LIVERPOOL CITY REGION

TRANSFORM ▪ COMPETE ▪ THRIVE

Employment and Skills Strategy and Commissioning Framework


CITY
EMPLOYMENT
STRATEGY
Together making a difference
for the Liverpool City Region


European Union
European Social Fund
Investing in jobs and skills


Northwest
REGIONAL DEVELOPMENT AGENCY


MIEP
merseyside
improvement and efficiency partnership

Contents

- Foreword 2
- Executive Summary 3

1. Our Starting Point and Task 25
2. Challenges and Opportunities: LCR's Economy and Labour Market - Statistical Review 29
3. Challenges and Opportunities: LCR's Economy and Labour Market - Other Evidence 45
4. Challenges and Opportunities: Stakeholder Perspectives 57
5. Challenges and Opportunities: Changing Policies and Institutions 61
6. Setting Out Our Strategy 69
7. Commissioning Framework 83
8. Strategy Into Action 97

Foreword

We have a compelling vision for the Liverpool City Region. We want to 'establish our status as a thriving international city region by 2030'. This vision will enable us to once again assert ourselves in the global economy and compete not just with UK cities but reclaim our place on the world stage.

On many economic measures we are starting from a distinct disadvantage, but there is compelling evidence to indicate the start of our resurgence. We are closing the performance gap with England on the GCSE results of our young people and we have weathered the global recession comparatively well, experiencing a smaller rise in jobless numbers than both North West and England averages.

We also have a number of opportunities that give us a real chance to transform our economy.

- The increasing importance of tourism and the visitor economy;
- The development of the Superport – linking our shipping, airport, road and rail connections;
- The increasing concentrations of knowledge based industries; and
- Significant new low carbon industrial development

To build the momentum and capitalise on these transformational opportunities the City Region must focus efforts on our greatest natural asset – our people. We need to equip all of our residents with the skills, aptitude and ability to compete in not just the local labour market but the global market for skills and talent.

At the same time we need to transform the performance and efficiency of our employment and skills investments, against the backdrop of reductions in public sector investment.

Finally we need to support all of our local businesses to thrive in the City Region. Ensuring they have access to precisely the people and skills they need to make this their home and continue to pull in major inward investment.

These are ambitious goals to transform the City Region and they will require new ways of working. In this Strategy and Commissioning plan you will see clearly how we will achieve the required transformational changes.

To ensure we remain on course and retain our focus, we have established a business-led Employment and Skills Board to oversee implementation and provide the business leadership and challenge function that will undoubtedly be required.

We hope that you enjoy reading this document and can help us bring it quickly to life and help to transform our City Region to realise its potential.

Councillor Ron Round
Leader of Knowsley Council

Liverpool City Region Portfolio Holder for Employment and Skills

Alan J Walker OBE
Manufacturing Controller Jaguar Land Rover

Chair - Liverpool City Region Employment and Skills Board

Executive Summary

Our Starting Point and Task

1. The Liverpool City Region (LCR) with a population of just under 1.5 million, comprising Halton, Knowsley, Sefton, St Helens, Wirral and the City of Liverpool has made significant progress over the past decade in reclaiming its position as a competitive and resurgent City Region. The 2009 Economic Review conducted by The Mersey Partnership shows the considerable progress that has been made relative to other City Regions across England.

2. However, our Multi Area Agreement (MAA) also acknowledged that much still needs to be done to achieve the vision ***'to establish our status as a thriving international city region by 2030'***, and whilst we have made progress in relation to particular measures and indicators, the scale of some of our challenges in relation to employment and skills mirrors the scale of our ambitions. In particular, if the LCR current performance mirrored the current England average we would have:
   - 26,400 more 19-59/ 64 year olds achieving a **level 2** qualification or equivalent;
   - 43,800 more 19-59/ 64 year olds achieving a **level 4** qualification;
   - 46,000 fewer 19-59/ 64 year olds who have **no qualifications.** Currently 145,000 people have no qualifications;
   - 120,000 more people in work if we are to meet the Government's aspiration of an 80% **employment rate.** The current employment rate in the LCR stands at 66.7%.

3. As a partnership we have identified and committed to 4 Transformational Actions to drive the delivery of the MAA vision:
   - Transformational Action 1: Culture and the Visitor Economy.
   - Transformational Action 2: Liverpool SuperPort.
   - Transformational Action 3: Low Carbon Economy.
   - Transformational Action 4: Knowledge Economy.

4. Among the early tasks highlighted for action for employment and skills are:
   - The development of an Employment and Skills Strategy.
   - The creation of a Commissioning Framework to drive forward the implementation of the Strategy.

5. These will be the primary documents for setting out the vision for how employment and skills services are to be integrated locally within the City Region and the strategic priorities for investment and delivery. It is recognised that the Strategy will need to be backed up by action and that there are a range of partners and national policy agendas that must be influenced if we are to realise our ambition for the City Region.

Our Belief

6. We believe firmly that the Strategy and Commissioning Framework we have produced can help drive a step change in the LCR's employment and skills system for the long-term benefit of individuals, communities and employers. This belief is based upon the following firm foundations.
   - In developing our approach we have carried out a ***comprehensive review of the state of the LCR labour market,*** set in its wider context, and have identified through underpinning evidence the key needs that we have to address and the opportunities that we must exploit.
   - We have ***consulted widely*** with individuals, employers and all our other stakeholders to gather their views on the issues we should be addressing and the priorities we should be placing on different strategic interventions.
   - We have developed a Strategy which builds firmly upon the analysis, vision and aims generated by the MAA, and introduced 3 Step Change Aspirations and 6 Strategic Objectives which will help us drive towards the MAA vision.
   - We have designed a Commissioning Framework which we believe to be the ***most detailed and comprehensive statement produced by any of England's city region partnerships to date.***

7. We feel strongly that our Commissioning Framework will generate substantial benefit in terms of making available to LCR residents and employers, more appropriate and higher quality employment and skills services, within the context of a greatly simplified employment and skills system. The potential benefits are:
   - Coherent pricing across markets to secure better value for money.
   - Significant economies of scale through shared services, simplification of contracting, employer engagement and the learning effects of best practice, across a mixed economy of delivery.
   - More influence over, and better fit with, public sector funded service delivery.

8. Bringing all of these components together and building on increasingly effective partnership working in the LCR, we are fully confident that we will demonstrate quickly and widely that ***we are a partnership which is both able to design strategic approaches and implement these effectively.*** As a result the Strategy will deliver significant positive benefits for the individuals, communities and employers who are all key customers of our employment and skills system.

9. The MAA also signalled our intent to radically restructure employment and skills governance in the Liverpool City Region. The MAA committed us to establishing an Employment and Skills Board (ESB); a body that concentrates our business, executive and political leadership. The ESB will:
   - Oversee the implementation of our Strategy and Commissioning Framework.
   - Ensure that there is a powerful employer voice at the heart of service design and performance management.
   - Provide the challenge necessary to drive up performance.

10. The main elements of our Strategy and Commissioning Framework are set out in the remaining sections.

Our Challenges and Opportunities, LCR's Economy and Labour Market

11. In developing this Strategy we have analysed a comprehensive range of employment and skills indicators for the City Region to assess whether the gap was closing between the LCR and England as a whole. We also looked at many of these indicators at the level of individual local authority, our immediate economic hinterland, the North West Region and England as a whole. We found that over the most recent five year period (which in the main predates the current recession) that:
    - ***Gross Value Added*** per capita has fallen back a little as the deteriorating employment rate has cancelled out gains in productivity.
    - Our jobs base has declined slightly relative to the English benchmark, but within this there have been significant improvements in the stock of businesses and in ***business starts*** across LCR.
    - Good progress has been made on a number of ***worklessness*** indicators although there remain issues with the number of young people not in employment, education or training (NEET), and economic inactivity across the adult working age population.
    - There has been a significant and comprehensive improvement in ***qualification levels.*** This is a major achievement in a short time frame in an area where the LCR has long lagged the rest of the country.
    - The gap has narrowed in terms of ***neighbourhood deprivation,*** but there is still a very long way to go.

12. Although significant gaps in performance remain between the LCR and England as a whole, substantial improvements have been recorded showing the effectiveness of the LCR Partnership. The Strategy needs to be focussed on driving down the remaining gaps in an aggressive way over the next 5 years.

13. ***Employment*** is a central issue for us. It will be hard to achieve further relative improvements in worklessness and neighbourhood deprivation without increasing the number of jobs available or improving access to employment in a wider labour market area. Our Strategy addresses how employment and skills investments and interventions can make a greater contribution to growing the employment base if more decisions are made at the city region level.

14. The massive remaining gap between the LCR and England in relation to ***neighbourhood deprivation*** demands that we continuously review how much and how effectively we are spending to secure a greater impact on the regeneration of our poorest communities where high proportions of long-term unemployed residents live. We must also work more closely and effectively with other service providers to create the maximum value from our combined resources.

15. Although we have significantly increased the ***qualification levels*** of many local people, improvements in productivity, worklessness and neighbourhood regeneration have been more modest. In the early stages of implementing the Strategy we will develop interventions and services to secure the full benefit of the uplift in qualification levels.

Our Challenges and Opportunities: Looking Forward

16. Forecasts on jobs growth varies depending on the timescale considered.
    - For the medium term, employment levels are not forecast to recover to pre-recession levels until 2015. Taking a longer term perspective (to 2030) and a range of different scenarios, jobs growth could be substantial - in the region of 45,000 to 87,000 jobs.
    - It is anticipated that manufacturing will continue to decline and the service sector expand – and, in relation to occupations, there will be fewer jobs for the lower skilled and more jobs for the higher skilled.

17. If the 4 Transformational Actions prioritised in the MAA are to become drivers for greater economic prosperity then aligning more effectively labour demand and supply will help provide more opportunities for LCR residents. In this context our Strategy needs to support the following:
    - The LCR ***Visitor Economy*** Strategy aims to increase the sector's contribution to the economy to £2.1bn and 37,000 jobs by 2020, providing real employment opportunities for LCR residents. To compete for these opportunities, it is imperative that residents have the 'soft skills' that tourism, retail and hospitality employers require – particularly excellent customer service skills. In addition to entry-level opportunities, LCR tourism and hospitality courses in the FE and HE sectors must work closely with employers to deliver the management, supervisory and wider skills sought.
    - Liverpool ***SuperPort*** is a key component of the North West's Atlantic Gateway strategic driver. Through integrating Mersey Ports, Liverpool John Lennon Airport, Mersey Multi Modal Gateway and other logistics and transport infrastructures, the aim is for Liverpool SuperPort to become a key driver of the city region economy. Up to 28,000 additional jobs may be created in this sector (MDS Transmodal and Roger Tym & Partners, 2009), mainly in process, plant and machine operatives (19%) and elementary occupations (18%) but, with managers and senior officials expected to make up 15% of new jobs.
    - The demand for ***low carbon*** products and services is set to grow strongly. The LCR already has a number of assets around wind and tidal energy and environmental technologies which collectively employ over 9,000 people. Through the Low Carbon Strategy and Action Plan the expectation is that a further 6,000 to 15,000 jobs will be created in renewable energy, environmental technologies and services, waste management and recycling, and related R&D fields (Regeneris Consulting and Quantum Strategy and Technology, 2009; DTZ Pieda, 2009). In terms of employment and skills, it is important that the new and evolving training and skills needs in low carbon technologies are provided for.

- LCR's ambition is to develop a competitive high value ***Knowledge Economy,*** building on and developing our existing assets: Liverpool's Knowledge Quarter, the Daresbury Science and Innovation Campus in Halton and Unilever's Research Facility at Port Sunlight, Wirral. There are also future opportunities through the planned Knowledge Crescent, which includes the Bio-Medical / Health Park development. Clearly, employment and skills will play a critical role in achieving a competitive, high value knowledge economy. Above all there is a need to increase the level of NVQ Level 4 skills in the LCR whilst ensuring the workforce have the technical, commercial and employability skills required by employers.

18. Whilst acknowledging the critical importance of these transformational actions for the realisation of the MAA vision, it is important to note that:
    - The total number of jobs coming through by 2030 will be relatively modest, perhaps around 40,000 net growth.
    - Many of these jobs will come in the Culture and Visitor Economy action area and demand relatively low level skills.
    - It may take some considerable period of time before the net increase in employment begins to emerge.

19. In the short to medium term it makes sense to exploit more effectively the substantial ***flow of new job vacancies*** within LCR as well as employment ***opportunities in the economic areas that surround the city region.*** In relation to the latter, there is an opportunity to generate a much more efficient functional economic area and labour market by knitting the LCR and its surrounding areas more closely together through upskilling LCR residents and improving transport links. Public transport is a key priority area if we are to increase the number of LCR residents taking advantage of employment in the area of economic opportunity beyond the city region, particularly given the low level of car ownership in the LCR.

Our Challenges and Opportunities: Stakeholder Perspectives

20. In relation to LCR ***employers:***
    - Many still have ***recruitment issues*** despite the recession and rising unemployment, particularly in relation to higher skilled jobs.
    - A significant minority have issues in relation to ***basic skills*** (literacy and numeracy) and ***core skills*** (communication skills, reliability, etc).
    - Some also have ***skill gaps*** within their existing workforce, particularly around leadership and management skills, and enterprise and innovation skills.

21. ***Other stakeholders,*** drawn from a range of public and private bodies, identified a number of areas where they perceived the need to improve the effectiveness of the employment and skills system:
    - With funding and delivery increasingly 'choice-led', currently there is a ***lack of a coherent and strong employer voice*** to help drive the system.
    - At a more practical level of service delivery, the ***processes for engaging with employers*** are viewed as chaotic and ineffective.

- For individual learners, the LCR lacks a coherent, high quality and independent ***information, advice and guidance (IAG) system*** – which is a major deficiency within a funding model which is increasingly choice-led.
- There is no coherent, good quality and regularly updated system of ***labour market intelligence (LMI).*** This is needed to inform key decision makers (such as the ESB) and to feed into the IAG system.
- There is little evidence of a ***'system' for employment and skills.*** The different parts are poorly articulated and there is limited progression between them for learners and employers.
- The ***performance measurement*** and ***management processes*** that sit above the system are viewed as ineffective.
- In part due to the weak performance systems, the ***procurement of employment and skills services*** is conservative in the LCR where the default position is to commission the same provision year in and year out.
- Providers, but also some public sector stakeholders, feel that they are not treated as ***'delivery partners'*** and so cannot ***contribute effectively*** to improving the performance of the system as a whole.

Our Challenges and Opportunities: Changing Policies and Institutions

22. We are entering a period of great flux in relation to employment and skills policies, institutions and funding streams which pose a fundamental challenge; but opportunities will also emerge.

23. In relation to the skills agenda:
    - The system for funding and delivering education and training for young people and adults is being reformed – responsibility for ***16-19 year olds*** is passing from the Learning and Skills Council to local authorities to support the government's commitment to raising the education and training participation age to 18 by 2015.
    - The new Skills Funding Agency (SFA) will provide funding to colleges and other providers to meet the demands of ***employers and adult learners,*** and will also be responsible for the new Adult Advancement and Careers Service and the National Apprenticeship Service (NAS).
    - SFA budget allocations will be driven by the choices made by individual learners and employers across England, rather than centrally planned and allocated by local partners. The SFA (through the services it manages) will assist individuals and employers in making informed choices. Ensuring they make the best use of public funding, obtaining the highest quality service and, more importantly, securing the best value for the funds they invest. In this context, partners will need to 'stimulate' and 'activate' demand to draw resources into the LCR.
    - A clearer division of responsibility in the education and training sphere for 14-19 versus adults has the potential to become a challenge, but it also raises the opportunity to build much more seamless and effective pathways for young people moving into adulthood and the labour market.

- The New Industry, New Jobs report by BERR (April 2009) and the November 2009 Skills for Growth Strategy from BIS both stress the strategic importance of higher level and technical skills.

24. The worklessness agenda is also changing in terms of emphasis and funding:
    - The December 2009 White Paper – *Building Britain's Recovery: Achieving Full Employment* – underlined the importance of the principles which we believe underpin our Strategy and Commissioning Framework.
    - The need for local partnerships and central agencies to work much more closely together.
    - The need to integrate the employment and skills systems much more effectively.
    - The potentially substantial benefit in terms of cost effectiveness to be won by local authorities and their partners adopting a Total Place approach to deploying resources and services.
    - European funding, which has supported a large volume of employability services in the LCR, is set to decline substantially from 2011; for example European Social Fund (ESF) funding for 2011-2013 is only 13% of the sum available during 2007-2010. Additionally, the public sector anticipates severe constraints on mainstream budgets more generally.

25. All of this adds up to the need to give confidence to agencies and funders that we are going to make good use of their resources, and this in turn means we have to demonstrate that we are securing the maximum value from the resources currently under our influence.

Setting Out Our Strategy

26. Given the changing landscape, our Strategy seeks to provide a unifying framework around which all partners can integrate. We have created a structure which:
    - Flows from the ***vision*** and ***strategic aims*** of the MAA, discussed at the outset, which need to be met by 2030.
    - Introduces ***step change aspirations*** for employment and skills in the LCR where we are targeting 2020 as the date for realising these.
    - Puts in place a number of ***strategic objectives*** which we will meet by 2015 on the road to our step change aspirations, strategic aims and vision.

Step Change Aspirations and Strategic Objectives

27. Our ***3 step change aspirations*** are set out in bold terms as:

    1. *LCR becomes England's top performing City Region in terms of learning, employment and skills outcomes for 14-24 year olds.*
    2. *LCR will reduce by half the number of its deprived wards in England's worst performing 10%.*
    3. *LCR becomes a leading City Region outside of the South East in terms of the proportion of graduates and Level 4 qualifications in its workforce.*

As we make progress towards achieving these step changes, the LCR will become a more attractive proposition for investors; increasing the number of high value jobs and residents with higher level skills. Creating a competitive and higher value economy will generally raise the demand for employment across the board.

28. We have 6 ***strategic objectives*** which describe our priorities in the shorter term which will enable us to reach our step change aspirations:

1. To ***work more closely with employers*** to focus investment on the skills they need.
2. To ***empower employers*** to drive improvements in skills and productivity within their workplaces, sectors, and business networks to create the conditions for business success and future growth.
3. To ***engage and empower local people*** to make informed choices about their learning, jobs and careers.
4. To ***build clear and effective career pathways*** for 14-24 year olds.
5. To ***transform the performance of services*** impacting on employment rates for disadvantaged groups and areas.
6. ***To simplify the employment and skills system*** to help individuals and employers engage with and navigate services more effectively.

29. Our vision, strategic aims, step change aspirations and strategic objectives sit within a ***Strategic Framework*** which is illustrated overleaf.

AN OVERVIEW OF OUR AIMS, ASPIRATIONS AND OBJECTIVES:
OUR STRATEGIC FRAMEWORK

Vision (MAA)
Establishing our status as a thriving international City Region by 2030

Strategic Aim 1 (MAA)
To accelerate growth and substantially close the productivity gap with the rest of the UK

Strategic Aim 2 (MAA)
To reduce worklessness across Liverpool City Region, providing routes for people to move into work and progress in their jobs.

Step Change Aspiration 1
LCR becomes England's top performing City Region in terms of learning, employment and skills outcomes for 14-24 year olds

Step Change Aspiration 2
LCR will reduce by half the number of its deprived wards in England's worst performing 10%

Step Change Aspiration 3
LCR is a leading City Region in terms of the proportion of graduates and Level 4 qualifications in its workforce

Strategic Objective 1
To work more closely with employers to focus investment on the skills they need.

Strategic Objective 2
To empower employers to drive improvements in skills and productivity within their workplaces, sectors, and business networks to create the conditions for business success and future growth.

Strategic Objective 3
To engage and empower local people to make informed choices about their learning, jobs and careers.

Strategic Objective 4
To build clear and effective career pathways for 14-24 year olds.

Strategic Objective 5
To transform performance of services impacting on employment rates for disadvantaged groups and areas.

Strategic Objective 6
To simplify employment and skills system to help individuals and employers engage with and navigate services more effectively.

Implementing Our Strategy

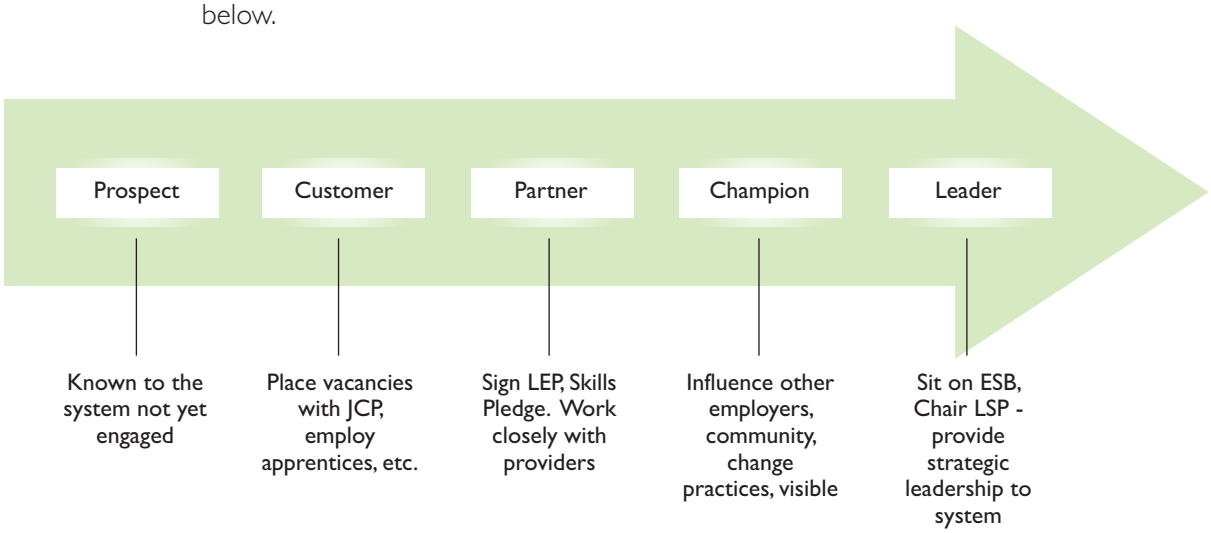
30. Our Strategy must be turned into action quickly and begin to change radically the way employment and skills provision is planned, commissioned and delivered. The following elements are critical to successful implementation.
    - We need to work hard to create a more ***comprehensive and integrated service offer*** for employers and individuals. This will promote integration of service across employment and skills.
    - We need to secure greater effectiveness and value for money by ***integrating employability and skills services with the other relevant service areas,*** such as business development and health.
    - We must prioritise and implement a number of strategic projects, defining these as projects with sufficient scale which, when delivered at the LCR level, will make a major impact.
    - We must **ensure** ***equality of opportunity for all learner groups.***
    - We must drive a ***more coordinated approach to commissioning and influencing the delivery*** of employment and skills services essential for the effective implementation of our Strategy, at the same time breaking down the barriers to joint working. Our influence must be exerted effectively in the development of the new ESF Co-financing plans and the forthcoming Regional Skills Strategy. ***Our Commissioning Framework is the engine for driving this radical change.***

Creating a More Comprehensive and Integrated Service Offer

31. We see improvements and efficiencies that can be achieved at limited cost from the more effective integration of existing employment and skills services.

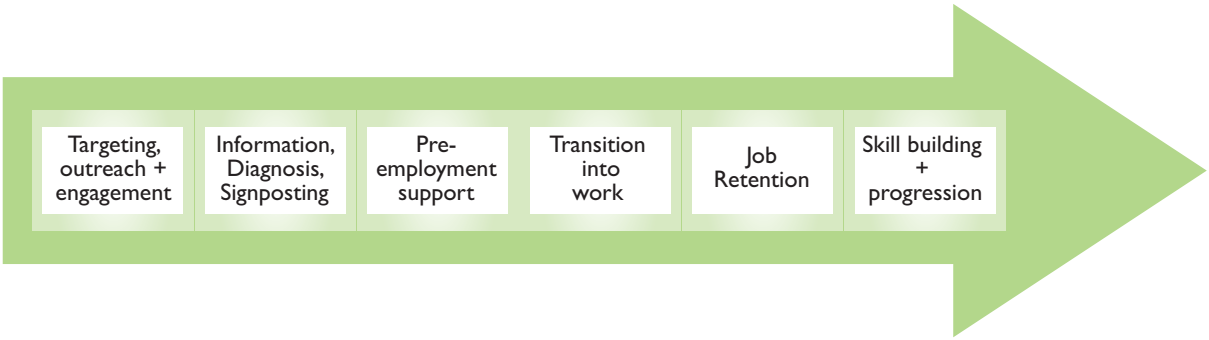
Employer Facing Services and Engagement

32. The range of employer-facing employment and skills interventions need to work much more closely together. We will achieve this within the context of building a more simplified but comprehensive approach to employer engagement. Initial innovative work on this by the LCR partners is summarised in the diagram below.



Services for Individuals

33. Through the work of the City Employment Strategy (CES), an employability service offer has been developed for workless clients. This helps to ensure all the appropriate services, and funding for these, are in place. We plan to extend the development of this service offer to other groups including young people preparing to enter the labour market and existing employees who would benefit from upskilling.



Integrating with Other Service Areas to Secure More Value for Money

34. We will work alongside other service deliverers to better understand how they could help deliver employment and skills services and how employment and skills services could contribute to their agendas. This will improve the value for money and cost effectiveness of services. There are two areas where this makes sense:
    - Business development services, including Business Link, where our employment and skills services can add significantly to the support available to business.
    - Housing and health services, which can contribute in a major way as we attempt to achieve significant reductions in worklessness.

Delivering Strategic Projects

35. We have identified a number of potential strategic projects. In general terms our intention is to prioritise as follows:
    - Initially, we will give more weight to projects and interventions which will retain and grow jobs, and which will help build an employment and skills system which responds more quickly and effectively where employment opportunities emerge.
    - Gradually, we will switch more resources into promoting the development of higher value opportunities, including the MAA Transformational Actions.
    - Through both periods, we will maintain a commitment to improving the performance of those services that increase employment rates for disadvantaged groups and areas.

36. Whatever the path of recovery from the recession, the balance of our effort will almost certainly have to change, and shifts in the demand for skills (either within existing or from new sectors) should be a key driver. Our task is to create an employment and skills system which can respond quickly and effectively to new demands.

37. We propose to focus initially on the following strategic projects.

- Building ***more effective employment and skills pathways for 14-24s*** by:
  - Establishing a ***Task Team to generate seamless transitions*** from education towards skills and employment services for young people, This will bring together into one team the organisations working with young people in the 14-19 age band to develop their education, learning and career planning skills and the employability agencies dealing with young adults in the 18-24 age group.
  - **Supporting** young people from non-traditional backgrounds to ***progress into higher education.***
  - Focusing efforts to introduce a more integrated and higher value ***information, advice and guidance*** (IAG) service initially on 14-24s.
  - Ensuring a strong focus on the provision of ***apprenticeship opportunities*** through our work with Local Authorities and the National Apprenticeship Service as part of the 16-19 Commissioning process.
  - Creating a ***LCR branded Apprenticeship Strategy,*** supported by Apprenticeship Ambassadors to further embed apprenticeships within the LCR labour market.
  - Delivering a ***substantial and co-ordinated 'graduates into SMEs' programme*** to support the wider integration of graduate and higher level skills within businesses, to support the utilisation of these skills within these businesses and to promote greater innovation.
- Developing ***local employment and skills plans*** for major clusters of deprived areas with high levels of worklessness with a view to targeting employability, housing, health and other relevant services to secure significant reductions in unemployment. These plans will be based on a Total Place model.
- Creating ***employment and skills pathways for key employer investments*** and sectors with significant vacancy volumes (including the four Transformational Actions). This may include the support of ***National Skills Academies and Group Training Companies.***
- Developing an innovative and enhanced programme of leadership skills for senior managers in SMEs with growth potential.
- Continue to ***shape, influence and build around DWP mainstream contracts.***

There are other key projects which were identified in the development of the Strategy where work will need to begin, but which will attract less of our resource in the short term. These are detailed in the full Strategy document.

38. A key early task for the Employment and Skills Board will be to identify the organisations which should lead on the implementation of the strategic projects. Our belief is that some leadership responsibilities can already be identified.

- The Task Team for 14-24s should be led by the LCR-wide grouping of Directors of Children's Services (DCS) in the local authorities. Through the DCSs, relationships have been built up with young people and they are best placed to manage the pathway as they progress towards employment and training services. They will also be in a position to resource this responsibility with the additional posts flowing from the dissolution of the Learning and Skills Council (LSC) from April 2010.

- The development of local employment and skills plans for our most deprived areas builds naturally on the excellent work already done within the City Employment Strategy (CES), and the CES Board is best placed to lead on this project.

Overview of Implementation

39. The chart overleaf provides a summary perspective on what we intend to do in relation to meeting our strategic objectives through service integration and the implementation of strategic projects and how this will be measured. This shows clearly that a number of the central planks involved in the implementation of the Strategy generate an impact across two or more of the strategic objectives. The chart also illustrates the integrated and co-ordinated nature of our strategic focus.

Ensuring Equality of Opportunity for All Learner Groups

40. There is a duty placed on the Employment and Skill Board (ESB) to ensure this equality. We will start with a simple process for equality proofing key interventions and services, and we will also build equalities into some of the key performance indicators that the ESB will review on a regular basis.

PURSUING OUR STRATEGIC OBJECTIVES

1. Investing to support employer skill needs	2. Empower employers to drive skills and productivity improvements	3. Empower local people to make informed learning, job and career choices	4. Build clear and effective career pathways for 14-24 year olds	5. Transform services impacting on employment rates for disadvantaged groups and areas	6. Simplify employment and skills systems
Headline Evidence Not enough jobs and high value jobs • Long run issue • High value jobs MAA issue • Accentuated by recession • Threat to public sector reinforces	**Headline Evidence** Skills/qualifications levels rising but job opportunities declining and productivity gap still large. • Exacerbated by recession • Risk of long term loss of young qualified workers	**Headline Evidence** Skills/qualifications gaps with England narrowed but still remain. • Long run issue • Qualifications issue highlighted in MAA	**Headline Evidence** Persistently high NEET and rising long-term youth unemployment • Long run issue and exacerbated by recession • Threats and opportunities in changes for 14-19s • Lack of progression to HE/ higher level skills	**Headline Evidence** Persistent large gaps in worklessness rates and deprivation versus national levels • Long run problem • Exacerbated by long recession	**Headline Evidence** Persistent and across the board complaints from individuals and employers trying to access complex service delivery system.
Our Tasks • Better employer engagement process • Integrating employer-facing skills services • Enhanced employment and skills pathways • Leadership skills programme • LCR apprentice programme • Major graduates into SMEs programme	**Our Tasks** • Better employer engagement process • Integrating employer-facing skills services • Enhanced employment and skills pathways • Leadership skills programme • Enhanced LMI system • Develop and submit proposals for locally based National Skills Academies	**Our Tasks** • Enhanced employability service offer • Enhanced employment and skills pathways • Enhanced independent IAG system • Enhanced LMI system	**Our Tasks** • Enhanced employability service offer • LCR apprentice strategy • Enhanced independent IAG system • Major graduates into SMEs programme • More effective engagement with employers • More effective delivery models • Greater progression to HE/ higher level skills	**Our Tasks** • Better employer engagement process • Enhanced employability service continuum • Enhanced employment and skills pathways • Focus on clusters of deprived areas • Integrating employment, skills, health and housing services • Work more effectively with DWP and others to enhance the mainstream, fill gaps and co-invest where appropriate	**Our Tasks** • Embed individual and employer feedback into our service design • Deploy our funding to incentivise coordinated working across service providers • Where appropriate, set joint targets for groups of providers • Embed co-investment and co-commissioning with mainstream funders • More effective delivery models
What We Will Achieve • More employers investing in workforce development • Existing employer investors doing more on workforce development • Fewer employers reporting fewer skills shortages • More jobs	**What We Will Achieve** • Fewer employers reporting fewer skills gaps • Fewer employers reporting fewer skills shortages • More jobs • Establish an effective Employment and Skills Board	**What We Will Achieve** • Fewer employers reporting fewer skills gaps • Fewer employers reporting fewer skills shortages • More jobs	**What We Will Achieve** • Higher qualification levels for 16-24s • Fewer in NEET group • Lower number of 18-24s on JSA • More young people from disadvantaged areas/ backgrounds with Level 4 qualifications	**What We Will Achieve** • Relative increase in employment rates for deprived areas • Relative increase in employment rates for disadvantaged groups • More investment and jobs	**What We Will Achieve** • Higher rates of engagement with employment and skills services • Better results from services for individuals and employers

Our Commissioning Framework

41. The major new mechanism for implementing our Strategy and driving step change in the employment and skills system is our Commissioning Framework.

42. The LCR is a single and well defined labour market area and it therefore makes sense for the Commissioning Framework to be outlined in this context. However, this framework must be capable of responding to opportunities that exist in the wider surrounding economic area. The Commissioning Framework is central to the effective implementation of the Strategy: there is a widespread expectation from Government that services will need to deliver both improvements and significant efficiency savings. This will be essential as we estimate that the available LCR budget for employability and skills services is going to be significantly squeezed at a time when the demand for these services is increasing – ***available spend per workless person will fall by half*** from 2008 to 2014.

43. The Commissioning Framework covers all stages of the commissioning process. Starting with the needs analysis, and priorities (from the Employment and Skills Strategy); the planning and designing services, considering best fit options and, procuring, contracting, performance management, and monitoring provision.

44. Our objective is to have an established ***commissioning process for the LCR that will secure delegated power and more local discretion over DWP funded provision and, together with our Strategy, form the basis of Section 4 powers by 2015:*** this means that the city region priorities will better inform the commissioning of other funders. Together, these will provide LCR partners with an opportunity to play the lead role in shaping all Employment and Skills delivery in the city region.

45. The City Employment Strategy has already established some of the foundations for city-region commissioning:
- Established strong partnership relations and demonstrated the potential of shared learning to help improve existing services.
- CES partners are already co-commissioning with DWP at Level 2 of the devolution process for Flexible New Deal.
- The Pathfinder Enabling Programme has established projects specifically designed to facilitate inter-agency working and increase the volume and scope of employer engagement activity.
- The Future Jobs Fund has set a precedent of city region commissioning and cross-boundary delivery.

46. Evidence from elsewhere suggests that there will be efficiency savings from adopting a shared service commissioning process, but LCR will only maximise the benefits from this process if commissioning is combined with a shared service approach to performance management of the contracts – actively working with providers to obtain more higher quality outcomes. The potential efficiency savings that could be realised from each of the different steps within this approach are illustrated in the following diagram.

LOCAL CONTROL

BENEFIT / RISK

Collaborative Working

- Shared best practice /innovation
- Performance Benchmarking
- Service level agreements
- **Target 1% to 5% efficiency gain on total spend**

Shared service - moderate

- Shared commissioning /Procurement
- Consistent pricing
- Economies of scale on specialist services
- Shared performance mangement
- **Target 5% to 10% on total spend**

Shared service - radical

- Co-commissioning with mainstream service
- Actively engage other service spend in key service areas
- Platform for Level 3 Co-commissioning & Section 4 powers
- **Target 10% to 20% on total spend**

47. The budgets for the LCR Employment and Skills Commissioning Framework should include:

- LSC successor bodies (YPLA, NAS and SFA) mainstream and ESF expenditure.
- DWP mainstream and ESF expenditure.
- The joint DWP-BIS Skills Accounts from 2011.
- The National Offender Management Service.
- Local Authorities (Working Neighbourhood Fund and Area Based Grant which is related to employment and skills).
- North West Regional Development Agency (NWDA).
- Other funds (for example, Primary Care Trusts, Homes and Communities Agency and Registered Social Landlords).

48. The key design principles which underpin the Commissioning Framework are:

- ***Streamline and Simplify Delivery:*** There has been considerable effort to gain clarity on what is being commissioned and purchased across LCR. Previous mapping exercises have concluded that individuals and employers are faced by a thoroughly confusing picture of support with too many uncoordinated interventions. The focus needs to be on reducing the number of interventions and ensuring these work better together.
- ***Build on the Mainstream:*** This is critically important where discretionary employment and skills budgets are in decline. We should seek to influence the shape and direction of mainstream spend in the LCR, building on good partner relationships and working towards Section 4 powers to influence the budgets of other agencies. Adding value to mainstream services will support this process and help simplify delivery.
- ***Build a Performance Management System:*** The commissioning process needs

to be transparent and focus on performance and value for money. Improved performance incentives for providers alongside payments for process improvements (e.g. referrals between providers) where appropriate need to be introduced. Taken together, pricing, payment schedules, performance monitoring and on-going consultations with providers should underpin the supplier development process.

- ***Promote More Coherent Management Information Systems:*** It is essential that, whatever the funding arrangements in place to deliver the Employment and Skills Strategy, that there is a consistent approach to monitoring performance. New specialist supplier development skills will be required to work with local partners and providers.
- ***Develop a Clear Review Process:*** The Commissioning Framework will need to review progress and determine what else might be required to be successful on a regular basis – annually in the first three years. Reporting back to the ESB this review will also need to highlight any opportunities or threats to developing a more coherent strategic approach - including messages to central government departments and agencies.

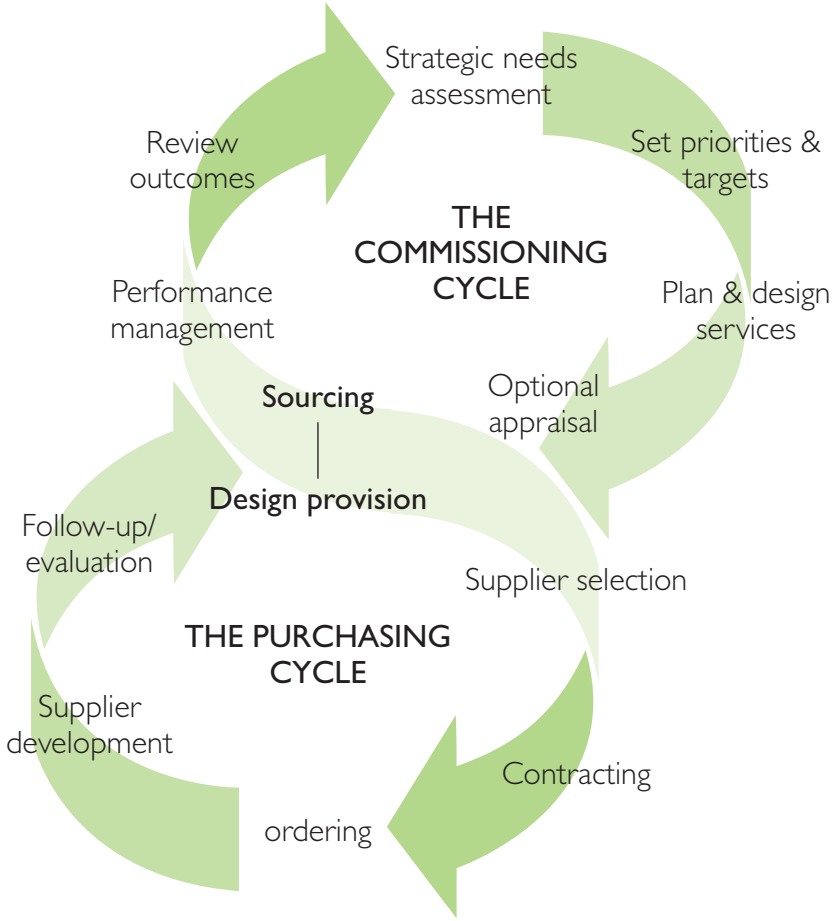
49. Getting broad agreement from partners on the direction of travel in terms of skills and employability is key to driving forward a shared approach into delivery. This principle was agreed in our MAA and articulated by these 'Asks' of Government:

Ask 1 - *Government departments and its agencies agree to work with LCR to develop and agree an Employment and Skills Strategy and Commissioning Plan, together with a set of actions, which facilitate all parties jointly implementing and performance managing the strategy.*

Ask 5.6 - *DWP agrees that the relevant parts of the LCR Employment and Skills Strategy will form the Merseyside element of the ESF Regional Framework and as a result will direct ESF investment in the Merseyside Area – enabling individual co-financing plans in Merseyside to be consistent with LCR's Employment and Skills Strategy and Commissioning Plan.*

Implementing Our Commissioning Framework

50. Our Commissioning Framework will be implemented in line with the accepted good practice captured in the diagram below.



51. Not all of the elements that would be necessary for a strategic commissioning process across LCR are yet in place but it remains vital that we sign up to a shared process along the following lines:

- Build on a ***shared understanding of needs and priorities*** for responding to these needs – our LCR Employment and Skills Strategy.
- Under the auspices of the ESB, we need to ***establish a Core Team*** to establish and implement a strategic Commissioning Framework.
- This team will need to work with ***Total Place principles*** – understanding collective investment in key service areas (voluntary sector, Primary Care Trusts, housing providers, HCA, etc) – and influencing how these might be better deployed to increase overall impact on employment and skills outcomes.
- ***Focus*** our attention initially ***on key areas*** identified as a priority for local partnerships in Building Britain's Recovery: Achieving Full Employment.
- Work through ***a mixed economy approach*** recognising the important contributions to be made by each of the private, public and voluntary sectors.

52. A key aspect of the work of the Core Team and the ESB will be to ***establish the scale and nature of any benefits arising through city region working*** highlighting good practice approaches to securing the most cost-effective delivery for skills and employment services.

53. The ***timescales for implementation*** of the Commissioning Framework will match the Strategy but will need to start in 2010/2011 as there is an over-riding need to get basic information on:
- What is currently being commissioned by whom.
- How it all fits together.
- Which interventions are delivering outcomes.

54. At least initially, we will identify what is already being planned by partners and seek to commission relevant provision at the city region level. Thereafter, performance management and the benefits of city region commissioning will gradually drive a shift in the process in order to:
- Influence mainstream employment and skills provision within the LCR area (SFA, NAS, YPLA, DWP national programmes and pilots etc.) to better address the needs and priorities of the Strategy.
- Deploy local resources to build on mainstream provision, simplifying existing structures as much as possible.
- Seek to influence other funding streams across the Total Place and Business Support agendas to support better engagement of both clients and employers.
- Re-invest in effective provision and work with suppliers across contract design, specification and delivery in order to improve performance.

55. There is no single platform to provide this at present in terms of a legal entity or responsibility over the relevant budgets. Greater clarity over who is ultimately responsible for the process and associated governance, risk management and accountability procedures needs to be set out very clearly at the outset.

Strategy into Action: Practical Steps

56. In order to gain some momentum, a number of early actions are required.

Implementation/Business Plans

57. Key early actions are:
- The development of outline Business Plans for 3 years and more detailed for the first full operating year.
- The Business Plans will specify key actions and the lead partner for each action.
- The resourcing of the key actions also needs to be detailed and this will be the first formal opportunity for the ESB to deploy the Commissioning Framework.

Measuring Performance

58. The ESB will be responsible for ensuring that public monies are used to generate the maximum employment and skills impact on employers and residents. To do this it is essential to introduce at an early stage:
    - An enhanced Management Information System to allow effective performance measurement and management.
    - A reporting framework for the ESB built around key performance indicators for the employment and skills system.

    An essential initial task is to develop a set of stretched but deliverable targets which relate directly to the strategic objectives and step change aspirations articulated in the Strategy. These will form the basis of the Performance Management framework.

Annual Review Process

59. The ESB will have responsibility for carrying out an Annual Review of the implementation of the Employment and Skills Strategy. This will involve at a minimum:
    - Instituting short, sharp investigations where progress is less than expectations.
    - Considering changes of strategic emphasis and priorities depending on the evolving Economic Assessment for LCR.
    - Combining the above to influence future major funding and resourcing decisions.

Ensuring Equality of Opportunity

60. The ESB has a duty to ensure equality of opportunity in relation to accessing employment and skills services. Two initial actions are essential here.
    - Equality proofing existing programmes and new interventions to ensure service access issues have been dealt with effectively.
    - Identifying a small number of key performance indicators to measure progress.

Building the Partnership

61. The quality and effectiveness of the partnership is critical to delivering step changes in performance within the employment and skills system. The ESB must:
    - Monitor the effectiveness of the Partnership, in terms of relationships and joint working, with a view to tackling weaknesses and exploiting strengths.
    - Develop an annual Partnership Process Review which will feed into the overall annual review.

Building the Board

62. The Board will need to go though a development process that will raise the capacities of the Board as a collective to:
- Establish clear priorities and review these on a regular basis.
- Develop a robust understanding of the comparative effectiveness of the range of interventions in the employment and skills sphere.
- Review critically the progress made towards the implementation of the Employment and Skills Strategy.
- Make tough decisions among competing priorities based on evidence of effectiveness.
- Influence effectively the decisions of the full range of public agencies able to impact on employment and skills outcomes in LCR.

63. The Board development process should be instituted at an early stage to develop an understanding of:
- The breadth of tasks that the Board will need to undertake.
- The principles and practices which underlie the effective discharge of these duties.
- The relative responsibilities of the Board and its officers for carrying out the various tasks.

64. This Board development process will almost certainly highlight the need for additional capacity development around specific issues. We view all of this as an essential investment in preparing us to drive forward with the challenging agenda set within our Strategy.

1. Our Starting Point and Task

The MAA Platform

1.1 Over the past decade the Liverpool City Region (comprising the local authorities of Halton, Knowsley, Sefton, St Helens, Wirral and the City of Liverpool) has made significant progress in reclaiming our position as a competitive and resurgent City Region. The 2009 Economic Review conducted by The Mersey Partnership shows the considerable progress that has been made relative to other City Regions across England. However our Multi Area Agreement (MAA) with central Government acknowledges that much still needs to be done if we are to close the gap with the rest of England.

1.2 The broad MAA vision is: ***'Establishing our status as a thriving international City Region by 2030'.*** Linked into this vision, two strategic aims were identified.

- *To accelerate growth and substantially close the productivity gap with the rest of the UK.*
- *To reduce worklessness across the Liverpool City Region, providing routes for people to move into work and progress in their jobs.*

1.3 Four Transformational Actions to drive the delivery of the MAA vision were identified:
- ***Culture and the Visitor Economy.***
- ***Liverpool SuperPort.***
- ***Low Carbon Economy.***
- ***Knowledge Economy.***

1.4 The MAA set out a number of key outcomes to be achieved.
- Closing the ***GVA*** gap.
- Increasing ***skills*** levels.
- Accelerating ***enterprise*** and business growth rates.
- Addressing ***worklessness.***
- Tackling ***deprivation.***

1.5 Our MAA acknowledges that much still needs to be done to achieve the vision, and whilst we have made progress in relation to particular measures and indicators, the scale of some of our challenges in relation to employment and skills mirrors the scale of our ambitions. In particular, if the LCR current performance mirrored the current England average we would have:
- 26,400 more 19-59/ 64 year olds achieving a level 2 qualification or equivalent;
- 43,800 more 19-59/ 64 year olds achieving a level 4 qualification;
- 46,000 fewer 19-59/ 64 year olds who have no qualifications. Currently 145,000 people have no qualifications;
- 120,000 more people in employment if we are to meet the Government's aspiration of an 80% **employment rate.** The current employment rate in the LCR stands at 66.7%

1.6 In pursuit of the vision and strategic aims, the MAA committed to developing an employment and Skills Strategy which would:
- Set out the LCR vision for integrating employment and skills services.
- Establish strategic priorities, outcomes and targets.
- Generate a Commissioning Framework to help drive forward the implementation of the Strategy.

1.7 These will be the primary documents for setting out the vision for how employment and skills services are to be integrated locally within the City Region and the strategic priorities for investment and delivery. It is recognised that the Strategy will need to be backed up by action and that there are a range of partners and national policy agendas that must be influenced if we are to realise our ambition for the City Region.

Our Belief

1.8 We believe firmly that the Strategy and Commissioning Framework we have produced can help drive a step change in LCR's employment and skills system for the long-term benefit of individuals, communities and employers. At the same time it will make a substantial contribution towards creating 'a thriving international city region by 2030'. This belief is based upon the following firm foundations.

- In developing our approach we have carried out a ***comprehensive review of the state of the LCR labour market,*** set in its wider context, and have identified through underpinning evidence the key needs that we have to address and the opportunities that we must exploit.
- We have ***consulted widely*** with individuals, employers and all our other stakeholders, in the broadest sense of the term, to gather their views on the issues we should be addressing and the priorities that we should be placing on different strategic interventions.
- We have developed a Strategy which builds firmly upon the analysis, vision and aims generated by the MAA, but introduce 3 Step Change Aspirations and 6 Strategic Objectives which will help us drive towards the MAA vision.
- We have designed a Commissioning Framework which we believe to be the ***most detailed and comprehensive statement produced by any of England's city region partnerships to date.*** We have taken the concept of strategic commissioning from its status as a 'desirable mechanism' to a 'well-specified engine' for bringing about step changes in our employment and skills system.

1.9 We feel strongly that our Commissioning Framework will generate substantial benefit in terms of making available to LCR residents and employers, more appropriate and higher quality employment and skills services, within the context of a greatly simplified employment and skills system. The potential benefits are:

- Coherent pricing across markets to secure better value for money.
- Significant economies of scale through shared services, simplification of contracting, employer engagement and learning effects.
- More influence over, and better fit with, mainstream service delivery.

1.10 Bringing all of these components together and building on increasingly effective partnership working in the LCR, ***we are fully confident that we will demonstrate quickly and widely that we are a partnership which is both able to design strategic approaches and implement these effectively.*** As a result the Strategy will deliver significant positive benefits for the individuals, communities and employers who are all key customers of our employment and skills system.

1.11 The MAA also signalled our intent to radically restructure employment and skills governance in the Liverpool City Region. The MAA committed us to establishing an Employment and Skills Board (ESB); a body that concentrates our business, executive and political leadership. The ESB will:

- Oversee the implementation of our Strategy and Commissioning Framework.
- Ensure that there is a ***powerful employer voice at the heart of service design and performance management.***
- Provide the challenge necessary to drive up performance.

Developing Our Strategy

1.12 Our Strategy has been built upon a number of key foundations:

- An analysis of performance measures capturing various outputs and outcomes of the employment and skills system.
- A review of local, city region, regional and national studies of relevance to the Employment and Skills Strategy.
- Online surveys, focus groups and face to face interviews with learners and employers, as well as key delivery partners.
- One to one consultations and a series of workshops with the principal stakeholders responsible for employment and skills in LCR.

1.13 In this document we will :

- Review the evidence base, the customer feedback and the stakeholder perspectives and consider the implications for our Strategy.
- Set out the framework for our Strategy.
- Consider what needs to be done to implement our Strategy effectively and expediently, and here we place considerable emphasis on our Commissioning Framework which we see as central to this.

1. Our Starting Point and Task

2. challenges and Opportunities: LCR's Economy and Labour Market - Statistical Review

Key Messages for Our Strategy

Although significant gaps in performance remain between the LCR and England as a whole, significant improvements have been recorded showing the growing effectiveness of the LCR partnership. Our Strategy needs to be focussed on driving down the remaining gaps in an aggressive way over the coming 5 years.

Employment levels are a central issue. Without growing employment or greater access to employment in a wider labour market area, it will be hard to achieve further relative improvements in worklessness and neighbourhood deprivation. The Strategy will need to address how employment and skills investments and interventions can make a greater contribution to growing the employment base.

The massive remaining gap in relation to neighbourhood deprivation demands that we review with the partners what we are spending and how effectively we are spending to identify and introduce step changes in our approach to regenerating our poorest communities.

Qualification levels have risen significantly but improvements in productivity, worklessness and neighbourhood regeneration have been more modest. In the early stages of implementing our Strategy we need to ask:

- Are we training in the right areas?
- Are employers increasingly recognising the relevance of the qualifications being created?
- Are employers utilising effectively the higher skills now more readily available?

Our Approach

2.1 Our Employment and Skills Strategy needs to be grounded in an up to date and comprehensive analysis of the economy and labour market. In beginning to generate this we have used the framework set for the new Local Economic Assessments. Within this, however:

- We have taken a more selective approach to the analysis of Business and Enterprise as this is comprehensively covered by The Mersey Partnership's Economic Review.
- We have placed a lot of weight on worklessness, inclusion and skills/qualifications as these are viewed both internally and externally as areas where LCR's performance has needed to improve significantly.

2.2 We have structured our analysis to fit the needs of the Strategy.

- Although most of what we discuss in the body of the Strategy relates to LCR as a whole, we collected all our indicators where possible for a consistent range of geographies: England, North West, the 6 local authorities making up LCR and LCR's economic hinterland (defined as Cheshire West

and Cheshire, Warrington, West Lancashire, Flintshire and Wrexham). LCR and its hinterland makes up a functional economic area and a wider travel to work area.

- We have looked at the performance of LCR and the various geographies in the 5 years in the run up to the launch of the Strategy.
- Consistent with the LCR MAA which is the underlying process driving the development of the Strategy we have focussed on the gaps between LCR and England on key indicators, rather than benchmarking ourselves against other city regions.

Our detailed analysis is available in a separate technical report.

2.3 At the outset we need to establish the diversity of economic conditions within the LCR. To drive forward the economic performance of LCR as a whole we need to mount a concerted effort to build on internal strengths as well as close down gaps in areas of weakness from an employment and skills perspective.

- Variations in employment rates are wide, reaching as high as 73% in Sefton compared to a low of below 60% in Liverpool. Increasing LCR's overall employment rate significantly will be difficult without a major advance in the Liverpool local authority area.
- Similar considerations apply to the indicators around worklessness, but here Knowsley's problems are on a par with Liverpool's.
- The proportion of residents with no and high level qualifications vary significantly, with Wirral performing well and Knowsley lagging behind.
- Although Liverpool has the lowest employment rate it also has the highest jobs density relative to population. Liverpool's total volume of jobs, at around 225,000, accounts for 38% of the LCR's jobs base, and 22% in relation to the wider functional economic area.

	Halton	Knowsley	Liverpool	Sefton	St Helens	Wirral
Employment Rate (%), 2008/09	69.9	67.0	59.1	73.6	67.6	68.6
Jobs per 10,000 adult population, 2007	5,733	4,709	6,348	4,235	4,367	3,908
16-18 NEET (%), 2008	13.2	14.4	10.4	7.6	8.1	9.1
DWP Out of Work Benefits (%), 2009	20.2	24.4	24.3	16.7	19.2	19.0
Residents with No Qualifications, 2008	18.2	24.2	19.6	18.9	15.9	10.8
Residents with L4 Qualifications, 2008	19.4	15.8	23.8	29.7	22.6	32.1
LSOAs in 10% most Deprived (%), 2007	27	47	56	18	23	24

2.4 In the rest of this section the focus is principally on the performance of the LCR as a whole. The analysis is summarised in a set of tables describing the performance of the LCR under a series of broad headings. For each indicator, the tables show:

- Baseline value – generally 5 years prior to most recent available measure.
- Current value – most recent available measure.
- Baseline gap – measured as the percentage shortfall (negative signs) or over-performance (positive signs) against the English average.
- Current gap – measured as above.
- Green arrows represent a closing gap and red arrows a widening gap.

2.5 In broad terms, it is important to say that:

- On many of the indicators LCR has enjoyed an absolute improvement over 5 years.
- The position on LCR's performance relative to England is more mixed and this is the analysis which sits at the heart of our Economic Assessment.

Business and Enterprise

2.6 We begin by considering the three key 'economic aggregates'. First and foremost ***GVA per capita*** which measures the overall economic performance of the LCR economy. In addition we need to consider the two principal drivers of GVA - ***the employment rate*** and ***the productivity rate.*** Our key findings are as follows.

- The measures of the aggregate performance of the LCR economy naturally change slowly over time. The performance has been mixed with a slight widening of the GVA gap. The first row of the following table shows that:
  - GVA per capita has risen over recent times from £11,485 to £13,615.
  - Currently this is 29.9% below the English average, up from 29.2% in the baseline year.
  - The widening of the percentage gap is signified by the red arrow pointing upwards.
- The improvement in relative productivity (where the declining green arrow signifies narrowing of the gap) has been cancelled out by a decline in LCR's employment rate relative to England as a whole.
- In relation to the employment rate, this declined from 67.3% to 66.3% over 5 years within the LCR, and the gap between England as a whole expanded to just over 10% i.e. LCR's employment rate is only around 90% of the English average.

KEY ECONOMIC AGGREGATES

Indicator	Baseline Value	Current Value	Baseline Gap (%)	Current Gap (%)	Is Gap Closing?
GVA per capita (£) – 2002, 2006	11,485	13,615	-29.2	-29.9	↑
Productivity Rate: GVA per employee (£) – 2002, 2006	28,510	34,291	-21.3	-20.7	↓
Employment Rate (%) – 2003/4, 2008/9	**67.3**	**66.3**	**-9.8**	**-10.4**	↑

2.7 The health of the business and employment base is vital for driving up LCR's employment rate relative to the country as a whole.

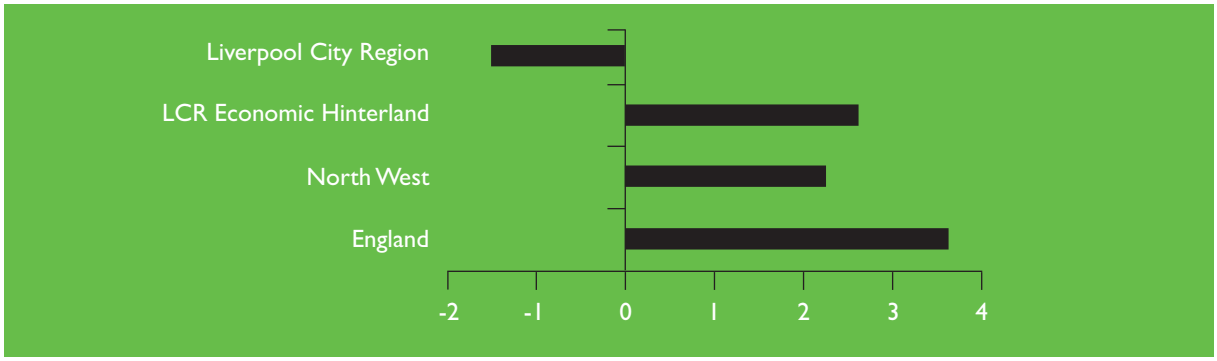
- The jobs base per 10,000 adult population remains significantly lower than the English average and the position deteriorated over the last 5 years for which data are available. The gap with the English average is now over 10% which equates to a deficit of around 60,000 jobs (taking account of population levels).
- It is important to note that despite LCR's jobs growth over 5 years lagging both England and the North West, there was relatively strong jobs growth compared to previous years within Liverpool City and LCR's economic hinterland.
- Equally positive, the gap has closed significantly for business starts and the business stock as a whole. Nonetheless, the LCR still has a business stock which is roughly only 60% of the English average.

BUSINESS AND ENTERPRISE INDICATORS					
Indicator	Baseline Value	Current Value	Baseline Gap (%)	Current Gap (%)	Is Gap Closing?
No. of jobs per 10,000 adult population – 2002, 2007	5,034	5,053	-8.9	-10.7	↑
VAT stock per 10,000 adult population – 2002, 2007	216	248	-44.9	-41.1	↓
VAT registrations per 10,000 adult population – 2002, 2007	**230**	**265**	**-42.5**	**-33.4**	↓

Economic Hinterland

2.8 The focus to this point has been on LCR. As part of the economic assessment however we reviewed the opportunities that existed in LCR's economic hinterland. The bar chart below shows that LCR's economic hinterland out-performed both LCR and the North West in terms of employment change over the last 5 years for which data are available.

% Change in Total Employment, 2002 to 2007



Source: Annual Business Inquiry

2.9 We also considered the nature of employment in the economic hinterland compared to LCR by examining the industries in which these two geographies are concentrated, using Location Quotients (LQs) which show a degree of over representation relative to the English average where the LQ is equal to 1.0.

- LCR is heavily specialised in public sector industries with large numbers in these industries and above average proportions by national standards.
- The mix of employment is quite different in the economic hinterland from LCR, with specialisation in manufacturing and with different manufacturing sectors to the fore, as well as in financial intermediation.

Specialisation is a positive factor where local economies are well represented in growing sectors, but carries a risk if market conditions move against these industries. To the extent that the LCR and the economic hinterland are specialised in different industries, risks can be shared if the wider functional economic areas can operate in a more integrated fashion.

LCR Industries Over-represented in Employment Terms, 2007

	Numbers	%	LQ
Manufacture of chemicals & chemical products	8,067	1.36	2.00
Public administration & defence; compulsory social security	48,755	8.23	1.54
Health and social work	96,358	16.26	1.39
Insurance & pension funding	5,227	0.88	1.34
Land transport; transport via pipelines	15,315	2.59	1.28
Education	63,675	10.75	1.16

Economic Hinterland Industries Over-represented in Employment Terms, 2007

	Numbers	%	LQ
Manufacture of transport equipment	6,836	1.62	3.02
Manufacture of chemicals & chemical products	7,951	1.88	2.76
Manufacture of motor vehicles, trailers & semi-trailers	5,008	1.18	1.96
Manufacturing of food and beverages	10,430	2.47	1.74
Manufacture of fabricated metal products, except machinery and equipment	6,059	1.43	1.23
Financial intermediation, except insurance & pension funding	11,472	2.71	1.21
Renting of machinery and equipment without operator and of personal and household goods	2,925	0.69	1.20

2.10 The analysis suggests that there are significant employment opportunities on LCR's doorstep.

- The economic hinterland has a substantial employment base, and there is scale of opportunity.
- The mix of industries is significantly different providing more diverse opportunities and also spreading risks due to access to a more diversified set of industries.
- Labour market information suggests that the labour market is tighter in the economic hinterland with fewer unemployed people chasing each vacancy leading to more recruitment problems for employers. Given this there is a potential for LCR's labour supply to help ease recruitment issues in the wider city region economy i.e. a win-win situation for the city region and region.

2.11 The 2001 Census data on travel to work show that:

- Over 43,000 LCR residents travelled to the economic hinterland for work, 7.6% of LCR's employed population. Around 41,000 commute in the opposite direction.
- The position varies significantly across local authority areas.
  - For St Helens employed residents, 20% commute to Warrington and 23% to Greater Manchester.
  - For Wirral employed residents, 8% commute to Chester and 16% to Ellesmere Port and Neston.

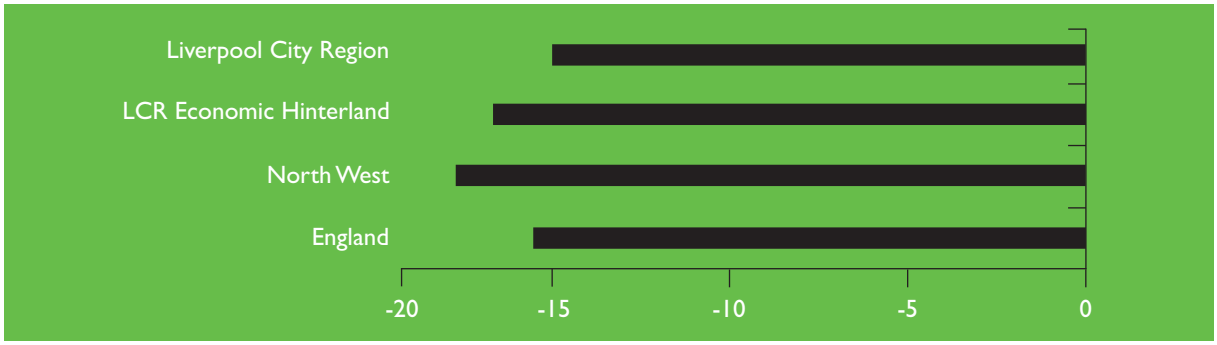
Although currently only modest numbers commute beyond LCR, if we upskill people in line with the needs of the wider labour market and this is allied to enhancements in transportation services this figure can be pushed up over time.

More Recent Changes

2.12 Good quality employment data is lagged by some time and so it is not possible to look at changes in jobs since the onset of the recession which began in the fourth quarter of 2008 although growth rates had slowed well before this. However, in the next chart we use information on vacancies notified to Jobcentre Plus to proxy changes in the demand side of the labour market. The Jobcentre Plus 2007/8 Employer Survey shows that only 35% of all vacancies are notified to Jobcentre Plus, but here we are using the change in vacancies over time so this is less of an issue.

- The decline in vacancies in the LCR is substantial over the last full year at around 15%
- However, LCR vacancy levels have held up to a greater extent than in the economic hinterland and the North West as a whole.

% Change in Notified Vacancies, Aug-Sep 2008 to Aug-Sep 2009
Source: NOMIS Jobcentre Plus Vacancy data



2.13 Over the course of the year to September 2009 over 93,000 vacancies were notified in LCR and 69,000 in the economic hinterland. On the basis that only around a third of all vacancies are notified this means that there has been around 270,000 vacancies within the LCR over the course of the year, notwithstanding this year encompasses the worst recession since the early 1980s. Additionally these vacancies cover a widespread range of industries and occupations. This level of vacancies is an opportunity for getting workless people into jobs which needs to be exploited fully.

People and Communities: The Labour Market

2.14 LCR has long been characterised by high levels of worklessness compared to a number of other city regions and the economy as a whole. In 2006, the LCR gained City Strategy Pathfinder status to pursue the LCR City Employment Strategy. The City Employment Strategy is based on the premise that local stakeholders can deliver more if they combine and align their efforts behind shared priorities, and are given more freedom to innovate, and to tailor services in response to local needs.

2.15 In this section of the Local Economic Assessment we consider a number of indicators which relate to economic inactivity and worklessness.

- Economic inactivity measured on a survey basis has deteriorated relative to England as a whole, and is now almost a third higher in the LCR compared to the national average. Nevertheless, there was a small absolute decline in economic inactivity in LCR bringing it down to 27.8%
- Connexions data for 2006 and 2008 indicate that although the percentage of young people in the Not in Education, Employment or Training (NEET) group (16-18s) has fallen from 10.9% to 9.8%, there has been a rise relative to England as a whole and is now almost 50% higher than the English average.
- Looking at more up-to-date data on DWP out of work benefit claimants there has been a significant improvement in relative terms although LCR is still 60% higher than the national average on this indicator. Nonetheless, nearly 21% of LCR's working age population are claiming DWP out of work benefits.
- Once this is broken down by individual benefits there have been relative

improvements for people claiming Job Seekers Allowance (JSA), Incapacity Benefit (IB) / Employment Support Allowance (ESA) and lone parents claiming Income Support. There has been a significant drop in particular (from 13.3% to 11.4%) in the proportions claiming IB/ESA a group which has been central to the efforts of the City Employment Strategy. Although good progress has been made in each of these fronts the gap to be bridged with England as a whole is still challenging.

- Considering two of the indicators from the MAA which attempt to measure the effectiveness of interventions in a broad sense by looking at the proportions moving from JSA into work, these have deteriorated over the 5 year period under review.
- The final indicator is a mix of demand and supply side, i.e. the ratio of unemployed people seeking work to notified vacancies. Over the 5 years the position in the LCR has deteriorated quite significantly.

KEY ECONOMIC AGGREGATES					
Indicator	Baseline Value	Current Value	Baseline Gap (%)	Current Gap (%)	Is Gap Closing?
Economic Inactivity Rate (%) – 2003/4, 2008/9	28.1	27.8	-30.7	-32.4	↑
% NEET – 2006, 2008	10.9	9.8	-41.6	-46.3	↑
Total number on IB/ESA (MAA)	120,580	103,210	n/a	n/a	
Claimants on DWP Out of Work Benefits (%) – 2004, 2009	21.4	20.9	-75.4	-60.8	↓
DWP JSA Claimants (%) – 2004, 2009	3.7	5.8	-60.9	-52.6	↓
DWP IB/ESA Claimants (%) – 2004,2009	13.3	11.4	-84.7	-72.7	↓
DWP/IS/LP Claimants (%) – 2004, 2009	3.7	3.1	-60.9	-55.0	↓
Claimant Count Rate (%) – 2003/04, 2008/09	3.7	5.7	-60.9	-54.1	↓
Average % of 18-24s leaving JSA for work (MAA). 2004/5, 2008/9	40.8	25.6	+8.5	-1.2	↑
Average % of all claimants leaving JSA for work (MAA). 2004/5, 2008/9	44.6	33.8	+4.4	-2.0	↑
Ratio of Jobseekers to Live Unfilled Vacancies – 2004, 2009	1.7	13.1	-54.5	-87.1	↑

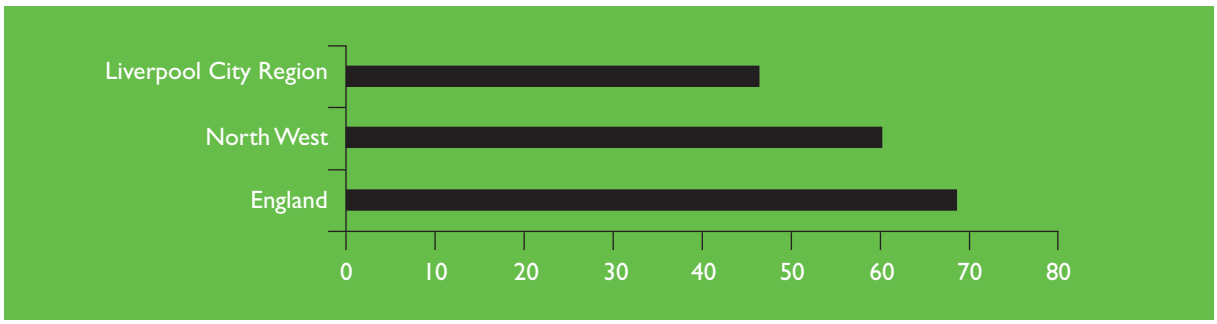
Recent Worklessness Trends

2.16 Given the severity of the recession across the country, we feel it is vital to review how LCR has fared in relative terms as we believe the employment and skills system has been strengthening in recent times but this does not necessarily show up convincingly taking a 5 year period of analysis.

2.17 Looking in more detail at the recent period:

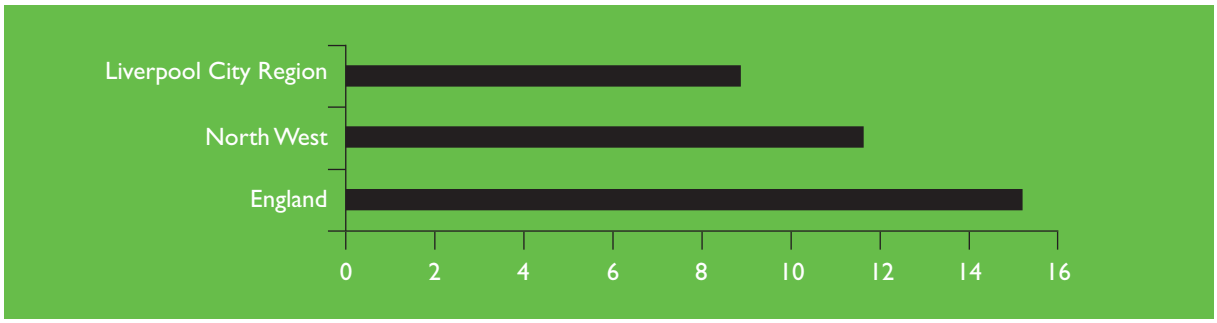
- Although the numbers claiming JSA have risen by nearly 50% in LCR in the last full year this compares with figures of 60% for the North West and nearly 70% for England.
- Looking at the wider measure which includes claimants of JSA, IB and Lone Parents on Income Support a similar pattern emerges for the last full year for which data are available.

% Change in JSA Claimants, September 2008-09



Source: NOMIS Claimant Count data

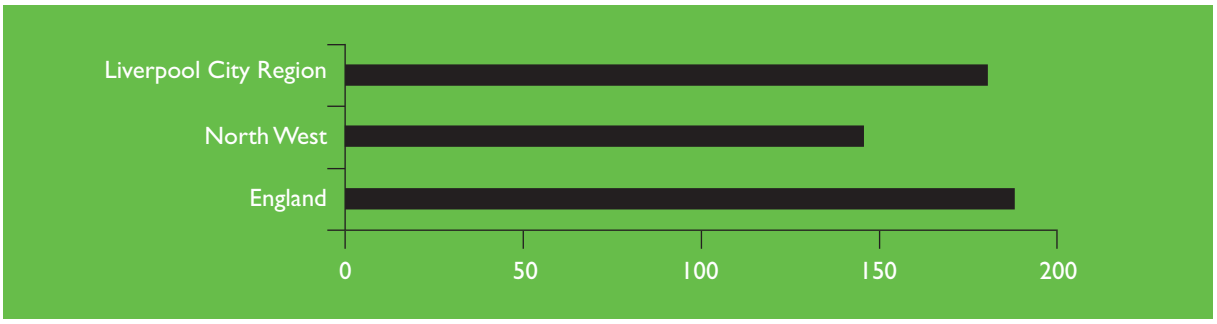
% Change in DWP Out-of-Work Benefits Claimants, February 2008-09



Source: DWP WPLS

2.18 A final indicator of recent change is the movement in the U/V ratio defined as the number of unemployed jobseekers chasing each unfilled notified vacancy. As the economy contracts the volume of unfilled vacancies falls, the number of unemployed jobseekers rises so the U/V ratio increases. The following chart shows that there has been a substantial deterioration in the U/V ratio in the LCR on a par with the overall English position but with deterioration relative to the North West as a whole. For the quarter July to September 2009, there were 13 unemployed people on JSA chasing each live notified unfilled vacancy.

% Change in JSA Claimant to Live Unfilled Vacancy Ratio, July-Sept 2008 to July-Sept 2000



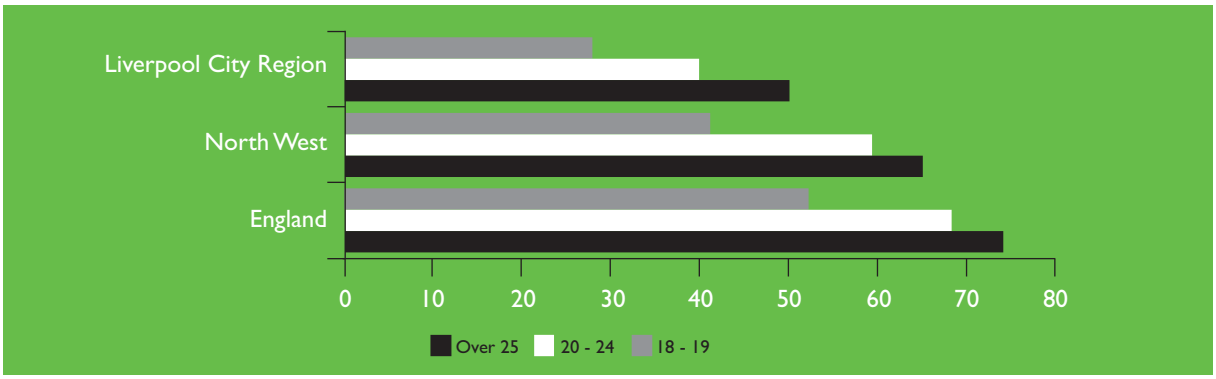
Source: NOMIS Claimant Count and Jobcentre Plus Vacancy data

Youth Unemployment

2.19 A more specific growing concern – across the country as a whole – is rising unemployment in the younger age groups (18-24). Using data on the numbers claiming JSA and looking at the year up until September 2009 it is clearly the case that:

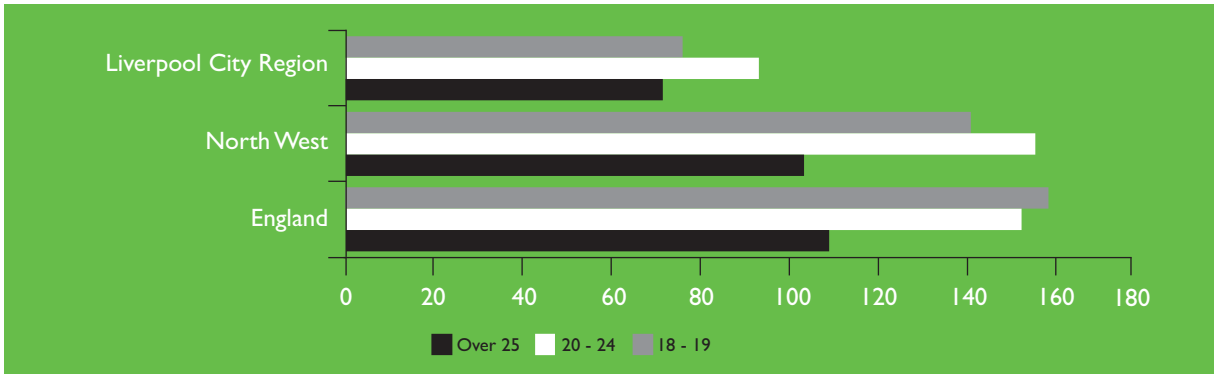
- The percentage increase in unemployment has been lowest for 18-19s and greatest for the 25 plus age group. This is a consistent pattern across the LCR, the North West and England as a whole. If anything, the relative growth in unemployment for 18-19s relative to older groups is lowest in the LCR. In broad terms this may reflect the fact that the 18-19 group can adjust more readily to the declining labour market by staying in school, or going to college or university.
- Another potential issue is longer term unemployment. Here the position is that the percentage growth in the numbers unemployed for 6 months or more is greater for 18-19s and 20-24s relative to the older group. This is also the case across the country, but again the younger unemployed in LCR seem to fair relatively well compared to the counterparts in the North West and in England as a whole.

% Change in Total JSA Claimants, September 2008-09



Source: NOMIS Claimant Count data

% Change in JSA Claimants of 6 Months and Over, September 2008-09



Source: NOMIS Claimant Count data

People and Communities: Skills

2.20 Another defining characteristic of the LCR has been the relatively low levels of qualifications in the resident population.

2.21 The evidence collected for the preparation of this Strategy is described below.

- In relation to the 3 target indicators specified in the MAA clear progress is evident with growing proportions of local residents qualified at Level 2, Level 3 and Level 4 relative to England as a whole. This builds on a significant reduction over 5 years in the proportion with no qualifications (down from 22.2% to 17.4%), as well as significant increases in the proportions qualified at Level 2 and above. Nonetheless, significant gaps with the English average remain in terms of the proportion with no qualifications, as well as at Level 3 and Level 4.

- Turning to the younger people very significant progress has been made in relation to the percentage of 16 year olds with Level 2 both including and excluding English and Maths. Excluding English and Maths LCR 16 year olds out perform England as a whole and including English and Maths there has been a massive reduction in the gap with England.
- Progress has also been made in terms of 19 year olds with Level 3 qualifications. The gain has been modest here but the data lag the statistics for 16 year olds by one year and there will be a time lag in terms of improved performance at 16 feeding through to higher performance at 19.
- Still focussing on the younger age group – but widening this to 16-24s – there has been a significant decline in the percentage with no qualifications and a growth in the percentage qualified at Level 2. Very substantial relative improvements have taken place in 5 years. The gains at Level 3 are more modest but significant nonetheless. However, on Level 4 the LCR has dropped back relative to England with around only three quarters of 16-24s qualified at this level relative to the national average. The percentage qualified at Level 4 has increased in the LCR, but to a lesser extent than England as a whole.
- Finally, LCR employers are reporting a relative decline in problems in relation to skill gaps, skill shortages and hard to fill vacancies. Given that the earlier analysis suggested, in the main, relative out-performance by the LCR in terms of worklessness there is a good case for arguing that the increased supply of qualified job applicants has begun to benefit LCR employers.

2.22 Although not tabulated here it is the case that the LCR for the last 2 full years has enjoyed a significantly higher start rate for apprentices than the North West, which in turn significantly out performs England as a whole. LCR's start rate is around a third higher than the equivalent English figure. Over a number of years this will also contribute to improvements in qualification levels – admittedly at the margin as the absolute numbers involved are relatively modest.

2.23 These findings around qualifications show what partner organisations in LCR can achieve in a relatively modest timescale. As we move forward into the implementation stage of the Strategy we will work hard to understand how these significant improvements in qualifications have been brought about with a view to trying to apply some of the lessons to the worklessness and economic inclusion agendas.

PEOPLE AND COMMUNITIES: SKILLS/QUALIFICATIONS					
Indicator	Baseline Value	Current Value	Baseline Gap (%)	Current Gap (%)	Is Gap Closing?
LCR residents with no qualifications – 2003, 2008	22.2	17.4	-55.2	-46.2	↓
LCR residents qualified to Level 2 and above (MAA). 2003, 2008	60.3	66.1	-8.6	-4.8	↓
LCR residents qualified to Level 3 and above (MAA). 2003, 2008	39.3	44.2	-14.0	-10.7	↓
LCR residents qualified to Level 4 and above (MAA). 2003, 2008	20.7	25.2	-22.5	-17.4	↓
% 16 year olds with Level 2 - 2004/05, 2009/09	52.7	71.9	-7.7	+3.2	↓
% 16 year olds with Level 2 (incl. English + Maths) – 2004/5, 2008/9	34.3	47.2	-23.6	-5.0	↓
% 19 year olds with Level 3 – 2003/04, 2007/08	34.0	41.0	-19.0	-18.0	↓
% of 16-24 year olds with no qualifications – 2003, 2008	20.2	14.1	-54.2	-22.6	↓
% of 16- 24 year olds with Level 2 – 2003, 2008	29.1	31.4	+8.6	+23.6	↓
% of 16- 24 year olds with Level 3 – 2003, 2008	22.5	23.4	-13.1	-10.3	↓
% of 16-24 year olds with Level 4 or above– 2003, 2008	9.1	9.7	-21.6	-26.0	↑
% Employers with Skill Gaps. 2003, 2007	22.0	14.0	0.0	+6.7	↓
% Employers Reporting Skill Shortage Vacancies. 2005,2007	5.0	4.0	0.0	+20.0	↓
% Employer Reporting Hard to Fill Vacancies. 2003, 2007	7.0	6.0	+12.5	+14.3	↓

People and Communities: Economic Inclusion

2.24 Another defining feature of parts of LCR is the concentration of poverty and disadvantage within particular neighbourhoods. This is a serious problem to be tackled as it generates 2 significant constraints for the development of the LCR.

- To some degree it blights the image of LCR as a place in which to invest, and in which to work and live.
- It holds back the development of individuals and families resident in the most deprived communities by dampening aspirations and lowering expectations.

2.25 The following table suggests that progress has been made in relation to deprivation indicators and their neighbourhood concentration.

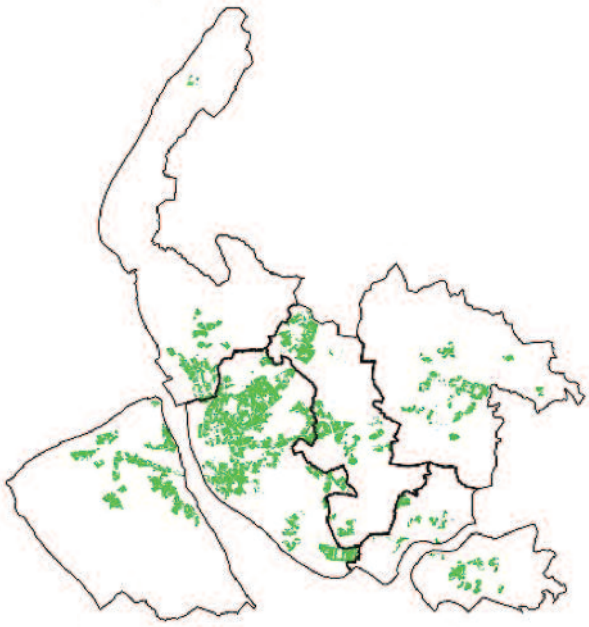
- LCR has moved closer to the English average in terms of DWP out of work benefit claimants in the 'worst performing' neighbourhoods and now stands at only 10% above the national position.
- Progress has also been made in relation to the more demanding measure of deprivation i.e. the worst performing 10% of Lower Super Output Areas (LSOAs). However, the gap which remains here is very substantial. LCR has 341 of England's 10% most deprived LSOAs. Of these 341; 163 are in Liverpool, 50 in Wirral and 47 in Knowsley.

PEOPLE AND COMMUNITIES: ECONOMIC INCLUSION					
Indicator	Baseline Value	Current Value	Baseline Gap (%)	Current Gap (%)	Is Gap Closing?
% of DWP Out of Work Benefit Claimants in worst performing neighbourhoods (NI 153) – 2003/4, 2008/9	37.0	133.7	-14.2	-11.2	↓
LSOAs in most deprived 10%. 2004, 2007	367	341	-170.0	-150.0	↓

2.26 By mapping the LSOAs that fall within England's most deprived 10%, two things stand out.

- The concentration of these areas towards the centre of the city region.
- The high percentage of LSOAs within Liverpool (56%) and Knowsley (47%) which are in the worst performing 10%

LCR Lower Super Output Areas (LSOA's) in 10% Most Deprived Areas in England and Wales



Overview of LCR Economic Assessment

2.27 In summary, to what extent has LCR shown improved performance relative to England over the 5 years in the run up to the development of this Strategy?

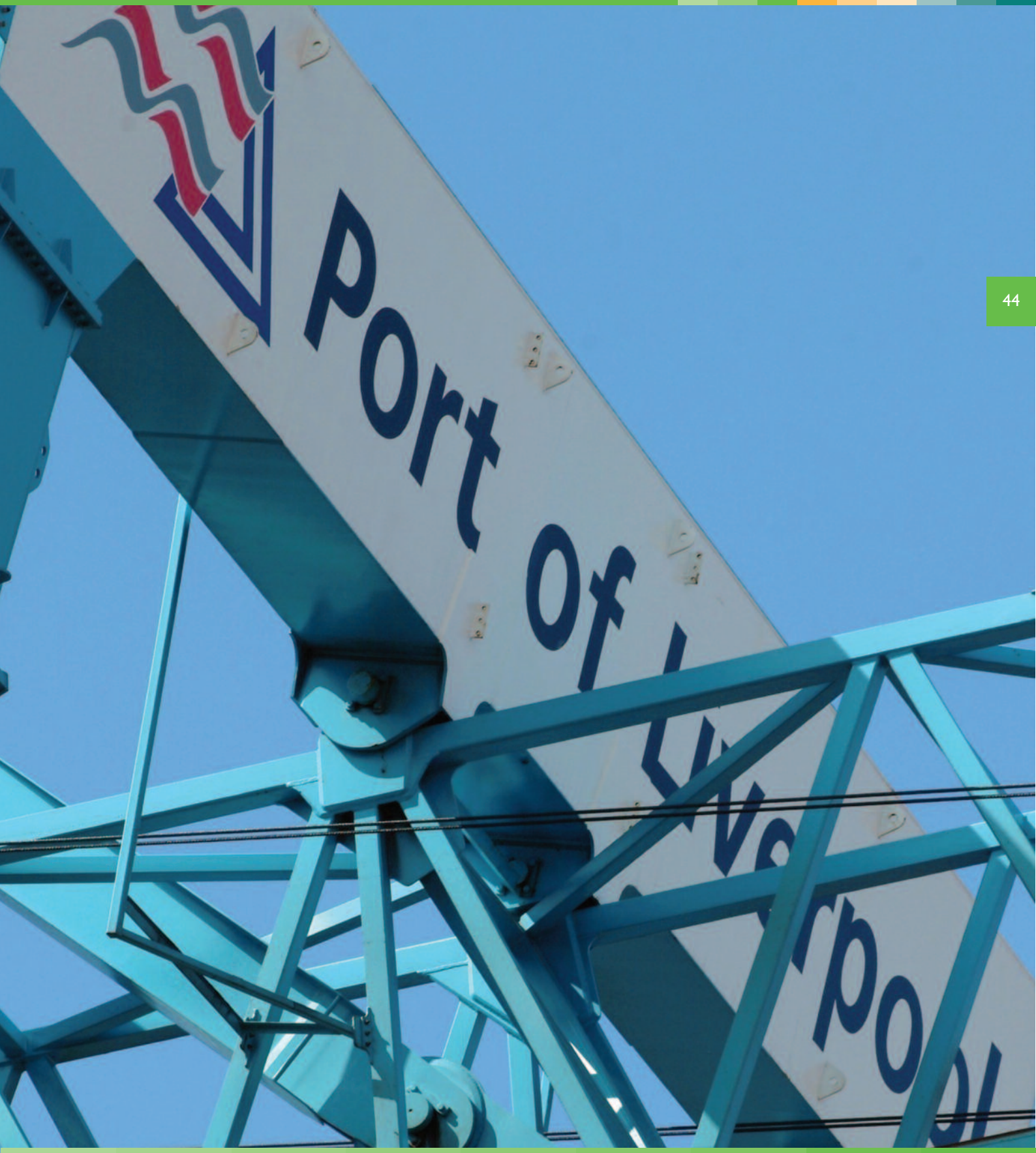
- GVA per capita has fallen back a little as the deteriorating employment rate has cancelled out the gains in productivity.
- The employment base has fallen back a little in relation to the English benchmark, despite significant improvements in the stock of businesses and in business starts.
- Good progress has been made on a number of worklessness indicators although there remain issues with youth economic participation and economic inactivity across the age range.
- There has been a significant and comprehensive improvement in qualification levels.
- The gap has narrowed in terms of neighbourhood deprivation, but there is still a very long way to go.

OVERVIEW OF INDICATORS	
Indicator	Is Gap Closing?
Key Economic Aggregates	↑ ↓
Business And Enterprise Indicators	↑ ↓
People And Communities: Labour Market	↑ ↓
People And Communities: Skills/Qualifications	↓
People And Communities: Economic Inclusion	↓

2.28 It is reasonable to view the significant gains around qualifications as both:

- A potential driver of some of the performance improvements across LCR in the last 5 years.
- A significant platform for attracting increased economic investment, driving up productivity and reducing worklessness in the period ahead

2. Challenges and Opportunities: LCR's Economy and Labour Market - Statistical Review



3. Challenges and Opportunities: LCR's Economy and Labour Market - Other Evidence

Key Messages for Our Strategy

The aggregate position on jobs is bleak certainly looking 5 years ahead. The scenarios to 2030 are generally more optimistic. Our Strategy will need to redirect resource towards employment creation and retention over its planning period. In particular a more serious effort needs to be launched to identify employers with the potential to generate significant numbers of jobs through growth and to support them through employment and skills interventions.

The employment opportunities in the economic hinterland are a key opportunity to help deliver our Strategy. Every effort now needs to be made to access the opportunities which currently exist.

The forward looking studies reinforce the MAA focus on the 4 Transformational Actions. Our Strategy needs to support the building up of an employment and skills effort that will help realise in the medium term the potential 40,000 jobs.

It is not clear which sectors will prosper beyond the recession. In these circumstances our Strategy needs to promote:

- The development of a more agile employment and skills system which can respond quickly and accurately to emerging demands. This links to the new ***choice-led agenda,*** and the task for LCR partners is to stimulate demand and inform choice.
- A greater focus on more general employability skills which will serve the needs of a wide range of learners and employers irrespective of sector.

Our Approach

3.1 In this section we draw on a range of existing studies to expand and deepen the analysis of the LCR economy and labour market.

- We consider forecasts of what is likely to happen going forward.
- We review some of the local and sectoral opportunities moving forward.
- We analyse studies shedding light on the likely demand for skills.

Looking Forward: Employment Forecasts

Regional Economic Forecasts

3.2 The economic recession has undermined employment projections.

- 2007-2017 forecasts for the North West projected employment to increase by 5% or 171,000 jobs in that 10 year period (IER, 2009).
- However, a more recent 2008-2015 forecast projects employment in the North West to fall year-on-year between 2008 and 2011 with employment levels in 2015 not expected to recover to 2008 levels (Regional Economic Forecasting Panel, 2009).

Liverpool City Region Forecasts and Scenarios

3.3 The most recent forward looking analysis (PION , December 2009) sheds further light on what may happen down the line.

- Annual net job losses may keep going until 2012.
- It will be 2015 before employment in LCR regains pre-recession levels, and 2017 for the wider LCR economy (inclusive of LCR).
- Considering 4 scenarios ('Extended Recession', 'Moderate Recovery', 'Aspirational' and 'Development Pipeline') through to 2030, they all show significant jobs growth with a range of increases between 45,000 and 87,000 jobs.
- On the downside, no expected advance in productivity is projected for the LCR.

3.4 The * PION study has to be regarded as relatively optimistic in projecting a recovery of employment levels in the LCR by 2015. By implication their view is that the current recession is more similar to the one in the early 1990s than to the early 1980s recession. The long term perspective is also positive on employment and GVA, but not on productivity. This implies that the skills transformation to which the LCR partners aspire will not occur and thus the drive to increase workforce effectiveness and to create a pool of skilled labour drawing in high value added industries will fail. A low productivity economy will not retain and attract nationally and globally mobile businesses and investment.

[1] PION Economics, in association with Cambridge Econometrics were appointed by The Mersey Partnership in 2009 to develop forecasts for the Liverpool City Region Economy, including analysing the impact of the recession and wider economic downturn.

Local and Sector-Specific Opportunities

Transformational Actions

3.5 In the LCR, 4 Transformational Actions have been prioritised and many have clear links with the North West's 4 strategic drivers (Atlantic Gateway, Energy Coast, Creative Industries and Renewable Energy). The transformational actions are (Liverpool MAA Economy Platform, 2009):

- Culture and the Visitor Economy.
- Liverpool SuperPort.
- Low Carbon Economy.
- The Knowledge Economy.

3.6 LCR partners have recognised that if these Transformational Actions are to become the drivers for greater economic prosperity then it is essential that a greater understanding of the likely labour demand associated with these actions continues to be assessed, with a view to putting in place a focussed programme of activity that addresses the current and future employment and skills needs. Aligning more effectively labour demand and supply will help provide more opportunities for LCR residents, and provide more effective and responsive

solutions for employers. However, it is not just an issue of meeting employment and skills needs, a focus on transportation issues is required, and we should be prepared to influence investment and policy on public transport to promote employment and skills aims and objectives. Additionally, a better integration of employability and health interventions can help those already employed with the relevant skills for the key sectors to sustain employment in the face of health problems.

Culture and the Visitor Economy

3.7 Liverpool now has the Arena and Convention Centre and the Liverpool ONE retail development to add to its existing world-renowned cultural, heritage and sporting assets. In 2007, the tourism industry was estimated to be worth £1.3bn and support 23,000 jobs. The LCR Visitor Economy Strategy aims to increase the sector's contribution to £2.1bn and 37,000 jobs by 2020. As such, the sector will provide real employment opportunities in the tourism, retail and cultural industries for LCR residents. To compete for these opportunities, it is imperative that they have the 'soft skills' that tourism, retail and hospitality employers require – particularly excellent customer service skills. In addition to entry-level opportunities, LCR tourism and hospitality courses in the FE and HE sectors must work closely with employers to deliver the management, supervisory and wider skills sought.

Liverpool SuperPort

3.8 Liverpool SuperPort is a key component of the North West's Atlantic Gateway strategic driver. Through integrating Mersey Ports, Liverpool John Lennon Airport, Mersey Multi Modal Gateway (3MG) and other logistics and transport infrastructures, the aim is for Liverpool SuperPort to become a key driver of the LCR economy. Furthermore, with many expansions and developments planned across LCR's assets, up to 28,000 additional jobs may be created with a GVA increase of c.£935m (MDS Transmodal and Roger Tym & Partners, 2009). The job opportunities are mainly expected in process, plant and machine operatives (19%) and elementary occupations (18%) but, with managers and senior officials expected to make up 15% of new jobs, it is important that Liverpool SuperPort employers work closely with employment and skills providers to meet the technical skills required in ICT, professional and business services, and transport management. This includes up-skilling the existing workforce, attracting new entrants to the sector - (including support for young people via 14-19 Diplomas and Apprenticeship Programmes), and working together in the design and delivery of employment and skills-related programmes that better meet the needs of employers and the sectors as whole.

3.9 As the MAA indicates, if the Liverpool SuperPort concept is to be a transformational action for the LCR then the public and private sector partners must deliver a portfolio of outstanding port-related assets, and be committed to cooperate under the Liverpool SuperPort brand. They must also put in place a focused programme of activity which addresses the current and future employment and skills needs emerging from the development of the SuperPort.

Low Carbon Economy

3.10 The UK Stern review, EU and UK low carbon targets and changing consumer demand collectively offer real growth opportunities for the LCR low carbon economy. The demand for low carbon products and services is set to grow strongly across all market sectors. LCR already has a number of assets around wind and tidal energy and environmental technologies which collectively employ over 9,000 people. Through the Low Carbon Strategy and Action Plan the expectation is that a further 6,000 to 15,000 jobs will be created in renewable energy, environmental technologies and services, waste management and recycling, and related R&D fields (Regeneris Consulting and Quantum Strategy and Technology, 2009; DTZ Pieda, 2009). In terms of employment and skills, it is important that the new and evolving training and skills needs in low carbon technologies are provided for.

3.11 The Low Carbon economy will generate a wide range of jobs and diversity of skills requirements going beyond what is typically linked to, say, renewable industries. It will be essential to understand the skills needs associated with this jobs diversity. There is also the enterprise development potential to be factored in, as a means to contributing to the expansion of the business base, and growing GVA, but also as a way out of unemployment and into productive economic activity for some.

The Knowledge Economy

3.12 LCR currently has a smaller level of knowledge-based economic functions than comparator competitor urban economies (BAK Basel 2008 for Liverpool Vision). The ambition is to change this by building on LCR's assets, capacity and opportunities to achieve greater critical mass in science, technology and knowledge-based economic functions. Through more leading-edge R&D activities, more innovative businesses and a larger highly skilled talent pool, the Knowledge Economy can accelerate the shift in LCR's industrial structure and productivity to more high-value knowledge-based functions.

3.13 Under the leadership of the Knowledge Economy Group, the Knowledge Economy Plan (to be completed in mid-2010) will set out the vision, opportunities and actions to develop a competitive, high value knowledge economy. Critically, this will involve building on and developing LCR's existing assets. Located across the LCR, these include Liverpool's Knowledge Quarter, the Daresbury Science and Innovation Campus in Halton, and Unilever's Research Facility at Port Sunlight, Wirral. There are also future opportunities through the planned Knowledge Crescent, which includes the 'Bio-Medical / Health Park' development and connecting the Knowledge Quarter to the Knowledge Corridor. Collectively, these will enhance LCR's strengths in Life Sciences, Creative and Digital Industries and Advanced Engineering.

3.14 Employment and skills will also play a critical role in achieving a competitive, high value knowledge economy. Above all, there is a need to increase the level of NVQ Level 4 skills in the LCR whilst also ensuring that the Knowledge Economy workforce have the technical, commercial and employability skills required by employers. To achieve this there is a need to increase the supply of graduates into the LCR – not only through graduate retention where LCR performs relatively well (Centre for Cities, 2009) but also attracting highly-skilled professional workers to the region. Employer engagement is important on a number of fronts. Future employment and skills opportunities can be better understood and planned for, the number of employers and employees engaged in workforce development programmes can be increased, and graduates and students can enhance their work-related skills through internships, placements and employability programmes. By increasing the supply of highly skilled labour, it is hoped that the number of science, technology and knowledge-based employers investing and spin-outs starting up in LCR will increase.

Overview of Transformational Actions

3.15 However, whilst acknowledging the critical importance of these transformational actions for the realisation of the MAA vision, it is important to note that:

- The total number of jobs coming through by 2030 will be relatively modest, perhaps around 40,000 net growth.
- Many of these jobs will come in the Culture and Visitor Economy action area and demand relatively low level skills.
- It may take some considerable period of time before the net increase in employment begins to emerge.

LCR Economic Hinterland

3.16 We noted earlier the superior performance of LCR's economic hinterland looking back over 5 years, as well as the very different structure of employment opportunities. Looking forward, the PION study suggests that:

- The wider LCR economy will be slower to recover pre-recession employment levels, presumably due to the higher manufacturing content within the economies of the hinterland.
- Within this Warrington plays a significant role, with a relative share of employment and GVA some way ahead of population and notably higher than other localities.

3.17 These projections do not counter the view we expressed earlier that one of the key employment opportunities for LCR residents is to compete more effectively for the jobs available in the economic hinterland. At the time of the 2001 Census, around 43,000 LCR residents were employed in the economic hinterland. To the extent that this figure could be doubled over time it would be equivalent to a significant job generating effort within the City Region.

- The jobs gain would be roughly equivalent to the net jobs growth likely to come through the Transformational Actions.
- These jobs are there to be accessed now, whereas the Transformational Actions will take a number of years to yield significant jobs growth.

3.18 A number of the key growth sectors, including the MAA's Transformational Actions, operate across the wider functional economic area which includes the hinterland. With long term declines in working age population the under-employed labour supply within certain parts of the LCR can help reduce labour shortages in the wider area. Many of the jobs involved require higher skill levels, and so there is an opportunity to simultaneously increase employment rates and productivity rates.

Threat to Public Sector

3.19 The public sector is a major employer in the LCR accounting for around 200,000 jobs and making up a particularly large percentage of employment in Knowsley, Liverpool, Sefton and Wirral. Realistically, unless there is a substantial acceleration of growth in the UK economy from 2010, a net decline in employment in the public sector is a very likely scenario, although potentially LCR could benefit through civil service dispersal from London and the South East as part of an increasing drive for cost effectiveness. Over the lifetime of this Strategy we will review the changing situation in relation to public sector employment, consider the implications for skills and different geographies if there are net reductions in employment, and adapt our strategic approach accordingly once we know more about the implications of these changes.

Looking Forward: Skill Demands

Regional Forecasts

3.20 With some caution around the future projections:

- The sectors where growth is expected in the North West are retail, transport, hotels and catering, banking and financial services, and public sector health and social work (IER, 2009).
- The sectors where a decline in employment is expected in the North West are manufacturing and, to a lesser degree, construction (IER, 2009).
- By occupation, forecasts suggest the shift towards higher level skills and a knowledge based economy will continue in the North West, with an increase in managers, senior officials, professional and technical occupations but declines in administrative, secretarial, skilled trades and elementary occupations (IER, 2009 and Regeneris Consulting, 2008).

3.21 It is perhaps unlikely that there will be significant structural changes in the LCR economy over a 5-10 year period and so the projected changes around sectors and occupations may be a reasonable estimate in relative terms of what the near to medium term will look like. Having said this, there must be doubts about the significant projected net increase in employment in Business and Financial Services and Public Sector Services.

North West Forecasts by Industry, 2007-2017

	Net Employment Change
Primary Sector and Utilities	+7,000
Manufacturing	-60,000
Construction	+3,000
Transport and Communications	+14,000
Retail and Hospitality	+40,000
Business and Financial Services	+107,000
Public Sector Services	+45,000
Other Services	+29,000
Total	**+171,000**

Source: IER Working Futures 2007-2017

3.22 We can also look in an approximate way at the projections from the perspective of the MAA's 4 transformational actions:

- ***Maritime*** activities sit in the Transport and Storage sub-sector of Transport and Communications where a growth of 10,000 jobs is anticipated between 2007 and 2017.
- For ***Culture and the Visitor Economy,*** the closest fit is the Hotels and Catering sub-sector which is projected to see a 4% (8,000 jobs) increase between 2007 and 2017.
- ***Knowledge Economy*** industries are hard to extract from the IER projections. The Research and Development sub-sector is anticipated to grow by 42% (3,000 jobs) between 2007 and 2017 and the Computing and Related Services sub-sector is anticipated to grow by 18% (10,000 jobs).
- It is not possible to connect the ***Low Carbon Economy*** and the range of sub-sectors available in the IER reform.

3.23 ***Automotive*** is a key manufacturing sector for the LCR. The Transport Equipment sub-sector is projected to decline by 17% (or 8,000 jobs) between 2007 and 2017. However, those projections are based largely on national trends whereas the future of automotive in any region of the UK is about the performance of a small number of large plants.

3.24 The occupational forecasts shown below put some numbers behind the projected growth in more skilled jobs and the projected decline in the less skilled. The key point in this table, however, is that in absolute terms there will still be significant volumes of vacancies for lower skilled jobs due to retirement, shifts between industries etc. A point to highlight is that although a 34,000 net decline in skilled trades is projected, there will nonetheless be 121,000 vacancies in this occupational area.

North West Forecasts by Occupation, 2007-2017

	Net Employment Change	Replacement Demand
Managers & Senior Officials	+60,000	+173,000
Professional Occupations	+62,000	+164,000
Associate Professional & Technical	+48,000	+159,000
Administrative & Secretarial	-15,000	+179,000
Skilled Trades Occupations	-34,000	+121,000
Personal Service Occupations	+54,000	+116,000
Sales & Customer Service Occupations	+21,000	+101,000
Process, Plant and Machine Operatives	-14,000	+101,000
Elementary Occupations	-9,000	+142,000
Total	**+171,000**	**+1,256,000**

Source: IER Working Futures 2007-2017

Liverpool City Region Forecasts and Scenarios

3.25 The PION report[2] suggests that:

- Net employment growth by 2030 will be greatest in Public Sector Services, Business Services, Other Services and Transport and Communication, but with a net decline of 31% in Manufacturing employment which helps explain the failure to close the productivity gap with the UK.
- In terms of occupations, the largest percentage increase is for Personal Service occupations (which covers a very wide range of job types and skill levels), but with growth also projected for Managers and Senior Officials, Professional, Associate Professional and Technical, and Sales and Customer Service occupations. Declines are projected for Elementary, Administrative and Clerical and Skilled Trades occupations.

- In terms of the potential skills demand, of the additional jobs created in the LCR:
  - 37% to 45% are likely to require individuals with Level 4 qualifications or above.
  - Around 40% are likely to require either Level 2 or 3 qualifications.
  - 11% to 15% are likely to require Level 1 qualifications.
  - Just 3% to 6% will be available to individuals with no qualifications.

[2] PION Economics, in association with Cambridge Econometrics were appointed by The Mersey Partnership in 2009 to develop forecasts for the Liverpool City Region Economy, including analysing the impact of the recession and wider economic downturn.

Sector Skills Councils

3.26 We have reviewed analyses by a number of the Sector Skills Councils (SSCs) concentrating most on those covering industries of importance to the LCR currently and prospectively. In the following table we summarise some of the key findings of these studies but also note that a significant number of the studies were carried out pre-recession. The main overarching points we take from these studies are as follows:

- ***Soft skills*** are a major issue raised by a number of the SSCs in relation to both recruitment and skills gaps in the existing workforce.
- ***Leadership and management skills*** are also a significant deficit in relation to the existing workforce.
- ***Ageing workforce*** is identified as an issue in chemicals and energy; engineering and manufacturing; health; IT and telecommunications; lifelong learning; and logistics sectors.
- ***Low qualification profile*** of the existing workforce relative to current and future sectoral needs is highlighted in chemicals and energy; engineering and manufacturing; financial services; and logistics sectors.
- ***Difficulties attracting new entrants*** characterised automotive; chemicals and energy; IT and telecommunications; justice; and logistics sectors.
- ***High labour turnover*** is an issue in leisure and hospitality; retail; social care and care sectors.
- ***Poor attitude of young entrants*** with lack of required motivation, enthusiasm and personality is a complaint in the automotive and retail sectors.
- ***Unclear employment pathways*** into the sector are identified as an issue in creative and cultural and justice sectors.

CROSS SECTORAL ISSUES	
Skills Shortages when Recruiting : All Sectors	**Soft skills:** *which includes customer handling/service skills; team working; oral and written communication skills* **Practical, technical or on-the-job skills:** *skills specific to the job role.* **Work experience:** *experience relevant to the job role.*
Skills Gaps amongst Workforce : All Sectors	**Soft skills:** *which includes customer handling/service skills; team working; oral and written communication skills* **Leadership and management skills:** *which includes finance management; people management; programme and project management.*
Other Issues	**Ageing workforce:** *identified in chemicals and energy; engineering and manufacturing; health; IT and telecommunications; lifelong learning; and logistics sectors.* **Low qualification profile** *of existing workforce relative to current and future sectoral needs: identified in chemicals and energy; engineering and manufacturing; financial services; and logistics sectors.* **Difficulties attracting new entrants** *identified in automotive; chemicals and energy; IT and telecommunications; justice; logistics sectors.* **High labour turnover** *identified in leisure and hospitality; retail; social care and care sectors.* **Poor attitude of young entrants** *with lack of required motivation, enthusiasm and personality identified in automotive and retail sectors.* **Unclear employment pathways** *into the sector identified in creative and cultural; justice sectors.*
CROSS SECTORAL ISSUES	
Chemicals and Energy	*Insufficient in-flow of non-graduates (via apprenticeships and VQ routes) to meet replacement demand in processing and technician roles.* *Shortages expected in Technician and Operator workforce.*
Creative and Cultural Sectors	*Oversupply of courses, providers and learners in a sector with few new jobs.* *Lack of good quality IAG for learners in the sector.*
Engineering and Manufacturing	*Technical and engineering skills gaps amongst workforce – particularly in CNC machine operatives, tool setting and welding skills.* *28% of workforce is under-qualified for their roles.*
Financial Services	*Shrinking pool of highly numerate indigenous workforce and strong competition from overseas applicants.* *Skills shortages in high level quantitative, language and financial-specific skills.*
IT and Telecoms	*Low-skilled jobs moving off-shore.* *Increasing demand for multi-skilled workers with strong business, interpersonal and technical skills.* *Poor uptake of computing courses/degrees at school, FE and HE level.*
Leisure and Hospitality	*Customer service levels may fall with declining numbers of migrant workers and greater reliance on indigenous workers.* *Chefs very difficult to recruit.*
Social Care and Care	*Employment expected to increase by 50-80% in next 20 years but sector already has recruitment and retention difficulties.*

Sources: Cogent (2008); Creative and Cultural Skills (2009); e-skills UK (2008); Financial Services Skills Council (2009); Government Skills (2007); Lifelong Learning UK (2009); People 1st (2008; 2009); SEMTA (2008); Skills for Care (2008); Skills for Health (2009); Skills for Justice (2008); Skills for Logistics (2009); SkillsActive (2006); Skillsmart Retail (2008; 2009); The Institute of the Motor Industry (2007).

Some Other Perspectives

3.27 Driven by the 4 Transformational Actions, the demand for more highly skilled labour is forecast to increase. However, a number of studies are concerned about the capacity of the LCR to respond to this increased demand (Regeneris Consulting, 2008).

- The fear is that the LCR's workforce, due to its high levels of worklessness and ageing population, is insufficient in both scale and quality to meet the potential demands made on it (SQW and Cambridge Econometrics, 2007).
- A major determinant in the LCR's skills deficit is its high levels of economic inactivity as the workless population have a much higher prevalence of low/no skills (Liverpool City Region, 2005).
- To counter this, closer coordination between employees, employers and Higher Education (HE) providers is needed to encourage greater levels of achievement of Level 4 qualifications amongst the current workforce (North West Regional Skills and Employment Board, 2008).
- Addressing the LCR's low skills levels and low rates of entrepreneurship is a key factor in ensuring the region is conducive to business growth and to providing the necessary 'offer' to potential inward investors (SQW and Cambridge Econometrics, 2007).

The recession requires these conclusions to be qualified. Additionally, the earlier statistical analysis suggests that LCR has made significant progress in terms of skills and qualifications over recent years.

3. Challenges and Opportunities: LCR's Economy and Labour Market - Other Evidence

4. Challenges and Opportunities: Stakeholder Perspectives

Key Messages for Our Strategy

The central implications from the employer feedback are as follows:

- The performance of the system as a whole in creating the levels of basic skills required in a modern economy needs to improve significantly in the LCR.
- In terms of processes, our Strategy needs to drive the simplification of employer engagement processes, whilst at the same time raising the average quality of service which employers receive.

The comprehensive set of criticisms from the other stakeholders of the employment and skills system lays down a challenge for our Strategy.

- Given the lack of consensus around priorities, our Strategy must start with a balanced approach. Subsequently, priorities will need to be reviewed and changed as our Strategy is implemented.
- Both in relation to changing priorities and the limitations in the employment and skills system, the existing pattern of spend will need to change early in the life of our Strategy's implementation.
- Some of the reallocation of funding will need to go into ensuring significant enhancements of processes, such as employer engagement, which are central to driving up the performance of the system as a whole.

Both nationally and sub-regionally there is a desire to simplify the employment and skills systems – for employers seeking to recruit skilled workers and upskill their existing employees, young people and adults trying to find work, and employees hoping to improve their skills and progress up the career ladder. However, simplification must go hand in hand with raising the ***effectiveness and coherence of the employment and skill system as a whole.***

Our Approach

4.1 Central to our strategy development process has been the wide ranging consultation with and involvement of key stakeholders. The consultation process has involved on-line surveys, focus groups, one to one consultations and a series of workshops taking our Strategy through its various stages of development. Here we try to summarise some of the key perspectives emerging from the stakeholder review focussing on 2 sets of issues.

- Employment and skills priorities for the LCR.
- The employment and skills 'system' and how it needs to change to serve more effectively the needs of individuals, communities and employers.

What Employers Are Saying About Recruitment and Skills Needs

4.2 The employer feedback is based on one to one discussions with 23 major LCR employers and 132 responses from an online survey organised through various bodies representing and /or well connected with the employing community. This includes the Employer Coalition, The Mersey Partnership and Chambers of Commerce.

4.3 Notwithstanding the recession, employers still report recruitment problems.
- 44% found recruiting for skilled trades occupations 'hard', 44% professional and technical occupations, 37% managerial occupations, and 33% personal service occupations which include health and care-related jobs.
- In contrast, lower skilled occupations were easier to recruit. 70% of employers found recruiting for unskilled/elementary occupations 'easy', 47% administrative and secretarial occupations, and 36% sales and customer service occupations.

4.4 One to one employer interviews identified difficulties recruiting for the following types of jobs:
- Skilled IT workers in a number of sectors.
- Experienced professional and technical positions in the business services, life sciences and health sectors.
- Technical and production occupations in the creative industries.
- Skilled tradesmen in utilities, manufacturing and the NHS.
- Trained chefs and managers in the hospitality industry.

4.5 The main difficulties faced by employers when recruiting are that applicants:
- Do not have the skills specific to the job – 43% of employers.
- Do not have good core skills, e.g. literacy, numeracy and ICT skills – 30% of employers.
- Do not have good basic skills, e.g. communication skills – 25% of employers.
- Do not have the necessary work experience – 23% of employers.
- Do not perform well in interviews or application forms – 24% of employers.
- Do not have willingness to work – 23% of employers.

4.6 In addition to recruitment, employers were asked about the proficiency of their existing workforce and their levels of investment in workforce development.
- 85% of the employers surveyed stated that their existing workforce were either 'fully proficient' or 'proficient' in meeting their business needs.
- In terms of the main skills that their existing workforce was not proficient in, employers stated that employees:
  - Lack leadership and management skills – 36% of employers.
  - Lack entrepreneurial and innovation skills – 24% of employers.
  - Lack of communication skills – 19% of employers.
  - Lack of team working skills – 18% of employers.

4.7 Looking forward over the next five years, employers were asked to identify what they expect their main employment and skills challenges will be and also where public investment should be prioritised. Employers stated the main employment and skills issues they are likely to face are:
- The poor quality of new entrants to their sector – 39% of employers.
- Succession planning – 38% of employers.
- An ageing workforce and replacing skilled labour – 32% of employers.
- The lack of new entrants to their sector – 25% of employers.

Feedback from Other Stakeholders

4.8 Perhaps not surprisingly given the diversity of the stakeholders consulted there was little consensus around how employment and skills investment should be prioritised.

- Some emphasised the need to invest more in upskilling those with no or low qualifications, whereas others favoured a greater investment in higher level skills.
- Some emphasised the need to give greater priority to young people, particularly those with more disadvantages, whereas others called for a greater effort for the longer term unemployed on Incapacity Benefit and/or the residents of the most deprived areas.
- Some wanted to re-allocate resource to promoting the growth of the employment base whereas others felt that increasing the employability of the most disadvantaged was the top priority.

4.9 More generally, the other key stakeholders were exercised by a large number of deficiencies in the employment and skills system. Their principal concerns were as follows:

- As we move into a world where funding and delivery will be increasingly 'choice-led' currently there is a lack of a coherent and strong employer voice to help drive the employment and skills system.
- At a more practical level of service delivery the processes for engaging with employers are viewed as chaotic and ineffective.
- For individual learners, LCR lacks a coherent, high quality and independent Information Advice and Guidance (IAG) system – which is a major deficiency within a funding model which is increasingly choice-led.
- Although a number of studies supply headline information about the labour market there is no coherent, good quality and regularly updated system of labour market intelligence (LMI). This is needed to inform key decision makers (such as the ESB) but also to feed the IAG system.
- There is in fact little by way of a 'system' for employment and skills. The different parts are poorly articulated and there is limited evidence of progression between them for learners and employers.
- Related to the above, the performance measurement and management processes that sit above the system are viewed as weak and ineffective.
- In part due to the weak performance systems, the procurement of employment and skills services is conservative in the LCR where the default position is to commission the same provision year in and year out.
- Providers, but also some public sector stakeholders, feel that they are not treated as 'delivery partners' and so cannot contribute effectively to driving up the performance of the system as a whole.

4.Challenges and Opportunities: Stakeholder Perspectives

5. Challenges and Opportunities: Changing Policies and Institutions

Key Messages for Our Strategy

The policy and institutional environment within which we have developed our Strategy has proved a serious challenge. There are a number of uncertainties as to how these changes will play out at the level of city regions such as LCR.

It is essential to generate a robust consensual view on the employment and skills needs of the LCR, and to review and update this regularly. In this way we are best placed to discuss priorities with regional and national agencies.

Our Strategy needs to be a mechanism which will help join up employment and skills systems where there is the danger of fragmentation due to changes in institutions driven by national government.

The changes flowing from the dissolution of the Learning and Skills Council and the increased importance of 'choice-led' approaches to funding mean that our Strategy must promote the development of systems which empower and inform this customer choice, so stimulating and activating demand to draw resources into LCR.

A much stronger collaboration and resource blending between the LCR partners is essential to secure greater reductions in worklessness for a given unit of resource with significantly shrinking budgets. This could build on an agreement to target specific concentrations of worklessness and improved employer engagement to capture employment opportunities within key sectors.

To demonstrate to national agencies and government departments our capacity as a city region partnership to manage the employment and skills system cost effectively, our Strategy must drive the enhancement of LCR's performance systems and a more effective spread of good practice across the LCR.

The New Industry, New Jobs report and the November 2009 Skills for Growth Strategy from BIS both stress the strategic importance of higher level and technical skills. This aligns with a number of the Transformational Actions highlighted in the MAA.

UK CES is leading a considerable push to simplify and improve the effectiveness of the employment and skills system. An opportunity exists for city region partnerships to make this happen in part through alignment of funding and services, as well as the way they organise and contract for their services.

Changing Policies, Strategies and Institutional Frameworks

5.1 Our Strategy is being developed within the context of longer-term strategic imperatives as well as emerging strategic priorities for employment and skills, often accompanied by major changes in the institutional landscape. We have tried to nest our Strategy within this wider framework and will continue to scan the strategic landscape as we move to implement the Strategy. These changes generate both challenges and opportunities for the LCR.

Education and Skills

Changing Institutional Frameworks

5.2 The Government White Paper, Raising Expectations: Enabling the System to Deliver, was published in March 2008 and has major implications for the organisation and delivery of education and training for both young people and adults. These are summarised below.

14-19 year olds

Local authorities will take responsibility for the delivery of education and training for children and young people aged 0-19, supporting the Government's commitment to raise the participation age to 18 by 2015.

Local authorities will also take responsibility for delivering the full range of 14-19 entitlements including the new Diplomas, Apprenticeships (although the actual end-to-end responsibility for the Apprenticeship programme will be located with the National Apprenticeship Service in the Skills Funding Agency) and the Foundation Learning Tier. Local authorities will be able to commission provision to meet demand from young people and employers.

Establishment of Young People's Learning Agency (YPLA) to co-ordinate provision. As part of this arrangement, local authorities will need to work with national agencies and the Regional Development Agencies who will co-chair the regional level, to provide a coherent planning and funding system for FE colleges and providers.

The YPLA will hold the overall budget (£7 billion nationally) and approve all local authority commissioning plans for 14-19 provision to ensure that they are consistent with the 14-19 entitlement.

Adult learners

The Skills Funding Agency – replacing the LSC – will route funding to FE colleges and other providers, primarily in response to customer (employer and learner) choice on programmes such as Train to Gain. It will operate through three main customer focused services:

- National Apprenticeship Service (NAS) - with end-to-end responsibility for Apprenticeships.
- Employer Skills Services - a national skills service for all sizes of business in all sectors via SFA managed programmes such as Train to Gain, and the National Employer Service.
- Learner Skills Services – including the creation and management of the new England-wide Adult Advancement and Careers Service, skills accounts, integrated employment and skills services for the unemployed, offender learning and informal Adult and Community Learning.

5.3 The ***challenge*** associated with this is a danger of a greater disconnect in the transition for young people between Children's Services led provision and the broad range of employability services targeted principally at adults. This is a threat particularly for more disadvantaged young people.

5.4 Our ***opportunity*** lies in the fact that:

- The system for 14-19s will be driven by localities.
- There is the potential to build an integrated service pathway for, say, 14-24s through education, employability and related services.
- There is a greater linkage between employment and skills, and developing policies around the eradication of child poverty.
- There is the potential through the Employment and Skills Strategy of all-age commissioning opportunities for employment-related learning in purchasing from colleges.
- A systematic LCR policy could be implemented around education and employment of young people with disabilities and learning difficulties, particularly at points of transition.

Changing Strategies

5.5 In November 2009, the Government published three important strategy documents setting out key education and skills priorities for the future.

- 'Skills for Growth', the new Skills Strategy stresses the importance of professional and technical education as part of the overarching ambition of equipping the country with high level technical skills. Linked to this is the highlighting of the type of sectors that will drive economic recovery and future jobs growth, principally low carbon industries, life sciences, manufacturing and the digital/knowledge economy. The second main feature is the articulation of the new Skills Accounts that will put real power into the hands of the customer, drive up quality and promote greater provider responsiveness. Thirdly, the Strategy focuses on the need for system simplification, a key task for the UK Commission for Employment and Skills (UK CES).
- The Skills Investment Strategy 2010-11 sets out how it will invest in the skills training critical to the recovery and long-term success of the UK economy. It underpins the priorities announced in Skills for Growth and sets out how the Government proposes to meet the challenges the skills system faces to train people with the higher technical skills required for the key sectors.
- Higher Ambition sets out the strategy for building and sustaining the strength of Higher Education in an increasingly demanding and competitive environment. It explores the future of universities in a knowledge economy, setting out a greater role for universities in driving economic recovery and future growth. It also wishes to ensure access to university for all who can benefit while guaranteeing the quality of teaching.

Articulating City Region Demand for Skills

5.6 'Choice led' is now a central theme for employment and skills. SFA budgets will be drawn down largely in response to expressed demand from individual learners and employers.

- The challenge is that localities unable to generate significant demand will not secure substantial resource.
- The opportunity for the LCR is through the Strategy and Commissioning Framework to incentivise and promote demand for skills acquisition by employers and learners.
- Employer engagement in the LCR will need to become much more effective. Linkages between employment and skills and business development will need to be strengthened, both operationally and strategically, by working more closely with Business Link North West.

5.7 The LCR partners, however, need to influence the Regional Strategy and investment plans around strategic skills to ensure the needs of sectors key to the long run economic aspirations of the city region are recognized fully.

Simplifying and Enhancing Performance of Employment and Skills System

5.8 In the recently published Towards Ambition 2020: Skills, Jobs, Growth, UK CES sets out its analysis of why the UK is not on track to meet Ambition 2020.

- There is insufficient employer demand for skills manifest in the lack of businesses in high value added industries, and high performance workplaces.
- An insufficient number of our young people achieve basic, employability and lower level skills allowing them to progress into and in work.
- Our employment and skills systems are too complex, lack integration and are not sufficiently in tune with the needs of learners and employers.

5.9 UK CES sets out its 3 priorities for 2009-14.

- Maximise individual motivation and opportunity for skills and sustainable employment by:
  - Raising aspirations and confidence of individual learners.
  - Transforming quality and availability of IAG and LMI.
  - Giving more choice to learners.
- Raising employer ambition, innovation, engagement and investment in skills by:
  - Enhancing their capacity for high growth and high value added by stimulating new industries, greater innovation and more effective leadership and management.
  - Developing and deploying high quality LMI to educate industrial investment priorities.
  - Stimulating greater employer networking collaboration and collective action around skills.
- Building a more 'strategic, agile and labour-market led employment and skills system' by:

- Using outcome based performance and placing more trust in learning providers, but also giving more power to customers to hold providers to account on their performance.
- Simplifying and prioritising public funding.
- Creating modular and flexible qualifications systems where public funding goes only to employer recognized and accredited learning and qualifications.

5.10 A key point is that this ***LCR Employment and Skills Strategy and Commissioning Framework is an advanced prototype of what UK CES is advocating.***

Contributing to National and Regional Economies

5.11 Regions and city regions are expected to contribute to key national agendas. Those best able to make the case and respond successfully are more likely to attract resource and support.

- A key long run agenda is the contribution of regions and city regions to national GVA. As a lagging city region LCR can make a significant contribution.
- The Leitch Report underpinned the crucial importance of improving the UK's relative skills performance. As a lagging city region LCR can make a significant contribution.
- New Industry, New Jobs introduces notion of 'strategic skills', and being prepared to meet the needs of employers post-recession. The Government will present its Strategic Skills Assessment early in 2010 with Regional Development Agencies (RDAs) then preparing regional plans to support the delivery of an effective response across the country. This will be a challenge for all regions and city regions, but must be used to galvanise LCR's employment and skills system around the economic future of the city region.
- With issues for the LCR around a relative decline in Level 4 plus skills in the workforce, the LCR needs to embrace national HE initiatives such as Aim Higher and High Skills: High Value.

Single Regional Strategy

5.12 The new Single Regional Strategies will involve RDAs being given a regional economic growth objective to increase regional GVA per head. This will be underpinned by five outcome-focused performance indicators:

- GVA per hour worked.
- Employment rate.
- Basic, intermediate and higher level skills attainment.
- R&D expenditure as a % of GVA.
- Business start-up rates.

As these indicators are replacing the current PSA targets, they are likely to be major drivers of the content of the Regional Strategy.

5.13 The development of RS2010 has highlighted the importance of increasing the potential of the workforce by improving employment opportunities and enterprise and skills. Specifically, this will include:

- Improving high-level skills in the areas of innovation, leadership and enterprise.
- Graduate attraction and retention.
- Enhancing employability skills.
- Developing tomorrow's workforce by raising aspirations among the young and improving the skills of the existing workforce.

Tackling Worklessness

Adding Value to National Programmes at City Region and Local Levels

5.14 DWP has moved towards a prime contracting model but has promoted devolution and now localisation.

- The challenge is that the emerging localisation perspective is likely to place strong emphasis on the capacity of local partnerships to demonstrate and achieve cost effective delivery.
- The opportunity exists for the LCR to build on the CES experience over time to articulate value for the city region and promise value for DWP.

Building Britain's Recovery: Achieving Full Employment

5.15 The December 2009 White Paper – Building Britain's Recovery: Achieving Full Employment – underlined the centrality of the principles which we believe underpin our Strategy and Commissioning Framework.

- The need for local partnerships and central agencies to work much more closely together.
- The imperative to integrate the employment and skills systems much more effectively.
- The potentially substantial benefit in terms of cost effectiveness to be won by local authorities and their partners adopting a Total Place approach to deploying resources and services.

Using Resources More Cost Effectively

5.16 Major strategic funding issues sit down stream – but not very far. These issues are discussed in more detail in the later section which sets out the Commissioning Framework. The key changes are as follows.

- Decline of European Union (EU) funding, and the more limited availability of match funding.
- Issues around continuation of Working Neighbourhoods Fund (WNF).
- General constraint on cuts in public sector budgets. LCR, due to the high level of disadvantage and worklessness, has historically secured significant funding from these sources.

European Funding

5.17 European funding has been vital for facilitating the restructuring of the LCR's economy and so we provide some detail on the emerging picture. As part of the arrangements for the phasing out of former Objective One areas, the North West ERDF Operational Programme and ESF Framework both contain a ring fenced allocation for Merseyside (excluding Halton) of approximately 40% of the North West's total ERDF and ESF resources. During the phasing-in period

(2007-10) partners in Merseyside have had additional flexibilities in how structural funds can be used to address city region priorities, and during this time have been able to draw on a much higher level of funding (on a per capita basis) than in the rest of the North West. For ESF this has meant:

- Priority 1 (Extending Employment Opportunities) - Increased flexibility for Merseyside to establish a Complementary Strand of ESF outside the co-financing regime up to December 2010, after which the additional phasing-in funding ceases. This strand is managed at a strategic level through the CES Board.
- Priority 2 (Developing a Skilled and Adaptable Workforce) - Scope to support a wider range of eligible sectors than in the rest of the region in terms of Level 3 and 4 provision. The emphasis was on the sectors which have been prioritised in the Merseyside City Region Development Plan.
- All SMEs (i.e. up to 250 employees) in Merseyside could be provided with higher level technical, leadership and management and enterprise skills training. The focus was on firms of up to 50 workers elsewhere in the North West.

5.18 Looking ahead to the 2011-2013 Programme period the core North West Framework parameters will now apply to Merseyside during 2011-13. No additional flexibilities will apply during the remainder of ESF funding. However, wherever appropriate and possible within the context of a single revised Framework, it is important to retain a focus on tackling the specific challenges facing Merseyside, utilising the remainder of the Merseyside ring-fenced allocation (which is guaranteed for the whole programme period).

Total Place

5.19 The economic downturn means that public sector funding will be cut and so there is a need to find new and more efficient ways to serve the public. Led by the Leadership Centre for Local Government in close partnership with DCLG, the Local Government Association and the Improvement and Development Agency (IDeA), the Total Place initiative forms part of HM Treasury's Operational Efficiency Programme. Total Place is an ambitious initiative that considers how a 'whole area' approach to public services can lead to better services at less cost. Through strong leadership, closer collaboration across services and innovative working on the frontline, the aim is to achieve reduced costs and new ways of working while meeting the public's expectations of higher quality services. Critical to this is identifying and avoiding any overlap and duplication across services.

5.20 There are 13 pilot areas across England participating in the scheme. Of these, 'Manchester and Warrington' is the only pilot in the North West. Each is focusing on a specific service area. Pilots are expected to report back their full analysis/findings by 2010 Budget (in April). The LCR partners should consider what learning from the pilots can be applied in their area.

5. Challenges and Opportunities: Changing Policies and Institutions

6. Setting Out Our Strategy

Our Strategy
Our Strategy builds on the vision and strategic aims of the MAA.

We are adopting 3 ***step change aspirations.***

1. LCR becomes England's top performing City Region in terms of learning, employment and skills outcomes for 14-24 year olds.
2. LCR will reduce by half the number of its deprived wards in England's worst performing 10%.
3. LCR becomes a leading City Region outside of the South East in terms of the proportion of graduates and Level 4 qualifications in its workforce.

In order to achieve the above we are pursuing 6 ***strategic objectives.***

- To work more closely with employers to focus investment on the skills they need.
- To empower employers to drive improvements in skills and productivity within their workplaces, sectors, and business networks to create the conditions for business success and future growth.
- To engage and empower local people to make informed choices about their learning, jobs and careers.
- To build clear and effective career pathways as part of a continuum for 14-24 year olds.
- To transform the performance of services impacting on employment rates for disadvantaged groups and areas.
- To simplify the employment and skills system to help individuals and employers access and navigate services more effectively.

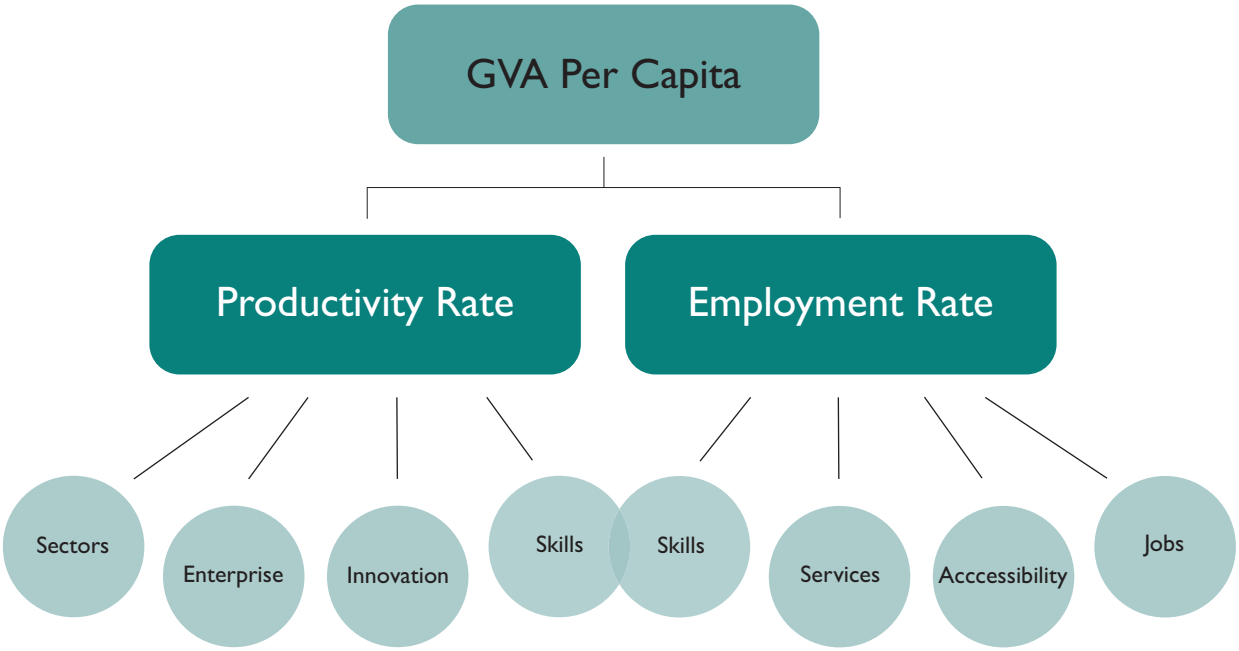
The ***implementation*** of the Strategy will involve:

- Creating a more comprehensive and integrated service continuum for employers and individuals.
- Integrating employability and skills services with other relevant service areas.
- Developing and delivering a number of strategic projects.
- Working to ensure equality of opportunity for all learner groups.
- Funding and resourcing the above through a more co-ordinated approach to commissioning and influencing service delivery.

Our Approach

6.1 In this section we set out our strategic framework, building on the broad evidence base discussed earlier. In drawing together the evidence and converting the key messages from this into a Strategy, we are working to a theory of how improved employment and skills performance converts into higher level economic development and regeneration for the LCR. The diagram below summarises this theory of change. In very simple terms:

- To generate a relative improvement in LCR's GVA per capita we need to see more people employed and those who are employed working more productively.
- Many factors influence the employment rate and the productivity rate, but it so happens that ***appropriate skills investment contribute to both.***
- Other factors which push up the employment rate are employability services and the extent and quality of the jobs base. Our strategy needs to touch on these as well.



Putting Our Theory into Practice

6.2 We build our Strategy out from the LCR MAA, drawing the vision and strategic aims from the platform created by the MAA. Before going into the detail, we set out the structure of our approach and the timescale for realising the different elements.

- Vision (MAA) 2030
- Strategic Aims (MAA) 2030
- Step Change Aspirations (Employment and Skills Strategy) 2020
- Strategic Objectives (Employment and Skills Strategy) 2015
- Strategic Projects (Employment and Skills Strategy) 2010 - 2015

6.3 Essentially we are proposing through our Strategy:

- To deliver by 2015 a small number of major ***strategic projects*** which build upon the analysis of what needs to be done to improve the effectiveness of the employment and skills system.
- By delivering the strategic projects we will achieve our ***strategic objectives.***
- Progress on strategic goals will help drive towards our longer term ***step change aspirations*** for LCR's employment and skills system.
- This will in turn help deliver the ***strategic aims*** and ***vision*** of the MAA.

Below we describe our strategic approach in more detail.

MAA Vision and Strategic Aims

6.4 The MAA sets out the following clear vision for the LCR and the strategic aims which will need to be met if the vision is to be turned into a reality.

- ***Vision:*** 'Establishing our status as a thriving international city region by 2030'.
- ***Strategic Aims***
  - To accelerate growth and substantially close the productivity gap with the rest of the UK.
  - To reduce worklessness across Liverpool City Region, providing routes for people to move into work and progress in their jobs.

These provide the beacons required to pull through the various elements of our Employment and Skills Strategy.

Our Strategic Aspirations

6.5 To contribute effectively to the MAA vision and strategic aims we identify 3 ***step change aspirations.***

1. LCR becomes England's top performing City Region in terms of learning, employment and skills outcomes for 14-24 year olds.
2. LCR will reduce by half the number of its deprived wards in England's worst performing 10%.
3. LCR becomes a leading City Region outside of the South East in terms of the proportion of graduates and Level 4 qualifications in its workforce.

6.6 To the extent that these step changes are met the LCR becomes a more attractive proposition for:

- Investors offering high value added jobs.
- Individuals with high skill levels.

Strategic Objectives

6.7 We are setting 6 strategic objectives which will help us drive towards our step change aspirations; and are the more immediate drivers of radical improvements in decision-making and performance. They are described below showing the issues which they address. In relation to each strategic objective we believe there is a direct contribution to:

- The step change aspiration we are striving to realise.
- The vision and strategic aims of the LCR MAA.

Issue	Strategic Objective
1. Not enough jobs, and high value jobs • Long run issue • Accentuated by recession • High value jobs MAA issue • Threat to public sector reinforces	SO 1: To work more closely with employers to focus investment on the skills they need. (Links to SA 1 and SA 2).
2. Skills/qualifications levels rising but job opportunities declining and productivity gap still large. • Exacerbated by recession • Risk of long term loss of young qualified workers	SO 2: To empower employers to drive improvements in skills and productivity within their workplaces, sectors, and business networks to create the conditions for business success and future growth. (Links to SA 1).
3. Skills/qualifications gaps with England narrowed but still remain. • Long run issue	SO 3: To engage and empower local people to make informed choices about their learning, jobs and careers. (Links to SA 2).
4. Persistently high NEET and rising long term youth unemployment • Long run issue • Exacerbated by recession • Threats and opportunities in changes for 14-19s • Lack of progression to HE/ higher level skills	SO 4: To build clear and effective career pathways as part of a 14-24 continuum. (Links to SA 2).
5. Persistent large gaps in worklessness rates and deprivation versus national levels • Long run problem • Exacerbated by long recession	SO 4: To build clear and effective career pathways as part of a 14-24 continuum. (Links to SA 2).
6. Persistent and across the board complaints from individual and employer customers for employment and skills services that the system is too complicated.	SO 4: To build clear and effective career pathways as part of a 14-24 continuum. (Links to SA 2).

Strategic Framework

6.8 The general structure of vision, strategic aims, step change aspirations and strategic objectives is shown in the diagram overleaf.

AN OVERVIEW OF OUR STRATEGIC FRAMEWORK

Vision (MAA)
Establishing our status as a thriving international City Region by 2030

Strategic Aim 1 (MAA)
To accelerate growth and substantially close the productivity gap with the rest of the UK

Strategic Aim 2 (MAA)
To reduce worklessness across Liverpool City Region, providing routes for people to move into work and progress in their jobs.

Step Change Aspiration 1
LCR becomes England's top performing City Region in terms of learning, employment and skills outcomes for 14-24 year olds

Step Change Aspiration 2
LCR will reduce by half the number of its deprived wards in England's worst performing 10%

Step Change Aspiration 3
LCR is a leading City Region in terms of the proportion of graduates and Level 4 qualifications in its workforce

Strategic Objective 1
To work more closely with employers to focus investment on the skills they need.

Strategic Objective 2
To empower employers to drive improvements in skills and productivity within their workplaces, sectors, and business networks to create the conditions for business success and future growth.

Strategic Objective 3
To engage and empower local people to make informed choices about their learning, jobs and careers.

Strategic Objective 4
To build clear and effective career pathways for 14-24 year olds.

Strategic Objective 5
To transform the performance of services impacting on employment rates for disadvantaged groups and areas.

Strategic Objective 6
To simplify employment and skills system to help individuals and employers engage with and navigate services more effectively.

Implementing Our Strategy

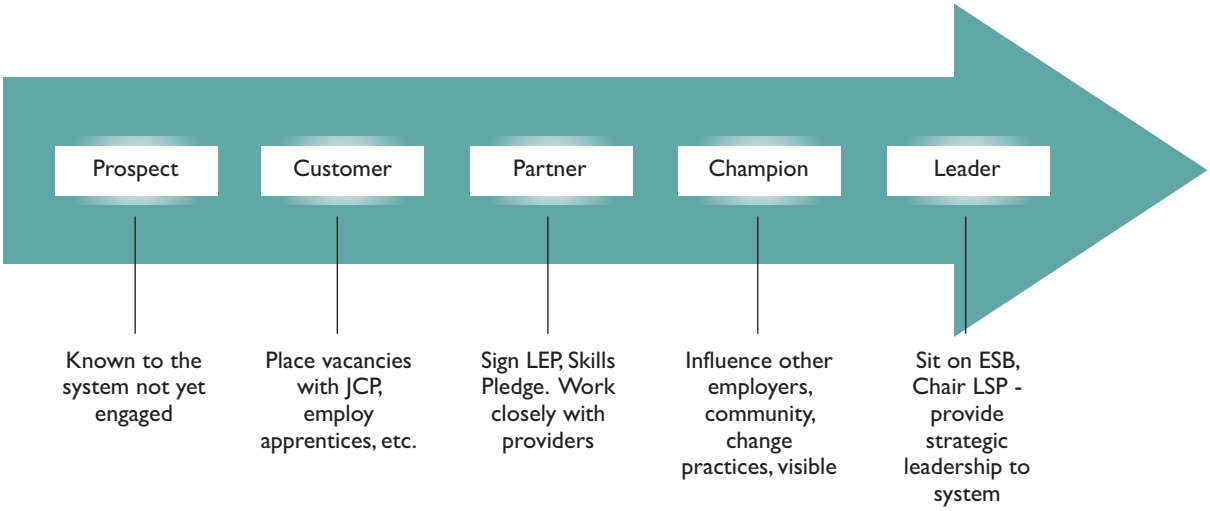
6.9 Our Strategy must come quickly off the page and begin to change radically the way employment and skills provision is planned, designed, commissioned and delivered. The following key elements are critical to successful implementation.

- We need to work hard to create a more comprehensive and integrated service offer for employers and individuals. This will promote integration of service across employment and skills.
- We need to secure greater effectiveness and value for money by integrating employability and skills services with the other relevant service areas, such as business development and health.
- We must prioritise and implement a number of strategic projects, defining these as projects with sufficient scale which when delivered at the LCR level will make a major impact.
- All of the above must be carried into practice in a way which ensures equality of opportunity for all learner groups.
- We must drive a more coordinated approach to commissioning and influencing the delivery of those employment and skills services essential for the effective implementation of our Strategy. At the same time we must break down barriers to joint working. As examples of influencing, we need to:
  - Ensure that the new ESF co-financing plans, taking forward the 2011-13 NW ESF Framework, reflect fully the priorities of the LCR set out in our Strategy and Commissioning Framework.
  - Contribute to shaping the forthcoming NW Regional Skills Strategy to ensure that it supports and enables the delivery of our priorities. ***Our Commissioning Framework is the engine to drive this radical change.***

Creating a More Comprehensive and Integrated Service Offer

Employer Engagement

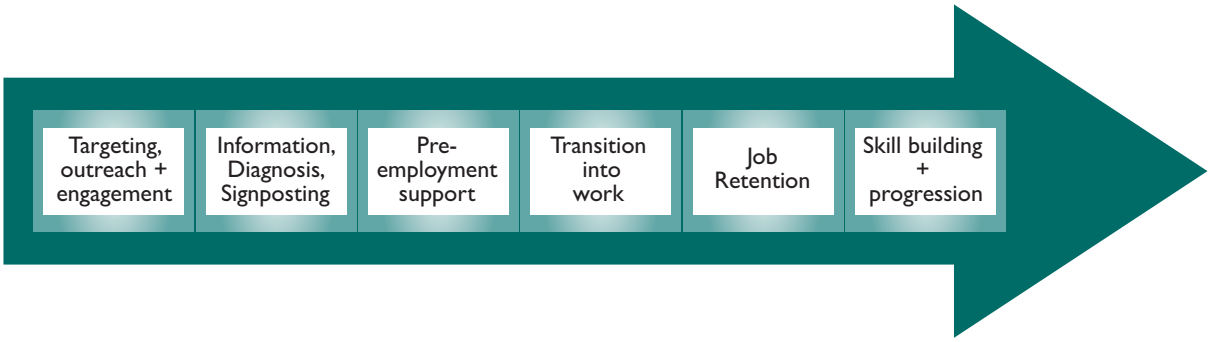
6.10 Responding to employer needs sits at the heart of the Strategy, and employers will have a key role both in the strategic management and implementation of the Strategy. We now have a clear sense of the process of employer engagement that we would like to take forward, and this embodies a journey for some employers which will both raise their effectiveness and allow them to contribute more powerfully to the implementation of our Strategy. This employer customer journey is based on increasing the depth of the employer's relationship with the employment and skills system. Employment and skills services are integrated at the point of need and in satisfying real demands. This journey forms the basis of a LCR Employer Engagement Framework which is summarised below in simple but hopefully effective terms.



6.11 Currently the employment and skills system is viewed by employers – and others – as unduly complex and not fitting their needs. Given the importance of employers to our Strategy we must devise quickly a more effective system for engaging with them, utilising the £2.5 million ERDF investment programme in the first instance.

Creating an Employment and Skills Offer

6.12 Development work is required here but we have a strong base on which to build, namely the Employability Continuum developed as part of the LCR CES, illustrated below. This shows a journey that jobless people can take, although the steps on the journey will vary across individuals. We will work to expand this both to younger people working towards labour market entry as well as more established employees trying to upskill.



6.13 These service pathways will be used to try to understand:

- Which partners can play effectively into the employer and learner journeys through their budgets and mainstream services. For example, health services are critically important for tackling problems faced by some jobless people, and also in working with existing employers and their employees, can help reduce the incidence of people leaving work for reasons of ill health.
- Whether different parts of the pathway are under or over resourced.
- Where there is scope for simplifying the battery of services, programmes and projects for learners and employers.
- How employers and learners progress along their pathway and where there are opportunities for smoothing transitions and encouraging progress.

Securing Better Value from Integration of Existing Services

6.14 There is a more general issue of raising the cost effectiveness of service delivery by better integration of existing services delivered and funded by organisations across a spectrum of service responsibilities.

- Business Link, along with a range of employment and skills agencies, is employer facing. By more effective integration of services in this area:
  - Better use can be made of employer engagement staff, at the same time simplifying the agency interface for employers.
  - Employment and skills services can be set in the context of how they can contribute to improving business performance.
- In relation to the worklessness agenda more generally and the issue of neighbourhood regeneration more specifically, stronger ties can be built with health through Primary Care Trusts (PCTs) and housing providers through Registered Social Landlords (RSLs).
  - From the employment and skills perspective these organisations can help with initial engagement and referral, and also provide services that tackle employability barriers beyond the skills dimension.
  - From the perspective of health and housing agencies, reducing worklessness among their clients can impact positively on the demands for their services. This broad area is one where the win-win potential is great.

Prioritising and Implementing Strategic Projects

6.15 What our Strategy is trying to achieve is ambitious. The implementation period for our Strategy is 5 years – which is not a long time. The operating circumstances in terms of the economy and the changing institutional framework add to the challenge. In order to make significant progress quickly we believe it is essential to select, design and deliver a small number of ***strategic projects***.

- Some of these were proposed in the process of consultation and the development of our Strategy through workshops.
- Some flow from the results of the scoping exercise carried out above in relation to what needs to be done to pursue the strategic objectives.

6.16 Below we provide simple descriptors for each of these projects, grouping the projects under direct delivery or enabling/support measures.

Direct Delivery

- ***Developing more effective employment and skills pathways for 14-24s*** by:
  - Establishing a ***Task Team to generate seamless transitions*** from education towards skills and employment services for young people. This will bring together into one team the organisations working with young people in the 14-19 age band to develop their education, learning and career planning skills and the employability agencies dealing with young adults in the 18-24 age group.
  - ***Supporting*** young people from non-traditional backgrounds to ***progress into higher education.***
  - Focusing efforts to introduce a more integrated and higher value ***information, advice and guidance*** (IAG) service initially on 14-24s.
  - Ensuring a strong focus on the provision of ***apprenticeship opportunities*** through our work with Local Authorities and the National Apprenticeship Service as part of the 16-19 Commissioning process.
  - Creating an ***LCR branded Apprenticeship Strategy,*** supported by Apprenticeship Ambassadors to further embed apprenticeships within the LCR labour market.
  - Delivering a ***substantial and co-ordinated 'graduates into SMEs' programme*** to support the wider integration of graduate and higher level skills within businesses, to support the utilisation of these skills within these businesses and to promote greater innovation.
- ***Continue to shape, influence and build around DWP mainstream contracts.*** DWP mainstream contracts remain the bedrock of our welfare to work infrastructure. The City Region has embarked on an ambitious programme of co-investment to expand these contracts to fill locally identified gaps in provision. This will remain a consistent delivery strategy in the further implementation of major programmes such as Flexible New Deal and the Future Jobs Fund.
- ***Develop local employment and skills plans for major clusters of deprived areas*** with high levels of worklessness with a view to targeting employability, housing, health and other relevant services to secure significant reductions in unemployment. These plans will be based on a Total Place model.
- ***Creating employment and skills pathways for key employer investments and key local sectors.*** We need an employment and skills system which supports, and in the right circumstances, co-invests with employer investments which contribute to our Strategy. This could include the production of the new Land Rover by Jaguar as well as developing recruitment initiatives which will bring this labour through at the right time, ideally linking into LCR's more deprived areas. Within this, employers and training providers must play a more active role in the design and delivery of services. We will work closely with employers and employer organisations, including the Employer Coalition. ***National Skills Academies and Group Training Companies*** are good existing examples of collective employer action, and co-investment.

- ***Build an innovative and well resourced programme to develop leadership skills,*** focusing on SMEs with the potential to grow employment levels and move into higher value added areas of activity. When senior managers have seen the value of skills development at a personal level they are more likely to champion skills development for the workforce as a whole.

Enabling/Supporting Projects

- **Introduce simple but effective performance system, ideally built on client** tracking database. To drive up the performance of the employment and skills system and to act as a platform for simplification of the system the LCR Partners need to know about the cost effectiveness of the various interventions for which they are collectively responsible. We intend to develop transparent performance measures which can help inform individuals and employers about the effectiveness of different parts of the delivery system.
- **Creating coherent and independent IAG service for all.** With the advent of more choice-led services, the introduction of the new Adult Advancement and Careers Service, and given the increasing uncertainties within the labour market, there is a critical requirement for a much enhanced and independently delivered IAG service. It makes sense to make this a LCR project to conform with the breadth of the labour market.
- **Developing top class LMI system.** To create a more effective labour market and to meet the needs of learners, employers, policy planners, funders and staff providing IAG. Our LMI must go through a step change. Again this is a project which sits naturally at the LCR level, and it is flagged up as a key requirement by UK CES in Towards Ambition 2020: Skills, Jobs, Growth.

Prioritising Strategic Projects

6.17 There are too many strategic projects to take forward simultaneously. The prioritisation we suggest is based on the Economic Assessment, including the projections over the medium and long term. Below we show in simplified terms how this would work in terms of identifying the projects which would feed into the prioritising criteria.

Priorities for 2010-2015	
1.	Retain and grow jobs base.
2.	Exploit fully existing opportunities.
3.	Upskill those already employed.
4.	Build integrated 14-24 pathways.
5.	Close employment rate gaps.

Priorities for 2015-2020	
1.	Invest more in high value sectors.
2.	Close employment rate gaps.

6.18 Applying these criteria to the list of strategic projects, we propose to give more weight initially to:

- Developing ***more effective employment and skills pathways for 14-24s.*** The graduates into SMEs element, for example, offers some potential business development and jobs growth benefits.
- Developing ***local employment plans for major clusters of deprived areas with high levels of worklessness*** with a view to targeting employability, housing, health and other relevant services to secure significant reductions in unemployment.
- Creating ***employment and skills pathways for key employer investments,*** including the 4 Transformational Actions, but extend this to sectors with significant vacancy volumes. The pathways will build up as robust mechanisms for identifying ***employer demands for skills*** and building the necessary supply volumes.
- Developing an ***innovative and enhanced programme of leadership skills*** for senior managers in SMEs with growth potential.

6.19 There are other key projects which were identified in the development of the Strategy where work will need to begin to start moving things forward, but which will attract less of our resource in the short term.

6.20 Whatever the path of recovery from the recession, the balance of our effort will almost certainly have to change over time, and shifts in the demand for skills (either within existing or from new sectors) should be a key driver. Our task is to create an employment and skills system which can respond quickly and effectively to new demands.

6.21 A key early task for the ESB will be to identify the organisations which should lead on the implementation of the strategic projects. Our belief is that some leadership responsibilities can already be identified.

- The Task Team for 14-24s should be led by the LCR-wide grouping of Directors of Children's Services (DCS) in the local authorities. Through the DCSs, relationships have been built up with young people and they are best placed to manage the pathway as they progress towards employment and training services. They will also be in a position to resource this responsibility with the additional posts flowing from the dissolution of the LSC.
- The development of local employment and skills plans for our most deprived areas builds naturally on the excellent work already done within the City Employment Strategy (CES), and the CES Board is best placed to lead on this project.

Overview of Implementation

6.22 The following chart provides a summary perspective on what we intend to do in relation to meeting our strategic objectives through service integration and the implementation of strategic projects and how this will be measured. This shows clearly that a number of the central planks involved in the implementation of the Strategy generate an impact across two or more of the strategic objectives. This illustrates the integrated and co-ordinated nature of our strategic focus.

PURSUING OUR STRATEGIC OBJECTIVES

1. Investing to support employer skill needs	2. Empower employers to drive skills and productivity improvements	3. Empower local people to make informed learning, job and career choices	4. Build clear and effective career pathway for 14-24 year olds	5. Transform services impacting on employment rates for disadvantaged groups and areas	6. Simplify employment and skills systems
Headline Evidence Not enough jobs and high value jobs • Long run issue • High value jobs MAA issue • Accentuated by recession • Threat to public sector reinforces	**Headline Evidence** Skills/qualifications levels rising but job opportunities declining and productivity gap still large. • Exacerbated by recession • Risk of long term loss of young qualified workers	**Headline Evidence** Skills/qualifications gaps with England narrowed but still remain. • Long run issue • Qualifications issue highlighted in MAA	**Headline Evidence** Persistently high NEET and rising long-term youth unemployment • Long run issue and exacerbated by recession • Threats and opportunities in changes for 14-19s • Lack of progression to HE/ higher level skills	**Headline Evidence** Persistent large gaps in worklessness rates and deprivation versus national levels • Long run problem • Exacerbated by long recession	**Headline Evidence** Persistent and across the board complaints from individuals and employers trying to access complex service delivery system.
Our Tasks • Better employer engagement process • Integrating employer-facing skills services • Enhanced employment and skills pathways • Leadership skills programme • LCR apprentice programme • Major graduates into SMEs programme	**Our Tasks** • Better employer engagement process • Integrating employer-facing skills services • Enhanced employment and skills pathways • Leadership skills programme • Enhanced LMI system • Develop and submit proposals for locally based National Skills Academies	**Our Tasks** • Enhanced employability service offer • Enhanced employment and skills pathways • Enhanced independent IAG system • Enhanced LMI system	**Our Tasks** • Enhanced employability service offer • LCR apprentice strategy • Enhanced independent IAG system • Major graduates into SMEs programme • More effective engagement with employers • More effective delivery models • Greater progression to HE/ higher level skills	**Our Tasks** • Better employer engagement process • Enhanced employability service continuum • Enhanced employment and skills pathways • Focus on clusters of deprived areas • Integrating employment, skills, health and housing services • Work more effectively with DWP and others to enhance the mainstream, fill gaps and co-invest where appropriate	**Our Tasks** • Embed individual and employer feedback into our service design • Deploy our funding to incentivise coordinated working across service providers • Where appropriate, set joint targets for groups of providers • Embed co-investment and co-commissioning with mainstream funders • More effective delivery models
What We Will Achieve • More employers investing in workforce development • Existing employer investors doing more on workforce development • Fewer employers reporting fewer skills shortages • More jobs	**What We Will Achieve** • Fewer employers reporting fewer skills gaps • Fewer employers reporting fewer skills shortages • More jobs • Establish an effective Employment and Skills Board	**What We Will Achieve** • Fewer employers reporting fewer skills gaps • Fewer employers reporting fewer skills shortages • More jobs	**What We Will Achieve** • Higher qualification levels for 16-24s • Fewer in NEET group • Lower number of 18-24s on JSA • More young people from disadvantaged areas/ backgrounds with Level 4 qualifications	**What We Will Achieve** • Relative increase in employment rates for deprived areas • Relative increase in employment rates for disadvantaged groups • More investment and jobs	**What We Will Achieve** • Higher rates of engagement with employment and skills services • Better results from services for individuals and employers

Ensuring Equality of Opportunity for All Learner Groups

6.23 This is a duty placed on the new Employment and Skills Board (ESB). Our view is that this needs to work at 2 levels:

- Appropriate service design and delivery.
- Measurement of performance.

In Section 8 we deal with the latter.

6.24 In terms of service design and delivery, we will seek to ensure that the processes in place, initially for our major investments, meet the following standards.

- Service design should consider explicitly the factors that inhibit participation by key equalities groups and build in design features that will cater for this.
- The same principles will be applied to delivery mechanisms including the location of service delivery points, the design and staffing of these, as well as the promotion of the service.

In each of these two critical dimensions we will introduce an equalities proofing appraisal, designed to be simple but effective.

Joint Commissioning of Employment and Skills Services

6.25 Influencing the commissioning of skills and employment services is fundamental to achieving our ambition.

- The ESB must play a key role in reviewing and shaping the commissioning plans of the SFA, YPLA and NOMS to ensure that provision is targeted to best meet the city region skills and employment priorities. This includes ensuring that capital funding for the Further Education (FE) estate and FE specialisms both support the aims of the LCR Strategy.
- The partnership is already co-commissioning the Flexible New Deal with DWP so that it is responsive to the needs of the LCR. This approach should be built upon for other aspects of DWP provision to ensure mainstream delivery is responsive to the specific LCR needs.
- Merseyside (excluding Halton), as a former Objective One area, has a ring-fenced allocation for both ESF and ERDF funding. It is essential that these resources add value by targeting the LCR's spatial and sector priorities. It is imperative that the ESB influences the ERDF Operational Programme, North West ESF Framework for 2011-2013 and the Co-Financing Organisation's Delivery Plans to this end.
- Other areas where we should adopt a high profile influencing role include the National Skills Academies prospectus – making a strong case for Skills Academies that support the LCR Transformational Actions.

7. Commissioning Framework

Key Points for Our Strategy

The public sector reform agenda and the decline in available resources post 2011 will mean LCR partners have to collaborate more effectively to become more efficient in delivering employment and skills services.

The Commissioning Framework is central to our response to increasing effectiveness by investing at strategic points in the employment and skills pathway which have substantial future benefits.

Our objective is to have an established commissioning process for the LCR that will secure delegated power and more local discretion over DWP funded provision and, together with our Strategy, form the basis of Section 4 powers by 2015.

Our Commissioning Framework will be the engine to:

- Strategically influence mainstream spend on employment and skills in the LCR backed by a consistent view of what is required for the city region.
- Build on existing city region initiatives in order to invest strategically in adding value to the mainstream.
- Streamline delivery for a more coherent offer to employers and clients and improve the extent to which existing services work together.
- Introduce a comprehensive performance management system that will drive up performance and better inform us of what is working.
- Better manage the market for skills and employment services, engaging providers in strategic discussions and building capacity in a mixed economy of high quality provision across the city region.

The information to do this is not currently available, so a key part of the process is building up the knowledge to better direct resources. Our investment in the process will be essential to put this in place.

The Employment and Skills Board should hold ultimate responsibility for the Commissioning Framework but jointly administered until this is fully established.

Policy and Operational Context

Step Change in Service Efficiency

7.1 The Government's public sector reform agenda is gathering pace and will undoubtedly have a major influence on the delivery of our Employment and Skills Strategy. In particular, there is a widespread expectation that services will deliver significant efficiency savings. The Treasury's recent review of Collaborative Procurement (HM Treasury. Operational Efficiency Programme: Collaborative Procurement, 2009) had the following key findings which could equally apply to spend on employability and skills in the LCR (as elsewhere).

- The process of procuring common goods and services across the public sector is dispersed, resulting in a wide range of prices for similar goods and services.
- The majority of public sector procurement spend is undertaken by organisations in the wider public sector. In order to deliver true value for money, large public sector organisations need to procure in collaboration with small organisations so that the entire public sector can benefit from the full leverage that it can exert.
- Suppliers, including both large organisations and small and medium-sized enterprises, are disadvantaged by a disjointed approach from government to supply markets.

7.2 At a national level, policy will lay some of the foundations for our Commissioning Framework:

- A comprehensive understanding of budgets and spend patterns as envisaged by the Total Place agenda would shift the focus from understanding what is done at present to solving some of the issues identified in our Strategy.
- Similarly, a better fix on what is paid for which level of service would better inform the process. The Treasury's Operational Efficiency Programme has emphasised significant efficiency savings arising from a more coherent approach to the pricing of goods and services across the public sector.
- More recently, the Government's Putting the Frontline First: Smarter Services initiative has signalled an interest in making services more responsive to service users and learning lessons from local good practice.
- Building Britain's Recovery: Achieving Full Employment is even more explicit in recognising a role for local partners: 'This White Paper supports greater involvement of local partnerships in tackling worklessness, including in commissioning, the location of new outreach projects, more closely integrating employment and skills systems, and improved service delivery to people out of work' (p11).

7.3 In order to have greater local discretion over mainstream budgets and influence national delivery and regional strategies, we must better align our own funding streams and collate the evidence necessary to invest in what works. Invest to Save – to drive greater efficiency through purchasing interventions at strategic points in the process that have substantial downstream benefits – remains a core principle that sets our Employment and Skills Commissioning Framework apart.

Institutional Flux and Policy Change

7.4 At this stage, it would seem likely that whatever the result of the next election, the policy thrust will be broadly similar – partnership based approaches combined with increasing emphasis on contracting out specialist services to private and voluntary organisations. Driving forward the efficiency agenda will therefore require us to work more closely together and more closely with

mainstream services – Jobcentre Plus and DWP funded prime contractors, voluntary and community organisations, LSC legacy organisations and other service areas, notably health and housing.

7.5 The detailed policy position is still evolving but one key feature across both employability and skills agendas will be a shift from a needs-based allocation to a more demand-led approach:

- The SFA will be organised on a national basis and budgets will be determined by the extent of local demand for SFA-funded programmes.
- DWP's review of Localism is still in process but current expectations are that this may lead to a shift away from needs-based programmes (ie WNF) towards investment in areas and partnerships that demonstrate the capability to get results.

7.6 The implication here is that an area such as the LCR with high needs may well lose out in funding terms to other locations which have greater level of opportunities. At the very least, this policy shift will introduce a degree of uncertainty into expenditure planning across the employability and skills agenda.

Decline in Local Discretionary Budgets

7.7 This is occurring at a time when ESF funding for the LCR is in significant decline. The annual budget from 2011 to 2013 will be less than a seventh of the budget in 2007.

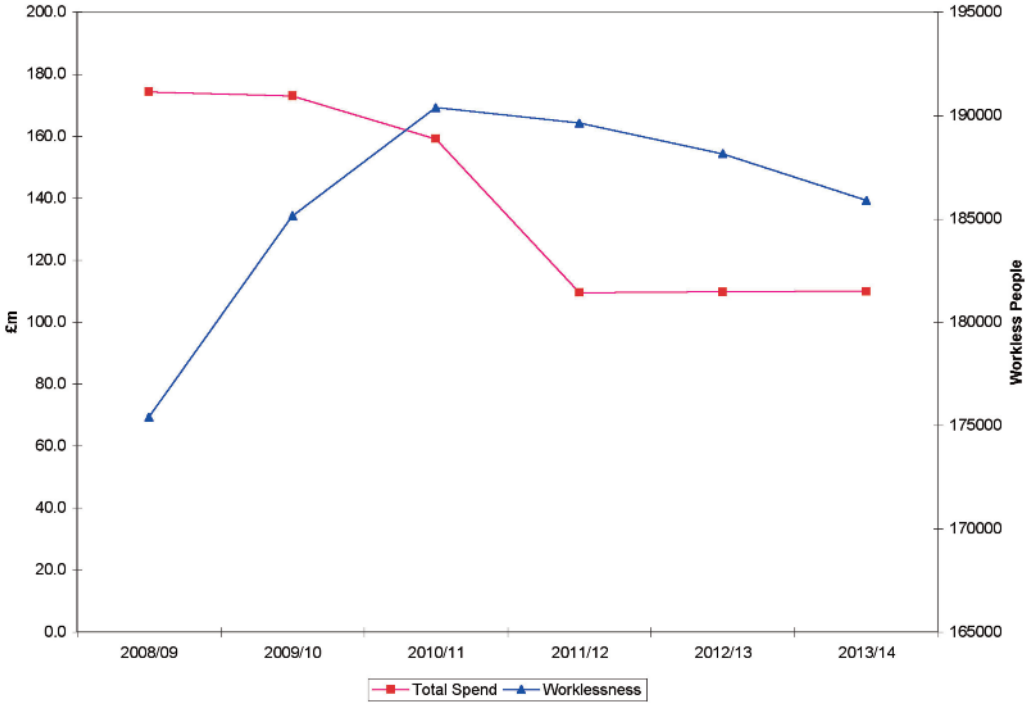
7.8 The following chart considers the scale of the problem against the likely budgets available. However, we have had to make some heroic assumptions in order to present any analysis of this issue:

- There are no data available on LSC spend in the LCR area outside of the ESF Phasing in programme.
- DWP mainstream spend in 2009/10 is expected to be £45.9m. Budgets have not been agreed beyond this date so we have assumed no change in the nominal amount (but a real cut of 2-3% per annum) to 2013/14.
- Budgets for the years beyond 2011 have not yet been set other than for European funds and so we have assumed that NWDA will be maintained at 2010/11 levels and that WNF will be replaced but LCR will secure only 50% of the current level. In 2010/11 the WNF budget for the LCR local authorities will be just over £76m.
- There are no projected figures for worklessness, so we have taken the average figure for 2008 (175,000) and adjusted each year 2009-14 in line with the net employment change for LCR from our baseline scenario. This is not a robust method but does at least give an indication of the direction of travel.

7.9 This broad brush analysis suggests that total budgets for employability in the LCR will fall – the annual ESF budget for 2011-13 is only 13% of that received by LCR from 2007-10 and, depending on what happens to WNF, a further quarter may also be lost. This does not include any potential cuts in either DWP/JCP or LSC/SFA/YPLA budgets as part of a wider squeeze on public expenditure post 2011. The total available LCR budget for employability and skills services is going to be significantly reduced at a time when the demand for these services is increasing – even on this very rough and ready analysis, spend per head of workless people will fall by half from 2008 to 2014.

7.10 Moreover, both ESF and WNF are core discretionary sources of funding for local authority interventions suggesting that from 2011 onwards, partners will need to ensure a particular focus on the cost-effectiveness and efficiency of their interventions – linking existing mainstream provision and engaging with other service areas to support the relatively expensive client and employer engagement services will be essential.

LCR Skills and Employability Budget Profile and Worklessness Estimates



7.11 Existing budgets (particularly WNF) are mostly committed in the short term and so there has to be an explicit recognition in the Commissioning Framework that we have a relatively short window to 2011 to get ready for a potentially very different funding scenario post 2011. Funds available for us to invest directly in the Employment and Skills Strategy are limited. We will need to show leadership to help some partners let go and accept that securing their objectives might be best achieved through others.

Building on City Employment Strategy

7.12 The CES has already established some of the foundations for city region commissioning:

- Established strong partnership relations with the LSC and Jobcentre Plus and their commissioning processes, including the inclusion of Halton into the Merseyside Jobcentre Plus area for the commissioning of Flexible New Deal (FND).
- CES partners are already co-commissioning with DWP at Level 2 of the devolution process through the FND process.
- The Pathfinder Enabling Programme has established projects specifically designed to facilitate inter-agency working including:
  - A transition to employment project for ex-offenders leaving prison from across the LCR area.
  - Support to roll-out a common management information system across partners.
  - Housing and worklessness training programme for RSL staff.
- The Future Jobs Fund (FJF) has set a precedent for city region commissioning and cross-boundary delivery. Residents from across LCR can access opportunities wherever they arise in the city region and partners are able to move resources to respond to opportunities or address needs on a more flexible basis. Building on the success of FJF will be vital in moving strategic commissioning forward.
- The CES has also successfully bid for £2.5million of European Regional Development Funding to greatly enhance employer engagement activity across the city region (in this specific case the funding does not apply to Halton). This additional investment not only increases the volume and scope of employer engagement activity but also commits the LCR to developing a coherent and integrated employer-offer.
- We have also demonstrated the potential of shared learning to help improve existing services.

Our Commissioning Framework

Our Vision

7.13 Our Employment and Skills Commissioning Framework becomes the single point of reference for the commissioning of all employment and skills related activity in the sub-region. The resources devoted to achieving our strategic objectives will be drawn from a mixed economy of:

- Co-commissioning from pooled local funds where appropriate.
- Aligning funding within the city region in order to jointly invest in the Commissioning Framework.
- Engaging and shaping mainstream public sector budgets to provide the foundations of the partnership response to achieving these priorities.
- Responding flexibly and in a co-ordinated manner across the city region to new funding opportunities that may emerge during the course of the Framework.

Our Objective

7.14 Our objective is to have achieved by 2015 an established commissioning process for the LCR that will secure delegated power and more local discretion over DWP funded provision and, together with our Strategy, form the basis on which Section 4 powers can be granted. To secure this we will need to have established our reputation for delivering effective and efficient city region commissioning and a shared understanding of the additional benefits arising from city region partnership working.

Benefits from City Region Commissioning

7.15 Trust and consent across our partnership will be essential to putting this in place, and core to establishing that trust will be delivering and evidencing more effective and efficient spend on skills and employability programmes.

7.16 Partners at all levels need to be aware of the clear distinction between ***commissioning*** at city region level and ***delivery*** which will be for the most part at the local level. The clear focus here is on aligning budgets, joint commissioning and shared performance management in order to achieve the objectives of our Strategy as efficiently as possible. The scale of the task will require that both mainstream and local resources are included in the process across all city region partners.

7.17 There are significant potential benefits from commissioning at the LCR level.

- More consistent pricing for similar services across the city region market ensuring better value for money.
- Economies of scale in:
  - Developing a LCR joint procurement and performance management team to improve provider delivery.
  - Impacts from innovation can be implemented more quickly across a wider range of delivery.
  - More coherent employer engagement across the city region labour market.
  - Simplification of contracting arrangements – fewer, larger (longer) contracts with a greater emphasis on each working as part of the wider employability and skills continuum.
- Opportunity for supplier development:
  - More coherent management of the LCR employability and skills market will allow providers to specialise in key service areas and differentiate their offer.
  - Drawing on a wider base of operational experience to inform performance

benchmarks and develop a shared understanding of performance.
- A more strategic approach to the stewardship of the scale and range of specialist capacity particularly in the voluntary and community sector across LCR.
- Scope for greater flexibility in delivery to move funding to more effective delivery and accept clients from across the sub-region (e.g. as in FJF).
- A better fit with mainstream service delivery, developing a city region interface with key employability and skills programmes such as FND and Apprenticeships.

Our Challenge

7.18 At present the evidence base to support such a move is relatively fragile – building on initial trust will require an evolutionary approach. That said, starting small and building up the evidence will take too long, and we favour an approach that includes all current employment and skills expenditure within its sphere of influence.

LOCAL CONTROL → BENEFIT / RISK

Collaborative Working	Shared service - moderate	Shared service - radical
• Shared best practice /innovation	• Shared commissioning /Procurement	• Co-commissioning with mainstream service
• Performance Benchmarking	• Consistent pricing	• Actively engage other service spend in key service areas
• Service level agreements	• Economies of scale on specialist services	• Platform for Level 3 Co-commissioning & Section 4 powers
	• Shared performance mangement	
• **Target 1% to 5% efficiency gain on total spend**	• **Target 5% to 10% on total spend**	• **Target 10% to 20% on total spend**

7.19 Evidence from elsewhere suggests that there will be some efficiency savings from adopting a shared commissioning process, but we will only maximise the benefits from this process if commissioning is combined with a shared service approach to performance management of the contracts – actively working with providers to squeeze all available effectiveness from the employability offer. Higher quality outcomes will also help improve efficiency – raising the sustainability of job outcomes may well do more to improve the overall cost-effectiveness of the employment and skills system, for example, by reducing the number of clients recycling round the system.

7.20 Many existing interventions across the LCR will form part of the response to securing the strategic objectives. However, change is necessary and this should be built on a neutrality about who delivers – what is important is what will make the greatest impact and deliver most value for money. If we are to achieve substantial improvements in cost effectiveness, then, as a matter of course, more needs to be done to look to other service areas to make a contribution to the early (often relatively costly) stages of the service offer.

Our Core Design Principles

7.21 Making sure we all have a shared understanding of the needs of an area is vital. Only when there is confidence that city region commissioning will fully address local needs in accordance with our Strategy will all partners have the confidence to invest more resources into the process.

Streamline and Simplify Delivery

7.22 There is unanimous agreement that individuals and employers are faced by a thoroughly confusing picture of support with too many uncoordinated interventions. There is a clear desire on the part of partners to build on the mainstream and seek to improve performance by investing in improving the degree to which existing services work together.

7.23 Central to this investment should be to work through existing delivery structures wherever possible – where gaps do exist in the process between organisations a guiding principle will be to invest more in one or both existing structures in order to close the gap.

7.24 There has been considerable effort to gain clarity on what is being purchased across the LCR. Previous mapping exercises have concluded that, in general:

- Jobcentre Plus core offer programmes are concentrated around transition to work – ie near market. In all likelihood, delivery will shift further in that direction with the vast majority of clients encouraged to self-assist using, for example, jobpoints to help support their job search.
- LSC mainstream provision supports skills building and pre-employment learning and support with some information, advice and guidance and other skills support for those already in work. Again, much is near market working with those who are engaged in an employability pathway.
- Local authority provision is more difficult to categorise with many interventions seeking to provide support across a number of elements. That said there is greater investment towards the engagement of clients and pre-employment support and job brokerage than in job retention.

7.25 In the short-term then, we need to consider how low-cost approaches might better serve the LCR through improving the interworking of existing services. A number of examples were articulated in the previous section of our Strategy.

Build on the Mainstream

7.26 We need to look towards securing greater influence over mainstream spend, particularly given the significant decline in discretionary spend available to partners. This will require:

- In the short term, a need to build on the positive relationships established through the CES to develop effective working relationships with SFA, YPLF, and NAS as quickly as possible.
- In the short-medium term, for all partners at local, city region, regional and national level to adopt this Strategy and Commissioning Framework as the basis for investment in skills and employability in the LCR.
- In the longer term, work towards securing delegated power and more local discretion over DWP funded provision, together with Section 4 powers so that the ESB can ensure that mainstream spend is fully attuned to achieving city region goals.

7.27 Getting broad agreement on the direction of travel in skills and employability centred on this Strategy and Commissioning Framework is key to driving forward the shared approach into delivery. This principle was agreed in our MAA, through the adoption of the following 'Asks' of Government which are central to this:

Ask 1 *Government departments and its agencies agree to work with LCR to develop and agree an Employment and Skills Strategy and Commissioning Plan, together with a set of actions, which facilitate all parties jointly implementing and performance managing the strategy.*

Ask 5.6 *DWP agrees that the relevant parts of the LCR Employment and Skills Strategy will form the Merseyside element of the ESF Regional Framework and as a result will direct ESF investment in the Merseyside Area – enabling individual co-financing plans in Merseyside to be consistent with LCR's Employment and Skills Strategy and Commissioning Plan.*

7.28 We will need to keep abreast of Statutory City Region developments (as these are likely to form the test bed for a number of new Localism initiatives) and ensure that they are conforming to the DWP's Localism agenda as this emerges.

7.29 There is no single platform to provide this at present in terms of a legal entity or responsibility over the relevant budgets. Greater clarity over who is ultimately responsible for the process and associated governance, risk management and accountability procedures need to be set out very clearly at the outset. A lot depends on the constitution and membership of the ESB.

7.30 The budgets falling within the scope of our Commissioning Framework should include:
- LSC successor bodies (YPLA, NAS and SFA) mainstream and ESF expenditure.
- DWP mainstream and ESF expenditure.
- The joint DWP-BIS Skills Accounts from 2011.
- The National Offender Management Service.
- Local Authorities (Working Neighbourhood Fund and Area Based Grant relating to employment and skills).
- NWDA.
- Other funds (Primary Care Trusts, Homes and Communities Agency and Registered Social Landlords).

7.31 Other potential wins include:
- Attracting DWP pilots. These will be one of the few sources of additional expenditure in the short to medium term.
- Where practicable, adopting a city region approach where additional and unexpected funding opportunities may arise, and where funds are currently uncommitted (e.g. WNF).

Introduce Performance Incentives

7.32 The commissioning process needs to be more transparent and focus on performance and value for money rather than contribution towards LAA targets per se. Few local contracts have performance-related payments and the consequences of under-performance for providers are unclear. Pooling experience on pricing and more consistent messages to providers on expectations of performance will help drive better value for money.

But Pay for Process Where Appropriate

7.33 That said, where we want to improve or encourage referrals and other process outcomes we should pay for these directly. Taken together, pricing, payment schedules and performance monitoring should underpin the supplier development process. Providers need to be included in a wider communication of the direction of travel and new payment systems that promote positive practice should be considered as part of these discussions.

Promoting More Coherent Management Information Systems (MIS)

7.34 It is essential that, whatever the funding arrangements in place for our Employment and Skills Strategy, there is a consistent approach to monitoring performance. This will require:
- A consistent MIS system to be used by all employment and skills activities. The CES database may be one solution here but we should also look to work with the incoming Prime Contractors for FND and ensure that comparable MIS is adopted to further build a consistent picture of performance.
- Adopting a city region approach to performance management will also be essential. This is a shared service and is something that few local authorities (or other partners) exploit to the full. The public sector has a lot to learn

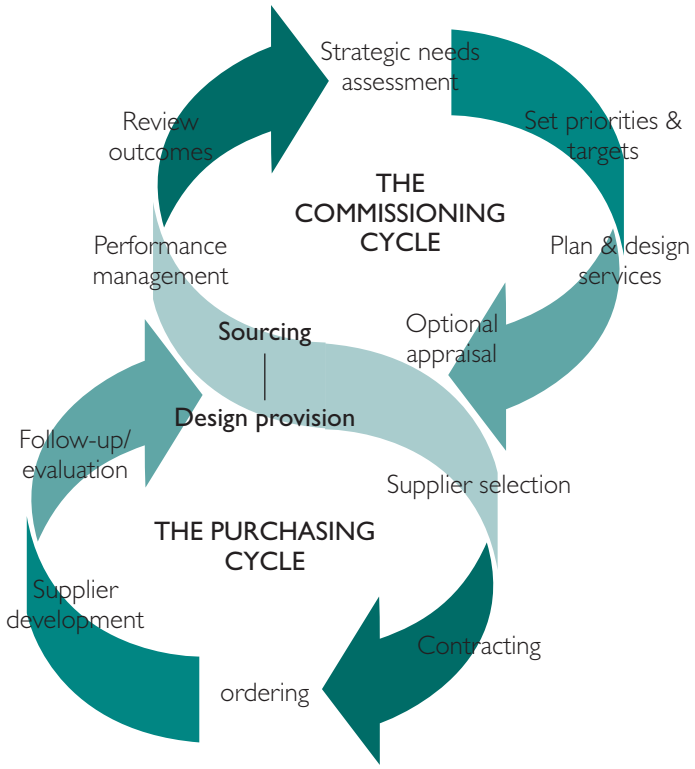
from private sector approaches to maximising returns from sub-contractors and this will require new specialist supplier development skills. There are real cost and effectiveness advantages in placing this service at the centre of the region but work will be required to engage local partners in the process.

- CES partners should look to use any DWP data sharing flexibilities to obtain access to longer term performance monitoring data – specifically the DWP-HMRC dataset that allows the employment status of individuals benefiting from support to be tracked. All contracts should seek to match FND and establish credible measures of sustainability at 6 months from 2010/11 with a view to developing 12, 18 and 24 months measures in future.

Implementing Our Strategic Approach to Commissioning

7.35 This document is the starting point for a process whereby we seek to add real impetus behind aligning local funding streams with national services and at the same time actively influencing the shape and direction of these services to better fit the city region's needs and opportunities.

7.36 Our Commissioning Framework should cover all stages of the commissioning process, taking the needs analysis and priorities from our Employment and Skills Strategy, planning and designing services, considering best fit options and, procuring, contracting, performance management, and monitoring provision. This fits with the accepted good practice captured in the diagram below.
Source: Based on I&DEA and Cabinet Office National Programme for Third Sector Commissioning



7.37 Not all of the elements that would be necessary for a strategic commissioning process across LCR are yet in place, but it remains vital that we sign up to a shared process along the following lines:

- Build on a shared understanding of needs and priorities for responding to these needs – our LCR Employment and Skills Strategy.
- Under the auspices of the ESB, we need to establish a Core Team which will establish and implement a strategic Commissioning Framework.
- This team will need to work with Total Place principles – understanding collective investment in key service areas (voluntary sector, Primary Care Trusts, housing providers, HCA, etc.) and how these might be better deployed to increase overall impact on employment and skills outcomes.
  - Identify mechanisms through which mainstream services can better integrate with local provision and use these to influence the operational plans of SFA, YPLA, NAS, NOMS, HCA and DWP.
  - Better align funding streams locally and develop co-commissioning with mainstream services, allied to joint performance management in order to drive forward integration in practice.
  - Work with local partners and delivery agents to learn from good practice and oversee improvement teams tasked to review and make recommendations on delivery and performance management improvements.
  - Highlight any outstanding strategic issues which need to be addressed by regional and national partners.
- Focus our attention initially on key areas identified as a priority for local partnerships in Building Britain's Recovery: Achieving Full Employment:
  - Outreach and client engagement, in particular to ensure that local support services necessary to move disadvantaged people back to work are better integrated.
  - Further integrate employment and skills so that services become more responsive to demand from employers and learners, in particular, by influencing the joint DWP-BIS commissioning board for skills accounts to be responsive to local needs and opportunities.
  - Improving service delivery through performance management and consistent measurement systems. Engage mainstream services around the Smarter Government agenda and introduce supplier development initiatives feeding back into smarter commissioning and contracting arrangements.

7.38 A key aspect of the work of the Core Team and the ESB will be to establish the scale and nature of any benefits arising from city region working through highlighting good practice approaches to securing the most cost-effective delivery for skills and employment services.

Timescales

7.39 Timescales clearly will have to match our Strategy. Year one should be 2010/2011 as there is an over-riding need to get basic information on:

- What is currently being commissioned by whom.
- How it all fits together.
- What is delivering outcomes.

7.40 Our Commissioning Framework will need to review progress, and determine what else might be required to be successful, on a regular basis – annually in the first 3 years to ensure that improved knowledge of performance is fed through into the commissioning process. Reporting back to the ESB will also need to highlight any outstanding issues in developing a more coherent strategic approach, including messages for central government departments and agencies.

Review and Exit Strategy

7.41 Our Commissioning Framework will need to embed a Review process. There will be a need to undertake this fairly regularly initially, and we suggest an annual review by the partnership for the first three years. Over and above, we should also consider what are the exit criteria. We need to discuss in full what these might involve but think that they should include some scope to respond to the evidence on the effectiveness of city region approaches to integrating employability and skills interventions. Some aspects of our suggested Strategy may be less effective than expected.

Developing a Commissioning Cycle

7.42 We should seek to establish a process through which employment and skills-related funding streams are considered against the Commissioning Framework principles outlined above.

7.43 At least initially, we should seek to draw a ring around what is already being planned by partners for employment and skills and commission this provision at the city region level. Thereafter, performance management and the benefits of city region commissioning will gradually drive a shift in the process. There may be a case for developing 'legacy' arrangements whereby any contractual commitments beyond 2010/11 are honoured by the process.

7.44 The speed at which we can move to collective investment decisions will depend on gaining agreement to such a process but there is merit in considering all funding streams across a number of potential actions:

- Influence mainstream employment and skills provision within the LCR area (SFA, YPLA, NAS, DWP national programmes and pilots, NOMS, NWDA etc.) to better address the needs and priorities of the Strategy.
- Deploy local resources to build on mainstream provision, simplifying existing structures as much as possible.
- Seek to influence other funding streams across the Total Place and Business Support agendas to support better engagement of both clients and employers.
- Re-invest in effective provision and work with suppliers across contract design, specification and delivery in order to improve performance.

7.45 We have already stated that the management of our Commissioning Framework and the implementation of our Strategy more generally will need to be properly resourced. Our view is that we need a small team of highly expert individuals to manage these processes and support effectively the work of the ESB.

7. Commissioning Framework

8. Strategy Into Action

Key Points for Our Strategy

An early action will be to produce an implementation or business plan:

- In outline fashion for the first 3 years.
- In detail for the first full year.

These plans will need to set out lead partners for key actions and identify how the actions will be resourced within the Commissioning Framework.

An enhanced Management Information System (MIS) will be developed to allow effective decisions to be made about resource allocation across priorities.

The MIS will feed into the Annual Review Process. This will involve:

- Problem solving around areas where progress is less than satisfactory.
- Reviewing priorities in the light of changes in the city region economy.

Equality of opportunity will be assured by equalities proofing major interventions and through inspection of Key Performance Indicators focussed on equalities issues.

As the quality of the partnership is key to success, an annual partnership process review will be carried out. Investment in partnership and Board capacity building will be made where appropriate.

Our Task

8.1 Our Strategy and Commissioning Framework is intended to provide:

- A strong platform of economic analysis that provides an assessment of where the LCR currently stands and what analysts are saying about the medium to long term.
- A succinct statement of stakeholder perspectives, including the employing community, on the employment and skills system.
- Step change aspirations and strategic objectives which will help drive the delivery of the vision and strategic goals set out in the MAA.
- Guidance on a framework for implementation around developing more integrated services, prioritising strategic projects and working much more effectively to co-commission and influence the commissioning and service delivery of others.

8.2 This is a starting point. The next stage is to move to more detailed aspects of implementation to take us through the period 2010-2015 in an effective manner, driving towards our strategic objectives and step change aspirations.

Implementation Plans

8.3 An early action will be to produce an implementation plan which ideally would be set out:

- In outline fashion for the first 3 years.
- In detail for the first full year.

These plans will need to be scrutinised, amended and duly signed off by the ESB.

8.4 In the first year of the ESB care will need to be taken to focus efforts on a small number of strategically important actions and projects. The Strategy has given preliminary guidance on this.

8.5 Additionally, given the size of the task and the fact that this must be a partnership effort, where the Implementation Plan sets out key actions it will be essential:

- To identify the lead partner for each action.
- To ensure that the responsibilities for leading on key actions are shared across the partnership.

8.6 Finally, and of critical importance in a fast changing policy and funding environment, the resourcing of the key actions will need to be given particular attention. This will also be the first formal opportunity for the ESB to draw upon the principles set out in the Commissioning Framework to make more effective use of resources through co-commissioning and effective influencing of mainstream budgets and service delivery.

Measuring Performance

8.7 The ESB will have strategic responsibility for ensuring that public monies are deployed in such a way as to ensure the maximum impact of employment and skills services on employers and individual learners in LCR. Therefore, the ESB will need access to high quality management information on the cost effectiveness of delivery across the main elements of the employment and skills system. An early action that the ESB will wish to see progressed involves:

- Introducing an enhanced Management Information System (MIS) that will allow effective decisions around investment to be made.
- A reporting framework that will bring to the Board simple but significant information around key performance indicators for the employment and skills system.

Annual Review Process

8.8 This enhanced MIS will become one of the bedrock elements of the process of annual review of the implementation of the Employment and Skills Strategy. In the review process, the ESB will wish to see year on year improvement in the cost effectiveness of the different parts of the employment and skills system for which it has strategic responsibility.

- Where progress is not evident in particular areas, it will be important to establish a short sharp investigative process which brings forward explanations for lack of progress.
- Depending on the explanations, the management information around key performance indicators will be sufficiently robust for major funding decisions to be taken with confidence.

8.9 The Annual Review should also consider changes in the LCR Economic Assessment as these may call for a revision of the underlying Strategy. It is recommended that this follows the template for the Economic Assessment used in developing the Strategy. In particular, the focus on reducing gaps between LCR and England as a whole provides a mechanism for reviewing overall progress in a relative fashion, an important consideration if the economy remains in recession.

Ensuring Equality of Opportunity

8.10 The duty to ensure equality of opportunity in relation to access to employment and skills services for all groups of learners is a serious one. Our recommendation is that this is built into the system of key performance indicators by measuring for major programmes participation by specific groups of the population based on gender, ethnicity etc. The critical point here, however, is that when the ESB reviews the overall performance of the employment and skills system as part of the Annual Review it is simultaneously considering equalities performance, so giving this full and equal status with other aspects of system performance.

Building the Partnership

8.11 The quality and effectiveness of partnerships is one of the key potential constraints on the ability of the ESB to deliver step changes in performance within the employment and skills system. There are a number of key partnerships here:

- Between the local partners who will be represented on the ESB.
- Between the core employment and skills partners and other important agencies in areas such as health and housing.
- Between the funders of employment and skills services and their delivery partners in the private sector, public sector and voluntary sector.
- Between the LCR partnership and government agencies operating with a regional and national remit.

8.12 The ESB should institute processes which will capture the strengths and weaknesses of these various partnerships with a view to introducing measures to tackle weaknesses, exploit and realise the opportunities and generally build the capacities of these partnerships to drive up performance. This should involve some simple annual partnership process review that will feed into the overall Annual Review.

Building the Board

8.13 The ESB will be dealing with a challenging agenda, and it will be operating in a period which is likely to see significant reductions in public funding. The Board will need to go though a development process that will raise the capacities of the Board as a collective to:

- Establish clear priorities and review these on a regular basis.
- Develop a robust understanding of the comparative effectiveness of the range of interventions in the employment and skills sphere.
- Review critically the progress made towards the implementation of the Employment and Skills Strategy.
- Make tough decisions among competing priorities based on evidence of effectiveness.
- Influence effectively the decisions of the full range of public agencies able to impact on employment and skills outcomes in LCR.

8.14 A Board development process should be instituted at an early stage to develop an understanding of:

- The breadth of tasks that the Board will need to undertake.
- The principles and practices which underlie the effective discharge of these duties.
- The relative responsibilities of the Board and its officers for carrying out the various tasks.

8.15 This Board development process will almost certainly highlight the need for additional capacity development around specific issues. We view all of this as an essential investment in preparing us to drive forward with the challenging agenda set out within our Strategy.

8.16 Finally, the success of this Strategy will depend on the collective action of all stakeholders across the City Region and the ESB is committed to working with them to deliver our ambition for employment and skills.

Acronyms

BIS	Business, Innovation and Skills
CES	City Employment Strategy
CNC	Computer Numeric Control
DCLG	Department for Communities and Local Government
DCS	Directors of Children's Services
DWP	Department for Work and Pensions
ERDF	European Regional Development Funding
ESA	Employment Support Allowance
ESB	Employment and Skills Board
ESF	European Social Fund
EU	European Union
FE	Further Education
FJF	Future Jobs Fund
FND	Flexible New Deal
GVA	Gross Value Added
HCA	Homes and Communities Agency
HE	Higher Education
HMRC	Her Majesties Revenue and Customs
IAG	Information Advice and Guidance
IB	Incapacity Benefit
IDeA	Improvement and Development Agency
IT	Information Technology
JCP	Jobcentre Plus
JSA	Job Seekers Allowance
LAA	Local Area Agreement
LCR	Liverpool City Region
LEP	Local Employment Partnerships
LMI	Labour Market Intelligence
LP	Lone Parents
LQs	Location Quotients
LSC	Learning and Skills Council
LSOA	Lower Super Output Areas
LSP	Local Strategic Partnership
MAA	Multi Area Agreement
MIS	Management Information System
NAS	National Apprenticeship Service
NEET	Not in Employment, Education or Training
NHS	National Health Service
NOMS	National Offender Management Service
NVQ	National Vocational Qualification
NW	North West
NWDA	North West Regional Development Agency
PCT	Primary Care Trust
PSA	Public Service Agreement
R&D	Research and Development
RDAs	Regional Development Agencies
RSL	Registered Social Landlord
SA	Strategic Aim
SFA	Skills Funding Agency
SME	Small and Medium Enterprises
SO	Strategic Objective
SSC	Sector Skills Council
UK CES	UK Commission for Employment and Skills
VAT	Value Added Tax
VQ	Vocational Qualification
WNF	Working Neighbourhoods Fund
YPLA	Young People's Learning Agency

This document is available in alternative formats – please contact us to discuss your requirements

Liverpool City Region Employment and Skills
Knowsley MBC
Po Box 21
Archway Road
Huyton
Knowsley
Merseyside
L36 9YU

Telephone: 0151 443 3585

CITY EMPLOYMENT STRATEGY
Together making a difference for the Liverpool City Region

European Union
European Social Fund
Investing in jobs and skills

Northwest
REGIONAL DEVELOPMENT AGENCY

MIEP
merseyside
improvement and efficiency partnership