



UK COMMISSION FOR
EMPLOYMENT AND SKILLS

Planning for sustainability

Thematic Paper
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Intelligence > Investment > Impact

1 Planning for Sustainability

This paper sets out the key lessons from the ‘*Qualitative Evaluation of Demand-led Skill Solutions*’ in relation to the sustainability of UK Commission investments.

Summary

- The planning of, and progress towards, the sustainability of the projects is therefore central to maximising the overall impact of a demand-led skills solution.
- Significantly, what sustainability means and the conditions that need to be put in place to support it vary depending on: the maturity of the skills solution at the point of UK Commission investment and the nature of the skills solution in question.
- Projects that do not generally provide immediate returns to employers, such as networks, guilds and ATAs, have to face the challenge of how to identify and communicate the opportunity benefits / risk of inaction at an early stage. The benefit of grappling with this challenge at an early stage is that it rehearses and tests the financial model as part of the development of the solution.
- Where sustainability requires ‘take-up’ of a solution and are immediate and clear benefits it can be quite a straightforward ‘sell’. However, the contact with the employer can be quite brief leaving so it can be challenging to foster a sense of ownership for the product.

The key steps to sustainability are to:

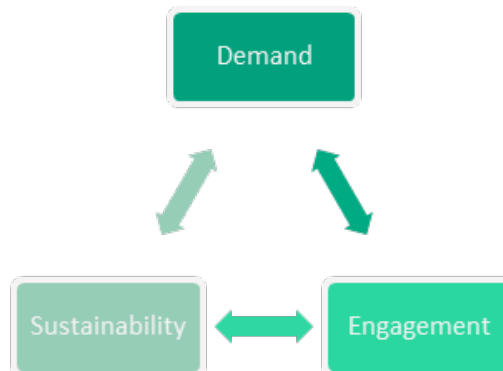
- Establish the upfront vision and plan for future sustainability.
- Early market testing with key employers
- Develop the business plan and undertake market analysis
- Monitoring progress towards sustainability
- Revising the offer and financial model iteratively so that there is a smooth transition beyond the investment phase
- Having sufficient *active* involvement from at least a core of employers so that they are not just customers, but also champions of the solution that they shaped and developed.

1.1 The context

This paper explores how investees under the GIF and EIF programmes and commissioned suppliers of standards and frameworks products attempt to ensure that the products, services and tools are sustained beyond the period of public investment.

Sustainability is underpinned by having effective employer engagement during the development of each skills solution. This process of on-going employer engagement should create the conditions for effective sustainability and is itself built on having an effective, upfront articulation of employer demand. The relationship between sustainability, employer engagement and demand is illustrated in Fig 1. Separate thematic papers look at the demand and employer engagement elements of the equation in more detail.

Figure 1: Key themes for successful skills solutions



The evaluation of demand-led skills solutions undertaken by ICF GHK was based around ten investment fund project case studies (five EIF Round 2 projects and five GIF Round 1 and 2 projects) and ten case studies looking at standards and frameworks products developed during 2012/13 (National Occupational Standards, apprenticeship frameworks and vocational qualifications). The case studies were conducted from January to April 2013.

The aim of the evaluation was to:

- *‘develop a greater understanding and insight of the development and commissioning of the individual funds;*
- *draw insights about delivery and potential improvements; and*
- *to enable the continuous improvement and capacity building to develop sustainable solutions¹.*

¹ Invitation to tender, September 2012 UK Commission

1.2 The importance of planning for sustainability

Planning for sustainability is a key consideration for investment projects. The UK Commission investment model is based on ‘pump priming’ new products, tools and networks through joint investment with employers, and moving them to a position where they can be owned and financed over the long-term by the sector. This results in the skills solution continuing beyond the period of public investment.

One of the key tenets of the investment model is that sector bodies and employers collectively have freedom to bid for whatever skills solution the sector perceives to be needed. This flexibility underscores the clear expectation that investees take responsibility for long-term sustainability. The planning of, and progress towards, the sustainability of the projects is therefore central to maximising the overall impact of the projects.

There are differences between whether a product is *sustained* in the short-to-medium term and whether it is *sustainable* in the long term. The former is about the transition beyond the UK Commission investment period. The latter is about having sufficient income from employers to be effectively self-sustaining (i.e. the point at which the product or tool is established in the market). Investees often need to think of both forms of sustainability during the lifespan of a project.

Expectations regarding sustainability are slightly different in the context of the standards and framework programme. Investment here is targeted at the development of a specific product (a set of NOS or a new apprenticeship framework) and it is typically much smaller in scale². However, implicit in the standards and frameworks programme is a need for these products, once developed or revised, to be promoted so that they fulfil their potential in terms of sector use – i.e. employers are aware of them, understand the benefits, see the value and quality of the products and make use of them.

² i.e. from £15,000 to £25,000 to develop most standards and frameworks products, as opposed to GIF/EIF investments which typically range from several hundred thousand to over one million pounds of public investment

1.3 Sustainability in different investment contexts

Significantly, what sustainability means and the conditions that need to be put in place to support it vary depending on:

- **The maturity of the skills solution at the point of UK Commission investment:** A single investment is likely to only cover part of the product development cycle, even under a relatively extensive two-year investment period. Some projects may receive investment funding at an early stage of product development, and therefore may not be ready for launch at the end of the investment period. These projects may require continued public investment to sustain the project in the short-term. Other products may at a later stage of the development cycle and therefore be working towards product launch and long term sustainability by the end of the investment period.
- **The nature of the skills solution in question:** The type of project directly impacts on what needs to be in place for it to be sustained. New products or provision are more likely to target learner volumes. Within the investment programme it has been fairly common to use the initial UK Commission investment to subsidise the development of services/products, enabling sector bodies to begin recruiting to a point where they had a sufficient volume of learners to cover the on-going costs for maintaining the product. Sustainability plans in these cases are dependent on achieving sufficient volumes of employers (customers) to make the products sustainable at the end of the investment period. In contrast, the development of new infrastructure (such as networks and guilds) has greater flexibility in how they can be sustained. This allows investees to focus on what works and what employers will pay for – ensuring that what is sustained is what the market will pay for.

Even though the detailed development of skills solution pricing may be difficult at the outset, it is clear that the setting up of new employer networks, guilds, ATAs etc. appears to have future financial models much more hard-wired into the development and early implementation phase than other products. This is because these projects do not generally provide immediate returns to employers, and as a result investees are required to think at an early stage about how the solution(s) and the opportunity benefits / risk of inaction will be 'sold'.

In contrast, the development of qualification/provision 'products' appear to be less associated with planning for sustainability. This may reflect that sustainability in the latter context is simply a question of 'take-up', where future engagement is based on a 'transactional model' of investment. The benefit of this transactional model is that they provide an immediate return on investment for employers, which, if clearly articulated, makes it relatively straightforward to market and promote the product. The challenge in this context is that employer engagement is quite brief and may not necessarily lead to a sense of ownership of the product. Therefore if the 'case for investment' is not clear, maintaining employer investment in the product can be difficult.

1.4 Routes to sustainability

Most of the investment projects were unlikely to become established in the market at the end of the investment period. Many projects were at an early stage of development when they received investment funding and would generally expect to take at least five years to gain sufficient employer contributions to be sustainable. This leads to an inevitable gap in funding that needs to be bridged.

Nearly all the case study projects had developed clear plans to sustain their products in the short term. Some of the most sophisticated thinking on managing the transition relates to positioning the skills solution to reduce risk in transition. There are a couple of approaches here, both of which imply that investees have a clear handle on costs going forward. This can involve:

- Ensuring that, by the end of the investment phase, the infrastructure is effectively in place to enable low-cost transition (for example, building the IT platform that underpins the skills solution, enabling future resources to focus on marketing and promotion). For these projects, sustainability is primarily reliant on developing employer networks that can then be maintained through minimal costs.
- Delivering sufficient 'proof of concept' during the investment phase so that the investee is convinced to take on the risk and to part-fund the transition itself or through other sources. This means that the investee has sufficient evidence to come to a judgement that the skills solution is viable, and therefore provide what is, in effect, 'bridging resources' to support transition. In some cases, the on-going costs in the post-investment phase are staff time to manage the skills solution. Where, for example, employer networks have been developed, it may be possible to maintain these in the short-to-medium term through minimal costs, by using staff whose roles are already funded from other income.

Effective long term sustainability plans often require on-going testing and market research with employers during all stages of the product development, which then informs the design of the solution. There is evidence from the evaluation that investees were not always taking practical steps early enough to test skills solutions. This was certainly the case in the first investment programme rounds, although there is persuasive evidence that investees with earlier investment fund experience have learned lessons here. The picture is not uniform: some of the earliest investment projects are framed within a commercial mentality almost from day one.

The most effective sustainability plans were generally found to be flexible and enabled solutions to be scaled up or down depending on demand. For example, one project had introduced a new suite of training, which could be maintained through minimal employer contributions. However, if there was a high take up then the investee would then be able to invest in developing new training opportunities.

1.5 Sustaining standards and framework products

The evaluation highlighted a much clearer focus on sustainability in the investment fund projects than in the standards and frameworks programme. In a way, standards and frameworks products support the development of qualifications products (NOS to underpin qualifications, new apprenticeship frameworks) and sustainability therefore takes place under a transactional model – with employers taking up and benefiting from new, better or updated provision.

However, in the case of NOS, this takes a narrow conception of the potential uses and benefits of occupational standards. There remains a focus on NOS as the underpinning architecture for qualifications, which means that the primary audience is often awarding organisations rather than employers. With one or two exceptions, there is a little exploration among suppliers of the potential commercialisation of NOS to support a wide range of activities at employer level.

There has been no major shift in thinking about the sustainability of products, or the possibility of more practical employer contributions to sustainability. It is acknowledged by suppliers as a challenge on the horizon, but this has not generally translated into concrete action. There is a clear tension between moves to commercialise certain products (especially NOS) and the parameters for development – which mean that they follow a common template and are publicly-available. There is emerging anecdotal evidence of third parties using/selling tools and support based on the NOS, but most of the sector bodies are yet to enter this terrain.

There is a fundamental question for standards and frameworks activity: what is the UK Commission paying for and what is the incentive and scope for suppliers to do the necessary work to achieve the widest possible use of these products? There are examples of sector bodies developing new products as the first stage of a longer-term strategy that they take responsibility for to create new provision, new career progression routes and improving skills supply for industry. There are also numerous examples, especially with regard to NOS, of standards being developed and remaining relatively invisible to the employers that may benefit from them.

1.6 Key steps to ensuring sustainability

The evaluation evidence suggests a number of key steps to ensuring sustainability:

- **Establishing the upfront vision and plan for future sustainability:** Although all of the investment fund projects had high-level strategies in place for sustainability, there is also a need for more detailed information on the timeframe for achieving key sustainability milestones and the key 'selling points' that will be used to market the solution to employers.
- **Early market testing with key employers:** This is integral to the investment approach, but it is important that these discussions are framed in terms of markets and prospects for future financial support and that there are explicit expectations about who needs to do what (and who is likely to need to contribute) in the transition period beyond public investment.
- **Developing the business plan and undertaking market analysis:** During the investment period there should be a move towards developing a more detailed sustainability plan, which estimates the size of the market and the volume of employers that need to be engaged to sustain the project. It should also include a pricing strategy and an approach to conducting systematic market testing.
- **Monitoring progress towards sustainability:** Iteratively testing the robustness of the sustainability plan during the investment period by first identifying and then monitoring appropriate indicators of progress towards sustainability (for example, the number of employers 'signing up' to use beta or pilot versions of the product).

- **Revising the offer iteratively over the course of the project and firming up the business plan so that there is a smooth transition beyond the investment phase:** Ensuring that there is feedback loop by which employer views continually inform the design of the skills solution. Further review of pricing models and moving to an agreed final price structure, as well as refining the marketing strategy/selling points and promotional plans and targets for the number of employers engaged in a defined future period (e.g. over the next 2-3 years).

During the delivery phase, and in addition to the practical steps to supporting sustainability, it is important that investees can lever sufficient *active* involvement from at least a core of employers so that they are not just customers, but also champions of the solution that they shaped and developed. This active involvement is crucial, but it has to also sit alongside plans and action to engage a wider audience (new employers, the customer base in its broadest sense) in the medium to long-term.

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.

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