



National Audit Office

A REVIEW BY THE
NATIONAL AUDIT OFFICE
MAY 2009

e-skills UK

Our vision is to help the nation spend wisely.

We promote the highest standards in financial management and reporting, the proper conduct of public business and beneficial change in the provision of public services.

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the National Audit Office which employs some 900 staff. He and the National Audit Office are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work leads to savings and other efficiency gains worth many millions of pounds: at least £9 for every £1 spent running the Office.



National Audit Office

Contents

Part One	
Preface	4
Part Two	
Executive Summary	5
Part Three	
Context for e-skills UK's work	9
Part Four	
A Well Run SSC	11
Part Five	
SSC Core Product and Services	17
Part Six	
SSC Sector Specific Solutions	21
Part Seven	
SSC Results and Impacts	25
Technical Annex	27

For further information about us
please contact:

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7000
Email: enquiries@nao.gsi.gov.uk

Newcastle Office
First Floor
89 Sandyford Road
Newcastle upon Tyne
NE1 8HW

Tel: 0191 269 1820

For further information please
contact:

David Corner
Director

Tel: 0191 269 1891
Email: david.corner@nao.gsi.gov.uk

© National Audit Office 2009

Part One

Preface

1.1 Sector Skills Councils (SSCs) are partially publicly funded, employer led organisations that cover specific economic sectors in the United Kingdom. They have three key goals:

- Raising employer engagement, demand and investment in skills;
- Ensuring authoritative labour market information for their sectors; and
- Development of National Occupational Standards and ensuring qualifications meet employer needs.

1.2 There are 25 SSCs, covering about 85 per cent of the British workforce.

SSC Relicensing

1.3 Sector Skills Councils operate under licence from the UK Government.

1.4 The UK Commission for Employment and Skills (UKCES) is responsible for arrangements for relicensing the SSCs with the aim of ensuring the Councils will be more sharply focused on raising employer ambition and investment in skills at all levels, articulating future skills needs of their sector and ensuring that the supply of skills and qualifications is driven by employers.

1.5 The UK Commissioners will make their recommendations on whether to relicense or not to the Secretary of State. The Secretary of State for Innovation, Universities and Skills, in consultation with Ministers in Scotland, Wales and Northern Ireland is responsible for awarding a new licence.

The National Audit Office Role

1.6 The National Audit Office has been asked by the UK Commission for Employment and Skills to undertake an Independent Performance Assessment of each Sector Skills Council to help inform decision making by the Commissioners.

1.7 We have undertaken the assessment in accordance with the UK Commission's relicensing framework for Sector Skills Councils and not as part of NAO's wider VFM programme to provide assurance to Parliament.

Part Two

Executive Summary

2.1 Our assessment of e-skills UK SSC against the Relicensing Framework identified very strong performance across each of the four key themes, in particular: employer engagement; leadership; strategic planning; research; standards and qualification development; and the development of sector specific solutions. We also identified a small number of areas for improvement, including low brand awareness of e-skills UK among SMEs .

2.2 The key areas of strength included:

- Strong direction and leadership from the Boards and Executive.
- Very high level of commitment from the Boards and their members to developing and driving forward the strategic objectives.
- Strong evidence that e-skills is employer led with high level of engagement and support from employers and stakeholders.
- Very clear vision, mission, and strategic objectives based on extensive research and consultation with employers.
- Highly motivated staff committed to providing high quality service.
- Very experienced research team producing highly regarded Labour Market Intelligence.
- Development of the Sector's Qualifications and Learning Strategy which has involved employer and stakeholder consultation across the four nations and also has the support of the awarding bodies, qualification agencies and funding agencies.
- High-level approach to the management of National Occupational Standards which has resulted in a small number of qualifications, an approach which supports the pace of change in the sector.
- Development of a range of Sector Specific Solutions, following extensive consultation with employers and stakeholders.
- Development of a clear and concise performance reporting system.

2.3 The small number of areas for improvement identified were:

- e-skills UK has a large number of SMEs in its sector and it considers that it will not be able to engage with all SMEs directly. Its approach is to work through intermediaries and we heard positive feedback about this. However, brand awareness of e-skills UK among SMEs is very low.
- Whilst there is strong evidence of effective engagement with stakeholders in all nations, a small number of stakeholders suggested that engagement could be improved.

2.4 Commissioners may wish to explore the following issues in more detail with e-skills UK:

- What action e-skills UK is planning to take to raise brand awareness among SMEs and the importance e-skills UK attaches to this?
- What action e-skills UK plans to take to address the feedback from a small number of stakeholders that engagement could be improved?

Theme 1: A Well Run SSC

2.5 e-skills UK is an employer led organisation. Its two Employer Boards comprise senior representatives (Chief Executive Officers and Chief Information Officers) from key employers and SME representatives. The coordinating Board comprises the two Chairs of the Employer Boards, along with union and SME representatives.

2.6 The Strategic Plans for England, Scotland and Wales, incorporate the Sector Skills Agreements. The Strategic Plans are based on very extensive research and were developed in consultation with employers and stakeholders.

2.7 There are over 109,000 businesses in the sector, a large proportion of which are very small companies. Some 24 per cent of the sector's workforce is self-employed individuals. 40 per cent of the workforce is employed by just 72 companies and 50 per cent by 328 companies. Data from e-skills UK show that from April 2008 to January 2009, some 16,000 employers benefited from its work, and some 2,700 employers contributed to its work.

2.8 An independent survey showed that only 12 per cent of the employers in the sector are aware of e-skills UK. e-skills UK considers that it will not be able to engage with all SMEs directly. In addition to direct engagement, it has an intermediary strategy to maximise reach. We heard positive feedback about this approach from organisations including the Federation of Small Businesses. We also heard that larger employers passed information to smaller employers. However, employer awareness of e-skills UK is very low. e-skills UK is considering the merits and risks of options for improving brand awareness among SMEs.

2.9 We received generally positive feedback on e-skills UK's engagement with stakeholders.

2.10 No concerns were raised during the last audit of e-skills UK's financial statements. e-skills UK is examining options relating to new sources of income to ensure future sustainability.

2.11 e-skills UK has achieved Investors in People accreditation.

Theme 2: SSC Core Products and Services

2.12 e-skills UK has a highly experienced research team producing a wide range of research products. Some 6,200 employers contributed to its research in 2008. The research is used by employers, government departments, academia and the media. The feedback we received from employers and stakeholders consistently referred to the high quality of the research produced.

2.13 e-skills UK produces research specific for the four nations. Its IT & Telecoms Insights 2008 research publications were produced following consultation with a wide range of employers from all four nations.

2.14 e-skills UK has developed the Sector's Qualifications and Learning Strategy which has been well received. The Action Plans for each nation were delivered to time.

2.15 e-skills UK is nearing the completion of a review of all the National Occupational Standards which it is responsible for. e-skills UK has adopted a high level approach to National Occupational Standards. This strategy has resulted in a smaller number of National Occupational Standards. Although this strategy requires more effort than the traditional approach, it is considered to be the best approach to supporting the pace of change in the sector.

2.16 Through the IT User Qualifications Reform e-skills UK has reduced the number of qualifications from some 650 to some 290. It is on track to deliver against its Qualification and Credit Framework migration plans. Employers and stakeholders consider that e-skills UK has worked well to develop and promote Apprenticeships. Its efforts in this area have resulted in improved uptake over the last five years with completion rates of 74 per cent. e-skills UK consulted widely with employers and stakeholders to develop a Diploma for IT for 14-19 year olds.

Theme 3: SSC Sector Specific Solutions

2.17 e-skills UK has consulted widely with employers and stakeholders to develop sector specific solutions. These include solutions for use across the UK and for the individual nations.

2.18 e-skills UK works with other SSCs and supports the Alliance of Sector Skills Councils, for example, leading on Apprenticeships in the North East and Humber. Feedback from stakeholders was positive about e-skills UK working with other SSCs.

2.19 e-skills UK has developed a range of programmes. Some 29,000 Skills Passports are being used by individuals to track progress in IT user skills. It is viewed by some SSCs as an area of best practice. e-skills UK worked with employers to address the gender imbalance within the IT workforce. Over 124,000 girls in 3,799 schools have participated in the Computer Club for Girls programme. The programme is supported by over 500 partners and is being developed for a broader audience. One stakeholder referred to this programme as “outstanding”.

2.20 The Information Technology Management for Business degree is cited by many employers and stakeholders as one of e-skills UK’s key achievements. The course is being run at 13 universities in England and was developed in close consultation with employers. The Revitalise IT pilot programme has broad support from employers and stakeholders and is to promote IT related education and careers.

2.21 e-skills UK, in consultation with employers, developed a Business Guide for IT. The guide was designed for SMEs to help them learn how to use IT better. It has received wide support from SMEs and other stakeholders, with more than 1,900 registered users (small companies).

Theme 4: SSC Results and Impacts

2.22 In its strategic and business plans there is a clear thread linking e-skills UK’s strategic goals, targeted outcomes, impact measures and its individual programmes.

2.23 e-skills UK produces a quarterly organisation performance report. The report is set out as a balanced scorecard that covers the three areas of Customer Satisfaction; Impact; and Business Health. The scorecard is used by the Board to hold the Executive to account. The scorecard reflects e-skills UK’s pragmatic approach to selecting performance indicators and setting targets focused on the key measures that will drive maximum impact against strategic objectives.

2.24 e-skills UK’s policy is to measure and manage things over which it has direct control and to set stretching targets.

2.25 e-skills UK can cite a number of major impacts from its projects. For example, 65 per cent of those attending Computer Club for Girls say they are more likely to consider a career in IT as a result. Thirty-two per cent of Information Technology Management for Business degree undergraduates are female – more than double the proportion for other IT degree courses.

Part Three

Context for e-skills UK's work

3.1 e-skills UK SSC Ltd (subsequently referred to as e-skills UK) was licensed in 2003, following mergers between e-business National Training Organisation and IT National Training Organisation and the incorporation of National Training Organisation Telecom. It is a not for profit company limited by guarantee. e-skills UK employs some 72 staff based in London, the English regions, Scotland, Wales and Northern Ireland. Income is around £7.4 million a year. Core funding is £2.4 million a year (around 32 per cent of its income).

3.2 e-skills UK has responsibility for the Business and Information Technology workforce which comprises “the IT & Telecoms industry vertical and IT professionals in all sectors”. e-skills UK also has lead responsibility for IT skills throughout the workforce, including the strategic technology skills of business leaders and the IT user skills of the general population.

3.3 The number of employees covered by e-skills UK can be broken down as follows: 1.5 million IT professionals; 4 million managers and leaders; and 21 million IT users. The Business and Information Technology sector is a major contributor to the UK, delivering GVA per job of nearly three times the UK average.

3.4 Out of the 1.5 million people in the IT & Telecoms workforce, some 890,000 work in the IT & Telecoms industry itself and some 590,000 are IT or Telecoms professionals in other industries. There are over 109,000 businesses in the UK's IT & Telecoms industry. Forty-two per cent of these businesses are located in London and the South East. Six companies employ 20 per cent of the industry and 50 per cent of the workforce is accounted for by just 328 companies. The industry has a high proportion of very small companies, partly due to the popularity of self employment.

3.5 Some 89 per cent of the work force is based in England, with 41 per cent in London and the South East. Seven per cent of the workforce is based in Scotland, two per cent in Wales and two per cent in Northern Ireland.

3.6 Globalisation is having a major impact on the sector in the UK. Many roles such as IT programming and testing are increasingly being sourced from overseas, and the continued growth in the sector in the UK is predominantly in the higher skilled roles which require sophisticated technical, business and interpersonal skills. Key priorities in the sector include:

- Ensuring technology related education is fit for purpose for the current and future economy, and encouraging increased interest, particularly from females, in technology-related careers.

- Attracting and quickly making productive the 141,000 new recruits a year the sector needs.
- Addressing the upskilling needs of the existing workforce.
- Raising the capability of individuals and of every sector to derive benefit from technology.

3.7 e-skills UK's vision is that the UK is recognised as a global leader in delivering business value from technology. Its mission is to unite industry, educators and government in collaborative employer led action to ensure the UK has the technology skills it needs to compete in the global economy. e-skills UK has three strategic objectives:

- **Future talent** – motivate talented students to pursue IT-related careers, and better prepare young people for work in a technology enabled world.
- **IT professionals** – develop the IT professional skill pool as the best in the world for deriving business benefit from technology.
- **The IT Nation** – promote the compelling benefits of increased IT capability to organisations and individuals in every sector.

Part Four

A Well Run SSC

The Sector Skills Council is employer led, has the confidence and support of employers in its sector, and is a strategically and operationally effective organisation.

4.1 There is strong evidence that e-skills UK is employer led and is highly regarded and supported by employers. e-skills UK has two Employer Boards which have formal Board meetings twice a year:

- **The IT & Telecoms Industry Board** comprising Chief Executive Officers and Managing Directors from the industry. As at December 2008 the Board had 13 members.
- The **CIO Board** comprising the heads of IT from leading organisations from both the private and public sectors. As at December 2008 the Board had 13 members.

4.2 Both Employer Boards include SME representation. The Employer Boards are brought together through the **Coordinating Board** which has fiduciary duties as the legal Board of Directors of the company. The coordinating Board comprises the Chair of e-skills UK, the Chief Executive of e-skills UK, the Chairs of the Employer Boards, along with union and SME representatives. The coordinating Board meets once a year, or as required.

4.3 Our interviews with employers showed that they strongly supported the twin board structure and it was seen as the best way to represent e-skills UK footprint.

4.4 We heard consistent messages about the very high level of commitment of the Boards and their members to developing and driving forward e-skills UK's strategic objectives. In addition to attending Board meetings, Board members actively support the company and its work, for example committing their personal time and their company's resources to support projects, sharing business expertise and providing secondees into e-skills UK. There are waiting lists for both Boards.

4.5 e-skills UK undertakes an annual review of Board effectiveness. A Board effectiveness questionnaire covers issues relating to legal requirements and **governance standards**, the effectiveness of meetings and communications and Board composition and appointments. Where issues are identified solutions to address them are identified.

4.6 e-skills UK has a Chief Executive with very wide experience and knowledge of the sector. The Board members we interviewed were consistently very positive about the support they received from the Chief Executive and her team. Feedback from an English Government Department referred to e-skills being staffed by "top people" and noted that Board members are all seen as positive advocates for e-skills UK.

4.7 e-skills UK has an **Employer Engagement** Strategy. It has employer forums in all four nations. Given that there are over 109,000 businesses in the UK's IT and Telecoms industry and that there is, according to e-skills UK's research, "an unusually large proportion of very small companies", e-skills UK considers that it will not be able to engage with all companies directly. Its approach includes an intermediaries strategy to increase its reach.

4.8 In the period April 2008 to January 2009, e-skills UK's analysis of employer engagement showed that 15,836 employers had benefited from its products and services and 2,729 employers had contributed to its work. For the latter, there are 2,040 employers on the e-skills UK's research panel of which 1,713 are SMEs.

4.9 e-skills UK's engagement with employers, particularly larger employers, was identified as a key strength in the feedback we received from employers and stakeholders. Examples of the feedback include:

- At the stakeholder focus group during our site visit we were told that e-skills UK was particularly good with regard to employer engagement.
- In the written feedback from the Welsh SSC Stakeholder Group one stakeholder noted that there was good engagement with the sector in Wales and that e-skills UK has established an employer forum which was providing input into the priorities.
- At our focus group with Scottish stakeholders, we were told that e-skills UK has good employer engagement and that there had been an expansion of the employer engagement forum.
- At our focus group with one of the Awarding Bodies, we were told that e-skills UK has major connections with large employers and communication was considered very good. Feedback from another Awarding Body referred to e-skills UK having good links with employers.

4.10 With regard to SMEs, we heard positive feedback about the approach e-skills UK has taken. The Federation of Small Businesses considered that e-skills UK was a particularly good SSC in terms of engaging with SMEs. It considered that e-skills UK was going in the right direction by, for example, engaging with SMEs through Federation of Small Businesses events when developing new initiatives. The Institute of Directors representative also told us that e-skills UK was doing a good job in engaging with SMEs in the sector.

4.11 However, the feedback we received about e-skills UK's engagement with SMEs was mixed. Examples of the feedback include:

- At the stakeholder focus group during our site visit we were told that e-skills UK was sometimes less effective at engaging with SMEs, although it was acknowledged that this was a difficult challenge.
- A small number of the employers we interviewed referred to a low level of awareness of e-skills UK among SMEs.

- At our focus group with one of the Awarding Bodies, we were told that there was a concern that e-skills UK was not reaching SMEs. However, we were also told that large employers often become advocates so information from e-skills UK was passed to smaller employers.
- Feedback from another Awarding Body considered that engagement with SMEs “could be better”.
- Feedback from the Scottish Government said they thought e-skills UK was aware that how it engaged with SMEs was an area of weakness, but that its new strategy in Scotland looks to address how this could be improved in future.

4.12 Low awareness of e-skills UK was identified as an issue in the Skills for Business Survey of Employers 2007 which reported that: “only 12 per cent of establishments within the SSC footprint are aware of e-skills UK, significantly lower than the national average [29 per cent]; one in 20 of those aware have a detailed awareness of e-skills UK’s role and objectives; of those aware, only one per cent had contact in the last 12 months”. In its response to the findings of the survey, e-skills UK considered that the “awareness indicator” did not reflect the complexities of e-skills UK’s larger (volume) business footprint, which included a higher than average proportion of very small companies. e-skills UK was surprised by the apparent drop (compared with the 2005 survey) in awareness in companies with 250 plus employees as it considered that it had worked extensively with companies in this size band.

4.13 e-skills UK acknowledges that there is a low level of brand awareness amongst SMEs and distinguishes between engagement and brand awareness. In terms of engagement, e-skills UK seeks to engage with SMEs for their input into its work (as contributors) and to enable them to benefit from its work (as beneficiaries). 3,100 SMEs provided input to the IT & Telecoms Insights 2008 research, over 1,700 SMEs participate on a regular basis in the ongoing Research Panel, SMEs provide guidance through the steering groups for all projects, and several hundred SMEs contributed to the Diploma development. e skills UK also estimates that around 60 per cent of employers (600 companies) offering its Apprenticeships are SMEs and 75 per cent of employers (some 7,500 companies in this last year) benefiting from its e-services are SMEs. Over 1,900 SMEs have registered for the Business IT Guide, and e-skills UK has identified different approaches to support SMEs, for example, working with Microsoft’s Partner Division to reach out across its SME supplier network.

4.14 However, there is a potential conflict between e-skills UK’s strategy for reaching SMEs with products and services, which is largely based on partnerships with intermediaries as the most effective way to reach the largest numbers of small companies, and the need to demonstrate high levels of brand awareness. e-skills UK told us that it was considering the risks and benefits of changes to the intermediary strategy that would be necessary to improve brand awareness.

4.15 The feedback we received about e-skills UK’s **engagement with stakeholders** was generally positive:

- At the stakeholder focus group during our site visit we were told that e-skills UK provides good support for stakeholders and had taken time to engage with trades unions.
- At the stakeholder focus group we were also told that e-skills UK communicates well with Awarding Bodies. Written feedback from one Awarding Body said that e-skills UK facilitates regular contact with its Awarding Bodies.
- Written feedback from another Awarding Body noted that e-skills UK engages with Awarding Bodies through forums and on an individual basis. This stakeholder referred to the energy and enthusiasm of e-skills UK, and considered e-skills UK as “very approachable”. Another Awarding Body referred to e-skills UK as “innovative” and “willing to listen to what quality looks like”
- Written feedback from the Scottish Government noted that e-skills UK has been “well received” by stakeholders. The feedback noted that e-skills UK chairs the skills sub-group of the Scottish Government ICT forum.
- At our focus group with Welsh stakeholders, we were told that e-skills UK has good contact with the education sector in Wales. The written feedback from the Welsh SSC Stakeholder Group, covering a range of key stakeholders in the Devolved Administration, education sector and trades unions, also provided generally very positive feedback on e-skills UK’s engagement with stakeholders. One of the stakeholders referred to the e-skills UK Wales Manager as “consultative and proactive and communicates regularly”.
- In Northern Ireland, we were told that the local engagement manager was responsive and had close contact with the Awarding Bodies. We were also told that the local manager had worked closely with the Devolved Administration.

4.16 Set against the positive feedback we received about e-skills UK’s engagement with stakeholders, we heard concerns from a small number of stakeholders – one stakeholder in Scotland, one in Wales and one Awarding Body. These stakeholders considered that e-skills UK did not always take sufficient account of their views. The Awarding Body said that e-skills UK had a strong sense of what it was doing, but was not considered to be one of the “best listeners”.

4.17 e-skills UK considers that it has worked hard to accommodate the agendas of different stakeholders and provided evidence across all nations and for the Awarding Bodies of the work undertaken and the feedback received. This includes research, consultation on strategic priorities, and through agreeing the scope of programmes of work.

4.18 e-skills UK has agreed **Strategic Plans** for 2009-2014 for England, Scotland and Wales. There is a one year Action Plan for Northern Ireland, as Northern Ireland operates to a different time frame. The Strategic Plans incorporate the Sector Skills Agreements. The Strategic Plans are based on very extensive research, both quantitative and qualitative, and are developed from consultation with employers and stakeholders. The Board members, employers and e-skills UK staff we spoke to showed a very clear understanding of the three strategic objectives and the programmes and processes which were to deliver these.

4.19 A consistent message we heard during our interviews with employers was the clarity of the Strategic Plans. Underpinning the Strategic Plans is a three year Business Plan and a one year Operating Plan. There is very clear linkage between all three documents.

4.20 e-skills UK's auditors raised no concerns following the audit of the 2007-08 **Financial Statements**. e-skills UK's reserves policy was reviewed by the Board at the end of 2008. The Board agreed to increase reserves to £1 million – a small increase on the previous reserves policy. The objective of the reserves policy is to allow for an orderly close down and covers three months of staff costs, property costs and contractual liabilities.

4.21 e-skills UK's income in 2007-08 at £7.1 million was substantially lower than in 2006-07 at £8.5 million. e-skills UK told us that income had reduced due to a planned step down within a three year funding envelope for one of its major programmes, Computer Club for Girls (CC4G).

4.22 In order to address future reductions in income, resulting from major funded programmes coming to an end, e-skills UK is examining options relating to future sustainability and new sources of income. It considers that it has a financially sound business with appropriate reserves and visibility of future income. Over the next couple of years, e-skills UK plans to build on the models developed for the Information Management for Business (ITMB) degree and the IT Professional Development Programme, to provide fees services for work within its strategy, but fall outside of core funding and / or funded projects.

4.23 e-skills UK has a risk **management strategy**. It has a two tiered approach to risk management: business risk and project risk. The risks identified are maintained in a risk register which is owned by the Head of Business Services.

4.24 e-skills UK operates with a flexible, team based structure. The teams are responsible for particular business areas or projects. Some business clusters comprise a single team, whilst other clusters contain multiple teams. Cross cluster teams are formed as needed. Team coordinators have responsibility for **people matters**, including performance and development. The Strategy & Planning team, working with the six Business Cluster leads has overall responsibility for strategy, business planning and risk management.

4.25 e-skills UK has had Investors in People accreditation since 2002. An Investors in People Profile Review was undertaken in January 2008 by an independent assessor. The assessor found that most of the staff interviewed were extremely enthusiastic about the way they were managed and developed. The assessor considered that "it is the overall culture and values of e-skills UK under the exceptional leadership of the Chief Executive that makes people feel it is a great place to work". The assessor also referred to a "culture of constant challenge".

4.26 Our interviews with e-skills UK's staff, including a focus group, confirmed the findings from the Investors in People Profile Review. e-skills UK's staff appear highly motivated and very committed to providing a high quality service. The staff we interviewed considered that they were all fully engaged in all stages of the development of both the strategic and business plans. They all considered that they were very well supported by an effective formal and informal training and development programme.

4.27 e-skills UK's **Human Resources Strategy** is incorporated within its Business Plan. The Strategy covers learning and development, people management and resourcing and recruitment.

Strengths

- Strong direction and leadership from the Board and the Executive.
- Employer led and very high level of engagement/commitment from the key players in the sector.
- High level of engagement with stakeholders.
- Very clear vision, mission and strategic objectives, based on extensive research and consultation with employers.
- Very clear linkage between the strategic plans, business plan and operating plan.
- Highly motivated staff committed to providing high quality service.

Areas for Improvement

- Raising brand awareness among SMEs.
- Feedback from a small number of stakeholders that engagement could be improved.

Part Five

SSC Core Product and Services

The Sector Skills Council provides a clear, credible and coherent voice for employers on the skills and qualification needs of the sector backed by high quality Labour Market Intelligence, standards and qualification development.

5.1 e-skills UK has a highly experienced research team of five people. The **Labour Market Intelligence (LMI)** produced by the team underpins e-skills UK's strategic planning and its work programmes.

5.2 In 2008, e-skills UK published its major research publication series called IT & Telecoms and Insights 2008. There is an overarching report and nine research reports. These provide an "in-depth analysis of the exiting IT & Telecoms landscape". The research includes: input from over 4,000 employers of all sizes across the UK; insights into global trends; employment forecasting; and an analysis of the impact of ICT on productivity. In producing the research e-skills UK draws on a wide range of experts, including experts providing global analysis.

5.3 The research team also produces three regular research publications: the ICT Inquiry; the e-skills UK Bulletin and the Telecoms Bulletin. e-skills UK produces an annual skills and labour market assessment for each UK nation.

5.4 Employers and stakeholders consider the research to be timely and the team are able to respond to requests for specific information and bespoke research. The feedback we received from employers and stakeholders consistently referred to the high quality of the research produced. Examples of the feedback are as follows:

- Feedback from one English Government Department said that the LMI was considered highly enough to be used in ministerial speeches.
- Feedback from one Awarding Body said that e-skills UK produces regular bulletin on LMI which were very detailed.
- Feedback from the Northern Ireland Government referred to the LMI as being robust.
- The written feedback from the Welsh SSC Stakeholder Group referred to the LMI as "strong".
- At the stakeholder focus group during our site visit the LMI produced by e-skills UK was identified as a particular strength.

5.5 e-skills UK's research is used by employers, academics, government, policy makers and the media. The research team is often consulted by government departments and companies and its work is often cited in ministerial statements. For example, it supplies regular Labour Market Intelligence for the Home Office Migration Advisory Committee and the Information Technology, Communication and Electronics Sector Panel to support decisions on work permit applications. e-skills UK estimates that around 16 million people a year come into contact with its research through coverage in the media.

5.6 As part of the IT & Telecoms Insights 2008, e-skills UK consulted with 320 employers in Scotland, 340 employers in Wales and 310 employers in Northern Ireland. e-skills UK has also carried out bespoke research for each of the nations. For example, in response to requests from national bodies for sector data and intelligence, e-skills UK has produced a sector profile for Scotland and a Northern Ireland snapshot for the IT sector.

5.7 The Labour Market Intelligence produced by e-skills UK is very accessible. Over 62,000 employers, stakeholders and individuals visited its website research papers during 2008. e-skills UK's regular research publications, the ICT Inquiry, e-skills UK Bulletin and the Telecoms Bulletin, continue to attract the attention of employers and stakeholders. From April to December 2008, nearly 20,000 people either subscribed to these three publications or downloaded documents from the IT & Telecoms Insights 2008 suite.

5.8 The research team also produces income generating bespoke research. For example, in July 2008 e-skills UK worked with the British Computer Society and Intellect to undertake research into the gender imbalance in the UK technology industries, comparing this data with international competitor countries.

5.9 e-skills UK has developed the **Sector's Qualifications and Learning Strategy** with Action Plans for each nation. This process involved employer and stakeholder consultation across the four nations and has the support of awarding bodies, qualification agencies and funding agencies. The Action Plans were delivered to time (July 2008). The Scottish Government considered that the SQS showed that e-skills UK had very good understanding of the Scottish qualifications system.

5.10 e-skills UK is responsible for 130 **National Occupational Standards**, 76 for IT & Telecoms and 54 for IT user skills. e-skills UK has adopted a strategy which it describes as "a relatively high level approach which can be contextualised rather than a low level granular approach". e-skills UK says that it has adopted such a strategy in response to the dynamic nature of its sector. For example, e-skills UK has a set of National Occupational Standards to cover working with IT hardware, rather than the much larger number that would be needed if different National Occupational Standards were created for every type of hardware. The strategy results in a smaller number of National Occupational Standards. Although this strategy requires more effort than the traditional approach, it is considered to be the best approach to supporting the pace of change in the sector.

5.11 e-skills UK is nearing the completion of a complete review of all its National Occupational Standards. The feedback we received on the National Occupational Standards which e-skills is responsible for was positive. At our focus group with Scottish stakeholders we were told that the National Occupational Standards “are good” and feedback from an Awarding Body also referred to the National Occupational Standards as “good”.

5.12 e-skills UK has continued to support the implementation of the **IT User Qualification**. The IT user qualification is equivalent to an N/SVQ. The qualification is a credit based framework that is widely supported by employers, six major Awarding Bodies, and training providers. Feedback from one Awarding Body considered that the ITQ was “before its time” and that the credit-type system [it introduced] was what people wanted. At the stakeholder focus group during our site visit we heard very positive feedback about the ITQ.

5.13 Through the **IT User Qualifications Reform**, e-skills UK has successfully rationalised the complexity of the IT user environment from 654 qualifications to 292. The qualifications also provide employers with greater choice of content.

5.14 e-skills UK is on track to deliver against its **Qualification and Curriculum Framework** migration plans. The IT user qualification formed the basis of the credit and qualifications framework tests and trials. e-skills UK appears to have been innovative in their approach as the IT user qualification already incorporates some of the key principles of the Qualifications and Credit Framework, for example, a modular, credit-based system. Feedback from one Awarding Body noted that the “QCF [was] developed in good collaboration”.

5.15 Stakeholders and employers consider that e-skills UK has worked well to develop and promote **Apprenticeships** across its footprint. Its efforts are reflected in the improved uptake over the last five years with completion rates of 74 per cent. Around 60 per cent of employers offering e-skills UK’s apprenticeships are SMEs (around 600 companies)

5.16 e-skills UK, working in partnership with Microsoft and West Midlands Learning and Skills Council, has developed an apprenticeship programme for Microsoft’s Partner Network. The project has identified seven SMEs who are Microsoft partners based in the West Midlands. In consultation with the partners, e-skills UK has identified the business requirements of the programme and are currently advertising for applicants.

5.17 e-skills UK works with **Higher Education and Further Education Institutions**. It consulted with training providers in the development of the Information Technology Management for Business Honours degree and the IT Professional Development Programme. More information on the above programmes can be found in Part Six of the report on Sector Specific Solutions.

5.18 e-skills UK consulted with employers and stakeholders to develop a **Diploma for IT** for 14-19 year olds. As part of the development of the diploma, e-skills UK drew on research from more than 3,000 employers and 600 companies of all sizes including BT,

CA and the Cabinet Office.

5.19 e-skills UK works with **Awarding Bodies** to develop IT qualifications. It has set up an IT Awarding Bodies Forum for all four nations with 13 members. Feedback from Awarding Bodies suggests that the forum is an effective way of communicating and that e-skills UK have good links with employers.

Strengths

- Highly experienced research capability.
- Wide range of research products.
- Highly regarded Labour Market Intelligence.
- Very accessible research which is used by a range of stakeholders.
- Evidence based, employer-led approach to qualifications development.
- Management of National Occupational Standards.
- Development of bespoke qualifications for the sector.
- Development and promotion of Apprenticeships leading to higher take up.
- IT Awarding Bodies Forum.

Part Six

SSC Sector Specific Solutions

The Sector Skills Council can demonstrate a compelling employer offer which addresses sector skill priorities, including cross sector skills, with defined routes to market.

6.1 e-skills UK has **consulted widely with employers and stakeholders** to develop sector specific solutions to target priorities identified in their strategic plan and sector qualification strategies.

6.2 A number of the products are appropriate for use across the nations, for example the IT Business Guide which has been well received by employers in England, Scotland and Wales.

6.3 e-skills UK has also developed products and services which meet the needs of individual nations. Examples of new developments being the best solutions to national skills issues include:

- In Northern Ireland, e-skills UK created Northern Ireland Pathways a development programme for IT professional developed through a partnership between industry and Higher Education.
- In Wales, e-skills UK worked with the Welsh Assembly Government as part of its Step Up project a project to develop good practice in work based IT user skills training, and to develop the concept of funded units within qualifications to increase the uptake of training.

6.4 However, we heard some concerns about the solutions developed. In its written feedback the Scottish Government noted that, while e-skills UK has a good understanding of the skills issues in its sector in Scotland, there appeared to be a disconnect between this and some of the proposed solutions. This feedback also noted that there were concerns amongst stakeholders that the solutions developed were not always appropriate for the Scottish context. In our focus group with Scottish stakeholders, we also heard a concern that e-skills UK try to bring English solutions to Scotland.

6.5 e-skills UK showed us evidence of the depth of its research undertaken in Scotland and the wide level of consultation with Scottish employers and stakeholders to develop solutions. e-skills UK considers that it makes considerable effort to understand the Scottish context and to identify solutions which would add most value in Scotland. It showed that it consults widely with employers, educators and other stakeholders on the value of the solutions it has delivered in Scotland. e-skills UK told us that it makes available solutions developed in one nation to other nations, where they are appropriate to the needs of those nations, both across the UK and globally.

6.6 e-skills UK works with other SSCs and key stakeholders to address priority cross SSC issues and cross sector skill needs. e-skills UK provided the following examples of working with other SSCs:

- Supporting the Alliance of SSCs, such as leading on Apprenticeships for the North East and Yorkshire & Humberside regions.
- Running a joint project with Skills for Care SSC to deliver IT user skills.
- Undertaking joint research projects with Skillsmart SSC.
- Working with LLUK SSC on teacher CPD requirements for the Welsh Baccalaureate in IT.

6.7 The main area where e-skills UK has a shared interest with other SSCs is computer games. The shared interest in this area is with Skillset SSC.

6.8 Stakeholder feedback of how e-skills UK work with other SSCs was positive. The written feedback from the Welsh SSC Stakeholder Group noted that e-skills UK work well with other SSCs. At the stakeholder focus group during our site visit we were given examples of how e-skills UK worked with other SSCs.

6.9 e-skills UK submitted an Expression of Interest for a **National Skills Academy for IT** in July 2008. It submitted its bid for a National Skills Academy in the fourth bidding round. e skills UK did not bid in the earlier bidding rounds as it considered that the earlier prospectuses did not support the development of an Academy on higher level skills. In October 2008, it was announced that the proposal was successful. e-skills UK is working with employers across the sector to develop a business plan for the Academy. It has support from partners including Accenture, BT, Cable and Wireless, Logica and Microsoft. The Academy is expected to open in 2009. The Academy is to be a separate company, but governance issues, such as how closely or not it would be related to e-skills UK, have yet to be decided.

6.10 e-skills UK is in the process of negotiating the Compact with the Learning and Skills Council. The **Compact** will focus on higher level provision. e-skills UK's position has been that, to make the Compact successful for the e-skills UK sector, further flexibilities would be needed within the Train to Gain programme. Negotiations are continuing, but e-skills UK hopes to agree a compact in 2009.

6.11 e-skills UK, in partnership with employers, has developed a **careers website** for IT and Telecoms which is visited by some 25,000 people a year. e-skills UK has also worked with careers advisers, via toolkits and workshops, to explain the rapidly changing world of IT and Telecom. For example, e-skills UK, with support from IBM and Mitel, held an All Wales Career Event for careers advisers.

6.12 e-skills UK is in the process of developing **PROCOM**, a **training framework** for the IT profession which will enable the mapping of courses, qualifications and IT professional skills against sector-defined standards of competence. Employers support this framework and many have contributed to the first draft of the full set of content for the framework.

6.13 e-skills UK has developed a **Skills Passport**. This is an online skills management tool which allows users to assess their current IT skills levels, identify training needs, set targets and record achievements. More than 29,000 e-skills UK passports are being used by individuals to track progress in IT user skills. The e-skills UK Passport is seen by some SSCs as an area of best practice. The Scottish Government considered that the Skills Passport has highlighted to employers the value of National Occupational Standards in Scotland.

6.14 e-skills UK and the Parliamentary Information Technology Committee launched a **skills competition** for primary schools in 2007. Make IT Happen is a UK wide competition to develop technology skills and understand how technology can be used in every day activities. For the competition, pupils demonstrate how they use technology to support their local school or local community. e-skills UK viewed the competition as a success and now holds an annual event supported by 65 MPs. An awards ceremony is held in the House of Commons to celebrate pupils' achievements.

6.15 e-skills UK worked with employers to develop a programme aimed at addressing the gender imbalance within the IT workforce. The programme, **Computer Club for Girls (CC4G)**, was developed in response to e-skills UK research which identified that girls' negative perceptions were affecting their interest in IT careers. Computer Club for Girls is an online club for 10-14 year old girls, typically help outside of school hours. It is made more accessible to girls through online activities and projects which the girls can relate to, for example, fashion and celebrity.

6.16 To date, over 124,000 girls in 3,700 schools across the four nations have participated in the Computer Club for Girls programme. It is supported by more than 500 partners, including industry contributions worth more than £11 million. e-skills UK is now developing this programme to reach a broader audience. Computer Club for Kids is currently under development. At the stakeholder focus group during our site visit the Computer Club for Girls programme was described as "outstanding".

6.17 The **Revitalise IT pilot programme** is part of the higher education strategy and has had broad support from employers and stakeholders. It was set up to promote IT related education and careers amongst more than 40,000 students. There are two themes to the Revitalise IT project: **Big Ambition** is aimed at promoting technology related degrees and careers; and **Catalyst** focuses on promoting IT curriculum developments in priority areas.

6.18 The **Information Technology Management for Business (ITMB)** Honours degree was introduced to establish a new employer supported Honours degree course for students in universities across England, combining business, technology, project and interpersonal competencies. An objective of the new degree was to encourage uptake in computing degrees and tackle the gender imbalance in the IT workforce. e-skills UK worked with universities and employers to develop the course which is being run at 13 universities. The degree was cited by many employers and stakeholders as one of e-skills UK's key achievements. To date, the uptake of the course is growing in line with targets, with more than 1,000 applicants for the coming year. The partnership work, facilitated by e-skills UK between employers, government, SSCs and Higher Education Institutions is regarded by many as an example of best practice.

6.19 In response to the changing job market, e-skills UK is working with employers and stakeholders to develop a new **IT Professional Development Programme**. The programme, a university awarded industry recognised qualification, is based on core competencies needed by IT professionals in the early stages of their careers. Alongside 'on the job learning', participants should be able to develop their competencies through a range of Masters-level Higher Education courses, private training courses, and employers' own training.

6.20 In consultation with employers, e-skills UK developed a **Business Guide for IT**. This was designed specifically to target SMEs that want to learn to use IT better. The Guide covers a wide range of topics, including: developing a website; implementing security; investing in hardware and software; and, using technology to enhance sales, customer relationships and communications. This tool is widely supported by SMEs, the Federation of Small Businesses and other stakeholders. Since it was launched, more than 1,900 companies in England and Scotland have used this tool.

6.21 e-skills UK adopts a range of approaches to **publicise its products and services**. For example, to publicise the ITQ, it held two nationwide conferences. To promote the Business Guide for IT, e-skills UK works closely with the Federation of Small Businesses and other stakeholders to target SMEs. Over 50,000 individuals a year make use of e-skills UK's products and services.

Strengths

- Extensive consultation with employers and stakeholders to develop sector specific solutions.
- A wide range of very well supported and used programmes such as Computer Club for Girls, Information Technology Management for Business degree, and Business Guide for IT.

Areas for Improvement

- Perception by some Scottish stakeholders that the solutions developed are not always appropriate for the Scottish context.

Part Seven

SSC Results and Impacts

The Sector Skills Council has set ambitious and realistic targets in relation to skills priorities of the sector which are used to measure the direct results and shared impacts of products, services and solutions.

7.1 e-skills UK operates a tightly defined **performance management system**. There is a clear thread linking the strategic goals, targeted outcomes, impact measures and its individual programmes, demonstrated in its strategic and business plans.

7.2 e-skills UK's planning documents and our interviews with staff show that its team and personal performance management systems are well integrated with the overall framework. There is a clear process for translating e-skills UK's output targets into targets for teams and individuals. Staff are very positive stating that the process allows them to make a link between their day to day work and the organisations overall aims and objectives.

7.3 e-skills UK produces monthly, quarterly and annual organisation performance report. The reports include a **balanced scorecard** that covers the three areas of Customer Satisfaction; Impact; and Business Health. Overall, the scorecard contains ten indicators. The scorecard is used by the Board to hold the Executive to account.

7.4 The balanced scorecard reflects e-skills UK's pragmatic approach to setting targets. e-skills UK explained that its policy is to ensure a clear alignment between the longer term outcomes it intends to deliver and the shorter term quantitative and qualitative measures, focus on which will enable those outcomes. This is set out in the Business Plan, with the impact measures incorporated into the Balanced Scorecard. The Balanced Scorecard brings together the contributions from all of e-skills UK's work and enables the ongoing tracking of progress.

7.5 As part of this management system, e-skills UK operates a process that allows the Strategy and Planning team and Business Cluster Leads to review and manage operational performance. On a monthly basis, each Business Cluster Lead and individual project manager produces a report setting out progress against the team and project objectives as appropriate and an overall red, amber or green rating.

7.6 e-skills UK uses the same set of indicators to report progress to the UK Commission for Employment and Skills. In its last report in March 2008, six out of seven indicators were on track and there was no data for the remaining one.

7.7 e-skills UK has identified **impact measures** to monitor progress against the goals set out in its strategic plans for each of the four nations. It currently has systems in place to measure progress for most of the indicators and is developing systems where it does not. e-skills UK also monitors its impact on the skills priorities identified in the strategic plans through its research as demonstrated by its quarterly bulletins. For example, the bulletins monitor the levels of education and training in the sector and the proportion of firms reporting difficulties in filling ICT positions.

7.8 e-skills UK undertakes **evaluations** of its programmes and can cite a number of major impacts from its programmes:

- 124,000 girls have participated in Computer Club for Girls (CC4G) and 65 per cent say that they are more likely to consider a career in IT as a result.
- Over 32 per cent of Information Technology Management for Business (ITMB) degree undergraduates are female, more than double the proportion for other IT degree programmes.
- The number of people starting IT apprenticeships has risen over the last five years and the completion rate is now 74 per cent – one of the highest of any scheme.

7.9 While there is strong evidence of e-skills UK's impact on its strategic objectives from a number of its programmes, it will be some time before it can assess its impact on the productivity and performance of the IT and telecoms industries.

Strengths

- Clear link between objectives, targets and programmes.
- Clear and concise performance reporting.
- Integration with staff development and objectives.
- Demonstrable impacts on skills in the sector.

Areas for Improvement

- Too early to demonstrate meaningful impact on the productivity of the sector.

Technical Annex

Performance Assessment Methodology

Background

The National Audit Office (NAO) has undertaken this Independent Performance Assessment of e-Skills Sector Skills Council at the request of the UK Commission of Employment and Skills.

It has undertaken the assessment in accordance with the assessment framework set out in the relicensing framework for Sector Skills Councils published by the UK Commission for Employment and Skills.

The purpose of the Assessment Framework is to assess the capacity and capability of the Sector Skills Council against four key themes:

- The SSC is employer led, has the confidence and support of employers in its sector, and is a strategically and operationally effective organisation.
- The SSC provides a clear, credible and coherent voice for employers on the skills and qualification needs of the sector backed by high quality LMI, standards and qualification development.
- The SSC can demonstrate a compelling employer offer which addresses sector skill priorities, including cross sector skills, with defined routes to market.
- The SSC has set ambitious and realistic targets in relation to skills priorities of the sector which are used to measure the direct results and shared impacts of SSC products, services and solutions.

Each key theme has a number of key tests and assessment questions which we have used to scrutinise the evidence across the four nations and prepare our report.

Evidence

The Commission asked us to conduct our reviews to a very tight timetable and with the least burden on the Sector Skills Council.

We reviewed Sector Skills Council generated evidence for a period of two weeks before collecting evidence more directly from staff, employers and local stakeholders during a one week site visit to the Sector Skills Council. During this week we conducted a number of interviews and focus groups and observed meetings.

We chose a random sample of employers to interview, ensuring we covered as far as possible the full range of Council footprint. We also invited comments from employers and other stakeholders through our and the UK Commission's website. To measure the wider reach and engagement of the footprint, we examined the results of the Sector Skills Development Agency's 2007 census.

We collected information centrally from:

- The UK Commission for Employment and Skills.
- Central government departments.
- Each of the devolved administrations through visits to Belfast, Cardiff and Glasgow.
- The regional development agencies.
- The Learning and Skills Councils.
- Local Government.
- Awarding bodies.

To make our assessment we also reviewed a wide range of internal evidence including:

Expressions of Interest, Strategic Plans, Business Plans, Board Constitution, minutes and attendance, Audit and Remuneration minutes, Operational plans, National and Regional plans, Sector Skills Agreements, Research Strategies, capacity and capability reviews, customer and staff satisfaction surveys, complaints procedures. SQRPs strategy, Sector Skills Agreements, Sector Skills Action Plans Labour Market Intelligence and Research strategies and plans, Employer Engagement Strategies, Take-up statistics, Stakeholder surveys, International Research data, Website materials, Memoranda of Understanding, Compact arrangements, Sector Skills Agreements, Customer Satisfaction Surveys, stakeholder maps, performance review records, market assessments.

