UK COMMISSION FOR EMPLOYMENT AND SKILLS

Qualitative Evaluation of Demand-led Skills Solutions: Growth and Innovation Fund and Employer Investment Fund

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Qualitative Evaluation of Demand-Led Skills Solutions: Growth and Innovation Fund, and Employer Investment Fund

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Foreword

The UK Commission for Employment and Skills is a social partnership, led by Commissioners from large and small employers, trade unions and the voluntary sector. Our ambition is to transform the UK's approach to investing in the skills of people as an intrinsic part of securing jobs and growth. Our strategic objectives are to:

Maximise the impact of employment and skills policies and employer behaviour to support jobs and growth and secure an internationally competitive skills base;

- Work with businesses to develop the best market solutions which leverage greater investment in skills;
- Provide outstanding labour market intelligence which helps businesses and people make the best choices for them.

The third objective, relating to intelligence, reflects an increasing outward focus to the UK Commission's research activities, as it seeks to facilitate a better informed labour market, in which decisions about careers and skills are based on sound and accessible evidence. Relatedly, impartial research evidence is used to underpin compelling messages that promote a call to action to increase employers' investment in the skills of their people.

Intelligence is also integral to the two other strategic objectives. In seeking to lever greater investment in skills, the intelligence function serves to identify opportunities where our investments can bring the greatest leverage and economic return. The UK Commission's third strategic objective, to maximise the impact of policy and employer behaviour to achieve an internationally competitive skills base, is supported by the development of an evidence base on best practice: "what works?" in a policy context.

Our research programme provides a robust evidence base for our insights and actions, drawing on good practice and the most innovative thinking. The research programme is underpinned by a number of core principles including the importance of: ensuring 'relevance' to our most pressing strategic priorities; 'salience' and effectively translating and sharing the key insights we find; international benchmarking and drawing insights from good practice abroad; high quality analysis which is leading edge, robust and action orientated; being responsive to immediate needs as well as taking a longer term perspective. We also work closely with key partners to ensure a co-ordinated approach to research.

Evidence shows that the quality of the UK workforce, when compared to other leading economies, is not developing quickly enough. There is a growing need for employers to compete on quality, cost, and innovation; and, not just at home but globally. Skills are very much part of the challenge and, therefore, the solution. The UK Commissions' investment funds are one way to leverage greater investment in skills by employers. Developing standards and frameworks are another route; they provide key elements of infrastructure that are necessary to support greater and smarter investment in skills. To ensure continuous improvement we undertook a qualitative evaluation of investments in standards and frameworks, the Growth and Innovation Fund (GIF) Round 1 and 2, and Employer Investment Fund (EIF) Phase 2.

This report focuses on the investment programmes, GIF and EIF; there is a fellow report which explores the learning for standards and frameworks. Across all three programmes, however, the research is unequivocal: increased competition for skills investment funding is having a positive impact in ensuring that proposed skills solutions and products are better-targeted at areas of identifiable demand. It is too early to identify evidence of impact or changes in employer investment-behaviour but the evaluation suggests there are key factors which support progress toward that goal: **active** engagement of at least a core of employers, **planning for sustainability** from the outset, and **early engagement of a range of employers** (to shape the understanding of the problem, the solution and the sustainability model)**.** The UK Commission implements change in light of evaluation findings and draws on it to shape our policy position.

Sharing the findings of our research and engaging with our audience is important to further develop the evidence on which we base our work. Evidence Reports are our chief means of reporting our detailed analytical work. All of our outputs can be accessed on the UK Commission's website at www.ukces.org.uk But these outputs are only the beginning of the process and we are engaged in other mechanisms to share our findings, debate the issues they raise and extend their reach and impact.

We hope you find this report useful and informative. If you would like to provide any feedback or comments, or have any queries please e-mail info@ukces.org.uk, quoting the report title or series number.

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A series of thematic papers are also available, these are:

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Introduction

The UK Commission for Employment and Skills commissioned a qualitative evaluation across a range of investments, including projects funded under the first two rounds of the Growth and Innovation Fund (GIF) and the second phase of the Employer Investment Fund (EIF).

The evaluation was undertaken from November 2012 to April 2013. It was based primarily around a qualitative case study approach. There were 10 case studies looking at investment fund projects (five EIF 2 case studies; and five GIF projects, including three GIF 1 case studies and two GIF 2 case studies) and 10 case studies on standards and framework products.

In addition to the case studies, the research also included interviews with organisations that were recipients of development funding and/ or support and advice introduced as part of the GIF 2 development phase.

This report presents the findings of the investment case studies and interviews with organisations that received development funding and / or support and advice. A separate report presents the findings from the standards and framework case studies.

Background to the investment funds

- **The Growth and Innovation Fund (GIF):** GIF supports the development of skills solutions under three strands (Best Market Solutions; National Skills Academies; Joint Investment Programme). GIF was open to all licensed employer organisations to deliver services in England. The first two rounds of GIF (GIF 1 and GIF 2), covered 16 projects starting in 2011 and 2012. In these two funding rounds, a total of £13m of public investment was allocated to projects, and a further £12m will be invested by employers.

- **The Employer Investment Fund (EIF):** EIF was established by the UK Commission ‘to encourage employers across the UK to invest more in raising the skills of their workforce’. It was open to Sector Skills Councils and UK-wide in scope. The second phase of EIF funding was launched in June 2011 and is set to provide £61m for 63 projects running from early 2012 to spring 2014. This is forecast to generate a further £42m of co-investment from employers and others, of which around £12m will be cash investment and around £30m will be in-kind investment.

Findings from the research

The Growth and Innovation Fund (GIF)

- In GIF 1 and 2 the majority of projects (13 out of the 16) were delivered by SSCs. Employers are projected to contribute over half (57%) of the project costs in GIF 1 and a higher proportion (72%) in GIF 2. The majority of this employer contribution will be cash rather than in-kind investment.

- The project ideas were generally developed by sector bodies, drawing from the feedback they receive from employers. Some of the clearest ideas were a response to an external stimulus or emerging sector challenge. There is evidence of a greater focus on skills solutions in terms of their economic value to employers.

- Employers were content to allow sector bodies to lead on the mechanics of bid writing, given their expertise in skills policy. However, there was widespread testing of project proposals with employers before they were finalised. This was most effective when pitched by the sector body, not just in terms of asking employers ‘will this work?’ but asking ‘how can we jointly make this work?’

- The development phase introduced in GIF 2 was particularly useful to organisations that had not previously accessed UK Commission investments. For example, the opportunity to get upfront feedback from the UK Commission about whether a project idea might be viable for GIF investment, made it easier for some organisations to justify investing in full bid development. Practical support in relation to areas such as how to articulate outcomes and benefits was also valued. This has helped to widen the pool of investees in more recent rounds of GIF investment. There was particular value in the role played Senior Investment Managers supporting bidders, who could then act as a critical friend and advocate for prospective projects, drawing on their own insight and experience.

- During the investment period, employers typically act a ‘sounding board’, offering feedback on different products that were being developed. Providing employers with the opportunity to contribute to the strategic direction of a project was increasingly being built into the design of the projects. There were also examples of employers playing a critical role in shaping the development of new tools and standards, particularly in GIF 2.

- Nearly all the projects believed that they were on track to achieve their contracted targets, although most have experienced delays in implementation. In most projects the delay in achieving targets for employer and individual engagement has meant that they were slightly behind target on leveraging employer investment.

- Some projects found it challenging to attract in-kind contributions. Where cash contributions were linked to purchasing a product, there was often a clear benefit to the employer. In-kind contributions were felt to be more difficult to broker as, for the employer, it may not immediately lead to a return on investment.

- Most sector bodies believed the approach the UK Commission took to managing the investments worked well. SSCs believed that the UK Commission employed a light touch approach. Organisations that were less familiar with administering public funds generally found the process more onerous.

- Some sector bodies believed that the UK Commission has been overly strict in withholding payment when a project is behind schedule. The achievement of outputs was not always considered to be the most important measure of sustainability by investees. This was not always explicit when the initial outputs were negotiated with the UK Commission. If a project underperforms on certain outputs then these factors need to be considered when negotiating changes to project plans. Fundamentally, though, it emphasises the importance of the quality and achievability of outputs proposed at the bidding stage.

- Some sector bodies also reported that during implementation the project had evolved and some of the original contracted outputs were not as relevant or well-defined as they could be. As projects are implemented, there is a need to review progress and make changes where appropriate.

- Most of the projects have made reasonable progress to achieve their expected outcomes and impact. New training infrastructure and products have been developed (such as guilds, ATAs and professional standards) and so far these have continued to be supported by a core group of employers and partners. However it is still not clear whether the projects will sign up a sufficient volume of employers to have the intended level of impact. All the projects are still in the early days of marketing their product to a wider audience of employers.

- In terms of sustainability, sector bodies generally employ one of two approaches. Some have clear initial plans in place and others define plans through a 'trial and error' approach. The development of qualification/provision 'products' appear to be less associated with planning for sustainability than other types of activity, reflecting that sustainability in this context is typically seen as simply being a question of 'take up'. The setting up of new employer networks, guilds, ATAs etc. appears to have future financial models much more hard-wired into the development and early implementation phase. This is because these projects do not generally provide immediate returns to employers, and as a result investees are required to think at an early stage about how the solution(s) and the opportunity benefits / risk of inaction will be 'sold'. In contrast, the development of qualification/provision 'products' appear to be less associated with planning for sustainability. This may reflect that sustainability in these cases is simply a question of 'take-up', where future engagement in based on a 'transactional model' of investment.

- GIF projects that rely on recruiting a high volume of learners generally experienced more difficulties in becoming sustainable. In contrast, projects that require the recruitment of a smaller number of employers, which many sector bodies can recruit from their existing networks, were generally easier to sustain.

- A reasonably strategic approach is evident in most of the projects. There is, however, variation in the ability of different projects/sector bodies to articulate the links to wider work (i.e. to make those links explicit). This relates to factors such as the level of previous experience with the investment fund approach, the nature of the project in question and the leadership approach within the organisation.

- In the case of the larger GIF projects (generally infrastructure projects), there is a sense that the original GIF investment is seen as a longer programme that is likely to continue to be supported through future investments or initiatives. The size of the investment is significant enough to most sector bodies that the GIF activity becomes the centrepiece of what they do (alongside other EIF investments). Many of the smaller GIF projects provided a targeted solution to a specific sector problem. These activities were delivered as relatively standalone projects and therefore were not coordinated with other initiatives. Sector bodies would argue that this was due to the nature of the project, and the level of strategic alignment reflected the characteristics of the project.

The Employer Investment Fund (EIF)

- EIF Phase 2 will invest £103m across the 63 projects. The UK Commission will provide 59% of the total funding (around £61m). Employers will provide the remainder, the majority of which (£30m out of £42m) will be in the form of in-kind contributions.

- EIF funding was accessed because it was considered to be the lowest risk way of developing and promoting relatively 'new' products. These products required time and targeted marketing before they could be sustained by employers. Sector Skills Councils (SSCs) also believed that the two-year delivery period was felt by SSCs to provide "time to develop the right product".

- There is evidence that the need to leverage substantial employer contributions influenced the design of projects in some cases. Some SSCs appear to have plans for achieving a high level of in-kind contributions, for example by holding conferences and workshops, and these are often built into the project design. This was perceived to be a more straightforward method for leveraging employer support than, for example, asking an employer to release a member of staff to work on the project or committing the company to testing out a new approach. The latter examples imply a much more 'active' engagement on the part of the employer, even though the financial value of a large number of employers 'passively' attending a conference may be greater. This highlights the limitation of measuring employer contribution in crude financial terms.

- All the projects believed that they had received good support from the UK Commission during the bidding process. The guidance was felt to be clearer than in the previous phase and the FAQ page was also thought to be helpful. Perhaps the most valued support was the UK Commission providing informal feedback on project ideas and answering specific queries.

- In most projects, the employers were responsible for piloting tools, commenting on the design of aspects of the skills solution and feedback on suggestions. There were also examples of employers playing a key role in the development of new tools. Although this took place before, there is a sense that the demand for employer contributions has meant that employers are contributing more of their time, experience and knowledge to support these initiatives. In some instances, it is clear that employers now play a more active role in projects, rather than simply working in a consultative capacity.

- The EIF 2 case study projects are generally on track to achieve their outputs. Most have achieved all of their expected targets up to March 2013. Most of the projects were also on track to achieve targets for leveraging employer, which nearly all managed to do by maintaining interest among their existing networks of employers. Some had also been successful in recruiting employers they had not previously worked with. This had been achieved by leveraging existing employer networks, running local promotional events or by working in partnership with local intermediary organisations (such as national trade associations).

- The most significant challenge encountered by projects was a delayed start, resulting in slow initial take-up. A common issue for most projects was a delay in mobilising employer support. It can take time for an employer, once informed that the bid was successful, to make resources available to support the project. This can realistically take a few months, even though the employer is committed to support the project.

- In general, most SSCs believed the approach employed by the UK Commission was "entirely proportionate for the amount of public funding invested in the work". Most acknowledged that there needs to be a certain level of accountability for public funding, and the approach employed by the UK Commission did not create an unnecessary burden. The contract management approach was also perceived to be 'hands off', which was believed to be appropriate.

- Although all the projects had strategic plans for sustainability, most were continuing to develop and maintain more detailed sustainability plans, which estimate the size of the market and the volume of employers that need to be engaged in order to sustain the project. In nearly all cases, the EIF project was part of a broader sector solution, providing a sense of overall scale to the work that goes beyond it being a single project. This can lead to significant interdependence with other initiatives, which makes it difficult to identify appropriate success indicators for a discrete EIF investment. Often it is a combination of different initiatives that create a demand for a product or lead to a lasting sector impact.

Conclusions

- **Competitive commissioning and investment culture:** Increasing competition for skills investment funding is having a positive impact in ensuring that proposed skills solutions and products are better-targeted at areas of identifiable demand. Programme design changes under GIF to actively encourage and support bids for investment beyond the traditional SSC cohort have been successful, increasing the potential for innovation.

- **The role of the UK Commission:** The overall feedback on support and management from the UK Commission across all programmes is largely positive, although it is clear that the support needs of investees varies considerably. ‘New’ investees / non- Sector Skills Councils require additional, on-going support. The view from organisations with extensive experience of working with the UK Commission is that the guidance, support and monitoring it has provided is generally clear, appropriate and proportionate.

- **Employer demand and involvement project design:** GIF and EIF bids highlight a stronger focus on generating active support among a group of employers as evidence of demand than perhaps would have been the case in the past. While the process for generating ideas remains extremely complex, it is clear that they are often generated ‘bottom up’ by SSC employer networks and boards.

  However, there is a major difference between originating a skills solution idea and developing it into a substantial project. The latter requires time, effort and capacity and inevitably becomes the responsibility of the sector body – partly because they are best-placed for bid writing and partly because the process of bid development involves wider testing of the original idea with employers. There are also practical limitations to what can be achieved during the bidding phase to widen the base for ‘active’ employer support. This inevitably means that investment fund activities, in the first instance at least, are geared around working with larger employers that are already sold on the benefits of engagement. The evidence suggests that it is much more important to have active support, involvement and ownership from a range of employers (irrespective of how many), than it is to have a sector-wide notion of tacit support.

- **Innovation:** There are far more examples of the incremental development of existing ideas (a more continuous form of innovation) than of radically-different solutions. Innovation in this context is not so much about the product or skills solution itself; it is much more about the detail of product design providing an effective catalyst for employers to engage, buy and/or use the product over time. It is therefore dynamic in nature and hugely dependent on the critical activities of product testing, pricing, marketing and on-going refinement. There are examples of projects that have more obvious potential to be transformative in nature (using technology to transform access to training, some guild models), but it is far too early to comment on the viability of these approaches. The investment portfolio as a whole is quite balanced in terms of risk and inherent scale of ambition. There is also a more general 'process' innovation that is apparent in terms of how employers are engaged and consulted, which is partly a function of employers having a more explicit stake in many of the projects.

- **Leveraging the employer contribution and employer engagement in developing and purchasing products and services:** The requirement for an employer contribution is shifting the expectations of bidders and the employers they work with. It is the single most important factor contributing to greater employer ownership over skills solutions. However, that contribution takes many forms. The assumption that a 'cash' contribution from employers is more significant than an 'in-kind' contribution needs careful scrutiny. A much more important indicator of employer ownership over the skills solution (and therefore of future sustainability and impact) is whether the contribution is 'active' or 'passive' in nature. Where it works, employers are making targeted and value-added contributions to development – sharing their internal practices and 'on the ground' expertise to inform skills solution design.

  There is also the growing model of employers as 'customers' for a product with the employer 'cash' investment taking the form of industry buying a service. This means that the true test of employer ownership comes quite far down the line. It is interesting in this context that the projects in EIF 2 in particular are working towards a relatively early launch of their skills solutions.

- **Progress, delivery and outlook:** There is evidence of effective and efficient approaches to managing the delivery of investment projects. This is underpinned by widespread use of project management techniques. Some of the earlier GIF 1 projects were over-optimistic about the timescale for implementation and level of outputs they would be able to deliver within a given timescale. The early indication is that EIF 2 and GIF 2 projects are more realistic in ambition, although no less ambitious in nature.

- **Planning for sustainability:** The crucial assumption that skills solutions will be self-sustaining is 'hard-wired' into both GIF and EIF. Solutions that develop infrastructure (such as guilds and employer networks) are particularly likely to begin planning for sustainability at an early stage of development. However, across all projects there are signs that sustainability plans were becoming more robust over time as sector bodies adapt to the requirements of the investment approach. Key components of sustainability planning include: early consideration and development of ways to articulate the benefits of action and/or risk of inaction to the audience; and, how to lever sufficient active involvement from at least a core of employers so that they are not just customers, but also champions of the solution that they shaped and developed.

- The GIF 1 projects, being further along the investment journey, are most likely to be able to provide answers about becoming sustainable; however, they are still tackling questions about how to make that transition. The path to sustainability is clearly one that is challenging and takes time; the earlier the planning starts the better. The true test for all investments (even the GIF 1 projects) will be in the coming years.

- **Strategic fit:** Owing to the size of the investment, GIF and EIF projects are well-aligned to the wider strategic plans of sector bodies. In many cases, these projects form the centrepiece of organisational strategy and there is clear complementarity between projects.

1 Introduction

1.1 Putting the evaluation in context

The UK Commission for Employment and Skills commissioned a qualitative evaluation across a range of investments:

- The standards and frameworks programme: procurement of the development of National Occupational Standards (NOS) products, apprenticeship framework products and Vocational Qualification (VQ) products.
- The investment programme: investment in projects under the Growth and Innovation Fund (GIF) and the Employer Investment Fund (EIF) programmes.

Collectively these investments all seek to deliver demand-led skills solutions. The evaluation of the three programmes shared these common aims:

- To develop a greater understanding and insight of the development and commissioning of the individual funds
- To draw insights about delivery and potential improvements
- To enable the continuous improvement and capacity building to develop sustainable solutions'[1].

The design of the study sought to learn about the individual programmes and so reports on each discretely. Given that there are organisations involved in one or more of the programmes the study was designed and carried out in a way that looked across all the programmes: to reduce the time burden to participate in the research and to gather organisation-wide learning about operational and strategic approaches.

The findings are reported by programme:

- this report focuses on the investment funds only and includes a chapter focusing on GIF and another on EIF
- there is a fellow report that focuses on standards and frameworks.

In conducting the research in this way we identified common themes which presented both challenge and opportunity for the investee community. There a series of thematic papers which accompany the evaluation reports and draw out the learning from across the programmes.

[1] Invitation to tender, September 2012 UKCES

The remainder of this chapter provides the background and context to the investment programmes and an overview of the evaluation approach and methodology.

1.2 Policy context for the UK Commission investment funds

1.2.1 Increasing employer investment in skills

The *Skills for Sustainable Growth* strategy (BIS, 2010) aimed to alter the balance between public and private investment in skills by increasing the contribution made by the direct beneficiaries of training (i.e. individuals and employers). This shift in emphasis was partly driven by a need to sustain investment in skills against the backdrop of a 25% reduction in the further education budget in the four-year period from 2011/12 to 2014/2015.

The skills strategy also signalled a **move away from centrally-determined skills priorities towards greater employer leadership over the skills agenda**. This involves empowering employers to develop skills solutions that directly support their sectors, therein increasing the relevance and attractiveness of the training, qualifications and skills development available to employers.

The intention has been to build commitment among employers (individually and collectively) to increase investment in skills by affording them greater ownership over the public funding for training and by using public investment as a lever for increasing the capacity of employers to actively engage in skills and training.

Decisions about where to invest public funding are based on employers showing a commitment to proposed skills solutions through contributions of cash or in-kind support. The two UK Commission investment funds in scope of this evaluation (EIF and GIF) are both based on this model.

The UK Commission's role has evolved to support the priorities set out in the skills strategy. It now operates as a strategic organisation, working with employers, trade unions and other public organisations to secure a much greater commitment from employers to invest in skills.

There has also been a shift in the expectations on sector bodies, notably Sector Skills Councils, which are expected to function as catalysts for generating and supporting greater employer leadership and investment in skills. The GIF and EIF programmes aim to 'pump prime' projects to a position where they can become self-sustained through sector contributions.

The Growth and Innovation Fund (GIF)

GIF supports the development of skills solutions under three strands (Best Market Solutions; National Skills Academies; Joint Investment Programme). The skills strategy announced £50 million of GIF investment to support and pilot *'new initiatives developed by businesses to increase the contribution skills makes to growth in their sectors'*, initially prioritising activity *'to raise skill levels and business performance through the introduction of new professional standards, including occupational licensing and the uptake of Apprenticeships'*[2]. It is open to SSCs and other sector bodies and operates on an England-wide basis.

In the first round (GIF 1) of the UK Commission-led element of GIF (Best Market Solutions), 12 projects received a total of £9m GIF investment. This was matched by around £5.3m cash contribution and around £6.4m of in-kind contribution from employers. The investment period for these first GIF projects was from October 2011 to various end dates in 2012 and 2013.

The second round of GIF investment (GIF 2) was made to four projects starting from April to November 2012 and completing in spring 2014. These projects were awarded a total of £3.9m of UK Commission investment, which levered an additional £8.4m employer cash contribution and £1.8m of in-kind investment from employers. A further 14 organisations applied for support (development funding and/or advice) to develop bids under GIF 2. The level of development funding sought by these organisations varied from zero to £70,000.

After the first two rounds of GIF bidding, the programme started accepting applications on a rolling basis. While this evaluation focuses on GIF 1 and GIF 2, by January 2013 there were 33 projects in the Best Markets Solutions strand of GIF that were either 'live' or at the point of investment agreement negotiation / due diligence[3].

[2] BIS, 2010
[3] UKCES, 2013a

The Employer Investment Fund (EIF)

EIF was established by the UK Commission *'to encourage employers across the UK to invest more in raising the skills of their workforce'*[4]. It aims to:

- 'Stimulate leadership from the bottom up to significantly raise employer ambition
- Drive innovation, change employer behaviours and develop new ways of working
- Secure momentum from employers to support sustainable increases in skills levels and better use of skills across sectors' (UKCES, 2012a).

The first phase investment (EIF 1) provided £5 million of funding for 14 projects running from June 2011 to March 2012[5]. The second phase (EIF 2) was launched in June 2011 and will provide £61m of public investment for 63 projects, running from early 2012 to spring 2014 (UKCES, 2011b). This will generate a further £42m of co-investment from employers and others, of which around £12.3m will be cash investment and around £29.9m will be in-kind investment (UKCES, 2012a).

EIF is a UK-wide programme. Unlike the GIF programme, only SSCs are eligible to bid for EIF investment. This reflects part of the EIF purpose in providing transition funding to SSCs as they move from being core funded to operating in the competitive investment-based environment. EIF 2 investment was made to 18 different SSCs.

Evolving the investment approach

The UK Commission has evolved its approach over the various investment rounds to test new ways of developing effective skills solutions. The introduction of the development phase in GIF 2 was an acknowledgement that there may be value in providing initial capacity building support to test a new approach. It reflects that the **UK Commission is investing in skills solutions at different stages of maturity in terms of proximity to market**. It was also intended to provide additional support to organisations that may not have previously worked directly with the UK Commission, therein **widening the pool of investees**.

[4] UKCES, 2011a
[5] EIF 1 has been separately evaluated (UKCESZaidi, Howat, [2013[, 2013b).

In 2012, the **GIF programme was aligned with the Employer Ownership of Skills pilot**. The Employer Ownership pilot Round 2, which is also being administered by the UK Commission, provides co-investment to employers to train their staff. It is anticipated that around £340 million will be invested in the delivery-focused Employer Ownership of Skills pilot over a four-year period. As with GIF, investments made under the Employer Ownership of Skills pilot are based on competitive bidding, although, unlike the GIF programme, there is a stipulation that bids are led by an employer.

The rationale for aligning GIF and the Employer Ownership of Skills pilot is to enable bids that encourage *'employers to bring forward powerful, integrated, proposals for industrial partnerships to take wider responsibility for skills development in a place or sector'*[6]. This includes funding for the cost of training places (in line with the Employer Ownership of Skills model) and *'investment in underpinning arrangements to ensure skills needs are better met, such as new employer networks, skills frameworks and training delivery mechanisms* (as supported by GIF)'.

1.3 Overview of the study

Scope of the research

The specific funds in scope of the evaluation were:

- Standards and frameworks products commissioned during 2012/13.
- The first two rounds of GIF investment (known in this report as GIF 1 and GIF 2), incorporating projects starting in 2011 and 2012.
- The second phase of EIF investment (EIF 2), which related to a large number of projects starting in 2012.

An earlier evaluation of GIF 1 Best Market Solutions projects was published in 2012 (Cook *et al*, 2012). This evaluation revisited a sample of these investments further down the line. There was also a separate evaluation of the first phase of EIF investment (EIF 1) undertaken during 2011-2013 (ICF GHK, 2013aZaidi, Howat, 2013). EIF 1 investments were not in scope of this evaluation.

[6] UKCES, 2012b

1.3.1 Evaluation objectives

The focus of the evaluation was to capture lessons about the commissioning and delivery of the various investment programmes (standards and frameworks; GIF; EIF). It also aimed to provide an indication of impact to date from the UK Commission investments.

The evaluation had specific objectives to:

- Explore how the programmes work to: develop a greater employer ownership and engagement in skills solutions; facilitate a more strategic approach to skills; and improve skills utilisation.
- Understand the approach sector skills councils and others are taking to the UK Commission funds, and how this operates in practice.
- Explore if, and how, Sector Skills Councils are adopting a strategic approach to their commissioning of standards and frameworks and investment bidding.
- Explore the coverage of the funds, and any linkages with wider work in the skills and employment arena.
- Explore the indications of how the standards and frameworks solutions and investment approaches might effect change in the sector in the medium-term, and identify evidence of early impact.

1.3.2 Approach and methodology

Key research tasks

The evaluation was undertaken from November 2012 to April 2013. It was based primarily around a qualitative case study approach focusing on a sample of 20 projects and products commissioned through the various programmes. This included:

- 10 case studies looking at standards and frameworks products (five NOS case studies; four apprenticeship framework case studies; and one VQ case study), each based around 4-6 in-depth interviews with the lead delivery organisation and partners supporting product development (including employers, as well as training providers, awarding organisations and other industry bodies) to triangulate views on development.

- 10 case studies looking at investment fund projects (five EIF 2 case studies; and five GIF case studies, composed of three GIF 1 projects and two GIF 2 projects), each based around 7-9 in-depth interviews. This included face-to-face interviews with strategic and operational staff in the lead delivery organisation and telephone interviews with employers and other project partners (trade unions, learning providers etc.).

In addition to the case studies, the research also included interviews with organisations that were recipients of the GIF 2 development phase support and/or advice.

Evaluation framework and themes

An evaluation framework was developed to translate the research objectives into a set of themes that could be explored with case study interviewees:

- The **rationale** for the project or product (identification of need; alignment to programme objectives; product use and sector awareness; innovation and added value)
- The **case for investment** (the design and development process; use of evidence)
- The **role played by employers and partners** (employer and wider stakeholder involvement in project design; the employer contribution; maintaining and growing employer involvement in delivery)
- The **UK Commission role and programme design** (the application and commissioning process; support and guidance from the UK Commission; the impact of the investment approach and commissioning model; investee perceptions of monitoring and reporting)
- The **delivery and management of projects** (the implementation/delivery approach; delivery successes; challenges and lessons; early impact; evaluating outcomes and impact; future progress and plans for sustainability)
- The **strategic approach** employed by delivery organisations (coordination and alignment between activities; strategic planning; links to wider public policy goals).

Case study selection

Case studies were selected to ensure a mix of product and project types, while also focusing on investments project that were of particular interest to the UK Commission.

The case study selection for the investment fund projects reflected the diversity of the investment portfolio in terms of:

- funding stream (EIF 2, GIF 1, GIF 2)
- broad sector coverage
- size of investment
- type of project
- level of match funding as a proportion of overall project income
- and, type of employer contribution (cash led, in-kind led or a roughly equal distribution of both).

The investment fund case study sample included a relatively high proportion of projects that were relatively advanced at the point of investment ('close to market'). This was to increase the likelihood of the evaluation being able to demonstrate impact and progress towards future sustainability, providing a clearer test of programme outcomes. It should be noted, though, that the GIF 2 and EIF 2 projects typically still had at least a year to run at the point when the case study fieldwork started.

Overview of interviews

GIF 2 development support interviews: Telephone interviews took place with strategic staff in 10 out of the 15 organisations that received development funding and/or advice and guidance during December 2012 and January 2013. Two further interviews were conducted with the UK Commission Senior Investment Managers (SIMs), who were tasked with providing development advice and guidance. A broad cross-section of bidders was interviewed, reflecting the variety of organisations that accessed GIF 2 development support. This included interviews with five SSCs, three National Skills Academies and two non-SSCs. It included interviews with six organisations that were successful with their bid, two that were unsuccessful and two that withdrew their bid. Seven of the organisations interviewed received development funding (as opposed to simply accessing advice). Investment fund case studies: Case studies were undertaken from December 2012 to April 2013. A total of 66 interviews were undertaken across the ten case studies. This included: 34 interviews with investee organisation staff; 23 interviews with employers; and nine interviews with other partners.

2 The Growth and Innovation Fund (GIF)

Chapter Structure

The chapter provides an overview of the GIF 1 and 2 investments, including the size of type of employer contribution to the successful bids. It describes how bidders made the case for investment, including the key drivers for development and types of issues being addressed. It discusses the bidding process itself, including the impact of the new development phase introduced in GIF 2. It looks at how potential investees attracted and negotiated the employer contribution, as well as support provided by the UK Commission at the bidding stage.

The chapter goes on to assess approaches to project delivery, including management and co-ordination, as well as the extent of collaborative working within GIF projects. It looks at the nature of employer involvement and leadership in practice, including how investees attempt to maintain and leverage employer investment. Progress to date against initial plans is explored, alongside the lessons learned by investees during the investment period.

The project achievements to date are analysed, before the chapter goes on to look at emerging areas of innovation apparent in the GIF programme. The question of whether projects are on track to achieve their longer-term ambitions is discussed, as well as indicators of future success. The nature of influence within GIF is described, as well as the overall added value and effectiveness of the investment approach.

The chapter concludes by considering plans for sustainability. It looks at how initial plans have evolved and what good practice is evident from the case studies. Progress towards achieving sustainability is assessed, especially with regard to the more advanced GIF 1 projects. The extent to which GIF activity is effectively integrated within the wider work of investee organisations is also considered, alongside evidence of an over-arching ‘strategic approach’.

2.1 Overview of the GIF 1 and 2 Investments

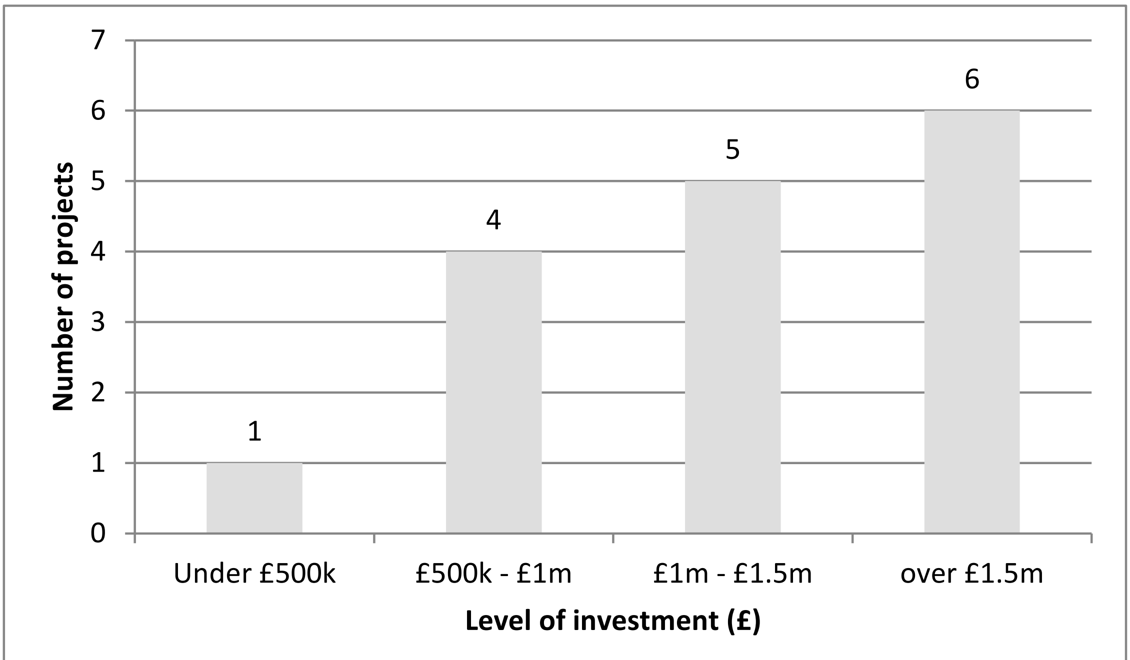
The Growth and Innovation Fund (GIF) was launched by the UK Commission in March 2011[7]. Sixteen projects were funded under GIF 1 and 2, with the UK Commission due to invest nearly £13m towards projects with total budgets of over £34m:

- In GIF 1, the UK Commission will invest £9m. Employers will contribute over half (57%) of the project costs (£5m of which will be in the form of cash contributions and £6m will be from in-kind investment from employers).
- In GIF 2, the UK Commission will invest £4m and will leverage a higher proportion (72%) of the total project costs from employer contributions (£8m cash and £2m in-kind investment).

The total budgets of projects funded under GIF 1 and 2 range from £50,000 to £8.8m. The relative size of the different investments is shown in Figure 3.1. The UK Commission's expected investments ranged from £50,000 to £1.7m, with three-quarters of projects receiving funding between £350,000 and £900,000.

Over a third GIF projects were 'cash-led' in terms of the employer contribution, of which two had no in-kind contribution at all. The employer cash contributions ranged from £80,000 to £7.5m. The remaining projects were in-kind led. In-kind contributions will vary from £80,000 to £3m.

Figure 3.1 Size of GIF 1 and 2 projects (£)



Source: UKCES Investment portfolio MI (November, 2012)
Base: all GIF and 1 and 2 projects (16)

[7] Cook et al (2012)

The GIF 1 projects had been running for over 18 months when the evaluation entered the fieldwork stage. Based on initial plans, it was expected that most GIF 1 products (around three-quarters) would have been launched by this point. As a result, GIF 1 provides evidence of the progress that projects have made towards sustainability and gives a clearer indication of the likely outcomes and impacts that will be achieved. In the event, only one of the three GIF 1 case study projects was market ready by the end of 2012 (even though all three were intended to be). While it is too small a sample to generalise from, the experience here echoes that of the EIF 1 projects, which started around the same time and were liable to have over-optimistic expectations about the time taken to bring products to market (ICF GHK, 2013).

The early GIF investments were primarily made to SSCs. Only three out the 16 projects in GIF 1 and GIF 2 were being led by non-SSCs (the Employment Related Services Association; Renewables UK; Skills Third Sector). The projects in scope of the evaluation are therefore much more targeted at skills bodies with extensive experience of working with the UK Commission.

This does not necessarily represent the more recent pattern of GIF investment. By January 2013, there was a greater mix of organisations accessing the funding. Including those projects at the negotiation / due diligence stage, **around half of the GIF projects (16 out of 33) were being led by non-SSCs**. This included National Skills Academies, Local Enterprise Partnerships, Chambers of Commerce, trade associations, professional and chartered bodies, as well as other employer groups and sector networks (e.g. industry member organisations; purchasing groups; Group Training Associations).

The greater diversity of GIF investees is reflected in the GIF 2 development phase, which is in scope of the evaluation. Eight out the 15 organisations in the GIF 2 development phase were non-SSCs[8].

The changing investee profile over time shows that organisations outside of the network of SSCs required active engagement and support in order to be aware of and engage with the programme. This is partly due to the introduction of development support to help investees develop a full proposal. Many of the organisations that received this support stated that it had encouraged them to submit proposals as they were able to test whether the likely return on investment was in line with the UK Commissions expectations before deciding whether to commit resources to develop a full proposal. It may also be due to greater awareness and understanding of the investment programmes, which was primarily as a result of the ‘prospecting’ activities that were undertaken by the UK Commission to promote the programme.

[8] UKCES 2013a

2.2 The case for action

This section describes how the project ideas were generated and the sector intelligence that was used to set out the 'business case' for investment. It also presents the key sector issues that the case study projects were looking to address and the anticipated scale of impact.

2.2.1 The rationale for intervention

Issues that the projects were looking to address

Most sector bodies accessed GIF investment to **address well-established sector skills issues**, such as a lack of professional development in the sector or a lack of appropriate training. The need for intervention was drawn from LMI and research, including national data on productivity, growth forecasts, staff turnover and skills shortages and gaps.

The need for action was, in many cases, influenced by external stimulus or emerging sector challenges – due to changes in Government policy or regulation. This provides a useful hook both for setting out the rationale for a skills solution and providing a common cause around which employers can coalesce. However, projects that are partly dependent on decisions made by third parties can carry greater risks, as timescales and policy can shift over time. This is something to be considered in the assessment of project risk and proposed management of risk (by the project and by the UK Commission).

Most employers and partners also had a clear understanding of the problem that the GIF projects were looking to address. The importance of the skills issue meant that even without GIF funding some employers reported that they would have taken steps to address the problem themselves. However the benefit of the GIF investment, and main reason why many employers and partners supported the development of the project, was that it led to solutions being developed that were discussed and agreed by a wide range of sector stakeholders (in some cases including a range of industry associations, employers and other sector actors such as trade unions and national skills academies). This brought conformity in standards which meant the solution would support employers' supply chain and increase staff mobility.

Development of skills solutions

Most of the solutions that were developed sought to introduce new products or tools to address sector issues. One of the most common ways in which solutions were identified was by **replicating good practice that exists and rolling this out to a new audience**. For example, one project extended its well-established and self-sustaining professional register to new occupations. Another project rolled out an employer-led training model that emerged from one large employer working with local providers. These examples, building on what has been shown to already work, are arguably lower risk from an investment perspective. It also reflects how innovations tend to occur in the skills arena, with tried and tested ideas being adapted and brought to new audiences.

There was also evidence of a solution (the guild) being proposed with a subsequent business case for the service being developed around this delivery vehicle. This is an unusual approach, but is most likely due to the unique characteristics of a guild as a flexible platform for providing a wide range of tools and services, whose structure and characteristics can vary significantly in order to reflect the needs of a particular sector. As a result, the development of the guild can take place organically following on-going testing with employers.

There is evidence that **a key factor influencing the design of skills solution is the economic value the activity will have on employers** - *i.e. the savings it will lead to, or the costs it will reduce*. An important benefit of the investment approach is that it requires the needs of employers to be central to the project design. Sector bodies need to make tough decisions on the type of activities that are included in a project, and ultimately have to exclude activities that are *'nice to do'* but which employers would be unwilling to invest in. Design becomes centred on what might influence whether an employer may invest in the product, which may be its price or the ease with which employers can access the tool. This is then used to inform pricing and delivery decisions and upfront consideration of how the product will be marketed. Some sector bodies believed this had been a key development in their approach, although by no means all sector bodies think in these terms.

Scale of impact

The scale of impact and ambition of the GIF projects varied. Some projects aimed **to implement changes that would influence a high volume of employers**, either by introducing new professional standards or encouraging employers to pledge to train their staff. If the standards are widely adopted then the impact could potentially be profound. Others sought to address **specific gaps in provision**. These projects are likely to achieve less widespread impact, but nonetheless could significantly influence employer behaviour and investment. Even among the more well-established GIF 1 projects, these ambitions relating to the scale of impact remain relatively untested. Most of the GIF 1 case study projects were still in the process of bringing their products to market at the point of fieldwork.

The **GIF 1 case study projects were generally broader in scope than the GIF 2 projects**. In some instances, they incorporated a range of activities (such as developing professional standards, improving the training infrastructure and creating new employer networks) in one project. This, in part, was because GIF 1 was the first investment funding round and, without knowing what would be coming next, SSCs in particular applied to continue a range of initiatives that they had previously been developing or planning. In contrast, the GIF 2 projects were primarily targeted on a single primary activity, such as developing a new employer network or developing new professional standards. Both types of approach are viable from an investment perspective. The evidence from the investment funds in GIF 2 is that while single-focus projects are easier to market, over time (and especially in the post-investment period according to the EIF 1 experience) they tend to become connected to wider skills solutions.

Rationale for accessing GIF investment

Sector bodies generally believed that GIF funding was easy to access and provided the flexibility necessary to develop solutions that meet the needs of their sector. Investees interviewed for the case studies and also those that received GIF 2 development support believed they were able to submit applications which could be tailored to their specific sector or geographical needs, without needing to meet specific targets that were set by the funding organisation: *'we believed we could use it to deliver the project that we wanted to deliver'.* This was a point emphasised by both lead partners and employers as a factor encouraging initial engagement with GIF.

Another perceived benefit of GIF was that it enabled sector bodies to **draw investment for activities that still required further development before they could be launched**. This differed from other public sources where the funding was dependent on supporting a high volume of learners, which some projects were unlikely to do in the first year. Some of the sector bodies, particularly non-SSCs, submitted applications for projects that were ‘already in the pipeline’ but which had not been able to attract funding from other sources.

There were examples of the investment approach influencing the way the projects were structured, with **costs frontloaded in the first two years to keep the on-going delivery costs relatively low**. This enabled the delivery organisation to then develop a pricing structure that they felt was in line with *‘what the market could bear’*. In these instances, the investment approach was fundamental to the viability of the projects. This was particularly an issue for services targeted at SMEs, where demand was perceived to be significantly influenced by cost.

2.2.2 The bidding process

The GIF 1 programme was launched in March 2011 and applications were due to be submitted at the start of June 2011. In the GIF 1 application process, organisations that were interested in bidding were advised to present a case for action, mobilise employer support and justify why their proposal met sector needs.

The bids were assessed against the following criteria: vision and ambition; business case and evidence base; strategic fit and impact; business model and implementation; employer engagement, investment, commitment and sustainability; leadership and capability; and value for money and additionally.

GIF 2 was launched in the summer of 2012. In GIF 2, bidding organisations were also given the opportunity to submit an outline bid and, if this bid was approved, they could then access development funding and/or guidance to prepare the full bid.

For both bidding rounds the UK Commission held a workshop to give potential bidders the opportunity to ask any questions. The UK Commission also provided written advice in both the bidding prospectuses and, in GIF 2, provided a Frequently Asked Questions (FAQ) document.

Managing the bid process

The bids were primarily developed by the sector body. Employers were content to allow sector bodies to lead on the mechanics of bid writing, given that they have the sector and policy overview (i.e. the sense of what commissioners were likely to be looking for). It also eased the burden of engagement on individual employers.

In GIF 1, most sector bodies reported that the proposals were largely developed by a central team, but in later rounds, as sector bodies became more experienced in developing bids, they employed a more cross-organisational approach. Tasks were generally broken down for the research team (who were responsible for presenting the case for action and need for intervention), the project team (who developed the project proposal and who would ultimately be responsible for managing the project) and the employer engagement team (who were responsible for mobilising employer support). Sector bodies found that this approach led to more well-thought-out and achievable project proposals, by drawing on a wide range of internal expertise on, for example, approaches to marketing to employers. This demonstrates a growing sophistication in the development of proposals as sector bodies become more familiar with the investment approach.

Most sector bodies actively engaged with employers during the development of the bids. It was common for **sector bodies to test the project proposals with employers and internal stakeholders** (such as their executive boards) before they were finalised, especially in the context of GIF 2. This 'testing phase' was often built into the development timetable. It gave the sector bodies the opportunity to explore whether assumptions on employer demand was realistic and achievable. **The effectiveness of this internal testing is a crucial dimension to developing employer 'buy in' and ownership over the skills solution**. It appears to have been most effectively undertaken when pitched by the sector body, not just in terms of asking employers *'will this work?'*, but, in terms of *'how can we jointly make this work?'* Typically, employer and stakeholder boards were central to the initial emergence of project ideas anyway, so that when testing ideas during the development phase, sector bodies were working with engaged and interested parties.

The role of sector bodies in mobilising support was in all instances crucial for the proposal to be developed. Even when there was clear support from employers, there was a need for this support to be formalised and for demand to be tested with a wider group of employers. Sector bodies' employer networks were essential to this. One employer illustrated this point by saying the development of the proposal was *'a hub and spoke approach - The sector body acted as a broker (the hub) and businesses told them what they, as businesses, required (the spokes)'*

In GIF 1, the bids were developed after the prospectus was launched and sector bodies had a clearer understanding of the UK Commission's expectations in terms employer investment and scale of impact. As one sector body stated, *"this was new to all of us, and nobody knew what to expect"*. In these instances, the bid writing took around two months.

Some of the employers involved in GIF 1 projects stated that the short timescales meant that the sector bodies were not able to consult as widely as they would like. In GIF 1, even where sector bodies felt that proposals had effectively been tested as part of the development process, this was not always the perception of employers. One stated that the bid appeared to be "*drafted by a few individuals in a dark room lit by a candle".* The process for testing and refining a product took time and programme deadlines that could make it difficult for sector bodies to conduct the level of testing needed to ensure a project will be successful. The UK Commission has already taken steps to address this issue by introducing a rolling application process.

In GIF 2, it was clear that sector bodies had a better idea of expectations. As one sector body stated, *"the prospectus wasn't anything new, we already knew what was in it".* As a result, **the development of project proposals became an on-going process**, with sector bodies identifying problems and challenges from their existing network and then testing potential solutions. Delivery models were then tested with employers, alongside their prospective level of interest. The bid writing process was then generally more straightforward and could be done relatively quickly.

GIF 2 development support and funding

During the GIF 2 bidding phase, 15 organisations (including eight non-SSCs) submitted an outline proposal and were given feedback and subsequent opportunity to access development support. A relatively high proportion of organisations that had not previously accessed investment funding requested development support.

It is significant that over half of the organisations that accessed GIF 2 development support were non-SSCs. This is significantly higher than the proportion of non-SSCs that accessed GIF 1 (only two out of 12). This indicates **the value of the development support route in increasing the pool potential bidders**. **The support also appears to be successful in enabling non-SSCs to address barriers to bidding, with nearly all the non-SSC projects that submitted bids being recommended for funding**.

Fourteen organisations received advice and guidance from a Senior Investment Manager (SIM) in the UK Commission, and ten of the organisations received development funding (ranging from £6,000 to £70,000). Thirteen of the organisations that received development support submitted a full bid, of which three managed to submit the full bid within a month of receiving feedback (and hence did not request development funding), but most (9 out of the 15 bidders) submitted the full bid after 10-12 weeks.

The GIF 2 development support was understood to help address barriers that prevent new organisations from accessing investment funding. Many of the organisations that submitted outline bids did so because *"we wanted to get some feedback on whether it was something they [the UK Commission] would be willing to fund"*.

Where organisations had submitted an unsuccessful proposal in GIF 1, it was also an opportunity to test *"whether it was a bad idea or a bad bid"*. This information was not always considered by bidders to be apparent in the feedback that was received, but the one-to-one support provided by the SIMs enabled sector bodies to clarify these points.

Most of the organisations that accessed the GIF 2 development support believed that it had helped them to overcome barriers to bidding for UK Commission investment. It was felt to be particularly useful in helping to articulate outcomes and benefits (*"to make sure we do not sell ourselves short"*) and to test both the level of employer contributions and the scale of impact that would be expected from commissioners.

These benefits were primarily due to the independence of SIMs, who could act as a critical friend and advocate for the project, drawing on their own insight and experience. However, some sector bodies construed the SIMs comments as being *'the Commissioners' view'* and, therefore, if they were unsuccessful with the bid, they had a negative experience of the process.

Attracting and negotiating the employer contribution

All of the GIF case study projects proposed some level of cash contribution and all but one also expected to leverage in-kind contributions. The type of **in-kind contributions to projects generally included providing strategic oversight (through steering groups) and also playing an active role in developing products such as standards or training provision**.

The **cash contributions were primarily drawn from employers paying to use a product or service (generally paying for training or membership fees)**. Cash contributions were therefore more directly pitched in terms of employers being customers rather than investors in the skills solution. It also meant that the cash contribution was an estimate rather than an upfront cash commitment.

The estimated level of employer cash contributions were generally set by estimating the market demand for a product, which was done through different approaches. Some set cash contributions by testing products and proposed targets with a selection of employers, while others drew on evidence from employer surveys and statistical information to calculate the level of interest in the proposed 'offer'.

There is evidence that the investment approach has encouraged sector bodies to set ambitious targets for employer engagement. Some case study providers and organisations that participated in the GIF 2 development support interviews stated that they had **increased the level of employer contribution in order to improve its chances of being successful in bidding**. In one case, the bidder was advised by partners to increase the contribution from employers that participated in the project steering group as *"that is what they [the UK Commission] like to see"*. Other sector bodies also acknowledged that during the development of the bid they needed to balance employer commitments that were achievable yet ambitious enough to attract GIF investment.

Many sector bodies receiving GIF 2 development support also stated that they specifically increased the level of *cash* contribution, because they believed commissioners felt that cash contributions were more valuable than in-kind contributions.

Projects are not always in a position to draw significant cash investments from employers in advance of investment. However, there are some signals that can indicate upfront to the UK Commission that the project has the support of the sector and likely to draw significant employer contributions in the future, including:

Employers committing staff time to support specific strands of work and develop technical documents. In many instances this demonstrates substantial buy-in and burgeoning ownership of a product, which means that they are more likely to continue to support the product at the end of the investment phase.

Bid proposals demonstrate that the project has support from all key sector stakeholders. In many projects there are a wide range of interested parties (such as professional bodies, national skills academies) who all have competing interests. In order for a project to gain traction in the sector it often has to have the support of these organisations at the outset.

The evidence from the case studies suggests that the **approach taken to negotiating employer contributions became more sophisticated in the later investment round**. Specifically, sector bodies noted:

They now made sure that they gained a firm commitment from employers at the bid development stage. Some sector bodies reported that in earlier funding rounds they had been content to receive a general indication of support. However, now they aimed to gain from employers a written statement of the amount of time and cash they would invest in supporting the project.

There was a more iterative approach to deciding the best way of leveraging employer contributions. Many sector bodies stated that, following feedback, they had changed their model for consulting with employers to ensure that they gained greater employer contributions. For example, one sector body found it was more effective to hold bilateral meetings rather than group meetings. Another project that was ‘selling’ a product to employers found that packaging the product with a skills brokerage service increased take-up. It was found that employers wanted a holistic service and after the product helped them to identify their skills needs, they then wanted support to source appropriate training.

Perceptions of UK Commission support at the bidding stage

All of the bidders interviewed generally believed the support materials provided prior to bidding were appropriate and useful. As one sector body noted, the process *"felt transparent, directed and clear early on"*. One non-SSC bidder believed the UK Commission should provide more information on the audit and reporting requirements in order that this could be built into their costing (*"we have no experience of public investments, so the level of scrutiny was a bit of a shock"*).

During the assessment of bids, some of the organisations that accessed GIF 2 development support felt they should have greater opportunity to respond to queries by Commissioners and discuss any concerns about the potential demand for the product or the need for intervention. In GIF 1 and 2, Commissioners are presented a summary of the case made by the applicant organisation and the recommendations from the UK Commission. In some instances, the Commissioning Board may not contain a sector expert. This makes it all the more important for applicants to ensure there is a clear and well-evidenced case to explain the demand, rationale and 'fit' of the approach, innovation and delivery method.

2.3 Project delivery

2.3.1 Management and leadership of the project

Responsibilities for strategic and operational management

Most of the projects had a clear management structure:

- a project officer that is responsible for delivering the project
- a senior manager provided strategic oversight
- and, in most instances, a steering group of employers that provided outward accountability. This meant that performance was regularly monitored and action could be taken to correct underperformance.

The **projects were generally perceived by employers and delivery partners to be well-managed**. The project manager was responsible for communicating to partners and they were largely felt to have effectively managed employers' time. As one employer reported, *"they communicated clearly and on time, which reduced the burden on my time"*.

Most projects employed effective project management techniques, regularly monitoring performance and managing risks. Project managers developed action plans setting out the time allocated to completing a particular task and the outputs that need to be achieved to meet contracted targets. Many followed PRINCE2 or other project management standards.

There are examples in all of the case study projects of issues being identified early and corrective action being taken to minimise the risk of not achieving targets. For example, where one project experienced a delay in engaging employers, the investee moved quickly to ask partners to help promote the project to their networks. Another project revised the fees it charged as this was felt to be a barrier that prevented some organisations from engaging with the project.

Projects that were well-managed also had a high degree of accountability, with progress reported at weekly intervals to the project director and as a standing item on sector bodies' board meetings.

Impact of GIF on approaches to project co-ordination and management

A number of the case study **SSCs describe their strategic and operational models as having changed substantially following the introduction of the contestable funding model**. In some cases, there has been **extensive organisational restructuring** and realignment to operate in a more **project-led model**, where the SSC organising staff into project teams (with the exception of an employer engagement team, which is a shared resource). This potentially leads to less coordination between different initiatives, but it does reduce the risk of inadvertent duplication and overlap of outputs.

It is hard to make general statements about the impact of the investment funds on other sector bodies (i.e. non-SSCs) given the projects in scope of the evaluation are predominantly SSC-led. One of the issues raised in this context is **competition between different types of sector and industry body to offer very similar solutions**, sometimes drawing on the same funding sources.

This is less relevant in an SSC-only context, as SSCs traditionally focused on distinct sectors with minimal overlap. However, by **designing the GIF programme to be accessible to a wide range of organisations, it increases the risk of having competing skills solutions in the same area**. This can potentially undermine the sustainability of both projects. It is a difficult issue to resolve, as it would require the UK Commission to 'pick winners' or encourage greater collaboration.

In organisations that were successful after receiving GIF 2 development support, the investment has enabled them to increase the resources that they can dedicate to employer engagement. In some instances, they felt their role had changed to *“become a sales job”* where they had to market their products to employers. This signifies a significant shift in approach for some of the organisations that accessed GIF 2 funding (such as trade associations, professional bodies and LEPs).

Collaborative working

In all of the GIF case study examples, **employers and some delivery partners were a ‘sounding board’ and offered feedback** on different products. Employers that provided feedback were most commonly drawn from investees’ existing networks of employers. This provides a relatively efficient opportunity to check that emerging products are in tune with a cross-section of employers. In reality, though, the level of feedback appears to be quite variable and this approach can lend itself to a sometimes superficial engagement after many of the key product decisions have been taken.

There is also evidence of **employers playing a critical role in shaping the development of new tools and standards**. Examples of this more ‘active’ engagement include:

- Participating in technical working groups to develop standards for particular occupations.
- Participating in discussions with education and training providers and providing information on the training needs of the employer.

‘Active’ engagement in general ensures that projects are able to make best use of the expertise of employers. It is important to be able to consider and distinguish between the level of ‘passive’ and ‘active’ engagement at the bid assessment stage, and also during the on-going delivery of the project, as it provides significant measure of the value of the employer contribution. Examples of active employer engagement were more common in GIF 2. This could potentially indicate a shift in sector bodies approach in later funding rounds.

Collaboration in the context of GIF often goes beyond just employers. The case study experience indicates that one of the key challenges here is ensuring that all partners agree that the solutions fully meet the needs of the sector. In one project, a training provider believed that some elements of the project developed training that duplicated what was already available. In addition, the objectives of the project to 'bulk buy' training at a lower cost was also felt to be unlikely to succeed because the volume of learners would be too small. In this case it may be that there had been insufficient consultation or research conducted on the training supply side during the development of the bid, with attention focused on employer demand. The provider felt that the adherence to meeting the original contracted targets diverted time and resource away from the parts of the project that were working.

In another project, some sector partners (many of whom were professional bodies) had different views on what the product needed to include. This is natural and perhaps reflects the complexity of the solution that is being created (universal professional standards that applied to a range of employment sectors). Although partners noted that *'healthy discussions'* had taken place, most agreed that the products found a good *'middle ground'*.

The role of trade unions

Three of the GIF projects included trade unions as project partners. The trade unions were primarily asked to participate in project steering group meetings to represent employees' interests. Many of the projects required traction among employees to be successful (whether they were expected to sign up to a guild or to adhere to new professional standards). As a consequence, it was important that the project was designed to leverage employee support.

In some projects, there was also an expectation that trade unions would help to market the new products to their members once they were launched. However, most projects did not yet have firm plans for how this would be done.

Employer involvement and leadership

Employer leadership in decision-making is most commonly provided through project steering groups and employers' executive boards. This gave employers the opportunity to **monitor the implementation of the project but without dealing with the day-to-day management**. This is understandable – employers in many of the projects did not have an appetite or resources to take direct leadership of a product and needed a 'broker' to manage the project delivery. As one employer stated*, "they made it easy for me, and that's really important, because we are an SME and so do not have a lot of staff"*.

There is clear evidence that providing an opportunity for employers to contribute to the strategic direction of a project is increasingly being built into the design of the products. In many instances sector bodies are looking to ensure a cross-section of employers are engaged, so the initiative is reflective of the needs of all employers and not just those that are more actively engaged in working with the sector body. However, projects are not always successful in achieving this ambition in the short-term and employer involvement and leadership generally comes from existing networks of employers.

When employers are involved in the leadership of the project, there is evidence from the case studies that this had helped to ensure wider employer buy-in and commitment. For example, in one case study the steering group comprises of senior staff in large companies who very practically helped to promote the project internally to key staff responsible for skills in their own organisation. In another project, an employer piloted a new professional standard within their organisation. This had a significant resource implication for the organisation and demonstrated significant support for the product.

2.3.2 Progress against plans

Delivery of outputs and achievement of contract milestones

Nearly all of the case study projects believe that they were on track to achieve their contracted targets, although most have experienced delays in implementation, which had resulted in some outputs being moved to later in the project timetable.

Most sector bodies found **the targets for employer and individual engagement to be the most challenging**. In some instances, this was due to delays at the start of the project related to challenges in engaging with new employers. With these employers, the sector bodies often had to first market themselves (their credibility and sector expertise) and then promote the product. As a consequence, it has generally taken sector bodies longer than expected to develop these new relationships. One employer noted that a delay in contracting had meant that the project had not been able to recruit from the September intake of learners, which impacted on recruitment.

The momentum of the GIF 1 projects has largely been sustained since the Best Market Solutions formative evaluation took place. There are examples of key recent developments that indicate continued progress, such as the setting up of a Centre of Excellence or the launch of a Quality Assurance scheme. In two cases, there is evidence that the project remains a priority for the board. However, one of the projects has struggled to achieve its targets for engaging employers, and so is currently reviewing its plans for sustainability.

Maintaining and leveraging employer investment

In most cases, the delay in achieving targets for employer and individual engagement has meant that they are **slightly behind on leveraging employer investment**. However, there were some examples of projects overachieving on their original targets. For example, in one case an employer rented premises at a reduced rate for use as a training venue. In some projects, it is clear that it took longer than expected to convert interest into investment, but this was most likely due to ambitious initial expectations, and perhaps a lack of awareness of the resources required to engage a large number of employers.

Some projects found it far more challenging to attract in-kind contribution than anticipated. Where cash contributions were linked to purchasing a product, there was often a clear benefit to employers. In-kind contributions appear more difficult to broker as, for the employer, it may not immediately lead to a return on investment. As a result, one project in particular was facing difficulties in recruiting the necessary level of in-kind investment. While this did not put the sustainability of the project at risk (the investee achieved its targets for cash contributions), it slowed down implementation.

Lessons learned

A common challenge among sector bodies was that **it took longer than expected to generate the desired level of employer interest**. This was particularly common among GIF 1 projects. In part, this may reflect a learning curve relating to the time required to market and launch a new initiative, which may have corrected itself as sector bodies have become more experienced in the process. However it led some sector bodies to set targets which, in hindsight, were unrealistic.

Sector bodies also highlighted the following lessons:

- Developing clear, jargon-free marketing materials, tailored to meet the specific needs of different businesses. For example, an SME may face different challenges (in terms of releasing staff and providing support to trainees) than a large organisation, and so require separate marketing materials.
- For young people, it is important to target recruitment around key ‘admission points’, particularly those in September and January. These are the times when they would expect the majority of young people to enrol onto training. One sector body stated that, in the future, “we would start for these planning recruitment around these dates, and then work backwards to develop our delivery plan”.

- The importance of being responsive and flexible to the market when making pricing decisions and not being afraid to refine pricing assumptions during roll-out. In one case, the price charged was set too low. As one sector body stated, “the employers that we spoke to did not believe price was that important a consideration”. This meant that, in the short term, the investee could increase price to help ensure the project became sustainable.

2.3.3 Project monitoring, support and reporting

Sector bodies regularly monitored performance to ensure that the evidence required to record achievement was collected. Most GIF investees in scope of the evaluation were familiar with accessing public funding. The level of scrutiny and need for accountability did not therefore come as a surprise. The contracted targets also formed the basis of sector bodies’ internal monitoring documents, which were used to report to project steering groups and to executive boards.

Most sector bodies believed the approach that the UK Commission took to manage the investments worked well. SSCs reported that the UK Commission employed a light touch approach, especially in comparison with other funding sources. As one interviewee stated, *“they just let us get on and do it”*. However, less experienced investees found the level of monitoring expected by the UK Commission to be quite onerous (estimated in one case to take around 15% of the investee’s time). This can reduce the ability of these sector bodies to manage the project effectively.

Some investees felt that, in some instances, the UK Commission has been overly strict in withholding payment when a project was behind schedule. A few interviewees argued that, although they were underperforming on certain outputs, they had achieved others; and therefore not all of the stage payment should be withheld. This was felt to potentially undermine sector body attempts to sustain the activities that they had already developed.

There are obvious difficulties in balancing a need for achieving value from investment and giving projects the opportunity to continue and become sustainable. As projects are implemented, there is an obvious need to review progress and make changes where appropriate. Sector bodies generally believed that these changes need to be more reasonably negotiated. As one stated, *“it needs to be a partner relationship, rather than a parent and child relationship”.*

The achievement of outputs was not always considered to be the most important measure of sustainability by investees – for example some projects may have already developed new infrastructure such as training vehicles or employer networks that could have a longstanding benefit in the sector, but may require longer than expected to achieve the proposed volume of outputs. This was not always explicit when the initial outputs were negotiated with the UK Commission. If a project underperforms on certain outputs then these factors need to be considered when negotiating changes to project plans. Fundamentally, though, it emphasises **the importance of investees proposing achievable targets at the bidding stage**.

2.4 Achievements, outcomes and early impact

2.4.1 Achievements to date

New products and tools that have been developed

Perhaps the **most significant achievement of the case study projects in general has been a change in the dialogue and discussions that take place between sector bodies and employers.** The investment approach has meant that these discussions are centred on specific products and tools, which ensures that employer time is better utilised.

Another key development is **the creation of new networks that brings 'customers' together with service providers to discuss their expectations and needs.** In many cases, these networks included employers, strategic stakeholders and training providers who came together to develop standards or influence provision within a local area. This provides considerable alignment with the ambitions of the Employer Ownership of Skills pilot. These networks create a forum where new employer-led products can be developed. To date, the projects have maintained employer interest and most employers and partners intend to maintain the network as it was considered mutually beneficial – employers can source more effective training, and training providers can identify new market opportunities. It remains early days for the long-term sustainability of these networks and the experience from EIF 1 suggests that this only becomes apparent once the investment period ends.

GIF investments have also led to the establishment of **new infrastructure**, such as professional standards, guilds and a new Apprenticeship Training Agency. The demand for these products has been slightly slower than expected, but this in unsurprising given that the products themselves are new to the sector and will take time to become established. Most GIF projects were able to demonstrate employer and sector body commitment which, as shown in the EIF 1 evaluation, lead to projects continuing after the end of the investment period.

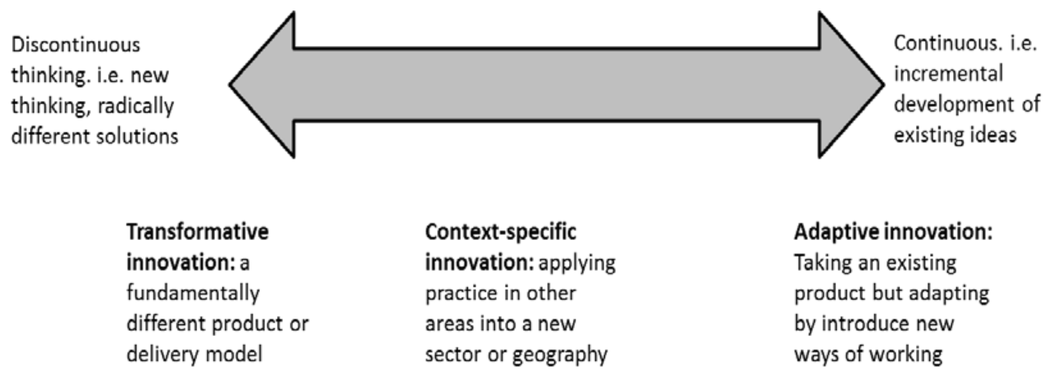
Some projects have made good progress in achieving outputs. For example, an ATA operating in a sector where apprenticeships are not seen as a natural progression route has already placed over 200 students.

2.4.2 Emerging areas of innovation

Perhaps the **most innovative feature of the GIF projects has been the way in which employers are engaged and consulted. This has been more systematic and purposeful than before the investment funds were rolled out**. For example, in many instances consultation and testing was taking place regularly at all stages of product implementation and active employer input has been incorporated in the design of the products. This represents a change in focus. Previously, employer engagement was undertaken in a more informal way through a broader set of discussions. Employers were engaged in a consultative role, but did not always have a stake in the skills solution.

Innovation can be explored in more detail using the UK Commission framework. This shows innovation as a continuum from incremental change to existing products to services that are radically different. Within this continuum there are three types of innovation, transformative innovation, context-specific innovation and adaptive innovation. More detail is provided in Figure 3.2 below.

Figure 3.2 Types of innovation



Source: Adapted from Cook et al (2012)

In the case study projects, there is one project that is close to the transformative end of the spectrum, which is the development of the guild. There are guilds in other sectors, but the way in which the guild is applied to this particular sector (bringing together all the trade associations to create a single vehicle to route future skills solutions) is new and can be considered to be potentially transformative, providing it is widely adopted by employers and individuals.

Most of the remaining projects exhibit context-specific innovation, taking a product that has worked in other sectors or for specific employers and rolling it out to a new group of employers. This includes the development of new professional standards, setting up a new Apprenticeship Training Agency (ATA) and developing a new network of employers. One of the projects can be considered to be adaptive innovation, as it has developed a new way of employers working with training providers, which has strengthened the role employers play in influencing the provision of local training.

2.4.3 Progress towards achieving outcomes and sector impact

Progress towards achieving planned outcomes and indicators of success

Most of the projects have made **reasonable progress to achieve their expected outcomes**. New training infrastructure and products has been developed (such as guilds, ATAs and professional standards) and, so far, these have continued to be supported by a core group of employers and partners.

It is still not clear yet whether the projects will sign up a sufficient volume of employers to have the intended level of impact. It does not necessarily follow that delays in achieving outputs will necessary put the achievement of outcomes at risk. It may just means that the **results will be achieved in a longer (but perhaps more realistic) timeframe**. However, for most of the projects, the long-term success indicators remain the number of organisations or individuals that have signed up to use the products. Most will generally have to scale up demand to achieve the wider impact expected.

All the projects are still in the early days of marketing their product to a wider audience of employers. In most GIF 1 projects this work has only recently started. There are, however, **encouraging signs that some projects will gain significant traction in the sector**. Two projects have maintained the support of large employers in the sector. Other projects have already signed up new employers to a service launched through GIF, which demonstrates early demand for the service. For example, one employer that was interviewed had taken on an apprentice for the first time and was pleased with the contribution they had made to their organisation. The employer believed that *'without the project we would have been able to take on an apprentice'.*

Influence

Many of the GIF projects have improved the communication between employers and training providers, which has influenced training providers' future plans and enabled them to create a more responsive sector offer. Many have done this through developing new networks between employers and training providers.

There is evidence that policy drivers to increase employer investment in skills is playing an important role in recruiting training providers to participate in these networks. However, as one provider stated, *"we don't have the resources to identify and work with all these employers"* and therefore the role of the sector body is crucial in recruiting employers and also articulating the needs of employers to training providers.

There are also examples of some projects influencing the work of other sector organisations, such as trade associations. In these examples, the **projects have provided a forum for structured, on-going communication which has enabled partners to work together to reduce the duplication of initiatives and also to ensure that all partners are able to sell a wider 'sector offer'**. This could potentially have a significant impact on increasing the take-up of sector initiatives. For example, one project brought together a range of sector stakeholders to provide training and employment services through a single delivery vehicle. This enabled the services to be promoted to a wider range of individuals and employers than would otherwise have been the case and also raised partner awareness of the provision that was available in the sector.

Added value, efficiency and effectiveness of the investments

GIF funding offers sector bodies the opportunity to implement ambitious activities that are unlikely to be funded through other methods. As one investee reported, *“it provided us with a major opportunity to do something different”*. For sector bodies, the commissioning approach focused minds on developing projects that are likely to have the greatest impact and is perceived to reward *‘thinking outside the box’.*

In is clear that the contestable funding model encourages sector bodies to set ambitious targets on match funding, which brings efficiency in the way the public investment is used. The evidence from the later GIF round suggests that leveraging employer contributions has become a part of sector bodies’ regular engagement with employers, which encourages employers to be less reliant on public subsidy and more willing to invest in skills solutions.

2.5 Sustainability

2.5.1 Planning for sustainability

Initial plans for sustainability and how these have evolved during delivery

All of the case study projects had a clear vision of how the projects would be sustained in the post-investment period (although not necessarily a detailed plan). Most investees had not significantly amended their plans over time. There are exceptions; for example, one sector body has altered its costing model as the numbers of learners benefiting from the project is lower than initially estimated.

In most instances, the GIF funding was used to subsidise the development of services/ products and enabled sector bodies to begin recruiting, to a point where they had a sufficient volume of learners to cover the on-going costs for maintaining the product. The plans in most cases are dependent on achieving sufficient volumes of employers to make the products sustainable at the end of the investment period.

In one exceptional case, the project was only intended to run over a short timescale. By the end of the investment period it was expected that new qualifications would be developed and employer and provider networks would be set up. This new capacity is an end in itself given that the behaviour change required on employers is integral to the set-up of the new network.

Good practice in planning for sustainability

There are two distinct camps in relation to sustainability:

- A set of projects and organisations that are planning for sustainability, have undertaken early market testing and are very conscious of how to move into the post-investment stage. Two out of the five GIF case studies would fit into this camp.
- A set of projects and organisations that appear to be adopting something of a 'trial and error' approach, but with substantial questions about the long-term viability of the project remaining (which is not to say that these projects are unsustainable). This may, for example, include undertaking fairly fundamental scoping work about who should pay for a product some years after its initial development.

The setting up of new employer networks, guilds, ATAs, etc. appear to have future financial models much more 'hard-wired' into the development and early implementation phase. This is because these projects do not generally provide immediate returns to employers, and as a result investees are required to think at an early stage about how the solution(s) and the opportunity benefits / risk of inaction will be 'sold'. In many of these projects employers are recruited at an early stage to steer the development and testing of the solution(s), which is then fed back into refining plans for marketing and promotion.

In contrast, **the development of qualification/provision 'products' appear to be less associated with planning for sustainability**. This may reflect that sustainability in these cases is simply a question of 'take-up', where future engagement in based on a 'transactional model'9 of investment. These products are relatively straightforward to promote as they provide an immediate return on investment for employers. The challenge in a transactional model of engagement is that employer engagement is quite brief and may not necessary lead to a sense of ownership of the product. Therefore if the 'case for investment' is not clear then maintaining employer investment in the product can be difficult. There is evidence that some sector bodies are still wrestling with how to commercialise their products, even where it might not be sensible to do so (possibly restricting access by making people pay).

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[9] Understanding Employer Networks: UK Commission Evidence report 66, Institute for Employment Studies, Feb 2013

2.5.2 Progress towards sustainability

Most projects are at an early stage of becoming sustainable. The GIF 1 projects, which are further down the line in terms of implementation, have only recently begun to recruit employers, and as a result are still testing the demand from employers. All these projects rely on supporting a reasonable volume of learners in order to cover on-going costs. Most investees believe they are still on track (and therefore their current sustainability plan still holds), but this may be revised depending on the progress that they make in recruiting employers in the final year of implementation.

The GIF 2 projects have arguably made greater progress towards becoming sustainable. For these projects sustainability is primarily reliant on developing employer networks that can then be maintained through minimal costs. For the GIF 1 projects in particular, the next 12 months will be crucial in testing the demand for products and to review whether they are likely in the medium-term to attract sufficient volumes of employers to become sustainable.

The progress made by projects towards sustainability was primarily due to the nature of the projects, rather than the approach employed by the sector body. Projects that rely on recruiting a high volume of learners generally experienced more difficulties in becoming sustainable. This is understandable given the time it takes to launch a product and ensure it gains sufficient traction in the sector to become self-sustaining. In contrast, projects that require the recruitment of a smaller number of employers, which many sector bodies can recruit from their existing networks, were generally easier to sustain.

2.5.3 Strategic fit

Alignment with sector bodies' strategic plans

The GIF 1 projects were a key part of sector bodies' strategic planning. Among the majority of investees, the programme was used as a vehicle for underpinning the continuation core activities. At that stage, GIF funding appears to be prioritised towards projects that would have the most significant impact on the sector (such as guilds, or an ATA). This provides an implicit strategic connection to the wider work of sector bodies. In GIF 2, the projects were more focused on specific groups of employers or areas, but nonetheless addressed well-established sector priorities.

A reasonably strategic approach is evident in most of the projects. There is, however, variation in the ability of investees to articulate the links to wider work (i.e. to make those links explicit). This relates to factors such as level of previous experience with the investment fund approach, the nature of the project in question and the leadership approach within the organisation. Some sector bodies directly connect the GIF project to wider work led by the sector body. For example, one ATA is explicitly described as being a vehicle to support delivery of a new higher apprenticeship framework and operating in tandem with the NSA.

Alignment with other investment activities

In the case of the larger GIF projects (generally infrastructure projects), there is a sense that the original GIF investment is seen as a longer programme that is likely to continue to be supported through future investments or initiatives. For example, the guild was developed to be a vehicle to coordinate the delivery of other sector initiatives. As a result future investment projects, or activities that are led by other sector stakeholders, will be delivered through the guild. The size of the investment is significant enough to most sector bodies that the GIF activity becomes the centrepiece of what they do (alongside other EIF investments).

Many of the smaller GIF projects provided a targeted solution to a specific sector problem. These activities were delivered as relatively standalone projects and therefore were not coordinated with other initiatives. Sector bodies would argue that this was due to the nature of the project, and the level of strategic alignment reflected the characteristics of the project.

Most the GIF projects were new and did not build on previous work that had been undertaken by the SSC. This differs from EIF 1 projects, where the recent evaluation found that many of the projects were initiatives that the SSCs had previously been developing through their core funding.

3 The Employer Investment Fund (EIF)

Chapter Structure

The chapter provides an overview of the second phase of EIF investments before exploring the bidding process. It looks at the rationale for EIF investment, the initial generation of skills solution ideas and how the process of leveraging the employer contribution was managed. It discusses perceptions of UK Commission support during the bidding process and explores how SSCs applied learning from earlier investment rounds to EIF 2.

Project delivery in the first year of EIF 2 implementation is assessed, including the strategic and operational management of projects and the extent of employer leadership and involvement in practice. The relatively good progress of EIF2 projects against initial plans is discussed, as well as the different approaches to (and targets for) leveraging employer investment.

Emerging areas of innovation across the EIF programme are discussed in the context of the key achievements of the case study projects in year one. Potential future impacts are also explored.

Early progress towards ensuring the sustainability of the EIF 2 investments is assessed, and the chapter concludes by the looking at the extent to which the EIF investments form part of a wider 'strategic approach' to developing skills solutions among investee organisations.

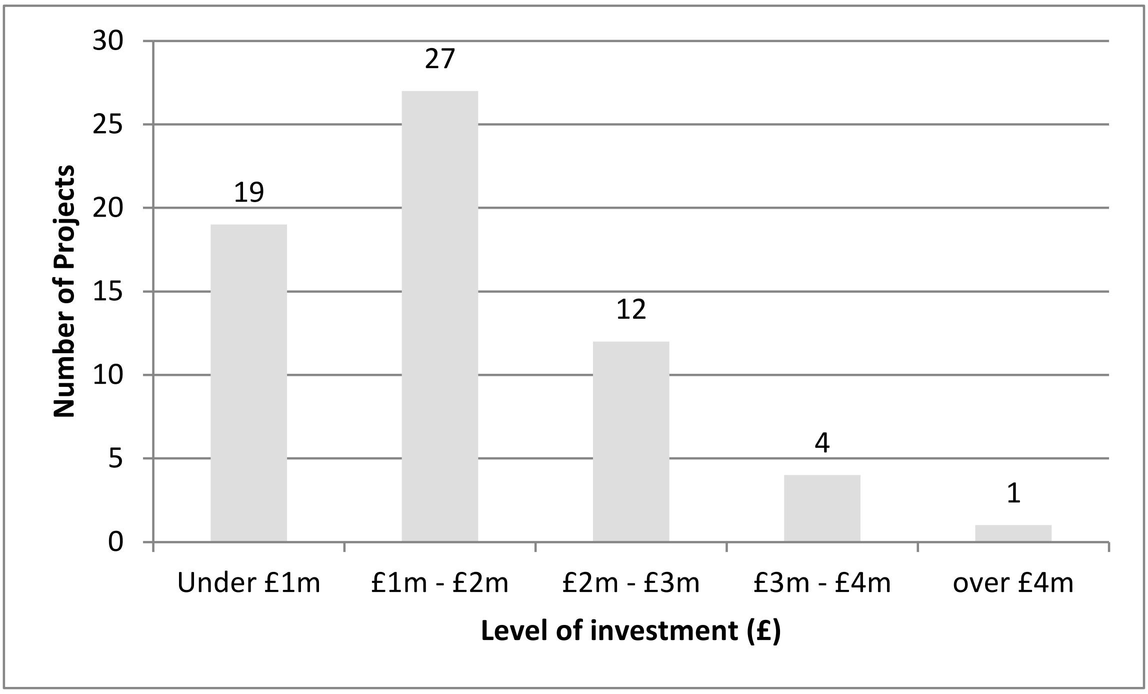
3.1 Overview of the EIF 2 investments

The EIF 2 programme was open to all SSCs in the UK. It was slightly more focused on infrastructure projects than the GIF programme. EIF was also UK-wide while GIF could only be used to fund activity in England.

There were 63 projects funded under EIF 2. Total investment will be just over £103m, with the UK Commission providing 59% of the total funding – around £61m. Employers will provide the remainder, the majority of which (£30m out of £42m) will be in the form of in-kind contributions. Individual projects will receive between £229,000 and £2.6m of EIF investment from the UK Commission. The size of EIF projects is shown in Figure 4.1 below.

Just under three-quarters (46) of projects were in-kind led. Around half of these (a third of the total) had no cash contribution at all. The level of in-kind contributions in projects varied greatly, from £10,000 to nearly £6m. A quarter of projects (17) were cash-led. Of these, four had no in-kind contribution at all. The cash contributions in these projects ranged from around £20,000 to £2m.

Figure 4.1 Size of EIF 2 projects (£)



Source: UKCES Investment portfolio MI (November, 2012)

Base: all EIF 2 projects (63)

Around 40% of the projects were expected to launch their main product or service by the end of 2012. Four out of the five case study projects had launched a substantial part of their product or service by this point (in some cases beta versions, but it still highlights substantial progress). Initial plans suggested three of these projects would have launched by the end of 2012. This suggests that **initial plans were quite realistic and flexible enough in design to account for how product development occurs in practice** (i.e. iteratively, in phases etc.).

3.2 The case for action

This section describes the approaches to identifying the need for intervention and then to developing the skills solutions.

3.2.1 The rationale for intervention

Issues that the projects are looking to address

As will GIF, the EIF projects generally looked to address well-established sector issues. Some projects aimed to increase professionalisation in the sector by improving access to training and others aimed to increase entry routes into their sector.

Sector skills issues were identified through a range of methods, such as through formal and ad hoc communication with employers, research or through the discussion of issues at industry meetings. This process was often relatively unpredictable and seems to be less the product of routine sector scoping, research or LMI than in the past (although LMI evidence is still an important aspect of bids). The way in which SSCs identify the need for investment varies quite considerably. In some cases it was in response to specific requests from employers; whereas in other cases the idea was generated by the SSC and tested with a few key employers. In the main, this probably reflects different 'types' of project.

Key drivers for development

The **relationship between the SSC and employers in generating solutions is still rather complex**. There is greater emphasis now on the 'bottom up' genesis of solutions through SSC networks, sub-groups and employer boards – although many sector bodies would argue that they have always done this. There is, though, a sense that SSCs are being more pragmatic. The case studies interviews highlighted keen awareness among SSCs that, without explicit employer support, it would be difficult to get investment and to deliver the project. This **changes the way in which SSCs think about engaging employers in supporting skills solutions before, during and after initial development**.

There were also some projects that addressed issues/challenges that were identified from projects delivered in previous funding rounds. For example, in implementing a project that accredited new higher education provision, one project identified a potential need for an accredited conversion course. This is potentially an important spin-off benefit of the investment approach: **regular task-orientated engagement with employers can provide sector intelligence that informs SSCs future plans**.

Rationale for accessing EIF investment

EIF funding was accessed because it was considered to be the **lowest risk way of developing and promoting relatively 'new' products**. These products required time and targeted marketing before they could be sustained by employers, and it was unlikely that employers would be willing to invest in the development costs as the costs would outweigh the benefits that individual employers received.

SSCs also believed that the two-year delivery period provided *"time to develop the right product"* and gave a reasonable lead-in time before the product had to deliver outputs. This was even contrasted with GIF, which, although also supporting infrastructure development, was perceived to require a high volume of 'beneficiaries' to be supported during the investment stage.

Likely scale of impact

EIF funded a range of activities that addressed both supply side issues (increasing the level of responsive, high quality training, increasing sector entry routes) and demand side issues (encouraging employers to invest in staff development and value skills training). Examples of projects include:

- the development of quality kite-marks for training provision
- the development new professional standards and voluntary licenses to practise
- the provision of brokerage and mentoring support to help individuals enter and progress in a sector
- the promotion and introduction of new sector entry routes
- the development of new networks of employers and partnerships between employers and providers.

Some EIF projects are broad skills solutions that are expected to reaching a high proportion of employers, or transform the training landscape. These projects have the potential to have a major impact on the sector owing to the scope of their ambition and potential reach. Other projects are targeted at specific groups of employers or individuals or are focusing on particular types of provision. The impact of these projects may not be as wide-ranging, but they can still play an important role in supporting SSCs' strategic plans.

3.2.2 The bidding process

Potential investees had a little over two months to prepare bids from the launch of the EIF 2 prospectus, to the submission deadline in September 2011. At the start of the bidding process SSCs were advised that the EIF projects needed to align with wider strategic objectives within their organisation, and had to make clear the benefits for each nation, linking with that nation's broader economic priorities. Collaboration with other SSCs, trade unions and industry bodies was encouraged.

The bids were to be assessed on:

- vision and ambition
- business case and evidence base
- proposed activities
- monitoring and evaluation plans
- value for money and additionality.

Managing the bid process

The EIF 2 bids were generally led by a project manager in the SSC, with oversight provided by a strategic director. Most organisations developed more than one bid and therefore it was necessary to have clear accounting lines in place during the development phase to *"ensure nothing gets missed"*, as one SSC stated. There was evidence of a **growing professionalisation of the bidding process**, with SSCs ring-fencing internal resources from colleagues across the organisations (including those working on research and employer engagement) in order to develop the bid.

In most cases, the employers that pledged their support for the project concept were given the opportunity to provide feedback on drafts of the project proposal at a relatively early stage of the bidding process. This enabled the SSC to refine the delivery approach and test their assumptions on the potential demand for the product.

Generally, the initial steps to identify potential projects took place many months in advance of the launch of EIF 2. However, it was only after the prospectus was published, and the information requirements for EIF 2 bids became clear, that SSCs then began to test employer support for these initiatives in order to agree the final list of proposals.

This was because:

- The official launch of the investment round helped SSCs to 'sell' a potential skills solution to employers, because the discussions were able to be more tangible when SSCs had the prospectus 'in their hands'. The SSC could show the potential level of public investment to support the initiative, informing employers' decisions on whether to support the prospective project.
- The launch of more detailed guidance on the level of employer commitment and outputs, outcomes and impacts expected from EIF 2 enabled SSCs to rationalise their long-lists of potential projects and choose those that best fit the funding criteria.

During this stage, most SSCs consulted with the employers on their executive board and their existing network of employers. One SSC also held an open consultation on its website. After the projects had been identified, the bid writing generally took four to six weeks to complete.

Attracting and negotiating the employer contribution

In all of the case study projects, employers committed to provide in-kind contributions to the cost of the project, which ranged from £70,000 to over £2m. In two of the projects, employers also committed to providing cash contributions (one expected to attract £30,000 and the other nearly £600,000).

As with GIF, the cash contributions were primarily from employers purchasing a particular product (a transactional model for employer engagement). **None of the case study projects sought employer cash contributions to develop the tool or service**. The SSCs argued that this was specific to the characteristics of their industries (most were not cash-rich and had a high proportion of SMEs). This made it difficult to leverage cash investment without there being an obvious return on the investment. Even though SSCs believed that cash contributions 'held more sway with commissioners', they appear to have been **pragmatic in setting targets in order to ensure the project was achievable**.

There is evidence that the need to leverage high employer contributions is influencing the design of projects in some cases. **Some SSCs appear to have plans for achieving a high level of in-kind contributions, for example by holding conferences and workshops, and these are often built into the project design**. This was perceived to be a more straightforward method for leveraging employer support than, for example, asking an employer to release a member of staff to work on the project. However, employer time provided through this medium is unlikely to provide the same value to a project as employers provide technical assistance or detailed feedback on new products or services.

Many employers chose to participate in the EIF 2 projects because they believed it would help them to resolve longstanding skills issues. As one employer stated, *"[the project] has real potential to help us with the long term problems we face".* There was also evidence of employers contributing for altruistic Corporate Social Responsibility (CSR) considerations. For example, another employer stated that it participated because it *'believe(s) it is important to professionalise the sector'* In these cases, employers typically believe that the projects will directly benefit smaller organisations rather than themselves; but they are willing to support these organisations as they are not seen as direct competitors. Where employers are engaged in this capacity, it is primarily through providing advice on products where they can draw on their personal experiences. However, there are also examples in the EIF 1 evaluation of employers contributing cash and time to develop a new service, often rallying around a societal benefit, which may be the redeployment of staff facing redundancies or proving unemployed individuals with better opportunities to gain employment.

There was also evidence that engagement and support for the project was also influenced by employers' previous positive experience of working with the SSC and trust they have in the organisation. Most of the employers interviewed who were supporting EIF 2 projects had worked with the SSC in the past. As one employer stated, *'they (the SSC) have been delivering results'* and as a result the employer had faith that the new tools would meet their needs. This is often necessary to leverage employer involvement in activities that are at an early stage of development. It is clear that in many instances employers were not yet clear on what the product would look like, or what impact it could have, and therefore had to rely on trust that the SSC would deliver services that met their needs.

Applying learning from previous UK Commission investment bids

There is emerging evidence that sector bodies have learned lessons from early GIF/EIF experience and consequently improved planning in terms of:

- how to develop ideas for skills solutions
- how to respond to identified commissioner priorities
- how to manage the investment-led approach to designing skills solutions.

In particular, **there appears to be greater clarity and understanding of the requirements for employer contributions to EIF bids and the need to evidence sufficient employer commitment within bids**. SSCs are now better able to take a view on what would be an appropriate level of employer commitment, and have developed **more systematic ways of gathering evidence of employer support**, through surveys and consultation.

Overall, this reflects a more explicitly outcomes-focused approach among SSCs. Case study interviewees reported that ‘employer support’ and ‘employer-led sustainability’ are more central considerations to SSC planning than they may have been in the past. It appears that SSCs have learnt lessons from the implementation of earlier investment fund activities, such as EIF 1, where the evaluation of the programme found that SSCs did not have a clear strategy on sustaining projects and that plans were largely crystallised when projects were near the end of the investment period.

This is evident in the much stronger focus on employer contributions in the context of project bids, and consequently in how SSCs describe their activities. As one bidder stated, *“we are now experienced in delivering and so can draw on a lot of shared learning”*.

Of course, some SSCs already had quite sophisticated approaches to developing skills solutions that were likely to resonate with employers, and could therefore attract employer investment. Others are still clearly undergoing a learning curve to adapt to changing business planning models.

<u>*Perceptions of the UK Commission support at the bidding stage*</u>

All of the projects believed that they had received good support from the UK Commission during the bidding process. The guidance was felt to be clearer than in the previous round and the FAQ page was also thought to be helpful. Perhaps **the most valued support was the UK Commission providing informal feedback on project ideas** and answering specific queries. It was noted that they were not able to answer all questions (some obviously conflicting with the competitive nature of the tendering), but nonetheless it was deemed to be very helpful during the bid writing stage.

The timescales were also deemed to less challenging than in EIF 1. This is because SSCs knew at an early stage that the funding would be available and so were able to prepare in advance of the launch of the programme. As one SSC stated, *"we knew what to expect"*.

3.3 Project delivery

3.3.1 Management and leadership of the project

<u>*Responsibilities for strategic and operational management*</u>

The projects were primarily managed by the SSC, with project officers responsible for implementing the project and a project director responsible for the strategic direction of the project. SSCs generally employed the same approach to manage EIF 2 projects as they did to manage GIF projects.

Some SSCs appointed one project manager to manage the project. However, there was also an example of an SSC employing a separate project manager for each of the UK nations. This was considered necessary as the activity that took place in each UK country were different. The project team needed to work with different local employers and local training providers. In another case, the project was split into thematic streams alongside other activities, with project management responsibilities following those themes rather than organising the EIF 2 project as a standalone package of work.

Impact of EIF on approaches to project co-ordination and management

Many of the case study SSCs had restructured their operational models. SSCs generally employed one of the following approaches:

- To set up separate project teams to implement each project; or
- To establish a central projects team that was responsible for managing a range of projects. This team would draw in resources from other departments for delivering the project.

A characteristic of both these approaches is that it ensured that **all staff working on the projects had clear responsibilities and accountability, which SSCs believed made it easier to monitor progress**. Having a clearly defined lead for each project also meant that SSCs could make decisions more quickly. It was noted by one SSC that previously *"working in committees slowed us down"* and that they could now respond more nimbly to employer demand.

Many SSCs have also sharpened their project management systems. There is fairly wide use of PRINCE2 and equivalent project management techniques. Some SSCs are quite sophisticated in terms of how they manage 'order books' of employer contacts from initial engagement through to direct support. This was not necessarily triggered by EIF, but those SSCs with good employer communication and contract management systems were better-placed to flourish under the EIF model.

Collaborative working

In most cases, the employers were responsible for, as one SSC stated, *"piloting, commenting, and feeding back on suggestions"*. This support was most commonly provided by reviewing draft products and participating in meetings.

There were also a few examples of employers playing a key role in the development of new tools. Employers in these cases provided insight into the sector to help shape new training products. For example, some employers developed specifications for training programmes, which could then be used by training providers to develop new courses. As one university course manager stated, the information provided by employers ensured that *"students are now far savvier about the world of work"*:

Although this took place before, there is evidence that the demand for employer contributions has meant that employers are contributing more of their time, experience and knowledge to support these initiatives. In some instances, it is clear that **employers now play a more active role in projects, rather than simply working in a consultative capacity**.

This constitutes an **employer contribution of ideas and good practice** that can be extremely valuable to the quality and design of the tool / product. For example, in one project, employers shared their in-house tools for professional development with the SSC, which then used this information to develop a guide. In this case, employers are sharing best practice, which for that sector reportedly marks a significant cultural shift. In another example, an employer developed specifications of the business skills they would require from graduates, which were used by universities to adapt their programmes.

Employer involvement and leadership

Accountability to employers was often built into the project design. Most projects established a steering group that met at regular intervals to review progress. In some cases there were multiple groups – for example covering each of the UK nations. The SSCs did not perceive this to be a significant step-change in approach, however, as they had always regarded this as good practice. As one SSC stated, *“everything we do is through partnerships. Our role is to bring other organisations together”*. However, the focus on ensuring employer buy-in and investment appears to have provided a far greater focus on systematic communication and ensuring all the employers are ‘active’ members of the group.

Employers were not generally responsible for the day-to-day management of the project. This is understandable as many of the employers believed that the role of the SSC was to *“bring everyone around the table”* and to broker communication and engagement, which most employers could not or would not want to do. This is generally a continuation of SSCs’ existing role in facilitating discussions and building relationships with a range of partners.

3.3.2 Progress against plans

Delivery of outputs and achievement of contract milestones

The EIF 2 case study projects are generally on track to achieve their outputs. Most have achieved all of their expected targets up to March 2013.

The output of EIF 2 products generally related to the production of new products and services. Unlike the GIF projects, the volume of employers that had to be engaged in the project was generally low. As a result, most project managers believed that the targets that were set in the first year of implementation were relatively straightforward to deliver. The outputs for year 2 were perceived to me more challenging as the SSCs need to begin recruiting individuals for particular programmes.

When outputs are negotiated by the UK Commission with the SSC, there is an opportunity to ensure that they measure progress against the key indicators required by projects to be sustainable and are challenging yet realistic. The UK Commission needs to ensure that this is done consistently in all investment projects. In some instances, it is clear that the output targets do not necessarily provide stretch and challenge and / or are not clearly defined. As a result, it is not always clear whether the projects are on track to recruit the volume of individuals / employers they need to become sustainable at the end of the investment period. Key milestones that are vaguely identified, such as the launch of a product even, may not indicate anything about movement towards that solution gaining traction with the sector.

The identification of appropriate milestones also depends on the starting point for each project, so a ‘one size fits all’ approach cannot be deployed for monitoring progress (although there are common measures that can be applied to most EIF 2 investments). What is important is that a combination of measures are used that reflect a journey towards project-specific goals for the end of the investment period. This can provide both a sense of key milestones being achieved (e.g. the product is launched), while also indicating that these are being achieved in a way that indicates long-term success (e.g. growing employer awareness of, ownership over and commitment to the product).

Maintaining and leveraging employer investment

When describing the employer support that EIF projects were committed to achieve, the projects can broadly be classified into three categories:

- Projects that could draw the required level of employer contribution from their existing network of employers, and therefore did not need to recruit 'new' employers to support development.
- Projects that only needed to recruit a small in-kind contribution from new employers, as most of the development could be done through working with their existing network of employers.
- Projects that were specifically targeted at recruiting employers that had not originally signed up to support the project and this was a key output measure.

Most of the projects expected to receive the majority of in-kind contributions from employers that had already signed up to support the project. These projects had continued to receive support from their existing network of employers and some had run events or workshops which had enabled them to recruit a few new employers to support the project. The targets set for the first year of delivery appear to have been achievable and realistic for the most part.

The few projects that proposed to sign up new employers are also on track with leveraging their expected level of employer commitment. Most had achieved this through working in partnership with local intermediary organisations (such as national trade associations) or by running promotional events in different geographical areas.

Lessons learned

The most significant challenge encountered by projects was delayed starts resulting in slow initial take up. A common issue related to **delays in mobilising employer support**.

It can take time for an employer, once informed that the bid was successful, to make resources available to support the project. This includes identifying the member of staff that would support the project, clearing time for that staff member to do the work and then agreeing meeting dates and the timetable for work. This can take up to three months, even though the employer is notionally committed to supporting the project. This is more of a challenge when the employer contribution is directed towards developing a product, rather than by purchasing a product.

This is not always factored into SSC project planning and therefore in some instances led to projects initially being delayed. However, the nature of the EIF projects (generally infrastructure development projects) meant that SSCs could catch up relatively quickly by allocating additional internal resources to the project. Among projects that are focused on delivery (which included many of the projects funded through GIF), it is far more difficult to make up lost ground, as there are generally limits to the number of employers that can be supported during a given period. This means that it takes longer to catch up and compensate for initial delays in the project.

3.3.3 Project monitoring, support and reporting

SSC capability in terms of programme and project management skills and disciplines appears to have improved across the piece – even where overall sector body capacity may be reduced. All of the SSCs interviewed had a clear understanding of the risks associated with underperformance, and hence ensured that the tasks being undertaken were geared towards achieving the contracted targets.

In general, most SSCs believed the approach employed by the UK Commission to manage the EIF programme was *"entirely proportionate for the amount of public funding invested in the work"*. Most acknowledged that there needs to be a certain level of accountability for public funding, and the approach employed by the UK Commission did not create an unnecessary burden. The progress reports were generally believed to be in-line with the reports that the SSCs provide to their executive boards and internal teams to monitor progress, and therefore did not create much additional work. This was more difficult when the SSC did not management the EIF 2 activity as a discrete project.

The contract management approach was deemed to be 'hands off', which was believed to be appropriate. Many SSCs also believed that their UK Commission project manager was helpful, providing *"a source of advice and guidance"* and *"understood some of the challenges that we face"*.

3.4 Achievements, outcomes and early impact

3.4.1 Achievements to date

The EIF 2 projects are still being developed, but most have now introduced pilot versions of their products, which had been rolled out to a small group of employers. These products were being tested as part of the development process. One project has launched its product more widely, but it is continuing to develop other activities that are part of the wider 'product offer'.

3.4.2 Emerging areas of innovation

The most significant examples of innovation that emerge from the EIF projects so far has been **a more systematic and goal-orientated way of communicating with employers.** There does appear to be a shift from engaging with employers in a consultative capacity to drawing employer time and commitment to support the development of specific initiatives. SSCs now appear to focus more on utilising employer time to support the development of products, which is seen as a more valuable use of their time. This is a general characteristic of EIF projects, although it is perhaps most tangibly seen where employers are working with training providers to develop new training provision.

It is possible to look at 'types' of innovation evidenced across the EIF 2 portfolio in similar terms to the GIF projects (see Figure 3.2 in Section 3.4.2). There is one case study project that could potentially be considered transformative. This utilises new technology, particularly smartphones and tablets, to provide a new way for employees to access workforce development. Most of the remaining projects demonstrate context-specific innovation. They have taken approaches or good practice that has worked in other sectors, or with other groups of employers, and applied them to a new setting.

3.4.3 Progress towards achieving outcomes and sector impact

Progress towards achieving planned outcomes

Most of the projects have made reasonable progress to achieving planned outcomes and sector impact. All of the case study projects have, in the main, made the progress that they expected to at the point the fieldwork was conducted.

There are some examples in which EIF 'sub-projects' are being undertaken sequentially throughout the implementation phase. This means that progress across sub-projects is uneven midway through the implementation phase. However, **there does seem to be a tendency to focus initially on more mature project strands – meaning that the 'newer' ideas (less-developed project strands) are on the back burner initially**. These strands would arguably benefit from time being spent on them during the early project implementation, so this may be an opportunity missed. For example, in one project the development of a pricing structure and marketing strategy takes place after other parts of the product have been developed. It would be useful for these plans to be in place earlier so that they could inform the design of other products in order to ensure that they are able to attract employer investment when they are launched.

Midway through the implementation of the projects, most of the employers still believed that the products that had been developed would provide a longstanding benefit to their organisation. As one employer stated, *"it will save time and resources, which is why I am confident our senior managers will provide a budget for us [to use the tool]"*.

There were also a few employers that did not believe the product, in its current form, will provide an immediate benefit. An employer that piloted one product felt, *"I probably haven't really learnt anything new"*. In some instances this is because the project is primarily focused on a particular group of employers, such as SMEs, and was less likely to benefit others. Once the projects are revised after piloting it may be that the potential pool of employers that could benefit from the service would increase.

It was not always possible to verify the extent to which employers were involved in supporting product development. One investee could not provide evidence that it was actively working with employers, even though outputs were being produced. This may reflect the nature of the skills solution, in which there is a lot of 'behind to scenes' development activity before there is a workable proposition for employers to connect to. It demonstrates that the role that employers play, and the level of detail engagement and understanding of the skills solution, can vary significantly across different projects.

Success indicators and measures

It is clear that all SSCs are primarily focused on achieving the outputs necessary to receive stage payments from the UK Commission. Many of these relate to intermediate products that are developed through the project. This is an understandable approach given the financial impact it has on the organisation.

The EIF 1 evaluation found that products typically evolved and changed as they are continually tested with employers and reviewed following feedback. This will mean that key progress indicators change, and that it could be beneficial to vary contracts accordingly

The success indicators largely draw on the outputs proposed in the initial bid documents. None of the SSCs reported that these had changed considerably following negotiation with UK Commission investment managers.

In some instances, the focus on achieving outputs means that SSCs divert resources away from further developing a product to ensure it meets its intended outcomes. For example, one project had ambitious targets for the number of employers engaged to test a product, and then had to focus on achieving this target rather than refining the product. In some cases, there may be good cause to rationalise the number of outputs, and focus on the key activities that can demonstrate the project had made the progress expected in developing a sustainable solutions.

Influence

The EIF 2 projects have had potentially the most significant influence on supporting training providers to be more responsive to employers' needs. This has led to the development of new HE and apprenticeship provision in priority areas, but, perhaps more importantly, it has led to the development of new relationships will help shape provision in the future.

In this context, the **role of the SSCs was regarded as essential in brokering the relationship between the employers and providers**. In relation to employers, the EIF 2 projects had not, in the main, yet had an influence beyond the small group of employers responsible for developing the new products or services, despite advances in methods for engaging employers in design. Midway through the investment period, this is not necessarily a surprising state of affairs.

Added value, efficiency and effectiveness of the investments

A significant benefit of the investment approach is that the **badge of public funding can act as a 'carrot' that encourages employers and training providers to invest their time** in developing skills solutions. As one employer stated, *"we only have to put a little time in, and get a lot out"*. The public funding enabled the project to provide a greater return on employers' investment. This provides a unique selling point that helps SSCs to engage with new employers.

In addition, the approach rewards SSCs for developing ambitious, innovative solutions that are likely to have the greatest impact on the sector. There is a natural commercial driver for SSCs to develop new products, which mean that many are actively examining new solutions and activities that can address sector skills issues, in many instances by drawing from good practice in other areas.

As SSCs become more experienced with the investment approach, there is also a sense that **the upfront need to leverage employer support is also 'grounding' proposals, in effect acting as a further review stage to check the viability of new products**, and whether the project will ultimately achieve its outputs.

The contestable funding approach has also been found to bring efficiencies by leveraging in-kind expertise and insight from employers. The bidding approach encourages SSCs to set ambitious targets on the level of employer contributions.

The study does identify that 'active' employer contributions generally provide most value to projects. However, the drive to increase employer contributions may lead some SSCs to design projects in such a way that they achieve high employer contributions, but do not necessarily draw on the expertise of employers, which is in most instances the main 'added value' that employers provide.

3.5 Sustainability

3.5.1 Planning for sustainability

Most of the projects were structured in such a way that the investment was frontloaded and the on-going costs to maintain the product were generally low. As a result, **some SSCs planned to sustain the activities through contributing their own resources, and others believed that they could maintain the project through relatively small employer contributions**.

Although all of the projects had high level strategies in place for sustainability, most were **still developing and maintaining more detailed sustainability plans, which estimate the size of the market and the volume of employers that need to be engaged in order to sustain the project**. Only one of the projects had what could be considered a detailed plan in place at the outset of the project.

In some instances, this is because the products themselves were always expected to evolve as the projects developed and, as a result, it is initially difficult to have clear plans in place. For one project that was developing a guild, for example, the products that were to be roll out with the guild were still being finalised, and as a result it was difficult to estimate the fee that could reasonably be charged to members or the cost for maintaining the guild. In other instances, though, it may demonstrate an important gap in the initial testing of the demand from employers.

In GIF, the need to engage with a high volume of learners at a relatively early stage of the project implementation meant that many had at the outset considered pricing strategies and the volume of learners they needed to engage to become sustainable. The EIF projects were generally at an earlier stage of implementation and it is clear that many have not yet approached the future business model with this level of detail.

There is a sense that the sustainability plans that were in place were flexible and could be varied depending on the employer contribution the project is able to attract. For example, one project had introduced a new suite of training, which could be maintained through minimal employer contributions. However, if there was a high take up then the SSC would then be able to invest in developing new training opportunities.

As the projects evolve, there is a need for flexibility in sustainability planning. The plan needs to provide a guide, but one that is responsive to learning from the project over time. Projects that have been most effective in planning for sustainability consider the sustainability plan to be a ‘live’ document that is reviewed and edited on an on-going basis.

3.5.2 Progress towards sustainability

At present, most SSCs are at an early stage of becoming sustainable. It is only when products are at least in part rolled out to the market that SSCs appear able to build a clearer understanding of the market and gauge actual demand.

The more advanced SSCs have undertaken:

- A review of pricing models and agreed a final price structure
- Developed a marketing strategy and promotional plans
- Target setting for the number of employers engaged, for the next 2-3 years.

Others are still finalising these arrangements and expect to have detailed plans in place before the product is fully launched.

3.6 Strategic fit

Alignment with SSCs' strategic plans

All of the EIF case study projects addressed significant sector skills issues and were therefore a relatively important part of SSCs wider strategic plans. Most SSCs accessed investment funding to develop a core initiative and have then developed other projects to support the roll-out of this product, for example by providing new standards that generate demand for a guild. It is clear that in nearly all cases the EIF project was part of a broader sector solution, providing a sense of overall scale to the work that goes beyond it being a single project.

There is also evidence of investment projects dovetailing with wider policy initiatives. For example, some activities, such as those related to apprenticeships, are a response to wider policy as well as employer demand.

Alignment with other investment activities

Many of the EIF 2 projects built on activities that have been undertaken through previous investment rounds. In these instances investment funding was received to support the project at a different stage of development. For example, in two the projects initial investment for feasibility studies were provided through EIF 1. This is a pragmatic approach to supporting projects that are at an early stage of development, and therefore at the end of the investment period were unlikely to initially draw down sufficient employer contributions to become sustainable. In many instances, the work undertaken through earlier investments also provides evidence that there is sector support for the product concept, even when the final product has not yet been developed.

For some projects, there is significant interdependence with other initiatives. This can make it difficult to identify appropriate success indicators. It could mean that when looking at the EIF project in isolation, the return on investment might be hard to deduce. Often it is a **combination of different initiatives that create a demand for a product or lead to a lasting sector impact**. Where SSCs have taken this portfolio approach to implementing initiatives, the coordination often helps increase the outcomes that will be achieved.

It is a similar scenario for projects that develop new networks and partnerships. Ultimately, the benefit of these services will be from the maintenance of longstanding partnerships that influence the development of future training. Often these benefits will be realised alongside other initiatives that will be rolled out that aim to encourage the take up of new skills initiatives.

4 Conclusions

The experience to date across the entire UK Commission delivery programme suggests the following conclusions:

Competitive commissioning and investment culture:

- Across the investment projects, increased competition for skills investment funding is having a positive impact in ensuring that proposed skills solutions are better-targeted at areas of identifiable demand. Investees are being more selective about the solutions they put forward.
- Programme design changes under GIF (prospecting; the GIF 2 development phase) to actively encourage and support bids for investment beyond the traditional SSC cohort have been successful. It creates the prospect of having more innovative skills solutions by investing across a wider range of organisations, each of which has a different type of employer relationship and is therefore able to access and engage employers in different ways. Given that employer mobilisation and ownership is at the heart of GIF (and EIF), this enables the GIF programme to develop a richer portfolio of activity.

The role of the UK Commission:

- The overall feedback on support and management from the UK Commission across all programmes is largely positive, although it is clear that the support needs of investees varies considerably. This directly relates to the broadening of the investee base, which has inevitably taken time to achieve. There are fewer ‘non-SSCs’ in the earlier programme rounds (of GIF) in scope of the evaluation than are reflected in the current composition of the investment portfolio. However, it is clear from the non-SSC GIF 2 projects that received investment or development support and the organisations that received GIF 1 projects that these organisations require additional, on-going support (e.g. deciphering the language of skills policy, capturing and recording employer engagement, evidencing outcomes and impact, and, in some cases, deploying effective project management techniques). In some instances these sector bodies are not aware of the opportunities that are available to review investment agreements, and therefore greater clarify on this might encourage investees to be more pro-active in discussing revisions to project outputs.

- For all programmes, the view from organisations with extensive experience of working with the UK Commission is that the guidance, support and monitoring it has provided is generally clear, appropriate and proportionate. There is evidence of learning over time among SSCs and of effective communication of the investment programme ambitions (through guidance, bidding experience and dialogue with UK Commission investment managers). As the number of investments increases, there is the opportunity to encourage effective collaboration and coalesce employer support for, and critique of, skills solutions rather than divide it across 'competing' projects.

Employer demand and involvement project design:

- The notion of employer demand is at the heart of the UK Commission investments. GIF and EIF investees highlight the inherent and long-standing difficulty in trying to capture an upfront measure of demand for a proposed skills solution or product. There is a mix of well-established evidence of 'need', often drawing on LMI, plus wide-ranging but more tangible evidence of 'support' from employers. Investment programme bids tend to focus on the latter. Of course, these are not 'either/or' approaches; but, they do reflect characteristically different approaches to skills solution design that appear to have consequences for employer engagement in delivery and beyond.
- GIF and EIF bids highlight a strong focus on generating active support among a group of employers as evidence of demand than perhaps would have been the case in the past. The design of the investment funds are such that potential investees are clear that, without having explicit employer support, projects are likely to be unsuccessful in the bidding or delivery stage. This is a subtle but important shift in the generation of skills solution ideas, especially in relation SSCs. While the process for generating ideas remains extremely complex, it is clear that they are often generated 'bottom up' by SSC employer networks and boards.
- However, for all investment products there is a major difference between originating a skills solution idea and developing it into a substantial project. The latter requires time, effort and capacity and inevitably becomes the responsibility of the sector body – partly because they are best-placed for bid writing and partly because the process of bid development involves wider testing of the original idea with employers. The risk is that this leads to the perception of bids still being 'led' and 'owned' by the sector body rather than employers. Sector bodies themselves are increasingly aware of this risk and generally work to mitigate it.

- There are also practical limitations to what can be achieved during the bidding phase of all investment programmes to widen the base for 'active' employer support. It appears quite rational that many employers, especially those not closely-connected to debates on skills improvement, only offer, at best, a kind of tacit support before a clear programme of activity is underway. This inevitably means that investment fund activities, in the first instance at least, are geared around working with larger employers that are already sold on the benefits of engagement (the so-called 'usual suspects' in any given sector). The evidence suggests that it is much more important to have active support, involvement and ownership from a range of employers (irrespective of how many), than it is to have a sector-wide notion of tacit support. This is also arguably in line with and supportive of the model developed for the Employer Ownership of Skills pilot.
- However, this raises one major question for the majority of GIF and EIF projects where there is an explicit assumption that a much wider set of employers will buy or use a product or service in the future. It becomes crucial to look at whether the upfront absence of wide-spread employer involvement in project design is (a) just a practical consequence of the nature of bid/idea development to be addressed in the investment phase, or (b) if it indicates a lack of wider relevance and potential for traction with non-engaged employers, who may be characteristically different (i.e. smaller).

Innovation:

- For the investment projects there are far more examples of the incremental development of existing ideas (a more continuous form of innovation) than of radically-different solutions. This is not particularly surprising; it reflects the maturity of the skills landscape in many sectors and the nature of identified need. Furthermore, taking an existing idea and applying it to a sector or group of employers where there is a lack of skills investment is in itself quite an ambitious undertaking.
- Innovation in this context is not so much about the product or skills solution itself; it is much more about the detail of product design providing an effective catalyst for employers to engage, buy and/or use the product over time. It is therefore dynamic in nature and hugely dependent on the critical activities of product testing, pricing, marketing and on-going refinement.

- There are examples of projects that have more obvious potential to be transformative in nature, such as projects using technology to potentially radically change the way people access training, and the development of guilds and similar associations as a vehicle for offering a wide range of products (some of which are highly-innovative in themselves). It is far too early to comment on the viability of these approaches. They certainly attract considerable risk. What can be said about the investment portfolio as a whole is that it is quite balanced in terms risk and inherent scale of ambition.
- Underpinning all of this is a more general 'process' innovation that is apparent in terms of how employers are engaged and consulted. This partly reflects the need for on-going testing of skills solutions. It is also a function of employers having a much more explicit stake in the project, which is embedded in programme design.

Leveraging the employer contribution and employer engagement:

- For all investment programmes, the requirement for an employer contribution is shifting the expectations of bidders and the employers they work with. It is the single most important factor contributing to greater employer ownership over skills solutions. There is also some evidence that the proportion of employer contributions is increasing over time (e.g. from GIF 1 to GIF 2). However, while employers certainly have an increased stake in the success of GIF and EIF projects, the employer contribution takes many forms and needs to be understood in more than crude financial terms. The basic assumption that a 'cash' contribution from employers is more significant than an 'in-kind' contribution needs careful scrutiny. Most projects include a mix of employer contributions in these terms anyway. A much more important indicator of employer ownership over the skills solution (and therefore of future sustainability and impact) is whether the contribution is 'active' or 'passive' in nature.
- Investees are quite pragmatic in terms of how they set employer contributions and how they work with employers through the development / delivery process. The positive outcome from this is that, where it works, employers are making targeted and value-adding contributions to development: sharing their internal practices and on 'on the ground' expertise to inform skills solution design. This is a particularly 'active' form of in-kind investment and can be contrasted with other forms of in-kind investment, such as employer attendance at conferences, which might be calculated to comprise a greater financial contribution (because of the high number of employers involved) but is inherently much more 'passive' in nature. Even where employers are making an active contribution, often sector bodies are still very much in the driving seat and the question is raised about whether even these good practice approaches constitute effective employer leadership.

- While there are good examples in all programmes of groups of employers (typically already well-engaged in skills debates) taking an effective lead over design and delivery; there is also the growing model of employers as ‘customers’ for a product with the employer ‘cash’ investment taking the form of industry buying a service. This can be an effective model for ensuring that the investment portfolio is geared towards skills solutions that employers will actually buy. In some ways, it is a more meaningful indication of future sustainability than the gold standard of employers providing upfront cash to support development. This is because upfront cash investment can be a one-off contribution from a small number of employers. It does not necessarily indicate wider sector support; often necessary for sustainability.
- It must be noted however, that through a transactional model employer engagement is quite brief and may not necessary lead to a sense of ownership of the product. Therefore if the ‘case for investment’ is not clear then maintaining employer investment in the product can be difficult.
- The challenge with assuming employer investment as customers is that, given the inevitably long lead time for product development and refinement, the true test of employer ownership comes quite far down the line. It is interesting in this context that the projects in EIF 2 in particular are working towards a relatively early launch of their skills solutions. This is something of a shift from the early investment rounds (including GIF 1), where launch was anticipated at the end of the investment period.
- In some cases, employer participation is partly motivated by Corporate Social Responsibility (CSR) considerations. This is a key driver for providing upfront in-kind and cash investment for products that supports the sector but do not provide an immediate benefit to the employer. However, while CSR considerations can be a catalyst for engagement, the evidence suggests that there also needs to be the prospect of a long-term benefit to the employer in order to justify participation.

Progress, delivery and outlook:

- There is evidence of effective and efficient approaches to managing the delivery of investment projects. This is underpinned by widespread use of project management techniques and has, in some cases, benefitted from reorganisation within lead organisations to have a more ‘joined up’ team-based approach.

- Some of the earlier GIF 1 projects were over-optimistic about the timescale for implementation and level of outputs they would be able to deliver within a given timescale – especially given that these outputs were often dependent on the timely launch of a product. This reflects something of the learning curve for investees – and the early indication is that EIF 2 and GIF 2 projects are more realistic in ambition, although no less ambitious in nature.
- Among investment projects there does appear to be a distinction between those projects that have a focus on specific groups of individuals and employers and those which, by design, are anticipating a sector-wide impact. The latter projects, typically based around new networks such as guilds, are particularly interesting in terms of how they evolve to emerge as a vehicle for offering a wide range of products, services and benefits to employers. It is highly unlikely that these kinds of solutions would be developed without the upfront public investment. They are likely to take considerable time to become established, sustainable and widely recognised within sectors. Their key strength, which is evident in a wide-range of well-positioned GIF and EIF investments, is that they are adaptable.

Planning for sustainability:

- For any UK Commission investment, there appears to be an implicit assumption that the investee will have an interest in and scope for maintaining the skills solution beyond the period of funding. The crucial assumption is that skills solutions will be self-sustaining because they seek to address a market failure and are rooted in a good understanding of employer demand. Within this evaluation, the litmus test of this is the GIF 1 programme, but most projects here are still tackling questions about the transition to sustainability. The true test for all of these investments (even the GIF 1 projects) will be in the coming years.
- A robust plan in place for making the transition beyond the investment period (and investees, especially SSCs, are getting stronger in this area over time) can define future success. The path to sustainability is clearly one that is challenging and takes time. The earlier sustainability planning commences and becomes integral to the development of the solution, the better. Key components of sustainability planning include early consideration and development of ways to articulate the benefits of action and/or risk of inaction to the audience, and, how to lever sufficient active involvement from at least a core of employers so that they are not just customers, but also champions of the solution that they shaped and developed.

- For projects where the return on investment is not immediately apparent (such as guilds and employer networks), the investment approach ensures that sector bodies think at an early stage about how these products will be marketed and sustained. Projects that engage employers through a more straightforward 'transactional model' are less likely to think in these terms, as sustainability plans are considered to be largely 'sales forecasts'. However, the challenge in a transactional model of engagement is that employer engagement is quite brief, and therefore if the 'case for investment' is not clear then maintaining employer investment in the product can be difficult.

Strategic fit:

- Owing to the size of the investment, in most cases the GIF and EIF projects are well-aligned to the wider strategic plans of sector bodies. In many cases, these projects form the centrepiece of organisational strategy and there is clear complementarity between projects, often building on previous developments. In the case of some EIF 2 projects, the interconnection between various strands of activity under a given 'project' and the wider work of the SSC (i.e. other projects) is so strong that it makes it difficult to consider the specific EIF investment in isolation. Potentially this will make return on investment difficult to assess, but it does indicate that each project is part of a strategic approach.

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