



SOLENT
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SOLENT SKILLS STRATEGY

Interim Evaluation • September 2015

In March 2014, Solent LEP launched the Solent Skills Strategy, an integral part of Transforming Solent, the Strategic Economic Plan.

Skills are essential to a modern, productive and growing economy. Transforming Solent set us the challenge of placing Solent on a new growth trajectory, one in which we raise our growth and productivity in closer alignment to our neighbours in the South East region.

Aspiration and achievement will therefore be critical to the Solent's economic success both now and in the future. We will need a knowledge-rich and creative economy, one which will require the highest levels of education in the entire workforce.

Happily, one year from the publication of our Skills Strategy my Board can point to many achievements:

- Our stakeholders have told us that they welcome the call to action that the Strategy represents, providing a clear and cohesive framework for action for partners in the Solent.
- Substantial Growth Deal successes mean that we are able to invest in our skills infrastructure, with particular investment in STEM skills linked to our key sectors.
- The Solent Skills for Growth Programme will allow us to provide flexible provision to meet the skills needs of employers – the first to be piloted nationally. A £1.5m Solent Employer Ownership of Skills programme, has also been secured.

Yet despite these early successes we are not complacent. A significant task remains if we are to support the Solent to improve its growth and prospects for productivity. For that reason, whilst continuing to advance all aspects of the Strategy, we will provide particular focus to: ensuring that we have the higher level skills that we will need in our economy; that we continue to provide leadership in terms of delivering Science, Technology, Engineering and Maths (STEM); and, we will ensure that in the ensuing debate about the devolution of powers and funding for skills and employment to local areas, that we ensure the best possible arrangements for the Solent area.



Sarah McCarthy-Fry, Chair
Solent Employment and Skills Board



EXECUTIVE SUMMARY

This Interim Evaluation of the Solent Skills Strategy, launched in March 2014, reviews the progress of the Strategy one year on.

The Interim Evaluation was commissioned to ensure that: progress was being achieved against the key priorities, and; that as the labour market changes in response to new economic conditions, the Strategy remains focused on tackling the critical issues.

Significant progress has been made in taking forward the Strategy and the review has highlighted a number of areas of success, including:

- The role that the Strategy has played in galvanising thinking' and providing leadership and a vision of skills priorities and requirements;
- Providing high level backing for change and initiatives, enabling these to be pushed through institutions and political processes (e.g. relating to planning or Section 106 agreements);
- Improving partnership working, particularly between colleges but also between local authorities and in higher education;

- Bringing greater coherence to the pattern of provision in the area;
- Articulating employer needs, particularly in relation to the responsiveness of provision;
- Providing investment into the skills infrastructure through Growth Deal investment in STEM related capital projects;
- The development of Skills for Growth – launched to provide flexible provision to meet the skills needs of employers in key sectors in the Solent. This flexible arrangement is the first to be piloted nationally.

The evidence however shows that the stand out issue for the Solent remains underperformance in higher level skills. This is a key indicator for the Strategic Economic Plan, as well as an area that we need to influence to change the productivity and growth performance.

STEM skills continue to be an issue but will be essential to the economy across a range of growth and key employment sectors.

Whilst the Skills Strategy contains a wide range of priorities, the review shows that the priorities remain relevant and provide a strong framework for short, medium and longer term change.

However, in the context of limited resources it is recognised that some priorities would be advanced before others. It is therefore proposed that the broader framework remains but that three key issues be given prominence in the Strategy in terms of LEP activity in the coming year:

- Driving higher level skills, and building participation in higher education.
- Continuing to place an emphasis on building STEM skills.
- Seeking a devolution of skills budgets for the Solent to maximise the flexibility and effective targeting of resources.

The challenge also remains to actively engage the wider community behind the Strategy, particularly employers, to secure a genuine tri-partite approach to the development of skills for residents of the Solent and the wider economy.



INTRODUCTION

The Solent LEP Skills Strategy 2014 – 16 was published in March 2014, to underpin Transforming Solent, the Solent's Strategic Economic Plan 2014 – 2020.

The Solent Skills Strategy aims to support the development of a world-class workforce to drive this future economic success. It aims to ensure that Solent's growth ambitions are supported by an employment and skills system which meets the needs of employers and individuals.

In developing the Skills Strategy partners were clear that success could not simply be measured by improving performance. It must also be measured by the extent to which it brings together businesses, universities, learning providers and public agencies into a joint effort. The Strategy has therefore been underpinned by new ways of working and new processes for collaboration between the key actors in the Solent LEP area.

So a year on, what difference has the Skills Strategy made?

As part of the Solent's commitment to reviewing progress, the Solent LEP, on behalf of the Solent Employment and Skills Board, commissioned an Interim Evaluation of the Skills Strategy, appointing the University of Exeter to undertake the work in January 2015.

Since then, partners have participated in an online survey, and a series of interviews has taken place with key stakeholders. A review of the evidence base was also undertaken in terms of key labour market indicators, to determine whether there is a case for reviewing the priorities set out in the action plan, recognising that the underpinning labour market conditions have changed as the economy starts to grow.

The Interim Evaluation therefore:

- Revisited the evidence base – to understand what has changed and what does that mean for the strategy going forward?
 - Reviewed progress against the action plan to date. To what extent has progress been made in delivering the key actions?
 - Considered whether the priorities and actions set out in the Strategy remain appropriate in light of the evidence review and views of stakeholders?
- This report sets out the key findings and recommendations of that review.



THE CHANGING CONTEXT

An important context for the Interim Evaluation is the policy and labour market changes that have taken place since the Solent Skills Strategy was published.

1. Budget cuts

Government funding for skills delivery is currently under threat. Whilst national policy continues to focus on delivery of Apprenticeships, the Skills Funding Agency (SFA) Adult Skills budget is under considerable pressure, having been cut by 15% in 2014/15 and with further significant cuts anticipated. In February 2015, the Department for Business, Innovation and Skills (BIS), announced that funding through the Skills Funding Agency for adult skills in 2015-16 will be reduced by more than £249 million nationally, an 11 per cent cut on 2014-15.

Within that context, the SFA has set an apprenticeships budget of £770 million, meaning that the funds available for other non-apprenticeship adult skills will be reduced by almost a quarter (24 per cent).

The Adults Skills budget currently supports a wide-range of provision, delivered both in the classroom and in the workplace, such as literacy and numeracy programmes for adults. Given that funding for local priorities arising from further devolution or local control of skills, is likely to draw from this budget, this has serious implications for delivery of skills provision both now and in the future.

2. Universal Credit

The roll-out of Universal Credit may result in an emphasis on in-work poverty and raising the skills levels of the 'working poor' to help them come off benefits. As a result, the simple binary distinction between the employed and unemployed which permeates much current strategic thinking may become blurred. If pushed nationally, this may bring major employment sectors, such as care and retail, into a more central place in the strategy.



3. Devolution of skills budgets

An important context for review of the Solent Skills Strategy is the issue of devolution of skills and employment funding and the possibility of an enhanced role for the LEP. The Heseltine Review, *No Stone Unturned in Pursuit of Growth*, heralded a move to devolve budgets for growth to the local level. The Scottish devolution debate, combined with developments around core cities and prominence of examples such as Greater Manchester, has raised the possibility of skills and employment budgets being devolved to local level.

This issue emerged strongly in the consultation on the update of the Strategic Economic Plan. One to one consultations with local authorities also showed that there are concerns about the skills pipeline and a desire for greater local influence and employer engagement. The LEP has agreed in principle to support greater devolution of the skills budget. A further debate is now needed within the Solent about the practicality of such a development and the circumstances that will produce greatest benefits for the Solent labour market.

4. Labour Market Changes

The Skills Strategy was informed by a detailed analysis of the labour market conditions and forecasts of future changes. In reviewing the Strategy and its priorities, it was essential to understand whether any significant changes had taken place in the labour market conditions that may require the Strategy to change focus.

Overall, the economy is continuing to recover slowly and this is resulting in a tightening labour market. Vacancies, including Apprenticeship vacancies, are becoming increasingly difficult to fill and while employers were 'just about managing' to find the skills they need, there is a strong sense from stakeholders that the situation will become increasingly difficult in future.

There is also an optimism that local growth is in the right parts of the economy, including advanced engineering, marine & maritime and aerospace sectors within the SME community. However, there is a concern that as the labour market tightens a growing number of young people would be tempted into employment, potentially in poorly skilled work without opportunities for training.

Overall, despite the labour market performing well in some areas, the pipeline of skills remains a cause for concern, with parts of the Solent continuing to show significant gaps in educational attainment. These gaps raise concerns about the area's ability to meet future skills demands.

High level skills remain an issue for the economy with the relative underperformance of the Solent area a continuing cause for concern. At the same time there is a clear success story in terms of the relatively smaller decline in Apprenticeship starts in the Solent when compared to the national picture.

Overall the labour market review indicates that the Strategy remains focused on the right issues, but the dominating concern being lack of progress on higher level skills and continued poor performance in STEM skills.

The performance of the labour market against key indicators is summarised on the next few pages.

Key Stage 3 and GCSE



For Key stage 3 Hampshire performed well, but the gap in attainment between the Solent urban core and both Hampshire and England widened.

In 2013/14, 55.4% of pupils in Solent LEP schools¹ achieved five or more GCSEs at grades A*-C including Maths and English at the end of Key Stage 4. This remains below the regional and national averages of 56.1% and 58.2% respectively. Attainment in the Isle of Wight (44.6%), Southampton (49.8%) and Portsmouth (50.2%) remain significantly below the national average.

In the latest year, the proportion of young people gaining five or more GCSEs at grade A* to C at the end of Key Stage 4 fell sharply due to major reforms that effect the calculation of key stage 4 performance measures. Despite this Portsmouth performed well achieving a 3 percentage point increase in the proportion of young people gaining 5 or more A* to C GCSEs including English & Maths.

¹ Data includes the whole of Hampshire

² Data is provided for parliamentary constituencies. Parliamentary constituencies that lie wholly or partly within the Solent have been included.



CEMAST Open for Business: New £12m centre opened September 2014

Apprenticeships

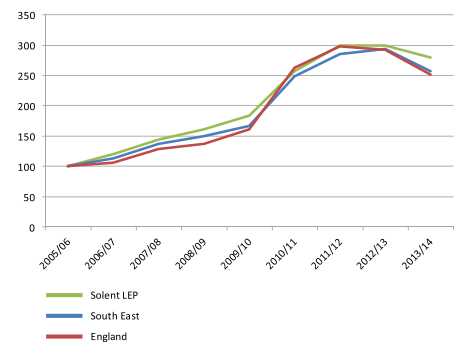


The number of Apprenticeship starts fell by 7% between 2012/13 and 2013/14, largely due to a fall in the number of adult apprenticeships. Significantly, the decline in the Solent (-7%) was smaller than that seen nationally (-14%). Interestingly, the number of workplaces employing Apprentices in the Solent area² remained stable, implying that it is not employers who have been put off taking Apprentices, but adults who have been put off taking up Apprenticeships.

There has also been a decline in the number of Advanced & Higher Apprenticeships and in Apprenticeships started by people aged 20 and over. These falls may be a cause for concern, as advanced and higher level technical skills have been identified as a priority for supporting Solent's advanced manufacturing and marine industries.

Apprenticeship Starts, indexed (2005/06 = 100), Solent v SE & England.

Source: FE Data Library



STEM Skills



There has been a better than average performance in GCSE Maths, STEM Apprenticeships and Solent residents studying STEM subjects at University, although mixed with some concerns about GCSE results in Science.

Raising Higher Level Skills



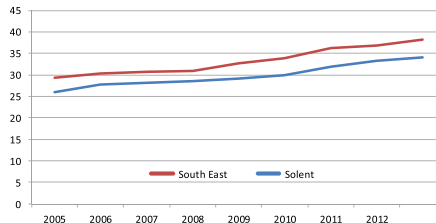
In the latest year, the proportion of adults with Level 4+ qualifications rose more slowly than the national average. In 2013, 34.1% of working age adults held these higher level qualifications, compared to 38.3% in the South East and 35.0% across the UK as a whole, and although the trend is rising, it remains at a slower rate than in the wider South East region and nationally.

At the same time participation in Higher Education by Solent residents fell, a decline of 7.9% on the previous year³, due to a decline in part-time HE participation by adults. Uptake by young people rose, but rose more slowly than the national average. Nevertheless, the proportion of young people, entering higher education - Portsmouth (23%), Southampton (25%) and the Isle of Wight (26%) - lags the rate found in England (36%) and South East (37%) by a considerable margin.

³ It should be noted that this data only covers HEIs, and does not include any students taking HE courses at FE Colleges.

⁴ Data is only available at the upper tier authority level. Therefore the whole of the Hampshire County Council area has been included as being within the Solent LEP area.

Proportion of the working age population with Level 4 skills and above, Solent LEP v South East Source: APS via NOMIS



Level 2 and 3 Skills



The proportion of young people attaining Level 2 rose in most areas. The proportion of 19 year olds achieving a Level 2 qualification has risen significantly over the years at a rate roughly in line with the England average. By 2013, this had grown to 85%. However, just 76% of 19 year olds in Southampton and 79% in Portsmouth are achieving this level. The proportion of adults with no qualifications and qualifications below Level 2 fell in most areas at rates equivalent to or faster than the national average.

The variation in skill levels within the LEP area can also be seen in the proportion of 19 year olds achieving a Level 3 qualification. This ranges from 61% of 19 year olds in Hampshire to 43% from Southampton, 45% from Portsmouth and 48% from the Isle of Wight.

Youth Employment



The uptake of Apprenticeships by young people has risen. Between 2012/13 and 2013/14, there was a 12% rise in the number of Apprenticeship starts by people aged under 19.

The number of young people who are Not in Employment, Education or Training (NEET) has fallen in all areas apart from Portsmouth. However, youth unemployment remains stubbornly high. In November 2014, 4.7% of 16-18 year olds in the Solent LEP area⁴ were NEET (2,168 young people). This varies from 9.9% of 16 to 18 year olds NEET in Portsmouth compared to 4.4% in Southampton.

The proportion of young people in jobs without training in the Solent LEP area (3.2%) is roughly in line with the national average (3.3%), but has risen in the last year in Portsmouth & Southampton. The number of young people claiming unemployment benefits has fallen considerably in the last two years, though the proportion of young people looking for work but unable to find work has remained stubbornly high.

Unemployment

In November 2014, 1.4% of the working age population of the Solent was claiming Jobseekers Allowance (12,500 people), a fall on the previous year and below the England average.

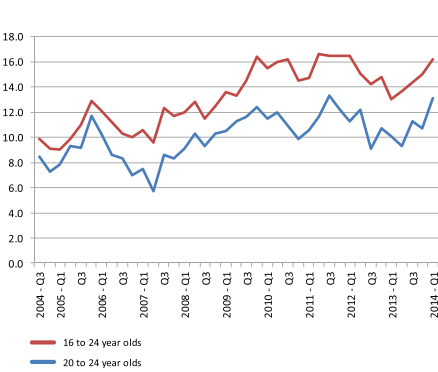
At the same time the number of people claiming Incapacity Benefits and the Employment & Support Allowance rose from 17,500 to 20,500 between May 2013 and May 2014.

When measured through the more consistent Annual Population Survey (APS), the unemployment rate is found to be much higher. Between July 2013 and June 2014, 5.3% of Solent's working age population (41,400 people) reported themselves as being unemployed, considerably above the pre-recession level.

Business Engagement in training

The proportion of employers with a training plan and training budget fell between 2011 and 2013. However, the proportion of employees receiving training rose in the Solent while falling nationally

Youth unemployment, Solent LEP



Leadership and Management Skills

The proportion of employers reporting skills gaps in Strategic Management Skills fell between 2011 and 2013, although a greater number reported skills gaps in Planning & Organisation skills.

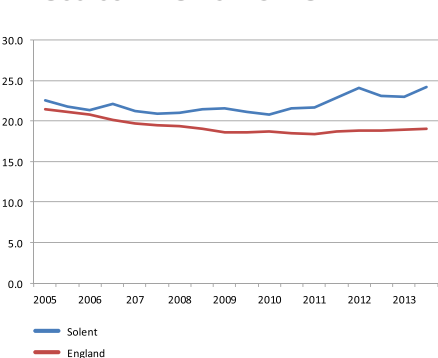
Entrepreneurship Skills

The number of Business Births in the Solent rose by 28% in the latest year, a rate faster than the South East average (22%) and in line with the national average.

Innovation linked to Skills

In a ranking of 64 UK Cities, Southampton and Portsmouth both slipped in terms of the number of patent registrations per 100,000 population.

Proportion of employees receiving job-related training in the last 13 weeks, Solent v England





WHAT HAS BEEN ACHIEVED?

Feedback from partners participating in the evaluation was overwhelmingly supportive of the Strategy, identifying that it has had an important role in:

- ‘Galvanising thinking’ and providing leadership and a vision of skills priorities and requirements;
- Providing high level backing for change and initiatives, enabling these to be pushed through institutions and political processes (e.g. relating to planning or Section 106 agreements);
- Giving public authorities the opportunity to engage with employers and the supply side in strategic discussions about change and aspiration in the local economy;
- Improving partnership working, particularly between colleges but also between local authorities and in higher education;
- Bringing greater coherence to the pattern of provision in the area, which might otherwise be more disjointed due to ‘providers pursuing their own thing’;
- Articulating employer needs, particularly in relation to the responsiveness of provision; and, alongside national policies and pressures resulting in a process of culture changes within the supply side of learning.

It was recognised that, despite the overall positive response, engagement with the Strategy had been uneven across different sectors and that higher education, the private sector and private sector training providers needed to be more engaged with the Strategy. The importance of continued consultation and the engagement of delivery partners were regarded as essential.

Partners also recognise that changing the focus of the education and training system takes time, and even where it occurs, it can take time to filter through and be felt by the business community.

Partners recognised that, although the Strategy has a clear focus, it also has a considerable number of priorities. Whilst this was considered necessary to provide a coherent overview of the breadth of change required to achieve the overall vision, there was an understanding that within the limited resources available further focus would be needed. In terms of implementation it may therefore be necessary to be clearer about immediate priorities recognising that with limited resources it is not possible to make headway against all the priorities at once.

Uncertainties engendered by budget cuts and the possibility of greater devolution of responsibility for skills would have a bearing on the delivery of the Strategy.

Many also felt that the Employment and Skills Board (ESB) could play a stronger ambassadorial role, selling the vision, particularly with employers. Key public sector partners have already demonstrated a clear commitment to the plan. Mechanisms for working with the Further Education sector in particular are strong and have been further embedded. However, a clear measure of success will be the extent to which the Solent is able to secure significant private sector investment in support of the Skills Strategy and a key question for the ESB remains 'how best should this be achieved?'

At the time partners expressed frustration about the delays in the delivery of EU Structural & Investment Funding (which lies beyond the LEP's control) which had hampered the timely delivery of parts of the Strategy. Calls for ESIF funding are now beginning to emerge which should allow headway to be made in the coming months.



Eastleigh College Advanced Technology Block: £9m Local Growth Deal Investment.



PROGRESS AGAINST THE SKILLS STRATEGY ACTION PLAN

Interviews with partners and LEP officers identified a number of areas of progress against the Skills Strategy action plan. These represent some significant developments, and highlights are set out below.

- The delivery of CEMAST has been a critical project and trail-blazer for the Solent. Opened formally in September 2014, it has accelerated STEM enrolments significantly beyond expectation, already reaching the enrolment position anticipated in year 3. It is expected, the new centre is contributing to Solent's better than average performance on Apprenticeships.
- The Solent Skills for Growth Programme has been launched to provide flexible provision to meet the skills needs of employers in key sectors in the Solent. This flexible arrangement is the first to be piloted nationally. Work is now underway to attract employers to take up the opportunities that this provides.



£1.5 million

The amount of funding secured for the Solent Employer Ownership of Skills Programme

- The role of the LEP in supporting the development of STEM focused FE Capital infrastructure has been identified as a clear success. The Skills Strategy has secured a number of significant skills capital investment projects through the recent Growth Deal. These have been clearly linked to the delivery of the Skills Strategy with a focus in developing STEM provision and key sectors. The Isle of Wight Centre of



Excellence for Composites and Eastleigh College's Technical Skills Centre are going ahead on the basis of their alignment with the Skills Strategy priorities. Having a LEP that is clear about its priorities and has set these out clearly in its strategic plans is identified as being extremely important to the success of these initiatives, enabling their promoters to make the case for their development, both internally and to a range of external funders. A small skills and innovation capital fund has been secured under Growth Deal 2 and this is in the process of being developed further.

- A number of excellent projects came forward for both Growth Deal funding rounds via the FE forum. A lack of funding meant that not all of these could be supported. The process has, however, resulted in increased collaboration and a pipeline of ambitious proposals for initiatives linked to STEM delivery and key sectors to be put forward to future Growth Deal rounds.
- A proposal for a University Technical College in Portsmouth was developed by local partners and approved by Government in March 2015. It will educate tomorrow's engineers, inventors, scientists and technicians. Led by University of Portsmouth and Portsmouth City Council, the University Technical College will open in September 2017. It is expected to provide the city and region with a steady number of young people with skills sought by employers. The project has significant support from the Royal Navy, BAE Systems, QinetiQ, Airbus, Pall Europe and Ben Ainslie Racing.
- There is also evidence emerging that local employers are starting to take more of a lead in skills delivery. One example is provided by BAE Systems which has secured agreement to invest in maintainable systems over a 5 to 7 year period. This will support the development of high end manufacturing and systems engineers and will open facilities to train apprentices for both BAE Systems and the wider supply chain.
- A further source of potential development will be offered up by the Growth Deal funding of the PTP National Maritime Systems Centre for Excellence. This will be linked to the development of level 3 skills in intelligent systems and there is also an intention to work with HEIs in the area to develop high end systems engineering in cyber security. Linked to the marine and maritime sector, this could develop into a significant centre of expertise for the Solent area.
- A LEP Pre-16 task group has been formed.



RECOMMENDATIONS

Whilst the Skills Strategy contains a wide range of priorities the overall feedback from the interviews and the online survey is that the priorities remain relevant and provide a strong framework for short, medium and longer term change.

Thus the Skills Strategy remains relevant both in the eyes of the stakeholders who it delivers to and in the context of the labour market.

Overall there is no appetite for removing priorities but a recognition that in the context of limited resources some priorities would be advanced before others.

The context of Transforming Solent is one in which we are seeking to raise Solent's productivity and growth performance. To do this the economy needs access to higher level skills and a culture of aspiration which encourages young people and those in the workforce to strive for excellence. The latest evidence shows that not only does the economy continue to lag in respect of higher level skills, but that participation in higher skills development overall has fallen.

It is therefore proposed that the broader framework remains but that three key issues be given prominence in the Strategy in terms of LEP activity in the coming year:

- Driving higher level skills, and building participation in higher education.
- Continuing to place an emphasis on building STEM skills.
- Seeking the devolution of skills budgets for the Solent to maximise the flexibility and effective targeting of resources.

The challenge also remains to actively engage the wider community behind the Strategy, particularly employers, to secure a genuine tri-partite approach to the development of skills for residents of the Solent and the wider economy.