Department for Business Innovation & Skills

RESEARCH

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Glossary of key terms and acronyms

BIS – the Department for Business, Innovation and Skills

CSR – Corporate Social Responsibility

DFE – the Department for Education

EOP – the Employer Ownership of Skills Pilot

FE – Further Education

GOL – Grant Offer Letter

ILR – Individualised Learner Record – the system for recording learner data

NEET – a young person Not in Education, Employment or Training

NSA – National Skills Academy

OECD – Organisation for Economic Cooperation and Development

QCF – the Qualifications and Credit Framework

SASE – the Specification of Apprenticeship Standards for England

SME – Small and Medium-Sized Enterprises, with fewer than 250 employees

SSC – Sector Skills Council

STEM – Science, Technology, Engineering and Mathematics

UKCES – the United Kingdom Commission for Employment and Skills

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Executive Summary

The Department for Business, Innovation & Skills (BIS) commissioned CFE Research, the University of Sheffield and Qa Research to conduct a national evaluation of Round 1 of the Employer Ownership of Skills Pilots (EOP). This initial findings report presents a picture of progress across the pilot projects following the deadline for learner recruitment in July 2014. The report is primarily based on qualitative interviews with participating employers, providers and stakeholders, which were conducted in the summer and autumn of 2014. Analysis of management information is used to provide contextual background for the interviews.

The Employer Ownership of Skills Pilots Round 1

The fundamental rationale for employer ownership is the premise that employers and employees will be more willing to invest in skills development if they are given more freedom and leverage over the use of government funding. The flagship expression of this vision was the announcement of the first round of the Employer Ownership Pilot (EOP Round 1) by BIS and the UK Commission for Employment and Skills in 2012, followed by a second round 2 in 2013.

The ambition of the Round 1 pilots was to test whether employers having direct access to public funds, co-invested with their own, would increase employer investment in skills or allow employers to demonstrate more innovative ways to approached demand-led workplace training, outreach activities and work experience opportunities. The ultimate aim being to improve skills developed in the workforce beyond that which can currently be achieved through mainstream funding.

EOP Round 1 has led to 36 projects being commissioned, each covering a unique set of objectives. Examining the Round 1 projects as a group, the problems they are seeking to overcome commonly relate to: skills gaps or shortages; a lack of appropriate or relevant training in specific sectors; capacity issues with training delivery; and the need for newly skilled labour in sectors with ageing workforces. In a few instances projects are also tackling workforce inequalities.

Delivery models

The 36 projects commissioned can be grouped into three delivery model types: those involving a single employer, those which include a group of employers, and intermediary-led projects, led by bodies such as providers or industry associations. Activities delivered by projects include apprenticeships, QCF training provision, non-QCF training and outreach and other unaccredited employer-defined programmes.

Employer ownership across the projects varies depending on model type. In some models participating employers take direct ownership over the delivery and administration of the project (which happens in both single and multiple employer-led projects), while other projects take a representative approach, with ownership of a group of employers expressed through an intermediary or a lead employer operating at the behest of many. Large businesses were more likely to say they had direct control over many training processes. Conversely, smaller employers were often represented collectively and held

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differing levels of influence over decisions about the workplace training, outreach or work experiences opportunities that their projects offered.

Generally employers were positive about the concept of employer ownership; with only a minority expressing some frustrations at limitations imposed on their freedom through the funding model.

Motivations for engaging with EOP included the use of employer ownership funding to access more relevant training, to deliver training solutions more quickly, and or to address structural skills challenges. Such challenges tended to relate to ensuring provision was more responsive to business needs, addressed sectoral workforce challenges, or supported business growth and corporate social responsibility activities.

Implementation of EOP Round 1

The 36 Round 1 projects had ambitious targets for engaging with learners. Original estimates for volumes of interventions derived from targets in Grant Offer Letters[1] show projects hoped to achieve approximately 10,000 apprenticeships and 90,000 non-apprenticeships QCF and non-QCF interventions (including unaccredited training, work experience and outreach activity).

Meeting learner targets

Based on provisional performance data, projects have delivered substantially fewer learner starts than planned at the outset; and compared to negotiated grant variations reducing the number of starts project managers expected to achieve. In relation to performance data:

- The target figures presented in the appendices **are derived from the original Grant Offer Letters** as this is the only detailed information by subgroup on targets available to the authors at the time of writing. Starts were just one-third (37 per cent) of those originally planned in the Grant Offer Letters.

- In reality, projects are closer to their revised targets (after renegotiation with BIS) than is suggested by this data although the commentary within the report regarding under-delivery remains relevant. For example, data provided by the Skills Funding Agency covering the most recent contract variations show that **actual starts** were 65 per cent of the revised target number[2].

Starts compared to Grant Offer Letter targets

For apprenticeships, starts at Level 3 have been closer to original projections than Levels 2 or 4 (although the overall level figures are influenced by better results in recruiting apprentices aged 24 or older). For non-apprenticeships, starts at Levels 3 and 4 actually exceed original projections, while Levels 1 and 2 are well behind. For both apprenticeships

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[1] These estimates have been derived by CFE from Grant Offer Letters supplied by BIS.
[2] Data supplied by the Skills Funding Agency, based on final end of year returns for the 2013/14 academic year

and non-apprenticeships, starts are closer to target for over 24 year olds than for 19-23 year olds, and recruitment of under 19s was particularly low compared to target.

Despite the majority falling behind the originally planned number of learner starts, there is variation across the projects. Size plays a factor in the success of project starts compared to projections. The nine largest projects (those expecting more than 3000 starts) achieved 30 per cent of their starts targets, while the remaining smaller and medium-sized projects achieved 64 per cent of their targets. Larger projects by volume of starts are therefore playing a significant role in bringing down the overall average proportion of starts.

In addition, the size of a project by cost relates to success in start metrics. Mid-value projects (those with a renegotiated budget of £2 million to £4 million) were closer to achieving their original targets.

Our analysis also suggests that, on average, intermediary-led models (which included some employer intermediaries) performed less well than those led by employers. It should be noted that the intermediary group is by far the largest and contains four of the six projects that achieved no starts compared to initial GOL targets (due to reported delays in setting up projects). In addition, five of the six projects with targets higher than 300 apprenticeship starts were intermediary-led and three of these achieved just 4% of target; a few poor performers therefore affect the performance of intermediary-led projects. Nevertheless only a minority of projects met or exceeded their target for both apprenticeship and non-apprenticeship provision, which shows that recruitment of learners has been a key challenge across all of the projects.

Recruitment challenges

The common challenges with recruitment (meaning bringing new staff or trainees into an organisation) fell into four broad areas:

- A lack of time to recruit;
- A lack of demand/commitment from employers/industry;
- A perceived lack of demand from learners; and
- Unrealistic projections in Grant Offer Letters, particularly given changes to delivery parameters.

Employers attributed greater success with recruitment to a good match between employer demand, learner demand and the use of the EOP funding, and, in some cases, the reputation of the employer and salaries on offer. Having an informed view of the likely demand from both learners and employers for a given product was deemed as crucial in linking Grant Offer Letter aspirations to actual delivery. Close involvement of employers in the design and bidding stage was important to this.

Financial performance

Projects have leveraged significant contributions from employers which are a mix of cash and in-kind investments. Data from the interviews suggest the majority of employer investments were in-kind (mostly in staff time). In the Round 1 application process, bidders did not have to outline the balance of their contribution between in-kind and cash.

Changes made for the Round 2 bidding process ask bidders to make this distinction. Moreover both government investment and employer contributions are behind the expected expenditure profile, which is a direct consequence of the under-recruitment of learners.

The mean spend against the <u>original</u> Grant Offer Letter profile is currently 53 per cent (public and employer), of which public spend is at 44 per cent and employer investment at 61 per cent of profile. Larger projects on average have spent a slightly lower proportion against profile than smaller projects.

Furthermore, the overall average spend by projects is much closer to the <u>revised</u> profiles than learner recruitment. This is due to: funding for infrastructure or management costs; payments for learners yet to be reconciled with starts; and the fact that some claw-back of funds will occur due to lower than anticipated numbers of learners against profiles; and other resolutions of funding being processed.

Innovation

Innovation in the design and delivery of workplace training is an important aspect of the employer ownership concept. As described in Employer Ownership of Skills (UKCES, 2011[3]. The definition of innovation in the vocational education context is refined further by research commissioned by UKCES,[4] which uses other research[5] to derive a typology of innovative practice. Broadly, innovation is defined along a continuum. At one end are *discontinuous* innovations, describing brand new ideas that offer radically different solutions. At the other end are *continuous* innovations which are those which develop existing ideas.

For the purposes of this evaluative study we have conceptualised innovation as transformative, context-specific innovations, or adaptive innovations. Transformative innovations were not generally expected to be part of EOP funding bids as the strategic concept of employer ownership itself is viewed as transformative in itself. Instead, innovative practices within bids were mostly expected to be contextual or adaptive. Nevertheless, in a couple of instances there is evidence of genuinely transformative innovations. For example, one employer was using portable camera technology as part of their learning assessment activity which appears to be a brand new innovation resulting from the pilot scheme. However, in general the individual projects funded under Round 1 did not generally produce transformative approaches; most pilot projects adapted or extended existing approaches. In some cases, project leads actually reported that their approaches were not particularly innovative at all. The extent to which funded activity is

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[3] UKCES, *Employer Ownership of Skills, Securing a sustainable partnership for the long term*, (2011). Accessed 02/12/2014:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/305746/employer-ownership-of-skills-web-vision-report-final2.pdf

[4] See: UKCES, *An Initial Formative Evaluation of Best Market Solutions,* (2012). Accessed 04/12/2014:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/305485/evidence-report-59-an-initial-formative-evaluation-bms-es-2.pdf

[5] See: Handy, C., *The Age of Unreason: New Thinking for a New World*, (1999).

innovative needs careful consideration in our future evaluate work, especially if adaptive approaches are later proven to deliver significant impact.

Successes and challenges

The key success of EOP activity has been the ability to provide specialist training that has met the needs of employers and is led by employers. As a result choices of provision have been widened providing significant increases in the relevance of training, improved value for money and more flexible, targeted provision. Many of the successes have been adaptive in nature i.e. they have resulted from innovations which made changes to existing training provision within the same sector. For example, reducing programme lengths by removing content or restructuring delivery.

Changes in behaviour amongst employers in regards to training have also been a positive success for EOP. In particular, SME employers have provided training they would not have done otherwise. The collaborative model used within EOP assisted in behaviour change because it allowed the level of risk to be reduced or removed in regards to costs, time and resources; primarily from allowing sufficient volume of learners to be generated across several SMEs.

The biggest challenge discussed by employers concerned aspects of administrative practice relating to the pilots, in particular higher than anticipated bureaucratic burdens. Specific issues cited by employers included the process for collecting, uploading and validating learner data which some employers found complex. A few employers also said the funding model and academic cycle did not fit with employer financial or recruitment cycles. Some employers would have preferred funding to be based on a vacancy or trainee opening as opposed to a specific individual, particularly for projects that had NEETs and the unemployed as priority targets. A number of employers also misunderstood the funding rules especially regarding the structure of training and understanding regulation requirements such as SASE.

Employers were made aware of the timeframe of the project when a contract was signed. Employers also had the opportunity to revise the original targets set out in Grant Offer Letters in line with what they thought would be achievable in the remaining timeframe whenever they requested a variation. This is an important context when considering the wider administrative process.

Although administrative issues were the most prevalent challenges faced by employers, some reported difficulties generating interest in training amongst employers, especially SMEs within vertical (being those led and managed by a single-employer, often at the apex of a supply chain) and horizontal (typified by shared responsibilities for delivery between employers) collaborative projects.

Early reported impacts and views on sustainability

Impact will be considered more fully in future evaluation reports, but we summarise early reported impacts here. There were a number of positive impacts mentioned that resulted from EOP funded activity. Some were those that classically result from training: Learners were said to benefit as they achieved a route into employment, developed their careers or improved their confidence; Businesses reported gains in productivity and efficiency; and

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providers sometimes realised market opportunities. However, the key impacts peculiar to the design of EOP centred on collaborative activity. Broadly, pilot funds created opportunities for businesses to work together, either directly or through an intermediary, which would be an unlikely consequence of traditional funding models. In these cases, collaboration delivered collective impacts. For example, several project leads discussed cost savings resulting from collective bargaining or a reduction in duplicated activity. New training was developed because employers represented a more attractive market opportunity for providers. This allowed businesses to become more productive through improved utilisation of staff.

Most project leads consider it unlikely that the current forms of EOP Round 1 will be sustained after funding ceases. However, many projects are seeking continuity through converting to mainstream or other funding routes, or through self-financing continued activity.

Employers stated that the single most significant barrier to sustainability was the potential lack of future funding. Some employers also said the restriction on Government funding forbidding pilot projects generating profits was a barrier to sustaining programmes, especially for SMEs.

New qualifications or approaches/attitudes to training will also be sustainable into the future. A more substantive consideration of future sustainability will be included in future evaluation reports.

Conclusions

- The diversity of delivery models and training activities is part of the strength of the Employer Ownership pilot, in that employers or their representatives can design unique solutions suited to their own organisation or sector. However, the sheer diversity of activities under each model brings challenges in monitoring projects and comparing the facets of different approaches. Projects have been able to interpret the concept to suit their own needs.

- The original targets of many pilots as stated in the Grant Offer Letters were unrealistic. The recruitment of learners to training and other activities is just over one-third of that which was expected when the projects were planned. Whilst some administrative problems have been encountered, many subsequent revised targets have also not been met. Some due diligence in bid writing is required and the use of external bid writers has not always helped projects base their original plans of achievable assumptions.

- Financial contributions from employers have mostly been in-kind rather than cash. In-kind investments have been substantial but the reticence of employers to use cash to fund activity suggests work is still required to sell the benefits of training.

- Innovation resulting from the pilot is subtle. The individual projects funded under Round 1 did not generally produce transformative, unique innovations; most pilot projects adapted or extended existing approaches to training. The important aspect of project

design is the impact it delivers the lack of any unique innovation is not necessarily a weakness of EOP.

- This evaluation is ongoing and incomplete; however some early reported impacts have been noted. The key impact relates to collaborative activity. The pilot created opportunities for businesses to work together, either directly or through an intermediary, which would be unlikely consequence traditional funding models.

- Sustainability is an ongoing concern due to a general view that, without the continuing stimulus of public funding, the continuation of projects is unlikely. Some projects are seeking to continue their activities by converting them into mainstream funded activity, or into other initiatives such as Traineeships or Apprenticeships Trailblazers.

Chapter 1: Introduction

The Department for Business, Innovation & Skills (BIS) commissioned CFE Research, the University of Sheffield and Qa Research to conduct a national evaluation of Round 1 of the Employer Ownership of Skills Pilots (EOP).

1.1   Overall approach to the evaluation

The overall aim of the evaluation is to provide evidence of the impact of the pilot and an assessment of whether employers having direct access to public funding has increased or improved their investment in skills, or enabled them to demonstrate more effective ways of improving skills in the workforce than they could achieve through mainstream funding.

The evaluation is being delivered over a five-year period, starting in autumn 2012 and ending in autumn 2017. Quantitative assessments of impact are planned for the final evaluation report, based on surveys with learners and employers involved in the pilots and those not involved as a comparison group. This is supported by case studies and in-depth interviews with employers, providers and stakeholders to build qualitative depth. The evaluation focuses only on the 36 projects commissioned as Round 1 of the Employer Ownership of Skills Pilots; a separate evaluation has been commissioned for the Round 2 projects.

1.2   Approach to inform this initial findings report

This initial findings report presents a picture of progress across the pilot projects following the deadline for learner recruitment in July 2014. It is intended to inform policy and debate around the Employer Ownership of Skills Pilots.

The report aims to present insights on:

- What projects have been commissioned and their objectives.

- The models projects have used to deliver the pilots.

- Delivery and implementation lessons.

- Early views on impacts and sustainability.

- Interim conclusions and policy considerations.

Data sources used in this report
The report is primarily based on qualitative interviews with participating employers, providers and stakeholders, which were conducted in summer and autumn 2014. The evidence informing this report includes:

- 30 interviews with employers involved in delivering pilot projects, including 17 lead employers.

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- 12 interviews with providers working on pilot projects.

- 11 interviews with a range of other stakeholders involved in the pilot projects, including a number that are grant recipients.

- 6 visits to pilot projects (whether provider or employer premises) to further understand pilot delivery, including observing learning.

- 10 case studies of pilot projects that were compiled in 2013 (comprising 33 interviews and 6 site visits).

- Analysis of management information provided by the Skills Funding Agency, including information on learner starts and pilot expenditure.

The report is also informed by earlier information conducted by the evaluation, including questions on employer ownership inserted into the English Business Survey in June 2013, and contextual analysis of the Employer Skills Survey.

In addition, the report uses management information to provide context for the qualitative findings. The quality of the management information is variable due to changes that have been made in the administration of EOP over time. As a result, three primary sources of data have been used to analyse EOP progress:

- Data regarding the original intervention targets for each project and for the programme as a whole. CFE have derived these from a review of the original Grant Offer Letters.

- SFA data on the number of achieved starts. This includes all starts on EOP up to the end of July 2014 – the deadline for learner registrations.

- Financial data provided by the SFA on levels of project spend up until October 2014.

The overall purpose of the volumetric analysis at this stage in the lifetime of the pilot is to support or challenge qualitative findings. The volumetric data is not intended to provide detailed review of process or impact at this stage of the evaluation.

Qualitative reporting

In the interview fieldwork, we interviewed representatives of 20 of the 36 Round 1 projects. In reporting, CFE and the University of Sheffield have sought to identify common themes across all the Round 1 projects. However, especially given the diversity of the Round 1 projects, findings from the qualitative interviews may not always be applicable to the full range of projects. Throughout the report, individual projects have not been named. In the report we use the latest available management information supplied by BIS and the Skills Funding Agency on numbers of learners recruited and expenditure. However, as the pilot projects have not yet finished, and a process of data validation, financial reconciliation and finalisation continues, these figures should be used indicatively.

1.3   Structure of this initial findings report

Following this introduction, the remainder of this report is structured as follows. Chapter 2 provides background on the Employer Ownership of Skills Pilots, including the policy context and the aims and objectives of the individual projects commissioned. Chapter 3 considers the delivery models adopted across the 36 projects, what provision they were setting out to deliver and how this embodies "employer ownership". Chapter 4 reviews evidence on the implementation of the Round 1 projects, including administration issues, recruitment of learners and consideration of innovation. Chapter 5 gives early evidence from qualitative interviews on impacts and sustainability of the pilot projects. Finally, Chapter 6 closes the report with key policy considerations and conclusions. The report is also supported by additional data included as Appendices, referred to where relevant in the main body of the report.

Chapter 2: The Employer Ownership of Skills Pilot

This chapter examines the context behind the Employer Ownership of Skills Pilots, before considering the concept of employer ownership and the aims and objectives of the Round 1 pilot projects.

2.1   Context of skills challenges and employer investment

Skills are a key driver of productivity and growth, and building relevant workforce skills is vital to the success of the UK economy.[6] In recent years the skills system has undergone considerable reform, to respond to the challenges facing employers and our economy, and better position the UK to achieve growth and economic success. However, important challenges remain for our skills system and in raising skill levels of the population. OECD evidence suggests that the UK's intermediate and technical skills lag behind our major competitors.[7] Currently the UK is ranked joint 17th out of 33 OECD countries for an "upper secondary level of better" (equivalent to NVQ Level 2 or better) and joint 6th out of 34 OECD countries for "tertiary level" education (NVQ Level 4 and above).[8] Despite expansion in qualifications at the higher and lower levels, one in eight people in the UK still have poor literacy and nearly one in five has poor numeracy. There are also skills shortages at middle levels, including 'technician' skills, which are important for future growth.[9]

Employer investment in skills, although substantial in absolute terms, is still below that of our international competitors. The 2009 UKCES Employer Collective Measures study highlighted that while the UK seemed to have relatively good levels of employer-provided training, almost a quarter of establishments have never funded or arranged training for their staff, less of this training is certified when compared to other EU nations, and training accounted for a lower proportion of labour costs compared to the EU average. The study pointed out long-standing trends, particularly that smaller organisations with fewer employees were least likely to fund or arrange training, and this was especially the case in

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[6] UKCES, *The value of skills: An evidence review*, (2010), p. 22. Accessed 08/12/2014: http://webarchive.nationalarchives.gov.uk/20140108090250/http://www.ukces.org.uk/publications/er22-the-value-of-skills

[7] BIS, *International comparison (within the OECD) of the qualification levels of the working age population* (2014), p. 2. Accessed 08/12/2014: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/367680/International_comparison_within_the_OECD_of_the_qualification_levels_of_the_working_age_population_v2.pdf

[8] OECD, Education at Glance, (2014), p. 43. Accessed 02/12/2014: http://www.oecd.org/edu/Education-at-a-Glance-2014.pdf. Upper secondary or post-secondary non-tertiary corresponds to ISCED levels 3A, 3B, 3C long programmes, and ISCED level 4; and tertiary corresponds to ISCED levels 5A, 5B and 6. Derived from tables A1.2a and A1.3a.

[9] UKCES, *Employer Ownership of Skills, Securing a sustainable partnership for the long term*, (2011), p. 13. Accessed 02/12/2014: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/305746/employer-ownership-of-skills-web-vision-report-final2.pdf

certain sectors.[10] Recent statistics show that this picture has not improved significantly. Data collected through the UK Commission Employer Skills Survey suggests that employer investment in training remains static (having increased just one percentage point to 66 per cent between 2013 and 2011), and consistent with a general decline in training volumes and duration since 2003. While more employees are receiving training (62 per cent in 2013 compared to 57 per cent in 2011), the number of days training delivered across the workforce has fallen. Furthermore, training expenditure has declined by 5 per cent (£42.9bn in 2013, £45.3bn in 2011), and employees are receiving fewer days training annually.[11]

Despite this, evidence suggests that employers recognise the importance of training, and according to the recent CBI education and skills survey, far more firms plan to increase training investment over the next 12 months than cut back.[12]

Employers have often argued that the publicly-funded FE and skills system does not fully meet their needs, both in terms of responsiveness and relevance, and are often reluctant to engage with the publicly funded skills system.[13] Evidence suggests that more than half of employers (51 per cent) deliver their training in-house, and that private providers remain by far the most common choice for employers using external training and development provision. Most often, this training is bespoke in nature, typically in the form of short or unaccredited courses, to address particular skills gaps or needs.[14] The most likely reason for not using external training providers is that they do not provide training that is relevant to employers' needs. This is particularly the case for public providers in Further and Higher Education.[15] While much positive work has been done to increase demand-led employer interaction with the skills system, too often this has resulting in short-term interventions to incentivise employers to engage. This has arguably resulted in two markets for skills development: a publicly funded training market involving qualifications delivered by colleges and developed around government priorities, and a privately funded training market that responds more directly to employers' needs.[16]

It is unsurprising, therefore, that businesses back the development of a more employer-led skills system, particularly around qualification design and delivery based upon employer

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[10] UKCES, *Review of Employer Collective Measures: Final Report*, (2009), p. i-ii. Accessed 09/12/2014: http://dera.ioe.ac.uk/9795/1/UKCES%20CM%20A4%20Main%20Report%20Web_1.pdf

[11] UKCES, *The Labour Market Story: The State of UK Skills*, (2014), p. 14. Accessed 03/12/2014: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/343448/The_Labour_Market_Story-_An_Overview.pdf

[12] CBI, *Gateway to Growth*, (2014), p.7. Accessed 03/12/2014: http://www.cbi.org.uk/media/2807987/gateway-to-growth.pdf

[13] See for example, Institute of Directors & CFE, *Reforming the Skills System: Lessons learned the hard way* (2011). Accessed 11/12/2014: www.iod.com/mainwebsite/resources/document/reforming_the%20_skills_system_lessons_learned_the_hard_way_jul11.pdf

[14] S. McIntosh, *Contextual analysis of the Employer Skills Survey*, conducted for the evaluation of EOP R1 (2013). Unpublished.

[15] S. McIntosh, *Contextual analysis of the Employer Skills Survey*.

[16] UKCES, *Employer Ownership of Skills, Securing a sustainable partnership for the long term*, p. 13.

and industry needs and standards.[17] Recent survey evidence suggests that while the majority of employers felt that they had sufficient control over the content of external training, more than half (59 per cent) of employers agreed that their business would like to play a greater role in setting the wider skills agenda for their industry. Similarly, 60 per cent of employers agreed that they would like to design their own training solutions.[18] Increasing employer ownership of and investment in skills is therefore a key priority for the Government's skills agenda, including through its skills strategy, through the Growth and Innovation Fund and Employer Investment Fund, and through the Employer Ownership of Skills pilots.

2.2 Employer Ownership of Skills

In 2011, the UK Commission published its employer ownership vision[19], setting out the principle of 'employer ownership' and its potential to transform the skills system through employers developing solutions on behalf of themselves, their supply chains and others in their sector.

The fundamental rationale for employer ownership is the premise that employers and employees will be more willing to invest in skills development if they are given more freedom, and leverage over the use of government subsidy.[20] At the heart of this is the notion that *"greater ownership means greater responsibility"*. By stepping back and allowing employers the space to own the skills agenda, a more dynamic culture of responsibility and action is created. In return for greater freedom and control, employers are seen as being able to step up to the challenge of creating quality training opportunities, job and work experience, based fundamentally upon the demands of employers and industry.[21]

A number of key principles for employer ownership were set out by UKCES in their vision document in 2011. In brief, these are:

- **Employers should have the space to own the skills agenda:** The Government should create the space for employers to step up and take ownership of the skills agenda for the growth strategy of their industry or sector.

- **There should be a single market for skills:** There should be a single market for skills development where further education colleges respond to genuine demand rather than strategy imposed by government. In a single market, qualifications should be genuine vehicles for skills development, recognised and valued by employers and individuals.

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[17] CBI, *Changing the Pace: Education and Skills Survey*, (2013), p. 47. Accessed 03/12/2014: http://www.cbi.org.uk/media/2119176/education_and_skills_survey_2013.pdf
[18] English Business Survey, questions on employer ownership, (June 2013). Base = 2200.
[19] UKCES, *Employer Ownership of Skills, Securing a sustainable partnership for the long term,* (2011), p. 13.
[20] Unionlearn, *Employer Ownership of Skills Pilot: Briefing Paper*, (2012), p. 2. Accessed 04/12/2014: http://www.tuc.org.uk/industrial-issues/skills-policy/employer-ownership-skills-pilot
[21] UKCES, *Employer Ownership of Skills, Securing a sustainable partnership for the long term*, (2011), p. 17.

- **Skills solutions should be designed by employer-led partnerships to reach more people and businesses:** Industry should be collaborating, working alongside employees, trade unions, colleges and training providers to create skills solutions that reach more employers and employees.

- **Public contributions for vocational training should move to employer incentives and investments:** Funding should follow ownership. Public contributions for skills development should flow through employers, transferring purchasing power to businesses and enabling true ownership of the system.

- **Transactions should be transparent:** Public contributions for skills and their use need to be transparent and simple, designed to facilitate employer and employee choice. Public contributions need to be visible in the market and empower employers and employees as customers to drive quality, innovation and value for money.

2.2.1 Aims and objectives of the pilot

The flagship expression of this vision was the announcement of the first round of the Employer Ownership Pilot (EOP Round 1) by BIS and the UK Commission in 2012, followed by Round 2 (EOP Round 2) in 2013. EOP represents a significant and high profile public investment totalling up to £340m over four years from government, leveraging significant contributions from employers to roll out their pilot projects. Government was not prescriptive on the precise content of EOP bids and employers were encouraged to develop scalable, wide-reaching, and even radical proposals.

The overall aim of the pilot is to test whether employers having direct access to public funds, co-invested with their own, will increase employer investment in skills or allow employers to demonstrate more effective ways to improve skills in the workforce than they can currently achieve through mainstream skills funding. The key objectives of the Round 1 Employer Ownership Pilot are:[22]

- To test a set of hypotheses about the benefits of employers playing a more active role in organising publicly funded training.

- To increase the impact of work readiness, workforce development and apprenticeships.

- To enable employers to better secure the training they need by having influence over quality and content and can shape training provision to meet their needs.

- To increase collaboration amongst employers to address cross-sector or supply chain skills challenges.

- To increase employer leadership, commitment and investment in skills, including the involvement of employers who do not have a track record of investing in skills.

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[22] BIS, *Employer Ownership of Skills Prospectus*, (2012), p. 4. Accessed 13/02/2014.
http://dera.ioe.ac.uk/13706/

2.2.2 About the projects that have been funded

Through EOP Round 1, 36 projects have been commissioned, each covering a unique set of objectives. Examining the Round 1 projects as a group, the challenges they are seeking to address generally fall into the following areas (Source: Grant Offer Letters):

- Skills gaps or shortages noted in employees and/or new recruits, e.g. general employability skills, management skills – relevant to 33 projects.

- Lack of appropriate training, qualifications or provision to support entry into the sector – 23 projects.

- Lack of capacity within the sector to provide training – 18 projects.

- Future skills shortages, due to replacement demand caused by an ageing workforce – 9 projects.

- Wider economic problems in the sector or industry, e.g. constrained growth due to lack of skills – 7 projects.

- Addressing equality and diversity issues in the sector, or supporting underrepresented groups – 4 projects.

The issues identified above are common to many sectors and industries, and were often cited as problems in EOP Round 1 bids. To address these, each EOP project proposed to undertake a range of activities, with both commonalities and differences evident across the projects. Because the Pilot is intended to allow employers flexibility to devise their own tailored solutions, projects frequently proposed to undertake different sector-specific solutions, reflecting the different challenges and issues facing each organisation. For example, attempts to address internal skills shortages were more likely to involve developing training with formal qualifications, whereas wider deficiencies in the external labour market often brought the development of unaccredited qualifications. For some projects, responding to known skills challenges in the industry meant addressing more fundamental longstanding issues over the number and type of applicants for vacancies in a sector, for example through the development of pre-employment training or outreach activities. The proposed approaches for EOP Round 1 projects were therefore diverse, often involving multiple activities and interventions of differing extents. In general, these included (Source: Grant Offer Letters):

- Engaging other employers or stakeholders to support the delivery of training and qualifications, e.g., with supply chain companies and partners, or with competitors and other organisations cross-sector – 27 projects.

- Expanding or up-scaling existing training courses or qualifications, including apprenticeships – 26 projects.

- Designing and developing new qualifications or training, including apprenticeships – 23 projects.

- Developing work experience/pre-employment provision – 21 projects.

- Outreach activities to attract new entrants into the sector, e.g., school engagement or targeted support for specific groups to address workplace inequalities – 13 projects.

2.2.3 Policy changes

Employer ownership has been introduced at a time of significant change in the further education and skills sector. Recent government policy has stimulated a fresh look at apprenticeships and vocational qualifications, to improve both the quantity and quality of skills in the UK. Since 2011, the Government has set in motion reforms to 16 to 19 provision through the introduction of study programmes, overhauled the English apprenticeship system, introduced new freedoms and flexibilities for colleges, reformed skills funding to include loans for learners aged 24+, and introduced new pre-employment support in the form of traineeships and the short employability skills programmes.[23]

In particular apprenticeships have undergone a step change in recent years, with an overall growth in the volume of provision, and increasing focus on improving the standards and quality of apprenticeships. Through the Richard Review of Apprenticeships (2012)[24] a new blueprint for the future of England's apprenticeship frameworks was realised, including proposing the re-definition of an apprenticeship and a simplification of the system to a single standard per occupation. Besides EOP, the Government has taken other approaches to increase employers' control over apprenticeships and ensure that they are more responsive to businesses' needs. Responding to the findings of the Richard Review, the Government aims to improve apprenticeships by increasing the quality of training and assessment, granting employers control over the development of standards, simplifying the system to free it from bureaucracy and duplication, and by giving employers purchasing power to invest in apprenticeship training. The development of new apprenticeship standards has already begun with the rollout of Apprenticeship Trailblazers, sector-led groups working collaboratively to develop new standards and assessment approaches. While Trailblazers are initially being piloted through a number of phases, the ambition is that all apprenticeship frameworks will use these new frameworks from 2017/18.

The relationship between these policy developments and the Round 1 projects is relevant in particular for projects' sustainability strategies and the scope for projects to convert their EOP activities into, for example, Apprenticeship Trailblazers or Traineeships.

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[23] BIS, *Improving the quality of further education and skills training* (2012). Gov.uk Accessed 22/12/2014: https://www.gov.uk/government/policies/improving-the-quality-of-further-education-and-skills-training
[24] Richard, D., *The Richard Review apprenticeships.* (2012) Gov.uk. Accessed 05/12/2014: https://www.gov.uk/government/news/the-richard-review-of-apprenticeships

Chapter 3: Delivery models

Having considered the aims and objectives of the Round 1 projects in the previous chapter, this chapter reviews in more detail the delivery models taken up by the Round 1 pilot projects. The chapter reviews the leadership of projects, what they were delivering, how employer ownership was embodied and the motivations for engagement with the pilots.

3.1   Delivery model of employer

The analysis of the Grant Offer Letters and consultations with pilot representatives reveals significant degree of variation in terms of pilot rationale, delivery methods, and pilot activities that were undertaken. However, there were similarities among pilot projects in how they were set-up and managed. In attempting to understand how EOP funds were directed, three broad delivery models have been identified. Our research suggests that in a minority of cases there has been a change since the beginning of the pilot in respect to how they operate (i.e. intermediaries having greater influence in directing pilots than leading employers), or pilots not being as wide reaching as planned (e.g. limited engagement with their supply chain). To assess how the projects have developed over time, these models reflect their status at the time of completion of learner registrations in summer 2014 rather than at the beginning of the pilot.

Two of the three models are employer-led, either by single employers or collaborative projects with sector competitors or lead employers' supply-chain. The largest category is those led by some type of intermediary, such as providers, sector bodies or industry associations (but also including employer intermediaries). Some projects embody aspects of more than one model, so these have been classified using a judgement on their best fit. Table 5 in Appendix 1 provides a per-project summary of the key figures.

Figure 1: Features of three broad delivery model types of EOP Round 1 projects

Single Employer-led	Multiple Employer-led	Intermediary led
These projects were run and managed by a single employer	*These projects were run and managed by a group of employers in partnership with one employer acting as the lead organisation This organisation was usually accountable for the project.*	*The pilot was managed by an intermediary organisation with employers "owning" the process*
A total of 9 projects fall into this category	*A total of 7 projects fall into this category*	*A total of 20 projects fall into this category*
Mostly operating in the manufacturing, trade/accommodation/transport or construction sectors	*Usually operating in the manufacturing sector (which encompasses engineering)*	*Intermediaries included employers, providers, industry bodies, local authorities and others*
A range of projects by budget	*A range of projects by budget*	*Run across sectors*
Most offered apprenticeships and all undertook some form of non-QCF activity	*Over half included apprenticeships with other projects focusing mainly on non-QCF activities*	*Most offered apprenticeships and QCF accredited training*
Some projects also offered outreach activity or pre-employment provision	*Just one project undertook pre-employment or work experience activities*	*Some projects were run and managed by one employer to benefit their sector or supply chain*
		Employers as intermediaries tended to operate in the engineering or manufacturing sectors

As presented in Figure 1, there are two employer-led models that have emerged through EOP, although there are some projects that embody aspects of more than one model.

Single employer-led projects

Nine pilots were designed for the purpose of benefiting the lead organisation primarily (categorised as **Single employer-led**) to address their specific skill or business issue. These projects were typically run by an existing member of staff (e.g. Head of HR or Training Manager) with another member of staff managing or supporting the back office element of the project (e.g. supporting learner registrations, ILR data requirements).

Multiple employer-led projects

A further seven pilots were formed through a partnership of employers from the same sector, or were managed by an employer to benefit a sector or the employers' direct supply chain (**Multiple employer-led**). Both these characteristics highlight the diversity of projects within this model however, were regarded as too small in number to be as standalone models in this report. Employers engaged via this model collaborated to address a shared business issue with one organisation having acted as the accountable organisation. This model used EOP funding to galvanise the input and resources of competing employers towards a shared common goal (typically succession planning and the need to up-skill or diversify their employee base). For these employers in particular there was a mixture of first time collaboration and funding existing collaborations.

Where the approach was geared towards engaging with the supply chain there was some variety to different approaches and circumstances across the projects. Where larger employers (e.g. national or global organisations) were the lead employers, there tended to be an opening up of their training packages and skills to their supply chain for them to benefit. Where projects were smaller (medium to small), our consultations suggested that lead employers often took a collaborative approach to deciding the focus of the project by canvassing the needs of the sector or involving partners in the design of provision.

Intermediary-led projects

Twenty of the pilots have been categorised as being managed by an intermediary organisation (**Intermediary-led**). The intermediaries that supported these pilots were varied. Some were led by an employer acting as an intermediary and included employer-led Sector Skills Councils (SSCs) and National Skills Academies (NSAs), but also trade federations supporting and lobbying on behalf of a particular sector, a local authority and a chamber of commerce. These organisations were often those that had heard about EOP in the first instance and had used their employer networks to canvas opinions about the opportunity and generate sufficient interest to submit an application. An employer was required to act as the lead employer for the project, with the intermediary managing the project to remove the administrative burden from the employer but also bring a degree of neutrality to ensure that no single employer was being seen to benefit above others. On commencement of their respective projects, intermediaries would typically second staff to manage and execute the project whilst undertaking the administrative aspects of delivery. In designing the training provision there were several examples of intermediaries that had consulted with the sector (e.g. through focus groups, or through consultations) to understand specific training or business issues to arrive at a suitable solution.

A final point to make about the models is the diverse variety of projects within them. The categories reflect the way a project is managed rather than the activities the use for

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training. As such, a model does not represent a particular way of delivering training nor is there much difference between models about the other findings discussed in this report. For example, no single model is better at fostering innovation or generating good return on investment (based on this early, qualitative analysis).

3.2   Activities delivered

This section summarises the types of activities delivered through EOP across the 36 projects.

In line with distinctions made by the Skills Funding Agency, EOP activities can be divided across four principal overlapping strands of skills investment: SASE-compliant apprenticeships[25], Employer-defined training programmes, QCF training and non-QCF training. Just one project embarked on delivery against all four strands; eight projects delivered against three, with just under half of the projects (17) doing two, with 10 projects focusing on only one activity.

Table 1: Summary of activities undertaken by EOP Round 1 projects

Activity type	*Number of projects*
Apprenticeships (accredited)	23
Employer-Defined Programmes	4
QCF accredited provision	17
Non-QCF provision	29

Source: Skills Funding Agency data and information from interviews

Apprenticeships and employer-defined programmes

A total of 23 EOP projects have involved some form of apprenticeship delivery, whilst four projects had employer defined programmes. One employer said their choice of a self-defined programme was due to an organisational preference of exam rather than photographic evidence assessment, (i.e. meaning the removal of the NVQ part of the apprenticeship), and including wish to include introductory engineering techniques (basic tooling, filing, and drilling) to provide a foundation for trainees which were not included in the available apprenticeship frameworks.

Consultations with projects suggested that EOP funding has been used in the main to adapt or remodel existing apprenticeship frameworks into provision that is more appropriate to the needs of industry. Employers highlighted on several occasions that current frameworks are not appropriate owing to: content being no longer of relevance (e.g. removal of technical certificates and apprenticeships being assessment based);

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[25] This means that the apprenticeships followed the Specification of apprenticeship Standards for England. Other provision was offered that was described as an apprenticeship by interviewees because, for example, it used some elements of a framework to create a training offer.

guided learning hours being below employers' requirements; or as a result of frameworks having been too restricted:

*Before the pilot existed you couldn't do anything but exactly the way you were told to do it, which meant they had to follow an absolute regimented routine. Whereas [in] the pilot, [you] do what you think is right. It's been far, far more flexible. (***Employer, Single employer-led***)*[26]

EOP funding has acted as a catalyst to drive collaboration amongst employers and intermediaries to reflect on current provision and shape a more refined offer through the design of new units, and or adding more units of delivery that better meets business needs. In some instances, an outcome of this approach has been that training has been competitively tendered, which has driven down the unit cost.

There have been other examples of employers designing niche apprenticeship frameworks for particular skills (e.g. specialist trades). Conversely there are examples of the design of expanded apprenticeships, building in components to improve leadership and management qualities to prepare future mangers or leaders within the business. Other examples have seen a focus on rotation across the business to provide more rounded apprentices in order to have a better oversight across the whole business. This requirement in particular has challenged providers to add further content to apprenticeships whilst stripping out what is perceived by the employer as unnecessary.

QCF provision

Some 17 projects have undertaken distinct forms of QCF training. There was no clear pattern of QCF training by sector; however, **Intermediary-led projects** were more associated with this type of activity: Just two of the nine projects categorised as **Single Employer-Led** offered QCF activity and three of the seven **Multiple Employer-Led** offered this. QCF Training included learners progressing through Level 2 qualifications, Diplomas and BTECs (with these qualifications forming part of some pre-employment activities).

Non-QCF activities

All but seven projects include some element of non-QCF training activity, which is distinct from mainstream FE delivery, in that it cannot be funded through mainstream FE routes. Five of these seven projects where in the broad "*business and other service*" industrial category.

Non-QCF activities also included non-training activity, the principal types of which are summarised below:

- *Outreach activity* - This typically addressed two strategic project objectives: to recruit learners on to their respective programmes or to enhance people's knowledge of the training and career opportunities available across the sector (e.g. several projects

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[26] Please note that the attribution for all quotations in the report is in the format: (interviewee type, delivery model type).

engaged with schoolchildren via attendance at careers events, and presentation of programme of activity to promote key sectors)

- *Pre-employment*[27] –Pre-employment was often delivered in partnership with an intermediary, for example a training provider or Jobcentre Plus to aid in recruitment. Consultations with employers and stakeholders identified that where projects invested more time (i.e. briefing Jobcentre Plus advisers about the provision and purpose of the project) and were on the projects' strategic boards, they tended to be more effective.

  The nature of the pre-employment activity was wide-ranging from a series of one day employability workshops focusing on employability training to intensive six month programmes incorporating practical training (e.g. learning and replicating skills needed by industry in a purpose built training academy), leading to a QCF qualification (e.g., Diploma, or BTEC. The longer pre-employment activities were in the main competitive in nature with a series of knowledge tests (e.g., Maths, English, or Science) to join the programme, followed by a one month programme with the top performers going on to undertake full training. Consultations with participants during the site visits suggested that learners overall saw value (recognising the commercial cost of the training in particular) when compared to purely classroom-based, less practical pre-employment provision. A case in point was that for one pre-employment programme, near 90 per cent of their cohorts had found employment at the time of interview. It was noted that several learners had found employment before the end of the pre-employment programme, meaning that data returns showing learners as non-completions paint an overly negative picture in these cases.

Work experience - These activities involve collaboration with intermediaries such as schools, colleges, Jobcentre Plus offices, sector-based work academies (A a short-term intervention that can last up to 6 weeks and has 3 main components[28]) and the Prince's Trust. Work experience tended to be designed to complement other planned EOP activities, such as full apprenticeships. Consultations with projects found employers engaging with primary and secondary pupils, graduates, and NEETs to provide exposure to respective sectors but also provide real work experience with an employer to improve a learner's chances of finding employment:

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[27] Non QCF refers to training that is not 'formalised' or accredited (e.g. in-house certificate or a competence based certification by the employer). The distinction here is what are called 'non-participation milestones' – i.e. activities that do not constitute training in the traditional sense of the word. A school child attending a session about careers in engineering is not undertaking training, although they are participating in an intervention. Similarly, working with Jobcentre Plus, although an intervention, is not training. However, pre-employment training that involves genuine participation in accredited or non-accredited activity constitutes training.

[28] The three components for individuals are: pre-employment training, a work experience placement and a guaranteed job interview. See https://www.gov.uk/government/publications/sector-based-work-academies-employer-guide (accessed 08/02/2015)

"We started off with wanting to develop a work experience programme so it would create a currency for those who had done work experience in the sector, and it would also allow the individual to walk away with something." (**Employer, Intermediary-led**)

A total of seven projects have made infrastructure spend claims on their project. The majority of investments were typically for back-office support namely administration or accounting software for data inputting into the project. There were however other examples, including investment (i.e. staff time) in the scoping, design and testing of new training and qualifications (e.g. non-SASE apprenticeships) through collaboration with employers and stakeholders. In addition, there was an investment in cloud technology to design a Virtual Learning Environment to aid in remote training delivery – a key investment given that this project had a national presence and one of the two examples of transformative innovations. Other examples included website design and communication or publicity materials (e.g. DVD production). There was also an example of an investment in machine and hand tools for learners, and an example of an employer themselves investing in machines for the benefit of their apprentices.

3.3   Employer ownership of the projects

The concept of employer ownership as discussed in Chapter 2 involves giving employers greater buy-in to publicly funded training through offering greater responsibility. As expressed through the Round 1 pilot projects, employer ownership differed in its expression, but many of the principles of employer ownership were felt by those we interviewed to have been realised.

There were two main broad ways in which respondents conceptualised and described employer ownership: firstly by defining *what* was actually owned plus the *level* of that ownership and the extent of that ownership; and secondly the *decision-making associated with* ownership.

Overall, the interviews suggest that the purpose of employer ownership was very well understood by the employers taking part in the evaluation, regardless of model, size or sector. The themes of collective working and developing a demand-led approach to address skills needs came through strongly in the descriptions given by employers. A key distinction across the projects was between direct employer ownership and employer ownership via a representative body or via another employer.

The extent of employer ownership

Precisely w*hat* is owned was central to conceptualising employer ownership. Employers described ownership in relation to the activities they controlled relating to vocational training. This ranged from responsibility for the whole process including the designing training, delivering it, and arranging accreditation (typically found in single employer-led projects) to providing suggestions and ideas about how training might best be structured to meet an employer's needs. There was a relationship between the level and depth of ownership and structural factors of an employer's business. For example, large businesses were more likely to say they had direct control over many training processes. Conversely, smaller employers were often represented collectively and held differing levels of influence over training decisions.

These different relationships loosely map on to the models of delivery discussed earlier in this chapter. For example, responsibilities for the training process in a number of vertical collaborations are held with the lead employer, or an intermediary trade body or training provider, especially administrative activity.

"One thing that has been appreciated by employers has been our willingness to take on what they would see as a great deal of bureaucracy around managing funds."
(Stakeholder, Intermediary-led)

In instances such as these employers down the supply chain or in the sector ceded responsibility for administrative aspects of the process to the lead employer or intermediary.

Decision-making associated with employer ownership

There was a relationship between the way employer ownership was defined and the decision-making processes, such as decisions on what activities the project should undertake and how these should be delivered. Most decision-making was delivered via consensus, but the interviews we conducted suggest that how consensus was achieved varied and could be classified in three ways:

- Consensus *within a company* whereby different branches, departments or management teams contributed to the development of relevant training. In these cases, the employer was seeking to devise a training programme that was tailored to their business operations and/or where skills gaps were causing operational problems. The idea of employer ownership was received favourably because it was felt the employer had more power and control to reduce problems with skills.

- Consensus *between employers* which was a common attribute of horizontal collaborations. It was also found in vertical collaborations in which the lead employer actively engaged their supply chain, and in some activity which was managed by sector-wide bodies. The key attribute of decision-making between companies lay in the problems it sought to address. The approach was either egalitarian in nature (in which companies engaged as equal partners) or managed by a lead company who made a final decision based on (greater or lesser) input from other employers. Employer ownership was described in relation to the skills issues it solved more broadly, or as a way to address sectors issues arising from skills shortages.

- Consensus *with representative bodies external to the employer*, typically in sector body programmes or those managed by providers. In these instances, the external body was an intermediary. Employers using intermediaries defined employer ownership in positive terms as a method of collectively influencing providers to devise solutions that better met their needs. The distinction of representation rather than direct control is important as the beneficiaries did not receive funds directly, but instead described the concept as a way of influencing someone else to develop something more appropriate on their behalf. This also happened in consensus between employers; however the critical difference was the body receiving the funding derived no training benefit themselves. The lead organisation did, however, receive finance to allow them to administer the programme.

Regardless of the method in which decisions were made, an important and common element in the definition of the employer ownership concerned the desired impact on relationships with training providers. The move towards a training system responsive to employer demand was important to many and, significantly, several employers noted a change in the relationship to providers in this regard that they directly attributed to employer ownership. Employers felt in a stronger position to negotiate on training costs and delivery preferences, as they held the funds.

"It does tend to create a different relationship as we are seen as funders rather than just an organisation who puts people forward for training... We've noticed we've had different conversations with colleges than we would have done otherwise." **(Employer, Multiple employer-led)**

As a result, these employers said the programme was successful in delivering some of the results they were hoping for.

Unmet employer expectations regarding employer ownership

Some employers said that EOP was sold to them as a flexible and less bureaucratic model than mainstream provision to help them develop employees' skills. A minority of employers' said their experience of EOP did not match this aspiration. In some cases, employers thought employer ownership would give them more freedom to develop tailored activity. These employers here were under the impression that the programme would be administered using a 'light touch'. However, a variety of respondents (ranging from experienced staff with prior FE experience to those with no previous experience of state funded training) said that this was not the case. Several employers highlighted constraints around learner monthly profile targets that did not sit well with the nature of their business operations (i.e. did not align with their typical recruitment or training patterns); or a lack of clarity regarding the parameters of the programme.

While flexibility is built into the pilot through the availability of employer-defined programmes, the nature and extent of flexibility in the pilot was not always understood by employers, especially specifically in relation to the qualifications (as opposed to training) that result from the programme.

3.4 Motivations for engaging with EOP

Generally the employers and other bodies consulted for this report saw employer ownership in positive terms and the key motivations for engaging with the pilot can be broadly grouped within three categories: supply side, demand side and sectoral motivations. In addition, some of these motivations incorporate pull factors, i.e., those that are attractive to the employer, and others push factors, whereby the employer is compelled to take a reactive choice.

Supply side motivations: accessing more relevant training

A number of supply side concerns were raised regarding the extent to which pre-EOP training met the needs of employers. At the root of these issues is the historical provision of supply-led further education. A number of employers noted a mismatch between the content of training and the needs of the business and/or employees. This ranged from the perceived irrelevance of some curriculum elements to important skills or techniques being

absent from the content of a qualification or framework. These issues are well known generally and are amongst the reasons why the concept of employer ownership is being trialled.

"The problem we have [is] an apprenticeship doesn't necessarily correlate with all of the aspects that we want from that individual job role. So when EOP came along, the best part about [it was]... we were able to at least influence and orient, if you like, what we wanted." **(Employer, Intermediary-led)**

Inadequacy of training also has an effect on individual employers (as it hinders staff development) and the sector as a whole (where there is an overall skills gap of capability issue). It also relates to other motivations for taking part in the pilot, especially in relation to the speed at which training can be delivered.

Demand side motivations: delivering training solutions quickly

In the main, the factors driving a motivation to have training solutions that meet employers' needs more quickly are driven by demand-side issues. One of the most frequently cited requirements from employer ownership was the desire to access shorter duration episodes of training. In some cases, this issue was raised in conjunction with comments about the irrelevance of some parts of a qualification or framework. In these cases, employers felt the important elements that staff needed to learn could be provided in less time if the "superfluous" elements were removed.

There were also a number of observations made about impact training structure had on speed of delivery. Some felt that content could be compressed and delivered in a shorter time. Others were thinking more practically. For example, employers that required apprentices or trainees to work on geographically distant sites discussed the problems they had in identifying adequate provision that could tailor delivery to adapt to this situation.

"One of the big problems we have within engineering and construction is... they might be up in Aberdeen or down in Pembrokeshire. It's difficult getting young people back into a centre [for] education." **(Training Provider, Intermediary-led)**

Another motivation for engaging in employer ownership was to meet employer demand for enlarging its workforce or expanding as a business. These two actions are distinct and, in this context, enlargement means a growth in the number of staff and expansion a move into new premises and/or a different sector of operations. In a number of cases, enlargement and expansion were both occurring. These employers had identified growth possibilities and faced limitations based on their staffing. They were therefore actively planning how they could grow. In some cases, an increasing business pipeline resulted in the need for more staff to meet future demand (this was the case for micro-businesses and larger multi-nationals).

"We had a big growth plan. We were launching four new models in one year [and]... to put that into context, [we] would normally launch one per year, so four in one year was a massive ask." **(Employer, Employer-led: Supply chain/ Sector)**

There were also a couple of instances where employers cited the delays in the time taken by providers to react to market demand and provide the training required by employers. Employer ownership was seen as a way to address this.

Sectoral motivations: skills deficit and mismatch

All of these issues were demand-side or sectoral and cover numerous difficulties pertaining to workforce skills. Two issues in particular were mentioned by many employers as factors motivating their engagement with employer ownership: an ageing workforce and plugging skills gaps resulting from the changing demands of industry. Many employers, especially in the *manufacturing* and *engineering* sectors, noted a loss of skills due to retirement. In short, the number of suitable new staff recruited was lower than the number of experienced staff retiring. Issues relating to these employers ageing workforces had resulted in the need for replacement staff and training solutions were required sooner rather than later. These employers identified a deficit in the pre-pilot training offer and/or a lack of young people interested in entering their industry.

The central motivation for employer ownership as a response to skills deficiencies was the lack of provision that existed to address these problems. Although the cause of skills deficiencies related to industrial issues, provision (or training supply) was not perceived to be strong enough to address these problems.

In addition to addressing skills gaps, some employers also wanted to address deficiencies in their current workforce and were motivated by developing current staff. This is logical given the numerous concerns expressed about ageing workforces. Staff development can be viewed as a continual process; young, replacement staff are not in a position to address the loss of experience that results from retirement. There is a broader concept of succession planning which some employers hoped that employer ownership could address. This included the development of management level training within a specific industrial context to maintain the flow of experienced staff within an organisation and/or a supply chain.

Industrial change is a related, but different issue. This includes problems of lost expertise in specific elements of an industry. For example, one employer noted that the UK had a good supply of skilled staff able to manage and run a particular specialist facility, but no capacity in building them as the last one to be constructed in the country was some years ago. Others discussed new skills required due to technological innovation and/or new ways of working.

Corporate Social Responsibility

Finally, several employers (typically larger ones) identified Corporate Social Responsibility (CSR) as a motivation for engaging in employer ownership. This was especially relevant for businesses that provide products or services with a social dimension, such as housing. In the context of employer ownership, CSR covers several issues: providing opportunities for the unemployed and/or NEETs; working with social institutions to help them deliver their services (schools, hospitals); and supporting local businesses and supply chains, thus protecting local and regional employment. The latter element was particularly important to large business managing a training offer through vertical supply chains or those programmes delivered through representative sector bodies.

CSR was not the primary motivation for employer ownership for these businesses. It was part of a wider business strategy and typically delivered indirect social benefits, or helped employers in their public communication activity as an adjunct to developing their product or service offer.

"We do a lot of housing regeneration projects, so that brings in contact with schools, unemployed people and local businesses. The motivation here was to enable us to work more effectively with those organisations by giving us the resources to develop bespoke materials to engage with [them]." **(Employer, Multiple employer-led)**

Analysis of motivations for engaging with EOP

It is un-surprising that the stated motivations reflect the purpose of employer ownership. EOP seeks to address areas of historical market failure which have been driven by a supply-led training offer by providing funding to employers. As a result, it is to be expected that employer motivations would cover topics, such as the relevance of training content and the inflexibility of the traditional offer. These supply issues also relate in part to skills deficits as it is difficult to plug gaps in occupational performance if no suitable training exists, especially in niche occupations and/or those that are relatively new. Businesses need to act quickly to respond to market pressure and the state funding training system has not always been up to this task.

It is clear from the evidence that employers and their sector representatives rarely have a single motivation for taking part in the pilot. Many of the motivations highlighted above are entwined with one another. It is difficult to grow a business if one cannot find the required skills. Reacting quickly to address a training need is not possible if only part of the training offered is deemed relevant or useful.

Chapter 4: Implementation of EOP Round 1

This chapter presents evidence on the implementation of the EOP Round 1 projects, including consideration of application and administration processes, recruitment of learners against original targets, financial contributions, innovation and successes and challenges for the pilot projects.

4.1 Application and set up

Employers were invited to bid for EOP funding through completing a two-part pro-forma that covered:

- An outline of how the project would be designed and led by employer(s);

- The skill issues of the employer(s), supply-chain, locality or sector;

- How the project would address these issues; and

- How new or innovative the proposed activities were.

A total of 269 bids were received and appraised going through an initial review or 'soft sift' against the following criteria which led to the commissioning of 36 pilots in 2012. Figure 2 illustrates this process.

Figure 2: The EOP Round 1 bidding process

Initial bids	Met minimum requirement	Recommended	Commissioned
269	157	71	36

"Soft sift":
1. Met minimum threshold for public funding
2. EOP essential for go ahead
3. Signed by an employer
4. Benefits accrued in England
5. Deemed feasible

"Hard sift":
1. Economic benefit / VfM
2. Innovation
3. Quality
4. Feasibility

Recommended to investment board
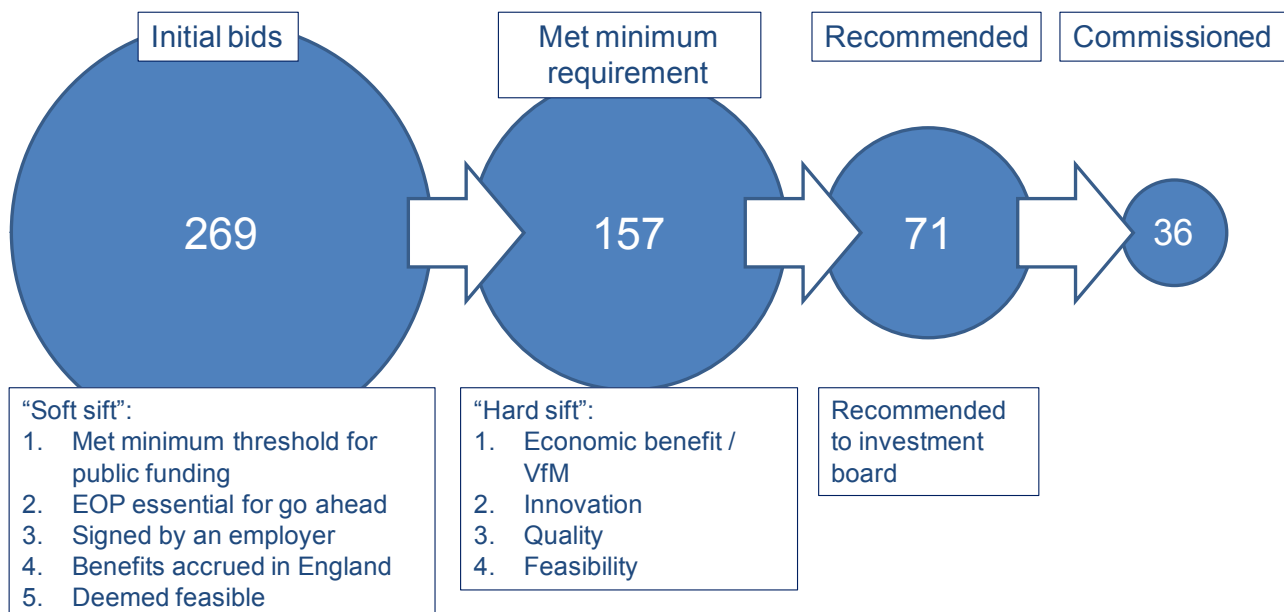
Consultations with successful applicants suggested that awareness of the call for applications from UKCES had come from a variety of sources. Several lead employers had attended one of the launch events while there were examples of other employers having existing connections with BIS or the Skills Funding Agency (e.g. through apprenticeship delivery contracts). Other lead bid contacts were connected to an employer federation or local government (e.g. Local Enterprise Partnerships forum), which alerted them to the opportunity. Through the consultations we found that the majority of employers with existing connections were those that had self-selected themselves or who were nominated by an intermediary to act as the lead employer for a successful bid.

In one sense this approach enabled those with ongoing experience and exposure to the current skills system, or those that were most vocal about issues surrounding the skills landscape to devise the most suitable solution to their skill, business or sector issues. These employers often brought with them a sense of gravitas and presence within their sector or supply chain to influence (e.g. generate support for the application) others to be included as a partner within the application. There were also notable examples of projects involving employers or sectors that had not previously engaged with the publicly funded training system.

In preparing an application, feedback from key respondents suggested that bids were not developed in isolation. The bidding process encouraged employer collaboration (e.g. through focus groups, surveys, roundtable discussions) to establish the skills issues and proposed solutions and gauging employers commitment to the project (in terms of training design, meeting learner targets or other project outputs).

"We had a group of members that we bought together to tender for the funding when it was first available. Then we ran focus groups so that we were clear about what the industry requirements were." **(Stakeholder, Intermediary-led)**

Around one-third of the successful pilots applications were reported to have been co-ordinated, or involved collaboration with an intermediary (for example, a Sector Skills Council, trade body/ federation, National Skills Academy, Local Authority or FE college) working in partnership to promote and establish employer interest, or were using an existing employer network to engage employers in the preparation process. This approach meant being able to poll, consult and engage with a larger number of employers to ascertain the skill or business issues, while also providing a degree of independence, especially in a competitive sector to elevate concerns of one employer looking to be the principal beneficiary.

Employers with less experience of bidding for public money found the task challenging while others also raised concerns when attempting to forecast learner or engagement numbers over a two-year period and by age group. There were also two examples where professional bid writers were hired to begin the application process, and then translate the research gathered through group consultations.

The grants negotiation stage was regarded by the majority of employers as having not proceeded as smoothly as they had hoped. Lead employers highlighted that grants delays (sometimes as much as six months) created repercussions in respect of meeting learner engagement targets not just in the first year, and limited the effectiveness of a pilot.

Examples included: a missed opportunity to engage with key target groups such as school leavers (under 19 years of age learner targets) in pre-employment programmes; latter cohorts of individuals on pre-employment programmes being unable to progress on to their apprenticeships due to the July 2014 cut off date despite this being explicitly mentioned in the Grant Offer Letter. It is noted that BIS and the Skills Funding Agency did emphasise to project leads during renegotiations that the deadline for learner registrations would not be extended throughout the duration of the pilot. Employers were made aware of the duration of the pilot when variations were requested and thus had opportunity to adjust their learner targets to what they thought would be achievable within the time available.

Employers also fed-back that the delays slowed the recruitment and engagement process with potential learners and other employers, and the development of training provision or programmes, owing to a reluctance of pilot representatives to proceed without a grant offer in place. With many projects beginning later than planned and with no extensions granted, many strands of activity had to be condensed (see also Section 4.2 below).

In addition, employers reported that delays were caused by their own processes. For example this included employers' own legal due diligence processes, especially where involved as a consortium, and requirements for agreements to be signed off by global headquarters, for larger multinational employers.

While contracting delays (and their reasons for this) were regarded as a significant issue for several employers it is important to highlight that overall EOP learner targets were reduced as part of the grant negotiations process. Further grant variations were also agreed during the pilot phase to re-profile targets[29] and re-allocate funding to other projects. Therefore while the issues raised above did impact of initial recruitment, it can be seen that there were opportunities during the pilot to set more realistic learner targets. The extent to which this has been achieved to date is presented below.

4.2 Recruitment of learners

4.2.1 Achievement versus target

Note that in this section, the term recruitment means bringing new people into the business (i.e. individuals on work experience, pre-employment strands of activity and apprenticeship provision) rather than enrolling existing members of staff onto training.

The 36 Round 1 projects had ambitious targets for engaging with learners, be they company employees or individuals outside the company. Original estimates for volumes of interventions the projects hoped to achieve were high at approximately 10,000 apprenticeships, 90,000 non-apprenticeships QCF and non-QCF interventions, including unaccredited training, work experience and outreach activity.

Overall, provisional performance data suggests projects have delivered significantly fewer learner starts than planned at the outset (see Appendix 2 for detail). Projects have

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[29] At this interim stage, there is little evidence which explores why some projects changed the profile of target learners. This issue will be covered in more depth in later reports after more fieldwork is conducted.

negotiated grant variations throughout the delivery of the pilot which include reducing the number of starts they expect to achieve.

Table 2 (overleaf; based on SFA data) shows that actual starts were just over one-third of those planned in the Grant Offer Letters. For apprenticeships (Appendix 2, Table 6), starts at Level 3 have been closer to original projections than Levels 2 or 4, although performance across all Levels are influenced by the higher success amongst projects in recruiting those aged 24 or older. For non-apprenticeships, starts at Levels 3 and 4 actually exceed original projections (again, principally driven by the success of projects in attracting those aged 24 or older), while Levels 1 and 2 are well behind.

For both apprenticeships and non-apprenticeships, starts are closer to target for over 24 year olds than for 19-23 year olds, and recruitment of the under 19s was particularly low compared to target. In some cases, projects have exceeded targets for those aged 24 or older which met some of the shortfall in overall totals resulting from difficulties in engaging younger learners.

Looking across the 36 projects there are some variations, but the majority fell behind the original plan for the number of learner starts. Average performance by delivery model type is summarised in the Table 2 below, with more detail provided in Appendix 2. This analysis should be used with caution, as there is significant variation within project types, and large individual projects affect averages within project types. This suggests that single employer-led models performed slightly better at recruitment than other models.

Size appears to play a factor in the success of project starts compared to projections:

* The nine largest projects **with more than 3000 expected starts** achieved 30 per cent of their starts targets, while the remaining smaller and medium-sized projects achieved 64 per cent of their targets. Therefore the larger projects have a role in bringing down the average proportion of starts across all 36 projects, by virtue of their size.

* Projects with medium-sized budgets (Between £2 million and £4 million) fared better than those with smaller or larger budgets. Projects with medium-sized budgets achieved 82 per cent of their target for apprenticeships and 68 per cent for non-apprenticeships. In comparison, projects with small budgets achieved a quarter of targets for apprenticeships and non-apprenticeships. Projects with budgets in excess of £4 million achieved 39 per cent of apprenticeship targets and 44 per cent for non-apprenticeships (see Appendix 2, Tables 11 and 12).

* Table 2 also highlights the performance of projects in relation to recruiting apprentices aged 18 or younger. Projects with medium and larger budgets have been closer to achieving original targets than smaller budget projects.

A minority of projects met or exceeded their target for recruitment on to apprenticeships and non-apprenticeship provision, showing that recruitment of learners was a key challenge for the projects.

Note that there is not a clear-cut relationship between size as a function of starts to financial size. For example, fourteen projects had budgets greater than £4 million. Whist

six of these were banded within the large category based on number of starts, there were also four medium and four small projects.

Table 2: Starts in comparison to Grant Offer Letter (GOL) targets by project model type

Model / value	Actual starts	GOL target	Percentage	% of under 19 year old apprentice-ship target
Single Employer-led	5320	10000	53%	76%
Multiple Employer-led	3570	8070	44%	39%
Intermediary led	28160	81990	34%	18%
Less than £2m	9840	39670	25%	8%
Between £2m and £4m	3350	4950	68%	54%
Over £4m	23850	55440	43%	25%
Total	**37050**	**100060**	**37%**	**23%**

Source: Skills Funding Agency starts data to the end of July 2014; CFE review of Grant Offer Letters. Volumes are rounded to the nearest 10; percentages are calculated on pre-rounded data. As a result, column and row figures may not sum to totals

Twenty three projects achieved **apprenticeship starts** compared to the 29 that said they were aiming to do so in the original GOLs. Nine projects reached over 75 per cent of their planned apprenticeship target, with several exceeding the target. Intermediary-led projects on average were less successful at recruiting apprentices, achieving 34 per cent of expected starts compared to 71 per cent for multiple employer-led projects and 74 per cent for those that were led by single employers (see Table 7, Appendix 2). Intermediary performance on apprenticeships is relatively poor for a couple of reasons. Firstly, six projects had initial GOL targets for apprenticeships but achieved no starts: four of these were classed as intermediaries. Secondly, six projects set targets higher than 300 for apprenticeship starts. All but one of these was intermediary-led. Three of the intermediaries achieved just 4 per cent of target.

35 of the 36 projects planned to deliver **non-apprenticeship provision** and all but one delivered such interventions. Overall, starts were just over a third of original projections in GOLs. However, two projects accounted for nearly half of the total GOL target. As one of these achieved 13 per cent of targeted starts, the overall target figure is affected accordingly.

Of these, 6 projects met or exceeded their non-apprenticeship recruitment targets, and a further 5 achieved more than 75 per cent of target. Six projects achieved less than 10 per cent of target. Intermediary-led projects on average were less successful at recruiting non-apprentices against the planned targets, achieving 34 per cent of expected starts, compared to 42 per cent multiple employer-led projects and 52 per cent for single employer-led projects (see Table 8, Appendix 2).

As Table 3 below shows, projects with more successful in delivering non-apprenticeship starts if they had more modest targets. In total, 16 projects achieved over half of their target (and a further project decided to offer non-apprenticeships after originally not doing

so when renegotiating their grant); and 18 achieved 50 per cent or less. The higher achievers had, on average, a much lower target: 600 compared to 4,460 for lower performing projects.

Under-recruitment was a factor for both apprenticeship and non-apprenticeship provision across the EOP programme, and for most projects apprenticeship and non-apprenticeship provision performed at a similar level.

Table 3: Non-apprenticeship starts in comparison to Grant Offer Letter (GOL) targets by success rate

% of GOL target achieved	Over 50%	50% or below
Number of projects	17	18
Total non-apprenticeship target	9550	80280
Average non-apprenticeship target per project	600	4460
Total non-apprenticeship achieved	8540	24470
Average non-apprenticeship achieved per target	530	1360
Total proportion of non apprenticeship target achieved (%)	89%	30%

Source: Skills Funding Agency starts data to the end of July 2014; CFE review of Grant Offer Letters. Volumes are rounded to the nearest 10; percentages are calculated on pre-rounded data. As a result, column and row figures may not sum to totals

The authors' interpretation of the data is that some projects were over-optimistic about the number of interventions that they could achieve, particularly those on smaller budgets. Six projects set targets of apprenticeship starts in their original GOL and failed to record any starts at the time of writing: Five of these had budgets less than £2million. Table 3 shows projects with larger targets generally achieved fewer starts compared to those with smaller targets. The next section discusses the problems with recruitment stated by employers.

4.2.2 Recruitment challenges and changes to plans

There were various points made in the interviews that give evidence for why recruitment was a challenge for certain projects. In this context, recruitment means bringing new people into the business (i.e. individuals on work experience, pre-employment strands of activity and apprenticeship provision) rather than enrolling existing members of staff onto training. There were a few instances where internal or sector training to existing members of staff was oversubscribed (examples included mentor training, and leadership and management training). But in the main, issues regarding recruitment exclude existing staff. Of the projects that struggled with recruitment, the common challenges fell into four broad areas:

- **A lack of time to recruit** – employers said this was due to delays in project set up and hard deadlines for recruitment by the end of July 2014 and was relevant for seven projects. For example, a minority of pilot representatives highlighted cases when cohorts of learners were unable to proceed on to their apprenticeships funded by EOP (whilst on pre-employment programme) due to being unable to be registered by the 31 July 2014 cut off date. As noted in section 4.1, projects were given a number of opportunities to revise targets as part of the pilot process.

- **A lack of demand/commitment from employers/industry** – this included issues with a lack of small and medium-sized businesses willing to take apprentices and was therefore largely an issue for Intermediary-led projects, and projects that were attempting to engage with their supply chain, or wider sector. This was primarily because of the commitment this requires; a lack of available jobs from employers to employ people enrolled on to pre-employment training; and specific demand-side issues, such as a delay in business expansion which the training was intended to support.

- **A perceived lack of demand from learners** – This included a perceived lack of interest from learners not employed by participating businesses for specific apprenticeships. Two projects also cited a lower than anticipated level of referrals from Jobcentre Plus where provision was targeted at unemployed people. Another project cited mismatches between the specific apprenticeship frameworks learners wanted to enrol on and the employers' needs.

- **Unrealistic projections in Grant Offer Letters** – this closely relates to the other issues above, and was mentioned by a minority of employers we interviewed. Sometimes Grant Offer Letter projections were estimates that it became clear were unrealistic once the project embarked on recruitment, leading to future grant variations. Reasons for this included the fact that projects were producing new provision and were unsure of the level of interest that would be generated from employers and/or learners. In some cases an intermediary organisation drafted the original bid, potentially leading to a mismatch between the intermediary's perceptions of demand and the actual demand from employers.

Where projects had greater success with recruitment, this was attributed to a good match between employer demand, learner demand and the use of the EOP funding, as well as in some cases the reputation of the employer and salaries on offer. Having an informed view of the likely demand from both learners and employers for a given product was deemed as crucial in linking Grant Offer Letter aspirations to actual delivery. Close involvement of employers in the design and bidding stage was important to this.

Difficulties engaging those aged 18 or under
Projects intended to target a mix of learner types, including under 19 year olds (whose participation was funded through the Department for Education), and those age 19 or older (funded through BIS). In general projects found it more difficult to engage with those aged 18 or younger than with older learners, which is reflected in the project data on learner starts. 23 per cent of anticipated under 19 year old apprenticeship starts were achieved, for example, compared to 67 per cent achieved for 24 years old and above (see Tables 6 and 7 in Appendix 2).

Originally, projects planned that those aged 18 or younger would comprise 40 per cent of all apprenticeship starts and 24 per cent of non-apprentices starts. In practice those aged 18 or younger represented 24 per cent of apprenticeship starts and only 8 per cent of non-apprentices.

The reasons for the difficulty engaging those aged 18 or younger were sometimes discussed in interviews (although it did not form a specific part of the discussion guide). Several employers said that they were more successful in recruiting apprentices aged 19 or older. The reasons cited include falling applications from younger candidates as more stay in education until aged 18. One interviewee said they ended up competing with local FE Colleges and school 6th forms for the same pool of learners. A couple said older candidates' were more appealing to employers due to their greater maturity and experience.

One employer highlighted that the training provision developed was targeted at a higher age group and were reluctant to take on under 19 year olds through a concern that it would take them longer to take on board a higher level learning. Other employers in predominantly high hazard industries like *manufacturing* and *construction* said access to high hazard sites is generally very difficult for 16 -17 year olds unless they are deemed competent due to health and safety concerns which made targeting old learners more appealing.

With hindsight several employers felt that the targeted split between learners aged 18 or younger and older learners articulated in the Grant Offer Letters was unrealistic, once it had become clear that competition for those under 19 years of age from other education opportunities would be an issue.

"The majority of the people that we do employ aged 16 to 18 are already still in some form of education, so we've found it difficult to attract those people into our businesses. …Trying to convince them and their parents that an apprenticeship with us for a year is better than going to college, it's a tricky negotiation to have." **(Employer, Multiple employer-led)**

Targeting unemployed people

Employers running schemes targeted at helping the unemployed or NEETs recognised that they were more likely to face challenges. A number of EOP funded schemes target workless people and given some the issues faced by the long-term unemployment and those with skills deficits, challenges did arise here.

Some reported challenges related to the circumstances of trainees at the time they were employed. For example, some interviewees said many NEET young people had not worked before and so it was understandable some would have trouble adjusting. In other cases, some employers received referrals from organisations such as Jobcentre Plus and faced challenges based on the attitude of some trainees who were not interested in working.

"The real challenge is getting somebody with the right behaviours: interested and wanting to do the job; want to turn up on time; ask questions; challenge things but listen. It sounds simple, but we do struggle in identifying people with that skills set." **(Employer, Intermediary-led)**

Recruitment methods used

Recruitment methods used for learners shared much in common across projects. Where learners were existing employees, these were selected through an internal selection process. Where recruitment was targeting people outside of employers, it was common to

use web or press advertising or social media, and there were also examples of brochures, open days and campus recruitment activity for graduate level roles.

Several projects drew on referrals from provider partners, or on providers marketing roles through their pre-existing networks, as well as the Apprenticeship Vacancy System. A minority of projects interviewed also drew on referrals from Jobcentre Plus.

Where recruitment relied on building relationships with employers, project leads spoke directly to known employers, wrote to local employers, or presented at local employer forums.

4.3　Project costs (financial/ in-kind)

4.3.1　Current project spend against original profile

Taking into account both public funding and leveraged employer investments, CFE analysis of original Grant Offer Letters shows the anticipated cost of projects ranged from less than £1m to £36m and that five projects were over £10m. Overall, the total public and employer investment across all 36 projects was originally planned to be £208m, of which £106m was to come from employers and £102m from public funding (from BIS and DfE).

CFE's review of data supplied by the Skills Funding Agency shows that overall spend is at 53 per cent of the original GOL total (see Appendix 2, Table 13) with employer spend higher (61 per cent) than public funds claimed (44 per cent). By model type, Single employer-led projects have achieved 78 per cent of their original GOL spend, followed by Multiple employer-led projects (71 per cent), while Intermediary-led projects have achieved the lowest at 42 per cent.

4.3.2　Current project spend against revised profile

Based on a review of Skills Funding Agency projections up to March 2020, anticipated project spend up will be £178m of which £101m will come from employers and £77m from public funding.

Several projects are behind on projected revised public spend which is principally due to the under-recruitment issues noted in Section 4.2 as projects claim funding for actual activity. Skills Funding Agency data shows that 6 projects have claimed less than 80 per cent of their revised profiled allocation, with 20 projects having claimed between 81 per cent and below their revised profile allocation. A total of 10 projects have claimed above their revised allocation. Overall the mean spend against revised profile is currently 97 per cent (public and employer), of which public spend is at 86 per cent and employer investment at 107 per cent of profile.

Larger projects (by value) have, overall, spent a slightly lower proportion of public spend against profile (83 per cent). Medium projects were closer to their expected profile at 94 percent with smaller projects at 90 percent.

By model type, Single employer-led were the highest at 96 per cent, followed by Multiple employer-led at 88 per cent with Intermediary-led the lowest performers to date at 80 per

cent. This is likely to be related to the relative performance on start figures by model (Section 4.2).

By sector, both *trade, accommodation and transport* and *manufacturing* type projects had similar profiles (98 per cent and 96 per cent respectively), with *construction* at 90 per cent. However, *business and other service* projects have below average public spend to date at just 73 per cent.

Overall the average spend by projects against profile is higher than the average learner recruitment levels; reasons for this include funding for infrastructure or management costs, payments for learners yet to be reconciled with starts, and the fact that some claw-back owing to lower than anticipated numbers of learners against profile and other resolutions of funding are being processed.

4.3.3 Employer contributions

All projects included some form of employer contribution, either in cash or in-kind, or a combination of the two. Unlike Round 2 Projects, Round 1 projects were not asked to separate either their cash or in-kind contributions. Actual employer spend to date against profile is much higher overall when compared with public spend. Some 23 projects have claimed equal to or above their planned spend with just 4 projects having claimed less than 80 per cent. In total employers across the projects have contributed £65m million to activity (SFA data, 29 Oct 2014).

Employer investments were a mix of cash and in-kind investments. Although reliable data on the split between cash and in-kind investment by employers is not available, it appears from our interviews that the majority of employer investments were in-kind. Not only do in-kind contributions vary by amount by project, but they also vary by nature. The definition of "in-kind" for Round 1 was relatively open and evidence from the qualitative interviews sheds light on the type of contributions covered by in-kind contributions. Some key features of employer contributions are summarised below:

- Staff time was the most commonly cited in-kind contribution made by employers, cited by almost all projects we interviewed. This included employees' time outside of their jobs to attend training, employees' time to supervise learning, and time spent on management, administration and attending meetings. One project also suggested its employers' in-kind contributions included the wages of apprentices.

- Use of facilities, training delivery costs and venue costs were mentioned as another form of in-kind contribution. This included the use of employers' facilities, such as when offering these to other supply chain employers and room hire charges.

- Development or adaptation of new facilities was also part of employers' contributions. This included developing new IT systems or new equipment to support the training of supply chain employers.

- Some employers contributed through providing additional training or other activity, beyond the public contribution. This included for example providing bespoke mentoring in addition to the apprenticeship, or funding specific activities, such as an outreach visit

or funding speakers or careers advice events. Other employers funded additional learners to undertake courses, on top of those supported through the public funds.

- Provision of materials and other costs, such as travel expenses for the management of the project were also mentioned as in-kind contributions.

While the number of projects may be higher, at least 10 projects during the fieldwork highlighted making some form of a cash contribution. This included cash towards apprenticeship co-funding (in particular where apprenticeships were being enhanced [i.e. increased learning hours]), enhancing wages above the minimum apprenticeship rate; other course fees; and purchasing new equipment. The latter was found to be more common in the *manufacturing* and *construction* sectors that either purchased or donated equipment to allow learning participants the opportunity to work on industrial machinery. There were further examples too of investments into venue hire as well as cash payments towards funding communications and publicity materials.

4.4   Innovation

Innovation in the design and delivery of workplace training is an important aspect of the employer ownership concept. As stated in Employer Ownership of Skills (UKCES, 2011[30]):

> *"The central aim of the employer ownership pilot is to give businesses the space to step up and develop new and innovative proposals for tackling the current and future skills needs of their sector, supply chain or local area along the lines outlined in this paper."*

The definition of innovation in the vocational education context is refined further by research commissioned by UKCES,[31] which uses other research[32] to derive a typology of innovative practice. Broadly, innovation is defined along a continuum. At one end are *discontinuous* or transformative innovations, describing brand new ideas that offer radically different solutions. At the other end are *continuous* or adaptive innovations which are those which develop existing ideas. For the purpose of this discussion, three broad definitions identified in this earlier work are used in this analysis, and are described in the table below.

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[30] UKCES, *Employer Ownership of Skills, Securing a sustainable partnership for the long term*, p.8.
[31] See: UKCES, *An Initial Formative Evaluation of Best Market Solutions,* (2012). Accessed 04/12/2014: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/305485/evidence-report-59-an-initial-formative-evaluation-bms-es-2.pdf
[32] See: Handy, C., *The Age of Unreason: New Thinking for a New World*, (1999).

Table 4: summarising types of innovation relevant to the EOP pilot

Innovation concept	Description	Applies to...
Transformative innovations.	Fundamentally different models, 'upside-down' thinking. In this case a shift to a demand-led funding model in which the financial power lies with the employer.	The EOP funding model as a broad concept.
Context-specific innovations.	Which borrow practice from other contexts, and in so doing bring new ideas to a particular sector or geography for the first time. These can occur along the spectrum depending on the ease of transferability.	EOP funded activities typically fall into these two broad categories.
Adaptive innovations.	More incremental, but with novel delivery processes, e.g. different ways of targeting certain types of employer, or smarter distance learning.	

The table above expresses an important central point about innovation with respect to EOP: transformative innovations were not generally expected to be part of funding bids because the strategic concept of employer ownership itself is viewed as transformative. Instead, innovative practices within bids were mostly expected to be contextual or adaptive.

In some cases, innovation was not central to projects. For example, one intermediary-led project stated that they delivered training through current mainstream provision and the main adaptations were new elements of qualifications to meet a specific employer demand. Another single employer-led project noted that the model they used for training was little different to previous training approaches they had used and, as above, the main difference was an adapted apprenticeship.

Through the analysis of the Grant Offer Letters and during the consultations projects there were several incidences of contextual or adaptive innovations.

Contextual innovations included:

- **Expanding or enhancing employer-led, sector specific training** several projects have developed non-standard apprenticeship qualifications that include components outside of the Specification of Apprenticeship Standards for England (SASE) framework. This has allowed companies to deliver apprenticeships that far exceed the minimum levels for guided learning hours, and to include non-standard additional components within frameworks.

- Through **vertical collaborations** one larger employer is working across its sector providing support to individual employers (specifically SMEs) to identify their training needs and access provision to address those needs. This has resulted in

apprenticeship vacancies being generated through the identification of skills shortages within these businesses.

- Through **horizontal collaborations** EOP funding has galvanised several large competing firms to establish transferable qualifications for employees working across the sector. This has potential benefits to create cost savings for the industry to invest more and provide training for more people through their training budgets.

- **Enhanced outreach for sector training/careers**. One project has invested in existing camera technology to aid in its outreach activity (e.g. sector promotional activity in schools). A Virtual learning Environment and live camera was set-up creating a live feed of activity within the employer's premises enabling pupils to interact with employees (e.g. apprentices) about their work and views of the sector. This technology can have wider applications too with regard to learning assessment activity by minimising assessor's time and travel costs.

Adaptive innovations included:

- Providing **targeted support** one example includes adapting an existing adult training academy to focus on young entrants into a competitive sector to improve their employability chances.

- **Expanding or enhancing employer-led, sector specific training**. Examples include rotating apprentices between employers allowing employees to learn from peers within different contexts to provide more rounded learning; in another example supervisors and trainee mangers from competing organisations in addition to working through a QCF qualification have been brought together to improve shared learning and sector collaboration, dominated by SMEs.

- **Vertical collaborations** which have been led by large companies that have cascaded their current training offer to their supply chain (e.g. supply chains have had access to learn about the lead employer's lean manufacturing processes).

- **Enhanced outreach for sector training/careers.** One project has seen collaboration with several larger employers to ramp up its outreach activity in schools collectively on a national rather than local scale to generate a critical mass of engagement; the project has also engaged with specialist providers to improve the quality and depth of its offer.

Finally, a couple of instances of transformative innovations were found. For example, one employer was using portable camera technology as part of their learning assessment activity. The camera technology is used to film learners on site to allow remote assessment for geographically disparate learners. This appears to be a brand new innovation resulting from the pilot scheme.

"We've got a shortage of people who can be assessors... [and] we were putting steel fixers to work across the country... The camera's [used for assessment] became a really good innovation." **(Employer, Multiple employer-led)**

Another project was using cloud-based technology to deliver national training. The transformative element was in the design of the dissemination method for using a virtual learning environment. Whilst not as brand new an innovation as the portable camera technology, this innovation was designed from scratch as part of the project and used a new, untested method for delivering remote support to single learners in disparate parts of the country.

In both cases, these innovations address geographical issues that arise when learners are remote from their place of assessment or learning.

4.5 Implementation challenges and successes

In this section, we discuss the successes and challenges of implementing EOP Round 1, as reported through the qualitative interviews. It is important to appreciate the perspective from which the challenges and successes summarised in this section are expressed i.e. mostly from the view of the employer and intermediary delivery partners themselves.

4.5.1 Successes

Much EOP activity has resulted in successful training or interventions. One central problem that some interventions have addressed is the lack of specialist training in some areas and/or occupations. In these cases, employers report that funded activity has resulted in new provision which meets the needs of employers, and is led by employers. Some significant positives resulted from such activity. These include widening choice and breadth of available training, significant increases in the relevance of training to the employer, improved value for money as a result of collaboration and targeted content and more flexible provision which is able to meet employers' training needs more quickly.

Many of these successes are adaptive in nature i.e. they have resulted from innovations which made changes to existing training provision within the same sector (see Section 4.4). For example, several employers said shorter duration programmes made a significant difference to the speed in which employees could be trained. They did so by either removing content perceived as irrelevant from qualifications and/or frameworks, or restructuring when training was delivered. Others said that some specific additional content had either been added to existing training, or replaced some elements of an old offer.

"At the moment one of [our] local training providers... [has] a four-year programme, but [trainees] only actually attend the training centre three days a week. If you strip all that out, you can fairly easy turn it into a three-year programme." **(Employer, Intermediary-led)**

That successes have arisen from adaptive innovations may be a result of the length of time EOP had to create useful intervention activity. Creating contextual or transformative innovations will typically take more time to plan, design and implement because they require more research and development time.

Several employers and stakeholders also noted changes in behaviour amongst employers within their industries. Chief amongst these were the impacts resulting from collaborating to address training needs and the extent to which this has shifted employers' views about

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training, especially SMEs. As a result, additional training has been delivered which would not have happened otherwise. One employer said behaviour changed because collaboration took the risk out of training as the costs were shared amongst many. Another employer felt their horizontal collaborative design was successful because other participating employers had shared responsibilities to the collective. This meant that each contributing employer had a greater stake in the success of the programme. In successful schemes, collaborative working engendered trust between participating employers making it easier to work together.

"To the micro employer, the risk of taking on an apprentice from scratch is enormous. When you have all these trusted friends around the table supporting the employer, it suddenly doesn't feel like a risk. It's a risk shared with the trade and with the delivery company and with the mentor company." **(Employer, Intermediary-led)**

In the case of vertical collaborations, reported successes down the supply chain sometimes resulted from the power of the lead contractor. For example, one employer said they were able to use their strong brand image to address skills deficiencies amongst SMEs. The employer in question received a large number of applications for apprenticeship and trainee places because of their name. From this, they drew a large pool of high quality applicants for themselves and were then able to suggest other opportunities to unsuccessful applicants within their supply chain.

When it worked well, a collaborative arrangement was clearly successful in changing behaviour and attitudes towards training. It is perhaps noteworthy that horizontal collaborations allow participants to share both responsibilities and benefits, and in some cases gave opportunities for employers to engage with the publicly funded training system when they had never done so before. In comparison, vertical collaborations tended to mirror a traditional supply-led model as the distribution of power in the model was weighted towards the lead contractor which was typically a large company or collective body with the infrastructure to manage training provision. As such, vertical collaborations were arguably a halfway house between traditional and new structures.

Finally, collaborative practice was not confined to any particular model of delivery. Instead, it resulted from the approach taken by an individual project towards collective approaches to solve training problems. Enthusiasm for working together was more important than an abstract method of achieving employer ownership.

In addition to an increase in collaborative activity, a number of employers suggested that they had an increased aspiration to invest in the skills development and training they offer their staff.

4.5.2 Challenges

Administration

By far the biggest challenge discussed by employers concerned aspects of administrative practice relating to the pilots. Overall, employers (along with a selection of intermediary representatives managing their respective pilots) raised concerns over higher than anticipated bureaucratic burdens. Employers did not necessarily anticipate the level of reporting required under the pilots and several had significant problems with the systems

used to administer EOP. While guidance (toolkits) and support (from Account Managers and from the Skills Funding Agency central data team) were provided to the pilots, most of the pilots found navigating and adhering to the funding and data returns system challenging. However, views on this did vary, with a minority of projects feeling this was less of an issue – these included projects led by employers with significant experience of engaging with the publicly funded skills system. The Skills Funding Agency recognised the challenges of data returns under Round 1 and have, in discussion with employers, made a series of amendments/improvements to processes for the Round 2 projects[33].

Specific issues included:

- **The process for collecting, uploading and validating learner data:** Employers raised issues with completing what was regarded as complex learner data spreadsheets, which often returned errors as data needed to be inputted in a specific way. A minority of employers argued that the learner data return forms were not fit for the nature of their specific project (such as where outreach activity or work experience is undertaken, rather than training), while more widely employers have highlighted that insufficient guidance on data entry was provided at the start of the project. A related issue was the perception that administrative requirements evolved and became more burdensome over the course of the pilot. The issues with data validation have also caused challenges for BIS and the Skills Funding Agency in monitoring what has been delivered over the course of the pilots. Where errors were made in relation to data returns this had led to delayed payments. The outcome payments structure of the pilot has the potential to cause cash flow problems for smaller projects.[34]

- **Funding model and cycle:** The second common complaint about systems was that EOP used academic years as the basis for funding and activity profiles. These comments came in two forms. Firstly, as discussed above, the hard deadline for learner recruitment of 31 July 2014 meant that, even though some projects had been significantly delayed in starting, there was no flexibility with extending the period available for recruitment. However, as highlighted in section 4.2 this deadline was made clear by Agency staff that it would not be extended.

- **The administrative burden associated with early leavers:** Several employers described an issue resulting from the funding model financing an individual rather than a vacancy or trainee opening. The issues were said to be exacerbated in instances where the individual was a priority target for funding due to some element of market failure (those who were NEET, etc) who, in the view of employers, were more likely to leave (the issue of candidate suitability is covered in more detail in Section 4.2.1). The resulting systemic problem was the amount of administration attached to each leaver

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[33] These include separating out projected financial between in-kind and cash and increased accountability for grants.

[34] In effect, the complexity of the returns for some employers has led to errors being created. Once these have been realised and flagged with the employer the time lapse has impacted the payment schedule resulting in perceived and actual cash flow problems for projects who rely on timely payments in order to deliver.

because this introduced frequent fluctuations in received funding, associated claw-back and the volume of data returns generated. Employers in larger organisations or those who managed collaborative offers said this increased the demands placed on data entry and reprocessing. Employers felt they would have more stability if places rather than people were funded.

- **Misunderstanding of funding rules:** A number of employers said they misunderstood the funding model rules, or had felt they were unclear. This sometimes included the structure of training – for example, the necessity for trainees to complete all elements of an apprenticeship framework, even if the employer felt some elements were of no use to the employee or their business. Others had not understood all of the requirements from regulations such as SASE, which stipulates the components and structure of an apprenticeship. This could lead to delays in developing an intervention and amplified problems related to the funding rules. A Guidance Toolkit and a dedicated project Account Manager were included in the support provided to employers and project leads.

- **Turnover of account managers:** Several employers also noted discontinuity amongst contract managers at the Skills Funding Agency. Impacts of this included the need to rebuild relationships and other issues resulting from handover processes. This led to employers providing information that had already been submitted again to new staff which increased delays in implementing programmes in some cases.

- **Confusion with other policy initiatives:** Several employers (typically larger ones) highlighted the number of different programmes and current policy developments which they felt added some confusion and duplication of activity. Two other programmes were specifically mentioned: Trailblazer Apprenticeships and the Workplace Learning Programme funded via the European Social Fund. The different funding rules for each caused some concern. Employers said that some training activities could only be funded via one programme and, as a result, funds from different programmes could not be used collectively.

Employers expressed their frustration in a number of ways. Some felt the administration of the pilot was not properly planned from the start and that they were being used as "*guinea pigs*" for the model – perhaps appropriate given the nature of the projects as pilots. A few felt that they had been made false promises about the level of administration whereas some comments were also made about the IT infrastructure being inadequate for the tasks involved. This was a major concern for many employers and, in a couple of cases, employers said that they would not have agreed to take part if they knew that data requirements would be so burdensome. Some respondents felt that the flexibility of the pilot in terms of what could be funded was not matched by a flexible approach to administration.

"When EOP was sold to us it was about being flexible and getting the best out of it...that flexibility hasn't come through. There were some flexibilities, movement, but we felt that we'd been constrained a bit too much, and it's not reflective of how our business works." **(Employer, Intermediary-led)**

Demand-side and provider issues

Although administrative issues were the most prevalent challenges faced by employers, some reported difficulties generating interest in training amongst employers, especially SMEs within vertical and horizontal collaborative projects (more details are covered in Section 4.2 regarding levels of interest). A couple of employers felt that SME directors were focused more on the short-term and developing their business rather than developing staff. One provider and an employer (based in engineering) said SMEs were often branches of overseas firms and so had less interest in developing local skills and, if they did, had to get permission to do so from overseas headquarters. In other cases, generating interest and circumventing a cultural disposition amongst SMEs to offer training was problematic. For example, one employer trying to develop a vertical collaborative chain said employers were still recovering from the recession and had even less interest than normal in training.

Limits in demand and scale also could impact on providers' willingness to work with EOP projects. Some challenges with capacity were experienced, especially when the specialist training was required with a small target audience. If providers think demand is weak, then the incentive to develop an infrastructure and commit resources is small, especially when the staff required to deliver training or apprenticeship frameworks are difficult to recruit.

"Ultimately for these small programmes, most colleges or training providers aren't going to set up to deliver them unless you've got a large enough cohort of people, and it depends on the set up costs." **(Employer, Intermediary-led)**

Closing thoughts

Challenges are often expressed as supply-side problems and successes as a function demand-side activity. This may be partly because the sample is composed mostly of pilot project leads, leading to externalisation of challenges and attributing success to elements of EOP for which they were responsible. As a result, the reading of this *self-reported* evidence can appear overly critical of the administration put in place to track the use of government funds supplied via EOP. Employers understood that some level of administration is the price for state-funded training as to account for taxpayer's funds. However, the volume of comments about systems and processes, especially with respect to the amount they changed over the lifetime of the pilot, does suggest the pilot resulted in more administrative burden than was ideal. Nevertheless, most employers we interviewed were highly positive about their involvement in the pilot projects, and the views on early impacts of the projects are further discussed in the next chapter.

Chapter 5: Early reported impacts and views on sustainability

This chapter reports on interviewees' views on the early impact of opportunities for learners, businesses and the wider sector that they say have resulted from EOP.[35] This chapter also considers any early thoughts on deadweight, the sustainability of activity once public-funding is removed and any reported impacts on employer behaviour with respect to training.

Please note that the findings within the chapter are a qualitative assessment based on a sample of interviewees and pilot visits, as opposed to a quantified estimate of programme impact.

5.1   Reported early impact on learners

This section highlights the reported early outcomes and impacts of EOP funding on learners from the perspective of employers and providers (where applicable). Through the evaluation fieldwork, it is clear that interviewees were able to identify the direct outcome of training on learners more easily than the wider impacts on the learners and the business itself. This is due to the immediacy of the effects on the individual (rather than some of the more long-term impacts related to business growth and sectoral change). Interviewees highlighted that EOP funded learners had developed a wide range of skills as a direct result of the training they had been undertaking. As a result of the varying approaches taken by employers, the gains ranged from basic skills such as IT to industry specific skills, and leadership and management. As a result some learners gained formal qualifications and accreditation. Interviewees reported a range of subsequent impacts on the learners highlighted below. Finally, the impacts outlined in this section vary depending on the circumstances of the learner, prior to their involvement in the EOP.

Enhanced career opportunities
The most commonly viewed impact for learners was the resulting potential to further their careers, both in existing industries or in new fields. Through learning industry specific skills interviewees highlighted learners' enhanced career prospects both within their organisation and at other employers within their sector.

"We were surprised at the quality of these people that came through the programme... These young people have left school with not the best of grades and the pre-apprenticeship has brought them up to a level where they can compete with their peers so it's been very successful." **(Employer, Intermediary-led)**

There was also the recognition that learners were becoming more aware of the business and wider industry which could enable them to make better informed career decisions.

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[35] The full impact of EOP will be explored in future reports through quantitative and qualitative data analysis.

Interviewees also reported that learners gained both new skills relevant to the current employers and acquired key employability skills. One example of this was the development of team building skills reported by a few employers and other employers recognised positive changes in the confidence of learners that was a result of EOP funded training activity.

There is also early evidence of movement into employment as a result of the programme (this will be explored further throughout the evaluation) especially as a result of pre-employment programmes that were developed by the projects which gave learners the skills and experience needed to successfully gain employment, as highlighted by one employer:

"There are a number of people who've come through this programme who would not have got a job at [employer name] without this programme, because the 100 people that we trained on the upskilling wouldn't have got a job with us. So they've got a highly paid job at [employer name], that they would never have been able to get into because they were sub our entry level on a skills point of view." **(Employer, Employer-led: Supply Chain/ Sector)**

Renewed and increased interest in accessing training
A number of employers reported that there has been an increase in the number of people in their organisation wanting to access training as a result of others taking part in EOP funded activity. In addition, a change in attitude amongst trainees was also recognised as initial reluctance to train evaporated when learners realised the importance of the training they are undertaking.

"A lot of these people have never really done any training before so obviously it's quite a new thing for them and there's quite a broad range in terms of education level too, so we've had people with degrees on it, we've also had people who have got no qualifications. I think certainly people who are on the lower end of the educational scale have gained quite a lot from it because they might never otherwise have considered doing any training before." **(Employer, Intermediary-led)**

Wider impacts
As a result of taking part in training a minority of interviewees (both employers and providers) reported that learners' confidence in their own skills and abilities increased as a result of the learning experience. A minority of employers have also reported wider impacts for their learners including increased morale, more motivation in their work/studies and increased networking opportunities with their colleagues and with other employers.

5.2   Reported early impact on the business

This section highlights the self-reported impacts on an employer's business through involvement with EOP. The main benefits of the programme are outlined, alongside any potential changes in the attitudes employers have regarding their intention to invest in workforce development and future collaborations. As with learners, the varied nature of the pilots led employers to report a wide variety of impacts on their business and that of any partners. The impacts highlighted below are often as a result of employees undertaking

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training (as highlighted above) however other wider impacts have also been realised on the companies approach to training as a result of the EOP project.

Access to skilled staff

The most common (unprompted) outcome reported by EOP employers was access to an increased number of skilled staff either through recruiting new employees or providing existing staff with new skills. There were examples where the presence of pre-employment, or pre-apprenticeship strands of activity had been to designed to filter the best 'graduates' from these activities into the business, or the wider employer network. Pre-employment activities in this regard were mentioned as been most effective (in respect of engagement and retention) when either an industry recognised qualification was incorporated into the programme, and/or when learners were aware of the wider commercial value of the qualification.

More generally employers felt learners gained a number of benefits from EOP funded activity. Some reported that employees developed a more professional attitude, were more competent and able and had a broader range of skills tailored to the needs of their business (including work specific, leadership and customer relationship skills). In other cases, employees developed technical skills or an appreciation of health and safety issues (raised by projects in *engineering* and *manufacturing* lead pilots).

This enables employers to ensure that they have appropriately trained staff with the right skills within their business to do current work and ensures the talent pipeline is available within the business to retain skills that could be lost when older workers retire:

*"When our clients know that our trainees, our apprentice technicians, have been through the enhanced programme, they are more willing to accept them working at their sites [...] this is where we talk about productivity, because we can let them safely go on to these sites, whereas previously without the programme we couldn't, because the client put that barrier up. It's enhanced the way we do things." (***Employer, Intermediary-led)**

Improved business performance

Employers recognise a range of impacts as a result of having access to trained staff who understand their business. The effects vary between businesses and are predominantly linked to improved productivity and outputs, including:

- Increases in the number of employees, staff being able to work more quickly on-site, gains in efficiency, improved workplace safety, and the ability to bring products to market or achieving against specific organisational objectives more swiftly.

- Skills learnt in new techniques and software which can reduce the time needed to free up staff time to do other work.

- New business ideas generated by learners and employers working together and through employers recognising that their staff have the ability to drive innovation.

- Better relationships with, and focus on, customers.

- Strengthening employer identity and brand through outreach work and collaboration and by providing staff with qualifications. Although difficult to measure effectively, on the whole businesses experienced greater PR and brand recognition.

Most employers did not report on the wider impact of these outcomes and impacts on their business. However, one employer was able to estimate the positive impact it had had on their company's finances and their ability to reinvest these savings into further training and staff bonuses. Another employer highlighted how the project had enabled them to bring in a new investment to the company as a result of the new relationships they had developed through EOP.

Establishing new partnerships and collaborations

Increased brand identity and exposure has also led to potential new collaborations and partnerships. This has had an impact in a number of ways; from access to a more diverse workforce (for example projects that have worked with Jobcentre Plus to recruit into pre-employment programmes) to creating links with industry leaders who provide mentoring and advice on how skills development can improve business outcomes for employers (particularly to SMEs).

"What's been great about working with Jobcentre Plus is that we've put employment opportunities out to a wider group of people, and they've been able to consider engineering as a new career, when they would never have considered it before. We have had people who've got an apprenticeship in a very different sort of industry as a result." (**Employer, Intermediary-led**)

Networks also provided growth opportunities, highlighted alternative ways of overcoming problems and established a critical mass of learners to make training programmes commercially viable and sustainable for the future.

Improved training offers

Numerous interviewees said that EOP allowed employers to consolidate and strengthen their internal training offers to ensure that staff in their business are trained appropriately. EOP has given employers the time to assess the training offer within their business and strengthen it when needed. Pilot activity has also strengthened needs assessment processes because funded activity sometimes prompted employers to think more strategically about the role of training in their workplace.

In addition to a growing recognition of the importance of training, employers have been able to get training at a reduced price (e.g. unit costs of provision were known to have decreased due to shaving the administration costs from FE providers own mainstream provision, or being more savvy during negotiations). There were examples where this has led to employers used saving to increase investment elsewhere across the business (which is not necessarily a positive outcome if the amount of training within a business remains the same as previously), or to offer more affordable training for those organisations who may have previously been priced out of the market. There has also been an increase in the understanding of the relevance and importance of certain types of training offers, with SME businesses in particular having more confidence in detailing their needs and negotiating training packages fit for their business.

5.3 Wider impacts

This section summarises the wider self-reported impacts highlighted through the depth interviews on the sector (which include views from stakeholders) and providers.

5.3.1 Sector

For the wider sector in which businesses are established, the main reported outcomes of EOP funded activity were creating industry standards and sector-specific qualifications, encouraging people into the sector and increased industry promotion and recognition.

A common qualification framework sometimes meant employers were better able to work together on commercial opportunities because staff developed sector wide skills and experience to contribute to a wider variety of organisational goals. Such collaborations led to opportunities for, and improved networks between, employers, and sometimes created a culture more positive towards training, particularly in SMEs. It could also lead to significant cost savings as training was not being duplicated across the industry.

As a result, businesses in the sector were able to collectively promote themselves more positively and more widely. This had the subsequent benefit of increasing the number of organisational bodies created to support training and workforce development, enhancing the quality of staff entering into a sector. Establishing new organisational bodies was particularly useful for SMEs, as such bodies help support a wider network of employers across geographic areas and/or within similar sub-sectors within a wider industry. Sector-wide impacts were viewed as long-term in nature compared to the specific impacts experienced by employers and learners.

" [The construction industry] is a very, very mobile workforce, and a lot will move around between contractors [...] We used to have to do a load of training for these employees, as they'd move between employers and do exactly the same training as what we did, and they'd move every few years. With these transferrable qualifications, it is going to reduce the burden of training on cost, time and delivery." **(Stakeholder, Intermediary-led)**

5.3.2 Providers

Providers also reported benefits from EOP funding. The main impacts described were an expansion of their training offer and that their profile was raised amongst employers. Profiles were raised as a consequence of collaborative networks with employers and were most keenly felt by private providers who said attempts to engage SMEs were previously beyond their marketing and commercial reach. In comparison, working with larger employers was relatively straightforward, requiring a straightforward adaptation of existing training to increase its relevance, or by applying specific company values or goals to current training modules:

"I think at the end of the day employers understand that the college can deliver programmes that they want. That's been a massive impact for us and it's helped our profile immensely, from the point of view of the number of times I've had employers say, 'I didn't know you could do that.' [...] That's helped our whole strategy, as far as our flexibility and our development of curriculum are concerned. I've actually had it said by employers that,

'It's fantastic that we can come and ask for what we want, rather than this is what you're getting.'" **(Training Provider, Intermediary-led)**

However, for some providers the impacts have been harder to identify. This is primarily because it was difficult for some to isolate any positive gains from increases in costs and staff time used to develop frameworks and new / adapted training activity.

5.4   Additionality and deadweight

Additionality describes outcomes that would not otherwise have happened without an intervention. Deadweight describes activities (and hence associated impacts) that would have taken place regardless of EOP. Whilst a qualitative exploration of some issues is covered in this interim report, a fuller quantitative analysis of additionality and deadweight will be completed after the completion of the survey fieldwork.

A minority of employers stated that their interventions could have been delivered as effectively through mainstream funded programmes or that their programme was no more innovative than other existing activity. However, the majority of interviewees said that EOP had enabled them to do something new, do something differently or faster than would otherwise have been possible without the funding. As a result, additionality was subtle rather than marked.

Some *elements* of projects would not have been delivered without EOP funding. This includes the development of new, tailored qualifications (alone or through collaboration with other employers) like "new" apprenticeships (SASE compliant and employer-defined):

"They've got a number of add-ons [course modules] that they wanted their young people to experience... they were adding things that were over and above the standard apprenticeship." **(Training Provider, Intermediary-led)**

Reported evidence suggests that EOP funding helped a substantial number of employers to offer training to a greater number of staff than would have been the case otherwise. Employers were also able to ensure staff undertook this training when it was relevant to the employee, or more quickly. Many SMEs, particularly down the supply chain, stated that they might never have previously taken an apprentice on in their business if it was not for the EOP funding.

For many, although much of the training would have occurred eventually they were able to realise this activity sooner and for the benefit of the organisation, as a result of the funding stimulating greater focus on training.

"In the past, when people did training, it was on a much more ad hoc basis. Someone would say to their manager, 'I need project management skills,' or presentation skills, or whatever it may be. In reality, the truth is that many of the people who are doing the training now won't have done an awful lot of training for a reasonably long time. Because this is available, a lot people have taken it up, whereas they may otherwise not have taken it up, or not taken it up at the current time." **(Employer, Single employer-led)**

Amongst those employers who would have delivered elements of their programmes without EOP funding many reported that this would have been more disjointed, or of a lower quality and therefore been less effective and undertaken in isolation from other organisations. This gives evidence of EOP increasing the quality of training, rather than the volume of training.

5.5 Sustainability of the project

Sustainability is a key component of EOP funding, and this section examines employer views on next steps, what they plan to deliver without matched-funding, how they plan to deliver it, what (if anything) will continue, and what long-term changes to employers' attitudes to training means in relation to a future training offer.

5.5.1 How pilot projects will change without funding

Highlighted through case studies and interviews with participating organisations, a number of significant barriers are presented which could ultimately have an impact on the sustainability of EOP pilot projects. The impact of these barriers can vary, but the implication from employers is that there is potential for projects to fundamentally change, reduce in scope and/or coverage, or cease altogether. Employers stated that the single most significant barrier to sustainability was the potential lack of future funding. In particular, the affordability and ability to continue the projects as they are currently were specific concerns.

"I think it [the sustainability of the pilot project] would be almost impossible [...] our industry has been through huge changes, as many have. It's been significantly hit by the recession. We've had many companies going out of business and many mergers and acquisitions. I'm trying to think how many companies I know that actually have a training budget. A lot of them [i.e. employers] are just trying to make their wages bill. That's what they're up against in this particular industry." **(Stakeholder, Intermediary-led)**

Without EOP funding, some employers also thought the scale and scope of demand for pilot projects would reduce significantly. Some project leads stated that without the help of EOP funding they would not be able to sustain the numbers or find new applicants.

"We would not be able to fill a whole year worth of [participants], you know, you're talking about a class minimum of twelve. We wouldn't be able to do that, in terms of an engineering course or even if we were looking at a support function, like purchasing. We wouldn't be able to [...] fund our own bespoke course and we wouldn't necessarily partner with our competitors either, directly. So, it's only through EOP that we're able to do something like this." **(Employer, Intermediary-led)**

One final, and significant, point, raised by employers, was the restriction on Government funding forbidding pilot projects generating profits[36]. This was considered highly prohibitive in creating a sustainable set of pilot projects and was most evident where EOP funding

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[36] This is because the projects are receiving grants and not entering into contracts.

helped support micro and SME businesses, where organisational bodies had an influence on profile-raising and collaborative activity.

5.5.2 What will be delivered

Despite potential changes in the scope and scale of the pilot projects, employers stated that some activities could continue after public funding ends. By far the most commonly stated continued activity was the implementation of *new systems of training, working experience and delivery of qualifications.*

Many employers said this means continuing with or adapting the following types of activity:

*   Providing staff with their own bespoke development plan and training packages for the first time, with some (if only minimal) support toward training costs. This includes both technical and management and leadership training;

*   Collaborating with other employers in the sector or the establishment and growth of organisational bodies (particularly across SMEs);

*   Investigating whether bringing other apprentices into the training opportunities offered within pilot schemes is feasible (for example, this could mean looking at different frameworks and matching them against the requirements of the business, or becoming involved in other funding programmes – such as Trailblazers).

A number of other activities that employers would look to continue were suggested, although not to the scale of *new systems of training, working experience and delivery of qualifications.* These included exploring and establishing new standards of practice built during the EOP, and identifying and collaborating with SMEs in a more systematic manner.

5.5.3 Changes to attitudes

As section 5.5 shows, employers think a number of impacts will result from the withdrawal of public-funding from EOP activity. While employers believed that they will have to reduce the scope and scale of any activity they engage in, they also held strong views that there are some areas worth investing in, including broader training and collaborating with other organisations. Many employers suggested that this is predominately borne out of changes in their attitudes toward training and skills development. Exposure to training interventions which provided a tangible benefit to the employer understandably resulted in a more positive view of training. In some cases this led to higher demand. This specifically addresses elements of market failure for which EOP was designed.

A significant proportion of employers interviewed suggested that they had an increased aspiration to invest in the skills development and training they offer their staff, including opportunities to expand pre-employment routes to recruit potential employees from a more diverse educational background. Employers have stated that through the EOP funding, they are more aware of training opportunities in general, and are increasingly strategic in their thinking and application of training needs in order to meet business requirements.

"It's enabled us to influence our leadership, we've gone through a complete mind-shift about how we look at talent and development. [Training] used to be seen as a necessary evil, to be done because we had to do it, because it was compliance. [Employer name] also partnered us with some leadership and strategy work with this leadership team [...] that has enabled the leadership team to see the company and the business and its people in a completely different way." **(Employer, Intermediary-led)**

However, not all projects recognised impacts that were a result of EOP funding. Several employers said there had been no change in their behaviour, or that of other employers towards training.

So far no differences have been observed by model of delivery however we will continue to explore this throughout the evaluation.

Chapter 6: Initial conclusions

In this chapter we highlight the main initial conclusions and considerations from this report. This initial findings report has given a picture of the EOP Round 1 after all learner starts have been registered. It is however an interim snapshot of activity as data continues to be collected for all projects. Also, some activity, such as apprenticeships, are continuing into the 2014/15 academic year.[37] During the ongoing evaluation we will therefore continue to refine the analysis of the projects and their impacts and greater policy relevant conclusions and lessons will be drawn out in future evaluation reports, including the final report in 2017.

6.1 Key themes and findings

Diversity of projects is a strength but presents administrative challenges

The diverse set of projects commissioned for Round 1 is consistent with the employer ownership vision, as each employer or partnership has designed an approach for their own sector or circumstances. The delivery models of the Round 1 pilot projects fall into three main types: single employer-led, multiple employer-led, and intermediary led. Across these three types we see examples of large and small projects, and projects embarking on a range of activities, including apprenticeships, QCF-based qualifications and non-QCF provision, including outreach and work experience. We also see a range of collaborations between employers which fall into two broad camps: those which are horizontal operating between employers; and vertical or supply chain collaborations controlled by a large employers.

The projects commissioned under Round 1 are varied and unique in the way they approached demand-led workplace training. This diversity of delivery model and training activities is part of the strength of the Employer Ownership model, in that employers or their representatives can design unique solutions suited to their own organisation or sector. However, the sheer diversity of activities under each model brings challenges in monitoring projects and comparing the facets of different approaches. Challenges have presented themselves in relation to monitoring arrangements and data collection and it remains difficult to reach evaluative conclusions as to the effectiveness of the diverse nature of activities invested in by each pilot project. Analysis of starts versus targets does suggest that projects with medium-sized budgets (£2 million to £4 million) were closer to meeting their targets compared to others.

Employer ownership has been interpreted differently

The type of employer ownership seen across the 36 projects varies, from direct ownership by a single employer, to collective ownership with administration handled by one employer or intermediary body. The interviewees we consulted were positive about these different forms of employer ownership and many perceived indirect ownership through an intermediary to be an appropriate response for some sectors, especially where employers

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[37] The deadline for learner starts was July 2014.

are small and would not wish to take on the responsibility and risk associated with being a lead pilot project. Some employers felt in a stronger negotiating position with training providers and better able to influence price and delivery methods, with control of EOP funds.

The targets of some pilots were unrealistic

Overall at this interim stage of reporting, the Round 1 EOP projects present a picture of mixed success. The recruitment of learners to training and other activities is just over one-third of that which was expected when the projects were planned, but it is clear that despite this, projects delivered many of their softer objectives. Successes are evident particularly in terms of addressing skills issues and encouraging engagements with the training system.

It is too early to say anything concrete about the relationship between performance and pilot project delivery models; this currently remains unclear at this interim stage. However, larger projects have struggled to recruit the volume of learners planned compared to smaller projects. As final data on training participation across projects is collated, it will also be useful to compare costs against learner achievements by project size.

In hindsight, at this point many projects perceive their original targets for learner engagement (as set out in the Grant Offer Letters) were unrealistic given the parameters for delivery. Employers and project leads felt a large factor in this was the compression of time available for delivery due to a delayed start for many projects, which they said was not matched by an extended end date. However, opportunities were provided on several occasions for project leads to revise their targets downwards. Problems also arose when the individual or organisation delivering a pilot did not write the original bid (although opportunity to subsequently alter targets was provided). This has led to reported mismatches in the proposed activity against the "real" needs of an employer or group of employers. Sometimes bids were written to be very aspirational and or with a degree of ambiguity which has later been problematic.

Employer contributions, while significant, have mainly been in-kind

The main type of employer contribution was in-kind, rather than in cash, in terms of the staff time needed to engage with the EOP projects. The broad definition of in-kind contributions that was accepted for Round 1 has subsequently been refined for Round 2 projects. Arguably, the prevalence of in-kind contributions over cash contributions implies a hesitation to invest cash funding in training, which is a limitation of the Round 1 projects. Nevertheless, the combined investment by employers has been significant and represents a good leverage of private funding for the public investment made.

Innovation has been mainly context-specific or adaptive

The overall ambitions of the funding model for the Employer Ownership Pilots can be seen as transformative; a model that gives employers a fundamentally different level of control over public funding for training. However, the individual projects funded under Round 1 did not generally produce transformative approaches; most pilot projects adapted or extended existing approaches. In some cases, project leads reported that their approaches were not particularly innovative. The extent to which funded activity is innovative needs careful

consideration especially if adaptive approaches are later proven to deliver significant impact.

Administration of the pilots and data collection arrangements have been a significant challenge

Administration and data collection and management issues have been a constraint on the pilot projects. Two issues were of particular concern to project leads: the length of time taken to get projects started and the reported number of changes made to data requirements during the pilot. As a result, it has been difficult to measure what has been delivered, what has worked well and why it made an impact. The data required for many activities does not relate to many activities which indirectly affect training. Many lessons have already been learned and have translated into improved processes for Round 2 and the Employer Ownership Fund. An appropriate balance must now be struck between allowing employers freedom to use funds in ways that they perceive best suit their business needs or those of their sector, whilst retaining appropriate levels of accountability for public funds.

Challenges with data validation and interpretation across the diverse project activities have made it difficult for the evaluation, and the funders, to gain a comprehensive picture of type and scale of some activities. Currently any assessment of the achievements of the EOP Round 1 projects must be based on both administrative data (that submitted by projects as part of their bid) and on qualitative assessments of achievement, because certain achievements, such as the extent of collaborative working, are not reflected in monitoring data (that used by SFA, BIS and partners to assess progress).

Collaborations due to EOP Round 1 investment have had positive impacts on employers

There were a number of positive impacts reported that resulted from EOP funded activity. Some were those that classically result from training: Learners were said to benefit as they achieved a route into employment, developed their careers or improved their confidence; Businesses reported gains in productivity and efficiency; and providers sometimes realised market opportunities.

However, the key impacts peculiar to the design of EOP centred on collaborative activity. Broadly, pilot funds created opportunities for businesses to work together, either directly or through an intermediary, which would be unlikely consequence traditional funding models. In these cases, collaboration delivered collective impacts. For example, several project leads discussed cost savings resulting from collective bargaining or a reduction in duplicated activity. This was because they were able to apply more leverage on providers through their collective power. New training was developed because employers represented a more attractive market opportunity for providers. This allowed businesses to become more productive through improved utilisation of staff.

Longer term sustainability of EOP Round 1 funded activities

Many project leads are currently sceptical about the longer-term sustainability of EOP activities, but new qualifications and training approaches will remain. They suggest that without the continuing stimulus of public funding the project leads considered the continuation of the projects to be unlikely. However, it is likely that the legacy will be in the new ways of working, new attitudes to training and development. It is also likely that the new qualifications developed within EOP Round 1 will remain as a sustainable legacy of the projects. Furthermore, some projects are seeking to continue their activities by converting them into mainstream funded activity, or into other initiatives such as Traineeships or Apprenticeships Trailblazers. The extent to which these efforts to sustain activities are successful will be assessed in future evaluation reports.

6.2   A summary of key differences by model, size and sector

The 36 distinct EOP projects involve a wide range of businesses, new collaborations and different approaches to invest in the workforce. Three structural models have been identified: Two of these (totalling 16 of the projects) have been managed by either one lead employer with emphasis on addressing their own business needs; or collaboratively between employers either horizontally (as a partnership) or vertically (through the supply chain or wider sector collaboration). The remaining 20 were led by some manner of intermediary to guide or implement the objectives of the project on behalf of employers.

Although EOP shared a common overarching aim, each project was free to determine its own design and delivery of their individual project. As a result approaches to *delivery* (as distinct from management) varied due to the nature of the business issue, the ambition of the programme, the target location(s) and the numerous types of organisation involved in project delivery. Therefore while we have identified three overarching management models there is variety within each by size (i.e. by project expenditure or target starts) and sector. As such, it is difficult to identify distinct patterns by model. The summary below describes where some patterns can be attributed by delivery model type, size and sector.

Single employer-led (9)

- These projects are managed by a single employer. They are typically small or medium based on the size of the budget[38], but this model does include three projects with budgets over £4million. The model is represented in all of the four broad sectors, with just under half being *manufacturing* (4). Most offered apprenticeships and forms of non-QCF activity and, combined, these projects are closest to reaching their planned public spend (96 per cent) compared with the other two models. Current data suggests that single employer-led models performed slightly better at reaching learner or participant targets than other models.

Multiple employer-led (7)

- Such projects were run and managed by one or a group of employers in partnership for the benefit of participating businesses (horizontal collaboration), or within a sector or

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[38] Small = less than £2million; medium = £2 to £4million; model does include three projects with budgets over £4million.

supply chain (vertical collaboration). This model comprised the least number of pilots and 4 of the 7 had budgets greater than £4million. Like single employer-led projects, the majority were found to be in *manufacturing*; there was no *construction* companies found in this model. Over half of multiple employer-led projects offered apprenticeship provision and those that did not focused primarily on non-QCF activities.

Intermediary-led (20)

- These pilots were managed by an intermediary organisation including providers, industry bodies, employers and local authorities. Over half of all projects fell into this model. Three of them delivered EOP through a skills brokerage model to other employers. Projects tended to have either small budgets (10 projects less than £2 million)) or large (7 with budgets £4 million or greater). By sector, there was representation across the four broad types, with *business and other services* slightly more prominent than *manufacturing*. Most pilots delivered apprenticeships (14) with two projects delivering employer-defined training. The financial performance of intermediary-led projects was not as good as the other models; they were furthest from achieving their originally planned public spend (35 per cent) compared with the other two models. Intermediary-led projects were also, on average, less successful at recruiting apprentices and non-apprentices. Just under half offered pre-employment provision (9), more than the two employer led models combined (4) and most intermediary-led projects (16) offered some form of non-QCF activity.

6.3 Lessons learned from Round 1 applied to Round 2 activity

Several lessons have already been learned from EOP Round 1 experiences, which have been applied to the implementation of EOP Round 2. These include:

- Bidders in Round 2 were requested to distinguish between cash and in-kind investment, based on definitions provided by BIS. Round 2.2 went further with a minimum employer cash investment of 20 per cent required alongside all public investment, except for provision for those aged 18 or younger.

- Round 2 offer letters contain participation Key Performance Indicators (KPIs), so all parties are clear what the project is expected to deliver. In recognition of the fact that EOP 2.2 projects were typically larger, multi-participant, awards a scheme offer letter was developed. This letter was shorter and less complex to complete, and gave the counter-party greater financial flexibility in how they delivered their KPIs.

- The administration was also stream-lined with an improved application form and automated process for bidding. The process was also administered over two phases to encourage bids. Project leads could submit an outline bid and then go through a development phase to work up the detail of the project.

- Communications regarding the bidding and application process were also strengthened through increased engagement via webinars and regional workshops.

- The Skills Funding Agency is changing the data submission template for employers. A simpler data submission process should reduce errors and improve data quality.

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Appendix 1: Summary of pilot projects

Table 5: Summary of pilot projects, showing models, planned overall financial size and activities

Sector Model	Size	Sector	Apprenticeships	Employer Defined Programmes	QCF	Non-QCF
Intermediary-led	<£2m	Manufacturing	Yes		Yes	Yes
Intermediary-led	<£2m	Business and other services	Yes		Yes	
Intermediary-led	<£2m	Business and other services	Yes		Yes	Yes
Intermediary-led	<£2m	Construction		Yes		Yes
Intermediary-led	<£2m	Business and other services	Yes		Yes	Yes
Intermediary-led	<£2m	Manufacturing				Yes
Intermediary-led	<£2m	Trade, Accommodation and Transport				Yes
Intermediary-led	<£2m	Business and other services	Yes		Yes	
Intermediary-led	<£2m	Manufacturing				Yes
Intermediary-led	<£2m	Trade, Accommodation and Transport				Yes
Intermediary-led	£2m-<£4m	Manufacturing	Yes		Yes	Yes
Intermediary-led	£2m-<£4m	Manufacturing			Yes	Yes
Intermediary-led	£2m-<£4m	Business and other services	Yes			
Intermediary-led	Over £4m	Business and other services	Yes			Yes
Intermediary-led	Over £4m	Construction	Yes		Yes	
Intermediary-led	Over £4m	Manufacturing	Yes		Yes	Yes
Intermediary-led	Over £4m	Construction	Yes	Yes	Yes	Yes
Intermediary-led	Over £4m	Manufacturing	Yes		Yes	Yes
Intermediary-led	Over £4m	Business and other services	Yes		Yes	Yes

Sector Model	Size	Sector	Apprenticeships	Employer Defined Programmes	QCF	Non-QCF
Intermediary-led	Over £4m	Business and other services	Yes			Yes
Multiple employer-led	<£2m	Manufacturing				Yes
Multiple employer-led	£2m-<£4m	Trade, Accommodation and Transport	Yes		Yes	Yes
Multiple employer-led	£2m-<£4m	Manufacturing	Yes		Yes	
Multiple employer-led	Over £4m	Manufacturing	Yes			Yes
Multiple employer-led	Over £4m	Manufacturing	Yes			Yes
Multiple employer-led	Over £4m	Business and other services	Yes			
Multiple employer-led	Over £4m	Manufacturing			Yes	Yes
Single Employer-led	<£2m	Trade, Accommodation and Transport			Yes	Yes
Single Employer-led	<£2m	Manufacturing	Yes			Yes
Single Employer-led	£2m-<£4m	Trade, Accommodation and Transport				Yes
Single Employer-led	£2m-<£4m	Manufacturing				Yes
Single Employer-led	£2m-<£4m	Construction	Yes			Yes
Single Employer-led	£2m-<£4m	Construction			Yes	
Single Employer-led	Over £4m	Manufacturing		Yes		Yes
Single Employer-led	Over £4m	Manufacturing	Yes			Yes
Single Employer-led	Over £4m	Business and other services	Yes			Yes

Skills Funding Agency financial data up to October 2014; CFE review of Grant Offer Letters

Appendix 2: Data tables and figures

General footnotes:

Table 6

1) Volumes are rounded to the nearest 100; percentages are calculated on pre-rounded data. As a result, column and row figures may not sum to totals.
2) '-' Indicates a base value of less than 50; '*' indicates a percentage of less than 0.5%.
3) Starts / target numbers may not sum to the column totals due to rounding.

Tables 7 to 12

1) Volumes are rounded to the nearest 10; percentages are calculated on pre-rounded data. As a result, column and row figures may not sum to totals.
2) '-' Indicates a base value of less than 5 or that the base could be calculated from the percentage; '*' indicates a percentage of less than 0.5%.
3) Starts / target numbers may not sum to the column totals due to rounding.

Table 13

1) Figures are rounded to one decimal place; percentages are calculated on pre-rounded data. As a result, column figures may not sum to totals.

Table 6: Starts by apprenticeship and non-apprenticeship provision, in comparison to Grant Offer Letter (GOL) targets

Level	Under 19			19-23			24 plus[39]			All ages		
Apprenticeships	Starts	GOL target	% target	Starts	GOL target	% target	Starts	GOL target	% target	Starts	GOL target	% target
Level 2	300	2400	13%	400	1800	23%	500	1000	45%	1200	5200	23%
Level 3	500	1000	52%	300	600	46%	1100	700	152%	2000	2400	81%
Level 4	100	700	11%	200	400	46%	600	1500	39%	800	2600	32%
Total apprenticeships	900	4100	23%	900	2800	31%	2200	3300	67%	4000	10200	39%
Non-apprenticeships												
Entry Level / Level 1	1300	3500	38%	1000	11000	9%	2200	22600	10%	4500	37100	12%
Level 2	900	16900	5%	1800	2000	90%	8200	24300	34%	10800	43200	25%
Level 3	300	1200	27%	1600	600	246%	10100	5300	189%	12000	7200	167%
Level 4 +	100	100	142%	500	700	65%	4700	1600	296%	5300	2400	220%
Total non-apprentices known level	2700	21600	12%	4900	14400	34%	25100	53900	47%	32600	89800	36%
(Unknown/not applicable level)	100	n/a	n/a	100	n/a	n/a	200	n/a	n/a	500	n/a	n/a
Total non-apprentices	2800	21600	13%	5000	14400	35%	25300	53900	47%	33100	89830	37%
Total All	3700	25700	15%	5800	17200	34%	27500	57100	48%	37000	100100	37%

Skills Funding Agency starts data to the end of July 2014; CFE review of Grant Offer Letters

[39] The January 2015 Statistical First Release (SFR) published by BIS reports EOP figures for the same time period as in this table (see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/399453/learner-participation-outcomes-and-level-of-highest-qualification-release-jan15.pdf). There are a number of differences between the figures in this report and in the SFR. The SFR reports EOP figures for both EOP rounds 1 and 2, whereas this report focuses on Round 1 only. The SFR reports different age ranges, whilst the 24 plus age range is used in table 6 as it fits with current funding eligibility criteria. The data here are based on an updated version of the same data release as used in the SFR with improved validation of starts. The figures have also been rounded. Overall, this means that the totals reported here should be similar, but not identical to that reported in the SFR.

Table 7: Apprenticeship starts by age and model type, in comparison to Grant Offer Letter (GOL) targets

Model	Under 19 apprenticeships			19-23 apprenticeships			24 plus apprenticeships			All apprenticeships		
	Starts	GOL target	%	Starts	GOL target	%	Starts	GOL target	%	Starts	GOL target	%
Single employer-led	160	210	76%	270	290	94%	50	150	33%	480	650	74%
Multiple employer-led	150	390	39%	50	280	17%	320	60	508%	510	730	71%
Intermediary-led	630	3530	18%	570	2280	25%	1800	3050	59%	3000	8860	34%
Total	940	4130	23%	890	2850	31%	2160	3250	67%	3990	10230	39%

Source: Skills Funding Agency starts data to the end of July 2014; CFE review of Grant Offer Letters

Table 8: Non-apprentice starts by age and model type, in comparison to Grant Offer Letter (GOL) targets

Model	Under 19 non-apprenticeships			19-23 non-apprenticeships			24 plus non-apprenticeships			All non-apprenticeships		
	Starts	GOL target	%	Starts	GOL target	%	Starts	GOL target	%	Starts	GOL target	%
Single employer-led	420	3170	13%	950	1080	88%	3470	5110	68%	4840	9360	52%
Multiple employer-led	190	3610	5%	410	1290	31%	2460	2450	100%	3050	7340	42%
Intermediary-led	2190	14840	15%	3600	11990	30%	19380	46300	42%	25170	73130	34%
Total	2800	21610	13%	4960	14360	35%	25300	53860	47%	33060	89830	37%

Source: Skills Funding Agency starts data to the end of July 2014; CFE review of Grant Offer Letters

Table 9: Apprenticeship starts by age and broad industrial sector, in comparison to Grant Offer Letter (GOL) targets

Broad Sector	Under 19 apprenticeships			19-23 apprenticeships			24 plus apprenticeships			All apprenticeships		
	Starts	GOL target	%	Starts	GOL target	%	Starts	GOL target	%	Starts	GOL target	%
Business / other services	320	2420	13%	270	1160	23%	1210	2570	47%	1800	6150	29%
Construction	50	80	57%	30	-	-	20	450	4%	100	530	18%
Manufacturing	440	1330	33%	300	1400	22%	730	110	688%	1470	2840	52%
Trade / Accom /transport	130	300	44%	280	290	98%	210	130	169%	620	710	88%
Total	940	4130	23%	890	2850	31%	2160	3250	67%	3990	10230	39%

Source: Skills Funding Agency starts data to the end of July 2014; CFE review of Grant Offer Letters

Table 10: Non-apprentice starts by age and model type, in comparison to Grant Offer Letter (GOL) targets

Broad Sector	Under 19 non-apprenticeships			19-23 non-apprenticeships			24 plus non-apprenticeships			All non-apprenticeships		
	Starts	GOL target	%	Starts	GOL target	%	Starts	GOL target	%	Starts	GOL target	%
Business / other services	240	4010	6%	1170	9260	13%	5930	7050	84%	7330	20310	36%
Construction	220	1320	17%	930	0	n/a	8800	19480	45%	9956	20800	48%
Manufacturing	2030	10380	20%	1980	3380	58%	7470	6570	114%	11480	20330	56%
Trade / Accom /transport	310	5910	5%	880	1720	51%	3100	20760	15%	4300	28380	15%
Total	2800	21610	13%	4960	14360	35%	25300	53860	47%	33060	89830	37%

Source: Skills Funding Agency starts data to the end of July 2014; CFE review of Grant Offer Letters

Table 11: Apprenticeship starts by age and renegotiated budget, in comparison to Grant Offer Letter (GOL) targets

Budgetary size	Under 19 apprenticeships			19-23 apprenticeships			24 plus apprenticeships			All apprenticeships		
	Starts	GOL target	%	Starts	GOL target	%	Starts	GOL target	%	Starts	GOL target	%
Less than £2m	80	960	8%	130	350	38%	190	300	62%	390	1610	25%
Between £2m and £4m	130	250	54%	30	110	25%	310	220	142%	470	580	82%
Over £4m	730	2930	25%	730	2390	31%	1670	2730	61%	3120	8040	39%
Total	940	4130	23%	890	2850	31%	2160	3250	67%	3990	10230	39%

Source: Skills Funding Agency starts data to the end of July 2014; Skills Funding Agency financial data (used to define budgetary size of pilots) as of October 2014; CFE review of Grant Offer Letters

Table 12: Non-apprentice starts by age and renegotiated budget, in comparison to Grant Offer Letter (GOL) targets

Budgetary size	Under 19 non-apprenticeships			19-23 non-apprenticeships			24 plus non-apprenticeships			All non-apprenticeships		
	Starts	GOL target	%	Starts	GOL target	%	Starts	GOL target	%	Starts	GOL target	%
Less than £2m	1610	12730	13%	1300	920	142%	6550	24420	27%	9450	38060	25%
Between £2m and £4m	330	1220	27%	550	2320	24%	2000	830	241%	2880	4370	66%
Over £4m	860	7660	11%	3110	11120	28%	16760	28610	59%	20730	47400	44%
Total	2800	21610	13%	4960	14360	35%	25300	53860	47%	33060	89830	37%

Source: Skills Funding Agency starts data to the end of July 2014; Skills Funding Agency financial data (used to define budgetary size of pilots) as of October 2014; CFE review of Grant Offer Letters

Table 133: Financial spend against Grant Offer Letter profiles

Model	Public funds		Employer contributions		Current spend against profile		
	Actual (£m)	GOL (£m)	Actual (£m)	GOL (£m)	Public	Employer	Total
Single Employer-led	12.6	18.2	19.2	22.8	69%	84%	78%
Multiple Employer-led	7.9	14.3	13.4	15.5	59%	86%	71%
Intermediary-led	24.4	69.7	32.7	68.0	35%	48%	42%
Total	**44.9**	**102.2**	**65.3**	**106.3**	**44%**	**61%**	**53%**

Source: Skills Funding Agency starts data to the end of July 2014; Skills Funding Agency financial data (used to define budgetary size of pilots) as of October 2014; CFE review of Grant Offer Letters

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BIS/15/178