

Local authority commissioning of employability support in Scotland and its impact on third-sector provision

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EXECUTIVE SUMMARY

The research examines the impact that the loss of European funding and the transition to the UK Shared Prosperity Fund (UKSPF) is having on third-sector providers of employment support in Scotland in the context of the Scottish * R Y H U Q P H Q W ¶ V S £ L B e h i n d (N O R B) 2 UKSPF has not made up for the loss of European Social Funding (ESF), while employability funding in Scotland has been reduced in recent years. Both UKSPF and NOLB also afford local authorities, who have faced significant reductions in their own funding, a key role in the commissioning of employability support for the long-term unemployed and economically inactive.¹

The research adopted a µ P L [H G P H W a p p r o a c h i n g involving quantitative and qualitative research methods. With the help of the Third-Sector Employability Forum (TSEF)², the researchers undertook a survey of Scottish third-sector providers in April-May 2024, which collected 45 responses (mainly from those in chief executive/senior management roles). The researchers supplemented this with eight interviews with seven third-sector providers.

The research aims were:

- x To explore the implications of UKSPF and NOLB for third sector organisations providing employability support in Scotland.

¹ The authors have recently published two other reports examining the impact of UKSPF in the UK, and in particular England. The reports can be found at <https://ersa.org.uk/news/third-sector-providers-of-employment-support-shouting-into-the-void-ukspf/>. This also included giving evidence to the UK W O E o] • ũ v š ě } u u] š š v š Z Devolution of Em% o ũ Ÿ š μ % % Ÿ Ÿ Ÿ [Ÿ Ÿ Z] Ÿ Ÿ • % Ÿ Ÿ Ÿ Z ^ o š } u u] š š • [Ÿ Ÿ Ÿ Ÿ] v v () μ v š W <https://committees.parliament.uk/work/8303/devolution-of-employment-support/publications/written-evidence/?page=3>

² The

Whilst national priorities are set by Scottish Government, programmes are planned, commissioned and delivered locally with oversight from 32 Local Employability Partnerships (LEPs). Local Authorities are the designated Lead Accountable Body for the funding and are expected to work with relevant partners, such as the DWP, colleges, employers and employment support providers (public, private and third-sector) to commission provision to meet user needs. The funding allocation for each local authority reflects the proportion of the population that is unemployed in the area. There are agreed national Service Standards, co-designed by users, partners and stakeholders, which seek to ensure consistency and coherence across Scotland, whilst also allowing local flexibility (Finn, 2023).

Employability support in Scotland has been significantly impacted by the withdrawal of the European Union and the loss of European Structural Funds, including the European Social Fund (ESF). As part of its Levelling Up agenda, the UK Government introduced the UK Shared Prosperity Fund (UKSPF), responsibility for which was vested with the UK Department for Levelling Up, Housing and Communities (DLUHC), effectively bypassing the devolved administrations of Scotland, Wales and Northern Ireland. This was meant to replace European funding, whilst reducing its bureaucracy and allowing greater local flexibility. UKSPF runs from April 2022 to March 31, 2025, and provides

people who face very high barriers to labour market entry ¶ 6 F R W W L V K * R Y H U Q I
2022).

Prior to NOLB, the Scottish Government also provided funding for employability through the Employability Fund, under the auspices of Skills Development Scotland (SDS)

place at a time when council budgets are under intense pressure as result of austerity policies pursued by the UK Coalition and Conservative governments since 2010. Until 2017, cuts to council budgets in Scotland were, on average, around half the level of those faced by councils in England (Gray and Barford, 2018).¹⁰ However, Scotland

and public sector pay deals bite

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The Scottish Government has announced additional funding of £144 million for local authorities in 2024/25, provided they agree to a council tax freeze.¹² The Cor

VXVWDLQDEOH ZRUN¶ LV DOVR LPSRUWDQW LQ WHUPV RI policies around child poverty, families with disabilities and lone parents out of work.¹⁷

Levels of economic inactivity remain high in Scotland following the pandemic at 22.6% for August-October 2023, and higher than rest of the UK (20.9%).¹⁸ Local government and civil society (including TSOs) are also having to deal with the impact of the pandemic and the recent cost-of-living crisis on the most deprived (Cook et al., 2023). Given the above, how is the local commissioning of NOLB and UKSPF affecting third-sector providers of employability support in Scotland, whose role remains crucial in supporting the long-term unemployed and economically inactive into work?

Research methods and aims

7R H[SORUH WKHVH TXHVWLRQV WKH UHVHDUFK DGRSW involving a survey and semi-structured interviews. By combining breadth and depth of GDWD PL[HG PHWKRGV FDQ EHWWHU µPDNH VHQVH RI W findings, improve accuracy and completeness, and inform and contribute to overall YDOLGLW¶ 70203L Preswell, 2003). The quantitative aspect of the research comprised an anonymous online survey of staff working at Scottish third-sector organisations providing employability support, collected between April and May 2024. The invitation to participate in the survey was distributed by TSEF to its membership and identified the research as being undertaken jointly by De Montfort University (DMU) and TSEF. As well as closed response questions, the survey contained a number of free-text response questions, with respondents invited to type-in written comments. The survey gathered 45 responses, over half (56%) of which were from chief executives or senior managers, with the remainder mainly at managerial level.

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- x To identify how the current funding and commissioning regime might be improved.
- x To develop a set of policy recommendations based on the findings.

UKSPF and NOLB

The survey data allows us to gauge the impact that changes in the funding and commissioning environment, including the transition to UKSPF and NOLB, are having on third sector employment support in Scotland.

- x Over 4 in 10 (44%) of survey respondents said that they had experienced a reduction in funding as a result of the ending of ESF and the transition to UKSPF which had not been made up by other sources of funding.
- x A similar proportion (42%), however, reported that they had been able to make up any shortfalls with other sources.
- x Among those which have lost funding, 37% said the loss was very significant, 53% said it was quite significant and only 11% said it was not very significant.

The impact of the loss of ESF has, to some extent, been mitigated by alternative funding through NOLB. Indeed, over three quarters (77%) of survey respondents

- x 14% of survey respondents stated that their entire organisation could close in the next 12 months. Those whose organisations were under threat of closure typically reported issues related to reductions in the absolute level of funding and challenges around needing to draw on a large number of funding sources.

The interview data underlines these concerns. In addition to the loss of ESF, for example, several interviewees also expressed concerns around the uncertainty as

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The interviews also provided examples of organisations that had previously

It is also important to note, however, that these changes in funding occur at a time when many third-sector providers are finding that many of their users are requiring additional support. Interviewees were unanimous in their view that the pandemic and

is no doubt that the implementation of NOLB has been made more difficult by the squeeze in public funding for employability and the pressure on local authority budgets.

By cutting the Employability Fund, by cutting the Community Jobs Scotland ... [with] less European money going in, you actually had millions of pounds taken out of the sector.

Many interviewees noted how employability was no longer high up on the Scottish Government agenda, and saw government as passing over responsibility to local authorities:

« it feels like the Scottish Government have pushed out employability and are not really interested... they've relinquished control to local authorities... it's just not the political agenda at the moment. And they've no money.

While there was less public funding available, the way in which NOLB had been implemented was seen as making matters worse. A number of issues were highlighted including funding delays, the lack of long-term funding, the failure of some local authorities to release funding, and a fragmented and inefficient commissioning landscape.

Funding delays

One problem has been delays in making funding available. Some interviewees noted that the transition to NOLB had been challenging. Many local authorities did not have commissioning arrangements in place once NOLB funding was made available by the Scottish Government:

Most local authorities had a gap of more than 12 months between the Employability Fund finishing and then the NOLB program starting because of the tender process and

matters worse, councils often have different procurement processes, with some said
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Lack of local authority transparency and accountability

All interviewees argued that there was a fundamental problem of lack of transparency and accountability around how funding was being used by local authorities and what impact it was having.

we should have the data on how much money is actually getting to the third sector, whether that's UKSPF, whether that's NOLB, like, where's the cold hard data on, like how much of that money is being used by local authorities?...a bit more transparency, like where is the money going? What is it actually paying for?

... it feels like there's no scrutiny as to how this money is being used... Where's the accountability?... Where's the reporting mechanisms?... Ironically, if they [Scottish Government] had applied even a fraction of what they did to Fair Start to NOLB they would have a lot more accountability. But it's gone to the other extreme of absolutely nothing.

Fair Start Scotland

7KH 6FRWWLVK *RYHUQPHQW¶V GHWHUPLQDWLRQ WR URXV through local authorities also has implications for third-sector providers that were involved in Fair Start Scotland (FSS), which ended in March 2024. FSS has not been without criticism. These criticisms have tended to focus on its payments-by-results funding model and the high caseloads of key workers which are seen to have limited its ability to provide personalised support to those with complex needs such as a disability or long-term health condition to move into sustainable employment. Some TSOs that had been involved with FSS were frustrated at these criticisms, insisting you need to be delivering quality services to get paid and it gives us a chance as an organisation to re-invest in our services ¶)RU WKHP WKH VFKHPH ZDV FRPSDWLEOH ZLWK WKH getting the people into lasting work and changing their lives ¶

Other interviewees voiced concerns about the role played by profit-hungry, private-sector primes in FSS, although this was said to depend on the particular prime running the contract. It was noted that in general the targets for delivering supported

employment for disabled persons were 'unachievable' with some support worker expected to work with a case load of 70 clients.

One provider, which had secured funding as a sub-contractor through FSS, *work with someone'* Take sure there was in-work support They had originally subcontracted with a private-sector prime, the experience of which was described as *brutal'* Work calls every day, I mean it was obscene

« on a daily basis they were asking for updates on how many people joined the programme, *what stage are they at, who's moved into work? Have you done this, have you done that? We had audit visits like I've never seen and face-to-face meetings. Our primes were given all sorts of demands put on them that they would then obviously filter down.*

It was still the case that for the private- *business'* *hundreds...where's the quality in that?'* The provider insisted they would only operate with maximum support worker/client ratio of 1:25. Their experience of FSS had improved when they had started working with another private prime contractor. This *a partnership with local organisations... that it would*

Fair Work

While the complexity of the funding landscape has had a deleterious impact on service users, it also makes it harder for third sector providers to deliver on the Scottish

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where TSOs had long-term and open-ended contracts with funders that could underpin employment security. Our research suggests that third-sector providers of employment support were finding it increasingly challenging to provide the job security needed to retain staff due to the lack of long-term funding.

Local authority procurement processes are also placing increasing pressure on staff salaries. It was noted by several interviewees how some local authorities were reluctant to pay a management fee sufficient to fund the full cost involved in delivering

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Fair Work in principle, ¶ this did not always translate into how they approached the procurement of employability services:

It's that thing if you have the policy and then by the time it's been through the procurement kind of mincer, it's often like how on earth are you meant to pay staff like a decent salary from the money you're actually awarded... very few local authorities want to pay 100% of the reality of what a service costs... I don't know who is holding local authorities to account on something like the Fair Work agenda.

Ironically, some interviewees claimed they were losing staff to local authorities who were able to offer much higher salaries and greater employment security.

Local partnership working

Many of the problems around local authority commissioning in relation to UKSPF and NOLB stem from local authorities failing to work in partnership with the third-sector and co-produce services with providers and users. Many interviewees provided examples where partnership working was missing and the Local Employability

Partnership (LEP) lacked any meaningful voice or influence for the third-sector. One noted that, in many cases, the LEP is:

...pretty much the Council under another name and a way for the council to do what the council wants... there's a veneer of engagement and consultation ...They tend to be quite opaque in terms of how decisions get taken, who's running them, who's accountable... It's quite a pain just trying to find out what's getting commissioned who and by when?... So, the council is nominally commissioning on behalf of the LEP, but you can bet your bottom dollar that it's commissioning on behalf of its own interests... they just treat third sector providers with the utmost contempt.

The picture with regard to government-funded Third-Sector Interfaces is mixed, with several interviewees questioning their effectiveness in strengthening the voice of the third-sector on LEPs. In a few cases, the TSI representative on the LEP was a funded post. In most cases, however, this position was said to be undertaken by a busy chief executive or senior manager performing this role on top of their day job, while also trying to keep up with increasing demands on the TSI to cover a range of policy areas such as health and social care, child poverty, etc. Some explained this lack of effectiveness in terms of TSIs being really poorly funded. Another argued that *'quite supportive' DQGHWKH SURY value of the D Z WKH them being there' 1HYHUKHOHV V WKH 76, V quite open and YHV KD honest ¶ They don't have the resource or knowledge ¶ / D Understanding of the issues in relation to employability and the challenges providers face was a central theme. As one put it:*

« very few TSIs have any clue about employability... they don't know what the challenges are as they're not necessarily speaking tÄ e T as n

going round seek

the delivery model which can be off-putting for large private-sector primes. Some argued that the move away from reliance on private-sector providers also reflected the Scottish

For TSEF and third sector employment providers

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