</p> <p>- Over 400 priority sector businesses supported to develop higher level skills in the workforce in Essex – a RoI of £1:38.</p>	<p>SE LEP will deliver a co-investment training grant programme to target SME in priority sectors to up skill their workforce. <u>Outcome:</u> 9,275 residents with higher level skills supporting priority sectors and skills shortages.</p> <p>Develop a suite of online learning materials for priority sectors, in conjunction with employers (particularly SMEs), to provide more flexible ways to develop workforce skills, particularly at higher levels.</p> <p>Pilot Sector based tutor CPD with employers and providers to professionally update and experience latest technologies, innovations and practice in industry</p> <p>Maximise the use of the Innovation Code to take advantage of existing flexibilities and develop new employer-led qualifications.</p>	<p><u>Outcome:</u> A minimum of 1,075 more learners undertaking qualifications needed by priority sectors at advanced and higher level. This alongside our capital investment & enhanced careers information will support a shift towards skills needed in the labour market.</p>
<p>Enhanced Careers Information/ IAG for young people through:</p> <p>- Essex’s Industry in Schools Programme</p> <p>- KentChoices4U.com – online application and careers portal. The site is the largest and used of its type.</p> <p>- KentChoices4U Live – an annual 2-day careers event</p> <p>- Opportunity Thurrock – an annual careers event</p>	<p>Expansion of the Industry in Schools programme across the LEP to provide real exposure to key industries to raise awareness of career opportunities in priority sectors and where we have skills shortages. <u>Outcome:</u> 7,875 young people engaged in the programme.</p> <p>Increase the volume of people who receive face to face IAG. <u>Outcome:</u> 30,000 offered face to face IAG</p>	

	A package of information and support for schools , particularly Governors, to aide their awareness and curriculum planning in support of LEP priorities.	
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Improving basic skills and employability of our residents (supporting priorities 2 and 3)

Current activity	Going further with local/ESF funding	Skills Deal
<p>Activities to develop Employability Skills:</p> <ul style="list-style-type: none"> - Employability for Life Charter – portfolio of evidence for young people, endorsed by business - Work experience programme for NEET young people in Essex - Employability Hub Pilot, Eastbourne Employ Medway – already supported 1,400 people into jobs with 84% sustainability Kent Employment Programme helps businesses take on young people 	<p>Providing additional revenue for increased numbers of residents to acquire basic skills qualifications <u>Outcome</u>: 4,000 residents achieving these basic and soft skills</p> <p>Developing occupational based literacy, numeracy teaching to encourage participation in qualifications</p> <p>Improved standards of English and Maths teaching and learning through promoting Government bursaries and initiatives.</p> <p>SE LEP will work with providers of Adult Community Learning to encourage increased proportions of their revenue into addressing the basic skills challenge.</p> <p>A package of programmes to help people into work and gain basic qualifications, including:</p> <ul style="list-style-type: none"> - Paid work experience placements - Transition to work support - Volunteering opportunities <p><u>Outcome</u>: 12,000 participants involve</p>	

Our EU Structural Investment Fund Plan articulates a programme of value added actions, under five thematic areas – Employer-led infrastructure and enhanced careers information; apprenticeships and vocational provision; up-skilling the workforce for SME growth and active inclusion, transitions to work and reducing youth unemployment - that will help to drive and support many of our priorities. Please see EU SIF for more detailed information. We believe it will not only derive positive social and economic outcomes through the new and additional funds it provides, but will also help facilitate a more sustainable systematic change in the skills and employment system locally – enabling us to progress the further work stated in this chapter.

Our Asks of Government

1. SFA Capital Investment in Skills Infrastructure

FINAL DRAFT – OCTOBER 2014

Investment in our skills infrastructure is crucial, particularly for the delivery of cutting edge STEM based occupations. There is significant appetite across Providers in the SELEP to respond to the need for STEM and other priority skills and capita investment in buildings and equipment is a linchpin factor in being able to do so.

Key facts: SE LEP has the –

- Fourth highest amount of capital funding required nationally (£201m) to address all category C/D condition based on average refurbishment cost
- Second highest number of colleges nationally (15)
- Second highest estate size overall and (5.9% of national estate)
- Second highest average grant since 2001 across all LEP areas (£26m)

Significant investment would be needed in the SE LEP area to address all its infrastructure shortfalls; however recognising the need to focus and stretch public investment, SELEP, with support of the Skills Funding Agency, will take a strategic approach to prioritisation to ensure impact, best value and maximum local co-investment.

We are asking for **£117m** over a six year period to improve the FE estate condition, for new provision across the FE and skills base and specialist equipment that supports more niche areas of employer required training.

- **College Condition Fund:** £11.7m which based on an average 2:1 match would equate to projects worth £23.4m across SE LEP
- **Specialist Equipment Fund:** £5.85m, open to colleges and private providers, based on 2:1 average would lead to £11.7m of investment
- **Main Competitive Skills Capital Programme:** £110.45m, open to colleges and private providers, which based on an average 2:1 match would equate to projects worth £198.9m

£50m is sought for 2015-17 for projects already in the pipeline that will deliver against SE LEP priorities. This would be split by £42.15m into the Main Capital Programme, £1.95m into the Equipment Fund and £3.9m into College Condition. *Please note that whilst the programme is based on an average of 2:1 match, final investment will be based on affordability and the ability of the local area to invest.*

At this point in time, SE LEP has based its figures on the size and condition of the estate and through proportioning the available national budget. Whilst initial amounts have been set aside for the College Condition Fund and the Specialist Equipment Fund, SE LEP will ensure the management of the overall budget can flex in-year, particularly towards the end of financial years, to maximise the use of the funding, whilst ensuring value for money.

SELEP will work closely with Skills Funding Agency to implement robust assessment processes for the main competitive programme that test the skills business case, finance case, and property case, to ensure that all supported projects will meet skills priorities, represent value for money, and improve the condition of the estate.

The skills capital requests are set out in the table below. A number of further key capital investments are in the pipeline. The Employment and Skills Boards will take a lead role in assessing and

recommending skills capital projects to the SE LEP Board. The LEP Skills Advisory Board will take a lead in liaising with the Skills Funding Agency to discuss and implement.

2. Freedoms and flexibilities

In addition to the EU Structural Investment Fund and skills capital, what we ask of Government is to:

1. Influence over the use of **the adult skills budget** that is allocated to the SE LEP area for the LEP to determine what it needs to deliver in order to address its skills priorities.
 - This ask is with providers agreement and would be utilised for employer-led training that supports skills gaps and shortages in our priority sectors, determined through the ESBs in partnership with the sector guilds. We ask for additional flexibility for providers to better tailor accredited training/units to respond to the needs of the employer.
 - The ring fencing could work through an amendment to the contractual agreement the SFA has with the SE LEP-based colleges and providers that sets aside a proportion of their Adult Skills Budget funding for commissioning skills training in priority sectors
2. Commit to **local determination and co-commissioning of ESF** to ensure it will deliver local priorities.
3. LEP **influence in the design and delivery of national programmes**, such as Work Programme and a meaningful level of local accountability for performance of these. This will help to ensure that national programmes work coherently with local provision for the benefit of people and business.