



# 2016 LWBLA London Policy Prospectus

## EXECUTIVE SUMMARY

June 2016

**Addressing the Mayors challenge to introduce a new approach to skills: the central importance of London's vocational education.**

The Executive Summary is comprised of the following sections

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Vocational education is broadly defined to include all non-academic publicly funded and accredited qualifications delivered in the classroom or the workplace.

This executive summary is designed to provide the headline messages and key points to accompany the LWBLA's main report available online at [www.lwbla.com](http://www.lwbla.com)



## 1. Introduction

- This is a new document designed for public consultation drafted by the LWBLA. It is a policy prospectus to address the recently elected Mayor of London's manifesto commitment to introduce a 'new approach to skills'.
- The LWBLA has reviewed recent publications and what London requires in terms of system design and public policy for the future of vocational education in London. We identify five core recommendations for the Mayor to consider. This is intended to become the LWBLA's strategic policy and campaigning agenda to 2020.
- The LWBLA seeks an open dialogue with individuals and organisations whose aim is to improve London's vocational education and skills offer. Feedback is very welcome on all aspects of the document.

## 2. Headline Observations

- London is increasingly dependent on human capital to secure its long-term competitive position as a pre-eminent world city. Government data sources confirm total employment in London is now at a record level and projected to show net increases over the next 20 years.
- London's residents face intense competition for jobs across all sectors as employers actively recruit nationally and internationally in one of the most open, diverse and dynamic labour markets in the world.
- London remains highly sensitive to a relatively small but highly significant group of large employers who collectively account for over 30% of total employment.
- London's labour market reflects the city's widening spatial inequality. The central London core area is generating significant high value employment whilst suburban Boroughs depend on relatively low value non-tradable services.
- Overall economic participation by London's resident population remains below the UK average. This is compounded by the relative failure of labour productivity to recover its pre recessionary rate of improvement despite long-term net employment growth.
- Future projections of employment growth assume a greater reliance on graduate and post-graduate levels of educational attainment, whilst recent publications suggest the evidence for technical employment appears conflicted between earnings and skill levels.
- The performance premium of being educated up to year 11 in a London school is not sustained into years 12 and 13 as the rest of England appears to catch up on a 'points per pupil' outcome basis. Academic pathways are strong with 60% of 18 year olds in London progressing into higher education.



- The key strategic challenge for public policy and resource allocation is how to provide effective vocational programmes and adult education for the 40% of London's residents who do not pursue an academic pathway.
- Entry in to the labour market remains highly problematic with an estimated 25% of all 16-18 year olds dropping out of education and training in London's schools and FE Colleges. This is compounded by a relatively high rate of unemployment that persists amongst 19-24 year olds.
- Local approaches to organising post -16 education and skills provision are of diminishing relevance with more than 50% of residents travelling to learn and work outside of the Borough they live in.

### 3. Implications for Vocational Education & Skills

- The unique proposition of vocational education and related skills programmes is the ability to actively respond both to the pull of labour demand and drive labour supply. This addresses issues of business competitiveness and social equity where access and outcomes are key contributors to the quality of London's resident human capital.
- The delivery of vocational education and skills in London is a 'mixed economy' of diverse providers operating across overlapping and increasingly segmented customer markets. Schools, Sixth Form Colleges, FE Colleges, Adult & Community provision, Universities, Specialist Institutions and Independent Training providers receive public funding from three Government Departments each with separate national policy and regulatory frameworks.
- The combined sources of public funding and financially leveraged activity is a complex calculation when including fees and loans that ranges from £1.5bn to £2bn. of annually recurring spend in London excluding higher education.
- London's 37 FE Colleges undertake the 'heavy lifting' annually educating over 500,000 people and consuming in excess of £1bn of taxpayers funding. The historic mission to provide 'a second chance education' is complemented with thorough career based adult part-time education across London.
- Adult & Community Learning in London is separately organised and funded typically on a Borough basis. This highly localised service is contracted either on an 'in-house ' basis or to a range of external delivery organisations including FE Colleges. There is no set template for the type of service offered which reflects the history and diversity of London often targeting the most disadvantaged in society.
- However competition between FE Colleges, Sixth Form Colleges and Secondary schools for 16-18 year olds is predominantly a 'zero sum game' typically driven by a volume target for enrollments. Currently London's 16-18 year olds are a declining population but this is projected to 'bottom out' and rise again during the Mayors current term of office.



- Over 50% of academic enrollments are now delivered in London's schools and Sixth Form Colleges inline with the rest of England. A trend anticipated to become an irreversible tipping point with the continued expansion of sixth form provision across Academy and Free School provision.
- Independent Training Providers in London deliver over 90% of all publicly funded apprenticeships in partnership with employers (either directly or as a subcontractor). The current constraint on volumes is budget but in future the levy and non levy paying employer will drive demand and set the individual price point for apprenticeship training. It is not known how this will impact on aggregate volumes and the balance between filling vacancies and in-situ employment.
- In 2014/15 over 65% of all publicly funded vocational education in London was a level 2 offer dominated by foundation learning study programmes with the lowest number of apprentices per head of population in England.
- If the volume of adult vocational education is to become a predominantly level 3 offer this will require both a radical improvement in school performance at year 11 and fundamentally different models of vocational learning with a long-term shift of emphasis away from classroom and into the work place.
- A number of FE Colleges in London are now facing a fiscal and structural crisis with the need to secure a merger or close. In the LWBLA's view it is likely that more than half of the current FE Colleges in London will voluntarily merge into larger institutions over the course of the area wide review process. The outcome and its implications will drive the future allocation of devolved public funds such as the adult education budget from August 2108 onwards.
- FE Colleges are likely to require a long term rebalancing of turnover driven by the take up of loans and levy income to mitigate the risk of real term reductions in the adult education budget. FE Colleges unable to consistently sustain forecast income will confront the challenge of either accepting a decline in learner volumes or a radically reduced cost base.

## 4. Key Conclusions

- The Mayor should consult widely and be genuinely ambitious and strategic in establishing a 'new approach to skills'. The emphasis should be to set long term goals and policy objectives with the active support of employers and supply side providers.
- The new London Mayor has a 'once in a generation ' opportunity to fundamentally re-engineer the long-term future of the vocational education and skills offer in London.
- The outcome of the Area Wide review process and the resultant merger of FE Colleges is most likely to create institutions 'too big to fail'. The primary risk of



localised state owned public monopolies covering greater geographic areas is control of the market for vocational education.

- The allocation of a devolved adult education budget from Government to the Mayor from August 2018 onwards is pivotal to institutional survival across London's FE and ACL provision. The historic driver of leadership behaviour within FE and ACL based on 'what you know' is likely to be displaced by 'who you know' in an era of politicised decision making.
- The rate of transition from a predominantly state funded and highly regulated sector into segmented markets of fee-paying customers raises fundamental questions of consumer protection and competition policy.
- The unintended consequence of over relying on classroom based vocational delivery is extensive 'learner warehousing'. This produces an annual avalanche of qualifications where employment based progression is not systematically evidenced. Historically London's FE Colleges with notable exceptions have failed to directly deliver a significant volume of apprenticeships.
- The future delivery of vocational education in London is not primarily dependent on high levels of capital investment to replace existing high cost buildings per se, but incentivising and innovating new high value models of learning with significantly lower delivery costs.
- The structural crisis in London's vocational education is in part a historic oversupply of classroom vocational education based on the principle of scalable volume with insufficient work based delivery at higher levels able to offer credible alternatives to academic pathways and qualifications.
- The quality of apprenticeships on offer in London is significantly improving and should be nurtured and supported. Level 3 apprenticeships are increasing and degree apprenticeships are central to improving both esteem and use value.
- The availability of school based careers advice reflects the ethos and leadership values of the individual school. Schools with a growing sixth form offer are unlikely to promote alternative learning pathways amongst the highest performing students. London's schools are unable to effectively support the apprenticeship offer without accessing substantial external expertise. The strategic issue for London is who pays for a professional careers service in the absence of adequate levels of public funding.
- The core professional leadership within Government backed agency: the Skills Funding Agency appears to be in irreversible decline. The potential failure of policy transmission is a key risk for decision makers. A new professional management structure may be required to oversee the future of London's post-16 education and skills sector if the Mayor wants to maximise the impact of his 'new approach to skills'.



## 5. Core Recommendations

The LWBLA believes the following issues should be actively considered by the Mayor, stakeholders and respective policy makers:

1. All proposed FE College mergers in London should publish in advance clear numeric financial projections, standards of operating performance and quality driven targets. This would allow the public and stakeholders to have a clear understanding of the new institutions future operating risk and stimulate debate on more effective models of delivery and accountability.
2. The Mayor should consider establishing a 'golden rule' that ensures a minimum of 30% of the total adult education budget for London is subject to open commissioning on a time limited basis. The regional adult education budget allocated on a grant in aid basis should not exceed 70% annually. This limits the power of anti-competitive behaviour that results from a single local supplier and would encourage innovative practice and incentivise lower cost delivery.
3. That the Mayor establish an independent 'Education Office for London' to advise, oversee and report on all aspects of Post-16 education, set the regulatory framework for public owned institutions, the evidence base for London's education and skills requirements, and advise on all major initiatives, public investments and capital bids.
4. The Mayor should consult with London Boroughs and respective stakeholders on arrangements for establishing a 21st century system of governance and accountability for allocating funds and major strategic decisions.
5. The Mayor should establish a London Forum of Educational Leadership to support the implementation of the Mayors new approach to skills. It should lead the co-design of new delivery models based on the principles of collaboration, innovation, and cost reduction for all Post 16 education and skills providers in London.





