

Local Skills Improvement Plans

CBI feedback to the Department for Education

JUNE 2022

More work needs to be done to ensure Local Skills Improvement Plans boost the quality of engagement between Businesses and Providers

The CBI is the UK's leading business organisation, speaking for some 190,000 businesses that together employ around a third of the UK's private sector workforce. We represent businesses of all sizes from all sectors, employing people with skills and qualifications at all levels. We also have members involved in delivering education and training, including universities, colleges, and independent training providers (ITPs).

The CBI welcomes Local Skills Improvement Plans (LSIPs) as an opportunity to close skills gaps and make the skills system more responsive to the needs of employers. We worked with local Chambers of Commerce to promote the Trailblazer pilots to businesses and will work with all designated employer representative bodies as LSIPs are rolled out nationally.

The aim of this report is to highlight what needs to happen to ensure that LSIPs will be a success.

The CBI argues that:

1. LSIPs must be directed towards businesses most in need of a voice in the skills system.
2. LSIPs should be given the scope to embrace cross-cutting sector issues.
3. Providers need to be equipped to deliver LSIPs.
4. LSIPs will need to be kept under regular review to ensure the plans remain current and useful.

Summary of key recommendations

1. Effort must be directed at engaging businesses most in need of a voice in the skills system.

Government mandated Terms of Reference will make the intentions of LSIPs clear. Because LSIPs cannot capture every skill gap, effort must be directed at amplifying the voices of businesses that struggle most to build relationships with education providers because of their size or the size of their industry in the local economy. The ERBs responsible for producing LSIPs should allow any business in the area to make their case for being involved. The responsible ERB can then assess which types of businesses, and which sectors, should be prioritised. A balance needs to be struck between government giving ERBs some direction and ERBs having the freedom to prioritise for their area.

2. The information gathered via LSIPs should also be reflected in and used to inform national policy initiatives via the new Unit for Future Skills.

The government's new Unit for Future Skills (UFS) is looking at data and evidence of where skills gaps exist and in what industries. LSIPs should take account of data provided to them by the UFS and the evidence LSIPs produce can in turn add to the evidence base that the UFS exists to promote. This can ensure efforts to boost local responsiveness do not push further education (FE) and other training providers to become parochial.

3. LSIPs should help to explain the local dimension to national priorities.

Agreements between the Department for Education (DfE) and employer representative bodies (ERBs) should include a mechanism to judge whether due regard was paid to the question of whether to incorporate digital, green and/or transferable skills in LSIPs. These issues should be reconsidered each time LSIPs are reviewed.

4. ERBs should complete major reviews of LSIP content on a 3-yearly basis.

We believe the annual reviews proposed by government should be limited to questions of which skills need to be added to LSIPs only. To strike the right balance between minimising burdens on businesses and removing skills that are no longer required, the 3-yearly review would be the opportunity for removing gaps that have been filled.

5. Government should set up a single LSIP hub on gov.uk.

The hub should provide support for ERBs who are producing LSIPs as well as businesses who want to contribute and the colleges and training providers who will be delivering on LSIPs. Some features this portal should have include:

- Information on where employers can find out who runs their local LSIP (e.g., via postcode search), the Terms of Reference and how they can contact their local ERB.
- A newsfeed featuring updates and relevant dates for businesses and providers to be aware of e.g., information about when businesses can contribute to an LSIP and prospective dates for when revised LSIPs are due to be published.
- A way of publishing LSIP reports that is equally accessible to colleges and ITPs.

LSIPs must be directed towards businesses most in need of a voice in the skills system

Because LSIPs cannot capture every skill gap, effort must be directed at amplifying the voices of businesses that struggle most to build relationships with education providers because of their size or the size of their industry in the local economy. The ERBs responsible for producing LSIPs must allow all sectors to make their case for inclusion. ERBs should then apply the following two principles to determine which voices should be prioritised. The focus should be on:

1. businesses in need of support to build relationships with providers
2. complementing the articulation of business needs by sector representatives such as trade associations and skills councils.

The feedback we gathered from Chambers largely indicated that a good range of business sizes engaged with the pilots. A greater concern was around engaging smaller sectors because this could not accurately be tested in the time given. To this end, ensuring that the right sectors are targeted will be key to the success of LSIPs.

We take the view that those who struggle more to be heard by providers should be prioritised. This view is based on feedback that company size and the size of your sector in the local economy can have a big impact on a firm's ability to build links with education and training providers. This was the view expressed to us by a large manufacturer in the southwest of England which felt that smaller businesses in the region would likely derive more value from LSIPs than they would.

This does not mean that larger organisations all have strong local relationships with providers. For example, a large food manufacturer told us that it was not the size of your firm in the UK, but the size of your sector in the local economy, which made the difference for whether local colleges were responsive or not to that industry's needs. They found that how easy providers were to engage in each local area correlated strongly with the size of their sector in the local economy. Acknowledging that this is the experience of larger businesses, we are concerned that small and medium-sized enterprises (SMEs) may be even more disadvantaged. This is where LSIPs have the potential to be a real game-changer if implemented well.

Prefacing LSIPs with comprehensive Terms of Reference will help ensure employer engagement and avoid confusion

We would be in favour of government issuing some standard Terms of Reference setting out the scope of LSIPs and how they fit into the wider skills system. For example, some members have asked us how LSIPs will interact with the work being done by Local Enterprise Partnerships, Skills Advisory Panels and Mayoral Combined Authorities. The Terms of Reference should clearly explain the distinctions between these different entities.

Bearing in mind that LSIPs cannot be seen as a comprehensive anthology of all skills gaps in an area, it will also be useful to state what is not intended to be included in these plans. For example, LSIPs should focus on current and immediate skills gaps. A broader horizon scan of future skills gaps may be better done at a national level. Addressing sectoral and national skills gaps would be better done via an alternative regime potentially taking the form of a 'National Skills Improvement Plan' which would allow for contributions from trade associations, sector skills councils etc.

The skills system can be difficult for employers to navigate. It will be important to clearly explain what LSIPs are to employers and their role in the skills system to ensure employer buy-in. Effective communication will enable the culture shift needed to get businesses interested in skills investment.

LSIPs can feed into and be informed by government's new Unit for Future Skills

The government's new Unit for Future Skills (UFS) is looking at data and evidence of where skills gaps exist and in what industries. LSIPs should take account of data provided to them by the UFS and the evidence LSIPs produce can in turn add to the evidence base that the UFS exists to promote. This can ensure efforts to boost local responsiveness do not push further education (FE) and other training providers to become parochial.

- **CBI recommendation:** effort must be directed at engaging businesses most in need of a skills voice. The ERBs responsible for producing LSIPs should allow any business in the area to make their case for being involved before prioritising.
- **CBI recommendation:** government should set out Terms of Reference that explain that LSIPs are part of the articulation of local needs.
- **CBI recommendation:** government should set up one hub on gov.uk to provide information on who runs a local LSIP, the Terms of Reference and how an employer's local ERB producing the LSIP can be contacted. LSIP reports should be published in a way that is equally accessible to colleges and ITPs because all providers will have a role to play in the delivery of LSIPs.
- **CBI recommendation:** information gathered via LSIPs should also be reflected in and used to inform national policy initiatives via the new Unit for Future Skills.

Giving LSIPs the scope to embrace cross-cutting sector issues

LSIPs are unable to cover every possible skills gap, and this inevitably means that not all sectors will have their voices amplified by LSIPs. Acknowledging this fact, we take the view that ERBs should complement spotlights on sectors with a more high-level approach to assessing skills gaps and consider the cross-cutting issues of digital skills, green skills and transferable 'soft' skills affecting businesses in all sectors. This more high-level approach ensures LSIPs support a broader range of businesses than focusing only on a few key sectors, while avoiding asking ERBs to do the impossible task of trying to cover everything.

An analysis of cross-sector skills is of key value as it enables businesses to learn from one another about common issues across an area. The digital and energy sectors are fast evolving and every region will have a role to play in helping the country to reach net zero targets and to adapt to the increasingly digital environment we live in. To keep this momentum going, each regional ERB could be asked to consider the following questions and decide whether these should be incorporated in their LSIP:

1. What digital skills are most important to your local economy?

2. What skills are needed in your local area to support the UK's net zero transition plan?
3. What are the key transferable skills people will need to succeed in your area?

Asking every leading ERB to consider these questions in a local context while giving them the autonomy to make the final decision as to whether these should be included in their LSIP could be a useful form of standardisation that contributes to questions of national importance. We understand that LSIPs are not a catch-all and that the whole point is to ensure they respond to local needs, however, these are questions of both national and local importance. Addressing cross-cutting sector issues will help ensure LSIPs are not 'too localised'.

- **CBI recommendation:** LSIPs can help to explain the local dimension to national priorities. Agreements between DfE and ERBs should include a mechanism to judge whether due regard was paid to the question of whether to incorporate digital, green and/or transferable skills in LSIPs. These issues should be reconsidered each time LSIPs are reviewed.

Providers need to be equipped to deliver LSIPs

FE colleges are anchored in their community and play a leading role in responding to economic need, supporting businesses with access to talent, innovation and future workforce planning. However, they can be "under-utilised"¹ and "poorly understood" by some businesses who struggle to access the skills system and articulate their needs. This impacts providers' ability to remain responsive, as a critical mass of evidenced demand is necessary before they can invest in provision. LSIPs can therefore support not only in giving a voice to voiceless employers, but also by offering FE colleges and other providers a snapshot of some of an area's economic needs, business demands and learner aspirations. Clear actions and accountability for both ERBs designing the LSIP and the education and training providers who will need to pay due regard to it, are needed.

The providers we have spoken to are generally supportive of LSIPs and are keen to engage. However, others expressed the following concerns:

- Some say they would require additional resourcing to deliver the new training needed e.g., for employability skills.
- Some say that asking businesses what they need does not always translate easily into a learning and development programme given every company will have slight variations in the skills and competencies they want.
- Any new investment must be deemed profitable for local providers if they are to invest in developing training for new sectors that were not previously on their radars.

The new provision developed by providers responding to LSIPs should unlock business investment in training relevant to the local economy. Providers are also seeking clarity on the extent to which government-funded schemes will aid them in the delivery of LSIPs.

LSIPs will need to be kept under regular review to ensure the documents remain current and useful

LSIPs must be living documents and the leading ERBs need to maintain an active role in keeping them up to date. This means keeping LSIPs under regular review both in terms of being added to but also in terms of measuring whether identified skills gaps are being filled and can be removed.

We note that the Application Guidance for Expressions of Interest for the Designation of Employer Representative Bodies² published by government in May 2022 sets out Spring 2024 and Spring 2025 as

¹ Independent Commission for The College of the Future report, 2020

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1072409/Local_skills_improvement_plans_-_application_guidance_for_expressions_of_interest_for_the_designation_of_the_employer_representative_bodies.pdf

prospective dates for ERBs to complete annual reviews and updates of LSIPs to ensure they are still current. We are supportive of annual reviews; however, we would recommend limiting the annual reviews to questions of identifying any new skills gaps that may need to be added. In addition, we would advise implementing 3-year major reviews which would involve an overhaul of the entire LSIP with ERBs effectively starting from scratch. Local businesses would need to justify whether any skills gaps remain and need to be reinstated in the LSIP for another 3 years. This should also involve thorough evaluations of which skills gaps have been met within the 3-year period and thus can be removed or marked as complete. This will ensure that LSIPs remain current and that providers are not directed to outdated skills. We believe 3 years to be a good benchmark that will not overburden ERBs and businesses by asking them to input to LSIPs too frequently.

- **CBI recommendation:** ERBs should complete major reviews of LSIP content on a 3-yearly basis which would involve businesses reaffirming which skills gaps need to be reinstated for another 3 years.

Annex: the interdependency of LSIPs and other reform initiatives

Provider led programmes can help SMEs to identify their own skills gaps so they can effectively feed into LSIPs

College Business Centres, first proposed in the Skills for Jobs White Paper can play a key role in facilitating initiatives to help SMEs to identify their own skills gaps. This is to be encouraged if LSIPs are to be a success. Not every business will have the resource readily available to do this kind of introspective research and helping them to help themselves will make their contributions to LSIPs more comprehensive.

Additionally, government co-funding models could serve as incentives for SMEs to allocate resources to horizon scanning and invest in skills more widely. These types of funding arrangements are already commonly used by the Department for Digital, Culture, Media and Sport in the arts and culture space and we believe there is scope for such models to be expanded to other sectors. Examples of these types of arrangement are the Digital Growth Grant³ and Help to Grow⁴.

Transforming the Apprenticeship Levy into a Skills Challenge Fund

We believe that flexible, modular learning options should have a greater place in the skills system to ensure local needs are met in ways that are not so rigid as to exclude individuals who do not have the capacity to complete full length qualifications such as apprenticeships. We are calling on government to reform the Apprenticeship Levy⁵ to allow more flexible and modular approaches to adult education.

Involving businesses in the delivery process will ensure LSIPs make a difference

LSIPs can serve as a platform to facilitate partnerships between providers and local businesses to help ensure providers have the trained staff with the up-to-date sector knowledge required to respond to the needs set out in the LSIP. Such partnerships would enable businesses to lend personnel to teach certain courses or modules at local further and higher education institutions a few days a week or month. This will also help ensure that the content being taught is relevant and current.

This can be achieved by implementing the Workforce Industry Exchange Programme (WIEP) envisaged by the Skills for Jobs White Paper⁶. The WIEP will also have an important role to play in putting LSIPs into action. To this end, LSIPs should inform which sectors and subjects the WIEP will focus on.

High quality careers advice is needed if individuals are to engage with the outputs of LSIPs

Once providers create new courses in response to LSIPs, good quality careers advice will be needed in schools and colleges to make sure individuals see the value in these qualifications and that there is high demand and good take up.

³ <https://www.gov.uk/guidance/digital-growth-grant>

⁴ <https://helptogrow.campaign.gov.uk/>

⁵ <https://www.cbi.org.uk/articles/five-radical-policy-shifts-to-get-the-government-out-of-the-high-tax-low-growth-trap/>

⁶ <https://www.gov.uk/government/publications/skills-for-jobs-lifelong-learning-for-opportunity-and-growth>