

influence

When your workforce doesn't have the right skills – your business suffers.

That's why we are funding employers to set up Sector Skills Councils (SSCs).

Join a SSC for your industry sector and help establish the skills so vital to business performance. Through your SSC you'll have **real** influence on education and skills policy.

Skills are everyone's business.

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Section I

Introduction

This guide describes what is involved in becoming a Sector Skills Council (SSC).

What is a Sector Skills Council?

- 1 This guide describes what is involved in becoming a Sector Skills Council (SSC). It builds on the basic SSC proposition outlined in *Meeting the Sector Skills and Productivity Challenge* issued in October 2001 by the Lifelong Learning Ministers in the four administrations across the UK. This sets out the rationale for SSCs and the impact they are expected to make on economic performance.
- 2 This guide is intended for employers attracted by the basic proposition and sets out in more detail the information they will need to consider before making a firm commitment. The Sector Skills Development Agency (SSDA) will issue further advice to reflect experience and to supplement the information set out here.
- 3 SSCs will be independent organisations, probably companies limited by guarantee, developed by groups of employers in sectors with an employment base of economic or strategic significance. They will work under a licence issued by the Secretary of State for Education and Skills and the Lifelong Learning Ministers in the devolved administrations.
- 4 SSCs will give significant responsibility to groups of employers to provide influential leadership for strategic targeted action to meet their sector's skills, workforce development and business needs. In return they will receive a substantial measure of publicly funded support, the opportunity for structured and systematic discussion with government departments across the UK on issues relevant to skills, and increased influence with education and training agencies and institutions.
- 5 In working throughout the UK, SSCs will need to take full account of the responsibilities of the devolved administrations in Northern Ireland, Scotland and Wales. In Northern Ireland the functions of the SSCs will relate only to the provision of UK-wide sector skills analyses, apprenticeship framework development, and priority setting and delivery of national occupational standards.
- 6 SSCs will build on and extend the best of the work done by National Training Organisations (NTOs). However, the enhanced funding and status they will have means that they will be expected to play a more high profile, demanding and effective role with employers in their sector, and in the education and training systems across the UK. Prospective SSCs will need to meet the SSC Standard and achieve a step-change in performance of their sectors leading to improved skills, productivity and business performance.

What will be the aims of Sector Skills Councils?

- 7 SSCs will take the lead in enhancing the contribution of skills and workforce development to productivity, business performance, employability and better public services. In particular they will give employers in the private, voluntary and public sectors confidence that:
 - Changing needs arising from globalisation, demographic trends, new technologies, sustainable development and rising public expectations are being assessed accurately and professionally.
 - Good information and expert advice about these needs are available to organisations investing in the skills of their workforce.
 - The business case for better education and training to meet these needs is being presented actively and professionally.
 - Innovative tailored solutions are tackling the current gaps and emerging needs.
 - Good quality information about the sector is readily available to people making choices about vocational learning.
 - More people with the right skills, knowledge and attributes are seeking to work in the sector; recruits and existing employees have good quality opportunities to gain the skills to do their current jobs well and meet changing demands.
 - Their priorities and needs are influencing decisions about skills taken by government across the UK and the key public education and training agencies.
- 8 Each SSC will set its own priorities and targets based on a rigorous analysis of needs in relation to four key goals:
 - Reducing skills gaps and shortages.
 - Improving productivity, business and public service performance.
 - Increasing opportunities to boost the skills and productivity of everyone in the sector's workforce, including action on equal opportunities.
 - Improving learning supply, including apprenticeships, higher education and national occupational standards.

Where will Sector Skills Councils fit into the wider education and training scene?

- 9 Since 1997 the government has made the planning and delivery of education and training more responsive to the needs of individual learners. These major changes, which for example led to the formation of the Learning and Skills Council (LSC) and Education Learning Wales (ELW) in England and Wales respectively, are beginning to improve the supply and availability of education and training through local institutions and providers in different parts of the country.
- 10 In contrast the demand side has remained relatively underdeveloped. Although NTOs have made some progress in recent years on which SSCs can build, employers – working through sectors – are now being invited to set up SSCs to bring about a more responsive education and skills system that meets their business needs. They will concentrate on action to assess and meet the changing patterns of demand for skills and improve productivity. They give employers a way of expressing their needs collectively to government and the learning and skills system. This will remedy

previous shortcomings in providing good information across sectors in the different parts of the UK, and:

- Boost the quality and relevance of learning to employment opportunities for individuals at different stages in their working lives.
- Give individual learners greater confidence that they will have the skills, knowledge and attributes needed for lasting employability.
- Have a positive impact on the productivity and quality of service provided by organisations.

II There will be significant gains from a stronger sectoral perspective on skill needs. While firms compete and have their own culture, employers working in the same sector often share common pressures and needs. They will often use similar technologies, face similar challenges in the labour market and will have similar needs for support from agencies and institutions. These similarities are important because:

- Distinct business trends and circumstances mean changes in the skills needed are common across the sector.
- Learning Providers can only meet their overall goals if they customise their services to the particular needs of different sectors.
- Understanding sectoral needs helps employers, especially those in smaller firms, gain a more accurate picture of the challenges they and their employees face in remaining competitive and effective.
- They open the way for collaboration between employers to secure learning arrangements that fit different contexts and learning cultures.

The key task of the SSCs will be to ensure that the sector dimension is brought to bear on the whole learning system across the UK.

What is the Sector Skills Development Agency (SSDA)?

12 The SSDA will develop, monitor, support and regulate the SSC network. In particular it will encourage the development of sound SSCs, ensure action to secure cross-sector collaboration and make sure essential skills work is undertaken where SSCs are not established.

13 It will do this by:

- Helping groups of employers develop proposals to become a SSC.
- Assessing proposals and advising ministers on applications for SSC licences.
- Managing the Department for Education and Skills' (DfES) contribution to the costs of core SSC work.
- Monitoring SSC performance across the UK.
- Ensuring quality and consistent standards across the network through contract management, benchmarking and sharing best practice.

What is the process for becoming a Sector Skills Council?

- Securing essential cross-sector skills provision.
 - Securing the minimum cover where a SSC has yet to be set up.
 - Ensuring collaboration on cross-sector issues.
 - Providing a website portal for public bodies and individuals to access high quality sectoral labour market intelligence across the UK.
- 14** The key criteria for being licensed as a SSC will be having:
- An employment base that is of economic or strategic significance (see Section 3).
 - The direct backing of key employers and employment interests, including small firms, in the sector.
 - Influential employer leadership through Board level representation from across the sector and throughout the UK.
 - Significant financial contributions from the sector to secure the sector's priorities.
 - Professional staff and expertise to command the respect and wider involvement of employers.
 - Credibility and capability to influence and co-ordinate action to meet sector skills priorities.
 - Capacity to operate effectively throughout the UK taking account of the responsibilities of the devolved administrations, Regional Development Agencies in England and other publicly funded bodies in their sector.
- 15** The key stages in becoming a SSC are:
- Preparing a succinct formal expression of interest from a group of employers in becoming a SSC. This stage is crucial and prospective applicants should expect to have to demonstrate: convincing evidence that the proposed sector has an employment base of economic or strategic significance; and convincing evidence that employers/customers throughout the proposed sector are committed to supporting the SSC, taking up the services that may be planned to meet the proposed sector's needs, and contributing additional investment in the sector's drive to raise skills and productivity.
 - If this is accepted, the SSDA will support development of detailed proposals for a SSC. This work will need to concentrate on developing the capacity to meet the SSC Standard (Section 2 of this guide). This will enable the SSC to develop a short, business proposition showing how the SSC will satisfy the SSC Standard and the priorities and targets it will have for the first three years of operation.

Who pays for SSCs?

- Consideration of the business proposition by the SSDA who will advise the Secretary of State for Education and Skills and Ministers in devolved administrations on the award of a licence. If licensed, a three-year contract will be issued by the SSDA.
- 16** SSCs will receive a substantial contribution of up to £1m a year each from DfES towards the core costs of:
- Developing a forward-looking skills and productivity agenda for the sector.
 - Securing commitment to this agenda from employers, governments, funding agencies, key workforce development agencies and learning institutions, expressed as an agreed action plan.
 - Promoting employers' investment in skills and innovation, career opportunities in the sector, good quality learning and qualifications.
 - Building collaborative sector-based networks of employers to tackle skills needs.
 - Defining and developing key national occupational standards and learning pathways.
 - Reporting regularly on the impact of public and private skills investments on the sector's performance.
- 17** The government will only meet part of the costs of an effective SSC. One million pounds will be a maximum core contribution from DfES and prospective SSCs should not assume this will be the amount allocated to support each sector.
- 18** All SSCs will need to lever additional funding from other sources:
- All SSCs will have targets for the amount of money they can raise from other sources and ensure their business status allows them to tap directly into employers and the full range of public sources.
 - Many will be developing commercial services in response to firm evidence of needs expressed by employers and individuals in the sector.
 - Others will also work under contract to various government agencies for diverse services including provision of expertise on skills and productivity, development of national occupational standards and learning frameworks, promotion of policies and initiatives, direct provision of training and participation in local regional or EU projects.

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Section 2

The Sector Skills Council Standard

The Standard sets out the minimum requirement for a Sector Skills Council.

What is the Standard?

- 1 The Standard sets out the minimum requirement for a SSC. These requirements are the basis for all decisions about licensing taken by the Secretary of State for Education and Skills and Ministers in the devolved administrations taking account of advice from the SSSDA.
- 2 The five-year SSC licence will incorporate the Standard. Meeting the Standard throughout the licence period will be a fundamental part of the contract between the SSC and the SSSDA.
- 3 The Standard sets out these minimum requirements. It requires SSCs to set and maintain high quality in the full range of work undertaken in all parts of the UK. If at any time a SSC fails to maintain the SSC Standard to the reasonable satisfaction of the SSSDA, remedial action will be taken. It will be open to the Secretary of State for Education and Skills, acting on SSSDA's advice, to rescind a SSC licence. Details of this process are in Section 4 of this guide 'SSCs at work'.
- 4 The Standard will be reviewed in 2006 following evaluation of the impact of SSCs. In addition, steps may be taken to develop the SSC Standard prior to this review to reflect best practice and practical experiences of the SSC network.

The Standard itself

What is the overall objective?

- 5 The government licenses each SSC to provide strategic leadership and targeted action to meet current and emerging skill and productivity needs in the sector. As a result of a SSC's work, employers and government will expect to see the adoption of better workforce development practices, by an increasing number of employers; more training for a wider group of people in the sector's workforce and better quality training for people in the sector. These will contribute to increased productivity, improved business performance, greater social inclusion or better public services.

6 The SSC will constantly need to show:

- Rigorous, professional and detailed understanding of their sector's skill needs and how meeting them will contribute to continuous improvement within the sector.
- Extensive and active engagement with employers in all parts of the sector across the UK.
- A focused partnership with government and its agencies to influence policies, which leads to a shared understanding of skills needs, joint action and results in improved productivity and services.
- Sound management of all its work.

How does the SSC display understanding of employers' needs?

- 7 Employers need their SSC to base all its work on an up-to-date, rigorous understanding of employers' needs and priorities in each trade, occupation, nation and region.
- 8 The SSC will confirm its understanding of strategic employment needs through completing a fundamental reappraisal of market pressures, their impact on skills and productivity needs and implications for the SSC's priorities within each three-year contract period.

9 As a minimum this fundamental reappraisal should cover:

- Market pressures facing employers, and implications for the demand for skills in the sector, arising from new patterns of competition, globalisation, government regulation, technology trends, demographic changes among consumers and the workforce, and the adoption of sustainable development priorities.
- The changing needs for skills, knowledge and other qualities among existing employees and potential entrants to the sector from all parts of the population. In Wales this will take account of the particular needs for Welsh language skills.
- The scale and impact of private and public investments in education and training.

- The contribution of education and learning in responding to these changing employment needs.
 - Opportunities for boosting productivity, service levels and performance by better private and public investments in the creation and use of skills.
- 10** The fundamental reappraisal should be carried out with support from employers in the sector and key partners in education and training. It should make full use of all published sources of data and appropriate additional analysis of employers, employees and others in the sector.
- 11** Between fundamental reappraisals the SSC should routinely survey developments and update their assessment of needs in the light of emerging product and labour market conditions. The SSC will translate its understanding into national occupational standards and apprenticeship frameworks, accurately reflecting the needs of employers, as well as the quality assurance arrangements set by the relevant regulatory bodies across the UK.

How does the SSC show that it has engaged employers in the sector?

- 12** SSCs will need to engage employers in all parts of their sector in skills and lifelong learning by making frequent use of employers themselves in presenting, promoting and researching the business case for education, learning, qualifications and skills across the UK.
- 13** The SSC will use its understanding of the sector's needs and priorities to engage employers individually and collectively in active policies to meet the sector's skills priorities. Active engagement by increasing numbers of employers means that all employers benefit from a workforce with the skills to meet changing patterns of labour demand. The delivery of SSC policies to engage employers will be sensitive to differences between organisations in size, technology, maturity and location. They will be characterised by innovation, relevance to business needs, practicality, and fit with the sector's priorities.

14 As a minimum the SSC should engage employers through:

- Providing regular information on market trends and the implications for education and training practices in individual firms.
- Arranging practical advice and guidance for individual firms on skills and training practices needed to respond to changing needs.
- Conducting regular customer research and satisfaction surveys.
- Making available accurate information on sources of training, advice and guidance on skills issues in the sector.
- Setting up collective arrangements to promote the adoption and contribution of government education, training, work experience and guidance to meet sector priorities.
- Developing new ideas, benchmarking and best practice to improve performance.

- Building networks for collaborative action by employers to tackle the sector's priorities.
- Promoting the business case for education, learning, qualifications and skills within the sector.
- Involvement in innovative projects to tackle under-investment in skills and poor practices that damage the standing of their sector as an employer.

How does the SSC display influence with government and results-focused partnerships with its agencies that affects skills and productivity?

15 Employers need their SSC to make effective contributions to government decisions affecting skills development and use. These will require purposeful partnerships with education and learning providers that make a real contribution to meeting the sector's skills priorities. It will also be seen in interactions with development agencies, trades unions, trade associations and professional bodies.

16 As a minimum employers will expect the SSC to secure:

- Significant support for its work from trades unions, professions, trade associations and other sector organisations.
- A strong voice for the sector's employers in all the key decisions affecting the demand and supply of skills in their sector.

- Up-to-date results-oriented partnership action plans with all the key public agencies.
- Agreed targets for the contributions of the mainstream work of key public agencies to meet the sector's priorities.
- The maximum investment of the key public agencies in the skills and productivity priorities of the sector.
- Clear, timely responses from the key public agencies to employer views about the quality, relevance and delivery of their contribution to the sector.
- A flow of well-qualified people into the sector from all levels of publicly financed education and training.
- Qualifications and learning frameworks delivering the skills, knowledge and other attributes needed in the workplace.
- Active participation in collaborative approaches to skills, economic and labour market information in each nation and region.

How will the SSC display sound management in all its work?

- 17** Employers need their SSC to be well managed and led if it is to have maximum impact on skills and productivity.
 - 18** In particular the SSC will show this by engaging employers in all its activities. The SSC will seek to engage a wide range of employers in its policy making and executive functions, particularly in working at senior levels with government, its agencies and other key partners.
 - 19** As a minimum employers need the SSC to:
 - Meet fully the statutory requirements on companies and employers.
 - Have a senior level Board, which is representative of the structure of the sector and its elements across the UK, including small firms.
- Set clear skills and productivity priorities with firm targets.
 - Report regularly to employers in the sector on progress with meeting these priorities and targets.
 - Secure the resources needed to meet these priorities from employers in the sector, commercial activities, the key public agencies and government.
 - Provide value for money in all its work and demonstrate probity in its use of public funds.
 - Promote equality of opportunity regardless of race, gender, disability, age, sexual orientation and religion.
 - Be an effective partner with trades unions, professions and trade associations.
 - Collaborate fully with other SSCs and the SSSA on cross-sectoral issues and avoid duplication of effort or confusion.
 - Become recognised as an Investor in People.

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Section 3

Becoming a Sector Skills Council

Any group of employers who can provide influential leadership and take action to make an impact on skills and productivity performance can put forward a proposal.

Stages in becoming a SSC

- 1 Any group of employers who can provide influential leadership and can take action to make an impact on skills and productivity performance can put forward a proposal. They must be prepared to provide influential leadership and take action to meet their sector's skill and business needs. SSCs should be launched and led by employers, but must also involve other organisations important in their sector, such as trade associations, professions and trades unions in their work.

- 2 Your SSC application will go through three stages before the Secretary of State for Education and Skills issues a licence. These are:

Stage 1

- Formal expression of interest
- Consideration of expression of interest by SSSDA

Stage 2

- Development stage:
 - what the SSSDA will do
 - what you need to do

Stage 3

- Submission of proposal
- Consideration of proposal by SSSDA
- Issue of licence

Formal expression of interest

- 3 This should be a succinct summary of your case addressed to the Chair of the SSSDA with an annex clearly setting out:

3.1 A definition of the sector and convincing evidence of why it has an employment base of economic or strategic significance; an analysis of the changes the sector faces and where the opportunities to boost performance through skills lie; how this will fit with government priorities; and convincing evidence that employers throughout the sector are committed to supporting the SSC, taking up the services that may be proposed and contributing additional investment to the sector's drive to raise skills and productivity.

3.2 How you intend to work throughout the UK including plans for working with Northern Ireland, Scotland and Wales.

3.3 A list of the apprenticeship and other learning frameworks and national occupational standards for which you will take responsibility.

3.4 Names of the employers involved in making the expression of interest in forming the SSC and in each case details of any previous involvement in activities related to skills or sectoral issues,

including NTO activities. The name of the prospective Chair and Board Members of the SSC as far as these are known.

3.5 Other organisations backing the SSC proposal at this stage. Though the SSC should be employer led, it must involve others with a close interest in skills including trades unions, professions and trade associations.

3.6 The estimated cost of work needed to develop the full proposal for the SSC and the proportion of this you would expect to come from government funding.

3.7 The time it will take to complete the work needed to develop a full proposal.

3.8 The name of the person with whom the SSSDA will contract for development of your proposal. The SSSDA can only contract with a body corporate.

3.9 The name of the organisation that will manage the development.

3.10 Confirmation that you are not aware of any other proposals to develop a SSC within your sector, or that overlaps with your sector.

- 4 During the development of your formal expression of interest further information and advice will be available from SSSDA business advisers.

Consideration of formal expression of interest by SSDA

- 5 The SSDA Board will aim to respond to your expression of interest within six weeks.
- 6 In assessing the formal expression of interest the SSDA will consider the detailed information submitted to cover the requirements set out in paragraphs 3.1 to 3.10.
- 7 SSDA will use five key tests to assess the economic or strategic significance of a sector's employment base. In doing so it will rely on information provided by the group of employers making the proposal. It will also draw on published employment, education, productivity, Gross Domestic Product (GDP) and overall business performance statistics and sectoral assessments published by DTI, DfES and devolved administrations.
- 8 The five key tests are:
 - **Does the sector make a significant contribution to the UK's economic performance, social inclusion or better public services?** Essentially the SSDA will be looking at the value of the sector's changing contribution to GDP and employment levels, and its role in public service delivery.
 - **Does the sector face significant changes in the demands placed on its workforce from growing competitiveness, increasing public expectations, new technologies, demography or sustainable development?** Here the SSDA will be looking to understand the nature and scale of the pressures facing the sector and their impact on employment levels and the mix of skills needed over the next 5–10 years.
 - **Does the sector have significant opportunities to boost its performance through more attention to skills issues across the UK?** Here the SSDA will be assessing the likelihood of a SSC in the sector making a measurable contribution to economic performance and better public services through targeted investments in skills and business needs. Here it will also assess the opportunities for persuading smaller firms and self-employed people to take workforce development seriously and take part in collective action.
 - **Does the sector contribute significantly to key government priorities?** The SSDA will assess, with the help of government departments and devolved administrations, the scope for the potential SSC to make an effective contribution to the government's wider priorities. This should include priority sectors for economic development identified by the devolved administrations and Regional Development Agencies in England.

- **Does the proposal cover a coherent employment sector where employers are ready to commit themselves to an active SSC?** The SSDA will be looking at the extent to which employers across the sector face similar challenges and share a common learning and skills culture. The SSDA will give priority to sectors where employers show a strong practical and financial commitment to the potential SSC. The SSDA will need to satisfy itself the proposal is not for an umbrella organisation designed solely to channel public funds to other existing organisations.
- 9 In reaching its decision on the formal expression of interest the SSDA will also consider:
- The extent to which the expression of interest shows sensitivity to the responsibilities of the devolved administrations and the institutional arrangements in the four nations within the UK, including a commitment to address the needs of the Welsh language.
 - Whether the group of employers expressing interest is representative of the full range of employment in the sector across the UK and demonstrates a fresher perspective and broader support from previous sector skills work, eg NTO Board or committee membership.
 - If the proposal has wide support from sector interests including trades unions, professions and trade associations in all parts of the UK.
 - The strength of the financial and practical commitment from within the sector.
 - The time and cost of the proposed development period.
- 10 In reaching its decision on the overall acceptability of the proposal the SSDA will consult with the devolved administrations and government departments.
- 11 The SSDA will respond in one of three ways:
- The proposal has not succeeded and the SSDA does not see a prospect of a new application being successful. In this instance you will be told as soon as possible with full details of the reasons.
 - The proposal has not succeeded because it lacks strength or detail in some areas. In this instance you will be told of what further action is needed by you to produce a new proposal likely to lead to development.
 - The proposal has succeeded in providing evidence and a convincing argument that they are a strong prospect for a sound SSC. In this case you will be invited to move into the development stage. The response will set the time limit within which you are expected to put in a full proposal, outline the main milestones towards that full proposal, and set out funding arrangements. *This is not a guarantee that a licence will be recommended following consideration of the full proposal.*

The development stage

- I2** The development stage involves action by the SSDA and the employers taking forward the initial expression of interest. The length of this stage will vary according to individual sector circumstances, but **will not exceed six months.**
- I3** The SSDA will:
- Issue a development contract.
 - Agree the scale of development funding available, stage payments and significant milestones.
 - Appoint an SSDA business adviser to guide those preparing the full proposal. Appoint a Champion from the SSDA Board to work with sector employers in assessing progress towards meeting the SSC Standard.
 - Agree government departments and public agencies with whom you must develop a partnership action plan before the issue of a licence can be recommended. Further advice listing contacts and general frameworks for partnership will be provided.
- Not accept another proposal for developing a SSC within your sector, during the agreed development stage.
- I4** The essential task during the development stage is to put into place arrangements that show how the SSC has met all the elements set out in the SSC Standard.
- I5** The SSDA's assessment will be built up during the whole of the development phase, not just based on the written proposal submitted to the Chair of the SSDA. The recommended sequence of work has three main stages:
- Drawing up a market assessment.
 - Preparing and testing the SSC business proposition.
 - Putting in a full business plan proposal to the SSDA.
- I6** By the time the full business plan proposal is submitted the SSDA will need evidence the SSC has:
- The direct and widespread backing of key employers and employment interests in the sector. This will include an independent assessment of wider employer views about the prospective SSC proposition.
 - Influential employer leadership at Board level to represent the interest of the whole sector throughout the UK.
 - Professional staff and expertise to command the respect and wider involvement of employers.
 - Credibility and capability to influence and co-ordinate action to meet the sector's skills priorities including cross-sector skills.
 - Capacity to work effectively throughout the UK taking account of the responsibilities of the devolved administrations and Regional Development Agencies in England.

Market assessment

- 17** The first step in development is to put together an assessment of the essential skills and productivity needs of the sector. This will draw on a wide range of published sources such as:
- Office of Science and Technology (OST)'s Foresight Programme.
 - Department of Trade and Industry (DTI) competitiveness assessments.
 - Skills Foresight developed by formerly recognised NTOs working in the sector.
 - Skills Dialogue reports produced by former NTO Groups.
 - Former NTO Sector Workforce Development Plans.
 - National Statistics Office information, including the 1991 and 2001 Population Census.
- Research and evaluation projects commissioned by government departments and agencies, devolved administrations, Regional Development Agencies in England, trade associations and the voluntary sector.
 - Academic research into economic and skills issues.
- 18** As a minimum the SSDA will be looking for the appraisal to cover:
- Market pressures facing employers and implications for the demand for skills in the sector arising from new patterns of competition, globalisation, government regulation, technology trends, small organisations, demographic changes among consumers and the workforce and the adoption of sustainable development priorities.
 - The changing needs for both generic and sector-specific skills, knowledge and other qualities among existing employees and potential entrants to the sector from all parts of the population.
 - The scale and impact of private and public investment in education and training.
 - The contribution of education and training providers in responding to these changing employment needs, including the SSC's propositions for influence on, and contribution towards, work of key agencies/providers.
 - Opportunities for boosting productivity, service levels and performance by better private and public investments in the creation and use of skills.
- 19** Further advice on compiling the SSC's market assessment will be made available. Guidance on completing the fundamental reappraisal of the market, required every three years, will be issued as a code of practice by the SSDA before the end of 2002.

The SSC's business proposition

- 20** The market assessment provides the key evidence needed to decide where better interventions by employers on skills or publicly funded education and training could make significant differences to the sector's overall performance. It will provide sound and fresh research into the SSC customer base to help demonstrate the level of financial leverage and commitment from employers in the sector. It should then be used as the basis for identifying priorities for the SSC's first three years of operation. The arrangements for identifying priorities will vary between sectors. The SSDA will be looking for lasting and extensive employer involvement and support for these priorities alongside contributions from trades unions, professions and trade associations.
- 21** A thorough and well-researched understanding of the sector's needs and a clear set of priorities are the basis for credibility with employers and prospective partners in government and its agencies. The next step involves building a strong business proposition built on the SSC standard. The proposition has two main

strands of engaging employers in better workforce development practices and building effective partnerships.

Engaging employers

- 22** The market assessment provides a good measure of the extent to which employers have adopted sound practices for securing the skills needed at different levels. While it would be possible to take a 'scatter-gun' approach to engaging employers, the SSDA will be looking for a more systematic approach, particularly the involvement of small and medium-sized businesses, designed around the SSC's skills and productivity priorities.
- 23** The SSDA will be looking to see how the key elements from the SSC Standard are built into a coherent programme of work with clear targets for progress on the SSC's priorities. These key elements are not a restrictive list of the ways in which SSC can engage with employers in the sector. The elements are:

- Providing regular information on market trends and the implications for education and training practices in individual firms.
- Arranging practical advice and guidance for individual firms on skills and training practices needed to respond to changing needs.
- Making available accurate information on sources of training, advice and guidance on skills issues in the sector.
- Setting up collective arrangements to promote the contribution of government education, training and business initiatives to meeting sector priorities.
- Building networks for collaborative action by employers to tackle the sector's priorities.
- Promoting the business case for learning, qualifications and skills within the sector.
- Involvement in innovative projects to tackle under-investment in skills and poor practices that may damage the standing of the sector as an employer.
- Regular opinion and satisfaction research.

24 In assessing whether the SSC's business proposition meets the Standard, particular account will be taken of:

- The sensitivity shown to the differing needs of employers in different parts of the sector across the UK, including particularly, those in small and medium-sized businesses.
- Customising the various elements in the proposition to meet the diverse needs of businesses of different sizes and of the development needs of self-employed people.
- The extent to which the plan requires employers to meet the costs of services provided.
- Joint work with the main public agencies to engage and support employers in the sector.
- The results of independent market research among employers in the sector using a standard set of questions.
- Plans for an active presence in Scotland and in Wales.

25 The independent market research will be needed to demonstrate wide employer support for the priorities set by the SSC and its business proposition. This should also provide the baselines against which progress will be checked. The research will seek to show the degree of support for the proposed SSC; the relevance of the SSC's proposed priorities to the needs of the business; services the employer would like to see provided; and their willingness to pay for such services. Further advice on the survey criteria will be made available.

Establishing credibility with government and the key public agencies

26 Becoming a credible partner for government and its agencies is the second main element in building an acceptable business proposition. The SSDA will be looking for the prospective SSC to have reached outline agreement on a 'partnership' action plan with each of the key agencies.

27 Further advice will be made available on these key agencies and on frameworks for partnership between the agencies and the SSC. SSCs and the agencies are encouraged

to go beyond these frameworks where there are gains in meeting the SSCs' and agencies' objectives.

28 As well as the key agencies, the SSDA will offer a sector-specific list drawing on advice from government departments and the devolved administrations. Beyond this the SSC will identify other public and private agencies whose contribution is needed to deliver on the SSC's skills and productivity priorities.

29 In considering whether the proposed SSC meets the SSC Standard the SSDA will review whether the commitments to partnership gained during the development phase displays a high-level of credibility with potential partners.

SSC targets

30 The SSC business proposition needs to include firm targets for the impact of its work on the key skills and productivity indicators in the sector. The targets will cover at least:

- Reduction in percentage of employers in the sector reporting skills gaps.

Submission of full proposal

- Reduction in the percentage of firms reporting skills shortages.
- Increases in the amount of training received by people working in the sector.
- Increases in the proportion of people in the sector's workforce receiving training.
- Increases in the number of firms recognised as an Investor in People.
- Changes in the diversity of the sector's workforce.
- Increases in the level of investment in skills and workforce development by employers and individuals.

31 Advice on targets and their calculation will be made available. The SSC should also set a target for income raised from employers in the sector and from other sources as part of its cash flow projections.

SSDA support during the development of the business proposition

32 The SSDA will appoint one of its Board Members to act as the SSC's Champion during the development phase. The role

of the Champion is to work with the SSC's Chair and Board Members to provide high-level feedback on the progress being made and extent to which the SSC is meeting the SSC Standard.

33 The SSDA has set up a team of business advisers (BAs) to help guide groups of interested employers through the process of establishing a SSC. Business advisers are available to communicate the purpose of SSCs, advise employers on the criteria for becoming a SSC and help, in the early stages, facilitate a stronger partnership between employers, government and other key stakeholders. This will include work with prospective SSCs in the development of proposals. At the stage that a licence is awarded, the Business Adviser will hand over to a contract manager who will monitor the contract on behalf of the SSDA. This will be a light-touch relationship so long as SSCs are fulfilling their contractual obligations under the terms of their licence. Once the SSDA is fully operational the Business Adviser team and the contract management function will sit within the Agency's operations directorate.

34 The full proposal should take the form of a letter addressed to the Chair of SSDA showing how the proposal meets the SSC Standard.

35 The proposal must cover:

- Verifiable evidence that a significant representative number of employers in the sector back the proposal.
- The membership and integrity of the Board and the legal structure of the SSC.
- The SSCs' priorities for the first three years of operation.
- A summary of the business proposition including arrangements to engage employers and partnerships with government and its agencies.
- Targets for the first three years of operation with a timetable for achievement.
- The extent of firm funding commitments from within the sector and plans with targets for increasing these commitments in each of the first three years of operation.

36 All documents in the full proposals should be as concise as possible.

Consideration of full proposal by SSDA

- 37** In reaching a recommendation the SSDA will take account of:
- The written proposal.
 - The evidence of wide employer support.
 - An assessment drawn up by the SSDA Board Champion for the SSC concentrating on the strength of the leadership and influence displayed by the SSC's Chair and Board during development.
 - An assessment from the Business Adviser highlighting strengths and weaknesses of the SSC in relation to the SSC Standard.
 - Consultation with the devolved administrations, Department for Education and Skills (DfES) and other government departments with an interest in the sector.
 - A discussion between a sub-group of the SSDA Board and the Board of the prospective SSC.

- 38** The sub-group of at least three members of the Board of the SSDA, not including the SSDA Champion, will make a recommendation to the Chair of the SSDA. The Chair will then decide what recommendation to make to the Secretary of State for Education and Skills, and responsible Ministers in the devolved administrations.

Issue of five-year licence by Secretary of State

- 39** The Secretary of State for Education and Skills, in the light of views from the devolved administrations, will take the final decision to issue a five-year licence to work as a SSC.
- 40** This licence will entitle you to call yourselves a SSC, to seek funding from the SSDA and to use the SSC branding. No other body will be allowed to call itself the SSC for your sector or to undertake the functions of the SSC.

involved

Section 4

Sector Skills Councils at work

Once the Secretary of State for Education and Skills has issued a licence the SSDA will be able to enter into a three-year contract with the SSC. The SSC will be able to achieve real influence on skills policy and deliver major impact on skills and productivity performance.

SSDA contracts

- 1 Once the Secretary of State for Education and Skills has issued a licence the SSDA will be able to enter into a three-year contract with the SSC. The SSC will be able to achieve real influence on skills policy and deliver major impact on skills and productivity performance. The business proposition put forward and approved by the SSDA will be the basis for the contract.
- 2 An SSDA Board Member will act as the SSC's Champion with overall responsibility for strategic relationships between the SSDA and the SSC. The SSDA will also appoint a contract manager responsible for links with the SSC.
- 3 The standard SSC contract will be for three years. Annual reviews will provide an opportunity for the main terms to be reassessed in the light of progress and performance.
- 4 The contract will set out details of SSC funding, performance reporting, review arrangements and action where performance falls below the requirements of the licence or contract.
- 5 The contract will make provision for the grant of a royalty-free non-exclusive licence to the Secretary of State for Education and Skills to allow for the copying, issue and adaptation of any copyright work, which is created by the SSC or on its behalf in performance of the contract.
- 6 The contract will confirm that responsibility for all decisions about the staffing of the SSC rests with the SSC Board. In exercising this responsibility the Board will need to be mindful of the requirement the SSC has to employ professional staff with appropriate skills, qualifications, abilities and expertise to command the respect and wider involvement of employers.
- 7 The contract will also confirm that members of the company are responsible for appointing new Board Members or Chair should vacancies arise during the term of the contract. While it is not necessary to seek ministerial or SSDA approval for these appointments, the SSC has to meet the requirement for 'influential employer leadership and a Board representative of the sector throughout the UK'. The SSC Chair or Board may wish to discuss such appointments with the SSDA Board Champion. All changes should be reported in writing to the SSDA contract managers.

SSC funding

- 8 The contract will make it clear the SSC will be free to undertake commercial work compatible with its status as a SSC and relevant rules imposed by public authorities. The SSC should not undertake work that would detract from the reputation of the individual SSC or the SSC network as a whole. Proposals for significant commercial activities should invite discussion in advance with the SSDA Board Champion. SSCs may run membership schemes providing their rules do not conflict with duties under the SSC Standards.
- 9 The government will make a contribution of up to £1m a year for the costs of meeting the core work set out in the SSC Standard. In addition SSCs may apply to an innovation fund held and managed by the SSDA. Further technical guidance will be issued setting out the full details of the SSC funding arrangements.
- 10 The key principles are:
 - The aim of the funding system is to create a stable flow of funds to SSCs with incentives to meet agreed targets and opportunities to undertake innovative work to tackle deep-seated skills problems.
 - The £1m maximum contribution to the costs of core work will not be allocated to all SSCs. In deciding the overall contract value, account will be taken of: the size of the sector covered; the capacity of the SSC to raise contributions from employers, by commercial work and from other sources; and any income from statutory and voluntary levies (or trust funds set up using levies).
 - The contract will run for three years subject to the continuing availability of funds from the Treasury.
 - The funding profile across the three years will be set out in the contract. The profile may be altered during annual reviews. The SSDA will have the power to reduce the overall contract value if progress has been slower than expected.
 - The funding will be divided into three blocks:
 - Output funding paid against achieving milestones and targets set out in the SSC's business proposition.
 - Outcome funding paid against measures of workforce development and labour market impact.
 - Funding for innovation projects.

- Funding for innovation projects will start during 2002/3. Payments will be made against the achievement of project milestones. Funding for innovation projects may take the overall contract value above the £1m a year maximum for the DfES's contribution to core work.
- SSCs will be required to keep agreed evidence of achievement of milestones, targets and outcomes.
- SSCs will be required to keep records and accounts under the appropriate accounting standards and to have an independent external audit.
- SSCs records and accounts will be kept for audit from SSDA, DfES and the National Audit Office.
- Reasonable levels of reserves may be held after agreement with the SSDA. Any surpluses arising on work undertaken under the DfES contract should be redeployed for work consistent with the SSC standard.

SSC performance reviews

Annual reviews

- 11 There should be an annual performance review meeting between the SSC Board and the SSDA Board Champion supported by the contract manager. Representatives of DfES, sponsor departments and the devolved administrations may attend these reviews.
- 12 The SSC should provide an annual report document for discussion at the review meeting. As well as meeting the statutory requirements of company or charity legislation, the report should cover:
 - Assessment of the extent to which the SSC Standard is being upheld.
 - Independent customer satisfaction ratings or independent evidence that a wide number of employers continue to back the SSC.

- Key developments in the sector’s economic performance and labour market in each nation in the UK.
 - Progress against the targets and objectives set out in the SSC’s business proposition.
 - Key facilitators and obstacles will be identified.
 - Implications of the progress made for the targets, objectives and funding for the rest of the contract period.
- 13** Agreed changes to the targets, objectives and funding will be incorporated into a formal contract variation.
- 14** The SSC Standard requires that each SSC should report its progress to employers regularly. The outcome of the performance review is a good opportunity for this.

15 The SSDA’s annual report to ministers will include a summary of progress made by each SSC and provide comparative performance and management information. It will also provide a commentary on effective practice, common difficulties and opportunities for further SSC involvement in influencing skills and productivity policy and delivery by employers, government and its agencies.

Poor performance

Failure to meet the licence requirements

- 16** The licence and contract require the SSC to keep to the SSC Standard at all times.
- 17** Where the SSDA has evidence the SSC has failed to uphold the SSC Standard, the SSDA Chair will, after consulting the SSC’s Champion Board Member, write to the SSC’s Chair. This letter will set out the evidence and seek a response within 14 days. The SSDA Chair and Champion Board Member will consider the response and where necessary call a meeting with the SSC to discuss the problem and action to be taken.
- 18** Where it is clear the SSC has failed to uphold the SSC Standard the SSDA Board may agree to:
- Draw up an action plan with clear targets and timescale to bring the SSC back into compliance with the Standard.

- Withhold a part or all the payments due under the contract until the SSDA is satisfied the SSC is complying with the SSC Standard.
 - Advise the Secretary of State for Education and Skills and ministers in the devolved administrations that the licence should be withdrawn from the SSC and the contract ended.
- 19** Details of the failure and action taken or recommended will be passed to the Secretary of State for Education and Skills and ministers in sponsor departments and devolved administrations.

Failure to comply with contract terms and conditions

- 20** Where the SSDA contract manager has evidence the SSC has failed to comply with the terms of the contract – other than those enshrined in the SSC Standard – the contract manager will write to the SSC Chief Executive seeking a response within 14 days.
- 21** Where the SSDA contract manager believes the breach of contract has not been corrected, a meeting will be arranged to discuss the evidence and need for remedial action. The result may be an action plan or if agreement cannot be reached the issue may be referred to the SSDA Chief Executive. The SSDA is authorised to withhold payments due under the contract until the issue is resolved. Any extended withholding of payments or action to end the contract should be referred to the SSDA Chair.

Disputes

- 22** Where the SSC believes that the SSDA has behaved unreasonably or unfairly in dealing with contracts or licences the first recourse is to set out their complaint in writing to the SSDA Chair. Where this does not lead to a satisfactory settlement the issue will be referred to non-binding third-party arbitration.
- 23** Exceptionally, where this does not lead to a satisfactory resolution to the problem, the SSC Chair may raise the issue with the Secretary of State for Education and Skills.

What support will SSCs receive?

- 24 The SSDA will support the work of the SSC through:
- Providing a contract manager to advise, guide and monitor.
 - Appointing a Champion Board Member who will lead the SSDA team in annual performance reviews and in those cases where the requirements of the SSC Standard are not being met.
- Entering a three-year contract and making accurate timely payments as agreed.
 - Providing advice and issuing technical notes to support this network development guidance.
 - Identifying and disseminating good practice from SSCs.
 - Identifying and disseminating the lessons learnt from trailblazer SSCs.
 - Issuing codes of practice containing guidance on maintaining the SSC Standard.
 - Securing effective co-ordination and provision of generic skills advice, support and development.

information

If you would like further information you can contact us:

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