

Economy and Enterprise Overview and Scrutiny Committee

29 October 2015



Scoping Report for the Review of Skills Development supported by Durham County Council within County Durham

Report of Lorraine O'Donnell, Assistant Chief Executive

Purpose of the Report

- 1 The purpose of this report is to provide members of the committee with background information together with the terms of reference and project plan for the scrutiny review of skills development supported by Durham County Council (DCC) within County Durham.

Background

National Context

- 2 In November 2014, the government published a report 'Growth Through People' UK Commission for Employment and Skills (UKCES) looking into the UK skills system and put forward 5 recommendations for action, with employers leading the way, working with unions and the government to ensure that the UK has the skilled workforce needed to create better jobs and fight off competition.
- 3 The report describes the changing nature of the workforce, with the previous 20 years seeing a significant rise in technology throughout most working practices, with 4.6 million more high-skill jobs and 1.3 million lower-skill jobs being created, whilst the number of mid-level skilled jobs has declined. The result is that the career ladder is more difficult to climb and therefore, the workplace more difficult to facilitate all levels of social development.
- 4 The report sets out 5 priorities for action for the next 20 years:
 - Employers need to lead on skills development and government at national, regional and local level should enable them to do so by encouraging greater collaboration between businesses, unions and the general workforce.
 - Improving workplace productivity is the route to pay and prosperity including better management, better job design and increased employee engagement.

- There should be a clear career pathway for young people such as apprenticeships and this should be a normal way for business to recruit and develop their workforce.
- Work experience should become an integral part of education for all young people, bridging the gap between education and work education and therefore preparing people for work.
- Success should be measured by a wide set of outcomes, including jobs and progression and not just academic qualifications.

5 The report highlights the importance of industry wide collaboration and employer –led partnerships in developing a skilled workforce. The report also promotes the theme of employers investing in training, skills and talent development to ensure that the UK’s economy can attract and develop the broadest range of talent.

6 Reviewing post-16 Education and Training Institutions

- Government, has expanded the apprenticeship programme and introduced additional reforms including:
 - High quality professional and technical routes to employment, alongside robust academic routes which allow individuals to progress to high level skills valued by employers; and
 - Better responsiveness to local employer needs and economic priorities, for instance through local commissioning of adult provision, which will help give the sector the agility to meet changing skills requirements.
- In order to deliver these objectives, government requires a network of technology and national colleges to deliver high standard provision at levels 3, 4 and 5. Whilst government recognises that there are many excellent further education colleges, they have commented that substantial change is required to deliver these objectives while maintaining tight fiscal discipline with the work of the FE and Sixth Form College Commissioners has identified there is significant scope for greater efficiency in the sector, in a way that frees up resources to deliver high quality education and training.
- Government is planning to move towards fewer, often larger, more resilient providers with the Departments for Education and Business Innovation and Skills facilitating a programme of area-based reviews to review 16+ provision in every area and to do so quickly. These reviews will provide an opportunity for institutions and localities to restructure their provision to ensure it is tailored to the changing context and design to achieve maximum impact. The focus of the reviews will be on FE and sixth form colleges, although the availability and quality of all post-16 academic and work based provision in each area will also be taken into account.

- Areas will be asked to take forward reviews according to a national framework, which will help ensure that they are conducted on a broadly consistent basis. Reviews may either be proactively initiated by a group of institutions in a local area, or by Government where it sees a need to progress rapidly, in particular where there are concerns about some or much of the quality of the provision, capacity, or financial sustainability of individual institutions.

Regional context

- 7 The national context outlined in the UKCES report directly corresponds with the regional approach taken across the whole of the labour market and detailed within recommendations by the NE Combined Authority to encourage an inclusive and skilled workforce that is central to private sector led growth.
- 8 Although the NE has a strong reputation for responding to the opportunities presented by a growing and changing economy, the region does face a number of challenges in establishing a better functioning labour market which maximises the contribution of the workforce, including skills gaps where only half of the area's working age population has Level 3 or above qualifications, the relatively low uptake of science, technology, engineering and mathematics (STEM) subjects continues to be of concern and there is a deficit of high level skills compared with other areas.
- 9 The Strategic Economic Plan (SEP) for the NE sets out the vision for establishing an inclusive and skilled workforce and has an overarching theme to provide a demand led system which reflects the need of employers, including for high level skills in support of better jobs and provides access to high quality training facilities for both general and specialist training.
- 10 This in turn will address the current and future skills needs, ensure that young people are equipped and qualified to access opportunities and ensure that high quality training facilities are available to engage employers and learners.
- 11 The North East Combined Authority will create an integrated employment and skills system tailored to the specific needs of the area, and thereby raise labour market participation and skills at all levels, to increase productivity, improve the life chances of young people, help people into work and meet the skills shortages experienced by North East employers.
- 12 This process will be overseen by an Employment and Skills Programme Board with dual accountability to both the North East Combined Authority and to Government. The Programme Board will bring together the relevant accounting responsibilities of the seven constituent local authorities of the Combined Authority; the Department of Business, Innovation and Skills; Department for Education; and the Department for Work and Pensions – as well as the Regional Schools Commissioner, and appropriate representation from the North East Local Enterprise Partnership and HM Treasury. The Government's contribution will be led by a senior Minister.

13 The Programme Board will:

- Undertake a comprehensive review and redesign of the education, skills and employment support system in the North East. This will encompass the current area-based review of post 16 education and training institutions. The Board will subsequently evaluate strategic fit and effectiveness of this system in meeting the future needs and demands of the local economy.
- Actively stimulate, promote and champion initiatives that seek to strengthen and deepen partnerships between education and business to provide a focus upon economically-driven activity, such as vocational training (including apprenticeships and traineeships); experience of work; and enterprise learning.
- Develop key strategies and plans for post-16 learning provision, including 16-18 apprenticeships; and undertake a review to examine the case for full financial devolution of these functions to the North East Combined Authority in time to implement any further reforms for the 2018/19 academic year.
- Collaborate to maximise the opportunities within the North East presented by the introduction of the apprenticeship levy and any annual underspends within the national Employer Ownership of Skills pilot programme.
- Facilitate the full devolution to the Combined Authority of the funding and accounting responsibilities associated with post-19 learning provision, including 19+ apprenticeships, in time for the 2017-18 academic year. This will principally involve the transfer of the existing funding streams of the Skills Funding Agency.
- Facilitate joint responsibility between Government and the Combined Authority for a locally designed and commissioned framework of employment support that replaces all existing employment support programmes (including the Work Programme), to include an element of specialist support for the hardest to help, including Employment Support Allowance (ESA) claimants, from 2017. The Board will undertake a review to examine the case for full financial devolution leading to potential transfer of full accountability to the North East Combined Authority in time to implement any further reforms by April 2019.
- Oversee the running of a national pilot that delivers full integration of customer-facing services provided by local authorities and Jobcentre plus, rationalising buildings, securing efficiencies and improving service delivery.
- Establish and maintain a close link with the equivalent proposals of the Combined Authority for the integration of health and social care.

Local context

- 14 County Durham's Adult Skills Strategy has an economic focus, aiming to develop a more highly skilled workforce with a higher proportion of residents gaining high-level qualifications. With this in place the county will be able to create, grow, and attract more innovative businesses that will provide more highly skilled jobs and higher wages. This, in turn, will support higher levels of growth and a strong economy.
- 15 To realise this vision, ten key priorities have been identified, separated into three distinct themes of *workforce*, *business*, and *enabling*:
- **Workforce**
 - Improve the qualifications and skills of County Durham residents;
 - Develop skills to enable progression into employment;
 - Improve skills to promote enterprise and entrepreneurial behaviour;
 - Narrow the skills attainment gap in economically deprived communities.
 - **Business**
 - Develop skills to meet demand of growth sectors;
 - Increase the number of Apprenticeship opportunities;
 - Stimulate demand for higher level skills to increase productivity and growth.
 - **Enabling**
 - Develop high quality Information, Advice and Guidance;
 - Develop market intelligence for employers, learners and providers in order to match supply with demand and to improve the relevance of skills provision;
 - Support employers to utilise the skills funding system.
- 16 County Durham has a relatively high proportion of employment in the public sector and low-value manufacturing, and a relatively weak base of professional and business services. However, there are close economic linkages with neighbouring areas in Tyne and Wear and County Durham residents compete for jobs across the NE.
- 17 The county's economy has undergone significant sectoral changes in line with the rest of the country with the fastest growing sector financial and professional services with over 5000 jobs, which is higher than the national rate of growth for this sector. However, the high growth rate is from a low base which has lagged behind national growth in this sector for several decades.
- 18 Despite a reduction in expenditure, the public sector has shown strong job growth in the last decade, primarily in the healthcare and education sub-sectors. However, this is modest compared to high proportion of people employed in the sector and low compared to the proportionate increases in employment in this sector at regional and national levels. The distribution, hotels and restaurants (including retail) sector has shown outstanding growth in the last decade (12%) compared to regional and national averages, overtaking manufacturing as the second largest sector in employment terms. Allied to this, growing consumer expenditure and an increased number of visitors to the county have supported strong growth in the retail and hospitality sectors. Despite a long-term decline, manufacturing as a whole, continues to be a significant feature of the local economy.

- 19 The positioning of the county, infrastructure and availability of local labour continues to attract inward investors with companies such as Hitachi Rail Europe, Great Annual Savings Ltd and Compound Photonics establishing operations locally. Similarly, it enables specialist organisations, such as the national High Value Manufacturing and Satellite Applications catapult to operate from County Durham. It also supports local businesses such as CAV Aerospace, Sunderland Mutual Marine Insurance, Thomas Swan, The Banks Group, Kromek, and Inov-8. The area is also a low-cost base for businesses when considering costs for land, premises, labour and housing. However, the fact that County Durham is predominantly rural with a diverse geography does present a number of challenges in terms of ensuring there is good access to transport between residential areas and employment centres.

Occupational profile of County Durham

- 20 County Durham has a more balanced occupational profile compared to the North East LEP area and England. The County has fewer residents employed in higher-level occupations (managers, directors, professional, and technical occupations) to the North East LEP area and England but similar levels in lower-level occupations (sales, customer service, plant and machine operatives, and elementary occupations). The largest proportion of the County's workforce work in mid-level occupations (administrative, skilled, caring and leisure occupations) and it is this group that has seen the largest increase since 2004.
- 21 Mid-level occupations generally require a level of education, training, experience, or competence which is above basic literacy and numeracy; which suggests they may have the potential to move up to higher-level occupations during their careers. Similarly, the occupation profile of the County does not necessarily reflect the significant improvements in education levels of the workforce in the last decade. Therefore, due to job shortages there may be a significant number of people who are in occupations that require lower levels of skills and qualifications than those they possess; so the County's workforce should be well placed to drive growth when there are more jobs requiring higher skills and qualifications. This could lead to a significant shift in the County's occupational profile; towards a larger number of workers in mid-level and higher-level jobs in the future. Whilst growth is subdued, it is vital that we retain these well-educated and skilled workers, particularly well-educated younger people, to offset the large proportions of older generations in the workforce that will retire in the next decade. County Durham's qualifications profile is significantly different to that of the North East LEP and England with fewer individuals of working age holding NVQ4+ qualifications. In addition, County Durham has a higher proportion of individuals with NVQ1 or no qualifications.

Programmes of support

- 22 The County Council has a responsibility to support the creation and take up of jobs across County Durham by identifying labour force priorities and raising awareness of opportunities with employers and existing and/or potential employees. The scope of the service includes: activity to track new and emerging economic sectors; engaging with funders, employers, higher and further education, work based learning providers and schools to ensure the continued availability of a competitive workforce.

- 23 Partnership arrangements are firmly in place to deliver services with Jobcentre Plus (JCP), National Apprenticeship Service (NAS), National Careers Service, North East Local Enterprise Partnership (NELEP) and the Area Action Partnerships and include:
- Generation North East Programme
 - County Durham Apprenticeship Programme
 - Teen Parents Apprenticeship Programme
 - Anti-Poverty Employment/Self-Employment Programme

Generation North East Programme

- 24 This programme provides an opportunity to test out local models of business engagement, to change the conversation with employers – to drive up opportunities for young people and business engagement with the wider support system. The objectives of the programme are:
- To put employers at the forefront of meeting their future workforce needs
 - To drive up opportunities for young people's employment and development
 - To implement a simplified and coordinated package of high quality support by all stakeholders in the employment and skills agenda
 - To broaden and deepen business relationships between stakeholders. Particularly local authority teams with the wider business community in order to support economic growth.
- 25 The object of the programme is to start a dialogue with businesses, not to sell a service, but to engage them in the process of improving the employment prospects of younger people. The programme proactively supports both sides of the equation, with the aim of making it easy for businesses to provide opportunities for young people.
- 26 Generation North East has been introduced as a locally responsive programme to provide additional employability support to young people (18-24), with the aim of increasing off-flows into work. The programme has established stronger working relationships with JCP and has introduced activity which will be rolled out as part of the ESF Programme under the Youth Employment Initiative from November 2015 onwards.
- 27 The project provides one to one tailored support for the target group to achieve sustained employment. The principle of the model that has been developed is to co-ordinate a programme of pathways into employment; enable workless people to access opportunities and build the skills that lead to sustainable employment and work with local employers to identify staffing needs to help fill vacancies from the target group.

County Durham Apprenticeship Programme

- 28 This provides a £1,000 top up to the AGE 16-24 to provide a grant of up to £2,500 to County Durham based SME's with less than 50 employees to create additional apprenticeship or job opportunities for unemployed 16-24 year olds who are residents of the County. This initiative is available countywide and will focus on various wealth creating sectors that will add the most added value to the local economy. This is not an exhaustive list although we are keen to maximise apprenticeships in the following areas: Engineering, Electrical, Plumbing & Heating, Construction related e.g. Bricklaying, Joinery, Plastering, Painting & Decorating etc, Teaching, IT, Accountancy, Health & Social Care, Tourism/Hospitality & catering (exc bar/waiting staff), Professional & Scientific.

Teenage Parents Apprenticeships

- 29 Funding is available to create 2-year apprenticeship opportunities for teenage parents (both male and female) who are aged 16-19 years old and are a resident of County Durham.
- 30 Employers will be able to access £4,500 payable in 2 instalments, £2,500 after 13 weeks and £2,000 after 15 months, if they recruit eligible teenage parents into an apprenticeship opportunity. Furthermore, young people will potentially be able to access up to £1,000 to contribute towards to childcare or travel costs for the first 3 months of employment.

Anti-Poverty Employment / Self-Employment Programme

- 31 Funding is available to support those individuals most disadvantaged by welfare reform including: Under occupancy (bedroom tax), Benefit cap, ESA WRAG, Private rented sector, Ex-forces and Women returners.
- 32 A Wage Subsidy of £2,000 will be available to encourage an employer to create an employment opportunity for a disadvantaged individual affected by Welfare Reform. The subsidy will be split with £1,000 paid after 3 months and the remaining £1,000 after 12 months employment. Furthermore, a discretionary fund will be available for individuals to access to contribute towards the costs of training that will help them enter employment.

Reviews by other local authorities

- 33 For the information of the committee the following scrutiny reviews have been undertaken by local authorities:
- Scrutiny review report – 'Closing the Skills Gap' was undertaken By Birmingham City Council in December 2012. The review looked at how the city can play its part in closing the skills gap to increase employment and boost the economy, earlier work had identified the low level of skills in the city as a major weakness in the local economy.

http://www.cfps.org.uk/library?item=8236&filter=economy&filterfrom=issue_name&match_all=true&offset=0

- Scrutiny inquiry report – ‘Maximising powers to promote, influence and create local employment and skills opportunities was undertaken by Leeds City Council in May 2012. The report provides an overview on Leeds City council’s vision to create jobs and enhance skills. The report also provides detail of how the council and partners support people into work and raise the city’s level of skills.
http://www.cfps.org.uk/library?item=10671&filter=economy&filterfrom=issue_name&match_all=true&offset=25
- Scrutiny review report – ‘Whether the resident workforce in Portsmouth has the requisite skills to satisfy the current and future needs of the city, its residents and local employers was undertaken by Portsmouth City Council in March 2012. The review looked at whether the people of Portsmouth have the requisite skills to satisfy current needs and to identify the skills needed to build a strong economic future for the city, its residents and local employers.
http://www.cfps.org.uk/library?item=7946&filter=economy&filterfrom=issue_name&match_all=true&offset=25

Terms of Reference

Background

- 34 The Economy and Enterprise Overview and Scrutiny Committee as part of the work programme for 2014/15 received an update on the work of Business Durham which together with a number of media items reinforced with members the success of County Durham in attracting inward investment in recent years with a number of major companies locating in the county and a number of established companies expanding. The committee has also received as part of the 2014/15 work programme a report and presentation providing an overview of skills development within the county which included information on the role of DCC in relation to skills development, various skill support programmes within the county, skill priorities (nationally, regionally and locally), skill issues (nationally, regionally and locally) and skill priorities for 2015. When considering the report and presentation members commented that some employers within the county had expressed concern that the current workforce does not have the skills they require. Members were concerned that a lack of required skills could be preventing local people from accessing employment opportunities available within the County.
- 35 When considering the refresh of the committee’s work programme for 2015/16, members considered it timely to undertake a focused scrutiny review looking at the role and performance of Durham County Council working in partnership to support skills development within County Durham.

Aim

- 36 The aim of the review is to investigate and understand the role and performance of DCC in supporting skills development within County Durham, examining how it works in partnership, any gaps in current skills support provision and identify future skill priorities for the County.

Objectives

- 37 The review will cover the following objectives:
- Consider and understand the current approach to skills development at a national, regional and local level including current funding arrangements.
 - Examine the existing skill base of residents within County Durham and compare to the regional and national skill base.
 - Consider and understand the role and performance of DCC and key partners in supporting skills development within the county including detail of various projects/initiatives.
 - Examine how DCC engages with key partners including the National Careers Service, Business Education Board, FE colleges, specialist learning providers, employers and the County Durham Economic Partnership (CDEP) to support skills development within the County.
 - Identify any skill gaps or barriers to fulfilling skill needs in the County.
 - Examine any actions identified to meet skill gaps and consider future skill priorities.

Scope

- 38 The focus of the review will be skills development within County Durham, looking at how DCC works with key partners to support skills development in County Durham and ensure that the workforce has the necessary skills to meet the skill requirements of local employers. Whilst outside of the main scope of the review, the review will examine the role of the North East Local Enterprise Partnership (NELEP) and the North East Combined Authority (NECA) to provide a regional context to skills development. The review will reference apprenticeships as a vehicle for improving and developing employment skills, however, this will not be examined in detail as a bespoke piece of work on apprenticeships is to be undertaken by the committee and is included within the 2015/16 work programme.

Approach

- 39 The review will consist of six meetings with members receiving verbal and written evidence via reports and presentations from officers within Regeneration and Economic Development (RED) and Children and Adults Services together with discussions and presentations from key partners including the National Careers Service, FE colleges, specialist learning providers, Business Education Board, employers and the CDEP. In addition, two visits are planned for members to see the type and level of skills support provided within the County.

Membership

- 40 The membership of the Scrutiny Review group will consist of members of the Economy and Enterprise Overview and Scrutiny Committee and will be no more than 10 including the Chair and Vice-chair of the Overview and Scrutiny Management Board and the Chair and Vice-chair of the Economy and Enterprise Overview and Scrutiny Committee.

Reporting

- 41 On completion of the evidence gathering and formulation of the recommendations a report will be drafted for submission to Cabinet and the County Durham Economic Partnership.

Timescale

- 42 The review will commence in November, 2015 with the aim of reporting to Cabinet in July 2016.

Recommendation

- 43 Members of the Economy and Enterprise Overview and Scrutiny Committee are recommended to:

Agree the terms of reference as set out in paragraphs 34-42.

Background papers

Economy and Enterprise OSC report - Overview of skills development in County Durham – 20 February, 2015.

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Appendix 1: Implications

Finance - None

Staffing - None

Risk - None

Equality and Diversity / Public Sector Equality Duty - None

Accommodation - None

Crime and Disorder - None

Human Rights - None

Consultation - None

Procurement - None

Disability Issues - None

Legal Implications – None