
Enterprise & Skills Review

Response from Aberdeen & Grampian Chamber of Commerce

AUGUST 2016

Introduction

Aberdeen & Grampian Chamber of Commerce represents more than 1,300 businesses with around 130,000 employees across all sectors. The Chamber works at local, national and international level to support businesses from sole traders to multinational corporations.

This submission relates to the Chamber's relationship with the organisations referred to in the consultation. The Chamber is a delivery agent for Skills Development Scotland (SDS) and Scottish Enterprise (SE) and also (in our view) a strategic partner which allows us and the economic development agencies to coordinate support to businesses. This means we have a unique perspective on the strategic approach taken by these organisations and also their operational activity.

In addition, the Chamber is the host organisation for the North-east's industry-led Developing the Young Workforce group, which is supporting businesses to engage in more meaningful relationships with schools and deliver more work opportunities for young people, particularly in small and medium sized businesses.

This response reflects on what existing relationships and partnerships work well, and makes suggestions for improvement based on our own experiences of working with Skills Development Scotland and Scottish Enterprise. Feedback received from members about these organisations will also be highlighted.

In addition, the Chamber has participated and submitted its views during the development of a regional response submitted by the partners of the North East Scotland Regional Advisory Board.

We anticipate that the Scottish Government will undertake further consultation on any recommendations coming out of this review. We intend to participate fully in this process and engage with our members in more detail about the support they want from government to grow, innovate and internationalise.

Context of our response

The Scottish Government is undertaking this review because it wishes to improve our economic performance and the performance of the organisations being reviewed. We have not focused on Scottish Funding Council but have presented views on SE and SDS. Our views are based on the following fundamental points which we feel should be highlighted:

1. Our national economic and international trade performance is not satisfactory. As the public body responsible for our national economic development, Foreign Direct Investment and exports this is what SE should be held accountable for
2. Our national productivity performance is not satisfactory. As the public body responsible for skills this is what SDS should be held accountable for

The scope of this consultation is limited so we have not commented on issues which the Chamber believe must also be considered by the review group:

1. Properly evaluating the performance of SDS and SE
2. Understanding what the right (current) set of aims for economic growth and skills / productivity are

As outlined in the introduction, the Chamber expects further consultation on these two points as the review progresses.

Review Questions

Have you had direct interaction with enterprise or skills advice or support?

Yes, the Chamber has regular, direct interaction with both Skills Development Scotland and Scottish Enterprise. Different Chamber teams work with teams within these two organisations and the charts below outlines the relationships with each organisation, with a description of the type of initiatives and projects undertaken.

Skills Development Scotland

Chamber team	SDS relationships	Description of activities undertaken
Training	Contract Manager (Vocational Qualifications), ILA funding team	<ul style="list-style-type: none"> • Delivery of vocational qualifications • Recipients of ILA funding use Chamber training courses
Membership	PACE team, local team for North-east Scotland	<ul style="list-style-type: none"> • Member referrals sent to SDS for information on apprenticeships • SDS staff attend Chamber skills network • Promotion of SDS events and initiatives with members
Events	Local team for North-east Scotland	<ul style="list-style-type: none"> • SDS staff invited and have attended to speak at events • SDS staff use Chamber events as a networking opportunity with businesses
Senior Management Team	Strategic level engagement with planning / research staff	<ul style="list-style-type: none"> • Regional skills assessments • Regional skills strategy
DYW (reporting to an independent board)	Local delivery, some limited national engagement	<ul style="list-style-type: none"> • Limited discussion on potential future potential to make a real difference with the DYW 'brand' / agenda • Practical activity to work in partnership

Scottish Enterprise

Chamber team	SDS relationships	Description of activities undertaken
Membership	Scottish Enterprise local team	<ul style="list-style-type: none"> • Chamber member referrals for business support
International Trade	SDI	<ul style="list-style-type: none"> • SDI staff attend Chamber international trade events • Shared trade missions
Research & Policy	SDI, Scottish Enterprise Oil & Gas team	<ul style="list-style-type: none"> • Delivery of research on Scottish Enterprise's behalf • Delivery of research on SDI's behalf
Events	Scottish Enterprise Oil & Gas team	<ul style="list-style-type: none"> • Delivery of events on Scottish Enterprise's behalf • Sponsorship of Chamber events

Tell us briefly about your experience:

SDS

The main area of engagement the Chamber has with SDS is in relation to Modern Apprenticeships. The Chamber receives funding from SDS to deliver Modern Apprenticeships in the following areas; business & administration, customer service, management & leadership, learning & development, social services & healthcare. These are qualifications the Chamber has delivered at a very high standard (as determined by audits) since 1991 / 1992.

Despite this record of consistently good service delivery, the team still have to comply with at least 7 full qualification and awarding body audits plus regular compliance audits from their SDS contract manager. While the Chamber recognises the need to ensure all courses delivered are of a high standard, our record of high standards over a sustained period of time surely demonstrates we are a “low-risk” provider and should not be subject to such a demanding level of scrutiny. This would allow the team to and engage with more businesses that could offer apprenticeship opportunities. A ‘risk based’ audit approach should be adopted as a way to best use limited resources.

In addition, the way in which funded places are allocated is unclear. It appears that the number of places awarded to providers takes into account the level of attrition from the previous year, which means that if candidates fail to complete courses, a reduced number of funded places are awarded in the following year. In a region like Aberdeen and Grampian where businesses have struggled with high employee turnover, candidate failure in the past has been due to the staff moving on from the business, rather than a poor service being offered or the course being wrong for their needs. At this current time, candidate failure to complete is often due to staff being made redundant. Modern Apprenticeship places should be allocated based on need, but if this is the case, SDS need to be more transparent about the process they follow to allocate funded apprenticeship places to providers. Such an approach would also assist the Chamber team with their business planning on an annual basis when it takes place in October.

In relation to wider interactions the Chamber has with other SDS teams it has been highlighted that SDS is an extremely large organisation, and it is often hard for the Chamber to establish who is accountable for which area of activity and / or initiative. This means it has often been difficult to establish partnership working. Over the last year the Chamber has worked with the SDS team on a work-experience toolkit for employers and assisted with the promotion of the PACE initiative. However, the Chamber believes there is more scope for such activity, which would be much easier to establish if there was clear lines of accountability and responsibility.

This point has also been reflected in the feedback from Chamber members. A number of members have informed the Chamber that it often takes a number of calls to access the correct team for dealing with their query. Likewise businesses have been critical of the SDS websites, saying that it has a poor user journey, there is too much information, and some of the information is inaccurate or out-of-date.

Finally, while senior staff at SDS are generally accessible and open to discussion there is a challenge in the North-east with no senior local contact acting as a ‘one-stop-shop’ in or near Aberdeen. We understand most other regions have a regional coordinator who acts as a single point of contact and this post needs to be filled in Aberdeen (or the region) as soon as possible.

Scottish Enterprise

Feedback received from Chamber members who regularly interact with Scottish Enterprise is generally positive. However, members have highlighted that often staff don’t have enough practical business experience. There is a need for staff, and in particular, account managers, to have more experience in the establishment, growth and development of a business.

In addition, like with SDS, members have reported that it often takes a number of calls to access the right team or secure advice. This is not an effective use of businesses time and puts businesses off using the service. It is not unreasonable to expect advice and guidance to be provided within the first phonecall.

Over recent years the Chamber has also sought to come to an agreement with Scottish Development about co-ordinating joint activity such as trade missions and information sharing. In the Chamber's view it makes sense to co-ordinate activity given our mutual interest in supporting businesses to export and internationalise.

It has taken time to get SDI to agree to joint initiatives, but over the last year SDI has made more of a concerted effort to engage with the Chamber of Commerce, which resulted in a joint trade mission to Mexico, along with other partners like UKTI, in the autumn of 2015. This will be followed up with another joint mission to Mexico which will take place in September 2016.

We believe such an approach makes the best use of resources amongst all organisations, and allows SDI to reach businesses which previously would not have engaged with either Scottish Enterprise or SDI. This also challenges the presumption that economic development should be fully delivered by the public sector.

Like with SDS it is important that the right scale of regional presences and visibility is available for both SE and SDI. This may need to include formal cooperation and visibility with UKTI.

Reflections on the system of support

What do you see as the strengths and weaknesses of the current approach?

SDS

SDS has a huge remit on a range of issues and there is a perception that SDS is trying to do too much on the skills agenda. As a result it is unclear what they are really trying to achieve and what the impact of their activity is. The fact that they have such a wide ranging remit and an already heavy workload, means they are often slow to respond to emerging issues within local economies, like the most recent downturn in the oil and gas sector. Action from SDS, beyond the PACE initiative, to address the large number of redundancies was not forthcoming, in our view, until the Scottish Government provided extra funding to establish the Oil and Gas Transition Training Fund.

The North-east economy is currently readjusting with large scale redundancies within oil and gas firms. There is a need to support people to re-skill, however, support at the moment is focused on the under-25 age group. For example, only individual under-25 can receive funding for a Modern Apprenticeship. It is important the age group aged 25+ have adequate support in place to re-train during these difficult times, particularly if training would allow them to enter an industry with a skills shortage.

Scottish workers who missed out on opportunities to enter higher education in their youth may still aspire to career paths which require a graduate degree and to more highly skilled roles within their organisation. Late-life career changes are also increasingly common. Therefore, there is a need for Scottish employees of all ages to be nimble and take advantage of re-skilling opportunities in order to avoid or overcome unemployment.

The Developing the Young Workforce agenda seeks to place vocational training on the same level as academic study. However, there is still a persistent perception that the vocational route is not as good as an academic route for preparing for work. With SDS focusing on improving and developing vocational pathways, but the Scottish Funding Council focusing on further and higher education, action to deliver this much needed parity is fragmented and should be addressed going forward. There is no clear 'career' messaging and this is potentially more confused with the creation of the 'single point of contact' regional DYW groups. The review must take a clear view on who is responsible for delivering employer engagement and provide the requisite resource there to reduce duplication.

Scottish Enterprise

The main strength of the current approach of Scottish Enterprise is that businesses engaged with the organisation have strong relationships in place. This means that account managers can tailor the support that can be offered to best suit the business.

However, the current approach to account manage businesses in only key sectors means there is a risk that a large number of businesses fall under Scottish Enterprise's radar. There is a number of businesses that have performed reasonably well but do not fall within the criteria for account management or innovation support. If Scottish Enterprise were able to raise the aspirations of these businesses they could also grow significantly and / or export.

The Chamber also believes that current approach means Scottish Enterprise is too risk averse. If Scotland is to achieve a step-change in economic performance, Scottish Enterprise's investment decisions need to be more flexible in order to allow firms to take advantage of opportunities in unproven technology and systems.

What needs to change in the current system of support to make it simple and clear, and help us deliver Scotland's vision?

Aberdeen and Aberdeen has a joint regional economic strategy and its priorities broadly mirror the priorities contained within Scotland's Economic Strategy. Going forward, it is essential that Scotland's economic development agencies support delivery of this regional economic strategy by having a more prominent presence within the region, both in terms of project support and staffing.

A one-size-fits all, centralised approach is not working. Support needs to be tailored to regional demands and priorities. There is also a need to assess:

- whether the 'sector' approach is right and whether the right sectors are being supported
- whether business support is best placed within the public or private sectors. Council companies be 'account managed' by banks or trade associations who already deal with them on a regular basis
- to what extent SE should be able to take more risks to encourage innovation and productivity growth

As highlighted earlier in this response the lack of senior (i.e. director level) SDS staff based in the North-east of Scotland means organisational-wide strategies do not take into consideration the uniqueness of the North-east economic cycle when compared to the rest of Scotland. The economy of Aberdeen and Aberdeenshire, and with that its skills needs, is different to the rest of Scotland. Members of the Chamber have previously highlighted concern about a perceived lack of knowledge amongst the senior team at SDS about the skills needs of the region.

The Chamber has attempted to address this issue by inviting SDS directors to speak at Chamber events so they can both inform businesses of the services and programmes offered by SDS, and also to answer questions from businesses. However, invites have gone unacknowledged. This is a missed opportunity by SDS to network and engage with the business community. Moving forward, it is essential that SDS (or any other government agency with an interest in economic development) engage more with businesses so that their priorities can be accurately reflected in SDS's business plans.

The local SDS are a hard working team but in our view are very under-resourced and do not have a strategic focus, given the lack of senior staff based in the region. This means that there is inconsistency in service delivery. Staff performance also varies. For example, the careers advice and information service delivered in secondary schools by SDS is patchy in impact with some schools having an excellent service resulting in most children having career pathways identified, whilst other schools have a very poor service. Every school should expect to receive the same standard of service from SDS.

What are the right:

- roles;**
- services;**
- skills; and**
- behaviours**

needed from our agencies to support this transformation?

We would highlight the following skills and behaviours that the Chamber would expect within the enterprise and skills agencies:

- Staff experience of working within the private sector
- Knowledge of regional variations in skills needs, local economic cycles and key sectors within each region
- A commitment to partnership working with Chambers of Commerce and other business organisations
- A willingness to engage and listen to businesses about what their needs are
- A focus on addressing the barriers to exporting for small and medium sized businesses
- Practical experience of technological development and innovation
- Regional support in delivering local economic strategies and addressing government barriers to delivering those strategies
- Decisions on strategic priorities and funding made based on up-to-date research of businesses and their needs

At this stage, the Chamber does not have a clear view on what the right approach would be. The short timescale to respond to this consultation means that while the Chamber can report what businesses want going forward, our members are unsure what model would best deliver the support they need.

How would we know if the system is working better?

The Scottish Government is clear that it wishes to improve Scotland's performance in productivity, innovating and exporting and unemployment. It is the Chamber's view, therefore, that the only way that to know, overall, whether the enterprise and skills support system is working better is if there is performance improvement in those areas.

The Chamber has reviewed the Key Performance Indicators of both SDS and Skills Development Scotland and believe both organisations need simplified overall performance indicators. Fundamentally both organisations need to be held accountable to outcomes and not activity measures. These outcomes should include:

1. Economic growth
2. Productivity
3. unemployment

If activity measures have to be used the following areas could be used to assess performance.

SDS

- Number of people in employment / training
- Number of young people in employment / training
- Number of people with additional support needs in employment / training

Scottish Enterprise

- Economy growth
- Number of business start-ups
- Number of businesses exporting
- Level of investment in research and development

As part of a balanced scorecard approach measurement of satisfaction levels should also be part of more accountable organisations.

How might public resources be deployed most effectively to match priorities, deliver value for money, and flow through the minimum number of levels and organisations to the user?

As previously highlighted, the Chamber believes that resources can be maximised and impact increased if these organisations partner with other like-minded organisations in a more strategic and meaningful way. In the

Chamber's experience partnership working is patchy, with some teams keen to engage and others, on occasion, putting up barriers.

As highlighted above, members are not yet clear on what the best delivery model would be moving forward, but we expect the Scottish Government to engage in more in-depth consultation as proposals come forward.

James Bream
Research & Policy Director
James.bream@agcc.co.uk
01224 343904

Rachel Elliott
Policy Executive
Rachel.elliott@agcc.co.uk
01224 343925