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Building a Stronger Network:

Developing the role of **National Training Organisations**

Public Services

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QUALITY

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About this consultation

This consultation is about the future development of the National Training Organisation (NTO) network. We are seeking views from NTOs, employers, trade unions and the education and training community on the proposals set out in this paper. The outcome of this consultation will be a framework to guide the development of a smaller and stronger NTO network from Spring 2001.

This consultation paper conforms to the Code Of Practice on Written Consultations published by the Cabinet Office. The Code specifies that:

- 1.d** The consultation should allow adequate time for its results to be built into the planning process for a policy (including legislation) or service. This will help ensure the best prospects for improving the proposals.
- 2.d** The consultation should be clear about who is being consulted, about what questions, in what timescale and for what purpose.
- 3.d** The consultation document should be as simple and concise as possible for you to read. It should include a summary, in two pages at most, of the main questions it seeks views on. It should make it as easy as possible for you to respond, make contact or complain.
- 4.d** Documents should be widely available to you, with the fullest use of electronic means (though not to the exclusion of other means of consultation). The documents should be effectively drawn to the attention of all interested groups and individuals.
- 5.d** Sufficient time should be allowed for considered responses from all groups with an interest. Twelve weeks should be the standard minimum period for a consultation.
- 6.d** Responses should be carefully and open-mindedly analysed, and the results made widely available, with an account of the views expressed, and reasons for decisions finally taken.
- 7.d** Departments should monitor and evaluate consultations, designating a consultation coordinator who will ensure the lessons are disseminated.

A copy of this consultation paper is also available in English and Welsh on the DfEE and National Assembly for Wales websites:

www.dfes.gov.uk/nto/consultation.htm

www.wales.gov.uk

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Abbreviations used in this consultation paper

ACCAC	Qualifications, Curriculum and Assessment Authority for Wales
ALI	Adult Learning Inspectorate
CETW	Council for Education and Training in Wales
DfEE	Department for Education and Employment
FE	Further Education
GB	Great Britain
GCSE	General Certificate of Secondary Education
IT	Information Technology
ICT	Information and Communications Technology
ITB	Industry Training Board
ITO	Industry Training Organisation
LEC	Local Enterprise Company
LMI	Labour Market Information
LSC	Learning and Skills Council
NTO	National Training Organisation
NTONC	National Training Organisations National Council
NVQ	National Vocational Qualification
OSC	Occupational Standards Council
QCA	Qualifications and Curriculum Authority
RDA	Regional Development Agency
SCONTO	Scottish Council for National Training Organisations
SME	Small and medium sized enterprise
SQA	Scottish Qualifications Authority
SVQ	Scottish Vocational Qualification
TEC	Training and Enterprise Council
TUC	Trades Union Congress
UK	United Kingdom
VQ	Vocational qualification

Foreword

National Training Organisations (NTOs) have a vital role to play in delivering the UK skills agenda. Since 1997 we have been putting in place a network to provide a strategic overview of sectoral skills priorities and to take action to meet them. An NTO has a unique responsibility for defining its sector's skills agenda, in securing widespread commitment to raise the relevance, quality and amount of training provided, and to regularly review progress in achieving these goals.

The National Skills Task Force in England¹ recently endorsed the important role of NTOs. But it also highlighted the need for considerable change if the network is to be fully effective, working within the new structures for post-16 and workplace learning. The *Skills for Scotland consultation paper*² and Wales Skills Taskforce report³ reiterate the need for strong sectoral bodies to harness effective action on skills in these countries. In Northern Ireland too, the Programme for Government and the Economic Development Strategy recognise the role of targeted sectoral skills action in the context of developing the North-South labour market⁴.

We agree that there are major challenges facing the NTO network. These challenges must be met to ensure we have the strong sectoral bodies we need. We start from a position of strength given the progress made since NTOs were first established three years ago. We now have a comprehensive network increasingly recognised for its contribution to workplace learning. But the substantial increases in UK spending on post-16 education and training and the urgent need to raise skills levels mean that the NTO network must undergo fundamental change to play its full part.

¹ *Skills for all: Proposals for a National Skills Agenda, Final Report of the National Skills Task Force*, DfEE (June 2000)

² *Skills for Scotland*, The Scottish Office (1999)

³ *Report of the Wales Skills Taskforce*, National Assembly for Wales (October 2000)

⁴ In Northern Ireland NTOs are formally recognised for national occupational standards and NVQ purposes only. Northern Ireland has an existing system of Sector Training Councils. Some NTOs have voluntarily established a wider role in Northern Ireland to further the needs of their sector within the UK context.

NTOs have to become more professional in their capacity to analyse skill needs; adopt a higher profile with employers; have a more immediate and measurable impact on the level and quality of skills in their sectors; and be more influential in the wider education and training sectors in the different nations of the UK. We believe the answer lies in a smaller and stronger network better able to secure and use resources to achieve these goals.

This consultation is about change. It is intended to help the network and its partners to think in new ways about how the contribution of NTOs can be amplified; about how the network must restructure for maximum impact on sector skills while working with the distinct education, training and economic planning arrangements in each country.

We want to hear your views about how these challenges can be met. Our aim is to put in place by Spring 2001 a framework to guide development of the NTO network over the following 12 months. This framework will lead to fewer, larger and stronger NTOs better able to drive forward the sector skills agenda to produce more prosperous and inclusive UK and national economies.



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Executive Summary

Skills are at the heart of economic development. They also play an important part in promoting social inclusion. But while the benefits of high levels of skill are clear, there are still skill gaps, insufficient attention given to making the right choices about investment in skills, and too many people without the basic skills needed for today's workplace. Employers have a key role to ensure the workforce has the right skills to meet both current and future business needs. Government is supporting employers in this task through the modernisation and extension of post-16 provision and investment in the skills of working age adults without work.

National Training Organisations

National Training Organisations (NTOs) have a crucial role in providing an essential link between employers and the education and training systems in each country. In Northern Ireland, a unique arrangement of sectoral training councils, in the key private sector areas, with strong links to NTOs has evolved. NTOs also work with employers in their sectors to support and promote investment in skills.

As sector-based organisations, NTOs provide a distinctive contribution to promoting the skills agenda, particularly in Great Britain, in three ways:

- **needs** - by clearly and accurately identifying and communicating the current and future skills needs of their sector;
- **action** - by promoting action on skills by employers and other partners, setting standards, ensuring the availability of high quality qualifications and learning pathways, and spreading good practice;
- **audit** - by actively reviewing and reporting sector progress on skills on a regular basis.

Considerable progress has been made in establishing the NTO network since 1997. Since this time the number of sector-based organisations has reduced from around 180 Industry Training Organisations, Lead Bodies and Occupational Standards Councils to 73 NTOs. But while progress has been made, the National Skills Task Force in England and Wales Skills Taskforce have raised concerns, reflected in research evidence, about the rate of development of NTOs and their current capacity to make a substantial impact on sector skills development. This is a concern also shared in Scotland.

The longer term value of NTOs is their capacity to act strategically and to have a measurable impact on the level and quality of skills development. NTOs must address the identified weaknesses to increase their credibility and effectiveness, and to meet the challenges before them. Together, these factors point towards the need for a smaller, stronger and better resourced network of sector organisations.

A framework for NTO network development

NTOs require an up-to-date framework to guide their future development to meet the challenges facing them. We propose that this framework, to be introduced from April 2001, will offer NTOs and their partners a clear statement of the core roles of NTOs, and the key tools underpinning the delivery of these roles: strategic business processes to meet sectoral and national needs; critical success factors; and indicators demonstrating success. We also propose that the framework will provide guidance on the arrangements for restructuring the network, the recognition of NTOs and subsequent quality assurance arrangements.

We propose that NTOs should concentrate on three core roles:

- assessing and articulating the current and future skills needs of their sectors;
- leading action on sector skills development;
- actively reviewing progress in meeting skills priorities.

We also propose that the processes of Skills Foresight, Skills Dialogues and Sector Workforce Development Planning should be further integrated and complemented with an annual report of progress in meeting sector skills priorities. Together they offer the potential for development into a process for strategic planning and action, adding significant benefits for NTOs and their partners.

The development of a smaller, stronger and more focused NTO network is dependent on meeting a number of critical success factors. These are:

- business based leadership recognised throughout the sector and by key partners;
- recognition, visibility and autonomy to act for the whole sector;
- sector workforce coverage of a sufficient size (likely to be between 500,000 and one million people) to have a significant economic and labour market impact;
- the structure and capability to work effectively with other NTOs and key partners in each nation and region of the UK;
- adequate resource to deliver the three core roles;
- access to the professional skills needed to fully understand the skill needs of a sector;
- innovation and creativity to develop new ways to meet sector skills needs;
- effective regular communications which carry credibility with employers, including small businesses, and key partners.

We propose measuring success through two types of indicator. These indicators, which will become directly related to most government funding for NTOs, would be for:

- the achievement of agreed NTO performance targets;
- specific skills measures set out in sector workforce development plans.

This consultation

This consultation seeks views, by 12 April 2001, on:

- the accuracy of the assessment of NTO performance and the main conclusions drawn;
- whether the proposed three core roles are correctly defined;
- whether the basis of a process for strategic planning and action is properly identified;
- whether the critical success factors are correctly defined;
- whether the proposed categories of success indicators will make a meaningful contribution to NTO network development and delivery of improved sector skills.

1. SKILLS FOR A STRONG ECONOMY

- 1.1** The improvement of skills is central to building a strong economy. The UK, like other developed economies, depends increasingly on the knowledge and skills of all its people for its international competitiveness, quality of public services and social cohesion.
- 1.2** The pace of change in technologies, and integration of markets, means the development of successful knowledge-based industries based on high levels of skill is ever more crucial. But higher levels of skill bring other benefits too: improved productivity, better career prospects and higher earnings for individuals. Skills learnt in the workplace also help people in their family life and to play a greater role in the life of their local community. Similarly, skills learnt outside paid employment also contribute to people's careers and enhance the resource available to businesses and other organisations.
- 1.3** Research work for the National Skills Task Force in England clearly revealed that the UK does not have all the skills needed for continued economic success. In particular:
- some businesses cannot find enough people with the right skills and personal qualities;
 - many businesses believe their current workforce does not have all the required skills - and many people do not believe their existing skills and talents are being fully used at work;
 - insufficient attention is given to making the right investments to enable businesses and individuals to respond to the impact of new technologies, globalisation and demographic change;
 - too many adults do not have the basic literacy and numeracy skills essential in today's workplace.
- 1.4** The skills agenda is about the effective use of the skills and knowledge of the whole working population - regardless of age, gender, ethnic origin or disability - in the private, public and voluntary sectors.

Investment in skills

- 1.5** Employers have a key role in making sure their employees, and those about to enter the workforce, have the skills to underpin business survival and growth and to provide effective public services.
- 1.6** There are clear and measurable benefits to be gained from this investment. For example, we know from recent research that if, in the UK, we:
- each raise our productivity by just one tenth of one percent above trend, we would generate £10 billion more output over the next ten years;
 - close our labour productivity gap with Germany, we would generate about £50 billion more output over the same period;
 - raise the numeracy skills of all adults to the standard we expect of 11 year old children, this would increase our gross domestic product by up to £40 billion;
 - increase the proportion of workers trained in industry, and thereby the stock of available skills, from 10% to 15% this would lead to a 3% increase in value-added delivered by each worker in the firm.
- 1.7** More employers are making the link between effective personnel practices and business profitability. But there remains a significant gap between this growing realisation and effective action by the majority of employers. In too many organisations the workplace is a 'learning free zone', with others expected to bear the costs of developing the current and future workforce on which business and organisational success depends.
- 1.8** Government has an important role to support employers in this task. Ministers in each country of the UK are committed to increasing government investment in skills development. This investment is often made in the context of strategies to address national and regional skills priorities.
- 1.9** The education and training arrangements are also changing to become more effective in anticipating and responding to national economic and social needs. The drive to push up standards in schools will give young people the foundation for learning throughout their lives - in formal further and higher education and training, in work, at home and in the local community. Post-16 provision is being modernised and extended. Alongside this substantial investments are being made in skills, especially the basic employability of working age adults without work, through the six New Deal options and in priority Employment Zones in Great Britain.

The key contribution of NTOs

- 1.10** National Training Organisations (NTOs) have a crucial role to play in ensuring that this investment in skills yields the maximum benefit. The NTO network now covers most employment sectors representing over 90% of the UK workforce.
- 1.11** As employment sector bodies, NTOs provide an essential link between employers and the education and training systems in each country. But they also work within their sectors to support and promote investment in skills development as a key driver for business success. The key benefits to employers, business and trade unions of having strong and adequately resourced NTOs are:
- greater influence over education and training provision;
 - a more focused means of raising skills and productivity levels in sectors, helping improve both individual and business performance.
- 1.12** NTOs' sectoral focus provides a distinctive contribution in three main ways:
- by clearly and accurately identifying and communicating the current and future skills needs of the sector;
 - by promoting action on skills through employers and other partners, setting standards, ensuring the availability of high quality qualifications and learning pathways, and spreading good practice;
 - by actively reviewing and reporting sector progress on skills on a regular basis.
- 1.13** The timely assessment and communication of each sector's skills requirements is a vital task. Sound assessments provide the essential intelligence needed to develop high quality provision and other skills interventions. While national, regional and local labour market analyses can identify broad skills trends, they do not always have sufficient sensitivity to sectoral priorities. Sectoral skills assessments enable government, education and training bodies and employers to understand the complexity of each sector - complexity that includes the national context, economic conditions, geographic disposition and other labour market issues confronted by employers.
- 1.14** But NTOs have another vital task in promoting the action necessary to strengthen each sector's competitiveness and effectiveness. NTOs act to bring together a network of partners committed to delivering the skills the sector needs. Based on the national occupational standards developed by NTOs, partners can work with NTOs to produce the qualifications and learning pathways required to underpin skills development and enable worker mobility within the UK. New initiatives can also be introduced, with NTO involvement, geared towards the specific priorities and problems faced by the sector. NTOs can also act as a catalyst within their sectors to stimulate new approaches to learning, to spread good practice and raise the overall level and quality of investment in skills by employers.

- 1.15** In Northern Ireland a unique arrangement of sectoral training councils, in the key private sector areas, with strong links to relevant NTOs, has evolved. The growth in the regional economy and the impact of growth rates in the Republic of Ireland have increased North-South labour mobility. This has driven a need for cross border recognition of vocational qualifications. Mutual recognition of NVQs and Irish equivalents has been achieved in several skill areas and further recognitions are expected. Local sector training councils have played a key role in that process.

CASE STUDY - ADDRESSING THE SKILLS NEEDS OF MAINTENANCE ENGINEERS IN WALES

Industry in Wales needed to establish the current and future skills requirements of maintenance engineers. Solutions were needed that were transferable between sectors and training aids developed. The Engineering Manufacturing Training Authority (EMTA) - the NTO for the engineering industry - took up the challenge and brought together 12 NTOs, including those for food and drink, gas, paper, clothing and chemicals, with representatives from bodies such as the National Assembly for Wales and the Wales TUC.

The project - which was primarily funded by the National Assembly for Wales - was aimed at providing an up-to-date definition of the competencies required by modern maintenance engineers responsible for complex equipment and plant. The project defined these competencies in sufficient detail to cover multi-skilled, cross-skilled and single-skilled job functions. In the course of the project valuable LMI was generated and benchmarking data produced for companies to evaluate themselves against. A networking initiative for companies has also begun to continue co-operation in defining changing skills. The next phase of the project will produce good practice training materials linked directly to the defined learning outcomes.

- 1.16** NTOs are well placed to play an active role in reviewing the progress their sectors are making in developing skills. Through their skills assessments and sector workforce development plans NTOs will clearly understand the indicators of success. Their strong links with employers enable them to identify progress and innovative ideas and use this to stimulate further action. NTOs need to communicate the outcomes of their reviews, for example through publishing an annual report and maintaining a website.
- 1.17** NTOs are able to take a strategic view of their sectors' development because of their recognition by government throughout the UK. By working with the government and education and training bodies in each country⁵ NTOs can ensure that employers needs are met whether operating at the regional, national or UK level. Increasingly, many NTOs will need to look more widely in supporting their sectors as businesses and occupational standards become more integrated within Europe and beyond.

⁵ This includes the Learning and Skills Council in England, Council for Education and Training in Wales, the enterprise network in Scotland, colleges, Higher Education institutions and training providers.

The challenge for NTOs

- 1.18** The challenge of the skills agenda forms the heart of the challenge to the NTO network. Over the next few years NTOs must respond to rapid economic and social change, make good past under-investment in skills, and ensure that education and training provision and workplace learning deliver business competitiveness and organisational effectiveness.
- 1.19** This consultation is about how NTOs and the NTO network should change to meet this challenge. The remainder of this document assesses the progress of the network so far, and identifies the core roles and key tools needed to underpin their delivery.
- 1.20** We are seeking your views on how NTOs should develop to be more effective and become the driving force on skills in their sectors. We need your reactions and ideas to the issues raised. The outcome of this consultation will inform a framework to guide the development of a stronger network with fewer and larger NTOs equipped to tackle the vital sector skills agenda.

2. PROGRESS AND PERFORMANCE

Development of the NTO Network

- 2.1** International experience has shown that sectoral arrangements, where these exist, have developed and adapted to meet national economic and institutional needs. These arrangements substantially reflect the overall characteristics of the economic and education and training systems in which they are embedded.
- 2.2** Since the Industry Training Act 1964 sector organisations have played an important role in government training policy in Great Britain. However, these arrangements have changed over time. Formal Industry Training Board (ITB) arrangements gave way to voluntary business-led organisations in each sector. By the mid-1990s a complex network of some 180 Industry Training Organisations (ITOs), Lead Bodies and Occupational Standards Councils (OSCs) had developed. This large number of bodies led to a fragmented approach towards skills development.
- 2.3** In 1996 the UK Government announced plans for a new network of NTOs. The development of the NTO network offered the opportunity to create a smaller number of new strategic organisations to tackle the skills needs of sectors in an effective way.
- 2.4** Organisations wanting to become NTOs faced a demanding set of recognition criteria. These criteria concentrated on the factors seen to be critical for the success of the emerging network. An external Recognition Panel assessed bids, following detailed examination of the proposals by officials in the DfEE, Scottish Office, Welsh Office and Northern Ireland Training and Employment Agency.
- 2.5** The Secretary of State for Education and Employment recognised successful bidders as NTOs for an initial period of three years. However, since the devolution of Scotland, Wales and Northern Ireland in 2000, the Secretary of State for Education and Employment has granted the recognition of NTOs in conjunction with his Ministerial colleagues in the devolved administrations.

NTO Recognition Criteria

Activities

- Promote employer investment in people as central to competitive and effective business performance.
- Assess and respond to the education, training and development needs of the sector and its employees.
- Represent to national administrations and others, sector education and training interests, and the sector response to national initiatives.
- Ensure the development, review and implementation of national occupational standards, especially for NVQs and SVQs, for the specified sectors and occupations.

Scope and Partnerships

- Represent a defined industry sector(s) and/or occupational group(s).
- Demonstrate strategic and operational involvement of a representative range of sector employers and other key interests.
- Develop and maintain effective national, sectoral and local partnerships on shared education and training issues.

Constitution and Structure

- Be registered as, or part of, a legal entity, be financially viable, with systems in place to ensure financial control and have adequate resource.
- Ensure clarity of organisational roles and effective management of any potential conflicts of interest.
- Have effective and accountable structures to manage its resources and activities which command sector support.

2.6 NTOs are intended to be an influential part of the sectors they represent, and many have a close connection with the relevant trade association. The network has developed to form three distinct groups of NTO; those representing:

- a well-established industrial and commercial sector with a set of clearly identifiable employers, such as the construction and hospitality industries;
- large occupational groups, such as central and local government;
- critical 'cross sector' occupations or skills, such as business administration, languages and customer care.

2.7 By October 2000 the process of recognition had reduced the total number of sector bodies from around 180 to 73 NTOs, including the two remaining statutory ITBs for the construction and engineering construction industries. In February 2000 plans were announced for the re-recognition of NTOs reaching their first three years of operation⁶. These required each NTO to:

- offer evidence about the quality of its work, including its impact on skills in the sector;
- demonstrate its capacity for continuous improvement;
- demonstrate its accountability to the sector;
- show effective partnership working and the promotion of its strategic role in the sector;
- offer evidence that it continued to meet the recognition criteria.

An Advisory Group, which began work in October 2000, was set up to advise the Secretary of State for Education and Employment and Ministers in the devolved administrations on re-recognition applications.

NTO Network performance

2.9 The NTO network has made considerable progress since the first NTOs were recognised in 1997. Many NTOs have begun to develop the strategic approach envisaged for the network and are tackling key skills issues in their sectors.

⁶ *National Training Organisations Re-recognition Guide* (DfEE, February 2000)

2.10 Examples of NTO activity include:

- production of the first sector Skills Foresight reports;
- development and review of national occupational standards for use throughout the UK;
- involvement in the design of qualifications and learning pathways, such as the introduction of Modern Apprenticeship technical certificates and development of Foundation Degrees in England;
- promotion and increased take-up of NVQs and SVQs by employers;
- piloting of initiatives, such as transferable training loans in England and skills benchmarking in Scotland;
- participation in collective action with NTOs and other partners, such as the Scottish Enterprise Food Skills Group, Skills Dialogue Groups in England and the Future Skills Wales Steering Group;
- drafting of the first sector workforce development plans;
- establishment of national representative body arrangements in England, Scotland and Wales and regional NTO representatives in England;
- establishment by around half of NTOs of a separate office or resident representative in Scotland, and by around a quarter of NTOs in Wales.

2.11 But while the network has made progress, the National Skills Task Force in England and the Wales Skills Taskforce have raised concerns about the rate of development of NTOs and their current capacity to make a substantial impact on skills development.

Employers also have a key role to play within the infrastructure of the learning system through National Training Organisations (NTOs) The work over the last two years to rationalise the number of NTOs and raise their capacity has been very welcome, but we do not believe it has gone far enough. There are still, in our view, too many NTOs leading to confusion for employers, and to organisations that are in some cases still too small to undertake the full range of responsibilities we believe is necessary. Employers and government need to reiterate their mutual commitment to making the NTOs a central part of the national education and training system, and review the capacity and funding of NTOs to ensure they are equipped to meet the challenges of the next decade.

We believe that the National Training Organisations will play a key role in identifying and meeting the skill needs of sectors. In many cases they are the prime source of advice and expertise on the education and training in the industries they represent. However, we share the English National Skills Task Force's concern that in some cases the organisations are too small and ill equipped to meet the range of responsibilities which is being placed upon them. We are particularly concerned that in some sectors the NTOs' presence in Wales is weak. We therefore welcome and endorse the English National Skills Task Force recommendation that Government should work with employers to review and strengthen the functions, capacity and funding of the NTOs.

*Report of the Wales Skills Taskforce
(National Assembly for Wales, 2000, paragraph 1.4)*

2.12 In Scotland too, NTOs now have a strong foundation. But much still remains to be done to strengthen employer support and make the network credible and fully effective.

2.13 Research concluded during summer 2000 also reveals a mixed picture of NTO performance during their first three years of operation. Key weaknesses identified by the research include:

- gaps in sector knowledge of around 7 in 10 NTOs;
- reliance on external researchers to provide analyses of sector labour markets and skills needs by around 9 in 10 NTOs;
- low levels of employer awareness of NTOs by around 4 in 10 employers and of their role in the sector by around 1 in 10 employers;
- very low representation of smaller businesses in NTO Boardrooms;
- unwillingness of employers to contribute financially to the operating costs of NTOs;
- general low level of collaborative working in formal NTO Groups and with cross-sector NTOs.

Key challenges

2.14 Our overall assessment, based on the findings of the Skills Task Forces and other recent research, is that while NTOs have made good progress over the past three years, the network has had patchy overall impact. While international experience suggests that most sectoral arrangements face considerable problems in engaging employer commitment and investment in training, we believe the prize is worth pursuing. The initial successes of the network, and experience in countries such as Canada, demonstrate that there are more gains to be made through the further development of NTOs.

2.15 Changes in the post-16 education and training arrangements in England and Wales present a challenge to the NTO network. NTOs will need to organise to work effectively with the LSC and CETW in order to maximise the investment in learning provision. In Scotland NTOs need to strengthen their links with the enterprise network and providers to deliver key initiatives, such as the challenging target for 20,000 Modern Apprenticeships by 2003.

2.16 While government is substantially increasing its investment in the NTO network over the next three years, this will not in itself generate the step change that is necessary for the network to:

- work effectively and influentially with the LSC, CETW, enterprise network in Scotland and other key bodies in each country;
- develop high quality skills assessments, in-depth sector knowledge and sector workforce development plans;
- engage employers of all sizes in the sector to increase their investment in skills to meet workforce development priorities;
- work effectively in collaboration with other NTOs, including those responsible for cross-sector occupations and skills, on common issues and broader sectoral activities.

2.17 The longer-term value of NTOs is their capacity to act strategically and have a measurable impact on the level and quality of skills development. NTOs must address the weaknesses highlighted above to increase their credibility and effectiveness, and to meet the challenges before them. Together, these factors point towards the need for a smaller, stronger and better-resourced network of sector organisations that are world leaders in engaging employers in skills development.

NTO Recognition

- 2.18** In view of the level of change needed to create a network with a solid foundation for the future, we have asked the NTO Advisory Group, responsible for reviewing the recognition of all NTOs, not to continue with the re-recognition process published in February 2000. We believe that, in the light of the evidence from the Skills Task Forces in England and Wales and our research, the re-recognition arrangements as originally conceived are unlikely to generate the fundamental change that is required.
- 2.19** Through this consultation we want to produce a framework to guide development of the network - a blueprint for long-term success of the network. In the meantime we do not propose to recognise any further NTOs until this framework is clear. We also plan to extend the recognition of all existing NTOs until at least April 2002 and to work with the network to implement the framework during this period.
- 2.20** We are aware that many NTOs have committed considerable resource to review their performance and provide re-recognition evidence for consideration by the NTO Advisory Group. This has been valuable work and has encouraged some of the fundamental thinking that this consultation seeks to generate.
- 2.21** We therefore plan to offer all NTOs whose previously scheduled re-recognition review falls before the end of March 2001, the opportunity to present their evidence and to discuss this with the NTO Advisory Group. NTOs opting to use this opportunity will receive informal feedback about their performance and advice on areas for development.
- 2.22** The task now is for the network and its key partners to identify the critical steps needed to transform performance. These steps will form the basis of the framework to guide NTO network development and provide a new focus for re-recognition. We will review the re-recognition criteria and arrangements in response to this consultation and the framework for development. As part of this process, we plan to develop, in conjunction with the NTO network, the follow-on arrangements for the regular review of NTO performance and periodic re-recognition.



Question 1: Do you agree that this assessment has identified the key issues facing the NTO network, and with the main conclusions drawn?

3. A FRAMEWORK FOR NTO NETWORK DEVELOPMENT

3.1 NTOs were set up to represent and address the skills needs of employers and occupational groups across Great Britain, and the occupational standards and NVQ requirements in Northern Ireland. This purpose of NTOs, first set out in the 1996 prospectus inviting bids from organisations seeking recognition, has been widely accepted by NTOs themselves, trade associations and other key partners. At the outset it was identified that NTOs needed to be strong, strategic and well-supported with recognition from employers of all sizes, individuals, government and others.

3.2 But NTOs require an up-to-date framework to guide their future development to meet the challenges facing them. We propose that this framework, to be introduced from May 2001, will offer NTOs and their partners a clear statement of:

- the core roles of NTOs;

and the key tools underpinning the delivery of these roles:

- strategic business processes to meet sectoral and national needs;
- indicators demonstrating success;
- critical success factors.

3.3 We also propose that the framework will provide guidance on the arrangements for restructuring the network, the recognition of NTOs and subsequent quality assurance arrangements.

Core roles of NTOs

3.4 Much of the purpose set out in 1996 remains relevant to NTOs today. However, while important, many NTOs have tended to focus on the practical details of developing national occupational standards, vocational qualifications and learning pathways. Only a few NTOs have become genuinely strategic in their approach to developing the sector skills agenda.

3.5 In future, NTOs will need to adopt a much stronger strategic role to define and drive forward the skills agenda in their sectors. Their close links with employers and specialist knowledge of their sectors places NTOs in a unique position to have a real impact on skills. NTOs must also develop new relationships with the LSC in England and the Council for Education and Training in Wales. NTOs also need to focus on major changes to qualifications and learning pathways, including the introduction of Foundation Degrees, Graduate Apprenticeships, vocational GCSEs and Modern Apprenticeship technical certificates in England and Wales and the new Welsh Modern Skills Diploma for Adults, and the Scottish Credit and Qualifications Framework.

3.6 It is our view that NTOs in the new network will make the best contribution to sector workforce development by concentrating on three core roles. These concern needs, action and audit:

- **assessing and articulating the current and future skills needs of their sectors:** through LMI and Skills Foresight analyses and the setting of national occupational standards;
- **leading action on sector skills development:** by influencing employers and key partners, producing sector workforce development plans, and brokering partnership deals to deliver qualifications, learning frameworks and other priority skills action;
- **actively reviewing progress in meeting skills priorities:** by conducting regular audits of progress against sector workforce development plans, identifying and spreading good practice, and intervening when progress is not being made.

3.7 NTOs will require the capacity and capability to fulfil these roles and to become the acknowledged leaders on sector skills issues. We propose that these roles should become the main focus for restructuring the network and attracting government funding.

Core Role 1 - Assessing and articulating current and future skills needs

3.8 The accurate assessment and communication of each sector's skills needs provides the crucial underpinning for effective action. NTOs need to be the:

- authoritative source for research and knowledge of current and future sector skills needs;
- lead body for national occupational standards, learning frameworks and vocational career progression routes.

3.9 At the macro level NTOs should be responsible for identifying trends in the supply and demand for skills in the sector - both current mismatches and those likely to emerge in the future. The analysis of mismatches will include the number of people acquiring new skills, the quality and appropriateness of existing provision for people working in the sector, and about the effective use of current skills.

- 3.10** Many NTOs have made substantial progress in producing Labour Market Information (LMI) and intelligence. The NTO LMI Research Group in Scotland is a good example of innovative work in this area. But all NTOs need the capacity to produce rigorous and comprehensive analyses of skills in their sectors. NTOs must also have the capacity to present this intelligence in a way that both informs and influences employers and other key partners in the education and training community.
- 3.11** NTOs are also responsible for producing national occupational standards that underpin qualifications, learning pathways and other competence-based work. Similarly it is also important that NTOs should be fully involved in the development of learning pathways, such as Modern Apprenticeships, and the review of qualifications used by their sectors. This is a specialist function which relies on a clear understanding of the sector and the changing nature of jobs and career pathways.

CASE STUDY - SCONTO LMI RESEARCH GROUP

The principal aim of the SCONTO LMI Research Group is to provide an NTO-focused approach to LMI and broader-based research, taking account of the demands and influences of Scottish systems and networks, particularly those of the Scottish Parliament and the new Scottish Labour Market Intelligence Unit. The Research Group meets on a quarterly basis, and draws involvement from NTOs and a wide range of key partners with an interest in LMI, in order to facilitate appropriate collaboration and partnership activity. The Research Group focuses on the dissemination of relevant information by key partners, and sharing of NTO best practice.

A small working group comprising five NTO representatives, was established to support and steer the activities of the Research Group, in particular by providing assistance to NTOs involved with, or about to begin LMI research in Scotland. This group is currently working closely with the LMI Research Network in England and Wales on a joint UK-wide project aimed at developing and promoting a common approach to LMI research. In addition, working group members are involved in shaping the establishment and proposed activities of the Scottish Labour Market Intelligence Unit, through active participation in various consultation exercises and focus groups.

CASE STUDY - LABOUR MARKET SKILLS MONITORING AND FORECASTING STUDIES IN NORTHERN IRELAND

The labour market in Northern Ireland, which comprises around 680,000 people, allows an integrated approach to labour market research. The Northern Ireland Skills Task Force has established a priority Skills Unit within the Northern Ireland Economic Research Centre, to carry out labour market skills monitoring and forecasting studies. The Unit works closely with sectoral organisations to ensure a sectoral input to research projects.

A major monitoring report based on a large sample of vacancy information will be published shortly when skills forecasting reports on ICT and electronics are completed. The research work allows the Task Force to determine skills and sectoral priorities and to advise Ministers on special initiatives. One such initiative is the Rapid Advancement Programme. This provides a largely work-based conversion programme to give non-IT graduates relevant ICT qualifications and experience.

Core Role 2 - Leading action on sector skills development

3.12 The second core role for NTOs is to lead on action to promote sector skills development. Based on their skills assessment and work on national occupational standards, NTOs are well placed to have major impact on the nature, volume and quality of learning provision by providers and employers. NTOs must be the:

- authoritative lead organisation charged with agreeing a sector workforce development plan, reflecting national and regional needs, for delivery in partnership with employers, trade unions and others in the education and training community;
- initiator of new ideas and approaches to tackling sector skills priorities and the lead body for obtaining agreement and resources to implement them.

3.13 NTOs need to act as catalysts in bringing together employers and key partners to develop a common understanding of the skills action required, and a commitment to delivering this. This means that NTOs must use their position as the authoritative voice on sector skills issues to offer leadership to organisations supporting their sectors. But this authority must be won. NTOs have to establish a 'sector presence' by developing their visibility, credibility and authority with employers and other key partners in the education and training community. This role calls for excellence in communication with employers and the creativity to draw on experience from other sectors and from abroad to mount convincing arguments for change.

3.14 The emerging sector workforce development planning arrangements in England, and their potential for wider application in Scotland and Wales, offer a key tool for NTOs to use in establishing their leadership and obtaining commitment to action. This process provides the basis for NTOs to broker partnership deals to deliver qualifications, learning frameworks and other priority skills action.

3.15 In summary, this role is about NTOs leading the generation of innovative and creative solutions to sector skills priorities; and engaging employers and other key partners in action to meet them.

Core Role 3 - Active review of progress in meeting skills priorities

3.16 The third role for NTOs is the active review, or audit, of progress in meeting skills priorities within their sectors. In particular, NTOs must lead on:

- reviewing and reporting progress against the priorities and targets set out in the sector workforce development plan;
- identifying good practice in skills development and the dissemination of this information within the sector and NTO network;
- initiating appropriate intervention where progress is not being made.

3.17 A clear and up-to-date understanding of activity and progress in meeting priority skills needs is essential in order to maintain momentum on raising skills levels. NTOs need to be aware of the impact of policies and initiatives on the quality and volume of skills development to influence employers, providers and policy-makers about future needs.

3.18 An understanding of skills development within the sector enables an NTO to identify good practice and share this with other NTOs and employers. Examples of good practice are also valuable to demonstrate and communicate in a practical way to employers how action on skills can improve business and organisation performance. Monitoring of activity also enables NTOs to identify any emerging problems that require intervention at an early stage. This enables an NTO to work with its partners to help address any problems before they become a critical issue.



Question 2: Do you agree that these are the three core roles that NTOs should undertake in the future?

Key tools underpinning delivery of the core roles

3.19 There are three key tools to help develop the NTO network to deliver the three core roles:

- strategic process for sector skills planning
- critical success factors
- indicators of success

3.20 Each of these proposed tools is discussed further below.

Key Tool 1 - Strategic process for sector skills planning and action

3.21 In recent years three new processes have been introduced to support NTO work on skills. These are:

- Skills Foresight
- Skills Dialogues
- Sector Workforce Development Plans

3.22 The use of these different processes currently varies between countries in Great Britain. Skills Foresight largely covers anticipated skills needs in England, Scotland and Wales. Skills Dialogue groups have developed in different ways in each of the countries. In England, 15 groups have been established to inform and follow up the work of the National Skills Task Force. Similar groups, based on broad industry areas, are also used in Scotland and Wales to identify skills priorities in nationally strategic sectors. Sector workforce development plans were introduced initially in England but there are now plans to extend the use of this process by NTOs to Scotland and Wales too.

3.23 We propose that each NTO should also produce an annual report of skills priorities and progress in meeting them. This audit would be a key document in communicating the strengths and weaknesses of skills development action in each sector and would inform the review of sector workforce development plans. In particular, the report would identify the progress made by the sector in meeting sector targets and the key issues that need to be addressed. It would also propose how specific weaknesses should be tackled, and be clear about the action to be taken through the sector workforce development planning process and other forms of direct intervention.

3.24 The report, which would have a common format following centrally provided guidance, would be a major tool in raising the awareness of employers and other partners about sector skills, the action being taken to meet them and their impact at the sectoral and national levels. It would also form a key method for the NTO to demonstrate its accountability to the sector for actions taken on its behalf, and to government for the significant financial investment it makes in general and sector-specific skills development.

Skills Foresight

While the broad picture of UK and national skills needs and trends are well known, these need to be complemented by more detailed sectoral analyses as a basis for effective skills planning. Skills Foresight reports are key documents representing each NTO's analysis of its sector's skills needs and the identification of key priorities. The period a report covers will vary depending on the nature of each sector.

The production of a Skills Foresight report is closely linked to an NTO's capability to generate labour market information and intelligence. It requires the ability to look ahead, in consultation with a representative cross-section of employers, industry bodies and researchers, at the future skills needs of the sector.

Most sector-based NTOs have completed their first Skills Foresight reports. At this time, we would expect each NTO to substantially review and produce an updated report at least once every three years.

Skills Dialogues

In England the programme of Skills Dialogues, which builds on recommendations made by the National Skills Task Force, seek to raise the profile and use of skills assessments. They aim to provide a set of standard reports on the skill needs of 15 broad industrial groupings, bringing together an analysis of the demand and supply sides to identify employers' skill needs and gaps and the extent to which those needs are being met. The Dialogues work through broad NTO Groups rather than individual NTOs, and draw in other partners to provide a rounded assessment. This offers a manageable number of assessments for major stakeholders such as the LSC and RDAs.

There is a two-year rolling programme of sector Skills Dialogues involving a range of partners with direct interest in the skills needs of the sector. Following each Skills Dialogue conclusions are presented in a definitive report (including case studies). These are circulated widely to influence workforce development plans; and direct the attention of employers and prospective employees to priority skills issues for the sector.

Similar groups, involving NTOs, operate in Scotland and Wales. Examples include the Scottish Enterprise Food Skills Group and the Tourism Training Forum in Wales.

Sector Workforce Development Plans

Sector Workforce Development Plans are self-standing strategic documents covering a period of between three and five years. The structure of Sector Workforce Development Plans is set out in a guide produced by the NTO National Council⁷ and covers:

- a description of the sector and its workforce;
- stakeholder maps showing roles and responsibilities;
- key skills issues;
- the identification of 3-6 priorities for the sector
- the expected impact of action on the skills available to the sector.

The first plans are now being produced and will benefit a range of partners by clearly communicating the skills priorities of the sector. While NTOs are responsible for producing a draft plan for consultation, the final plan is agreed by a range of partners with a direct interest in the delivery of skills to the sector.

Although initially an initiative funded and piloted for use in England, the plans offer the potential for use more widely in Great Britain with national and regional breakdowns reflecting the geographical disposition of the sector. They also offer the potential to incorporate sector targets and skills benchmarking information.

3.25 The three processes have developed independently and without a central focus provided by the proposed core roles for NTOs outlined above. These initiatives, together with the annual report of progress, offer the potential for development into a strategic process for planning and action, adding significant benefits for NTOs and their key partners. These changes might include:

- aligning the timetables for the Skills Foresight, Skills Dialogue and Sector Workforce Development Plans to match national, sectoral and regional planning needs;
- setting clear minimum quality standards for the quality of Skills Foresight, including links with the UK Foresight processes managed by the Office of Science and Technology and international benchmarking of skills;
- expanding the Skills Dialogue process to include a wider range of partners;

⁷ *Common Framework for Sector Workforce Development Plans* (NTO NC, October 2000)

- reflecting national sectoral skills priorities in the membership of Skills Dialogue groups;
- developing sector workforce development plans to provide for clear commitments from each of the main partners of the action to be taken to meet the skills priorities in the sector;
- making clear how these plans feed into the wider workforce development planning system co-ordinated by the LSC, CETW and enterprise network in Scotland.

3.26 During 2001 we plan to explore, through a Workforce Development Planning Group facilitated by DfEE, how to develop this process to meet the needs of sectors, government and the national and regional bodies in England, Scotland and Wales responsible for education and training delivery.



Question 3: Do you agree that these elements should form the basis of a strategic process for sector skills planning and action in Great Britain?

Key Tool 2 - Critical Success Factors

3.27 The development of a smaller, stronger and more focused NTO network depends on meeting a number of critical success factors. These factors provide a focus for developing NTO capability and capacity to underpin delivery of the three core roles.

3.28 The experience of the first three years of NTOs, and the roles they need to undertake in the future, suggests that the critical factors for success should include:

- business-based leadership recognised throughout the sector and by key partners;
- recognition, visibility and autonomy to act for the whole sector;
- sector workforce coverage of a sufficient size to have a significant economic and labour market impact;
- the structure and capability to work effectively with other NTOs and key partners in each nation and region of the UK;
- adequate resource to deliver the three core roles;

- access to the professional skills needed to understand fully the skill needs of their sectors;
- innovation and creativity to develop new ways to meet sector skills needs;
- effective regular communications which carry credibility with employers, including small businesses, and key partners.

Business-based leadership

3.29 The heart of the NTO role lies in its in-depth understanding of the sector's skills needs, and the practical know-how about how to influence the level and quality of learning provision. This suggests that the NTO's strategic direction must come from within the sector - from the business leaders and others with influence, such as the trade unions.

3.30 NTOs need people who have the capacity to identify the direction in which a sector is moving and the implications for skills. But they must also be recognised within the sector, know the levers to achieve change and be able to champion the importance of skills with other employers. The authority and effectiveness of each NTO is therefore dependent on a strong, accountable and truly representative NTO Board.

Recognition, Visibility and Autonomy

3.31 A strong NTO needs the recognition of government, employers and key partners in the education and training community. This is essential for the NTO to have the necessary influence on skills development. The NTO must represent all employers in its sector, and not just those who contribute towards its operations.

3.32 To be effective the NTO must be visible and the automatic source for knowledge and advice about sector skills issues. The expertise, strength and impartiality of the NTO will define its authority to represent employers, and the leadership it provides in generating change.

3.33 NTOs cannot afford to have vested interests in specific bodies, policies or commercial activities. The work of the NTO should be open and transparent to the sector and its partners to inspire confidence that it is acting in the best interest of all employers. We recognise that links with trade associations are important but these should not compromise the ability of the NTO to act impartially or to represent the whole sector. Equally, many NTOs rely on commercial income to sustain their financial viability. But NTOs must guard against restricting competition or withholding information about the sector that should be freely available. Clear guidelines about formal links with other bodies and commercial activities must be established as part of the framework for development. This is important so that the new network can demonstrate its authority to perform an impartial sector role.

Sector workforce coverage

3.34 The demanding core roles set out above imply that NTOs should cover a significant part of the workforce if they are to acquire the professional competence, command authority and obtain the resources needed. The precise scale of coverage will depend on the nature of the sector and the links between occupations.

3.35 Deciding the optimum size of the network means striking a balance between the need to relate effectively to employers in the sector, and the scale of operation and professionalism required to work with key partners in the education and training system. Care must be taken to balance these important factors and to ensure each of the core roles can be delivered effectively.

3.36 However, in our view, it is unlikely that NTOs covering a workforce of fewer than 500,000 will have the resource and influence to deal effectively with major bodies such as the LSC and CETW. Equally, we believe that there are strong risks of bureaucracy and remoteness from employers for NTOs representing a workforce of over one million. We recognise that these are broad indicators and, exceptionally, there will be some sectors where these limits would be inappropriate.

NTO COVERAGE BY WORKFORCE SIZE *(See Note 1)*

Over 1 million

Construction Industry Training Board

Distributive NTO

Health Care NTO

Local Government NTO

Lantra (Agriculture, Horticulture and Association Industries)

750,000 - 1 million

Cleaning and Support Services NTO

Hospitality Training Foundation (accommodation, catering and related services)

500,000 - 750,000

e-skills NTO

Financial Services NTO

METIER (Arts and Entertainment)

200,000 - 500,000

Accountancy NTO

Board for Education and Training in the Water Industry

British Plumbing Employers Council

Central Government NTO

Early Years NTO

Food and Drink NTO

Further Education NTO

The Higher Education Training Organisation

Motor Industry Training Council

Polymer and Associated Industries NTO

Print and Graphic Communications NTO

Road Haulage and Distribution Training Council

Sport, Recreation and Allied Occupations NTO

nto tele.com (*currently in administration*)

Voluntary Sector NTO

50,000 - 200,000

Bakery Training Council

CAPITB Trust (Clothing)

Chemical Manufacturing and Processing NTO

Community Justice NTO

Cultural Heritage NTO

Custodial Care NTO

Dairy Training and Development Council

Electricity Training Association

Engineering and Marine Training Authority

Engineering Services Training Trust Limited

Furniture and Furnishings and Interiors NTO

Gas Industry NTO

Hairdressing and Beauty Industry Authority

Information Services NTO

Key Potential (Housing NTO)

Meat Training Council

National Electro technical Training

National Textile Training Organisation

PAULO (youth and community work, community based learning and development)

Pharmaceuticals Industry NTO

Publishing NTO

REATA (Property Services)

Rail Industry Training Council

Security Industry Training Organisation

Steel Training Limited

TRANSFED (Passenger Transport)

Ttento (Travel, Tourism Services and Events)

50,000 and fewer

Association for Ceramic Training and Development

British Ports Industry Training Ltd

Engineering Construction Industry Training Board

Extractives and Mineral Processing Industries

Footwear and Leather NTO

Glass Training NTO

Merchant Navy Training Board

Offshore Petroleum NTO

Paper Education and Training Council

Petroleum Industries NTO

Photo Imaging NTO

Refractories and Building Products Training

Seafish Training

SKILLSET (Broadcast, Film, Video, Multi-Media)

Training Alliance for Surface Coatings

NOTES:

1. These are estimated figures taking account of data from the Labour Force Survey and NTOs.
2. The cross sector NTOs are not included: Council for Administration, Employment NTO, Institute of Customer Service, Languages NTO, Personal Services NTO and Science, Technology and Mathematics NTO.

Structure and capability for partnership working

- 3.37** Partnership working is fundamental to the work of NTOs. The transferability of skills, broader application of new and innovative workforce development practices, and need to address common workplace learning issues, mean that NTOs must use effective ways of working together and with other partners, including employers, trade unions and providers.
- 3.38** There are already a number of initiatives to improve partnership working. Examples include participation in groups: formal NTO Groups, Sector Dialogues, QCA Sector Advisory Groups, SQA Advisory Groups, SCONTO LMI Research Group, NTO LMI Network; and through representation arrangements provided by the NTO National Council, SCONTO, Cyngor NTO Cymru and the NTO regional representatives structure in England. Other examples include working together on specific projects such as NTO Quality Standards, Sector Workforce Development Planning Guidance and guidance on equal opportunities.

NTO GROUPS

Media, Culture and Hospitality (IMPACT)

Chemicals and Processing Materials (PINTOG)

Transport and Motor Industry

Construction and Extractives

Food and Drink Processing

Engineering

Distribution, Retailing and Wholesale Services

Information Technology

Financial Services

Landbased

Public Utilities

Textile and Footwear

Public and Support Services

Care

Cross-Sector

3.39 The network has also proposed ways to ensure that sectoral needs are taken into account by each of the local LSC and CETW Boards. This innovative approach will see a nominated employer Board member working in partnership with the NTO National Council and Cyngor NTO Cymru to reflect important sectoral issues in Board decisions. NTOs must also work with other partners to develop specific initiatives.

3.40 For example, NTOs have a role in helping implement the recently announced plan for specialist vocational centres in Further Education colleges in England in partnership with the FE sector, LSC and RDAs. Working with the LSC, NTOs will help identify colleges in each region where learning in particular fields should be developed or expanded over the next three years. This assessment will be based on NTO and RDA knowledge of unmet skill needs in different sectors of industry and business. NTOs should also work to help colleges establish employer networks within specific industry groups, and ensure employers are fully involved.

3.41 NTOs need to maintain a broad and complex range of partnerships. The new network will need to identify effective ways of engaging with other bodies, building on existing experience, to ensure sector needs are met. New ideas are welcome about how the network should be configured and responsibilities shared.

3.42 We see NTO Groups as an important way for NTOs to work together and engage with other partners at a wider sectoral level. This is essential to ensure improved access to key bodies such as the LSC and CETW; achieve economies of scale in tackling wider sector issue and common skills needs; and to be more strategic in skills assessment and action. We welcome views about the role of formal NTO Groups and how these can be combined with other groupings to provide a more strategic approach to addressing skills issues.

3.43 NTO Groups will therefore have a central role in the new smaller network. We expect participation in these groups to be an essential aspect of NTO work reflected in revised recognition criteria. But we envisage a flexible composition and structure of groups to meet differing needs. This flexibility may allow for work by a core group of NTOs on issues affecting just NTOs, with an expanded membership to include other partners where wider consultation and agreement is needed. Groups may also meet to focus on a specific issue, such as the role and skills needs of the wider sector in a particular country or region.

3.44 We also welcome views on the role of cross-sector NTOs within the NTO network. The management of cross-sector skills issues is a key aspect of NTO work. But the relationship of cross-sector NTOs with the remainder of the network, which may only have a limited number of NTO partnership links, is different to sector-based NTOs. They also do not have an identifiable employer base on which to draw. This means that the role, responsibilities and funding arrangements of cross-sector NTOs are also different to the majority of NTOs in the network. Consideration needs to be given to the status and position of these NTOs within the network as part of the framework for NTO network development.



Question 4: How should NTO Groups and cross-sector NTOs be changed to provide a greater strategic approach to tackling broader sector issues?

Resources

3.45 Most NTOs are limited in their current role by resources constraints. While some have access to trust funds, employer contributions (financial or in-kind) or are supported by trade associations, the majority rely on government support for their operation. DfEE research has shown that there is no evidence that employers are yet prepared to meet the full costs of servicing their NTOs.

3.46 DfEE will be shortly announcing a substantial increase in its financial investment in the NTO network in the next three years. This funding, primarily to drive forward NTO capability in England, will help support the network to restructure to deliver the core roles described above. The Scottish Executive has recently announced £1.5 million for investment in NTO activity in Scotland over the next three years. In Wales, the National Assembly invests around £0.5 million each year in supporting NTO activity. Separate UK funding is available to NTOs for the development of national occupational standards from a fund centrally administered by the qualification regulatory bodies. The Union Learning Fund in England, Scotland and Wales also offer opportunities for trade unions to work in partnership with NTOs on learning projects.

3.47 We expect that, as the reputation and credibility of the NTO network grows, employers will want to invest more in their NTOs. Restructuring the network to form a smaller number of stronger NTOs will provide a broader employer base on which to draw. But larger NTOs with greater authority and capacity to deliver results will also command the ability to draw on funding from other sources. These sources, such as the European Social Fund, and increased government funding emphasise the need for all NTOs to have sound financial management systems and accountability arrangements.

CASE STUDY - LANTRA: A UK OPERATION

Lantra - the NTO for the land-based industry - was launched in 1998 following the merger of ten ITOs and Lead Bodies. Since then the NTO's scope has grown and it now represents over one million people and 400,000 businesses, mostly in rural areas.

Central to Lantra's operation is the work of 13 industry advisory groups. Each group focuses on the key issues facing each of the industries which make up the sector. These groups are supported by specialist groups for Scotland and Northern Ireland. A group for Wales will soon begin work. There are also cross-sector groups focusing on Skills Foresight and national occupational standards. Lantra has close working links with the Ministry for Agriculture, Fisheries and Food (MAFF), and the Rural Affairs Departments in Scotland, Wales and Northern Ireland. Staff are based in offices at the National Agriculture Centre, Stoneleigh, and at the Rural Centres in Edinburgh and Bulth Wells. Field staff based around the UK work from home connected by a powerful ICT system.

Linking its research and development role with practical access to training, Lantra operates national registration schemes for training providers, instructors and assessors. With so many people from such a wide range of interests involved, Lantra has made information and communications a priority. Services available through *Lantra Connect* include a weekly press clip. This includes a briefing note available by email, a regular newsletter for the training network, an 08457 helpline and website with a restricted area for staff and advisory group members. All this is backed up by a range of professionally produced publications which cover everything from research findings to careers information that also help promote the Lantra 'brand'.

Professional analytical skills

3.48 Professional analytical skills are central to the NTO's capability to produce well-researched rigorous assessments of sector skills needs. These skills are just as important in underpinning work on the production of sector workforce development plans and the annual review of progress proposed above.

3.49 Currently, many analyses undertaken by NTOs are incomplete in their coverage of supply and demand, slow in their delivery, and some lack the methodological rigour necessary to provide confidence in the results. Progress is being made in addressing this capacity through the work of the SCONTO LMI Research Group in Scotland and the new NTO LMI Network sponsored by the NTO National Council. However, these skills need more rapid development in order for NTOs to engage more effectively with their partners: the LSC, CETW, enterprise network in Scotland and other bodies, such as the Scottish Labour Market Intelligence Unit and RDA skills observatories in England.

Innovation and creativity

- 3.50** The authority and expertise of NTOs should enable them to work closely with government and other bodies to develop relevant provision. This is already beginning to happen. Examples include the development of Foundation Degrees and piloting of transferable training loans in England, and the development of Progression Awards in Scotland.
- 3.51** Some sectors have acted more widely and initiated their own solutions to skills problems. A key example is Skillset, the NTO for the UK film industry, which has introduced a voluntary UK and industry-wide Skills Development Fund to tackle the specific needs of the film industry. Where there are serious skills problems in a sector, and the social partners agree that this is the best way forward, the Secretary of State for Education and Employment has indicated his willingness to use his existing powers, in consultation with his Ministerial colleagues in Scotland and Wales, to provide GB-wide statutory backing for appropriate collective skills funding arrangements in the sector. This would in effect entail the creation of a statutory industrial training board in the sector concerned.
- 3.52** Tackling the deficit in skills will require even greater innovation and creativity. Larger and stronger NTOs, with the support of employers and trade unions, would be well placed to propose and provide a test bed for new workforce development policy initiatives.

CASE STUDY - A SKILLS INVESTMENT FUND FOR THE UK FILM INDUSTRY

The Skills Investment Fund, managed by Skillset - the NTO for the UK film industry, epitomises industry-based innovation in providing a solution to the unique skills challenges facing the UK's film industry. Over 90% of the film industry's workforce is freelance, with many companies hiring staff on a production by production basis. The level of fragmentation within the industry has created serious implications for the industry's skillsbase. Funding the training of the growing number of freelances has become a priority for the industry to ensure the development of the creative skills and talent needed to keep pace with its overseas counterparts.

Skillset worked with the Department of Culture, Media and Sport (DCMS) to implement the recommendations of the Film Policy Review Action Group on training. The solution was the establishment of the Skills Investment Fund to pool investment within the industry, match it with public investment, and fund a comprehensive and truly effective training strategy. The principle is simple: by combining investment in training across the industry, the benefits will prove greater than the sum of its parts.

Contributions to the fund are voluntary and are raised on all theatrical film production in the UK, including features, documentaries and shorts, at the rate of 0.5% of the production budget, up to a maximum of £39,500. Industry representatives on Skillset's Investment Committee decide where the money is spent, based on priority areas identified by the industry and Skillset's ongoing labour market research. The first tranche of expenditure will provide training for new entrants to the industry, and Health and Safety training for construction, production and location managers. Since the fund's introduction in January 2000, it has attracted contributions of over £600,000 to pump-prime the much needed investment to support and grow the domestic film industry and secure the UK's future as a major world centre of film production.

Communications

3-53 The ability of NTOs to act strategically and influence the level of skills in their sectors depends on good communications. High levels of presentation skills are needed to provide succinct and persuasive arguments for changes in the post-16 and workforce development systems. NTOs also need to present often complex data in a way that is understandable and stimulates action.

3-54 NTOs must also be able to provide good quality advice and guidance about sectoral skills issues. This needs to be provided in a way that is useful and relevant to the enquirer. This means that NTOs will need to make good use of professional design and media skills. Effective channels for receiving feedback from employers and innovative use of the Internet are essential for NTOs to be more effective, particularly in communicating with small and dispersed businesses.



Question 5: Do you agree that the critical success factors essential for a smaller network with larger and stronger NTOs have been correctly identified?

Key Tool 3 - Indicators of success

3-55 There are currently no consistent comprehensive indicators for the performance of NTOs or sectors in workforce development. We therefore plan to introduce an agreed set of indicators that will offer a clear focus for NTOs; and reinforce their move towards becoming more strategic in their approach.

3.56 Within two years we expect most government funding for NTOs to be directly related to:

- the achievement of agreed NTO performance targets;
- specific skills measures set out in sector workforce development plans.

3.57 Examples of NTO performance measures that could be used include:

- timely production of high quality Skills Foresight, sector workforce development plans and annual reports of progress;
- employer awareness of the NTO;
- increased financial support for the NTO from employers
- satisfaction ratings from employers and key partners.

3.58 Measures of the performance of sectors in workforce development could fall into two main categories:

- supply of skills to the sector;
- use of government workplace learning initiatives.

3.59 The first would cover performance in securing the supply of skills to the sector. Indicators might include the incidence of recruitment difficulties; the incidence of training provided by employers and the contribution to national workplace learning targets.

3.60 The second category of indicator might reflect the extent to which the sector has taken advantage of the main national government workplace learning initiatives. Indicators might include:

- the sector's take up of NVQ/SVQs and other qualifications generally and not just those based on standards set by the NTO itself;
- the proportion of employers recognised as or committed to becoming an Investor in People;
- number of employees in the sector making use of Individual Learning Accounts;
- number of Modern Apprentices completing their training in the sector, and not just those using the sector's learning pathway.

3.61 Work will be undertaken to ensure robust management information is available to support these indicators. Separate arrangements based on similar principles would be developed for cross sector NTOs. We plan to develop these measures in conjunction with the NTO network and other partners during the period leading up to April 2002 for implementation the following year.



Question 6: Do you agree that the proposed categories of strategic indicators will make a useful contribution to the development of the network and delivery of improved sector skills?

4. HOW TO RESPOND TO THIS CONSULTATION

4.1 The responses to this consultation will inform the creation of a framework to guide NTO network development. This section describes the timetable for the consultation and how to respond.

Timetable

- 4.2**
- Consultation period • January - April 2001
 - Framework development • April - May 2001
 - Implementation • from May 2001

Consultation events

4.3 We will hold a number of consultation events in early 2001 to discuss the issues raised in this document. Each NTO Chair and Chief Executive will receive an invitation to attend at least one event. These events are also open to other partners to attend.

4.4 If you would like to attend an event please contact:

Tobi Glanville
Skills for Employment Division
Department for Education and Employment
Room E4c
Moorfoot
Sheffield S1 4PQ

Tel. 0114 259 1028

Fax. 0114 259 4969

Email: nto.consultation@dfee.gov.uk

How to respond to this consultation paper

- 4.5** If you would like to comment on the issues raised in this consultation paper, you may find it convenient to do so using the response sheet at the back of this document. The response sheet can also be completed on the DfEE website at:

www.dfes.gov.uk/nto/consultation.htm

Responses should be sent by 12 April 2001. Earlier responses are welcome.

Please send your response to:

- 4.6** David Craig
Consultation Unit
Department for Education and Employment
Level 1B
Castle View House
PO Box 12
Runcorn
Cheshire WA7 2GJ
- Tel: 01928 794888
Fax: 01928 794311
Email responses to: nto.consultation@dfes.gov.uk

Queries about the consultation paper

- 4.7** If you have any queries regarding the consultation paper, please contact:
- Tobi Glanville
Skills for Employment Division
Department for Education and Employment
Room E4c
Moorfoot
Sheffield S1 4PQ
- Tel. 0114 259 1028
Fax: 0114 259 4969
Email: nto.consultation@dfes.gov.uk

Further copies of this consultation paper

4.8 Further copies of this consultation paper can be obtained from:

DfEE Publications
PO Box 5050
Sherwood Park
Annesley
Nottingham NG15 ODJ

Tel: 0845 60 222 60
Fax: 0845 60 333 60
Minicom: 0845 60 555 60
Email: dfee@prolog.uk.com

A copy of this paper is also available in English and Welsh on the DfEE and National Assembly for Wales websites at:

www.dfee.gov.uk/nto/consultation.htm
www.wales.gov.uk

Complaints

4.9 If you have a complaint about this consultation process, please write to:

Margaret Casey
Consultation Unit
Department for Education and Employment
Level 1B
Castle View House
PO Box 12
Runcorn
Cheshire WA7 2GJ

Tel: 01928 794036
Fax: 01928 794311
Email responses to: nto.consultation@dfee.gov.uk

ANNEX

BUILDING A STRONGER NETWORK:

Developing the Role of National Training Organisations

If you would like to comment on the issues raised in this consultation paper, you may find it convenient to do so on this sheet. If so, please photocopy these sheets or detach them after completing the sections below and return to the Consultation Unit, Area 1B, Castle View House, PO Box 12, East Lane, Runcorn, Cheshire, WA7 2GJ by **Thursday 12 April 2001**.

NAME.....

ADDRESS.....

.....

.....

.....

POST CODE.....

ORGANISATION.....

Please tick below to tell us who you are (tick one box only).

- | | | | |
|---|--------------------------|-------------------------|--------------------------|
| Employer | <input type="checkbox"/> | Educational Institution | <input type="checkbox"/> |
| Private/Public Employer Representative Organisation | <input type="checkbox"/> | Qualifications Body | <input type="checkbox"/> |
| National Training Organisation | <input type="checkbox"/> | Training Provider | <input type="checkbox"/> |
| Regional Economic/ Development Body | <input type="checkbox"/> | Trade Union | <input type="checkbox"/> |
| TEC/ CCTE/ LEC | <input type="checkbox"/> | Voluntary Organisation | <input type="checkbox"/> |

Other (please state)

Where possible it would be helpful if organisations intending to send multiple responses could collate them into one response. If you are providing a collated response or are a representative body, please give a summary of the people and organisations you represent in the box below.

Your response may be made public unless you indicate otherwise. Is your response confidential?

YES NO (tick one box only)

Question 1: Do you agree that this assessment has identified the key issues facing the NTO network, and with the main conclusions drawn? (paragraphs 2.9 - 2.17)

YES NO (tick one box only)

Question 2: Do you agree that these are the three core roles that NTOs should undertake in the future? (paragraphs 3.4 - 3.18)

YES NO (tick one box only)

Question 3: Do you agree that these elements should form the basis of a strategic process for sector skills planning and action in Great Britain? (paragraphs 3.21 - 3.25)

YES NO (tick one box only)

Question 4: How should NTO Groups and cross-sector NTOs be changed to provide a greater strategic approach to tackling broader sector issues? (paragraphs 3.42 - 3.44)

Question 5: Do you agree that the critical success factors essential for a smaller network with larger and stronger NTOs have been correctly identified? (paragraphs 3.27 - 3.54)

YES NO (tick one box only)

Question 6: Do you agree that the proposed categories of strategic indicators will make a useful contribution to the development of the network and delivery of improved sector skills? (paragraphs 3.58 - 3.60)

YES NO (tick one box only)

Notes

Notes

Notes

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