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An Initial Formative Evaluation of Best Market Solutions

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An Initial Formative Evaluation of Best Market Solutions

**Cook, J., Pringle, S., Pates, R. and Redman, R.
SQW Ltd**

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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.

In March 2011, the Growth and Innovation Fund was launched as a partnership between the UK Commission, the Department for Business, Innovation and Skills (BIS) and the Skills Funding Agency. The UK Commission led on the Best Market Solutions strand of the Fund, in which the UK Commission made investments in small-scale innovative initiatives that could help to galvanise employer investment in skills. SQW Ltd was commissioned to undertake an initial evaluation of the process of the first round of the BMS programme, so that the lessons of how projects were designed, developed and implemented could be learnt to inform future investment rounds. This study used case studies with lead organisations to examine project development processes, with a focus on employer engagement, innovation, developing proposals and contracting, and the development of sustainable business models.

Recommendations are the author's own, and where in keeping with the overall design of GIF, have informed developments in process and delivery.

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. These mechanisms include our *Changing Behaviour in Skills Investment* seminar series and the use of a range of online media to communicate key research results.

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.

Lesley Giles

Deputy Director

UK Commission for Employment and Skills

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Executive Summary

Introduction

This study, undertaken by SQW Ltd (SQW) for the UK Commission for Employment and Skills (UK Commission), has evaluated the design and development processes that were used to conceive projects under the Best Market Solutions (BMS) strand of the Growth and Innovation Fund (GIF). The overarching aim of the evaluation was to learn lessons from the way in which project ideas were conceived, and subsequently developed. The specific objectives of the study were to gain insights into:

- how ideas were conceived and, in particular, where innovation came from;
- the barriers to, and enablers of, the development and set-up of projects;
- the nature and extent of employer and other partner engagement in developing proposed solutions;
- the strength of the underpinning logic chains and routes to impact of the proposed projects; and
- any early outcomes and successes, recognising the current early stages of all of the projects.

This evaluation has focussed on the design and development processes of GIF projects in the first Round. It is too early to assess the longer-term sustainability of projects or their outputs and outcomes, and these will need to be tackled in subsequent evaluation work on GIF.

The study has adopted a case study approach, with six of the Round 1 GIF projects examined in detail. The findings in the study's main report, summarised below, focus on these six case studies, though these are extended to the wider set of 12 projects invested in through Round 1 of GIF.

There are three core principles to BMS/GIF, aligning with the overall objectives of the GIF programme. These are relevant to the evaluation, and are as follows.

- Initiatives are to be employer-led. This means that they should be supported and led by a group of employers, whether this group was from a particular sector, geographical area or supply chain.

- There is to be an element of innovation and new thinking in solutions. This could include transferring practice from other contexts, utilising new types of delivery process, or even radical new thinking that has not been seen before in the skills domain.
- Initiatives are to be self-sustaining in the medium-to-long-term, i.e. funded through employer contributions in some way such as a commercial model for service provision.

Where have projects come from?

GIF is providing an important contribution to enabling the new projects to come to fruition. Most projects have origins that pre-date GIF. As might be expected, for all of the case studies, the *issues* that the projects are seeking to address were identified before GIF was launched. GIF has provided impetus to bringing forward applications for projects that may not have got off the ground otherwise, and for one case study, the opportunity presented by GIF prompted discussions of project options in the sector. This is because GIF provides the necessary pump-priming support and supportive environment required to establish new mechanisms and new delivery models, the funding for which could not purely come from sectors themselves. As a result, the relatively modest amounts of public investment are being matched by private sector contributions in order to get novel projects off the ground. The amounts of employer investment to support the delivery of projects is around what might be expected, with cash and in-kind contributions representing circa 50 per cent of the project value. In some cases employer contributions are more significant.

Most of the projects under GIF are bringing new ways of working to their respective sectors, albeit ones that are borrowed from other sectors and/or other countries. One project seems to offer a completely new model for the UK, challenging the legal framework around skills infrastructure.

Employers recognise that projects are substantively different, and they are incorporating new approaches in particular sectors for the first time. However, innovation processes are not common across projects, and not straightforward to characterise. There are various contributory factors to this innovation process, with the following being the most notable from the case studies:

- the important role of employers and their disciplines in bringing new ideas to the table to benefit the sector, and the act itself of bringing employers together to collaborate, share and debate issues and ideas;

- learning from other initiatives elsewhere; and
- the use of GIF as a pump-priming mechanism for novel ideas that may not have secured funding otherwise.

Whilst employers have been cited by most case studies as being key contributors to innovation, in one case it was noted that employers acted as a pragmatic rein on innovation, as they were keen to ensure the proposed solution had practical appeal to the sector. This is a potential barrier to innovation, though one that is perhaps needed to ensure solutions have real world practicality.

In addition, the regulatory framework around skills funding was identified as a barrier to innovation. Overall, the evaluation concludes that some genuinely new ideas are being developed as a result of GIF, in particular projects that seek to apply existing and proven activities in new sectoral or occupational contexts. Radical innovation is likely to be rare under GIF. The evidence suggests that, through GIF, the UK Commission can act as an agent that stimulates innovation and supports risky solutions within acceptable limits. It must be noted that, whilst the UK Commission is open to new ideas, there is a limit as to how far GIF can push the boundaries of existing policy frameworks.

Employer engagement

The set of projects under Round 1 of GIF is heterogeneous in origin and nature. Reflecting this, the nature and scale of employer engagement in the design and development of project concepts and proposals has varied, and this has affected the extent of employer contribution to projects.

In three of the six case studies, projects have been developed in a bottom-up way with employers leading or at least being a driving force behind shaping projects, by providing ideas, discussing options, and agreeing on solutions. This bottom-up development seems to be having benefits in the initial stages of implementation, with the sector more clearly bought-in to the projects.

In the other three case studies, employer engagement has been narrower. Certainly in one case, this seems to justifiably reflect the *continuous* nature of the innovation, developing an existing initiative in a new direction. In another case, however, the narrower engagement may be a factor in the difficulties now being encountered in gaining support from Small and Medium-sized Enterprises (SMEs), though it is too early to be conclusive on this.

All lead organisations are seeking to sustain and increase employer engagement now that projects are in implementation. There is an acknowledgement that SMEs are likely to be a key focus of this engagement going forward, in particular where they are key target groups for project interventions.

A number of characteristics are apparent in relation to where employer engagement has worked well, including at least one (though not necessarily all) of the following being in place:

- a history of engagement by the lead organisation, and established mechanisms for so doing;
- a track record in collaboration amongst the relevant group of employers, in particular where employers take themselves out of the competitive context of their sectors to think about where they can work together for mutual benefit, so-called 'collaborate to compete' behaviours; and
- employer motivations to do something to benefit the sector.

These characteristics suggest an early lesson is to build on existing or previous forums to as great an extent as possible, so as to optimise employer engagement. There are other lessons for investment organisations, such as:

- using sector specialists to build up trust and respect from employers;
- encouraging the use of forums to stimulate thinking on behalf of sectors or geographical groups of employers by focussing on common issues; and
- the need to plan carefully the requirements of employers so that they are not overburdened, through using a mixture of web, telephone and face-to-face consultation, choosing to visit employers on their own premises, and timely follow-up on employer interest.

The evaluation's assessment is that GIF is stimulating employer engagement in the development of solutions, and in some cases projects are being developed in a bottom-up fashion. These are building on good practice in employer engagement, though not necessarily resulting in new engagement approaches. It is important to note that, typically, only a small core group of employers will be engaged deeply as part of project design and development (e.g. through a task and finish or steering group), with a wider set of perspectives drawn in through shallower engagement processes (e.g. through events and consultation). Based on the evaluation's evidence, this may be the ideal model for developing employer-led solutions in line with GIF principles. However, that is not to say that other employer engagement models are wrong, and the UK Commission should not be looking for a single 'right' employer engagement process.

Strength of the underlying logic of projects

The rationales for projects are, on the whole, well-specified with appropriate evidence in place. These rationales, in the study's view, flow well into objectives, the intended delivery processes and the desired outputs and outcomes. Therefore, the underlying logic of projects is generally well-made.

There are some common issues within the rationales, notably the barriers faced by SMEs in securing access to appropriate training when the unit cost is high or the knowledge of benefits is not in place. Therefore, a key route to impact is in pooling training demand amongst SMEs, or providing a credible and well-regarded training supply solution that will encourage take-up by SMEs. A different route to impact for another of the case study projects focuses on both employers and employees, by creating an infrastructure to encourage professionalization of the workforce.

Whilst objectives logically flow well from rationales, there is room for improvement in making these more SMART¹, and further thinking on outputs/outcomes that allow objectives to be assessed fully, ex post, is needed. Such thinking has started to come forward naturally as lead organisations have developed their evaluation plans. This is likely to continue as organisations deliver their evaluation activities, and become increasingly competent in project development and evaluation thinking.

In terms of policy levers, projects tend to focus on either employer networks or standards. Though for two projects, both policy levers are being used. These are supported by a range of activities to improve information flows (e.g. on quality, signposting, brokerage and sector attractiveness) and/or voluntary levies.

¹ I.e. Specific, Measurable, Achievable, Relevant and Time-bound

Early outcomes and overall contribution to GIF principles

Given that most projects had only just started at the time of the research, it is yet too early to undertake an assessment of outcomes. However, the evaluation assessed the extent to which Round 1 of GIF has aligned with the three key principles identified above, namely that initiatives ought to be: employer-led; innovative; and self-sustaining in the medium and long-term. The assessment of the evaluators is that the first Round of GIF has largely aligned with the first two of these principles.

- There is some good evidence of how employer engagement has brought forward new ideas and has been used to test project design options. In addition, the UK Commission is now working with some new investment organisations, and so GIF has contributed to bringing new groups of employers into this policy area. It must be noted that there is variety in the extent to which initiatives have genuinely been driven from the bottom-up, though this is in part reflects the nature of project origins,
- Solutions are bringing forward new ideas, notably models from other contexts, i.e. *context-specific innovation*. In addition, projects are incorporating *adaptive innovation*: they are using new delivery and/or engagement processes, by drawing on good practice. That there are very few examples of *transformative innovation* (i.e. radically new ideas) is unsurprising, and we would not expect this to increase significantly in future rounds of GIF. This is because such innovation is rare in any case, in particular in a public policy arena where there are regulations and legal frameworks. Indeed, the disciplines around GIF are potentially important in ensuring that innovative solutions are developed within acceptable boundaries of these frameworks.

Within this innovation context, the evaluation has shown that, through GIF, the UK Commission is acting as an agent that stimulates innovative solutions that may not have got off the ground otherwise. The study has also shown that the UK Commission is open to discussing more novel ideas with its stakeholder base, such as investment organisations, government departments and funding agencies.

It is too early to comment on the extent to which sustainable business models are being developed, and so a conclusion on alignment with the third principle cannot be made at this stage. However, the evaluation has noted that there is a relatively short period of time before self-sufficiency is required. Given initial feedback, it would not be surprising if further public funding, or some other form of sponsorship, was required at the end of the GIF investment period as a transition to when delivery costs could be fully covered by revenues.

Improving the GIF processes

Given that this was the first round of GIF, successful organisations were generally supportive of the overall process, and found the UK Commission to be open when there were queries. For example, discussions with the UK Commission in relation to applications, and transparency in the post-approval process were commented on as being good by some of the lead organisations. In addition, some lead organisations found the clear identification of milestones in contracting helpful, as well as the evaluation planning process, which had encouraged organisations to think ahead and check the underlying logic of their project.

These are good foundations to build on. Nevertheless, there were some points raised on the process. A common concern was the length of time between project approval and contracting, which had delayed start dates, and had an impact on resourcing plans and employer engagement. There was a lack of clarity amongst case study lead organisations over what was required from the application form. The evaluators have identified some areas of questioning where these could be tighter and more focussed on what is needed, in particular around the issues of Additionality and Value for Money assessments.

Overall though, where the organisations were experienced in tender processes and had undertaken more preparatory research, the application process was relatively straightforward. However, the process was more demanding for organisations with less experience and less capacity. A key point to consider here is whether any capability development, advice or mentoring could be provided to investment organisations with less experience. The two-stage process that has been introduced from Round 2 of GIF could align well with this, with the development phase including guidance and signposting to good practice (including through the recently-established Good Practice Network).

A key lesson has been around the evaluation planning process. The UK Commission deliberately adopted a relatively hands-off approach to evaluation planning at the project level to encourage organisations to take the initiative and to develop their own capabilities. Whilst doing so has helped to an extent, more specific advice could have been given on evaluation plans, for instance on requirements and how they relate to government guidance. In the experience of the evaluators, evaluation can be given insufficient recognition in programme and policy development. The extent to which it is implemented varies across organisations as a result. As such, whilst standard templates and model tools may discourage innovation, they are sometimes useful disciplining devices to ensure that evaluation happens in the right way.

The UK Commission has recently established a Good Practice Network so that investment organisations from GIF (and other investment funds) can share ideas and experiences. The findings from this evaluation study highlight three particular communities of interest for sharing practice:

- organisations that are currently implementing projects under GIF, where there may be benefit in sharing experiences of the process of implementation, and also evaluation;
- future applicants to GIF, for which more support material could be provided or signposted to, in order to help improve the overall quality of applications; this could be through the provision of model answers or evidence on initiatives elsewhere that could prompt the consideration of a wider set of options; and
- sector bodies and employers more widely, which may be interested in lessons and innovative ideas that have worked under GIF, in particular where the initiatives may be transferable.

Implications for the evaluation of GIF going forward

Going forward, the UK Commission has an imperative to generate consistent and aggregate evidence on the GIF Programme overall, as well as learning on solutions that may have transferable potential. Lead organisations also require evidence to help to stimulate interest and generate demand if solutions are to be self-sustaining for the long-term. Bringing these imperatives together suggests that the UK Commission could work more closely with investment organisations on evaluation.

Such an approach could be a half-way one, which continues to have a hands-off dimension, but offers more specific guidance on evaluation planning (e.g. through the disciplined use of set templates and model plans), and advice on evaluation implementation (e.g. through example research tools and questions). This option could also include identifying common² output and outcome indicators across sets of projects, and definitions that would promote consistent assessment. This would allow for aggregation at the level of the programme overall.

² The term "common" (rather than "core") is deliberate, because it seeks to allow for some form of aggregation without necessarily giving any undue weight to specific indicators.

An alternative would be for the UK Commission to take a more actively directing stance regarding the evaluation of GIF activities (and other investment funds). Some project-level monitoring and evaluation would still be required, and some of the actions identified above may still apply (such as identifying common output and outcome indicators). However, under this option the UK Commission would undertake a sample of project-level evaluations, working alongside relevant lead organisations. These would be of greater size and scope than currently planned for Round 1 GIF project-level evaluations, and seek to align more closely with best practice in evaluation.

The study recommends providing guidance that will promote consistent assessment first, such as through templates and common indicators. If necessary, this would still leave sufficient scope for the UK Commission to be more directive and assertive at some point in the future. It would be much more challenging to sequence the two options in reverse.

1 Introduction

1.1 Introduction to the study

SQW Ltd (SQW) was commissioned by UK Commission for Employment and Skills (UK Commission) in December 2011 to undertake an initial formative evaluation of the Best Market Solutions (BMS) strand of the Growth and Innovation Fund (GIF).

1.2 Background to the study

1.2.1 Background to GIF and BMS

The establishment of the GIF of up to £50m a year was announced as part of the skills strategy, *Skills for Sustainable Growth* (BIS, 2010). The purpose of GIF is to take an investment approach to:

- design and test innovative solutions to skills development;
- . . . which, if effective, will be funded over the medium-to-longer term by employers; and
- . . . to the wider benefit of sectoral and national productivity and service improvement in the long term.

BMS is one strand of the GIF, comprising initiatives to build employers' commitment to raising skills and growth, including through the introduction of new professional standards, group training schemes between employers and voluntary training levies. The origins of the BMS strand lay in previous research undertaken by the UK Commission on collective measures (Stanfield *et al.*, 2009) and employee demand (Johnson *et al.*, 2009). Drawing on this research, four particular 'policy levers' were highlighted in the BMS Prospectus, though the BMS strand was open to a wide range of solutions. The four levers were:

- Standards, e.g. licences to practise, occupational standards, competence frameworks;
- Employer networks, e.g. Group Training Associations, Apprenticeship Training Agencies, membership schemes;
- Levies, including compulsory levy systems and voluntary pledges; and
- Information, e.g. kite-marking and brokerage services.

There were three core principles to BMS/GIF, aligning with the overall objectives of the GIF programme. These are relevant to the evaluation, and are as follows.

- Initiatives were supposed to be employer-led. This means that they should be supported and led by a group of employers, whether this group was from a particular sector, geographical area or supply chain.
- There was supposed to be an element of innovation and new thinking in solutions. This could include transferring practice from other contexts, utilising new types of delivery process, or even radical new thinking that has not been seen before in the skills domain.
- The intention was to support initiatives that could be self-sustaining in the medium-to-long-term, i.e. funded through employer contributions in some way such as a commercial model for service provision.

The other two strands of GIF are: an expansion of the National Skills Academies (NSA) programme; and a Joint Investment Programme (JIP), which brings together employer and public investment in learner training costs.

A GIF Board, comprising the UK Commission, the Department for Business, Innovation and Skills (BIS) and Skills Funding Agency, oversees the whole programme. The NSA and JIP strands are managed by BIS, and BIS has responsibility for the overall evaluation of GIF. The UK Commission has lead responsibility for the implementation and evaluation of the BMS strand. Within the strand's evaluation programme, individual lead organisations of BMS initiatives are responsible for 'project-level' evaluations. The UK Commission leads on an overall summative evaluation of the BMS strand, in addition to formative evaluation work. Within this wider context, this report constitutes the final output of the first stage of formative evaluation of BMS, with the study focussing on the design and development stage of the first round of BMS projects³.

³ In the remainder of this report, BMS/GIF and GIF are used to refer to the UK Commission's lead responsibility in the GIF programme, i.e. the BMS strand.

1.2.2 The first round of BMS/GIF projects

There were 72 applications for Round 1 of the BMS strand of GIF, from 58 different organisations, including a mix of SSCs and non-SSCs. Eleven applications were successful, led by nine organisations (two of which were non-SSCs). In contracting, one of these applications was split into two projects, and so 12 projects have been funded as part of the first round of BMS/GIF. GIF investment totals £8.9m, with investment periods lasting for up to two years. This has been matched with £5.3m employer cash contributions and £6.5m in-kind contributions. The projects, the lead organisations and total project values are set out in Table 1.1⁴.

⁴ Details of the GIF investment portfolio can be found on the UK Commission's website at http://www.ukces.org.uk/ourwork/investment/portfolio?bytype=selectedthemes0&byid=inv_gif

Table 1.1 Investment and policy levers by project

Lead organisation	Project	GIF funding	Employer cash	Employer in-kind	Total value
		(£k)	(£k)	(Value in £k)	(£k)
Cogent	Apprenticeship Training Agency	890	3,569	-	4,459
Cogent	Life sciences pathway	891	155	1,145	2,191
Cogent	SME Gold Standard Skills	613	475	40	1,128
e-skills UK	Sector-Managed Apprenticeships	1,774	-	3,035	4,809
e-skills UK	Cyber Security pathways	560	-	450	1,010
Employment Related Services Association	Institute of Employability Professionals	481	120	149	750
Energy & Utility Skills	Talent Bank	363	64	484	911
Lantra	Professional standards feasibility study	49	-	-	49
People 1 st	Hospitality Guild	1,746	429	645	2,820
RenewableUK	Renewables Training Network	580	223	450	1,252
SkillsActive	Group Training Association	456	80	-	536
Skillset	Creative Skillset on Course	517	215	100	832

Source: SQW, based on contract documentation and application forms

Note: Talent Bank funding amounts includes UK Commission award to undertake a feasibility study

1.2.3 Objectives and approach to this evaluation

The overarching aim of phase 1 formative evaluation was to learn lessons from the way in which BMS project ideas were conceived, and subsequently developed. This commitment to early evaluation reflects the relatively novel nature of the BMS strand, the need to identify quickly the learning experiences, and the UK Commission's new role as an investor. The specific objectives of this work were to gain insights into:

- the barriers to, and enablers of, the development and set-up of BMS/GIF projects;
- how BMS/GIF ideas were conceived and, in particular, where innovation came from;
- the nature and extent of employer and other partner engagement in developing proposed solutions⁵;
- the strength of the underpinning logic chains and routes to impact of the proposed projects; and
- early outcomes and successes, recognising the early stages at which all the BMS/GIF initiatives are.

It is important to note that the evaluation has focused entirely on the development of Round 1 BMS/GIF projects. During the course of the study, initial applications were being developed for Round 2.

There were three stages to the approach SQW took to the study.

- The first stage involved a scoping stage, during which all 12 of the successful projects of Round 1 of the BMS/GIF were reviewed, and scoping consultations were undertaken with representatives from the lead organisations. This scoping stage culminated in an Interim Report to the UK Commission, submitted in December 2011, which identified issues for further exploration and led to a proposed set of six case studies to be examined in more detail. Case studies were selected by considering different characteristics of projects to ensure that a range of initiative types were examined. These characteristics covered:
 - the nature of the lead organisation, i.e. whether a Sector Skills Council (SSC) or a non-SSC;
 - the policy levers that projects are implementing; and
 - the size of projects in terms of investment funding.

⁵ Employer engagement has been explored in a broad sense, including the extent to which projects are employer-led (in line with the principles of GIF) and how employers have been engaged in design and development processes and in the early stages of implementation.

- For the second stage, detailed case studies on six BMS/GIF projects were undertaken, to explore design, development and implementation processes in more detail. Each case study involved consultations with lead organisations, partner organisations and/or employers, and workshops to test findings. In addition, for four of the six case studies, SQW surveyed employers who had been involved in some way in designing and developing projects⁶ (using an online questionnaire)⁷. For one of the two case studies where it was not possible to survey employers, additional consultations were undertaken on post-proposal dialogue with skills agencies, given the innovative nature of the funding model that had been proposed.
- For the four online surveys, although there were low numbers of responses, it must be noted that the population sizes were also small (as they reflect the number of employers engaged in the process). The response rates were reasonable for a study of this nature but the small numbers of respondents mean that percentages could be misleading, and the figures are therefore reported qualitatively in the text. Response rates were as follows: case study 1 received five responses from a population of 13 (39 per cent response rate); case study 2 received 15 responses from a population of c. 40 (38 per cent response rate); case study 3 received 27 responses from a population of c. 70 (39 per cent response rate); and case study four received 16 responses from a population of c. 70 (23 per cent response rate).
- Case studies particularly focused on: employer engagement; innovation in projects and how this had been brought about; the development of sustainable business models; and application and contracting processes. Case study templates were written up and signed-off by case study lead organisations.
- The final stage involved analysis across the six case studies and reporting, as well as a dissemination session with the UK Commission and BMS/GIF project lead organisations, which helped to refine the study's findings.

In reporting, SQW sought to identify where the findings are relevant to all Round 1 projects, only the case studies, or only a selection of case studies. It is important to note that findings from the case studies are not necessarily generalisable to all Round 1 projects, or indeed projects supported under later rounds. Throughout the remainder of the report, projects have been kept anonymous.

⁶ The evaluators worked with case study lead organisations to identify relevant employers for the survey. These were normally those that were part of a steering group, or had been engaged through a formal event as part of project development.

⁷ For two of the six case studies, employer surveys were not appropriate given the stage that projects had reached and/or because of the nature of employer engagement processes.

1.3 Structure of the rest of the report

The rest of this report is structured as follows.

- Chapter 2 summarises the background to the different projects, the investment being made in them, and the coherence of the underlying logic for the case studies reviewed.
- Chapter 3 reviews the key development processes in relation to employer engagement and innovation.
- Chapter 4 sets out the feedback on the application and contracting processes that the UK Commission has led in line with its role as custodian of the BMS strand.
- Chapter 5 reviews the experiences of early implementation of the lead organisations, and sets out the progress made so far in establishing business models that may be sustainable in the longer-term.
- Chapter 6 reviews the progress made by case study projects in terms of evaluation planning, and any implications for the UK Commission's own evaluation work at the programme level.
- Chapter 7 sets out the conclusions and recommendations from the study.

2 Background and underlying logic of GIF projects

Chapter Summary

- Most projects have origins that pre-date the launch of the GIF. As you would expect, for all of the case studies, the *issues* that the projects are seeking to address were identified well before GIF was launched.
- GIF has provided impetus and momentum to develop funding applications for projects that may not have got off the ground otherwise.
- The rationales for projects are, on the whole, well-specified and well-evidenced, and these flow well into objectives.
- There are some common issues within the rationales, notably the barriers faced by SMEs in making informed decisions about how and where to access appropriate training.
- There is a wide variety of project values, from under £100k of GIF funding (and total project value) for a feasibility study, to around £2m of GIF funding for the development of a sector-wide model. The most common project size, in terms of GIF funding, is in the range £450k to £650k. Projected employer funding and in-kind support is as would be expected for projects of this nature based on the evaluators' experience, and in some cases significant, representing over 50 per cent of the project's value.
- In terms of policy levers, projects tend to focus on either employer networks or professional standards. In two cases, both levers are relevant. These are supported by information and/or voluntary levies.
- Outputs and outcomes are, on the whole, well-specified and align with the founding rationales and objectives. However, there are some weaknesses in terms of the distinctions between outputs and outcomes, and the sophistication of indicators in use could be strengthened.

2.1 Introduction

This chapter explores the origins of the projects and assesses their underlying logic chain. That is, the strength of the link between the aims of the projects, its deliverables and the expected resultant outcomes. In general, a clear logic chain with strong links between elements, will improve the project's chance of success. The findings in this chapter are based on scoping discussions and review of material for all 12 investments, but with greater depth provided by the six case studies.

2.2 Projects' Origins

Most projects have origins that pre-date the launch of GIF. For all of the case studies, the *issues* that the projects are seeking to address were identified well before GIF was launched. This is to be expected given the short bidding period available. GIF has provided the impetus to put together bids for funding, as exemplified by the various backgrounds to projects.

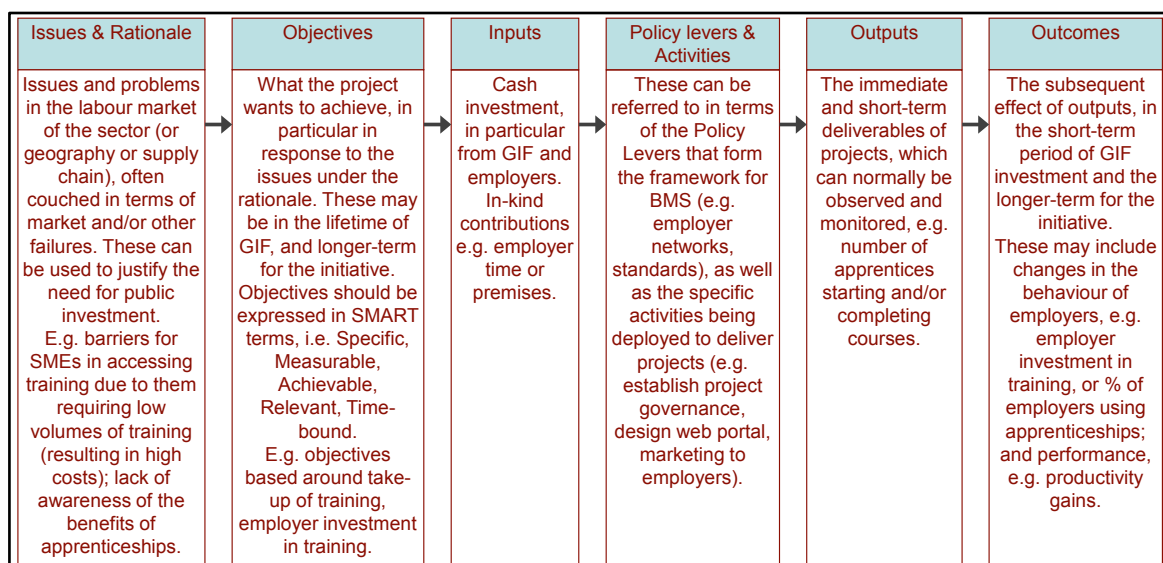
- In one case, the lead organisation recognised GIF as an opportunity to secure funding to address one of several issues facing its sector. As such, GIF provoked discussions in the sector around a number of possible project ideas, before one was selected to be worked up into a formal application.
- For one lead organisation, a problem was identified in relation to the take-up of an existing scheme for its sector. GIF provided a means to develop a more tailored approach for the intervention to a particular group of employers, offering the potential for greater absorption, diffusion and embedding.
- In a third case, a substantive piece of research had already been undertaken, which identified some important ways to professionalise the workforce and increase the quality of the service it provides. GIF provided an opportunity to secure pump-priming funding for one of the more novel aspects to this strategy, which may not have happened otherwise.

There seems to have been some variation in the extent to which the origins of projects were driven by employers of the sector. For two of the six case studies, there was a strong voice from employers behind project development, i.e. the project concept was progressed genuinely in a 'bottom-up' way. In a third case, an employer played a key role, working alongside a sector body in driving the project concept. In the remaining three case studies, sector bodies were working on behalf of their sectors, e.g. responding to signals from employers and/or research that they had carried out on behalf of the sector. For one of these, once the original concept had been developed, employers have subsequently taken a much more active role (and therefore project development has exhibited similar characteristics to those progressed in a 'bottom-up' fashion). The nature and scale of employer engagement is covered in more detail in Chapter 3.

2.3 Logic chains

A logic chain approach has been used to assess the overall coherence of projects. This is illustrated in Figure 2.1, setting out the links between the original issues that projects are set up to respond to (the rationale) and the objectives that result, with project delivery (inputs and activities), and the benefits that are intended to be generated (outputs and outcomes). With a strong logic chain, it would be expected that the intended outcomes align closely with the original rationale and resultant objectives, thereby going some way to addressing the original issue. In the case of GIF projects, it is hoped that the need for public funding will diminish relatively quickly, so that projects are self-sufficient to achieve their objectives. It is important to note that projects tend to have short-term objectives (and target outputs and outcomes) for the lifetime of GIF investment, and longer-term objectives (and targets) for the initiative beyond GIF investment.

Figure 2.1 Summary logic chain



Source: SQW

In the remainder of this Chapter, we summarise the different steps of the logic chain evident in all of the Round 1 projects, and consider the overall coherence of the initiatives progressed.

2.4 Rationales and objectives

The rationales for projects are, on the whole, well-specified with strong and relevant evidence in place. There are some common issues that have been identified across sectors, to which projects are seeking to respond. Issues facing SMEs are one of these recurring issues. Four of the case study projects focus on how enterprises are able (or not able) to access appropriate training provision. In two of these cases, there is a particular issue on the low volume of training that individual SMEs need, which can result in high training costs and/or low levels of influence over provision. There are other common issues identified across two or more case studies, such as:

- evidence of poaching, which is perhaps a symptom of the barriers to accessing appropriate and/or cost-effective training;
- lack of awareness/understanding of the benefits of particular types of training, including apprenticeships; and
- uncertainty in growing sectors or ones that are facing technological change, which can mean that sectors under-invest in training and recruitment.

For one of the project case studies, there are two separate problems to which the proposed initiative is seeking to respond. First, there are pressures on the sector's employers from their clients for an improved focus on performance, which is in turn driving the need to improve the skills of the workforce. Second, there is a range of internal workforce challenges around high staff churn, low morale and a fragmented qualifications infrastructure.

Feedback to the study from "engaged" employers echo the strength of rationales and their logical flow into delivery, with those that responded reporting that projects are closely aligned with the issues facing their sector. However, this finding is based on relatively low numbers of responses, and it is possible that those who did not respond had different views.

The flow from rationales into objectives is coherent, reflecting the clarity of the rationales and strong understanding amongst lead organisations as to what needs to be achieved. One key area for improvement for some lead organisations is to make their intervention's objectives more SMART⁸, in particular identifying timescales over which they will be achieved and measurable targets. A second area for improvement, for a minority of projects, is to make objectives reflective of the more strategic intent, rather than the operational deliverables that projects are intending practically.

2.5 Inputs and activities

Table 1.1, in the previous Chapter, set out the funding details for each of the projects funded under GIF, including the value of in-kind support as set out in the investment contracts (i.e. employer support through time or other non-cash inputs). This shows that there is a variety of project values, from under £100k of GIF funding (and total project value) for a feasibility study, to around £2m of GIF funding for developing a sector-wide model for apprenticeships. The most common project size, in terms of GIF funding, is in the range £450k to £650k. Projected employer funding and in-kind support is significant for a number of projects, representing over 50 per cent of the project value in five cases. In the experience of the evaluators, projects with majority contributions from employers indicate significant employer commitment.

⁸ I.e. Specific, Measurable, Achievable, Relevant, Time-bound

It must be noted that the nature of employer cash and in-kind support that is captured varies. For example, some projects have included the investment that employers are expected to make in training as a result of the project, whereas others have only captured employer inputs to supporting project development and delivery. The view of the evaluators is that employer investment in training is a project outcome (rather than an input), and that support to project development and delivery should be included on a consistent basis across GIF projects going forward. By including employer investment in training as an input for some projects, but not others, there is a risk of not comparing like-with-like in proposal assessment.

The proposed solutions and activities are well-aligned to the issues that have been identified under the rationales and the stated objectives. We have categorised all the projects funded under GIF using the four policy levers that were emphasised in the BMS Prospectus. This provides a means of understanding the nature of solutions across the first round of GIF. Table 2.1 sets out the spread of activity across the policy levers.

In most cases, projects are implementing an initiative focussed on employer networks or professional standards, though two projects are adopting both policy levers. These are normally supported by information, in particular around indicators of quality of provision, and/or levies, which are in all cases voluntary. It is important to note that there is significant variety within the particular levers, and the levers have been used in a broad sense. For example: projects focussing on professional standards include various models such as a new institute and competency frameworks; and employer networks can involve group training associations, joint procurement of training or more simply collective access to training or a membership scheme. There are some fuzzy boundaries between some categories, with for example career pathways initially characterised as part of information provision; though if developed into a formal occupational framework, this may be represented under professional standards. One project covers all four of the policy levers, which may be an issue in implementation if the project is trying to do too much.

Based on the variety of projects across the levers, there is no evidence to suggest that the four policy levers have 'led' proposals that have been forthcoming under GIF.

Table 2.1 Investment and policy levers by project

Project	Professional Standards E.g. competences, license to practise, accreditation	Employer network E.g. group training association, joint procurement, membership scheme	Information E.g. various types of information on provision and career pathways, quality assurance, brokerage	Levies and pledges E.g. pledges and voluntary commitments
Project 1		✓	✓	✓
Project 2	✓		✓	✓
Project 3	✓		✓	✓
Project 4		✓	✓	
Project 5	✓			
Project 6	✓		✓	
Project 7		✓	✓	
Project 8	✓		✓	
Project 9	✓	✓	✓	✓
Project 10		✓	✓	✓
Project 11		✓	✓	
Project 12	✓			
TOTAL	7	6	10	5

Source: SQW, based on contract documentation and application forms

As well as those activities that have been categorised under the four policy levers, the case studies identified a range of other different underpinning activities for projects, including:

- recruitment services;
- mentoring of trainees; and
- services to identify training requirements.

In addition, case study projects are adopting a range of other ‘enabling actions’ as part of their implementation. These include ongoing employer engagement (e.g. to test elements of projects and/or recruit participants), development of products (e.g. web portals, diagnostic tools), financial and commercial modelling (e.g. to test commercial viability, or to determine funding flows), and research and feasibility studies (e.g. to understand areas of demand and gaps in supply). Early implementation of these activities is discussed in Chapter 5.

2.6 Outputs and outcomes

In undertaking the case studies, the evaluation has sought to understand how benefits are characterised within organisations’ logic models.

Whereas some lead organisations have clearly-defined outputs, and identified these as the immediate observable deliverables of project activities, in other cases there is no clear distinction being drawn between outputs and outcomes. This runs the risk of some confusion downstream, not least from the perspective of whether projects are achieving explicitly their objectives. Examples of clearly defined outputs include:

- number of apprentice completions;
- number of training places completed;
- engagement in the project of a number or percentage of relevant employers, e.g. employer membership in a group training association; and
- number of employer training needs analyses completed.

Added to this, there are measures under outputs that reflect changes in employer behaviour, such as “employer investment in training,” which may be more appropriate under outcomes. Other outcomes have distinctions drawn in terms of the timeframes for achieving them, e.g. short-term outcomes, which may be achieved within or soon after the UK Commission investment period, and longer-term outcomes. For certain projects, there are some unnecessary outputs and outcomes, such as “number of stakeholders engaged”. Whilst it may be useful from a project management perspective to check that key stakeholders (e.g. employer representative bodies) are being engaged, as an output it does not provide an indicator of what the project is achieving in relation to the underpinning issues and objectives. These add to the audit burden, and could even create perverse incentives, e.g. over-engagement and consultation of stakeholders.

Generally, the intended outcomes align well with objectives and the original issues giving rise to projects. The strongest alignment occurs where lead organisations have sought to provide specific quantifiable targets for outcomes, e.g. “the proportion of SMEs in the sector using apprenticeships”. In addition, some lead organisations have identified as outcomes or impacts measures of competitiveness or economic impact. These probably reflect an expectation to monetise an overall estimate of the net economic benefit as evidence for funders (both government and employers), and the usefulness of using return on investment evidence to generate subsequent demand from other employers.

2.7 Overall view on logic of projects

Overall, the study identifies that there is a sound logic for the projects funded through GIF. Organisations have developed clearly projects out of the evidence base for their respective sectors, and identified issues that require intervention to help address. On the whole, these issues flow well into objectives, delivery and intended outputs and outcomes. Outputs and outcomes align with the overall objective of GIF, which is to stimulate employer take-up and investment in training.

For one of the case studies in particular, the logic model is quite complex, with a number of different strands to it. Whilst the composition of the individual strands is quite clear, there is much more significant complexity in the project in the round, which will need to be managed in implementation and review.

In closing this section, three messages are noteworthy for future consideration, namely:

- whether future applicants should be encouraged to focus on the key areas giving rise to the rationale, to avoid projects with too many strands (though the UK Commission may wish to reserve judgement on this until the risks to delivery, the progression of projects on the ground, and achievement of outcomes can be substantiated);
- delivery organisations should, in developing the logic of their projects, think more about the distinctions between inputs, outputs and outcomes; and
- delivery organisations may wish to consider what the most important output and outcome measures are (aligning with project objectives), and focus on these as part of project development and also to inform evaluation planning (discussed in Chapter 6).

3 Development of projects – employer engagement and innovation

Chapter Summary

- The nature and scale of employer engagement in the design and development of project concepts and proposals has varied.
- In three of the six case studies, employers have very much led, or been a driving force behind shaping projects. The key roles involved include providing ideas, discussing options, and agreeing on solutions.
- In the other three cases, employer engagement has been more restricted, with one involving close working with a single employer, one a narrower focus on existing advisory groups of employers, and one involving more *ad hoc* employer engagement.
- All lead organisations are seeking to sustain and increase employer engagement now that projects are in implementation.
- A number of characteristics are apparent in those situations where employer engagement has worked well. These include: lead organisations having a history of engagement and established mechanisms for doing so; the sector more generally having a culture of employer collaboration; and employer motivation to support an initiative that will benefit the sector.
- There are related lessons to these characteristics, such as: drawing on any existing mechanisms for employer engagement; using sector specialists to build trust and respect; and using forums to stimulate thinking on behalf of sectors or geographical groups of employers by focussing on common issues; and planning the requirements of employers so that they are not over-burdened.
- Most of the projects under GIF are helping to bring new ways of working to their respective sectors, albeit ones that are borrowed from other sectors and/or other countries. One project seems to be a completely new model for the UK.
- As such, employers recognise that GIF projects are substantively different, and they are incorporating elements of *discontinuous thinking*. There are various contributory factors to this innovation process, including the role of employers, learning from other initiatives, and the role of GIF as a pump-priming mechanism.

3.1 Introduction

One of the key principles behind GIF is to enable employers to take greater ownership of the skills and employment system by providing a mechanism for them to shape infrastructure to better meet their needs. This chapter explores the nature and scale of employer engagement in the development and delivery of case study GIF projects before assessing how innovative the proposed solutions are.

3.2 Employer engagement

3.2.1 Nature and scale of engagement in project development

Whilst all lead organisations have used established or recently-established employer forums (e.g. Sector Skills Council Boards or Advisory Groups, or other Employer Steering Groups in the case of non-Sector Skills Councils) as part of employer engagement in project design and development processes, the nature and scale of such engagement has varied across the case study projects.

Specifically, employer engagement in the pre-implementation phase, i.e. to design, develop and test project concepts, can be characterised across the case studies in terms of two broad groups.

- For three case studies (two led by trade associations, and one led by an SSC), project development was employer-led or involved significant input from groups of employers. In these cases, a small group of employers (i.e. up to 10) was involved significantly in working on the project concept and assembling the application for investment. This was supplemented with a broader, and shallower, engagement with a wider group of employers, e.g. through development groups, one-to-one discussions, breakfast briefings and email contact, which was facilitated through existing membership of trade associations or other employer contact databases.
- In the other three case studies, initial employer engagement was secured, on the whole, via SSC boards and/or Advisory Groups. For one of these three cases, the engagement has been quite strong, with useful feedback from an Advisory Group of c. 15 employers and workshops with up to 20 SMEs. In the other two cases, the engagement has been relatively light touch: for one, there were also a small number of ad hoc discussions with employers; for the other, the project itself is a close partnership between the SSC and an employer, and so this formed the focus of employer discussions with significant contribution by this employer.

Therefore, in half of the case studies, employers have very much led or been a driving force behind shaping projects, by providing ideas, discussing options, and agreeing on solutions. Whilst it is not possible to be definitive with a small number of case studies, those pursuing an employer networks policy lever (in particular some form of group training scheme) have tended to exhibit stronger employer engagement in project development.

It should be noted that, typically, only a small core group of employers will be engaged deeply as part of project design and development (e.g. through a task and finish or steering group), with a wider set of perspectives drawn in through shallower engagement processes (e.g. through events and consultation). Based on the evaluation's evidence, this may be the ideal model for developing employer-led solutions in line with GIF principles (the Box below identifies what could be considered a good practice model, drawing on one of the case studies). However, that is not to say that other employer engagement models are wrong. Employer engagement is inevitably affected by a range of factors such as: timetables for bidding; where projects have already got to; the nature of proposed solutions themselves; and the extent to which employers see engagement as being in their own interests. In particular, the heterogeneity of solutions within the GIF set means that the UK Commission should not be looking for a single right employer engagement process.

Example: good practice in employer engagement

In one case study, multiple employer engagement mechanisms were adopted to support project development. These included a Steering Group and development groups on detailed project development (34 employers involved in this way), which was supplemented by one-to-one consultations, web briefings, and a large-scale employer event (with over 60 employers) to test concepts and characterise demand. Engagement was facilitated in this case with a specific feasibility study before implementation began. The feasibility study was originated and supported by the UK Commission, and recognised by the lead organisation as a highly useful part of project development.

On the whole, engaged employers who responded to the study's survey are satisfied that their views have been taken into account on GIF project designs. This is likely to reflect the role of employers in driving forward the projects (as set out in the first three cases referred to in the bullet points above). It is possible that those who did not respond were less satisfied with the process. That said, there was an observation on one project that it is difficult to develop solutions that suit all employers all of the time.

3.2.2 Employer engagement in implementation

A small group of employers continue to be engaged in steering and/or advising on project development for each of the six case studies. This has drawn on engagement adopted in development, i.e. identification of a core group, and used this to steer projects now they are in implementation. Beyond this steering role, the nature of engagement is evolving, recognising that organisations need to move on from design and development to testing demand more formally (including price points for service provision), raising awareness about projects, and, in particular, securing take-up. Examples of engagement processes going forward include using:

- employer ‘champions’, peers and supply chains to ‘sell’ project concepts credibly to others, including SMEs;
- individual contacts within employers, who seek to embed the messages and so secure commitment from the wider senior staff teams of their employer;
- evidence of the impacts on early beneficiaries of projects to draw in others; ‘you too’ affects;
- conferences, events and the trade press to disseminate messages; and
- the reputation of a particular employer’s own scheme as a ‘hook’ on which to grab the attention of potential participants, especially SMEs.

It is worth noting that in the three case studies where employer engagement has been narrower, the lead organisations have started to broaden this in implementation of the GIF-funded project. For example, one has used workshops with employers, specifically to ensure the input of SMEs to the development of project tools, as well as to spread the message about the project.

These engagement processes will be critical in implementation, in particular if targets for the participation of SMEs are to be achieved.

3.2.3 Lessons from employer engagement

The evidence from employer engagement highlighted a number of common characteristics behind successful engagement, often drawing on established mechanisms. By identifying these, and some of the elements of good practice within them, we have also noted some lessons learnt. Examples of the characteristics and lessons commonly cited across several case studies are as follows.

- Several case study organisations commented on the **history they had in engaging with employers in their sector**. This is unsurprising for SSCs with a long track record in working with employers from their sector. This was facilitated by having **trust amongst employers**, and being able to draw on **established mechanisms for communication and joint-working**. Lessons that may be applicable to other organisations are: having, or drawing on, credible **sector specialists**, often with a background in working within the sector; and building on any existing or previous processes used to talk to employers, such as employer forums or a membership base. Of course, some of these processes may take time to build up, though it is notable that for one of the case studies, the employer group that led project and bid development had only recently been established.
- One non-SSC lead organisation referred to the **history of collaborative working amongst employers** themselves, for example through a regular forum where employers take off their respective ‘hats’, and think for the benefit of the sector. This was echoed in the online employer survey undertaken for four of the case studies: although a large proportion of the employers who responded were motivated by the opportunity to secure a direct benefit for their own business, this was surpassed by the proportion of respondents who were **motivated by contributing to improving the performance and quality of the sector’s workforce**⁹. A key lesson for wider application is to use employer forums in ways that encourage thinking and solutions for the benefit of the wider group of employers (whether sectoral, geographical or another group), e.g. through focussing on common issues. The philanthropic approach of some employers is encouraging, and has the potential to be levered further, for instance emphasising the ‘good corporate citizen’ and using branding opportunities that can have downstream benefits such as attracting recruits.

⁹ Across the four case studies where employer surveys were undertaken, 31 out of 63 respondents indicated that they had got involved to get a direct benefit for their organisation, and 44 out of 63 respondents indicated that they had got involved to help improve the performance and quality of the sector’s workforce. Whilst the response numbers are relatively low, based on an estimated population size of 150, and may not be representative of the population, the difference between these response levels is significant at the 95% level. This means it is unlikely to be due to chance.

- Most of the case study organisations identified **the importance of planning carefully employer engagement so as to minimise the burden placed on people's time**. To facilitate this, some organisations referred to meeting at employers' own premises, and using a mix of face-to-face meetings, web briefings and telephone calls. One lead organisation also commented that sustaining employer engagement is critical, through **prompt and quality follow-up when employers show initial interest**. Some employers consulted corroborated this finding, and commented that they were brought in at appropriate times and could see progress in between their contributions. Despite this, one of the areas identified by employers responding to the online survey was the time constraint in being able to contribute meaningfully and attend events. This is perhaps an inevitable response given the geographic spread of employers, and the difficulty in finding an event location that suits everyone. It is also reflective of the fact that there are limits to the scale of employer engagement (as noted previously), with time often being their single most important cost.
- One of the case study projects is a close partnership between an SSC and an employer to deliver a sector-managed apprenticeship scheme. A key factor in success to date has been the **alignment of the objectives between both parties**, and the genuine **commitment from the employer** to the project.
- Finally, the **cash or in-kind contributions made by employers means that some have a key stake in projects**, and so have a very clear discipline to see a return for this investment.

Several lead organisations acknowledged that they needed to do more to engage with SMEs in particular, as they are a key target group. A related issue to this is that larger employers are more likely to have provided cash contributions to projects, and so are more likely to be involved in steering projects. Therefore, SMEs may have less influence over projects, even though they may be a key target group. The relatively limited engagement with SMEs is a risk to delivery in two key ways: first, in ensuring that provision is tested with SMEs in terms of its appropriateness and to accurately assess demand; and second in encouraging take-up both to meet short-term targets and to bring about longer-term sustainability. As discussed with a range of investment organisations, there are no 'silver bullet' solutions for SME engagement, though a number of ways of working have been identified, as follows.

- To provide balance in steering terms, one lead organisation has appointed, by election, two small employers to its Advisory Committee.

- Using cluster and other organisations where there may be groups of employers (e.g. those co-located at business premises such as incubators and science parks), though this can mean relying on third parties to assist in engagement.
- Working through supply chains, in particular if significant organisations within the supply chain can be engaged effectively, before then spreading the message to others.
- Encouraging and facilitating peer-to-peer engagement through SMEs, again through a process that helps to spread the message.
- Utilising SME workshops, in particular if these are existing events which SMEs are attending.

3.3 Innovation

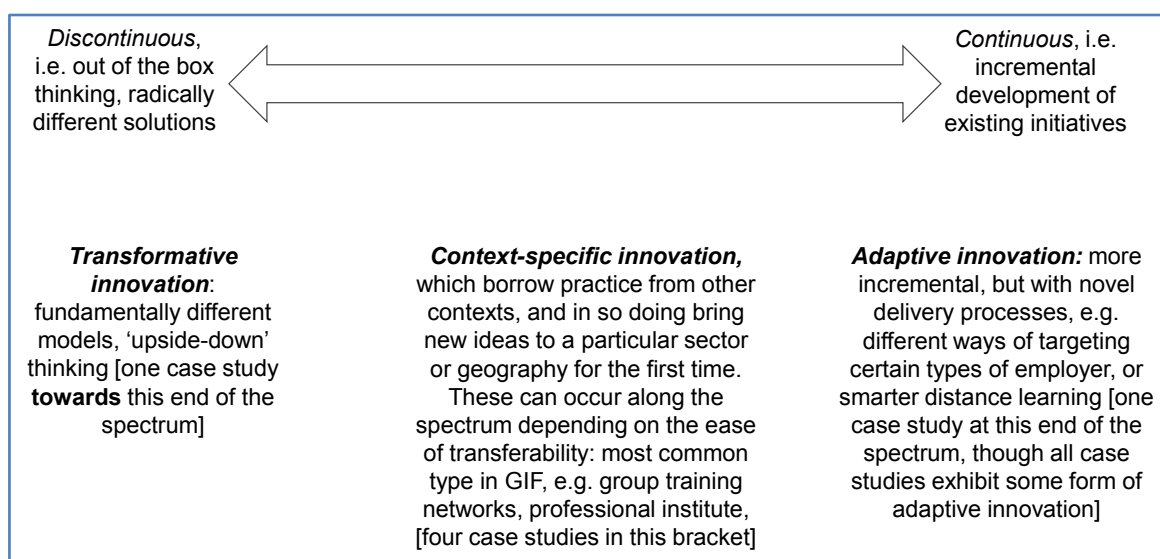
The degree of innovation evident in GIF projects has been assessed from several key angles. Feedback was gathered on the extent to which projects are new or have incorporated new ideas from lead organisations and from employers. Second, views were also sought from wider relevant partners. On the basis of this evidence, an assessment of innovation has been made. In addition to assessing the degree of innovation, the study has probed with relevant parties as to the factors that have enabled or hindered innovation.

3.3.1 Forms of innovation

In understanding innovation, one can consider that new projects (or aspects of projects) may represent *discontinuous thinking* (i.e. thinking in completely new and/or radical ways to that which has gone before) or *continuous thinking* (i.e. more incremental progression from what has gone before) (Handy, 1999). There is likely to be a spectrum between *discontinuous* and *continuous* thinking, as depicted in Figure 3.1.

The UK Commission is using three categories to understand innovation. These are also shown in Figure 3.1, as: transformative innovation (i.e. more radical), context-specific innovation, and adaptive innovation (i.e. incremental).

Figure 3.1 **Forms of innovation**



Source: SQW and UK Commission, borrowing from Handy (1999)

From the evaluation's review of case studies, there is one project that is *towards* the **transformative end of the spectrum**, which is the development of a quite different funding and delivery model for apprenticeships. This is not entirely 'radical' in the true sense of transformative innovation, but is developing a new model that is challenging existing skills funding models and regulations. There is potential that this model, if it is found to work, could be transferable to other sectors with similar characteristics, e.g. relatively low or sub-optimal take-up of apprenticeships, and the existence of a well-regarded apprenticeship programme with one or a small number of large employers.

Most of the case studies (four out of six) are applying **context-specific innovation**, which means that they are applying new models from elsewhere to their sectors for the first time. Examples from across the four case studies and the other (non-case study) projects from GIF Round 1 include developing a professional institute for employees, group training networks being taken forward in projects seeking to pool training demand, an online portal where employers and employees can track training progress, and developing career and skills pathways for sectors that have not had them before. Again, some project approaches may be transferable to other sectors if there are common characteristics. It is useful to note that context-specific innovation could occur at different points along the spectrum in Figure 3.1. For example, applying models from quite different contexts would be seen as more radical and therefore higher risk, whereas applying models from similar contexts would be lower risk. The view of the evaluators is that projects under GIF Round 1 are generally applying models from fairly similar contexts.

One case study is bringing forward fundamentally a project that is about **adaptive innovation**, as the lead organisation is modifying an existing scheme so that it can better target SMEs in the sector. In addition, the evaluators suggest that adaptive innovation is a common feature in most GIF Round 1 projects. This is because project solutions often involve some form of process innovation, such as novel delivery methods which allow greater numbers of SMEs to be reached (e.g. through a recognised employer-brand that is involved in delivery/quality assurance or through smarter distance learning) at much reduced unit cost, and self-help tools/materials.

Again, although based on relatively low numbers of responses (and so not necessarily fully representative of all engaged employers), those employers that have been engaged and responded to the study's survey recognise that GIF initiatives are "somewhat different" or "substantively different" to what has gone before in their respective sectors.

In summary, hitherto, GIF projects are characterised by innovation within their particular context, and so align with the programme's core principles. In addition, novel delivery and engagement processes are being developed. Whilst there is little radical innovation, this is not surprising. Radical innovation is rare, in particular in a public policy landscape. In addition, the study notes that GIF has resulted in the UK Commission developing working relationships with new organisations. Two of the Round 1 projects are led by non-SSCs, with whom the UK Commission has not worked before on a delivery footing. For one of these organisations, it also represents a new way of working for them as a trade association, because it is now operating at the 'coal face' of project delivery for the first time. This again supports GIF principles, which aims to encourage employers to come together to solve skills issues.

3.3.2 Where does innovation come from?

The process through which new ideas were conceived, encouraged and developed was often not self-evident to lead organisations. This is likely to be because of the various influences on project development. That said, in arriving at the new ways of working, a number of enablers can be identified.

- Organisations had learnt from schemes in other sectors and/or in other countries (see Box below for an example). This emphasises the continuing need for experience and learning to be shared within, and across, the network; the UK Commission has a key enabling role here, drawing on the Good Practice Network that it has established since the start of GIF Round 1 projects.
- Organisations had learnt from schemes that they had themselves tried (see Box below for an example). Again this points to the value of experience sharing.

- GIF itself is likely to have been a contributory factor, in particular given the role it is seen to have in providing pump-priming and/or initial set-up costs. For example, GIF has provided the necessary funds for novel or risky projects to be taken forward, which employers themselves would not be able to fund on their own.
- The engagement of employers directly had allowed for new ideas to be suggested, and ideas to be bounced around and tested at concept stage. Such ‘fresh blood’ effects often have a major role in stimulating discontinuity.

Examples: learning from what has been done before

The case study developing the professional institute for employees had examined international models from similar types of workforce, as well as institutes in existence in the UK.

In the case study relating to the development of the sector-managed apprenticeship model, the lead organisation had learnt from issues that it had experienced itself in trying to develop a group training association. This experience had highlighted particularly the importance of ensuring appropriate funding is in place in the set-up phase to establish the model; otherwise initiatives can stall because of a lack of cash flow. This was being built into the funding model for the GIF project.

The point above on ‘fresh blood’ effects highlights the relationship between employer engagement and innovation. Employers have been identified as a source of innovation for projects, and some employers have engaged with projects because they are seen to be different. In one case study, employers were noted as ‘reining-in’ innovation, but pragmatically so by providing a sensible ‘real world check’ on innovation, ensuring that the project being taken forward was practical in delivery terms.

Only one case study identified a role for options assessment¹⁰ in the initial project design and innovation process. In this case, the different options discussed were addressing different issues in the sector’s labour market, rather than considering the various ways in which a particular issue could be addressed. This finding is interesting given the role that formal options assessment can have in identifying alternative models, and perhaps offers scope for encouraging innovative thinking in the future. This is covered in more detail in Chapter 4, where the application process is reviewed.

¹⁰ Options Assessment (also known as Options Appraisal) is a way of identifying different ways in which a project’s objectives can be achieved. This includes considering the amount of inputs required and the expected outputs and outcomes so that value for money can be compared. HM Treasury’s Green Book (HM Treasury, 2011a) recommends the use of options appraisal to ensure public funding is used in a way that delivers best value for money.

Two case study lead organisations raised the issue as to how far the UK Commission itself was willing to invest in substantively different projects. For one further case study the view was given that the wider infrastructure for skills development was not necessarily conducive to innovation. That said, there was an acknowledgement that there needs to be a balance around the degree of risk around new ideas and new projects. The view of the evaluators is that transformative innovation is likely to be rare under GIF, and similar investment funds. This is because transformative innovation is rare in any case, and especially in a policy environment subject to regulation and funding rules, rather than a fault of the process. Indeed, the UK Commission has demonstrated that it is open to novel ideas and will work with partners to challenge the existing infrastructure.

In concluding, the study's assessment is that genuinely new ideas are being developed as a result of GIF, or ideas that develop incrementally from existing initiatives and processes in positive ways. Therefore, the UK Commission has a role, through its investment funds, as an agent that can help to stimulate innovation of solutions that may not get off the ground otherwise. It is important to be alert to the boundaries provided by the regulatory framework that governs skills infrastructure. Prospective applicants should seek to discuss such boundaries with the UK Commission, as well as other stakeholders within the skills infrastructure, at the early stages of project development. This highlights a key role of GIF, which is to ensure that innovative solutions are developed in ways that are compliant with a regulated system. Discussions of compliance could feed in through informal discussions with organisations when they are in the process of putting together applications or be undertaken promptly and quickly post-proposals. It is the proposal, post-proposal and contracting side to which we now turn in Chapter 4.

4 Application and contracting processes

Chapter Summary

- In cases where the organisations were experienced in tender processes and had undertaken more preparatory research, application processes for GIF were relatively straightforward. However, the processes were much harder for organisations with less experience and less capacity.
- Open discussions with the UK Commission, mentoring from other applicant organisations and gaining external/independent perspectives from third parties all helped with the application process. The UK Commission has introduced one-to-ones and a development phase from Round 2 onwards of GIF, as well as a Good Practice Network, which will help to formalise these types of activity.
- There was a lack of clarity amongst case study lead organisations over what was required from the application form, and the form itself was seen to be quite repetitive and restrictive.
- The timetable for applications was seen to be tight, and involved significant intensity of effort over a short window.
- Formal appraisal techniques such as assessments of Additionality, Value for Money and Options Assessments were not used in detail to shape applications. Further guidance on the practical application of these development essentials would be useful in future, including as part of the development phase introduced as part of Round 2 of GIF. This should be supplemented by more tightly-worded and specific questions in the application form.
- Post-approval negotiations took a long time for a number of case studies. This meant that start dates were delayed, with implications for employer engagement. That said, the post-application guidance from the UK Commission was generally viewed as being good.

4.1 Application process

Applicants to Round 1 of the BMS strand of GIF were asked to complete a two-part application form, and provide supplementary information as required. The Part A form asked for an outline of the vision and ambition for the sector/industry, and for the key features of how the proposed solutions would contribute to this. The Part B form had questions on a range of topic areas under the following headings: Strategic Fit and Impact; Business Model and Implementation; Employer Engagement, Investment, Commitment and Sustainability; Leadership and Capability; Value for Money and Additionality; and Financial and Commercial Eligibility.

There were 72 applications for Round 1, from 58 different organisations, including a mix of SSCs and non-SSCs. Eleven applications were successful, led by nine organisations (two of which were non-SSCs).

In this Chapter, the experiences of case study lead organisations are explored. Note that these may well be different from unsuccessful applicants, who have not been consulted as part of this evaluation. The process for applying changed from Round 1 to Round 2, so the findings presented in this Chapter relate solely to the Round 1 process. Throughout the Chapter, relevant changes to Round 2 are highlighted.

4.1.1 Experience of the process

Across the selected six case studies, there were mixed experiences of the application process.

- For those organisations familiar with this type of tendering process, no particular issues were flagged up.
- In two cases, applicant organisations already had a considerable amount of evidence from previous research and/or employer engagement to inform their bid. This is identified as good practice in project development terms (see Box example below).
- Where lead organisations had less experience and capacity to submit funding applications of this nature, the application process was acknowledged as being demanding.
- In one case, external consultants had assisted with the application process, which was found to be helpful in providing an external and objective perspective on the proposal's development, and its scope and scale.

Example: good practice in project development

One of case study lead organisations had undertaken preparatory work for four/five months before the bid was submitted to explore how the initiative would work, to learn from good practice and to consult with the relevant Government departments. This helped to focus the bid, and ensure that the logic chain discussed in Chapter 2 had been considered in detail and well-rehearsed.

4.1.2 Support received from the UK Commission

Across all case studies, the support received from the UK Commission during the application process was helpful and appreciated. Lead organisations found the UK Commission open to discussion: one case study commented that they could test ideas/concepts for the project with the UK Commission during the application process, and this had helped to develop a more robust bid. The UK Commission had also been supportive and accommodating, for example in providing the scope for one organisation to be flexible on targets (given the difficulty to quantify a target for a sector that is not well-defined). In another case, a less experienced lead organisation received support from another applicant organisation (as the closely-related SSC). It was highlighted that this type of buddying or mentoring might help applicant organisations (especially the less experienced) bid to GIF in the future. These sorts of encouragement devices were viewed as particularly important if the UK Commission was to succeed in attracting effective applications from a wider pool of organisations.

On application forms in particular, three of the case studies commented on the lack of clarity over what was required.

- In one case, it was felt that clarity was missing on what would be expected from the subsequent evaluation of the project, particularly in terms of the level of robustness and rigour required. This made it difficult to budget appropriately for evaluation. Evaluation requirements are covered in more detail in Chapter 6 of this report.
- Another case study organisation found the Options Assessment difficult to complete, as they only considered there to be two options ('do this' or 'do nothing'), and also found the requirements on the Value for Money assessment unclear.

Building on the support provided for Round 1 applicants and the feedback to this process, in Round 2 the UK Commission ran advice clinics whereby prospective applicants could have one-to-one sessions with a GIF Investment Manager.

In terms of the structure of the application form itself, some of the case studies found the form quite repetitive, and found it constraining and restrictive. For example, in terms of its structure, and only being able to present the proposition in written form, as opposed to using other forms of media. In response to this, Round 2 of GIF allows for an optional three to five minute video summarising project ideas.

The timetable for submitting applications was seen to be quite tight, and involved a significant amount of time input from the applicants. This was particularly true for one successful case study organisation, which had applied for three GIF projects in Round 1 (in addition some unsuccessful applicants submitted multiple projects for consideration). For this organisation, it was acknowledged that providing only one “Part A” in the application form was helpful, and this also encouraged the organisation to think more about the alignment between the three projects. The nature of bidding timetables is a feature of the funding environment that investment organisations now find themselves in (as opposed to previous arrangements for SSCs where they had some core funding). In Round 2 of GIF, applicants could only submit a single application, and so the workload in preparing multiple submissions has been potentially reduced. In addition, for Round 2, the UK Commission introduced a two-stage process: an outline stage; and then a development phase. This seeks to ensure that time is spent (by both investment organisations and the UK Commission) only on working up in detail those ideas with greatest potential.

4.1.3 Use of formal appraisal techniques

In the process of developing their applications to the UK Commission, only two of the case studies considered different options (one had looked at other sources of funding, and one had explored different solutions as part of the design and innovation process). The other case studies felt that their existing projects were aligned fully with what GIF was seeking to achieve, and so did not consider alternative options in serious detail as part of a formal options appraisal. For one case study, other options were not considered, because their project proposal developed in an incremental way an existing initiative. Also, this project was proposed at an outline level only for the GIF bid, allowing for the detailed options around the nature of the delivery mechanism to be developed and refined in the early stages of project implementation.

Across the majority of case studies, appraisal techniques such as assessments of Additionality and Value for Money (and formal Options Assessments as noted above) were not used in detail in the application form. These appraisal techniques, and their requirements (including their deployment) need careful explanation by the UK Commission if they are to help stimulate better projects (as good project development and appraisal should), and if newcomers are not to be immediately put off by what they may consider as unfamiliar, technically difficult, or overly-bureaucratic processes. The encouragement of appraisal techniques is related to the observation that mentoring or capability building may be useful for some types of organisation. To alleviate concerns, the UK Commission could identify Options Assessments as being part of the process to bring about innovation. More thorough deployment of such techniques might also be most relevant in the development phase that has become a feature from GIF Round 2.

In addition, the study observes that the application form could have been tighter in its questioning with respect to concepts such as Additionality, and assessing Value for Money. This is illustrated by the following examples.

- On Additionality, the application form asked for an explanation of *“what would happen to the project in the absence of GIF investment”*. Applicants sought to answer this in terms of project-level Additionality (i.e. whether the project would happen at all without GIF funding), without expanding on this to reflect the Additionality of benefits (i.e. whether employers would invest in training to the same degree in the absence of the project).
- Most of the assessments of Value for Money focussed on demonstrating the ‘economy’ in the delivery of projects. Again, this may partly reflect the focus of the question on *“how the cost of developing and implementing the solution has been assessed to ensure that it offers value for money”*. As a result, applicants discussed using existing resources (meaning that overheads were limited), utilising employer in-kind support (e.g. time), the limited recruitment of staff, and delivering Value for Money for employers as a result of group purchasing power. There were only two assessments (out of the 11 successful applications) that examined ‘efficiency’ e.g. through a cost-effectiveness analysis. Effectiveness was not explicitly covered in applications, though it can be argued that this was implicit in the alignment of intended outcomes with objectives.

The evaluator’s assessment is that the UK Commission could provide further support to all potential applicants to GIF in the future, which may help to improve the quality of bids. The following options could be deployed, and these would be appropriate to the more detailed development phase of projects introduced as part of Round 2 of GIF:

- providing benchmark data, e.g. on unit costs, to aid target setting and/or assessments of Value for Money;
- bringing together or signposting to relevant evaluation research on relevant models, so that applicants can learn from what has worked elsewhere and use these to frame alternative options as part of more formalised Options Assessment; and
- allowing applicants to view a good practice model application and/or good practice answers to specific questions (these would need to be redrafted and made anonymous).

4.2 Post-proposal and contracting

Applications were assessed by the GIF Board, and decisions made subsequently on which projects to proceed with as part of Round 1. Following this, there was a period of post-proposal negotiation and contracting, from around July 2011. For most organisations, contracts were signed in late 2011, with one signed in January 2012.

4.2.1 Lead organisations' experiences

Lead organisations commented on the long lead times between the application approvals, the post-assessment negotiations, and being able to start implementing the activity. As part of this, a lack of communication at times from the UK Commission meant that there were perceptions that individual projects, or the programme overall, may have been stalled. Two specific points were raised.

- One lead organisation commented that payment had to be set in arrears, which means that whilst the project was several months in, they had no payment. This cash flow issue had been overcome by this particular organisation, but was viewed as a likely barrier to smaller organisations applying for GIF funding in future rounds. The process for signing the formal contract was also slow for this case study. The implications of these delays were that the start date got pushed back and, even though the organisation has been able to catch-up on implementation, it had some unhelpful effects on employer engagement.
- Another case study lead organisation commented that the due diligence process was onerous, and that formal contracting and implementation could have been brought about more quickly. With the experience of Round 1, the process may be quicker going forward. Moreover, the two-part application process for Round 2 onwards may mean that the information required for due diligence is gathered more quickly, including as part of the development phase.

In one case there was a particularly protracted process in post-proposal negotiation and contracting. This is because there was an issue in how the project would comply with the current legal framework for how apprenticeships are delivered (this was essentially due to the fact that the Skills Funding Agency is highly regulated (under European Law) in terms of how funds can be distributed and how they are contracted). In the model proposed, an employer would take the lead as a training provider for employees of other employers, but this arrangement falls outside the legal framework. As a result, there was a long consultation process between the lead organisation, the employer, Skills Funding Agency and the National Apprenticeship Service. The compromise model subsequently devised does not alter fundamentally the project proposed, but it added some bureaucracy and delayed the start of the project by a few months, which has affected delivery milestones, resourcing plans for the project and employer engagement.

In hindsight the process for this particular case could have been quicker if there was clarity earlier on what was possible and what was not. In this instance, there was mixed advice initially on whether the model originally proposed would be compliant. If similar projects are proposed in the future, then this precedent and learning may speed up processes. However, potential delays may be an inevitable feature of seeking to innovate, and GIF may be important in providing the disciplines needed to ensure that innovation takes place within the regulatory and funding framework.

The post-application guidance from the UK Commission was viewed as being very good. For example, one case study appreciated the clarity given at this stage on what was required during the post-application negotiations and the process for agreeing very clear deliverables for each investment phase. In addition, a number of case studies commented that the UK Commission was both open and approachable to lead organisations when implementation issues and queries arose.

4.3 Overview of the Round 1 process

Given that this was the first round of a new investment fund, the view of the evaluators is that application, post-proposal and contracting processes ran reasonably well. As is to be expected with a new set of processes, some issues were identified by applicants, and areas for improvement have been identified by the evaluators. The UK Commission has sought to address some of these already with changes to the Round 2 processes. Further work could be progressed to improve the adoption and quality of project development techniques, and perhaps help build the technical capabilities across the range of investment organisations.

A common issue raised in contracting was the length of time taken for this process to be completed. Again, the improvements made for Round 2 may help here; as part of this there will be an emphasis on the UK Commission account manager communicating regularly with organisations.

5 Early implementation and business models

Chapter Summary

- For most of the case studies, governance structures are in place, or are close to being so. The evaluators view these as appropriate for the nature of the projects. Some have set up their GIF project as a separate legal entity within the lead organisation, whereas others have set up Steering Groups/Boards (comprising senior representation from the lead organisation and employers) and internal project teams.
- Employers are/will be closely involved in governance structures, for example through Advisory Committees, employer Steering Groups and Employer Development Groups, and in one case a Shadow Board.
- No issues have been raised by lead organisations in relation to reporting in line with the UK Commission's contracting arrangements.
- Five of the six case studies are making good progress in implementing their early activities, particularly in terms of establishing governance structures, developing resourcing and evaluation plans, encouraging partners and employers to sign-up to the projects/get involved in further development, setting up virtual/physical sites for the projects, and undertaking formal project launches. One project had only just moved into implementation at the time the case study was undertaken, due to contracting issues.
- Two key areas of risk were identified in relation to implementation: one risk is around the time it is taking to secure employer membership, and a second risk relates to ensuring that projects do not behave in anti-competitive ways.
- Most of the case studies have not yet developed sustainable commercial models, but progress is being made. Employers consulted were reasonably confident that the aspiration of commerciality will be achieved. Efforts now need to focus on testing employer demand further (including willingness to pay), raising awareness of the projects, gathering evidence to demonstrate objectively how the projects add value to businesses, and testing other potential income streams.

5.1 Introduction

The GIF projects began delivery between September and December 2011 meaning only limited delivery had taken place at the time of this research. This chapter looks at the delivery that had taken place by that time and explores early evidence of barriers to delivery and any initial success stories from the case studies. The evaluation then looks beyond the investment period to assess the development and progress towards the sustainable business models.

5.2 Governance and reporting

At the time of the evaluation, for most of the case studies governance structures were, or were close to being, in place. These structures appear to provide appropriate accountability for projects, including to senior executives of lead organisations, key partners and employers. The different structures encountered by the study's six case studies are summarised as follows.

- Two lead organisations have set up the GIF project as a separate legal entity. Where separate companies have been set up, Board members include representatives from the lead organisation's own Board and their Chief Executives.
- Another lead organisation is also considering establishing a separate legal entity. It is currently operating the project through an internal project team reporting to a Steering Group (chaired by a Board member of the lead organisation). In a similar vein, two other lead organisations have established, or are establishing, a project board of key parties, with a dedicated Project Manager or internal team handling day-to-day running of the project.
- In one case, an individual organisation has been contracted by the lead body to project manage the implementation of the GIF project until a permanent Board and Director is appointed. A Shadow Board has been set up to oversee these arrangements and sign-off all decisions. An individual, external to the sector, has recently been recruited to lead a sub-group on governance issues. The lead organisation is seeking to establish a permanent board to replace the Shadow Board (via an open election process) in 2012. The lead organisation has found that these interim arrangements have helpfully provided time to think through governance arrangements going forward, without holding back practical implementation.

In most cases, the lead organisations' Boards are accountable ultimately for the GIF projects and receive regular updates on progress. In one example where a separate company has been established, the Executive Director of this company is ultimately responsible.

In all of the case studies, employers are/will be closely involved in governance structures. This has included using formal employer committees or groups, or ensuring that SME voices are a clear part of governance models (see examples in the Box below for more details). Given the issues around SME engagement, identified in Chapter 3, the inclusion of SME roles in governance processes is a good and progressive step.

Examples: employer voices in governance processes

One case study lead organisation has established an overarching employer Steering Group. This is underpinned by five further Employer Development Groups focussing on the individual issues of: engagement, commercial development, operational development, HR, and provider development. This ensures that employers are engaged in all aspects of the project's implementation.

One lead organisation has appointed two SME members to be responsible for signing-off quarterly reports before they are submitted to the SSC's full Board.

A different lead organisation has appointed, by invitation, two SMEs to the project Steering Group, to ensure that the SME perspective has influenced directly project implementation.

Across all of the case studies, no issues were raised relating to reporting in line with the UK Commission's contracting arrangements. This positive early message is encouraging, in particular given that this is a new investment fund. In two cases, it was commented that the UK Commission's project manager had demonstrated a good understanding and genuine interest in what the project was seeking to achieve, which has been helpful in ensuring a pragmatic contractual relationship.

5.3 Implementation

5.3.1 Initial progress

To date, five of the case studies appear to be making good progress in implementing their early activities. For the sixth case study, the project had only just moved into implementation at the time the case study was undertaken due to contracting issues, which has affected delivery milestones, internal resourcing plans and employer engagement.

Progress on the case study projects includes the following types of activities:

- establishing evaluation plans, which have been signed-off by the UK Commission;

- developing (and in some cases completing) detailed project plans and resourcing plans;
- agreeing pilots for the forthcoming phase of delivery;
- engaging employers in developing and deepening the operational detail of projects, for example in designing tools and delivery mechanisms;
- designing and setting up websites;
- signing-up partner organisations to the project;
- the recruitment of staff, for example new project directors, employer leads and training leads;
- completing formal project launches with employer groups/members;
- progress in developing accreditation schemes for training;
- establishing governance structures and internal project management teams; and
- in one case, securing over £1m of employer investment in a property to house the project.

In addition, one of the case studies was asked by UK Commission to undertake a feasibility study following their application for GIF funding to develop the concept and test market demand further. This was completed in September 2011, and those consulted for the case study felt that it was a helpful part of the project development process (in particular a large employer event was held as a result, which was attended by 63 employers), and helped to confirm demand for the project and shape the structure of its services. Another case study has completed research on employers' skills and recruitment needs, which is now playing a key role in how services are developed and targeted, and in what technology areas and parts of the sector.

One of the case study lead organisations secured funding for multiple GIF projects. Whilst getting these projects up and running has been time consuming, there have been advantages in ensuring the projects are aligned in their delivery, and the lead organisation has sought to make the monitoring/evaluation more efficient by using a common template across all projects.

5.3.2 Identifying and managing risks

Whilst the delivery process is on track for the majority of projects, two areas of risk were identified, to which the UK Commission should be alert.

- In one case, employer membership has taken longer to secure than originally anticipated, partly because, in the view of the lead organisation, the project is seeking to bring together a complex, diverse, fragmented and traditionally non-collaborative sector for the first time. The lead organisation reported this delay to the evaluators, and indicated that it was actively seeking solutions. That said, this presents a risk to meeting targets in the short-term, and developing a self-sustaining model in the longer-term.
- Another area of risk, which three of the lead organisations noted, is around market distortions. For example, in one case, the project needs to avoid behaving in any kind of anti-competitive manner (such as giving funding members preferences or discounts), whereas in two other cases, lead organisations are aware that they need to alleviate some employers concerns about engaging in projects where this requires them to come together for mutual benefit.

For one case study, the lead organisation emphasised the development and incremental nature of project implementation, with each element tested in detail as the project unfolds. This is being done deliberately as a means of minimising risk. Another lead organisation commented on the use of risk management procedures that are used to monitor progress. If any areas of delivery reach a certain threshold of risk, or their delivery becomes a concern, this is escalated to the organisation's Board, with a Director stepping in to oversee mitigation measures.

These individual approaches to identifying and managing risk are interesting and pragmatic responses to the issues that individual projects have identified. Making sure that this learning experience is made available as a 'learning from' resource for future applicants to GIF will be an important part of continuous improvement.

5.3.3 Early outcomes

The focus of this evaluation is very much on the process of developing and designing GIF projects, and given that most projects have only just started, it is too early to undertake an assessment of outcomes. There are two areas that the study has explored: the extent to which employers engaged are confident that projects will make a difference, and whether there has been any change in mindsets amongst employers engaged. It must be noted that these are not representative views from the sectors concerned, because they are the opinions of those with some kind of involvement and interest in project success. It should be remembered that the survey respondents may not be representative of all "engaged" employers given the small response levels due to low populations.

At this early stage, “engaged” employers who responded to the study’s survey are confident that projects will make some difference or a significant difference to the sector’s skills and employment issues. In addition, a minority of respondents for three of the case studies suggested that they thought that the impact would be greater than they originally thought upon their initial engagement.

There is evidence to suggest that the mindsets of some employers (who have been engaged in the process) towards investing in skills are changing. According to the online employer survey, since becoming involved in the GIF initiative, a minority of employers for three of the case studies have become more committed to developing the skills of their workforce and are more committed to solving the sector’s skills issues. Again, it is important to note that these are small improvements (with small numbers of respondents), and that respondents’ levels of commitment to investing in skills within their business and solving the wider sector’s skills issues were (according to the survey evidence) already very high before engagement with the GIF initiatives.

5.4 Development of sustainable business models

Projects under GIF are receiving up to two years of public funding, and are expected to develop plans to be self-sustaining thereafter. In most of the case studies it was too early to comment on the extent to which there were credible plans in place for this. Whilst the case studies highlighted intents and early thinking to develop sustainable business models, for example through revenue from training provision, product/tool offerings, brokerage fees, and memberships, commercial routes and demand forecasting had not been done in detail.

The most well-developed business models are as follows.

- For one case study project, a commercial model is in development, and this process is being driven by Employer Development Groups (which has included the independent testing of potential models by three of the employers on these groups, and testing costs with internal and external training providers). This commercial model will then be tested further via operational pilots later on this year.
- For another case study, the project Board has taken decisions on prices and targets for practitioner membership and on corporate sponsorship. This will be one key strand to developing the sustainable model.

- In one case study, a key part of the innovation in the model being developed is the ability to take advantage of economies of scale in delivering large numbers of apprenticeships for the sector. This reduces the costs to training providers, which provides the scope to allow other parts of the model to be delivered, e.g. screening learners, engaging employers, mentoring and quality assurance. The funding flows are currently being worked through. Assuming that a consensus on funding can be reached with partners, the discussions with the lead organisation and national agencies suggest that the lower unit cost of delivery does make commerciality more likely.

However, for one case study, employer membership is taking longer to secure than originally anticipated, partly due to the difficulty in engaging with a fragmented and complex sector. Because employer membership forms the largest income stream, with ambitious targets for membership (e.g. 3,000 SMEs by March 2014), this places risk on the ability to develop a sustainable model, and will need to be monitored carefully going forward. Other projects within GIF Round 1 have ambitious targets for the short-term (e.g. over 1,000 SMEs signing up to a Group Training Association by March 2013), or a rapid ramp-up of scale in the medium-term (e.g. take-up of training doubling year on year for three to four years from 2013). A consequence of having to achieve such targets can be to put significant pressure on awareness-raising and effective marketing of provision to generate demand.

The employers consulted were reasonably confident that the aspiration of commercial models will be achievable based on the evidence they have seen to date. Employers flagged up crucial next steps that need to be taken for their specific projects to maximise the prospects of commercial sustainability. These include:

- testing employer demand further to provide greater clarity on the scale of potential demand and take-up, and to test the costs and product mix (this also includes testing employers willingness to pay, and the point at which employers are willing to pay);
- raising awareness to generate demand;
- gathering evidence on how taking part in an initiative can add value to SME businesses, and where their return on investment is likely to be greatest; the use of case studies will be particularly important here, and employers emphasised the need for active face-to-face employer-to-employer contact to disseminate positive success stories to seed and generate demand in future;
- exploring other potential income streams in more detail; and
- formalising and testing the commercial models developed.

Given that the evaluation research was being conducted within four months of projects starting for most initiatives (and within the first month for one case study), it is perhaps unsurprising that organisations were only in the early stages of developing business models. In the round, the case studies are making progress in developing sustainable models, but it is too early to comment on the financial viability of these. It is likely that more evidence will be forthcoming in the coming months, and the UK Commission will want to review and analyse critically how these directions of travel are progressing.

However, based on the ambitious targets set within investment plans and the feedback at the dissemination session with the UK Commission and investment organisations, there is a short period of time within which to achieved self-sufficiency (with GIF investment available for up to two years). Lead organisations will therefore need to make quick progress in the coming months to firm up business models and to achieve the scale of engagement and take-up required to deliver these. It is difficult to be conclusive at this early stage, but the study expects that investment organisations may be seeking some further public funding (or other sponsorship) after the two year period to assist in transitioning initiatives to the point where they are covering costs.

6 Evaluation planning

Chapter Summary

- The evaluation planning process has been useful to lead organisations. In particular it is encouraging forward thinking, the development of monitoring systems and indicator sets, and acting as a check on the underlying logic of projects.
- Organisations would have welcomed more specific advice on evaluation plans, for instance on requirements, and how these relate to government guidance. Provision of plan templates and mentoring support may have helped, the latter particularly for those organisations with less internal research capacity and expertise.
- Proposed approaches to evaluation focus around key indicator sets, in line with the logic chains established for projects. A range of methods are in evidence, including baselining, basic monitoring, monitoring/tracking of outcomes and surveys.
- The robust assessment of attribution and additionality has been identified as a key challenge for evaluation.
- The proportionality of evaluation to project budgets has been raised frequently. This presents challenges to develop the type of robust evidence that the UK Commission (and government departments) requires, and that lead organisations may need to generate further demand for initiatives from employers. Some organisations have noted that there is a risk that too much time will be spent on evaluation in proportion to project budgets, though this needs to be balanced with the potential value of evaluation evidence for what are supposed to be innovative solutions that will need to demonstrate their value to generate future demand. A focus on where proportionate evaluation can add most value may help alleviate concerns.
- The UK Commission may wish to consider how it best allocates evaluation resource across the Round 1 programme, and in future Rounds, to ensure that appropriate and robust evidence can be reported at programme level. This could be done through supplementing individual project level evaluations so that they provide robust evidence as case study examples. An alternative approach could be to identify sets of common outcome measures across groups of projects, and to focus on ensuring a consistent assessment of these net outcomes.

6.1 Introduction

Each lead delivery organisation is required to evaluate their project. This chapter looks at the process for developing the project evaluation plans for the case studies, the approaches being taken, and the consequences these may have for programme level evaluation.

6.2 Evaluation planning process

6.2.1 Background to the process

The evaluation strategy for BMS/GIF identifies the role of project-level evaluations in the overall assessment of GIF. These will provide important evidence as feedstock into the programme-level evaluation.

In addition, evaluation has a clear value in GIF for two further reasons.

- Initiatives are supposed to be innovative in nature. As a result, learning from what works will be important in keeping the spotlight on innovation, as well as potentially informing the extent to which solutions be rolled out more widely and/or transferred to other sectors, geographies or supply chains.
- It is intended for initiatives to be self-sufficient in the medium-term. Evaluation evidence, e.g. on the impact of provision on businesses, can be a useful way of demonstrating the value of activities, the benefits that result, and therefore supporting the case for subsequent demand and investment.

Following the employer-led principles of GIF, it was decided that lead organisations would plan and conduct their project-level evaluations in the best way they saw fit, as long as they meet minimum standards. To provide quality control, lead organisations were required to submit evaluation plans to the UK Commission before the end of their first investment phase (i.e. the first phase of implementation following contracting). The evaluation plans were to be owned by the lead organisations, and led by their employers. They were to write them in a style and format that was accessible to them and aligned with their reporting, monitoring and other governance. Therefore, no formal templates were provided.

The UK Commission provided guidance and support to inform the development of these plans, the key features of which were as follows.

- Guidance was provided with links to recognised government guidance such as *The Magenta Book* (HM Treasury 2011b), which could be followed-up as required to help build capabilities. To aid the process, it was suggested that lead organisations draw on external resource if required.
- A workshop was held on 30 November 2011 to run through the UK Commission's expectations and answer any queries the delivery organisations may have.
- Lead organisations were encouraged to work and collaborate with each other, for example to share ideas and understanding, and potentially to develop approaches where there was sufficient commonality. The UK Commission was clear at the outset that it did not have the resource to facilitate this process.
- Advice was available from the UK Commission, and organisations were encouraged to submit draft plans as early as possible for written and verbal feedback.
- Evaluation plans were subsequently assessed against key criteria. A key emphasis of the assessment process was that evaluation plans should be proportionate and if it was not feasible to evaluate all aspects of the project, e.g. due to resource or methodological constraints, this should be explained in the plan.

6.2.2 Experience of the process

Most lead organisations commented that the process overall had been useful. It has encouraged organisations to think ahead more than they might have done otherwise. In particular, organisations indicated that planning for evaluation at the outset had helped them to put in place monitoring systems to capture the required data, as well as pushing them to have agreed performance indicators that can be tracked throughout project delivery. (The robustness and alignment of such systems and indicators has not been checked in this evaluation.) One organisation noted that the evaluation planning process had also acted as a check on how intended outcomes align with the founding rationales and objectives of its project, i.e. reaffirming the clarity of the underlying logic between the case for intervention and objectives, activities and outputs/outcomes.

The workshop on evaluation, hosted by the UK Commission on 30 November 2011, was welcomed, and the 'buddying' system whereby pairs of organisations were encouraged to share ideas and concerns was also commented on favourably. However, some organisations commented that more specific guidance would have been useful. One organisation suggested that having a standard template for the evaluation plan would have helped. Indeed, this organisation developed its own template, which it has subsequently used for evaluation planning on other funded projects, and shared with another SSC. Extending this point further, model or good practice research tools/questions could also aid evaluation implementation.

From discussions with lead organisations, the study's view is that other specific guidance could have been provided in relation to expectations of evaluation. The guidance provided by the UK Commission refers to *The Magenta Book* (HM Treasury, 2011b), which is a proponent of 'strong' evaluation methods, which tend to be expensive and, in the view of the evaluators, not proportionate with the funding for GIF projects individually. Moreover, for non-evaluation experts, it is a significant challenge to determine what is relevant and not relevant from such material. This is particularly an issue for non-Sector Skills Council organisations, which may not have dedicated research departments and/or experience of public sector evaluation. Whilst exposure to *The Magenta Book* is undoubtedly a good thing, the evaluators note that shorter and more specific evaluation guidance has been provided for Sector Skills Councils in the past, under the auspices of the Sector Skills Development Agency.

One possible solution suggested by a lead organisation is for the UK Commission to provide access to mentoring to aid the evaluation planning process. Mentors could come from the UK Commission, specialist evaluation consultancies, or academic experts. This mentoring may also be relevant to evaluation delivery, especially for those organisations with less internal research capacity. A more fundamental course of action would be to sub-contract evaluation planning and delivery to external providers, or for the UK Commission to take on more project-level evaluations, especially where there are capacity and/or capability constraints in lead organisations. There are clearly some resource implications to taking such courses of action, whether this is funded by the UK Commission or investment organisations themselves. Models or templates for evaluation plans and research tools/questions could also have a role in advice and guidance provided.

A lesson for the UK Commission, and for delivery organisations, is to be realistic as to the capabilities with respect to evaluation, and seek to develop these through support, training, and sharing of practice. Understanding and buy-in to evaluation, along with capabilities, will of course take some time to develop in investment organisations. Encouragingly, in the dissemination session with the UK Commission and investment organisations on 26 April 2012, it was felt that these capabilities were being developed. Going forward, lead organisations indicated that they were more confident in developing evaluation plans that would meet requirements. The relatively hands-off approach taken by the UK Commission to evaluation planning can encourage organisations to take the initiative, to develop their own capabilities and potentially innovation. However, in the experience of the evaluators, evaluation can be given insufficient recognition in programme and policy development. The extent to which it is implemented varies across organisations as a result. As such, whilst standard templates and model tools may discourage innovation, they are sometimes useful disciplining devices to ensure that evaluation happens in the right way and is appropriately resourced in bidding.

6.3 Approaches to evaluation and challenges

Most lead organisations that were spoken with as part of the case studies are undertaking most or all of the evaluation work in-house, or through a delivery partner that has in-house research/evaluation expertise. In these instances, independence is being provided by using separate research departments, though there is a risk that any *Chinese Walls* established are breached, thereby affecting the objectivity of the evidence. One organisation was looking to appoint an external party (i.e. a specialist consultancy) to provide Critical Friend support, and to lead the authoring of evaluation reports. Another organisation is expecting to appoint an external organisation to undertake an end-of-project evaluation.

Proposed approaches to evaluation focus around key indicator sets, in line with logic chains established for projects. Therefore, key methods include:

- establishing baselines, mainly at sector level, though one organisation has also signalled that it intends to develop baselines for individual beneficiary businesses, which helpfully will provide a basis to track change and impact at firm level;
- basic volumes monitoring of what has been delivered, such as courses, learner starts, and businesses benefiting;
- more sophisticated monitoring, which will seek to capture data on outcomes; and
- surveys, in particular of benefiting employers, and the wider sector.

Evaluation challenges have been discussed with lead organisations as part of the case studies, either with project managers or specific evaluation leads. In particular, the robust assessment of the attribution and additionality of the benefits of projects has been raised as a key issue. This is challenging because of the difficulty to establish control or comparison groups. In most cases, if undertaken at all, this assessment will come down to estimation and judgement, based on the evidence that can be gathered, e.g. on self-reported additionality.

In addressing this challenge, lead organisations need to be clear as to what, conceptually, net benefits actually constitute. This requires considering the different aspects of additionality. A simple example would mean assessing the extent to which the increase in the number of staff trained would have happened in any case. However, there are other more complex effects to take account of, for example:

- assessing displacement effects, such as the extent to which career pathways have resulted in new recruits to one group of firms being at the expense of lost recruits to another group of firms; and
- taking account of 'quality additionality' in that projects may raise the quality of outcomes through higher quality or more relevant training provision, which is more difficult to quantify.

At this point, it is not clear from the discussions with lead organisations the extent to which attribution and additionality will be assessed consistently across projects, if at all. From the discussions that were had with lead organisations it did not appear that some of the challenging issues raised by the evaluators had yet been considered. This may simply be because the detail will be worked through by lead organisations in the implementation of their evaluation plans. If there is inconsistency, this is likely to be a major challenge for the UK Commission when it seeks to deliver its programme evaluation, because it may be faced with:

- different outcome measures simply reflecting the varying nature of projects that cannot easily be aggregated; and/or
- similar outcome measures, but where net effects have not been consistently assessed, which would still mean that aggregation was not possible and may raise questions as to how comprehensive the evaluation of net effects has been.

One organisation is planning to undertake estimates of social return on investment to understand the overall benefit of the project. Three other lead organisations have indicated that they intend to do some work to quantify the return on investment for individual employers benefiting from schemes. These individual assessments are viewed as being of critical importance in celebrating the types of benefits that potential beneficiaries could obtain in the future. This raises the important issue of the multiple audiences for evaluation evidence, which lead organisations must seek to balance, for example between:

- the UK Commission as an investor of public funds (and its sponsors);
- employers, which have contributed cash or other inputs to project delivery; and
- employers, which may be future beneficiaries of projects.

The type of evidence required for each audience may differ. For example, the UK Commission may be interested in: ensuring accountability for public funds; having evidence on the processes of delivery; and deriving evidence on the overall aggregate economic impact of a project. This last point of interest normally requires testing the impact on a representative sample of beneficiaries. Future beneficiaries however, may be interested in the individual impacts derived by similar employers in their sector, which can be provided through a small number of case studies with beneficiaries (rather than a representative sample). Lead organisations have a challenge to be able to provide evidence for all these different audiences.

Two key points have been raised about the proportionality of monitoring and evaluation efforts:

- The scale of monitoring and evaluation resource available, in proportion to project funding, will restrict the extent to which rigorous evidence on impact can be provided to the UK Commission or demonstrated to employers.
- Related to this, it has been suggested that the level of resource that projects are dedicating to monitoring and evaluation is distracting from delivery. For example, one organisation commented that monitoring and evaluation efforts may be as high as 10 per cent of the project budget, taking into account the time required of salaried staff funded under the GIF project (e.g. to develop evaluation plans, manage evaluation contracts), monitoring needs and commissioned evaluation work.

In the experience of the evaluators, it is common for recipients of public funding to suggest that monitoring and evaluation is distracting from delivery. This needs to be placed into the context of the value that can be gained from monitoring and evaluation activity. There are some key benefits, for example:

- for lead organisations and their employers, providing an important check on progress against targets as a short-term step towards developing longer-term sustainability, as well as evidence on benefits that can be used to market and sell provision;
- for the UK Commission, as a programme management tool (in particular given that these are innovative, and so risky, initiative), and to demonstrate benefits of the GIF programme; and
- more widely for other groups of employers, evidence on what can work in relation to new types of delivery model.

However, GIF investment amounts are relatively modest, meaning that a standard five per cent allocation to project-level evaluation does not stretch far, especially in meeting all of the above requirements. As a result, it may be sensible to think about allocations of monitoring and evaluation resource in a different way. This could reflect the imperatives of different organisations. For example, the UK Commission is partly interested in programme-level assessment, which does not necessarily mean evaluating all projects to the same level. It could also seek to encourage some employers' match resource being used to monitor progress and to develop project level evidence required for employer funders and prospective beneficiaries.

6.4 Implications and options

Based on the findings on evaluation planning the evaluators consider that there are three broad options that the UK Commission may wish to consider going forward with evaluation of GIF (and other investment funds).

- The UK Commission could continue to adopt a relatively hands-off approach, and place the emphasis on investment organisations developing their own thinking, capacity and capability. Some modest resource, as under GIF Round 1, could be used by the UK Commission, in the form of advice from an evaluation expert, commentary on and sign off of evaluation plans, and encouragement of sharing practice (e.g. through the recently-established Good Practice Network). Whilst a low-cost option, the view of the evaluators is that this is likely to be high risk. This is because wider experience suggests that the *laissez faire* approach results in variable commitment and inconsistent evaluation evidence.

- The second option would be for the UK Commission to be more directive on monitoring and evaluation, in particular to seek greater consistency. This could be through more specific guidance on evaluation planning (e.g. through the use of set templates and model plans), and advice on evaluation implementation (e.g. through example research tools and questions). This option could also include identifying common¹¹ output and outcome indicators across sets of projects, and definitions that could be used to promote consistent assessment. This would allow for aggregation up to programme-level, which is important for the UK Commission, but would need to be communicated in such a way as to avoid influencing the nature of future bids and the risk of stifling innovation through seeming to promote specific 'success measures'. The provision of mentoring could be used as part of this option. This option would have some resource implications for the UK Commission, and potentially investment organisations. It is more demanding than the first option, but in the view of the evaluators, means that the requirements of evaluation are more likely to be met (especially enabling greater aggregation to inform a programme-level assessment).
- The third option is for the UK Commission to take much more control of evaluation of GIF (and other investment funds). Project-level monitoring and a degree of project-level evaluation would still be required, and some of the actions under the second option may still apply (such as identifying common output and outcome indicators). However, under this option the UK Commission could undertake a sample of project-level evaluations, working alongside relevant lead organisations. These would be of greater size and scope than currently planned for Round 1 GIF project-level evaluations, and seek to align more closely with, for example, *The Magenta Book* (HM Treasury, 2011b). The extra GIF resource dedicated to this sample would be offset by more light touch evaluation of other projects. An alternative approach under this option is for the UK Commission to undertake programme-level beneficiary surveys to seek to assess impact on a consistent basis. The view of the evaluators, however, is that this could be challenging practically to achieve given the range of projects, and the risk of survey fatigue amongst benefiting employers and employees. This option would not necessarily need to involve greater cost, because it primarily involves re-allocating monitoring and evaluation resource. It is, however, the most challenging in terms of shifting from current approaches. The additional downside is that it is also the least developmental in terms of the capabilities of lead organisations.

¹¹ The term "common" (rather than "core") is deliberate, because it seeks to allow for some form of aggregation without necessarily giving any undue weight to specific indicators.

7 Conclusions

7.1 Summary of key findings

7.1.1 GIF's contribution to the development of new projects

GIF is providing an important contribution to enabling the new projects to come to fruition. Most projects have origins that pre-date GIF, and as you would expect, the *issues* that the projects are seeking to address were identified well before GIF was launched. Nevertheless, GIF has provided impetus to bringing forward applications for projects that may not have got off the ground otherwise. This is because GIF provides the necessary pump-priming support and supportive environment required to establish new mechanisms and new delivery models, the funding for which could not purely come from groups of employers themselves.

These are clearly encouraging findings: GIF is helping to address long-standing challenges in sectors; and it is helping relatively novel projects get off the ground with modest amounts of public investment, matched by private sector contributions. This suggests that there is a good alignment, at this early stage, with the overarching aims of the programme.

7.1.2 Underlying logic of projects

The rationales for projects are, on the whole, well-specified with appropriate evidence in place. These rationales, in the study's view, flow well into objectives, the intended delivery processes and the desired outputs and outcomes. Therefore, the underlying logic of projects is well-made. There are some common issues within the rationales, notably the barriers faced by SMEs in securing access to appropriate training when the unit cost is high or the knowledge of benefits is not in place. Whilst objectives flow well from rationales, there is room for improvement in making these SMARTer, and further thinking on outputs/outcomes that allow objectives to be assessed fully, *ex post*, is needed. Such thinking has started to come forward naturally as lead organisations have written their evaluation plans, and should develop further as they start to deliver on these plans.

In terms of policy levers, projects tend to focus on either employer networks or standards; for two projects, both policy levers are being used. These are supported by a range of activities to improve information flows (e.g. on quality, signposting, brokerage and sector attractiveness) and/or voluntary levies. It must be noted that levers have been interpreted in a broad sense: for example projects focussing on standards include a range of solutions such as competency frameworks, career pathways and accreditation schemes. Given this broad interpretation, there is no evidence that policy levers are driving the types of project being brought forward.

7.1.3 Employer engagement

The nature and scale of employer engagement in the design and development of project concepts and proposals has varied, and this has affected the extent of employer contribution to projects. In three of the six case studies, projects have been developed in a bottom-up way with employers leading or at least being a driving force behind shaping projects, by providing ideas, discussing options, and agreeing on solutions.

In the other three case studies, employer engagement has been narrower, but with three different stories. One has involved close working between the lead organisation and a single employer to develop a joint model for the sector, which has been supplemented with high level engagement with senior figures from the sector. Another project has developed from an existing initiative, and so engagement has focussed on established employer links. Wider and deeper engagement is now taking place with other employers, in particular SMEs. In the third case, there has been a more *ad hoc* process of employer engagement with key figures from the sector, who have provided key inputs and advice on practicalities of the project being taken forward.

There has not been a single model for employer engagement, reflecting the different contexts, issues and opportunities that projects are seeking to respond to, and factors such as timetables for bidding. Based on the evaluation's evidence, an ideal model for developing employer-led solutions in line with GIF principles could be to use a core group for in-depth employer steering, and a wider set of perspectives to aid design and development of particular components of proposed solutions. However, that is not to say that the other models adopted are wrong. The UK Commission should not be looking for a single 'right' employer engagement process, though it could encourage wider engagement in the development phase of applications. This development phase has been introduced as the second part of the two-stage application process from Round 2 of GIF.

All lead organisations are seeking to sustain and increase employer engagement now that projects are in implementation. There is an acknowledgement that SMEs are likely to be a key focus of this engagement going forward, and there have been some key challenges noted in this area. This is an important risk to be alert to for investment organisations and the UK Commission, in particular given the rapid build-up in targets set for some projects.

7.1.4 Innovation in projects

Most of the projects under GIF are bringing new ways of working to their respective sectors, albeit ones that are borrowed from other sectors and/or other countries. One project seems to be a completely new model for the UK.

As such, employers recognise that projects are substantively different, and they are incorporating new approaches in particular sectors for the first time. There are no specific silver bullets for innovation, though various contributory factors to the innovation process have been identified from the case studies:

- the important role of employers and their disciplines in bringing new ideas to the table to benefit the sector, and the act itself of bringing employers together to collaborate, share and debate issues and ideas;
- learning from other initiatives elsewhere; and
- the use of GIF as a pump-priming mechanism for novel ideas that may not have secured funding otherwise.

Therefore, GIF is resulting in projects with novelty coming forward. One caveat here is the need to be realistic about the scale of innovation and change that can be brought about, given the fine line between innovation and the legal frameworks governing skills funding.

7.1.5 Early outcomes

At the time of the evaluation, projects were only in their early stages of implementation. Therefore, assessment of progress as part of the study has been limited. An examination of contracts indicates that projects have some challenging targets, especially if they are to move to self-funded models in a relatively short period of time. Achieving such targets requires significant awareness-raising and effective marketing of provision to generate demand. Solutions with challenging take-up targets are at greater risk of not achieving a sustainable business model; this will need to be monitored carefully going forward.

Given that most projects have only just started, it is yet too early to undertake an assessment of outcomes. That said, there are two areas that have been explored by the study, where there is early evidence of positive progress. First, the employers engaged, and consulted or surveyed, are confident that projects will make a difference to the skills and employment issues in their sector. Second, there is evidence amongst a minority of employers in some sectors that engagement has resulted in a small change in the mind-sets in relation to training staff. These are early stage messages, and reflect only a minority of views, but encouraging nonetheless.

7.2 Key lessons

7.2.1 Learning what works on employer engagement

There is evidence to suggest that for those projects that were developed in a more bottom-up way, with strong employer engagement, there is now greater buy-in to implementation. This is neither conclusive at this stage, nor true in all cases. For instance, in one case where the project represents a *continuous* innovation, employer engagement was narrower to begin with, and is now being effectively broadened in implementation. Employers have also been found to be a key part of the innovation process. Going forward, the challenge of engaging SMEs has been acknowledged as been particularly pressing.

Therefore, understanding the characteristics of effective employer engagement and the associated lessons may be beneficial for future projects.

A number of characteristics are apparent in relation to where employer engagement has worked well, including at least one (though not necessarily all) of the following being in place:

- a history of engagement by the lead organisation, and established mechanisms for so doing;
- a track record in collaboration amongst the relevant group of employers, in particular where employers take themselves out of the competitive nature of their sectors to think about where they can work together for mutual benefit, so called 'collaborate to compete' behaviours; and
- employer motivations to do something to benefit the sector.

These characteristics suggest a key lesson is to build on any existing or previous forums for employer engagement. Added to this, there are other lessons for investment organisations, such as:

- using sector specialists to build up trust and respect from employers;
- encouraging the use of forums to stimulate thinking on behalf of sectors or geographical groups of employers by focussing on common issues;
- the need to plan carefully the requirements of employers so that they are not overburdened, through using a mixture of web, telephone and face-to-face consultation, choosing to visit employers on their own premises, and timely follow-up on employer interest;
- using third parties to target SMEs such as cluster and other organisations where there may be groups of employers (e.g. science parks);
- encouraging and facilitating peer to peer engagement to aid SME engagement, or targeting supply chains; and
- utilising SME workshops, in particular if these are existing events which SMEs are attending.

7.2.2 Improving the GIF processes

Given that this was the first round of GIF, the overall process was found to be generally supportive from the UK Commission, and open when organisations had queries. For example, discussions with the UK Commission in relation to applications, and transparency in the post-approval process were commented on as being good by some of the lead organisations. In addition, some lead organisations found the clear identification of milestones in contracting helpful, as well as the evaluation planning process, which had encouraged organisations to think ahead and check the underlying logic of their project.

These are good foundations on which to build. Added to these, there are some lessons and specific procedural recommendations from the Round 1 of GIF to take forward.

- The application process was demanding for organisations with less experience and less capacity. A more formalised system of mentoring and advice would have been welcomed by such organisations, and this may also encourage higher quality bids to future rounds from the range of investment organisation. The two-staged process being adopted from Round 2 of GIF may aid this, as the UK Commission is able to work more closely with organisations that are successful in the first stage.
- There was a lack of clarity amongst case study lead organisations over what was required from the application form, and the form itself was seen in places to be quite repetitive and restrictive. Revision and improvement is needed here, with tighter and clearer questioning, for example on Additionality and Value for Money.

- Formal appraisal techniques such as assessments of Additionality, Value for Money and Options Assessments were not used in detail in most applications. These are core to good project development and appraisal, and need to be installed as key disciplines. Again, the second part of the two-stage process may help to instil some of these disciplines. In addition, the Good Practice Network may be a forum for disseminating examples.
- Post-approval negotiations took a long time for a number of case studies, with some lead organisations commenting that there were long periods of inactivity. This meant that start dates were delayed, with implications for employer engagement. We understand that the UK Commission is reviewing the process to determine if any efficiencies can be made. Clearly, the UK Commission needs to satisfy itself and the GIF Board that public funds are used effectively, and so speeding up the process significantly may be difficult. Nevertheless, improved on-going communication with lead organisations would be beneficial to allay any concerns.
- Contracting through payments in arrears could be viewed as a barrier to smaller organisations being able to apply for GIF funding in future rounds. Ensuring that cash flow for projects is not an obstacle to involvement needs to be addressed.
- A key lesson has been around the evaluation planning process. The UK Commission deliberately took a hands-off approach. Whilst this has been undoubtedly useful to lead organisations, the assessment of the evaluators is that this is likely to be a high-risk option going forward. Instead, the UK Commission should be more directive, either through promoting and leading greater consistency in evaluation planning, or through partnering with lead organisations on project evaluation delivery. This would apply to other investment funds that the UK Commission is involved in.

7.3 Implications and recommendations going forward

7.3.1 Alignment with GIF principles

The GIF programme has three core principles, as identified in Chapter 1, with initiatives intended to be: employer-led; innovative; and self-sustaining in the medium and long-term. The assessment of the evaluators is that this first Round of GIF has largely aligned with the first two of these principles.

- There is some good evidence of how employer engagement has brought forward new ideas and has been used to test project design options. In addition, the UK Commission is now working with some new investment organisations, and so GIF has contributed to bringing new groups of employers into this policy area. It must be noted that there is variety in the extent to which initiatives have genuinely been driven bottom-up, though this is in part reflects the nature of project origins,
- Solutions are bringing forward new ideas, notably models from other contexts, i.e. *context-specific innovation*. In addition, projects are incorporating *adaptive innovation*: they are using new delivery and/or engagement processes, by drawing on good practice. That there are very few examples of *transformative innovation* (i.e. radically new ideas) is unsurprising, and we would not expect this to increase significantly in future rounds of GIF. This is because such innovation is rare in any case, in particular in a public policy arena where there are regulations and legal frameworks. Indeed, the disciplines around GIF are potentially important in ensuring that innovative solutions are developed within acceptable boundaries of these frameworks.

Within this innovation context, the evaluation has shown that, through GIF, the UK Commission is acting as an agent that stimulates innovative solutions that may not have got off the ground otherwise. The study has also shown that the UK Commission is open to discussing more novel ideas with its stakeholder base, such as investment organisations, government departments and funding agencies.

It is too early to comment on the extent to which sustainable business models are being developed, and so a conclusion on alignment with the third principle cannot be made at this stage. However, the evaluation has noted that there is a relatively short period of time before self-sufficiency is required. Given initial feedback, it would not be surprising if further public funding, or some other form of sponsorship, was required at the end of the GIF investment period as a transition to when delivery costs could be fully covered by revenues.

7.3.2 Recommendations

The evidence from the evaluation indicates that the principles of GIF are appropriate, and, overall, the tactics and processes are sound, in particular with the improvements made from Round 2. Based on the findings from the study, we make a number of further recommendations going forward.

- Instilling greater appraisal discipline may be useful in raising the quality of GIF applications, and could contribute to the consideration of more novel solutions and delivery models. Investment organisations themselves have a role to play here, potentially learning from their early experiences of investment funds, and seeking out examples of good practice. The UK Commission should also consider whether, and how, any training or capability development could be provided to organisations in relation to appraisal disciplines. This could include putting together a range of materials that could support better applications, such as benchmarking evidence, learning and evidence from innovative initiatives in the UK and elsewhere to prompt Options Assessment, and model answers to particular application questions. These ought to be available to all investment organisations. Implementing this recommendation would need dedication of a fairly substantive amount of resource on the part of the UK Commission.
- The UK Commission should consider how it best allocates evaluation resource across the Round 1 programme and in future investment programmes to ensure that this is proportionate and that appropriate evidence can be reported. This could be done through supplementing individual project level evaluations, or by determining sets of common outcome measures on which there could be more focus. Again, there is a more substantive resource requirement in implementing this recommendation, in particular if project level evaluations are to be supplemented. However, the key risk that the UK Commission must avoid is the one where it is not possible to demonstrate the added value impacts of investing in innovative projects at the level of the BMS strand. Investment organisations are key partners in the evaluation process, and they should plan evaluation in ways that recognise the value of the evidence that will be generated, e.g. in demonstrating benefits and securing future demand.
- The nature and scale of employer engagement in design and development has varied across Round 1 projects. Whilst this should continue to be a key part of the UK Commission's assessment of applications, it is important to recognise that variety in employer engagement is inevitable. Some projects may require less engagement where they represent more *continuous* types of development. For particularly innovative or otherwise strong project applications with relatively weak evidence on employer engagement, feasibility studies that incorporate an employer engagement process may be a useful interim step before full approval. This could utilise the second part of the two-stage process adopted from Round 2 of GIF. Investment organisations ought to be encouraged to be up-front as to the extent of further market-testing that may be required in first part (outline) applications.

- The UK Commission has recently established a Good Practice Network. This evaluation has identified three parts to the use of this Network in order to share practice: networking between the organisations that are currently implementing projects under GIF so that experiences of the process (including evaluation) can be shared; a means to enable future applicants to build on experiences and good practice of earlier rounds; and disseminating lessons and innovative ideas that have worked under GIF to wider sector bodies and employers, in particular where the initiatives may be transferable.

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Review of Employer Collective Measures: A Conceptual Review from a Public Policy Perspective

Evidence Report 7

Review of Employer Collective Measures: Empirical Review

Evidence Report 8

Review of Employer Collective Measures: Policy Review

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Evidence Reports present detailed findings of the research produced by the UK Commission for Employment and Skills. The reports contribute to the accumulation of knowledge and intelligence on skills and employment issues through the review of existing evidence or through primary research. All of the outputs of the UK Commission can be accessed on our website at www.ukces.org.uk

Produced by SQW for the
UK Commission for Employment and Skills.

UKCES
Renaissance House
Adwick Park
Wath-upon-Deerne
Rotherham
S63 5NB
T +44 (0)1709 774 800
F +44 (0)1709 774 801

UKCES
Sanctuary Buildings
Great Smith St.
Westminster
London
SW1P 3BT
T +44 (0)20 7227 7800

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