

Report by the
Comptroller and Auditor General

Scottish Executive Enterprise and
Lifelong Learning Department

Scottish Enterprise: Skillseekers Training for Young People

Laid before the
Scottish Parliament by
Scottish Ministers
28 February 2000

Executive summary and recommendations

Overview

1 This report examines the achievements and efficiency of Scottish Enterprise's funding of training for young people to achieve different levels of Vocational Qualifications (VQs - see Box 1) through the Skillseekers programme, delivered through Local Enterprise Companies, LECs.

Scottish Vocational Qualifications

Box 1



Level 1: the performance of a range of varied work activities, most of which may be routine or predictable, such as Porter, Vehicle Valeting, and Road Worker.



Level 2: some of the activities are complex or non-routine, often with some individual responsibility and autonomy and collaboration with others. Examples of occupations are: ShopAsst, Warehouse Asst, Admin assistant



Level 3: mostly complex and non-routine activities often requiring considerable responsibility and autonomy, and control or guidance of others. Examples of occupations covered: - Joiner, Bricklayer, Motor Mechanic, Welder, Toolmaker, Asst Accountant, and Office Administrator.



Level 4: a broad range of complex, technical or professional work activities with a substantial degree of personal responsibility and autonomy. Responsibility for the work of others and the allocation of resources is often present.



Level 5: wide and often unpredictable work contexts with very substantial personal autonomy and often significant responsibility for the work of others. Allocation of substantial resources features strongly, with accountability for analysis, diagnosis, design, planning, execution and evaluation.

Source: Scottish Enterprise

2 We found that the LEC network has made considerable progress in terms of delivering VQs and improving training quality standards, over a period when the amount paid to them by Scottish Enterprise has fallen significantly. LECs have also been able to offer consistently training opportunities to 16 and 17 year olds in respect of meeting the training guarantee. LECs have also been broadly effective in assessing local labour market skills needs as part of their overall remit, meeting targets for training starts and employment placements.

3 There are, however, a number of ways that Scottish Enterprise and the LECs can build on their successes. A policy review by the Scottish Executive of the provision of training for 18-24 year olds should be used to clarify the consistency of access to Skillseekers training opportunities for this group. Action in hand to ensure achievements are measured and monitored on a consistent, reliable and accurate basis should be completed. LECs must continue their efforts to improve performance against targets for achievement at VQ level 3 and Scottish Enterprise should examine what scope exists for further increasing the proportion of Skillseekers support which contributes to training which would not have been provided in the absence of the programme without compromising the quality of training provided. Scottish Enterprise should also ensure that their plans to revise their Skillseekers pricing system take full cognisance of the additional information to be available from the new Corporate Training System to inform decisions on factors such as the minimum public sector contribution, and also address other important issues. There is scope for benchmarking across LECs and with results achieved elsewhere in the United Kingdom, with a view to improving cost effectiveness.

4 Our key recommendations are at the end of this summary.

Background (Part 1)

5 In 1998-99, within their £393 million Grant-in-Aid, Scottish Enterprise spent £69 million on the Skillseekers programme for training directly related to employment for those aged 16-24. Of this, £63 million was targeted towards their objective of enhancing skills and capacities of young people by supporting training for qualifications at VQ 2 and above.

6 Skillseekers is delivered through contracts with a network of thirteen Local Enterprise Companies. The LECs are companies, limited by guarantee, which deliver programmes including Skillseekers to meet the needs of the local economies in the areas in which they operate.

7 Young people aged 16 and 17 who leave full time education and do not enter employment are guaranteed a training place. Assistance for training for those aged between 18 and 24 is offered on a discretionary basis.

What has Skillseekers achieved? (Part 2)

Meeting the national guarantee

8 We found that Scottish Enterprise make sufficient training places available to satisfy the guarantee, but a small number of eligible trainees wait longer than the eight week period that applies to the guarantee. This may be because an offer of training is refused, or because a place fitting the trainee's capabilities or aspirations may not be available.

Training for 18 to 24 year olds

9 LECs are expected to match provision of training opportunities for 18-24 year olds with local economic needs, with priority on higher level qualifications. LEC assessments of the demand for training for 18-24 year olds were not well documented. Access to Skillseekers is being considered as part of a Scottish Executive policy review of post-16 non-advanced education and training.

Meeting local needs

10 LECs have collected most of the information necessary to comply with best practice for compiling local skills strategies. But more information on skills shortages and labour market conditions in neighbouring LECs, would be useful. Skills strategies identify priority areas for training but the training delivered may not always match the priorities because delivery is constrained by the demand led nature of Skillseekers. We found that information in relation to Skillseekers fit with LECs' skills strategies was not always available.

Performance measures and performance against them

11 Scottish Enterprise have introduced an Output Measurement Framework to relate inputs and outputs and they have action in hand to ensure that information supporting the framework is presented in a consistent and reliable way across LECs.

12 The network has annual activity targets for new starts and for the proportion of trainees in training with employed status. LECs have broadly met these targets.

13 The number of VQs at all levels achieved with Scottish Enterprise support has also increased over time, though LECs have consistently produced more level 2 and fewer level 3 VQs than expected .

14 Scottish Enterprise produced figures showing that in 1997/98 the costs they incurred in delivering VQ points were less than those recorded for England.

Measuring positive outcomes

15 Scottish Enterprise identify continued employment and further training as the longer-term outcomes of Skillseekers. They gather information on these outcomes through a follow-up survey of ex-trainees, but they make little use of it.

16 Our analysis shows that the proportion of trainees achieving positive outcomes remained around 70 per cent between 1995-96 and 1997-98. The results of a similar survey in England showed a rise of 3 per cent over the same period. The proportion of ex-trainees who claimed to be unemployed had remained broadly static in Scotland at around 23 per cent, while in England the figures fell by 4 per cent. Differences in the methodologies used may limit the scope for direct comparison of absolute results across the two countries. But changes to the methodology used in Scotland, and a focus on movements in trends, provides some scope for further benchmarking in future.

17 Scottish Enterprise, in common with other parts of Great Britain, have yet to measure positive outcomes over the longer term, though we found that some LECs were now considering ways of tracking trainees after the completion of training courses.

Costs and benefits

18 Scottish Enterprise produced an evaluation of the early impact of Skillseekers in April 1998. It concluded that young people had acquired relevant and useful skills and that Skillseekers was helping young people to obtain jobs.

19 Most Skillseekers trainees would have received some form of training in the absence of the programme but not necessarily towards securing a vocational qualification. This is to some extent inevitable given the Youth Training guarantee and the Skillseekers objective to secure employed status for trainees, but Scottish Enterprise have confirmed that they accept the need to examine what scope there is to further increase the additionality of training without compromising quality of provision for young people.

20 Skillseekers also delivers a range of labour market benefits for employers such as motivated and productive young people. The evaluation found that two-thirds of these benefits would not be obtained without the initiative.

How well has Skillseekers been provided? (Part 3)

Scottish Enterprise prices

21 It is a positive achievement that since 1996 the unit prices paid by Scottish Enterprise to LECs for trainee places have fallen by 16 per cent. In the same period, the prices paid by LECs to providers have also fallen but by a lesser amount. Despite lower prices, LECs had not experienced any significant loss of training providers.

22 Scottish Enterprise use incentives to LECs to ensure the public sector contribution to training is the minimum necessary. But LECs are able to make only limited use of competitive tendering. Evidence of their negotiations with employers and providers are not well documented.

23 In these circumstances we cannot provide assurance that Scottish Enterprise's expenditure was the minimum necessary to achieve the quality and quantity of training delivered, or that reductions in the level of public sector contribution to training could not have been achieved earlier. However the £25 million reduction in annual expenditure which resulted from the fall in prices paid by Scottish Enterprise between 1996-97 and 1998-99 is a significant achievement.

24 Scottish Enterprise inherited a price setting system from a previous Youth Training regime and it has gradually evolved to take account of changes to the delivery mechanism. Scottish Enterprise are reviewing the price setting system and, in doing so, they should continue to place emphasis on reducing the public sector contribution to training.

25 The difference between the funds obtained from Scottish Enterprise and the amount paid to providers allows LECs to earn operating surpluses. LECs invest these in training infrastructure and in projects that address specific local priorities. The margin between the funds from Scottish Enterprise and the price paid to providers is not predetermined and is designed to be an incentive to LECs to minimise the public sector contribution. We found that the difference between the amounts the LECs claimed from Scottish Enterprise and the price LECs paid to employers/providers varied significantly. The range may indicate over generous payments to some LECs at the expense of others.

26 In April 1999, Scottish Enterprise introduced their Corporate Training System. The system is designed to harmonise the administration of Skillseekers across the network and to provide more transparency on training activity. Over time, the system should provide Scottish Enterprise with a more comprehensive record of trainee expenditure, progress and achievements from which information relating to budget allocation and training credits can be drawn, and we look forward to its full implementation.

The efficiency of provision

27 Scottish Enterprise report the relative efficiency of expenditure on Youth Training by a measure of VQs achieved per £ million of expenditure. But this measure is flawed because it compares in-year expenditure with achievements funded over a longer period. Our analysis of a cohort group found that the measure of efficiency used by Scottish Enterprise understates their achievements.

28 However, we found also that there were significant variations in efficiency across LECs that warrant further investigation. The proportion of trainee starts that result in a VQ varies from 39 per cent to 74 per cent across LECs.

29 53 per cent of trainee starts in our cohort of VQ level 2 starters had not achieved the VQ. This group accounts for some 20 per cent of expenditure, the equivalent of up to £14 million of annual expenditure on Skillseekers. Within this, up to £3 million may have been spent on training where the trainee made only limited progress.

30 Our analysis shows that only about half of the variation in cost per achieved VQ level 2 can be explained, even taking account of differences between LECs and the type of training provided, and the ability of the trainee. This indicates scope for further examination of the reasons for the variations in costs between LECs and whether efficiency savings are possible.

Monitoring quality

31 Scottish Enterprise use the Scottish Quality Monitoring System, SQMS, to ensure training providers are equipped to deliver training to meet quality standards. SQMS requires providers to achieve certain criteria before they apply for accreditation. Once accredited they are subject to periodic quality audits examining compliance with criteria. We found that, in general, the training providers employed by the LECs were accredited, and that audit action was up to date giving assurance about quality of provision. Almost 8 out of 10 employers and trainees rated the programme as good or very good.

Key Recommendations: Enhancing achievements

- Scottish Enterprise should review their policy on access to Skillseekers training for the 18s and over in the light of the Scottish Executive's policy review, particularly given the Scottish Executive's target to have 20,000 young people undertaking Modern Apprenticeships at VQ level 3 and above by 2003;
- Scottish Enterprise should complete its work to ensure performance across the LEC network is measured on a consistent, reliable and accurate basis using its output measurement framework;
- Scottish Enterprise should set targets for continued employment and further training. Existing follow-up information on trainees, and the collection of better and more extended follow-up information is likely to assist in target setting;
- Scottish Enterprise should, where appropriate, benchmark LEC performance against results recorded in England to understand better the reasons for differential performance within the Network and with England; and
- Scottish Enterprise should examine what scope there is to increase the additionality of training without compromising quality of provision for young people.

Key Recommendations: Towards greater efficiency

- We support Scottish Enterprise's plans to review their pricing system. We consider that the introduction of a Corporate Training System will provide additional information on training volumes and costs which Scottish Enterprise should use to improve the system by:
 - producing benchmarking data to provide new evidence of the minimum contribution necessary to deliver expected levels of quality for different types of training;
 - providing profiles of expenditure trends to inform estimates of expected volumes and costs, which underpin budget allocation, in payment terms used by the programme;

- introducing further analysis of operating surpluses earned by LECs to inform assumptions on surplus expectations to be included in the model.

In addition

- Scottish Enterprise should also use the Corporate Training System to calculate VQs per £ million on the basis of actual costs and achievements to provide a more reliable and transparent measure of relative efficiency;
- LECs should take steps to improve the completions/starts ratio, drawing on best practice across the network. This will enable more achievable targets to be set for achievement of VQs at each level;
- the efficiency of training achievements could be enhanced by developing measures of the benefit gained from training that does not lead to a VQ. Developing an appropriate measure poses significant difficulties but these will be eased by the introduction of the Corporate Training System which will present training records in a more useable form;
- further analysis is needed of the causes of variation in cost per VQ achieved, with benchmarking to determine and spread best practice; and
- Scottish Enterprise and the LECs should continue to monitor quality, particularly taking account of employer and trainee views.