



National Audit Office

A REVIEW BY THE
NATIONAL AUDIT OFFICE
MAY 2009

SummitSkills

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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 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 SummitSkills against the Relicensing Framework identified good progress against a number of the key tests including; employer engagement, partnership working and visible and active presence in the English regions and Devolved Nations. It also identified some areas for improvement including a concern about capacity and the need to further develop its monitoring and evaluation processes.

2.2 In our evaluation against the relicensing framework, SummitSkills has demonstrated good progress against the majority of key tests, in particular:

- SummitSkills has an employer led Board with representation of all the industries within its footprint.
- There is a high level of engagement from employers that SummitSkills work or has direct contact with.
- The bringing together of four separate industries that increasingly consider skills issues as one sector.
- The working relationship and engagement with the large and influential trade associations.
- Visible and active operations managers in the regions and nations.
- Action plans set for each region and devolved nation which are monitored by regional and national monitoring and implementation groups.
- The research base that underpins SummitSkills' skills priorities and Sector Qualification Strategy.
- The revised National Occupational Standards that underpin qualifications and apprenticeships in the sector.
- Evidence of proactive work to promote skills in renewable energy both through qualifications development and employer engagement.

2.3 We have also identified a number of areas for improvement, which include:

- SummitSkills needs to make its research more accessible.
- The level of capacity within the organisation could limit the performance and impact of its work.

- The SSC faces a challenge to further engage with the large number of small and micro businesses and sole traders in the sector that are not actively training their staff.
- SummitSkills needs to consider reassessing its budget policy in relation to grant income and introducing sensitivity analysis.
- Where issues are found consistently across regions and nations, the Council needs to consider developing national solutions.
- Due to the availability of sectoral labour market intelligence, SummitSkills concentrated on core products and services at a national level for the first few years of its existence. Therefore, although some national solutions such as the careers guidance are well progressed, a number are in the early stages of delivery.
- Key performance indicators are set for strategic objectives but not set for each of SummitSkills priorities.
- SummitSkills has no formal evaluation process in place to measure its impact on the sector.

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

- Whether SummitSkills has sufficient capacity to effectively undertake its activities.
- Why SummitSkills did not have a clear strategy for delivering national solutions outside of its core products and services until 2008.
- What the impact is of the chosen business model to not have income generating products and rely on its core grant, project funding, and subscriptions from trade associations.
- Whether SummitSkills can demonstrate its impact on the economy.

Theme 1: A Well Run SSC

2.5 SummitSkills is an employer led organisation that has brought together the independent industries within its footprint and who now consider themselves the Building Services Engineering Sector. The Council actively engages with employers through a wide variety of advisory committees; however, it faces a challenge to engage with the large number of small and micro businesses within their footprint, many of whom do not formally train their staff.

2.6 SummitSkills has positioned itself as a strategic organisation, focused on influencing policy and delivering through other bodies. It has remained a small organisation of only 35 people to ensure that it remains sustainable and does not overstretch its resources. This limited capacity has restricted its impact and profile within the sector. However, SummitSkills has consistently returned a profit despite setting budgets to either break even or return a deficit. This means that it has been running reserves that exceed its £1 million reserves policy limit for over two years.

2.7 The focus in the early years of the organisation was to engage with employers and stakeholders and bring the industries within the sector together. It allowed its staff to identify opportunities where the SSC could add value and build its reputation, but the projects or actions it undertook were not focused around specific skills priorities. This was because prior to the Sector Skills Agreements there had been no sectoral labour market intelligence, which meant that the SSC could not validate what the skill priorities for the sector were. This has changed since April 2008 when the Sector Skills Agreements were signed, which focus on five skills priorities.

2.8 After some initial challenges, the Council has developed an effective working relationship with the trade associations that are influential in the sector, their membership covers 80 per cent by value of work done in the Sector. SummitSkills has also engaged and works well with stakeholders across the four nations. Its staff in the English regions and nations are generally active and visible though there are concerns that they lack capacity. This was a particular concern in the Devolved Nations.

Theme 2: SSC Core Products and Services

2.9 Prior to the formation of SummitSkills, the industries which make up the Building Services Engineering sector each had its own set of National Occupational Standards and there was no Labour Market Intelligence for the sector as a whole.

2.10 SummitSkills has worked over the last few years to produce one set of National Occupational Standards common to all of the industries within its sector, and has carried out substantial research for the sector skills agreement.

2.11 This employer research underpins its Sector Qualification Strategy, which aligns to its strategic plan and public policy. There is evidence of good performance within the area of research, standards, and qualifications development. There are however, capacity constraints within the research department and research is not always easily accessible.

Theme 3: SSC Sector Specific Solutions

2.12 SummitSkills has developed a number of sector specific solutions in line with its business and strategic plans which are underpinned by employer research.

2.13 Partnership working is key in developing and implementing the Council's sector specific solutions and there have been positive comments from stakeholders and employers in relation to this. The SSC uses regional monitoring and implementation groups to develop and deliver local solutions. There is a potential risk that this could lead to duplication of effort and it maybe more efficient to develop some of these solutions nationally.

2.14 Due to the lack of early availability of sector Labour Market Intelligence, the SSC has mainly focused on its core products and services at a national level to date. As research has become available it has started to develop national tools, such as the Equivalence Framework for Holders of Non-UK Building Services Engineering Qualifications and the Training Quality Standard, but these tend to be in the early stages of delivery or development. Its longer term solutions in its business plan aim to provide strategic national solutions.

Theme 4: SSC Results and Impacts

2.15 Within its strategy and Sector Skills Agreements the SSC has set targets that it believes are realistic. It has put in place key performance indicators to monitor its performance against its strategic objectives. However it has not set any against the five skills priorities within the sector skills agreements. Therefore whilst procedures are in place to monitor performance, these need to be developed further. For example, a number of the targets within the Sector Skills Agreements action plans are activity based and not smart. Although there is evidence of assessment against the action plans at the monitoring and implementation groups, at an organisational level the lack of smart targets makes it difficult to accurately monitor and measure the performance of each region and nation.

2.16 We received positive feedback on a number of the national initiatives, particularly Skills Competitions and the Council's work on environmental technologies. However, SummitSkills is in the early stages of delivering its national solutions outside of core products and services. The SSC has throughout its life developed and implemented local solutions which receive positive feedback from employers and stakeholders. As there is no formal evaluation process in place to measure the impact on the sector, it is therefore difficult to evidence the impact that its solutions have had across the sector to date.

Part Three

Context for SummitSkills Work

3.1 SummitSkills is the SSC for the Building Services Engineering sector, which covers the industry groups of electro-technical, heating and ventilation, air conditioning and refrigeration, plumbing and building services engineering consultancy.

3.2 The SummitSkills sector is of medium size and supports 61,000 businesses, which employ 613,000 people, who contribute approximately £20 billion per annum to the UK economy. Electro-technical is the largest industry within the sector accounting for 38 per cent of the employers in the footprint, followed by plumbing at 36 per cent. Within the sector, over 90 per cent of businesses employ fewer than 10 people, meaning the sector is characterized by small and medium sized companies. Core funding from the UK Commission for employment and skills of £1.75 million was received in 2008, equating to £2.91 per employee. SummitSkills is a small organisation which at the time of this report employs 35 people.

3.3 SummitSkills productivity, at around £41,000 GVA per employee, represents a valuable contribution to the economy when benchmarked against the UK employee average of around £35,000.

3.4 SummitSkills is a new organisation, which was established and fully licensed in 2003. It replaced the training organisations for the industries within its sector, and since its launch has worked to identify the common issues across the building services engineering sector and incorporate these into its strategy. Prior to SummitSkills, the industries were segregated, and there was no sector body or sectoral LMI.

3.5 In January 2009, a new Chair joined the Board, whose aim is to push the delivery of the recently updated strategy, and to focus the Boards' attention on the strategic direction.

3.6 SummitSkills has a number of key sectoral challenges including:

- The threat of globalisation and overseas competition.
- The need to respond to the governments environmental technology demands.
- The impact of government regulations.
- Absence of current and future skills planning.
- Lack of any robust form of management focus.
- Basic skills of new entrants and IT skills of experienced staff.
- Lack of research undertaken in the sector, particularly with Higher Education Institutions.

3.7 In response to these challenges and from its research SummitSkills identified the following five skills priorities for the sector within its Sector Skills Agreements:

- Image and competence – promoting a positive image of the sector.
- Communication and information – creating a knowledge centre for all sector skills development need.
- Training provision – ensuring proactive, high quality, relevant training.
- Funding – flexibility and funding to meet fast changing needs.
- Management and leadership – supporting the sector to plan and develop profitable and competitive businesses.

3.8 SummitSkills has developed a strategy which is designed to enable delivery against these priorities.

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 SummitSkills has pulled together the industries within its sector to form the Building Service Engineering Sector. It has done this through visible local presence within the regions and Devolved Nations developing relationships and the main trade associations. The Council has remained small throughout its life, which is felt to be appropriate due to the make-up of the employers in the sector. The Board is prudent in the way it manages its resources. The Board has restricted capacity levels and there were a number of concerns raised from stakeholders and employers to whom we spoke that the level of capacity within the organisation could limit its performance and impact.

4.2 SummitSkills' Board is employer led and representative of all industries within the SSC's footprint. The membership is made up almost entirely of employers and includes a representative from the union, Unite. The SSC has faced problems however with poor attendance from the union representative.

4.3 The previous Chairman and the Chief Executive showed strong leadership to bring the separate industries together and encourage them to see themselves as one sector. They have been particularly successful in managing the SSC's relationship with the large trade associations who now sit as observers on the Board.

4.4 The Board has a strategic focus and is supported by two sub-committees that are responsible for Nominations and Governance and Finance and Audit. There is also a management committee responsible for the operational plan. All members of the Board are required to be a member of at least one of these committees. While attendance at Board meetings is generally good, there was a problem with attendance at the Finance and Audit Committee, which meant that one meeting in January 2008 did not achieve a quorum. The Chief Executive and Chair have taken action to improve attendance of this committee and a quorum has been achieved at all other meetings in the year.

4.5 The Board is also supported by a number of employer led Advisory Committees. These include one for each of the four main industry groups, a Qualifications and Standards **Advisory Committee** and a couple of cross sector panels which are set up to look at specific issues, such as careers and diversity. There are also operational committees, within each region and Devolved Nation the SSC has set up monitoring and implementation groups to oversee the delivery of the Sector Skills Agreements.

4.6 The Board consider the Executive Team to be strong and this view is shared by employers and stakeholders to whom we spoke. Staff interviewed told us that the Executive Team provide strong leadership and are approachable. The Chief Executive is seen as a committed and effective leader. He is respected by both the staff and Board.

4.7 SummitSkills operates a flat operational structure and this is welcomed and supported by the **staff**. In particular the more experienced staff feel empowered to apply their knowledge within a structured framework. The SSC also has clear communications routes that ensure staff feedback progress to the senior management.

4.8 The SSC faces a challenge to engage with a significant proportion of the employers in its footprint due to the large number of small and micro businesses and sole traders, many of which do not formally train their staff. Some stakeholders have commented that the SSC should continue to improve its employer engagement. The SSC sees improving **employer engagement** as a priority. It has recently updated its employer engagement strategy to further improve the level and quality of its engagement and is developing a customer relationship management system. A subscription service for employers which will have three levels of contact ranging from basic information sharing and being asked to respond to the occasional survey to regular contact and agreeing to respond to research projects. The employers can choose which level of contact they would prefer and will receive corresponding benefits.

4.9 The SSC has also recently refreshed its five year **strategic plan** and three year business plan, following the completion of its Sector Skills Agreement in April 2008. The Sector Skills Agreement is based upon the first piece of employer research undertaken for the sector as a whole. This research highlighted five key skills priorities for the sector, which are the focus of the Sector Skills Agreement and underpin the business plan and operational plans. The six strategic objectives of the organisation relate to what the Council needs to achieve in order to be able to deliver against the skills priorities within the Sector Skills Agreements.

4.10 The focus in the early years of the organisation was to engage with employers and stakeholders and bring the industries within the sector together. It allowed its staff to identify opportunities where the SSC could add value and build its reputation, but the projects or actions it undertook were not focused around specific skills priorities. This was because prior to the Sector Skills Agreements there had been no sectoral labour market intelligence, which meant that the SSC could not validate what the skill priorities for the sector were. Since the development of the Sector Skills Agreements the Council now has improved strategic direction in relation to its skills priorities. All the activity undertaken can be matched to one or more of these priority areas or the strategic objectives.

4.11 SummitSkills has involved employers, stakeholders and staff in the development of its **Sector Skills Agreements**, strategic plan and business plan. The Sector Skills Agreements are clearly based on the issues identified from the SSC's research. This process has helped to increase employer and stakeholder support for both plans and the skills priorities set out in the Sector Skills Agreements.

4.12 SummitSkills has engaged well with stakeholders across the **four nations**.

SummitSkills has operations managers that cover each of the four nations and nine English regions, working to build relationships with local employers and stakeholders. In England, stakeholders and employers generally provided very positive feedback on the managers especially in relation to their visibility and accessibility. Some, however, raised concerns that the operations managers lacked sufficient capacity and that this was restricting their ability to deliver. It was a particular concern that the SSC sometimes loses strategic direction and gets too involved in the operational detail.

4.13 In Northern Ireland, they have a close relationship with government bodies and the Department for Employment and Learning is a member of its Sector Skills Agreement Implementation Group, which met for the first time in February 2009. The manager for Northern Ireland has recently changed and, while it is still too early to evaluate the new relationship, stakeholders believe that the transition has gone well.

4.14 In Scotland, the manager is seen as proactive and the SSC communicates well with its stakeholders. Some employers raised concerns that the SSC is too focused on electrical contractors to the detriment of other industries within its footprint. Other stakeholders and employers were concerned that the manager did not have sufficient capacity. SummitSkills has recently provided a consultant to support the manager.

4.15 In Wales, the SSC is seen as very active at an operational level, working with employers and providers to develop solutions. Some stakeholders raised concerns that SummitSkills needs to have more of a strategic approach to what they do and that the manager was overstretched as covering Wales and the South West region. With the implementation of the Sector Skills Agreement monitoring and implementation group, the SSC believes that it now has this strategic focus in Wales; however this process has been in place less than a year and has needed time to embed and ensure it is focused on the action plan. In relation to capacity SummitSkills has recently added a consultant and an administration assistant to support the manager.

4.16 The SSC has extended the high level of employer engagement and regional/national focus through to the implementation of its Sector Skills Agreement. Each region has both an individual **Sector Skills Agreement Action Plan** and an employer led monitoring and implementation group. These groups comprise local employers and stakeholders, such as the Learning and Skills Council and Regional Development Agencies in England and representatives from the relevant governments in each of the Devolved Nations. As the Sector Skills Agreements have been in place for less than a year, it is too early to conclude as to the effectiveness of this approach. The feedback from employers and stakeholders was generally positive. However as discussed above concerns were raised in Wales that there is still a lack of strategic approach.

4.17 The SSC's most recent accounts have been audited and the external auditor raised no significant issues with its **internal controls**. In 2008, SummitSkills identified that a member of its finance team was committing fraud and over a period of 18 months had taken a total of £20,000. A significant reason for the fraud occurring was a weakness in the controls surrounding the online banking system, which allowed the bank details to be manually over-written. The bank involved has tightened up the security on its online

site and the SSC has taken appropriate action to tighten its internal controls to prevent this from being repeated. This matter has been resolved to the satisfaction of the Board and Charity Commission.

4.18 The SSC has a **reserves policy** but it is currently running larger reserves than planned. This is the result of making sizeable surpluses in 2006-07 and 2007-08 when the SSC had budgeted to break even. This year, the Board agreed a budget deficit in order to bring the reserves back down to £1 million. The current forecast shows that the SSC still expects to return a surplus at the end of the year, which is a significant variance as it accounts for approximately 15 per cent of its income for the year. The surpluses have arisen each year due to variances in the level of income received by the SSC.

4.19 The SSC makes a significant proportion of its income through grant funding for individual projects. When setting the **budget** the SSC takes a very prudent view in relation to how much grant income should be included. This approach is partly responsible for SummitSkills unplanned surpluses, as in each of the last three years SummitSkills has been awarded more funding than originally budgeted. As the budgeted income limits the level of activity that can be undertaken in a year the SSC should consider re-assessing its budget policy in relation to grant income and introducing sensitivity analysis.

4.20 A number of stakeholders and staff raised concerns that SummitSkills performance and impact is restricted by a lack of capacity. The lack of capacity has inhibited staff's time for training and development. The Board have been wary of increasing the headcount when part of the SSC's funding is not guaranteed. The SSC, however, is currently looking at the budget for the next financial year and the Board has agreed to increase the full time headcount by five which will be funded through the reserves.

4.21 SummitSkills does not have any commercial products through which it can earn sustainable income to support its core grant and project funding. It has positioned itself as a strategic organisation, sitting above and delivering through the education providers and major trade associations. The trade associations do pay an annual subscription of £390,000 per year.

4.22 SummitSkills has developed strong links with the trade association who value the relationship, especially the SSC's work on qualifications and entry routes for new employees into the sector. There is an interface between the footprint of SummitSkills with other Sector Skills SSCs, especially Construction Skills and Energy and Utility Skills. In respect of Construction Skills, stakeholders believe that SummitSkills works effectively in partnership. For example, SummitSkills works closely with the National Skills Academy for Construction.

4.23 Employers we spoke to however, value having a separate Sector Skills Council for the Building Services Engineering Sector. They cite specific examples where SummitSkills have added value such as their work promoting the importance of skills in renewable energy for the sector. Through this work the SSC is working in partnership to influence the strategic skills agenda. Going forward it needs to further ensure that its own voice is clearly heard in order to increase the reach of its strategic influence for the sector.

Strengths

- Employer led, representative governance structure.
- Employer, stakeholder and staff involvement in the development of the strategy and Sector Skills Agreement.
- Bringing together the four main industries to speak as one sector – driven by the Chair and Chief Executive.
- Visible and active operations managers in the regions and nations.
- A flat management structure which promotes open communication and empowerment of its employees.
- Evidence of strong working relationships with the large trade associations and other SSCs.

Areas for Improvement

- The level of capacity within the organisation could limit the performance and impact of its work.
- Stakeholders have commented that capacity is stretched when the SSC becomes involved in operational detail and loses strategic focus.
- The SSC faces a challenge to further engage with the large number of small and micro businesses in the sector that are not actively training their staff.
- Where issues are found consistently across regions and nations, the SSC should develop national solutions.
- Re-assess budget policy in relation to grant income and introduce sensitivity analysis.

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 Labour Market Intelligence, standards and qualifications development.

5.1 Before the establishment of SummitSkills, the industries which make up the Building Services Engineering sector each had its own set of National Occupational Standards and there was no Labour Market Intelligence for the sector as a whole. SummitSkills has worked over the last few years to produce one set of National Occupational Standards common to all of the industries within its sector, and has carried out substantial research for the sector skills agreement. This employer research underpins its Sector Qualification Strategy, which aligns to its strategic plan and public policy. There is evidence of good performance within the area of research, standards and qualifications development. There are however capacity restraints within the research department and research is not always easily accessible.

5.2 SummitSkills has a small **research** team. Currently, there is only one member of staff in the research team, although the Council are trying to recruit an assistant researcher.

5.3 When undertaking the Sector Skills Agreement research, the decision was taken not to outsource it. Instead, it was carried out by the operation managers. If Labour Market Intelligence updates are also undertaken by the operations managers, this will necessarily impact on their capacity to deliver the Sector Skills Agreements.

5.4 Positive feedback has been received from both employers and stakeholders with regard to the robustness of the **Labour Market Intelligence**. However there have been concerns over the accessibility of the research. SummitSkills has a Horizon website which allows access to the research behind the Sector Skills Agreement. However this is not easy to navigate and does not provide access to all the bespoke research. SummitSkills also uses the trade associations to share the key messages with its employers. For those employers who are not members of the trade associations however, they will have to identify their own access to the research.

5.5 The research strategy, updated in November 2008, covers the cyclical Labour Market Intelligence which is mainly outsourced. It was noted that the research strategy sets out a plan to refresh the research annually across six key areas, and to treat each of the nations as a discrete unit producing separate reports where appropriate.

5.6 There is a formal plan in place for the cyclical research which is undertaken. Currently all non-cyclical or bespoke work is discussed with the development director prior to commencement. Examples of the bespoke research carried out include the impact of the current economic downturn, and the impact upon business costs of employing an apprentice. The research on the impact of the economic downturn received positive feedback from both stakeholders and employers.

5.7 SummitSkills is now researching how the sector will react when the economy enters a growth phase, and how businesses should ensure they have the skills needed to meet the increasing demand.

5.8 Feedback received from the Devolved Nations has also been positive with regard to Labour Market Intelligence, and the Department for Employment and Learning in Northern Ireland commissioned a piece of research from SummitSkills in 2008, showing growing confidence in the work undertaken.

5.9 The **Sector Qualification Strategy** is based upon the research undertaken as part of the **Sector Skills Agreement** and further standalone explorative projects undertaken between April and October 2007, and is underpinned by employer demand. The Sector Skills Agreement is the largest piece of research undertaken in the sector, with 470 employers interviewed within stage one. It was also the first piece of research which was carried out within the newly formed Building Services Engineering sector. Research has also been carried out with Construction Skills, and Energy and Utility Skills.

5.10 The Sector Qualifications Strategy has clear links to the organisational strategy. One of the objectives within the strategy is that of 'Enhancing quality and delivery' and one of the methods to achieve this is to ensure future qualifications are based upon the needs of employers and are economically valuable. Research has also been undertaken to highlight the non-economically valuable qualifications.

5.11 One of SummitSkills objectives when it was initially licensed as a Sector Skills Council was to create a single set of National Occupational Standards for the sector which covered all of the industries. 99 units of **National Occupational Standards** have been developed as a result. This has been achieved through a process which brought together employers and stakeholders and has received positive feedback, and will be refreshed annually.

5.12 The up to date National Occupational Standards would then form the basis for updating the qualifications upon the National Qualification Framework. The process of updating the qualifications to reflect the updated national occupational standards, has been delayed however due to the introduction of the **Qualification and Credit Framework**. SummitSkills took the decision to delay the development of the new qualifications so they could be accredited directly onto the Qualification and Credit Framework. There have been further delays as the SSC has held back from starting until certain areas within the Qualification and Credit Framework process were finalised. In particular issues regarding the form in which national vocational qualifications would be accredited needed to be finalised. Within the Sector Qualifications Strategy, it is planned to have the Qualification and Credit Framework and Scottish Qualification and Credit Framework fully populated by 31 July 2010.

5.13 SummitSkills has a detailed plan in place to develop the qualifications, which includes collaboration with three awarding bodies and employers. The delays in updating the existing qualifications were commented upon by employers we spoke to. The Council needs to more clearly explain its approach to employers. The resources required for the project have been included within the current budget and the operational plan shows the amount of staff time to be dedicated to the development. One of the Awarding Bodies has also commented that the migration on to the Qualifications and Credit Framework was taking too long, but comments from other stakeholders such as the Qualification Curriculum Authority have not raised any concerns.

5.14 National Occupational Standards have also been used to map existing qualifications. The qualifications which have been developed by the trade associations are mapped by SummitSkills onto the newly developed National Occupational Standards. It has piloted this scheme with Logic Certification and the Solar Trade Association. This is a specific project linked to upskilling of the labour market through environmental technology.

5.15 The National Occupational Standards have also been reviewed against the UKCES guidelines which provides a set of criteria against which any new or revised National Occupational Standards must be submitted for approval. SummitSkills follow the quality guidance from key stakeholders when they develop and submit qualifications

5.16 The majority of learners within this sector are training via an **apprenticeship** and **modern apprenticeship**. Apprenticeships are in the process of being updated as qualifications are accredited on to the Qualifications and Credit Framework. Take-up and completion rates of apprenticeships within the sector are above average. There is however an issue that the number of learners completing the technical certificate outweigh the number of work placements available for the learner to complete the apprenticeship. SummitSkills is actively working to discourage training providers from offering the technical certificate alone and lobbying to limit the funding available for just the certificate. The involvement of the SSC in stopping sub standard training providers through the REACT scheme in Wales is an example of the SSC being proactive in this area. Within Scotland, the Council is one of a small number of SSCs to successfully bid for continued funding for modern apprenticeships for its sector. Within Northern Ireland, there was positive feedback in relation to the progress made on the pre-employment framework for apprenticeships.

5.17 SummitSkills is a partner in the development of two **diplomas**, working with Semta and Construction Skills, who are the relevant lead SSCs on the project.

5.18 In response to its research, the Council has developed a foundation degree framework for the sector, which is being used by a number of universities across the country, for example the University of Central Lancaster and the London South Bank University. Some stakeholders from Higher Education suggested that the Council should strengthen its relationships. SummitSkills has plans to further improve its network of Higher Education Institutions within the Sector Qualifications Strategy.

5.19 The Sector Skills Agreement research highlighted that there were quality issues with providers within the Further Education network. In response SummitSkills produced a database of quality of service, training, results and impact in Further Education institutions by gaining feedback from employers.

Strengths

- Labour Market Intelligence is regarded as robust and relevant to the key challenges faced by the sector.
- Sector Skills Agreements are based on the biggest sectoral survey and clearly draw out the key skills priorities.
- Operations managers understand the Labour Market Intelligence and use it to drive the skills agenda in their regions.
- The Sector Qualification Strategy is underpinned by employer demand and aligned to both the strategic plan and public policy.
- Development of National Occupational Standards which are consistent across the sector.
- The revised National Occupational Standards underpin qualifications and apprenticeships in the sector.
- The SSC has the plans and capacity to develop qualifications in line with the Qualifications and Credit Framework.
- Development of a foundation degree framework.

Areas for Improvement

- Limited capacity within the research department.
- Research is not easily accessible.
- No formal plan in place for non-cyclical labour market intelligence.
- To strengthen engagement with the higher education sector.

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 SummitSkills has developed a number of sector specific solutions in line with its business and strategic plans. The Council uses regional monitoring and implementation groups to develop and deliver local solutions. There is a potential risk that this could lead to duplication of effort and it may be more efficient to develop some of these solutions nationally.

6.2 The Council has developed its sector specific solutions based upon its **employer research**. The solutions it develops clearly flow from the operational and business plans, which are linked to the sector skills priorities and strategic objectives. The three year business plan lays out its key short, medium and long term actions and the progress made in relation to its sector specific solutions is in line with this.

6.3 The short and medium term actions focus on: the rationalisation of qualifications; the removal of non-economically valuable training; redeployment of funding; promotion and implementation of the Foundation Degree framework; and the development of National Occupational Standards and corresponding qualifications to meet the sector's changing technological needs.

6.4 Further solutions which link to the actions above include:

- Equivalence Framework for Holders of Non-UK Building Services Engineering Qualifications. This allows migrant workers and employers to work out how the non-UK qualifications map to UK equivalents and what training gaps arise;
- developing **management and leadership** training, which maps to the contracting cycle;
- SummitSkills National Assessment Programme, which is a tool to help experienced workers who need formal qualifications to gain skill cards;
- Training Quality Standard – SummitSkills is involved in reviewing applications of training providers in the sector to ensure they meet the assessment criteria; and
- Developing a productivity model based on the impact of using an apprentice in a business – it is hoped that the model will be developed into a tool that can be sold to businesses, thus generating revenue for SummitSkills.

6.5 The majority of these projects are in the development stage or are in the early stages of delivery so it is too early to assess them at this time. There was however positive feedback from employers and stakeholders about SummitSkills approach to finding solutions and the web-based tools the SSC has developed.

6.6 A further short term action in the business plan related to developing sectoral **careers material**. The Council has developed a 'Good Day' careers campaign for the sector, which includes sector careers materials for schools and a dedicated website with a careers map and case studies. SummitSkills has encouraged employer ambassadors for the sector to attend careers events across the UK. This work relates directly to the priority to promote a professional image of the sector.

6.7 Due to the early lack of availability of sector-wide Labour Market Intelligence, the SSC has mainly focused on its core products and services at a national level to date. As research has become available it has started to develop the national tools as discussed above. Its longer term solutions in its business plan aim to provide strategic national solutions.

6.8 Partnership working is important to SummitSkills in developing and implementing its sector specific solutions. Its relationship with the trade associations in the sector is key, as they deliver a number of solutions to their members, who make up over 80 per cent of the sector by value of work. This is one the SSCs main **routes to market**. The trade associations and others pay an annual subscription to SummitSkills and because of this relationship the Council has not developed its own commercial solutions. The SSC instead provides the labour market intelligence and building blocks, through the National Occupational Standards for example, which the trade associations use to develop its solutions.

6.9 SummitSkills also works closely with a number of other SSCs, specifically in relation to renewable energy and environmental technologies. SummitSkills has received positive comments from stakeholders about its cross-SSC work.

6.10 SummitSkills does not have its own **National Skills Academy**, as it works closely with the National Skills Academy for Construction overseeing elements of projects relating to its sector. A good example of the SSCs involvement with the National Skills Academy is in relation to the projects for the Olympics, where the SSC is a strategic partner taking the lead on the building services engineering elements of the projects.

6.11 The Chief Executive takes the lead within the Alliance of Sector Skills Councils for **Skills Competitions**. Within the sector, the Council manages and leads the skills competitions across the four main industries. It has taken on the management of the competitions in the plumbing, refrigeration, and electrical industries and aims to improve the competitions and the calibre of the participants to improve the overall ranking of the UK in the World Skills Competitions. During 2008 the Council developed a competition for the heating and ventilation industry, which will be launched in 2009.

6.12 Through the regional and national monitoring and implementation groups, SummitSkills has developed and in some cases delivered a number of local solutions with local employers and stakeholders. This approach ensures coverage of solutions across all four nations. There is however a potential risk of duplication of effort with some of these local solutions. It maybe more efficient to develop some of these solutions nationally. For example, within London and the North West there were similar issues around the flexibility of **Train to Gain** funding and the best way of helping smaller businesses fund and administrate apprenticeships, but both regions had developed their own solutions

6.13 Whilst information had been shared across the regions, potentially it may have been more efficient to develop a national solution to these issues and then roll it out.

Strengths

- Development of qualifications to meet the future skills needs of the sector.
- Innovative products to match experience and non UK qualifications to current qualifications and identify skills gaps.
- Innovative products to promote the sector to new entrants.
- Skills Competitions regarded as exemplar.
- Positive feedback received for web-based solutions.

Areas for Improvement

- Development of further national solutions to address issues found across regions and nations.
- Limited delivery of national solutions to date.

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 Within its strategy and Sector Skills Agreements the SSC has set targets which it believes are realistic. It has put in place key performance indicators to monitor its performance against its strategic objectives. However it has not set any against the five skills priorities within the sector skills agreements. Therefore whilst procedures are in place to monitor performance, these need to be developed further.

7.2 The key **performance indicators** that relate to the current strategy include both long term and short term targets. They are expected to be finalised when approved by the Board. At this point all the baseline targets will be confirmed. These targets replace the ones that supported the previous strategy and have less focus upon the external impact such as the level of completion rates of apprenticeships. This is due to the fact that the current strategy sets objectives around what the organisation needs to achieve in order to deliver effectively against the skills priorities laid out in Sector Skills Agreements. It also means that the SSC has control over the performance which will be measured against these key performance indicators.

7.3 The five skills priorities underpin the Sector Skills Agreements. Targets against each of these have been set within each of the action plans and are monitored by the relevant monitoring and implementation group. The targets therefore take into account regional and national priorities, and are mapped to the business plan and operational plan, but the majority are not smart. Although there is evidence of assessment against the action plans at the monitoring and implementation groups, at an organisational level it is difficult to accurately monitor and measure the performance of each region and nation. This could also make it difficult to assess strong or weak performance.

7.4 Given that the skills priorities are where SummitSkills would be able to see the impact of its work, it would seem appropriate that there are impact key performance indicators against each of the skills priorities. These should be agreed with the key stakeholders as part of the monitoring and implementation groups at a national level. This is because performance against these types of targets depends upon the collaboration of a number of parties to be successful.

7.5 Performance against each of the Sector Skills Agreement action plans is **monitored** by its appropriate monitoring and implementation group. The Board receive progress updates from the Chief Executive. As the current performance management system does not contain smart targets this is an activity based update.

7.6 SummitSkills evaluates each project against its objectives and budget. However it does not have a formal structure in place to **evaluate** the impact of the projects that it undertakes. Developing its project evaluation procedures would allow key messages to be shared internally.

7.7 SummitSkills also needs to ensure that the impact of its work within the devolved nations is also evaluated. SummitSkills is not yet able to make an assessment of the gross value added to the sector or the economic impact their work is having.

7.8 Information about SummitSkills' specific achievements within the sector is communicated to employers and stakeholder within the news section of its website, via the monitoring and implementation groups, and via press coverage.

7.9 Due to the bottom up approach to delivering solutions there have been a large number of projects and initiatives undertaken by SummitSkills at local level. For example, the ambassadors programme in the North West and within Northern Ireland working with the Department for Employment and Learning to attract employer support for funding of apprentices. The impact of these projects will be local impact and it is hoped that by being aligned to the five skills priorities together will have a larger national impact.

7.10 We received positive feedback on a number of the national initiatives, particularly Skills Competitions and the SSCs work in relation to environmental technologies. SummitSkills performance has also contributed to the increasing completion rates of apprenticeships. According to the UK Commission for Employment and Skills survey, between 2005 and 2007, completion rates increased by 22 per cent. Generally though, as there is currently no formal way of evaluating the projects it undertakes it is difficult for the SSC to evidence the impact its projects are having across the sector.

Strengths

- Draft strategic key performance indicators which are smart.
- Regional action plans are monitored via monitoring and implementation groups.
- Positive feedback received of projects undertaken at a regional and national level.

Areas for Improvement

- A number of targets set for the sector skills agreement action plans are not smart.
- Key performance indicators are not set against each of the skills priorities.
- No formal evaluation process in place to measure impact on the sector which makes it difficult to evidence impact across the sector.
- The Sector Skills Agreement was signed off in April 2008 and therefore difficult to evidence impact at this stage.

Technical Annex

Performance Assessment Methodology

Background

National Audit Office (NAO) has undertaken this Independent Performance Assessment of SummitSkills 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.
- Skills plus 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.

