



National Audit Office

A REVIEW BY THE  
NATIONAL AUDIT OFFICE

MAY 2009

# Energy and Utility Skills (EU Skills)

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# 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 Energy and Utility Skills (EU Skills) against the Relicensing Framework identified good progress against a number of the key tests including; employer engagement, leadership, strategic planning and project management and delivery. It also identified some areas for improvement including a concern about the capacity of EU Skills given the extent of activity and a reactive approach to revising National Occupational Standards.

**2.2** The key areas of strength include:

- An industry led Board with over 80 per cent employer representation and four Chief Executives or Managing Directors of employers in the sector.
- Employer led forums that approve and monitor progress against sector action plans.
- A strategic planning framework that has explicit monitoring, evaluation and feed back components.
- Labour Market Intelligence which covers all sectors and nations including a dynamic workforce modelling tool.
- Sector specific products that align with the challenges identified in the sector skills agreement. Products include a Skills Register that provides an industry standard for demonstrating and maintaining competency.
- Project deliverables that have raised skill levels or investment, or enabled a number of new entrants to the industry.
- The confidence of employers to tackle the challenges arising from new capital investment leading to new skills requirements in an aging workforce.

**2.3** We also identified some areas where EU Skills needs to make improvements including:

- Current resources becoming increasingly overstretched as EU Skills takes on more projects without more prioritisation of objective. Some stakeholders, including some Devolved Administrations, cited, for example, that consultation was not always as thorough as they believed necessary.
- The Water industry is less satisfied with the impact of the Council than the Gas industry.

- EU Skills has a reactive approach to receiving feedback from awarding bodies and training providers on the development of National Occupational Standards.

#### **2.4 Commissioners may wish to explore the following issues in more detail:**

- How EU skills plans to bring initiatives and workstreams into line with current resources, both people and financial.
- Whether the Council's outputs and project level outcomes delivered will tackle effectively the skills challenges identified in the Sector Skills Agreement.
- How the SSC proposes to help the sector tackle the significant challenge of new technology over the coming years leading to a demand for new skills at a time when 40 to 50 per cent of the technical labour force is due to retire.

### **Theme 1: A Well Run SSC**

**2.5** EU Skills is an employer led organisation. Its Board includes 12 senior representatives from employers, a trade union representative and the Chief Executive. Below the Board are four employer led forums that approve and monitor progress against sector action plans.

**2.6** Employers and stakeholders are engaged through a network of ten regional and national skills directors and a range of consultative forums and project specific steering groups. Employers to whom we spoke in the Gas and Power sector were positive about EU Skills' approach to engagement. Employers we consulted in the Water and Waste sectors expressed a greater range of opinions with some in the Water sector concerned about the levels of engagement from the industry and transparency around the decision making process.

**2.7** Analysis of EU Skills' financial plans shows a contraction of income between 2007-08 through to 2009-10 suggesting a greater need to prioritise programmes. Expenditure during this time is, however, expected to increase slightly. EU Skills' strategic planning framework now includes new prioritisation filters to enable this. Some stakeholders suggest, however, that the volume of work EU Skills is undertaking means resources are already too stretched.

**2.8** EU Skills has achieved external recognition from Investors in People and the Best Companies Awards. EU Skills' employees describe the organisation as open and encouraging them to learn.

### **Theme 2: SSC Core Products and Services**

**2.9** EU Skills has developed a wide ranging product set for its Labour Market Intelligence. This includes a dynamic web based work force modelling tool that is enabling employers to use evidence when engaging with regulators, for example OFGEM, over the skills challenges the sector faces.

**2.10** EU Skills disseminates Labour Market Intelligence to employers and we found a high degree of awareness of key research conclusions among employers.

**2.11** National Occupational Standards are developed in close collaboration with employers and EU Skills has been particularly active in reducing the overall size of its portfolio. Reviews of National Occupational Standards have been done to ensure easy transition as part of qualification reform, on which EU Skills is progressing well.

**2.12** EU Skills' method of identifying National Occupational Standards for review appears reactive, relying on feedback that is not gathered in a structured manner. We found no evidence, however, that standards were not meeting customer needs.

**2.13** EU Skills is generally good at meeting the needs of different regional and national stakeholders. When the final Sector Skills Agreements were published in September 2007, 13 different documents were published - one for each Devolved Nation and English region as well as an overall summary for the UK. The Sector Qualification Strategy, however, shows little difference and approach between regions and nations. The energy and utilities sector has a significant body of employers who work across regional and national boundaries. This presents a challenge for the Sector Skills Council to reconcile the requirements of stakeholders and employers where they conflict.

### **Theme 3: SSC Sector Specific Solutions**

**2.14** EU Skills has developed a substantial product portfolio with clear links to the challenges identified in the Labour Market Intelligence namely: raising standards, improving the supply of appropriate training, attracting new entrants to the sector and working with other Sector Skills Councils.

**2.15** Products developed by EU Skills balance delivering commercial benefits to employers with tackling skills challenges. The Energy and Utility Skills Register, for example, responded to employer demands for a replacement to a range of employer specific registers. The Energy and Utility Skills Register provides a single method of improving and recognising core competencies across a mobile contractor workforce.

**2.16** EU Skills' product portfolio demonstrates significant tailoring to different regional or national challenges and policy frameworks. In addition, product development is led by employers. Employers in the Power sector, for example, but not other sectors, decided they needed a National Skills Academy and have recently received approval to proceed to the development phase designed to launch the Skills Academy in Autumn 2009.

## **Theme 4: SSC Results and Impacts**

**2.17** EU Skills has a performance management framework that allows it to monitor and evaluate its performance at project and overall level. One element of this is a monthly balanced scorecard used by the Board to hold the Executive team to account. Employers and their trade bodies also scrutinise the performance of EU Skills, for example, Water UK requires an annual report and presentation to justify its ongoing membership of EU Skills.

**2.18** A number of EU Skills' products have delivered measurable benefits. The workforce modelling tool, for example, has been used by the Gas Distribution Network operators to secure a £72 million allocation in the recent price review to invest in skills in the industry.

**2.19** Some of EU Skills' products can be seen to have had longer term impacts. The Ambition Energy project, for example, led to over 2000 people completing training courses and being moved off long term benefit and into employment. Six months later 86 per cent of those who successfully completed the scheme were still employed in the sector.

**2.20** Employers view the work of EU Skills positively. The most recent customer satisfaction survey carried out by EU Skills shows awareness at 87 per cent and satisfaction at 75 per cent. Employers cited a range of benefits from EU Skills including financial benefits to employers and collectively resolving skills issues.

**2.21** EU Skills is currently developing a series of medium and longer term measures that will enable evaluation against its new strategy and the strategic challenges identified in the Sector Skills Agreement. It is, however, too early to demonstrate meaningful progress against challenges in the Sector Skills Agreement at present.

## Part Three

### Context for EU Skills' Work

**3.1** Energy and Utility Skills (EU Skills) was licensed as a Sector Skills Council in 2003 out of its predecessor body the Gas and Water Industry National Training Organisation. It is a private company limited by guarantee. EU Skills has 63 staff.

**3.2** Its footprint covers five sub sectors; Upstream Gas, Downstream Gas, Power, Water and Waste. This includes the generation of electricity from Nuclear. It does not include the bringing ashore of gas or work on customer premises carried out by plumbers or electricians.

**3.3** The Energy and Utility sector comprises some 51,000 employers (41,000 of whom are sole traders) and 529,000 employees. The Gross Value Added of the sector, excluding Waste and Downstream Gas, in 2003 was £16 billion or around 1.5 per cent of the UK Economy. Analysis carried out by EU Skills suggests that the sector has around five times the labour productivity of the UK average and outstripped the labour productivity of the same sector in the main EU countries, USA and Australia.

**3.4** The EU Skills' footprint includes some 13 major trade bodies, five awarding bodies, three sector specific economic regulators, a number of environmental regulators and part of the remit of the Health and Safety Executive.

**3.5** EU Skills' aim is **“To meet the skills needs of our industries now and in the future”**. They have set three strategic objectives and two strategic enablers. The objectives are:

- We will engage nationally and locally with our employers and act as a catalyst to help the sector meet its strategic skills needs.
- We will ensure that qualifications and skills development pathways meet the needs of our industries.
- We will ensure that a satisfactory market for quality training provision exists for our industries.

**3.6** The enablers are:

- Engaging with governments across the UK (and their agencies) to ensure that policy supports the overall mission.
- Being a high performing business capable of acting independently of Government cycles.

**3.7** To meet its objectives, EU Skills receives core funding of £1.7 million per annum and in 2007-08 generated a total turnover of £7.1 million. This equates to £3.09 of core funding or £13.41 of total funding per employee in the sector.

**3.8** The key external challenges faced by EU Skills are:

- Ensuring that a supply of sufficiently skilled workers is available to replace aging water mains pipes and electricity generating stations and equipment that are nearing end of life;
- Coping with the pace of change, especially in the Waste sector, with the advent of recycling and re-use technologies that require higher skill levels than the technologies they replace and, in the Power sector, with the move to renewable and sustainable technologies;
- Tackling sector attractiveness issues that result from being a sector that is significantly more white, male and middle aged than the UK average. In particular, the age profile suggests that between 40 and 50 per cent of technical roles will need to be replaced in the next five years; and
- The supply of the training provision does not closely match with employer needs now and those anticipated in the future.

**3.9** The key internal challenges faced by EU Skills are:

- Prioritising employer demands around strategic solutions in the face of tightening resources.
- Working with other Sector Skills Councils, such as Cogent, Summit Skills and Construction Skills given a considerable number of touch points and overlaps in footprints.

**3.10** EU Skills is currently establishing a National Skills Academy for Power.

# Part Four

## A Well Run SSC

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

**4.1** Employer and stakeholder satisfaction has been consistently high with EU Skills performance, although employers to whom we spoke in the Gas and Power sectors felt more effectively engaged than those in the Water and Waste sectors. EU Skills has detailed strategic planning and is currently considering responses to the impact on the sector of the current economic downturn. EU Skills has a range of products and solutions for its employers. As EU Skills' financial plans show a decrease in income, prioritising projects and aligning these to overall strategic objectives will become increasingly important, although currently expenditure is not expected to decrease over the next year.

**4.2 Governance** of EU Skills is through an employer led Board of 14 including the Chief Executive, 12 of whom are employers, including the Chair. Within the Board, there is good coverage of the sub sectors, regions and nations as well as company size. The trades unions also have a representative who can attend the Board meetings. Four of the employer representatives are Managing Directors or Chief Executives of utility companies. Board members retire by rotation on a three year cycle and are eligible to serve for one additional three year term.

**4.3** The Chief Executive of EU Skills was an apprentice in the industry and has a high profile with the employers we consulted. Employers and stakeholders described the Chief Executive as effective.

**4.4** We observed a Board meeting and saw a high degree of participation in the meeting. EU Skills has developed a performance dashboard and this was used effectively by the Board to hold the Executive team to account.

**4.5** Below the Board, there are a number of sub-sector steering groups which are either specific to EU Skills or cross industry. These groups are the Power Sector Skills Strategy Group, the Water Industry Skills Strategy Group, the Network Policy Forum, for upstream gas, the Industry Liaison Group, for downstream Gas, and the Environmental Services Association's Human Resources Committee for Waste. In addition, an employer forum has been set up to directly address skills issues in the Waste Industry, which is due to meet for the first time in March 09. Each of these groups approves a sector specific action plan and monitors progress against that plan. Groups are chaired by an employer representative and the majority of members are employers.

**4.6** EU Skills is currently developing its forward **strategy**. A series of workshops have been held, including one with the Board, which have identified three strategic objectives and two strategic enablers. These will be achieved through 13 strategic deliverables. The strategic planning framework includes performance measures, an evaluation and feedback mechanism and prioritisation filters to allocate resources.

**4.7** The current action plan for EU Skills is detailed and contains short, medium and long term plans by region and nation. EU Skills is currently consulting with its Board on possible responses to the economic downturn.

**4.8** In addition to the steering groups, **employers engage** with EU Skills in two main ways. Firstly, EU Skills has a team of ten Skills Directors with a geographical focus including one for each of Northern Ireland, Scotland and Wales. The role of these Skills Directors is to engage with individual employers, understand their needs, and act as a bridge between employers, regional and national skills authorities and training providers. On average Skills Directors consider that they spend between 50 and 70 per cent of their time with employers.

**4.9** EU Skills also operates or attends a number of consultative forum and project steering groups. These include the Training Managers Forum, South East Forum, Scottish Consultative Forum and the Health and Safety Executive's Waste Industry Safety and Health Forum (WISH).

**4.10** For the larger employers, EU Skills has established tailored Action Plans and Service Level Agreements. These are reviewed annually with the employer.

**4.11** Skills Directors will also work with small and medium enterprises on specific solutions and some smaller employers attend forums. Small and medium employers will also come into contact with EU Skills through the registration schemes where applicable. Generally though, smaller employers will have less contact with and awareness of EU Skills than larger employers. EU Skills' policy is to influence small and medium enterprises through the wider skills system rather than specifically targeting awareness among small and medium enterprises. Small and medium enterprises consulted raised no concerns regarding levels of employer engagement.

**4.12** EU Skills undertakes an annual independent customer satisfaction survey. The most recent survey was conducted between December 2008 and January 2009 and included 501 interviews. One hundred (20 per cent) respondents were categorised as fully engaged, 229 (45 per cent) semi-engaged and 172 (34 per cent) non-engaged. 232 of the respondents were employers and 269 were stakeholders (including training providers). The survey covered all sub-sectors, regions and nations.

**4.13** The results of the survey show that, excluding fully engaged respondents, 87 per cent describe themselves as aware of EU Skills. This is a similar result to previous years. Satisfaction with EU Skills appears to be rising with 75 per cent describing themselves as satisfied in the most recent survey compared with 70 per cent in earlier years. Further, those describing themselves as very satisfied is rising with 40 per cent describing themselves like this in the most recent survey compared with 35 per cent in the previous year.

**4.14** EU Skills operates a membership scheme and at the end of November 2008 125 employers participated in this scheme. These employers represent 119,000 employees or 22 per cent of the EU Skills' footprint.

**4.15** In the Power and Gas sectors, employers feel well engaged by EU Skills citing, for example, the ability of EU Skills to bring employers together to build collective solutions to skills issues, as demonstrated by EU Skills' work in support of the price settlement with the Regulators of this sector.

**4.16** EU Skills is seeking to raise engagement and outcomes in the Waste sector which it recognises lags behind other sub-sectors. Skills Directors described how they were trying to engage more small and medium enterprises in the sector. Some employers and one stakeholder in the Waste sector were critical of EU Skills proposing alternative solutions rather than supporting solutions offered by some of the larger employers in the sector. EU Skills, for example, is currently exploring with the Waste sector the possible development of a Skills Academy, but it did not, however, support one employer in developing its own academy earlier. Other employers and stakeholders in this sector, though, described a good relationship with EU Skills. One stakeholder remarked that it was hard to know what more EU Skills could do in the Waste sector.

**4.17** Some employers in the Water sector were content with the way the sector is engaged. For example, two employers are represented on the EU Skills' Board. EU Skills reports annually to Water UK's Scrutiny Committee and the Water Industry Skills Strategy Group oversees the implementation of a sector action plan.

**4.18** Some in the Water sector, however, believed that the right organisations were not represented on the Water Industry Skills Strategy Group and that transparency around decision making was sometimes poor. EU Skills noted that some employers now recognised the issue and were attempting to raise the engagement from within the sector to the levels seen in Power and Gas – but that this engagement is still uneven across the sector.

**4.19** EU Skills uses its forums and Skills Director network to engage with **stakeholders** as well as employers. It seeks to influence Government policy in three main ways:

- EU Skills has eight patrons who are all Chairs or Chief Executives of some of the largest employers in the sector.
- Contributing directly to the development of policy, for example, the Chair and Chief Executive meet with Government ministers and EU Skills' research was mentioned in the 2007 Energy White Paper.
- Supporting employers by providing the evidence they need to engage with regulators, for example, through workforce modelling.

**4.20** Overall stakeholders generally expressed satisfaction at the way they are engaged by EU Skills and the customer satisfaction survey shows little difference in the results for stakeholders (including training providers) when compared to that for employers. Some stakeholders, though, did suggest that EU Skills' resources are too stretched meaning that they are not fully consulted over some things.

**4.21** The Devolved Administrations we spoke to gave us positive feedback about the Council and its approach of having dedicated Skills Directors for each nation was welcomed. The Devolved Administrations told us that the Skills Directors were seen as proactive, in touch with employers and having good profile within the Devolved Nations. Some did criticise the organisation of the qualifications team, which they felt led to insufficient focus on devolved, rather than UK wide, issues and a lack of understanding of, for example, Scottish educational systems. Some stakeholders in the Devolved Administrations similarly felt that EU Skills was at risk of stretching resources.

**4.22** The **financial position** of EU Skills has improved. In 2004, EU Skills was technically insolvent, but since then a number of cost cutting measures and an increase in the generation of income meant that by 2008 it had reserves of £1.35 million. The Board has set a policy of holding £700,000 in reserves but agreed that this amount could be exceeded during 2009-10 in anticipation of the impact of the economic downturn on the sector.

**4.23** EU Skills has generated funds alongside its core funding. In 2007/8, total revenue was £7.1 million of which £1.7 million (23 per cent) was core funding. £2.1 million (30 per cent) came from employers in the form of membership fees or registration scheme income. The remaining £3.3 million (47 per cent) was project income.

**4.24** The registration scheme generated an exceptional level of revenue in 2007-08 because the numbers of employees registered was considerably more than envisaged. EU Skills' financial situation further benefited recently from £950,000 of European Social Funding. This was awarded to allow EU Skills to develop the depth and scope of its Sector Skills Agreement, piloting new structures and building an overall delivery capacity. This project has now finished and the external evaluation, including independent audits from the Sector Skills Development Agency and DIUS, was positive.

**4.25** EU Skills' is budgeting to have less to spend in future years than it has done recently because of the economic downturn and income from fewer newer registrations. Income is expected to go from £7.1 million in 2007-08 to £5.7 million in 2008-09, although is forecast to increase again to £6.3 million in 2009-10. Effective prioritisation of projects will be essential against this background. In 2007-08 EU Skills' total expenditure was £6.1 million. In 2008-09 it is forecast to be £6 million and in 2009-10 it is forecast to be £6.3 million.

**4.26** EU Skills was reaccredited as an Investor in People in February 2007 and achieved a one star in the Best Companies Award in 2008. In 2009, it has been sighted as One to Watch in the Best Companies Award.

**4.27** Satisfaction amongst staff we met with was high. Staff at all levels of the EU Skills' business described how they were supported to learn and grow and how they were all encouraged, and felt comfortable, expressing their opinions. Staff across the business felt that they all had a role to play in employer engagement which was cited as the first priority of the organisation.

**4.28** EU Skills conducts internal reviews frequently, examining its internal procedures and how to improve these. After submission of their Sector Skills Agreement, for example, a workshop was held in May 2007 to identify what lessons could be learnt. A further workshop was held in April 2008 after the final reports were published. This second workshop concluded that lessons from the first workshop had been learnt as well as identifying some new lessons.

**Strengths**

- Employer form the majority at Board and sector level.
- Strategic planning framework with monitoring, evaluation and feedback as explicit components.
- Wide ranging employer engagement forums.
- Regional and national coverage of stakeholders.
- Learning culture with good employee satisfaction.

**Areas for Improvement**

- Water and Waste sectors not as well engaged as Gas or Power.
- Prioritisation given increasingly constrained resources and perception among some stakeholders that resources are already too stretched.
- Improve focus on qualifications, especially in Scotland.

# Part Five

## SSC Core Product and Services

The SSC provides a clear, credible and coherent voice for employers on the skills and qualifications needs of the sector backed by high quality LMI, standards and qualifications development

**5.1** Labour Market Intelligence is both wide ranging and well used by employers and stakeholders. The Council is undertaking a collaborative review of its National Occupational Standards portfolio and is on track with Qualification Reform, but needs to show more awareness of the risks inherent in its current approach to updating Standards. The Sector Skills Agreements and Apprenticeships demonstrate an ability to deliver high calibre products.

**5.2 Labour Market Intelligence** produced can be categorised under three main headings:

- The information used to support and underpin the Sector Skills Agreements.
- A dynamic, web based, work force modelling tool developed initially for use with the economic regulators, but with wider application such as building the detailed business plan for the National Skills Academy for Power.
- Ad hoc reports including an occupational functional map of the Renewables industry, in depth studies of the waste sector and shorter studies into specific issues such as a report on the skills shortages in the Electricity Transmission industry.

**5.3** Together, these reports provide a body of knowledge on current and future labour market demand and supply side issues including international comparisons. The material has been quoted in ministerial speeches.

**5.4** EU Skills' research team of five cover research and performance measurement. All the regions and nations have a dedicated point of contact within the team which stakeholders welcomed in our discussions with them.

**5.5** Labour Market Intelligence is disseminated to employers and we found a high degree of awareness of the key research conclusions among employers. EU Skills is developing a web based workforce planning tool that will be reliant on employers inputting data. Employer commitment and willingness to input their own data demonstrates the value they place on this solution. Employers are able to access their own data and the aggregated data.

**5.6** Employers and trade bodies to whom we spoke commented favourably on the Labour Market Intelligence describing it as “credible”, “high calibre”, “exceptional” and providing evidence for business cases on skills investment.

**5.7** Two areas for improvement in Labour market Intelligence were raised. Firstly, in the Waste sector, some organisations were concerned that the good work contained in a report published in 2006 had not been updated. EU Skills informed us that, in the future, it is planning to produce an annual report across all sectors that covers the latest available data from either its own primary research or secondary sources.

**5.8** Secondly, employers in the Water sector expressed a desire for more detailed explanations around the research such as detailing methodology and using less jargon.

**5.9** The workforce-modelling tool provides detailed research on skills needs over the next 15 years. It has been used by employers to negotiate allocations from economic regulators for skills investment. This is a developing area of work and, to date, these negotiations have been concluded with OFGEM for the Gas Distribution sector and are ongoing with OFGEM and OFWAT in the Power and Water sectors. The regulators welcomed both the work itself and the overall quality of what had been done. They suggested, however, that the assumptions should have been subject to greater challenge before the initial presentation to them.

**5.10** The latest (2007) Skills for Business Network survey of stakeholders reports that EU Skills’ performance on the production and distribution of Labour Market Intelligence are in line with the average for all Sector Skills Councils. EU Skills’ research strategy shows a number of areas that are being developed, including foresight research which will be key to tackling the changing skills mix needed by employers.

**5.11** EU Skills concluded its **Sector Skills Agreement** in September 2007, publishing 13 final reports covering the Devolved Nations, each English region, and an overall UK summary document.

**5.12** The Agreements include signposting through the use of tools such as “How to Read this document” boxes and summary boxes which together facilitate review. Overall the documents are well regarded, with the Northern Ireland Agreement in particular held up as best practice by stakeholders.

**5.13** Each Sector Skills Agreement is underpinned by a matrix of action plans for each nation and region and each sub sector. These plans show clear differences in what is being delivered depending on geography or sub-sector. Action plans are reviewed and updated at employer forums.

**5.14** As part of the communication strategy following publication of the Sector Skills Agreements, EU Skills held seven road shows in April 2008. Four of these were in England and one in each of Wales, Scotland and Northern Ireland. There were a total of 192 attendees: 67 companies, 38 stakeholder, some 28 training providers and three Board members were represented at these road shows which included a compilation of short films, a formal presentation and a networking opportunity.

**5.15** Following completion of the Sector Skills Agreement, EU Skills developed a **Sector Qualification Strategy** which is also underpinned by an Action Plan. Both of these were completed by March 2008.

**5.16** The Sector Qualification Strategy identifies ten priority action areas and is underpinned by a clear analysis of how these link to the policy frameworks in each of the nations. Nine of these priority areas link clearly to the evidence presented in the document. The remaining priority, on reviewing and developing National Occupational Standards, is a core activity.

**5.17** The development of the Sector Qualification Strategy involved representation from across the four nations as well as making use of existing consultation networks. The resulting priorities, however, do not give a strong sense of regional/national variation and some stakeholders we spoke to have described the Strategy as Anglo-Centric.

**5.18** EU Skills has a current portfolio of 931 **National Occupational Standards** units across its sub-sectors. These units have either been reviewed since EU Skills was formed or, in the case of the 500 units that make up the Gas sector, are currently in the process of review. EU Skills is aiming to make National Occupational Standards more relevant to current industry practice and, where possible, introduce more common units to rationalise the overall portfolio. Following reviews in Power and Waste during 2008-09, the portfolio reduced from 1541 units to its current level. Alongside this review work, the Council is developing Standards for multi-utility companies.

**5.19** EU Skills relies on feedback from employers, awarding bodies and training providers about the appropriateness of National Occupational Standards. The feedback is gathered in an ad-hoc, rather than structured, manner. The development of Standards is viewed by the Council as complex. This is handled by two technical experts who do not have a detailed background in each of the five sub-sectors but who call on the sector experts within EU Skills.

**5.20** Employers we interviewed described how they were engaged in the development of standards through the use of specific and wider ranging industry forums and how they were able to influence the development of standards which they considered to be accurate and reflecting their needs.

**5.21** Some viewed engagement as problematic as it had lengthened the time taken to develop National Occupational Standards. They felt the process was too much like starting with a blank sheet of paper and resulted in standards that had an element of design by committee. Others felt the process led to standards that were better as they were national and agreed and not subject to the views of individual employers. The most recent (2007) Skills for Business Network survey of Stakeholders concluded that this was their area of greatest success.

**5.22** EU Skills has linked the development of National Occupational Standards to the ongoing programme of **Qualification Reform**. **The council** has identified the units needing transfer and the Awarding Bodies with whom they need to work. The UK Commission for Employment and Skills' most recently assessed the EU Skills Reform programme as "GREEN", meaning that no deadlines have either been missed or are considered at risk of being missed.

**5.23** EU Skills operates an extensive **Apprenticeship** programme. It has identified 136 possible apprenticeships schemes that it could run across the levels, nations and sub-sectors. Of these, 79 schemes are operational. One significant gap is level Two Apprenticeships in Scotland. The Scottish Government has only recently launched this and commented favourably on the approach and progress EU Skills has made.

**5.24** The other significant gap in apprenticeship coverage is in the Waste sector. Here, EU Skills, employers and stakeholders all concluded that the low interest of young adults in joining the Waste sector is the significant barrier to launching a successful Apprenticeship Scheme. Employers we spoke to felt that recent attempts to develop schemes in the emerging parts of the industry, such as Waste to Energy, were more likely to be successful.

**5.25** Outside the Waste sector, employers commented favourably on the impact that apprenticeships were having in terms of popularity amongst trainees and business impact in raising relevant skills. Of particular note were employers based in Northern Ireland who were pleased with the way that EU Skills had helped them use the apprenticeship framework to develop highly tailored, funded, training programmes with minimal interruption to the running of their businesses. Employers who criticised apprenticeships were wanting more tailoring than EU Skills has currently been able to offer them.

**5.26** Overall information on the Apprenticeship Scheme suggests that completion rates are significantly above the national average.

**5.27** EU Skills also runs a Young Apprenticeship programme, discussed in more detail in the next section.

**5.28** EU Skills is involved in engaging with employers and other Sector Skills Councils to develop four 14-19 **diplomas**. These are an important part of attracting new employees to the industry. The diplomas EU Skills is involved with are: the Diploma in Engineering, the Diploma in Construction and Built Environment; the Diploma in Environmental and Land Based Studies; and the Diploma in Science.

### **Strengths**

- Depth and range of Labour Market Intelligence.
- Sector Skills Agreement – especially clarity within document and efforts made to communicate findings.
- Collaborative approach to designing National Occupational Standards.
- Overall quality of National Occupational Standards.
- Approach to Qualification Reform.
- Breadth of Apprenticeship scheme.

### **Areas for Improvement**

- Keeping Labour Market Intelligence, especially in the Waste sector, up to date.
- Reconcile the differences between employer demand and regional/national priorities in the Sector Qualification Strategy.
- Being more proactive in identifying areas for change in National Occupational Standards.

# Part Six

## SSC Sector Specific Solutions

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

**6.1** EU Skills has developed a substantial portfolio of products that provide geographic and sub-sector coverage across the footprint. The need for these can be traced back to the research done for the Sector Skills Agreement and employer demands. EU Skills is aware of the need to continue to develop their product portfolio so that it remains flexible enough for employers and focused on employers' strategic needs.

**6.2** A significant product in demonstrating and **raising standards** is the **Energy and Utility Skills Register**. This is an industry standard on training and competency in health and safety and other arenas allowing contractors and employees to move around the sector without the need for employers to incur significant re-training costs. As at 31 January 2009, there were 138,000 registrations in the scheme for 105,000 individuals across 17 schemes in Power, Gas and Water sectors. The scheme is operated on a commercial basis and in 2007-08 the scheme generated £1.5 million income for EU Skills thus enabling investment in other sector projects.

**6.3** Employers and trade bodies find the Skills Register to be a significant improvement on its predecessors. The web based approach to checking accreditation is particularly well liked and small contractors found the scheme helpful in winning business.

**6.4** The Skills Register is an evolving product with, for example, e-learning material being developed for existing schemes and new schemes being developed in response to employer demand.

**6.5** Employers and trade bodies raised two points on the Skills Register both related to its flexibility. The Council currently recognises the Construction Skills Certification Scheme and employers and trade bodies would like to see more schemes recognised, for example, Institution of Occupational Safety and Health certificate. Secondly, although the price of individual elements within the scheme has not increased for several years, the expansion of the scheme and the economic down turn are meaning that employers are questioning the overall cost of the scheme to them.

**6.6** Responding to employer demands in the Water industry, EU Skills has developed a **Competent Operator** scheme for water authorities. This provides a common framework for water companies to prove that the skills are in place to improve the quality of drinking water. 24 out of 26 water companies have currently obtained the standard, with two still progressing. Employers viewed this as credible and important in avoiding the potential costs of a statutory scheme.

**6.7** The significant issue facing the Waste sector is its poor health and safety record. EU Skills has developed an interactive CD package known as **StreetSafe Sam** to help raise health and safety awareness in the industry. Employer feedback and formal evaluations of the project suggest that this is a well received package. StreetSafe Sam is free to the employer but those involved in its development did question whether it represented the best investment of funds by EU Skills. Key stakeholders in the Waste industry recognised and welcomed the support and work of EU Skills in tackling the poor health and safety record of the industry but also noted that this was the beginning rather than the end of a solution.

**6.8** Also in the Waste sector, EU Skills has responded to the needs of employers by developing a **Competency Management System**. This aims to enable employers to demonstrate individual and corporate competency and therefore compliance with regulations that came into force in April 2008. The scheme is currently with the Department for Environment, Food, and Rural Affairs for approval.

**6.9** A **sector compact** is an agreement between EU Skills, the Department for Innovation, Universities and Skills and the Learning and Skills Council to work together to increase demand for the Train to Gain scheme. Commercial negotiations are ongoing with EU Skills, but the Department described the proposal from EU Skills as being good and demonstrating strong understanding of sector skills issues, including the changes needed for a low carbon economy.

**6.10** To improve the **supply of appropriate training, a National Skills Academy** is being considered in three of EU Skills' sub-sectors. The Power Skills Strategy Steering Group led a successful bid for an Academy in round four with financial support from ten employers and endorsement from trade bodies and Regional Development Agencies. Employers and stakeholders in the Power sector were very positive about both the quality of the bid and progress made since the bid was successful.

**6.11** Employer led forums in the Water and Waste industries are both currently looking at developing National Skills Academies, but both are at early stages. In these sectors, views on the value of an Academy are more mixed but employers recognised that it was their decision to make and express satisfaction at the information being supplied by EU Skills.

**6.12** EU Skills has developed a range of solutions to help **attract new entrants** to the sector. These include a **Youth Apprenticeship** programme to help 14–16 year old pupils in England get employer based experience in Utility Engineering. The scheme, for which £708,000 in government grant was received, is designed to help attract young people to the sector and be a pathway to a full apprenticeship, a formal career in the industry or

further education. To date the scheme has worked with six employers and 134 students. An evaluation has been carried out covering 102 of the students. Retention rate on the scheme was over 90 per cent and many students have expressed an interest in entering the Utility sector now that they have an appreciation of it.

**6.13** In common with many Sector Skills Councils, EU Skills has been funded by the Department for Innovation, University and Skills to gather careers information for the new Adult Careers Service. In commenting on this, the Department noted that EU Skills needed to do more development of job profiles as most related to young people. EU Skills has an action plan in place to do this.

**6.14** In addition, EU Skills has a self funded **careers website** to provide information and guidance to those seeking a career in the industry. This website went live in September 2007.

**6.15** EU Skills was one of the first Sector Skills Councils to adopt the **Women and Work** scheme to help tackle the gender imbalance in the industry. This provides subsidised training for women in a range of industry and general skill areas. The first tranche of this programme was over subscribed and EU Skills is currently delivering a second tranche for 08-09 and has an approved bid for 475 candidate places in 2009-10.

**6.16** Historically, EU Skills and its predecessor bodies ran the **Ambition Energy** project. This was a project that looked at training long term unemployed, lone parents and ex-offenders and then helping them into work. By the time the project ended in December 2005, EU Skills had secured £14.5 million from a range of sources and moved 2,060 individuals into long term sustainable employment.

**6.17** EU Skills **works with other Sector Skills Councils** on a range of projects. This includes leading a grouping of eight Councils in the renewables and low carbon agenda, being part of the Built Environment Skills Alliance, working jointly with Cogent and Engineering Construction Industry Training Board on energy strategy and with Summit Skills on down stream gas and micro-generation. EU Skills is also active within the Alliance of Skills Councils as the Chief Executive of EU Skills chairs the Standards and Qualifications Board. EU Skills' role in this joint working group is viewed positively by partners and stakeholders.

**6.18** EU Skills has developed a range of products specific to individual **regions or nations**. Between February 2007 and February 2008, for example, EU Skills used a grant of £655,000 from the European Social Fund to run a programme designed to help **offenders** in the **Yorkshire and Humberside** region access training, work experience and employment opportunities within the utilities sector. 20 employers were engaged by the programme which resulted in 416 training outcomes ranging from a basic skills qualification to a full National Vocational Qualification. In addition, 60 ex-offenders progressed into further education, training, or employment in the sector.

**6.19** Elsewhere in England EU Skills has:

- worked with Morgan Est in the North West on a project to build skills capacity. The project was a winner in the 2007 National Training Awards;
- worked on a Future Energy Yorkshire project to predict geographic areas in Yorkshire where environmental technology may best be situated;
- worked with ex-offenders in the North East region securing employment for 24 individuals, 70 per cent of whom are still in employment;
- run a Skills for Energy project in the East Midlands; and
- developed a foundation degree for the Power sector with employers and Aston University and developed a water foundation degree working with employers and the University of Central Lancashire.

**6.20** In **Scotland**, EU Skills run a **Construction Skills Action Plan**. This has used £550,000 from Scottish Enterprise, matched by employers, to provide short courses on health and safety, regulation, technical competence and leadership and management. By the end of 2008, over 4,000 candidates across more than 300 employers had attended courses.

**6.21** In **Northern Ireland**, EU Skills has developed a project to raise **Essential Skills** in the Waste sector coupled with a clear route to progress to full vocational qualifications.

**6.22** In **Wales**, EU Skills is undertaking a **collaborative research project** with the Chartered Institute of Waste Management and the Network of Community Recycling in Wales (Cylch) to assess the detailed skills needs of the Waste Management Sector throughout Wales. The intention is that the data will be used to support a bigger project bid into the Sector Priority Fund to fund training provision to increase skills in the sector.

**6.23** Other projects in Scotland, Wales or Northern Ireland include:

- reviewing and updating training for installers of renewable energy in Northern Ireland;
- brokering a Bridge to Employment scheme that has helped 300 utilities employees from Northern Ireland gain work in England;
- the development of a bespoke Water Scottish Vocational Qualification;
- an Employability project in Cumbernauld;
- a customised Scottish Vocational Qualification for Waste Authorities; and
- running a successful Welsh Language programme.

**6.24** In looking across the portfolio of products that EU Skills has, some employers in the Water industry expressed a desire to see faster progress on delivering a strategic set of products aimed at improving the training and qualifications on offer. EU Skills acknowledged that the Water industry has found it harder to agree its strategic portfolio requirements compared to, say, the Power industry.

#### **Strengths**

- Substantial number of products with good geographic and sub-sector coverage.
- Product portfolio clearly linked to identified employer and research needs.
- Energy and Utility Skills Register has provided cost and simplicity benefits to employers.
- Building on Skills Register to develop company wide competency schemes in Water.
- Successfully leveraged resources for employers from a range of Government sources.
- Providing good advice to employers in making decisions on potential Skills Academies.
- Developing a range of products to increase sector attractiveness.
- Managing major programmes such as Ambition Energy.
- Building effective partnerships with other Sector Skills Councils.

#### **Areas for Improvement**

- Ensuring that the Skills Register retains flexibility that employers need.
- Completely populating careers website.
- Maintaining strategic momentum in product set, especially in Water sector.

# Part Seven

## SSC Results and Impacts

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

**7.1** EU Skills has a performance management framework in place that allows measurement of its impact at a range of levels. From this it is able to demonstrate a range of specific impacts as well as a general sense of progress towards the strategic targets it has set. Employers require EU Skills to give clear commercial benefit to them. Quantitative evidence suggests that customer awareness and satisfaction has been consistently high and our own qualitative evidence illustrates a range of perceptions on impact. It is too early for EU Skills to demonstrate impact against its revised strategic targets.

**7.2** EU Skills' **performance measurement framework** has the following key elements:

- Individual projects are evaluated either internally or by external consultants to ensure that they have delivered the outcomes expected and that lessons are learnt.
- A monthly balanced scorecard, presented in a dashboard format, reports performance against a range of in-year indicators and is used by the Board to hold the Executive team to account.
- A range of evaluation and progress reports prepared for the UK Commission for Employment and Skills including the quarterly performance report.
- An annual performance report covering performance against long term strategic objectives.
- A range of reports prepared for individual employers or trade bodies. An annual report and presentation is made to Water UK's Scrutiny Committee, for example, in support of Water UK's membership and financial support of EU Skills.

**7.3** In addition to the outputs that EU Skills has achieved from individual projects detailed elsewhere, EU Skills can also evidence a number of sustained impacts. These include:

- Of the 2,060 individuals moved into long term sustainable employment as a result of the **Ambition Energy project**, 86 per cent were still employed in the sector six months later.
- Of the 24 ex-offenders moved into employment as a result of the schemes in the North East, 70 per cent were still employed in the sector six months later.

**7.4** Financially, the biggest impact EU Skills has had to date is through the **Gas Distribution review** where £72 million was allocated by OFGEM for skills investment. EU Skills cite this as the beginning of a process and further evaluation will show whether, in particular, the skills gaps identified are being closed.

**7.5** The December 2008 **balanced scorecard** details 48 targets across five headings – Influence, Operational Business Plans, Strategic Development, Resource and Capability and Relicensing. Of these targets, 31 (65 per cent) are reported as on plan, four (eight per cent) as ahead of plan and the remaining 13 (27 per cent) as currently behind expectations.

**7.6** EU Skills negotiated a series of output measures across five objectives as part of its **current licence**. As at the most recent contractual milestone, December 2008, EU Skills had achieved 13 targets (65 per cent) and missed seven targets (35 per cent). A further four measures do not have targets associated with them and two measures cannot currently be measured by EU Skills. These targets were set before the Sector Skills Agreement and Action Plans were negotiated, since which some re-prioritisation of resources has occurred.

**7.7** Alongside its new strategic framework, EU Skills is developing a series of strategic performance measures to feature in an **annual performance report**. The current proposal is to report on 50 measures, mapped across the three strategic objectives and two strategic enablers. 19 of these measures will be taken from the proposed UK Commission for Employment and Skills framework with the rest being developed internally. These will replace the measures reported on under EU Skills' current licence. At the moment, measures are being base lined prior to the setting of appropriate targets by the EU Skills board.

**7.8** In addition to these formal measures of performance and impact, EU Skills undertakes an annual customer satisfaction survey. The 2008 survey involved telephone interviews with 232 employers, 125 training providers and 144 stakeholders. These surveys show current awareness of EU Skills of 87 per cent and satisfaction of 75 per cent. Awareness is largely unchanged since 2005 whereas satisfaction with EU Skills appears to be rising, although some of this may be due to methodological changes between the 2007 and 2008 surveys.

**7.9** Employers, trade bodies and stakeholders were able to cite a range of impacts, including:

- Financial benefits have been delivered to employers either through leveraging economies of scale or commercial benefits over competitors.
- Enabling employers to think strategically about skills issues.
- Enabling employers to network and discuss skills issues collectively.
- Constructed significant evidence base on skills issues for sector.
- Raised standards in training.

**7.10** Some employers and stakeholders, though, believed that EU Skills had not done enough to impact the sector and to date EU Skills has had limited **impact** on the long term skills challenges as set out in the EU Skills' Sector Skills Agreement. EU Skills believes there has been too little time since the Sector Skills Agreement was finalised to impact on the identified challenges for the sector. It is clear, though, that EU Skills has put in place the frameworks that will allow it to make such evaluations at the appropriate time.

**7.11** In addition to tackling long term skills challenges, employers were clear with us that they need EU Skills to provide them with concrete commercial benefits. As an example, the Water UK Council, as part of its agreement to continue membership of EU Skills, has required EU Skills to work with the Water Industry Strategic Steering Group to develop key performance indicators on the specific commercial benefits being delivered by EU Skills in the Water industry.

#### **Strengths**

- Strong performance management framework.
- Identifiable project impacts that will contribute to sector outcomes.
- Balance scorecard shows on target for majority of targets.
- Reports to UK Commission for Employment and Skills show that EU Skills is achieving 60 per cent of its licensed targets.

#### **Areas for Improvement**

- Too early to demonstrate meaningful progress against challenges in the Sector Skills Agreement.

# Technical Annex

## Performance Assessment Methodology

### Background

The National Audit Office (NAO) has undertaken this Independent Performance Assessment of Energy and Utility Skills 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 the 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 Council.
- Skillsplus UK (Local Government Employers).
- 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. SQS and SQRP strategies, Sector Skills Action Plans Labour Market Intelligence and plans, Employer Engagement Strategies, Take-up statistics, Stakeholder surveys, International Research data, Website materials, Memoranda of Understanding, Compact arrangements, stakeholder maps, performance review records, market assessments and external audit reports.



